

# 2023

## REPORT ON THE REMUNERATION POLICY AND 2022 REMUNERATION PAID

Rome, 22 March 2023



# 2023 Report on the Remuneration Policy and 2022 Remuneration Paid Terna S.p.A. and Terna Group

Traditional management and control model

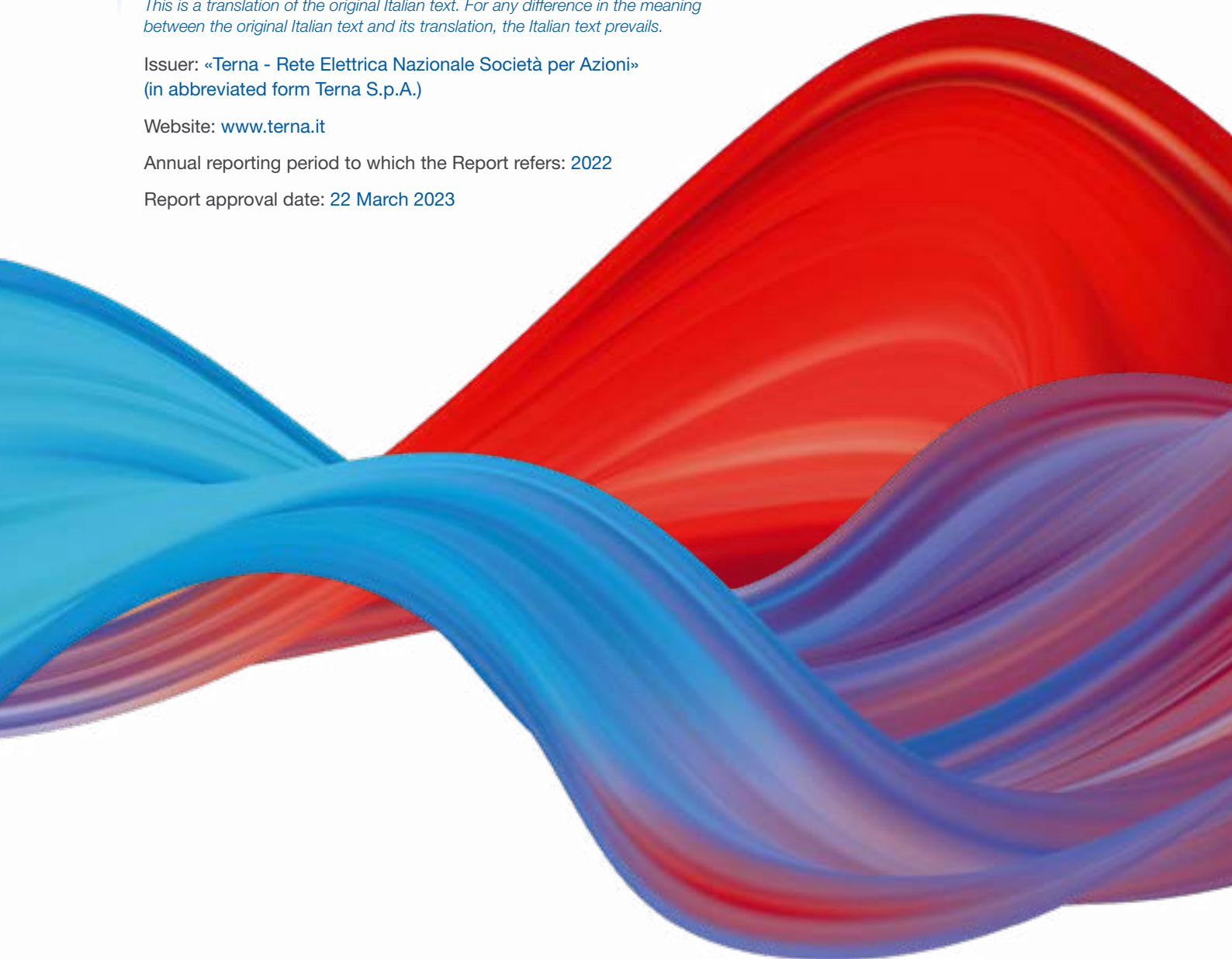
*This is a translation of the original Italian text. For any difference in the meaning between the original Italian text and its translation, the Italian text prevails.*

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

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

Annual reporting period to which the Report refers: 2022

Report approval date: 22 March 2023



# Driving Energy

We are Europe's largest independent electricity transmission system operator.

We are engaged in **driving and enabling the ecological transition** in order to create a new development model based on renewable sources and respect for the environment.

Sustainability, innovation and distinctive competencies are behind everything we do, with the aim of providing the generations to come with a clean, accessible and emission-free energy future.

We have the major responsibility for providing the country with energy, ensuring **security, quality and cost-effectiveness over time**.

We manage Italy's high-voltage electricity transmission grid, one of the most modern and technologically advanced in Europe, which we are working to **develop and integrate with the European grid**, guaranteeing secure and **equal access to all grid users**.

We are developing **Non-regulated Activities** and new business opportunities, making our expertise and experience available in Italy and overseas.

# Letter from the Chairman of the Remuneration Committee

Dear Shareholders,



as Chairman of the Remuneration Committee, it is my pleasure to present the Report on the remuneration policy for 2023 and remuneration paid in 2022, drawn up according to art. 123-ter of the Consolidated Law on Finance and approved by the Board of Directors on 22 March 2023.

On behalf of the Remuneration Committee as a whole, I believe that the Report represents an important opportunity for Terna to give concrete form to its commitment to open and transparent communication. As a Remuneration Committee, we have always interpreted the publication of the Report not only as a necessity in order to comply with the current regulations, but as an opportunity to embrace alignment with best market practices and to respond to input from our stakeholders.

I am confident that the new Committee, which will be appointed after the Annual General Meeting to approve the financial statements for the year ended 31 December 2022, will inherit an ecosystem in which it will be able to continue to make good progress. I also hope that what we have achieved thus far will prove to be a valuable legacy to help tackle the emerging challenges that the new Committee will be called upon to deal with.

As in 2022, the first few months of 2023 have been marked by a number of extraordinary events, with major impacts on economic and social systems both in Italy and across the globe. Geopolitical tensions, the economic repercussions for the cost of raw materials and energy, the resurgence of inflationary pressures and the continuation of the pandemic have permeated our operations, reinforcing the need for increased attention and commitment to sustainability as a means of developing resilience, creating value and delivering growth.

Despite the challenges of the global scenario, thanks to the commitment of everyone at the Terna Group, we have succeeded in achieving an exceptional performance in 2022. This has confirmed our belief in the remuneration policies we have adopted thus far, which represent a strategic element in supporting performance and guiding behaviour, while also recognising the contribution that our personnel make to the Group's growth.

In line with the strategy launched in previous years and the approach established for the current term of office (2020-2022), this Report contains all the elements introduced by the Shareholders' Rights Directive II and the Corporate Governance Code, continuing our commitment to ensuring increasingly immediate and effective disclosure. This is proven by the constant commitment shown by the Committee in devising, and proposing to the Board of Directors, a policy in line with the expectations of our major shareholders and stakeholders and with best market practices.

We believe that ensuring greater transparency towards shareholders and the market is a key asset, much like the approach we have followed in recent years in listening to and analysing the suggestions and views received from all our stakeholders, whilst also identifying areas for improvement suggested by the main proxy advisors, with whom we have developed an open and constructive dialogue.

With a view to guaranteeing continuous improvement, we have also opted to update the document to better represent Terna's commitment to ESG issues and to strengthen the link between the Group's main sustainability goals and the related remuneration strategy adopted to support their achievement.

In particular, for 2023, the Company has decided to introduce a number of changes, including:

- limiting the elements of the remuneration policy that are subject to exemption;
- increasing the emphasis on monitoring employee pay and working conditions when defining the remuneration policy, particularly in view of inflationary pressures;
- incorporating a specific sustainability indicator in the LTI plans, in line with best market practices;
- providing more detail on the use of one-off and signing bonuses.

Finally, I want to take this opportunity to thank the Directors, Alessandra Faella, Gabriella Porcelli and Jean-Michel Aubertin, for their contribution and extensive commitment during the three-year term of office of the current Remuneration Committee. I would also like to express my gratitude to the members of the Board of Statutory Auditors for supporting our work with their expert opinions. Finally, a special thanks to the departments within the Company who have continually and effectively supported us throughout our term of office.

We are confident that, as shareholders of Terna, you will find the information provided in this Report on the Remuneration Policy and Remuneration Paid to be both comprehensive and useful. We trust that we will be able to count on your positive support during the Annual General Meeting.

Yours sincerely,

**Fabio Corsico**

Chairman of the  
Remuneration Committee



# Introduction

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 Oversight Bodies, the General Manager and Key Management Personnel (“KMP”).

The document is divided into two sections:

- **Section I – Report on the remuneration policy for 2023** – describing the policy adopted by Terna for 2023 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, as well as for the application of temporary exemptions;
- **Section II – Report on remuneration paid in 2022** – setting out details of the remuneration paid in 2022, 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 was prepared in compliance with the current 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. As described in the Report on Corporate Governance and Ownership Structures, please note that Terna formally signed up to the new edition of the Code at the Board of Directors meeting of 27 January 2021.

On 22 March 2023, 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 2022, is subject to a non-binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2022.

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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 shareholders [...], listed companies must provide the public with a report on 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> Art. 84-quater of the Regulations for Issuers, first added with resolution 18049 of 23 December 2011 and then amended by resolutions 18214 of 9 May 2012 and 21623 of 10 December 2020. In this regard, it should be noted that this Report incorporates the amendments most recently made to the Regulations for Issuers on 11 December 2020.

The term of office of the current Board of Directors as at the date of approval of this Report will end at the next Annual General Meeting called to approve the financial statements for the year ended 31 December 2022. The new Board of Directors will be responsible for determining the remuneration of the Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board Committees.

The pay of Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board Committees, as reported in Section I of this Report, were set by the current Board of Directors. In this regard, the information provided in the paragraphs below represents the guidelines for Terna's Remuneration Policy for 2023, defined in accordance with the prerogatives of the Annual General Meeting and the Board of Directors to be elected for the 2023-2025 term of office.

The text of this Report will be made available to the public at the Company's head office and in the Governance section of the Company's website [www.terna.it](http://www.terna.it), within the twenty-first day preceding the date of the Annual General Meeting called to approve the financial statements for the year ended 31 December 2022, as required by the legislation in force.

The Information Circulars related to existing equity-based remuneration plans can be found in the Governance section of the Company's website.

 Terna







**EXECUTIVE SUMMARY**

# Executive summary

A summary of the remuneration policy for 2023, drawn up in keeping with decisions taken by the Board of Directors in office for the period 2020-2022, is provided below. This is without prejudice to the prerogative of the new Board of Directors, which will take office after the next Annual General Meeting called to approve the financial statements for the year ended 31 December 2022, to determine the remuneration of Directors with delegated powers and the fees payable to non-executive Directors for their participation in Board Committees in accordance with this Policy, if approved by the Annual General Meeting.

	FIXED REMUNERATION	SHORT-TERM INCENTIVE (MBO)	LONG-TERM INCENTIVE (LTI)
	<i>Remunerates the skills, the experience and the contribution required by 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>
	<b>Amount</b>		
<b>CHAIRWOMAN</b>	€238,000 gross per year, of which: <ul style="list-style-type: none"> <li>• €50,000 pursuant to Art. 2389 of Italian Civil Code paragraph 1;</li> <li>• €188,000 pursuant to para. 3, art. 2389 of the Italian Civil Code.</li> </ul>	--	--
	<b>Conditions for implementation</b>		
	Defined using market benchmarks in relation to companies comparable on the basis of predefined criteria.	--	--
	<b>Amount</b>		
<b>CHIEF EXECUTIVE OFFICER</b>	€235,000 gross per year, of which: <ul style="list-style-type: none"> <li>• €35,000 pursuant to Art. 2389 of the Italian Civil Code paragraph 1;</li> <li>• €200,000 pursuant to para. 3, art. 2389 of the Italian Civil Code.</li> </ul>	€50,000 gross on achieving the minimum level of performance (an objective with a weighting of 25% ON). €200,000 gross on achieving the maximum level (all objectives ON).	--
	<b>Conditions for implementation</b>		
	Defined using market benchmarks in relation to companies comparable on the basis of predefined criteria.	2023 Targets: <ul style="list-style-type: none"> <li>• Weighting 50%: Terna Group - 2023 Net Income;</li> <li>• Weighting 25%: Incentives output - DSM;</li> <li>• Weighting 25%: Incentives output - inter-zonal;</li> </ul> The application of clawback provisions is provided for.	
	<b>Amount</b>		
<b>GENERAL MANAGER</b>	€850,000 gross per year.	€300,000 gross if the score of all of the targets meets the target (100%); € 450,000 gross if the score of all the targets is at 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 2023-2027, 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>• Weighting 25%: EBITDA 2023 - Terna Group;</li> <li>• Weighting 20%: Investments - Terna Group;</li> <li>• Weighting 10%: Operating Income - Terna Group;</li> <li>• Weighting 20%: Service Quality;</li> <li>• Weighting 20%: Safety index(Is) Personnel of the Terna Group belonging to the electricity sector;</li> <li>• Weighting 5%: Injuries among contractors in Italy.</li> </ul> The application of clawback provisions is provided for.	Performance Share Plan 2023-2027 objectives: <ul style="list-style-type: none"> <li>• Cumulative EBITDA over the three-year period (weighting 30%);</li> <li>• Cumulative regulated INVESTMENT over the three-year period (weighting 20%);</li> <li>• Relative TSR: positioning of Terna in the reference peer group (weight 20%);</li> <li>• ESG indices: inclusion during the three-year period in Bloomberg GEI; DJSI-World; MIB® ESG, STOXX ESG (weighting 15%);</li> <li>• Overgeneration (weighting 15%).</li> </ul> The application of clawback provisions is provided for.

	FIXED REMUNERATION	SHORT-TERM INCENTIVE (MBO)	LONG-TERM INCENTIVE (LTI)	
	<i>Remunerates the skills, the experience and the contribution required by 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>	
<b>KEY MANAGEMENT PERSONNEL</b>	<b>Amount</b>			
	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 Share bonus of up to 60% of gross annual pay (GAP), based on the total amount for the three-year period of the Performance Share Plan 2023-2027, 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>			
	Defined using market benchmarks in relation to companies comparable on the basis of predefined criteria.	The annual incentive is linked to: <ul style="list-style-type: none"> <li>• al superamento di un Gate di accesso (EBITDA di budget);</li> <li>• the Group's objectives (weighting 40%);</li> <li>• shared cross-cutting objectives common to several departments (weighting 20%);</li> <li>• individual objectives linked to organizational role held (weighting 30%);</li> <li>• qualitative objectives linked to management expertise (weighting 10%).</li> </ul> <p>The application of clawback provisions is provided for.</p>	Performance Share Plan 2023-2027 objectives: <ul style="list-style-type: none"> <li>• Cumulative EBITDA over the three-year period (weighting 30%);</li> <li>• Cumulative regulated INVESTMENTS over the three-year period (weighting 20%);</li> <li>• Relative TSR: positioning of Terna in the reference peer group (weight 20%);</li> <li>• ESG indices: inclusion during the three-year period in Bloomberg GEI; DJSI-World; MIB® ESG; STOXX ESG (weighting 15%);</li> <li>• Overgeneration (weighting 15%).</li> </ul> <p>The application of clawback provisions is provided for.</p>	
<b>BENEFITS</b>		<b>SEVERANCE</b>		
<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>		
<b>CHAIRWOMAN</b>	<b>Description</b>			
	<ul style="list-style-type: none"> <li>• Insurance policy for occupational and non-occupational accidents related to the position.</li> </ul>	A severance payment on completing the term of office, equal to 1/12 of remuneration paid for each year in office.		
<b>CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER</b>	<b>Conditions for implementation</b>			
	On completion of the term of office			
	<b>Description</b>		<b>Description</b>	
	<ul style="list-style-type: none"> <li>• Insurance policy for occupational and non-occupational accidents related to the position.</li> <li>• Supplementary pension;</li> <li>• Supplementary health insurance;</li> <li>• Cover against risk of death, permanent disability and injury;</li> <li>• Company car for company/private use.</li> </ul>	In line with the Board of Directors' resolution of 18 May 2020, 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 total pay (fixed remuneration plus short-term variable incentives) for each year in office as CEO.		
<b>Conditions for implementation</b>		<b>Conditions for implementation</b>		
Defined in accordance with the provisions of the relevant National Collective Employment Contract, and the corporate policies and practices applicable to all Terna's Management.		In Terna, the administrative role of the CEO and the management role of the GM are inseparable; therefore, the termination of one determines the termination of the other.		
<b>KEY MANAGEMENT PERSONNEL</b>	<b>Description</b>			
	<ul style="list-style-type: none"> <li>• Supplementary pension;</li> <li>• Supplementary health insurance;</li> <li>• Cover against risk of death, permanent disability and injury;</li> <li>• Company car for company/private use.</li> </ul>	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.		
	<b>Conditions for implementation</b>			
Defined in accordance with the provisions of the relevant National Collective Employment Contract, and the corporate policies and practices applicable to all Terna's management.		Early termination of the employment relationship by the Company.		







**Section I:  
Report on the remuneration  
policy for 2023**



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# 1. Summary

## of the main changes in this Report

The guidelines for the 2023 Remuneration Policy were defined in substantial continuity and consolidation with the policy of the previous year, which incorporated all the mandatory regulatory requirements in force contained in the SHRD II and in the Regulations for Issuers, and are produced in line with the resolutions of the Board of Directors for the 2020-2022 term of office.

Due to the expiry of the term of office of the current Board of Directors, the guidelines for the 2023 Remuneration Policy may be further developed in view of the prerogatives of the Annual General Meeting and the new Board of Directors and based on the recommendations of the Remuneration Committee.

In light of the recommendations contained in the letter from the Chair of the Italian Committee for Corporate Governance, the requests of proxy advisors and best market practices, certain changes have been made to this Report, with a view to providing greater disclosure for all stakeholders.

## Changes for 2023

- limitation of the elements of the remuneration policy subject to exemption, excluding certain established incentives such as benefits, one-off bonuses and signing bonuses, additional insurance, social security and pension plans;
- greater emphasis on monitoring employee pay and working conditions when defining the remuneration policy, particularly in view of inflationary pressures; in particular, a one-off collective bonus for the Company's entire workforce, excluding managers, is to be paid;
- incorporation of a specific sustainability indicator in the LTI plans, in line with best market practices; in particular, an "energy transition enabling" ESG indicator closely linked to the Industrial Plan has been identified;
- more detail on the use of one-off and signing bonuses.

## 2. Engagement process and remuneration policies

### 2.1 Outcome of shareholder votes and feedback

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's actions towards its shareholders, investors and key stakeholders are based on a structured and consistent communication process pursued continuously during the year. This process involves the main departments in question, specifically People Organization and Change, Corporate Affairs and Corporate Governance, Investor Relations and Sustainability, along with support from an independent consultant.

To this end, Terna has continued to engage with shareholders, holding a series of conference calls with a number of institutional investors and proxy advisors. This was done to expand on the views expressed by these parties on key aspects of the Report on the Remuneration Policy and Remuneration Paid submitted to the Annual General Meeting of 29 April 2022. A total of 14 meetings were held between December 2022 and January 2023 to discuss the outcome of the Policy for 2022 and present the Policy for 2023.

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. During the year, an analysis of common market practices was carried out with the assistance of a specialist consulting firm, focusing on the information provided to the market in remuneration reports and the main characteristics of the remuneration systems adopted by companies comparable to Terna.

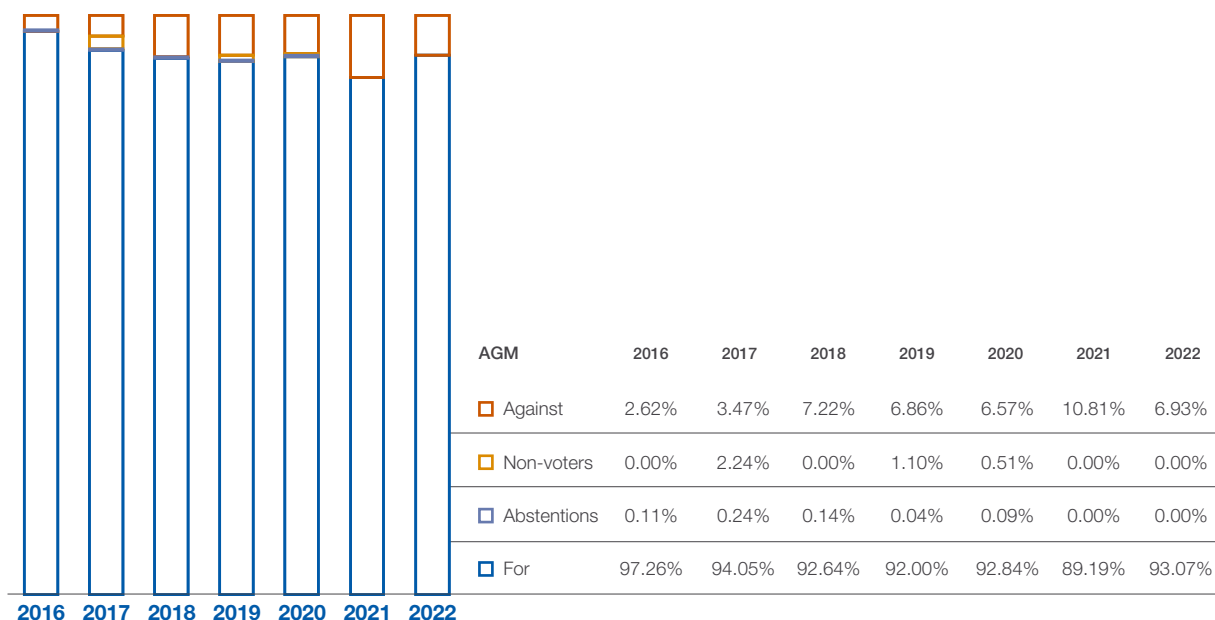
This feedback, together with the results of the activities carried out in the year and the outcome of votes on remuneration resolutions at the Annual General Meeting in 2022, as well as the voting policy adopted by key investors and proxy advisors, was taken into account when defining the Remuneration Policy for 2023. The changes to the policy include new limitations on the elements of the remuneration policy that are subject to exemption; increased emphasis on the description of activities involved in monitoring employee pay and working conditions, also in view of inflationary pressures; the incorporation of specific ESG targets in LTI plans; and the introduction of a description of the criteria for the use of one-off and signing bonuses as a form of remuneration.

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 2023.

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 2016 and 2022 are shown below. In evaluating the difference in the percentage of votes for the Report between 2021 (89.19%) and 2022 (93.07%), the reduction in votes against (from 10.81% to 6.93%) should be considered within the context of a slight increase in the quorum for voting, which rose from 68.19% to 69.80% of the share capital.

#### Outcomes of shareholder votes on the remuneration policy (2016-2022)



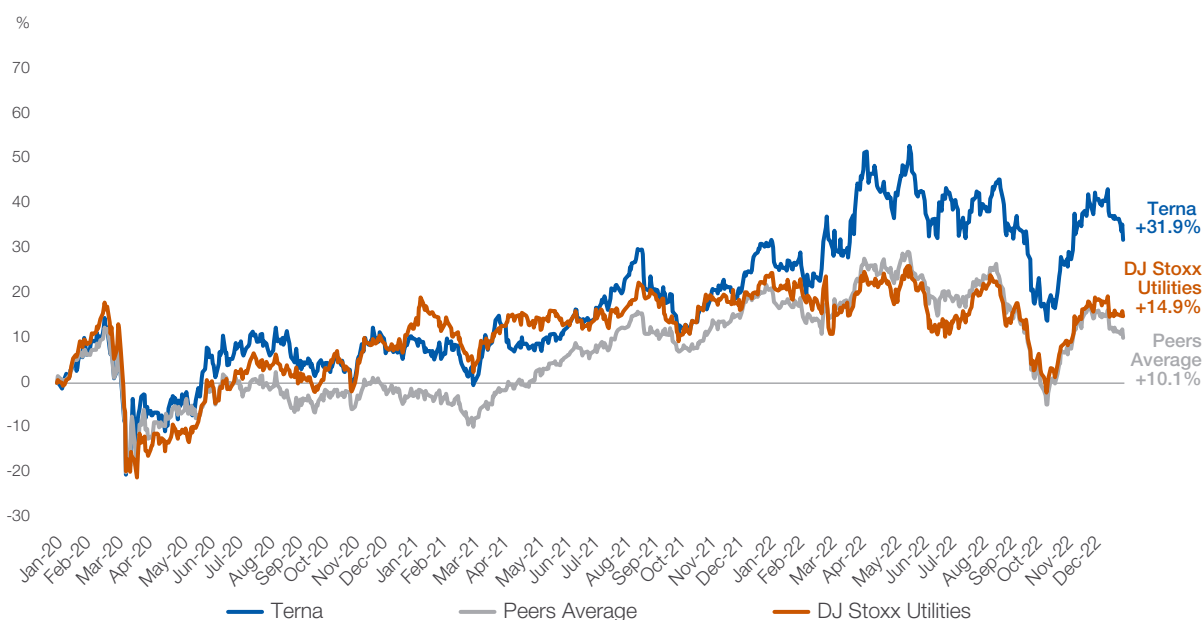
## 2.2 The Terna Group's Total Shareholder Return and operating performance

Terna Group Total Shareholder Return (TSR) trends are listed here below, with reference to own peers and the European sector benchmark index (DJ Stoxx Utilities) for the 2020-2022 period.

Over the three years from 2020 to 2022, Terna delivered a *TSR* of 31.9%, whilst the *DJ Stoxx Utilities* index recorded a *TSR* of 14.9%.

In the same period, Terna's shareholders enjoyed a return on their investment ahead of the average delivered by the peer group<sup>3</sup> selected for the purposes of the LTI Plan, which stands at 10.1%.

### Performance of the Total Shareholder Return between January 2020 and December 2022



### Operating performance of the Terna Group 2020 - 2022

	2020*	2021*	2022*	CHANGE 2022 VS 2020
Revenue	2,490.4	2,604.8	2,964.5	19%
EBITDA	1,811.0	1,854.8	2,059.2	14%
EBIT	1,176.6	1,200.4	1,333.5	13%
Net profit	785.5	789.4	857.0	9%

\* In compliance with the requirements of IFRS 5, the overall results for the 2022, 2021 and 2020 attributable to the South American subsidiaries involved in the potential sale of the Group's Latin American assets have been classified in "Profit/(Loss) from assets held for sale" in the Group's reclassified income statement.

<sup>3</sup> The "peer average" is related to: Snam, Red Electrica de Espana, Enagas, National Grid, United Utilities and Severn Trent. Source: Bloomberg.



## 2.3 Remuneration benchmarking

### CEO 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 13 Italian and European companies<sup>4</sup>.

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 on regulated markets;
- business sector;
- economic structure;
- organisational structure;
- 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>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>
<i>Prysmian</i>	

The study showed that, for the Terna Group, the total remuneration (Total Direct Compensation = fixed component + MBO<sup>5</sup> + LTI<sup>6</sup>) of the Chief Executive Officer and General Manager is in line with the median of the sample identified.

<sup>4</sup> Compared with 2022, in line with the peer group selection criteria, Atlantia has been removed from the CEO/GM peer group used for benchmarking purposes as it ceased to be a listed company on 9 December 2022. Therefore, the role of Chief Executive Officer is no longer comparable between the companies.

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

<sup>6</sup> Long-term incentive - LTI, see Glossary section.

## Key Management Personnel

In the case of Key Management Personnel, the Remuneration Committee periodically conducts a comparative assessment of overall remuneration for similar roles with the assistance of a specialist consulting firm. Specifically, Terna bases its assessment on the total remuneration for similar roles in a peer group of 17 major Italian companies, both listed and unlisted, deemed comparable to Terna in terms of business model, lead 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, with the option of periodically revising the identified peer group.

A list of the companies<sup>7</sup> included in the peer group for benchmarking the remuneration of Key Management Personnel is shown below:

<i>Acea</i>	<i>Gruppo Gavio - ASTM</i>
<i>Atlantia</i>	<i>Maire Tecnimont</i>
<i>Brembo</i>	<i>Plenitude</i>
<i>CNH Industrial</i>	<i>Poste Italiane</i>
<i>Eni</i>	<i>Prysmian</i>
<i>ERG</i>	<i>Saipem</i>
<i>Ferrari</i>	<i>Snam</i>
<i>Iveco</i>	<i>Vodafone</i>
<i>Ferrovie dello Stato</i>	

The latest benchmarking exercise shows that the total remuneration of Key Management Personnel is between the first quartile and the market median.

## 2.4 Pay mix

### CEO and General Manager

With reference to the Chief Executive Officer and General Manager, the pay mix is a representation of the remuneration components in the various possible performance scenarios. This is mainly in line with the 2020-2022 term of office, without prejudice to the responsibility of the Annual General Meeting and the Board of Directors to determine the remuneration in light of the regulations in force (pursuant to Article 2389, paragraphs 1 and 3 of the Italian Civil Code) and in accordance with this Policy (if approved by the Annual General Meeting).

<sup>7</sup> Changes were made to the selected peer group compared with 2022 to better reflect the Italian labour market: companies were added in the Utilities (Acea, Plenitude), Network Management (Ferrovie dello Stato) and Motor Vehicles (Iveco) sectors, while other companies were removed (Enel, Italgas and Fincantieri) in order to represent a combination of dimensional data more comparable with Terna. Despite ceasing to be a listed company as of 9 December 2022, Atlantia nonetheless remains in the peer group used for benchmarking the remuneration of Key Management Personnel, in line with the selection criteria.



# 3. Governance

## of the remuneration process

### 3.1 Corporate 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 giving assessments, 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

Subject to be remunerated	Proposal-making body	Decision-making body	Support structures	Any independent expert consultants
<b>Chair</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Remuneration Committee</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> <li>• Board of Directors</li> </ul>		
<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>• Annual General Meeting</li> <li>• Board of Directors</li> </ul>	People Organization and Change	Independent consultant
<b>Directors</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</li> </ul>		
<b>Board of Statutory Auditors</b>	<ul style="list-style-type: none"> <li>• Shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Annual General Meeting</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

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 the 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

Terna's Board of Directors (term of office 2020-2022) was elected by the Annual General Meeting of 18 May 2020 and consists of 13 Directors.

The current Board of Directors differs from its original composition due to the following changes:

- the appointment by the Annual General Meeting of 29 April 2022, on the proposal of the Board of Directors, pursuant to Art. 2386 of the Italian Civil Code, of Mr Qinjing Shen as a new Director of the Company, already co-opted by the Board of Directors of Terna S.p.A. on 26 January 2022 following the resignation of Mr Yunpeng He, and appointed by the Annual General Meeting of 18 May 2020. The term of office of Mr Shen shall expire at the same time as the other members of the Board of Directors and coinciding with the Meeting called to approve the 2022 Financial Statements;
- the resignation of Mr Ernesto Carbone on 23 January 2023 with immediate effect following his appointment, by Parliament in joint session, as a member of the *Consiglio Superiore della Magistratura*.

Terna's Board of Directors (2020-2022 term of office), as at the date of this Report, therefore consists of 12 Directors and its term of office expires at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2022.

On 14 October 2021, the number of members of each Board Committee was increased from three to four. The increased number of Committee members means that the size of Committees is more in proportion with the size of the Board of Directors. The inclusion of additional expertise reinforces and encourages the emphasis on constructive dialogue that will benefit the entire Board of Directors in its efforts to achieve the challenging objectives in the Industrial Plan.

The composition of the Board of Directors in office for the period 2020-2022 is shown below:

### DIRECTORS WITH DELEGATED POWERS



**VALENTINA  
BOSETTI**

**CHAIRWOMAN**  
Board of Directors



**STEFANO ANTONIO  
DONNARUMMA**

**CEO AND GENERAL MANAGER**  
Board of Directors



## DIRECTORS WITHOUT DELEGATED POWERS



**ALESSANDRA FAELLA**

**DIRECTOR**  
Board of Directors

**MEMBER**  
Remuneration Committee

**MEMBER\***  
Audit, Risk, Corporate  
Governance and Sustainability  
Committee



**QINJING SHEN**

**DIRECTOR\*\***  
Board of Directors



**VALENTINA CANALINI**

**DIRECTOR**  
Board of Directors



**ERNESTO CARBONE\*\*\***

**DIRECTOR**  
Board of Directors

**MEMBER<sup>1</sup>**  
Nominations Committee

**MEMBER<sup>2</sup>**  
Related Party Transactions  
Committee



**GIUSEPPE FERRI**

**DIRECTOR**  
Board of Directors

**MEMBER**  
Audit, Risk, Corporate  
Governance and Sustainability  
Committee

**MEMBER\***  
Related Party Transactions  
Committee



**ANTONELLA BALDINO**

**DIRECTOR**  
Board of Directors



**FABIO CORSICO**

**DIRECTOR**  
Board of Directors

**CHAIRMAN**  
Remuneration Committee

**MEMBER**  
Nominations Committee



**MARCO GIORGINO**

**DIRECTOR**  
Board of Directors

**MEMBER**  
Audit, Risk, Corporate  
Governance and Sustainability  
Committee

**CHAIRMAN**  
Related Party Transactions  
Committee



**GABRIELLA PORCELLI**

**DIRECTOR**  
Board of Directors

**MEMBER**  
Remuneration Committee

**CHAIRWOMAN**  
Nominations Committee



**PAOLA GIANNOTTI**

**DIRECTOR**  
Board of Directors

**CHAIRWOMAN**  
Audit, Risk, Corporate  
Governance and Sustainability  
Committee

**MEMBER**  
Related Party Transactions  
Committee



**JEAN-MICHEL AUBERTIN**

**DIRECTOR**  
Board of Directors

**MEMBER\***  
Remuneration Committee

**MEMBER**  
Nominations Committee

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

\* Member as of 14 October 2021.

\*\* The Annual General Meeting of 29 April 2022, at the proposal of the Board of Directors, pursuant to art. 2386 of the Italian Civil Code, appointed Mr Qinjing Shen as a new Director of the Company, previously co-opted by the Board of Directors of Terna S.p.A. on 26 January 2022 following the resignation of Mr Yunpeng He.

\*\*\* On 23 January 2023 Mr Ernesto Carbone resigned with immediate effect following his appointment, by Parliament in joint session, as a member of the Consiglio Superiore della Magistratura.

<sup>1</sup> Member from 14 October 2021 to 23 January 2023.

<sup>2</sup> Member from 18 May 2020 to 23 January 2023.

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:

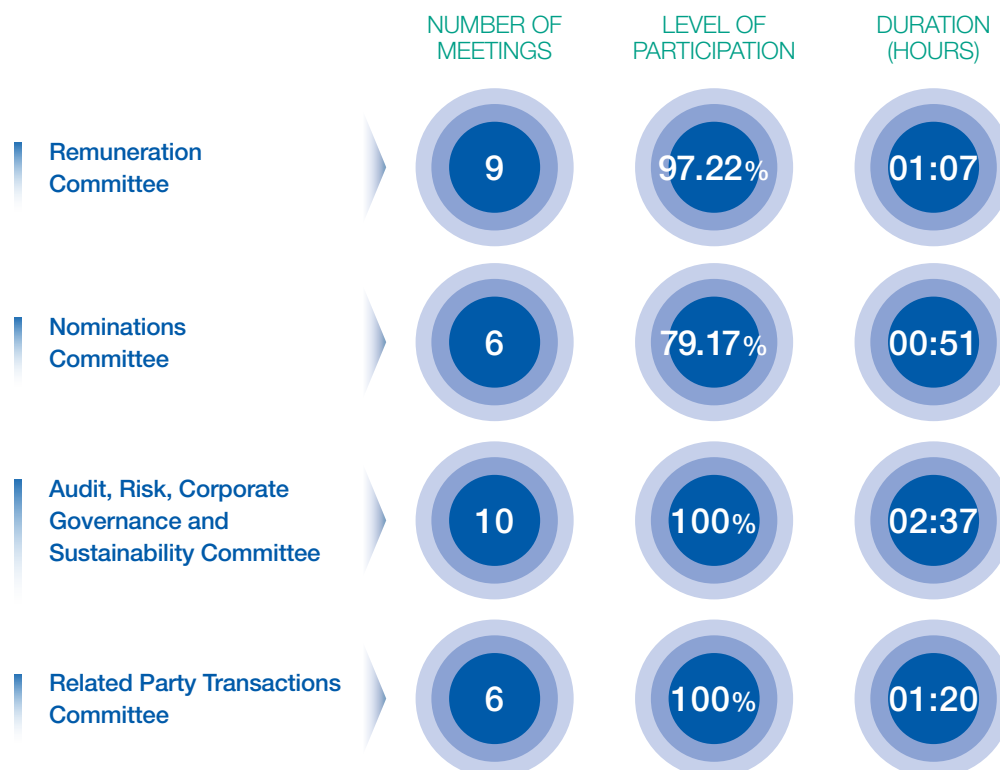
- determining the remuneration of Directors with delegated powers in compliance with the Articles of Association, in consultation with Board of Statutory Auditors;
- setting the objectives and approving the corporate results for the performance-related plans to which determination of the variable remuneration 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.

The commitment actually required of the Directors and members of the Oversight Body is highlighted below, also in response to the recommendation of the Chairman of the Corporate Governance Committee and in order to better represent the adequacy of the amounts paid. The Board of Directors held 12 meetings in 2022. All the meetings were attended by all members of the Committee (95.51%) and the average duration was approximately 2 hours and 41 minutes.

With reference to the Board Committees in 2022, the number of meetings, attendance and duration are shown in the following table:







## 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 art. 147-ter, paragraph 3 of the CLF and art. 3 of the Corporate Governance Code. Two members (Gabriella Porcelli and Jean-Michel Aubertin) are Directors 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. The Board of Directors, to be elected by the Annual General Meeting of 9 May 2023, will appoint the new Remuneration and Nominations Committee for the 2023-2025 term of office.

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

	NAME	ROLE
	<b>Fabio Corsico</b>	<b>Chairman</b>
	<b>Gabriella Porcelli</b>	<b>Member</b>
	<b>Alessandra Faella</b>	<b>Member</b>
	<b>Jean-Michel Aubertin</b>	<b>Member</b>


### Objectives, functions and activities


The Committee aims to ensure that the remuneration policies of Directors and Key Management Personnel are designed in such a way as to avoid conflicts of interest, taking into account the Company's mission and to comply with the provisions of the Corporate Governance Code, in particular, as regards to the contribution made by the remuneration policy to the company's strategy, the pursuit of long-term interests and the sustainability of the Company. To this end, the Committee has assessment, 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.


The Chairman of the Committee, with the assistance of the Secretary of the Committee and in coordination with the Company Secretariat, may from time to time invite the Chair of the Board of Directors to the meetings of the Committee, with reference to the individual items on the agenda, the Chief Executive Officer, the members of the Audit, Risk, Corporate Governance and Sustainability Committee and other members of the Board of Directors, as well as, after informing the Chief Executive Officer, other members of Terna's organisation or other persons whose presence may be helpful to the Committee in carrying out its duties.

It should be noted that all persons (including the Chief Executive Officer and General Manager) do not take part in the meetings of the Committee in which proposals relating to their remuneration are designed, except in the case of proposals that concern the details of the members of the Committees.


## Role of the Remuneration Committee


- 


To periodically assess the adequacy and overall coherence of the remuneration policy for Directors, members of the Board of Statutory Auditors and Key Management Personnel.
- 

To submit proposals or express opinions to the Board of Directors on the remuneration of executive Directors and other Directors with delegated powers, and to determine the performance objectives linked to the variable component of their remuneration, which also include indicators relating to ESG factors identified in agreement with the Audit, Risk, Corporate Governance and Sustainability Committee.
- 

To monitor effective application of the remuneration policy and verify the effective achievement of performance targets.
- 

To draw up and submit to the Board of Directors and monitor the application of short- and long-term incentive schemes (including equity-based plans) aimed at Terna's executive Directors and/or key management personnel and/or other senior managers of the Company and/or the Group. 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.
- 

To assist the Board of Directors in drawing up the remuneration policy for Directors, members of the Board of Statutory Auditors and the key management personnel and in any subsequent amendments, verify, among other things, how, in determining this policy, the pay and working conditions of its employees and/or Group employees were taken into account.  
To assist the Board of Directors in preparing the report on the remuneration policy and on remuneration paid pursuant to art. 123-ter of the CLF.
- 

To verify the independence of any external consultants that the Company uses for the purpose of drawing up the remuneration policy, or any subsequent amendments to it, and carry out any additional tasks assigned to it by the Board of Directors.
- 

To propose to the Board of Directors, subject to the favourable opinion of the Related Party Transactions Committee, temporary exceptions to the remuneration policy, in accordance with the provisions of art. 123-ter, paragraph 3-bis of the CLF.

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 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, amongst other things, to definition of the new Remuneration Policy and the related compensation tools, and the preparation of this Report.

It should be noted that, in 2022, the Remuneration Committee held 9 meetings in total, characterised by the regular attendance of members (97.22%) and the average duration was approximately 67 minutes.

In 2022, the Committee dealt with the following matters, among other things:

- preparation of the proposed Remuneration Policy for 2022, described in the Report on the Remuneration Policy and Remuneration Paid, as approved by the Board of Directors, submitted to a binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2021 in accordance with article 123-*ter*, paragraphs 3-*bis* and 3-*ter* of the CLF;
- support for the Board of Directors in preparing Section II of the Report on the Remuneration Policy and Remuneration Paid, as approved by the Board of Directors and submitted, pursuant to art. 123-*ter*, paragraph 6 of the CLF, to a non-binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2021;
- examination of the objectives for 2022 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 2021 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 2019-2021;
- approval of details of the structure of the Performance Share Plan 2022-2026 and the related Information Circular, examination of elements involved in implementation of the Plan and approval of the terms and conditions and the instruments to be awarded.

In 2022 the Committee also analysed the proposal of a special, one-off bonus for Key Management Personnel.

Specifically, on 27 July 2022 the Committee began to examine a proposed special, one-off bonus for Key Management Personnel, in implementation of the provisions of the Remuneration Policy approved by the Annual General Meeting of 29 April 2022. The topic was discussed in the subsequent meetings of 10 October 2022, 11 November 2022, 5 December 2022, 12 January 2023, 14 February 2023, 16 and 22 March 2023.

To better describe the proposal and its beneficiaries, the meetings of 11 November 2022, 12 January 2023 and 16 March 2023 were attended by the Chief Executive Officer, responsible for identifying the Key Management Personnel to be rewarded for the one-off initiative with a significant impact on the business. Not being a beneficiary of the bonus, having expressly waived his right to it, the Chief Executive Officer was not subject to any conflicts of interest and was therefore able to attend the aforementioned Committee meetings.

In order to analyse the proposal and verify its full compatibility with the special, one-off bonus scheme identified in the Remuneration Policy for 2022, the Committee also appointed an independent third-party consultant.

The independent consultant also provided support to the Committee in order to define a correct balance between pay and performance, an appropriate market positioning with respect to the amount offered, and compatibility with the provisions defined in the Section I of the Remuneration Policy for 2022, which specifies the possibility of allocating special bonuses for extraordinary transactions and/or processes with a significant impact on the financial statements.

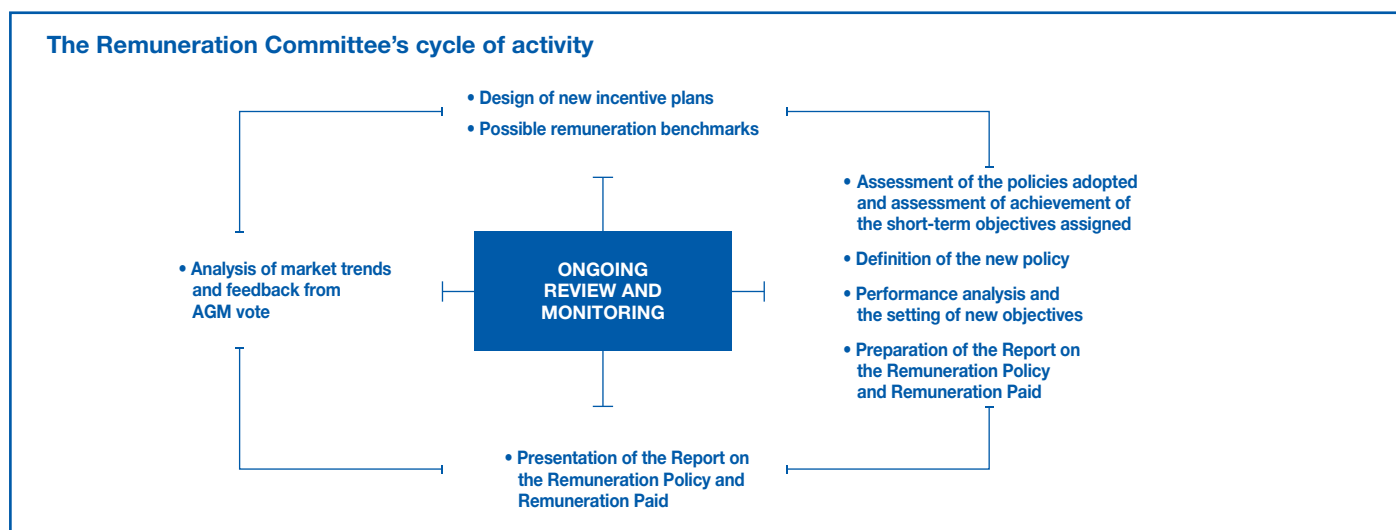
Given the relationship between the Key Management Personnel identified as beneficiaries of the bonus and the Company, the matter was also presented to the Related Party Transactions Committee, which met on 6 and 24 February 2023, 17 March 2023 and jointly with the Remuneration Committee, on 22 March 2023 to issue an opinion on the transaction.

Below is a summary of activities carried out by the Committee in the first few months of 2023:

- 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 the proposed Remuneration Policy for 2023, described in the Report on the Remuneration Policy and Remuneration Paid, as approved by the Board of Directors, which will be submitted to a binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2022 in accordance with article 123-ter, paragraphs 3-bis and 3-ter of the CLF;
- support for the Board of Directors in preparing the Section II of the Report on the Remuneration Policy and Remuneration Paid, as approved by the Board of Directors and to be submitted, pursuant to art. 123-ter, paragraph 6 of the CLF, to a non-binding vote at the Annual General Meeting called to approve the financial statements for the year ended 31 December 2022;
- examination of the objectives for 2023 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 2022 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 for payments under the Performance Share Plan 2020-2023;
- approval of details of the structure of the Performance Share Plan 2023-2027 and the related Information Circular;
- review and issue of the opinion on the proposed special, one-off bonus for Key Management Personnel.



## Board of Statutory Auditors

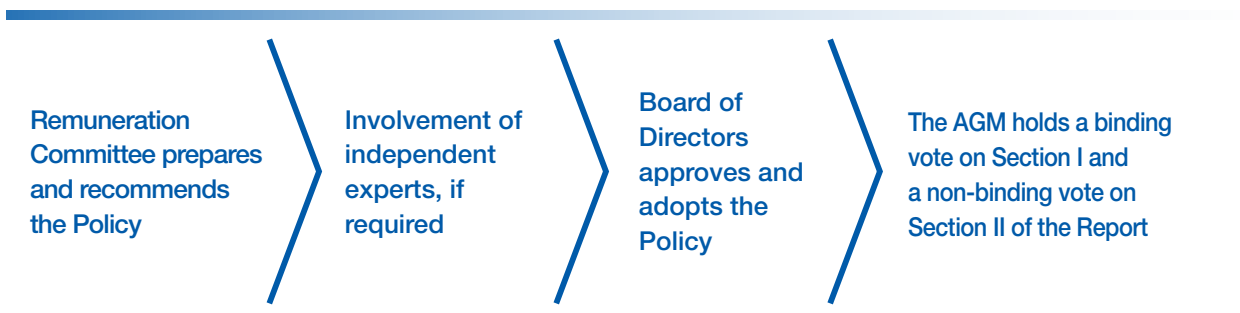
With regard to remuneration, the Board of Statutory Auditors expresses the opinions required by the regulations in force with reference, in particular, to the remuneration of Directors with delegated powers pursuant to Article 2389 of the Italian Civil Code, verifying their coherence with the Company's remuneration policy. The Board of Statutory Auditors regularly participates in the meetings of the Remuneration Committee, and is made up of the following three statutory auditors:

- Mario Matteo Busso – Chairman
- Vincenzo Simone – Auditor
- Raffaella Fantini – Auditor

In 2022, the Board of Statutory Auditors met 18 times, with 100% participation and an average duration of 2 hours and 10 minutes, and participated in all the meetings of the Board of Directors. Furthermore, through its members, the Board participated in all the meetings of the Remuneration Committee (9 meetings), the Audit, Risk, Corporate Governance and Sustainability Committee (10 meetings), the Nominations Committee (6 meetings) and the Related Party Transactions Committee (6 meetings).

## 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 (including the General Manager), Key Management Personnel and the Board of Statutory Auditors, working closely with the People Organization and Change 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 (including the General Manager) and Key Management Personnel and long-term incentive plans. Furthermore, with reference to the determination of remuneration for the Chief Executive Officer and Directors holding special office, the Board hears the opinion of the Statutory Board of 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>8</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.

In exceptional circumstances, Terna may temporarily derogate from its remuneration policies, as permitted by art.123-*ter*, paragraph 3-*bis* of the CLF and art. 84-*quater*, paragraph 2-*bis*, letter c) of the Regulations for Issuers. 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.

<sup>8</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 16 December 2020) 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) deliberations regarding the remuneration of Directors with delegated powers and Key Management Personnel, computed on an individual basis, provided that i) the Company has adopted a remuneration policy; ii) the process of drawing up the remuneration policy involved a committee consisting solely of non-executive directors, a majority of whom are independent, corresponding with, where established, the Remuneration Committee; iii) the remuneration awarded is defined in accordance with this policy and quantified on the basis of criteria that do not involve discretionary judgements.

These exceptional circumstances may include, but are not limited to, the following:

- a need to operate retention policies in favour of personnel considered strategic for the Group;
- the implementation of policies designed to attract people capable of making a contribution to the growth and development of the business;
- the recognition of individual and/or collective performances considered important and highly positive for the Group;
- discontinuity in the organisation of the business, both linked to extraordinary operations, such as mergers and disposals, including of companies/business units, and linked to significant changes in the composition of senior management;
- external changes of a socio-economic nature or the occurrence of extraordinary and unforeseeable events that – by changing the relevant market scenario – could have a significant impact on the Group's results.

Should such exceptional circumstances occur, the Board of Directors, on the recommendation of the Remuneration Committee and, where envisaged, 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. In line with best market practices and aimed at adequately responding to the requests of proxy advisors, the possible exemptions were reviewed and the exemption measures were outlined. Exemptions to this Policy are possible when necessary to the pursuit of the long-term interests and sustainability of the Company as a whole or to ensure its ability to compete in the market, and in particular with regard to:

- the fixed component of remuneration, in cases when, for example, it becomes necessary to replace, due to unforeseen events, the Chief Executive Officer/General Manager or Key Management Personnel, and to rapidly negotiate a remuneration package, without limiting the possibility of attracting managers with the most appropriate professional expertise to manage the Company and in any case guarantee the preservation of the same levels of sustainable success and market positioning;
- the short-term variable component, with reference to the level of achievement of the objectives, the criteria used to assess the achievement of the performance objectives, the introduction of any deferred payment systems, and the *ex-post* correction mechanisms of the variable component (malus and clawback), if there have been significant changes in the scope of the Company's business, such as the sale of a company/branch of business or the acquisition of a significant business;
- the long-term variable component, with reference to the level of achievement of the objectives, the criteria used to assess the achievement of the performance objectives, the reshaping of clauses for the retention of financial instruments in the portfolio after their allocation, and the *ex-post* correction mechanisms of the variable component (malus and clawback), if there have been significant changes in the scope of the Company's business, such as the sale of a company/branch of business or the acquisition of a significant business;
- the provision, payment and/or amount of severance indemnity.

### 3.3 Independent experts and other involved parties

Terna has opted to avail itself of the support provided by the consulting firm, Willis Towers Watson, to provide assistance with regard to the conduct of specific surveys of remuneration practices and to assist in preparing this Report.

The People Organization and Change 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.

People Organization and Change, External Relations, Government Affairs and Sustainability, Legal and Corporate Affairs and Administration, Finance and Control departments 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 office of the current Board of Directors as at the date of approval of this Report will end at the next Annual General Meeting called to approve the Financial Statements as at 31 December 2022. The new Board of Directors will be responsible for determining the remuneration of the Directors holding special office and the remuneration of the non-executive Directors for participation in Board Committees.

### Purposes of the policy and links with the Group's strategy

The Policy described in this Report, of annual duration, 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 **Industrial Plan**

The key aspects of the Group strategic vision are:

- **Regulated Activities:** an acceleration of investment in infrastructure and digitalisation and the reinforcement of core activities in Italy through the direct involvement of territories and dialogue with all stakeholders and local communities, confirming the role of the Terna Group as a driver of the energy transition and enabler of an increasingly complex, sustainable and innovative electricity system.
- **Non-regulated Activities:** Terna will continue to pursue new business opportunities thanks to the development of innovative and digital technologies in line with the Group's institutional role in the energy transition. Specifically, these activities include:
  - industrial activities in the field of transformers - thanks to the consolidation of Tamini - and underground cables, through the distinctive skills acquired with the Brugg Cables Group, to respond to increasing demand in both sectors and strengthening the supply chain;
  - connectivity services, also through partnerships, for telecommunications operators, through fibre optic infrastructure housing and hosting services and the installation of telecommunications devices at existing offices of the Terna Group;
  - energy solutions, energy efficiency services for industrial clients and O&M activities for photovoltaic plants, in this case using the skills acquired through the LT Group along with innovative data collection and analysis technologies.

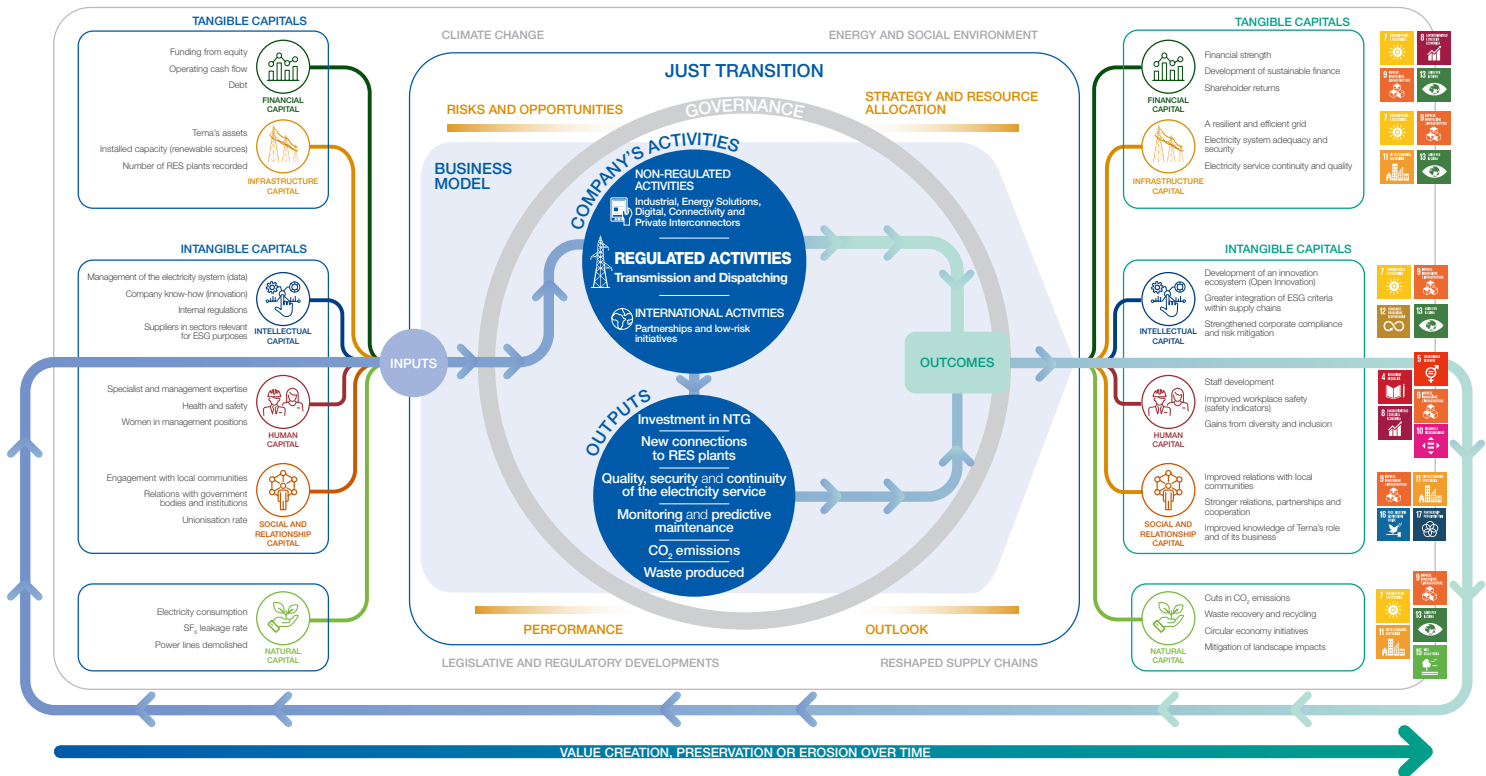
- International Activities:** along with the ongoing process designed to extract value from the South American assets, Terna will continue with the strategic assessment of opportunities, which may also take the form of partnerships, involving the careful selection of projects with a view to ensuring a low risk profile and limited capital outlays. In particular, we expect to take advantage of new opportunities in geopolitically stable markets with attractive growth potential, such as the United States, where the Terna Group will be able to offer its experience and make the most of the expertise acquired through the planning and management of infrastructure.

## The value creation process and the business model

Terna's process of creating value over time is guided by a **Governance** approach oriented towards sustainable success through the definition of a solid medium and long term strategy, characterised by the strategic objective of achieving a just and inclusive energy transition ("**Just transition**"), the **allocation of resources** needed to achieve it, and the assessment and management of the economic-financial and ESG risks associated with the business and the possible **opportunities** related to them. In fact, the business model pursues **sustainable growth** through the responsible use of all the available **capitals** to direct operational activities towards the primary goal of achieving a socially inclusive energy transition.

The capitals represent the key resources at Terna's disposal to create (and preserve) value over time through their continual combination and interaction, both within the Company and with the outside world, including in the latter key stakeholders. They thus play a key role in the value creation process, representing, at one and the same time, **inputs** that can be measured from one year to another (on the left side of the infographic), and **outcomes**, representing their ability to grow or change or to contribute to the achievement of the objectives set by the Company in its strategic plans (on the right).

### Value creation process over time



The value creation process over time takes inspiration from the United Nations Sustainable Development Goals (SDGs). For Terna, these represent an important benchmark that is closely related to its mission and strategic objective of delivering a Just Transition, which coincides with SDGs 7 "Affordable and clean energy", 9 "Industry, innovation and infrastructure", 13 "Climate action" and 17 "Partnership for the goals".

**Terna's benchmark SDGs**



Ensure access to affordable, reliable, sustainable and modern energy for all



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation



Take urgent action to combat climate change and its impacts.



Strengthen the means of implementation and revitalise the global partnership for sustainable development.

Considering that the new Board of Directors will be responsible for determining the remuneration payable to Directors with delegated powers, Terna's Remuneration Policy for 2023 aims to guide the Group's management towards its strategic objectives while fully complying with the value creation model.

In particular, with reference to the indicators selected for incentive schemes, the Remuneration Policy is geared towards achievement of ESG goals, as shown in the table below:

	KPIs RELATING TO THE "E" COMPONENT OF ESG GOALS	KPIs RELATING TO THE "S" COMPONENT OF ESG GOALS	KPIs RELATING TO THE "G" COMPONENT OF ESG GOALS
<b>MBO</b>	Service Quality Incentives output - DSM Incentives output - inter-zonal	Terna's Occupational Health and Safety Injuries among contractors	
		Regulated investment	
<b>LTI</b>	Overgeneration	Regulated investment Inclusion in ESG indices	

With regard to the process used to select these indicators, 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 Industrial 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 Industrial 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 Industrial 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.

For 2023, the following objectives set in relation to short-term incentives have been confirmed:

- in terms of operating performance, the Group's EBITDA;
- in terms of Regulated Activities, "Capital Expenditure", "Assets Entering Service" and "Service Quality", as 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 ESG issues in general, the Terna Group's Occupational Safety and the injuries to contractors, to ensure Terna's continued focus on issues relating to sustainability.

Furthermore, in 2023 two new objectives have been set for the CEO:

- Incentives output - DSM
- Incentives output - Inter-zonal

These objectives were selected in line with the Group's strategy with a view to ensuring that the performance achieved to date continues to be met in future years.

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 Industrial Plan.

In particular, for the new 2023-2027 long-term incentive plan, it was decided to:

- within the scope of operating performance:
  - confirm Regulated Investment as a synthetic index of Terna's work and its role as enabler of the energy transition in progress by increasing its weighting;
  - reduce the EBITDA weighting in favour of sustainability performance;
- within the scope of sustainability performance:
  - maintain the inclusion-centric approach in a range of key indices linked to ratings from the main ESG rating agencies, with a slightly lower relative weighting than in the previous Plan. Terna's inclusion in these indices over time represents the Group's ability to guarantee comprehensive sustainability performance in line with its priorities and trends in stakeholder views, as well as attracting a potentially greater number of investors. Furthermore, specific indices (e.g. Bloomberg GEI) are given more weight by the market (proxy advisors) because they provide the possibility to focus on specific strategic priorities;
  - introduce a new specific indicator (Overgeneration) to assess Terna's role as enabler of the energy transition, with the same weighting as assigned to "inclusion" in the ESG indices.

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.



# FOCUS

## Working conditions and pay of employees

The Company annually monitors working conditions and pay in order to promote a Remuneration policy that is consistent for employees as a whole. The most significant HR initiatives included:

- the active commitment to obtain gender equality certification as a further safeguard and to highlight the Group's focus on D&I policies; this initiative is a key part of the strategy adopted by Terna and confirms its position as one of the world's most inclusive companies with a strong commitment to achieving gender equality. This is demonstrated by the inclusion of our company in the Standard & Poor's Gender Equality & Inclusion index, the new international ranking launched in August 2021 that measures the performance of listed companies in terms of gender equality and inclusion. This commitment translates to the adoption of a company "Diversity & Inclusion" policy which, together with the Group's Code of Ethics, commits the Company to pursuing gender inclusion and equality, and to promoting talent and female leadership with specific projects;
- the distribution of the value created by our community of people through the renewal of the agreement with trade unions on the performance bonus and opportunities linked to forms of corporate welfare, in addition to the payment of a special bonus linked to the objectives achieved in 2022, to further protect the purchasing power of our personnel in response to the recent rises in inflation throughout the Italian economy;
- launch of the Wellbeing In Action project to promote the culture of wellbeing: 7 webinars held by neuroscience experts and 14 in-depth podcasts, 4 in-depth digital learning events available within the Academy platform, an online app dedicated to wellbeing. Wellbeing is one of the challenges of the new "Leading Next" leadership model;
- launch of the Terna Academy, the new research and training centre that includes a digital platform with detailed content on Sustainability (ESG), the Energy Transition and the New Ways of Working. The Terna Academy offers the opportunity to benefit from training content no longer exclusively assigned by a supervisor, but also self-assigned according to individual needs, aspirations and interests;
- consolidation of the various initiatives and projects in the "NexTerna" cultural transformation programme launched in 2021 and adopted as a "Process" at the end of 2022; NexTerna represents the new way of "being Terna", a progressive, agile and inclusive Company that believes in the value of our employees and is committed to promoting their wellbeing and that of the ecosystem in which they live. A Company that looks to the future with a spirit of innovation, seizing the opportunities for transformation offered by the new way of working to simplify the work experience and drive real cultural change, one of the pillars of the "Driving Energy" Industrial Plan and an essential component of the energy transition, in which Terna acts as both driver and enabler;
- constant feedback mechanisms at all levels of the workforce, including the Employee Net Promoter System (e-NPS), with an average participation rate of 75% of those eligible, monitoring the engagement rate by measuring the degree of satisfaction felt by employees with regards to working for Terna and within its organisational structure. The survey also analyses the ability to put into practice some fundamental aspects such as, for example, cooperation, mutual trust and a sense of belonging;
- new initiatives to support the expansion of the Welfare package and its distribution through the company (e.g., the introduction of a digital and physical wellness platform open to the entire company workforce to improve their physical wellbeing; update to the agreements portal to improve, update and expand the range of benefits).

## 4.2 Guidelines

In defining the Policy, the Board took into consideration the principles and criteria set out in the Corporate Governance Code and, in particular, verified that the performance objectives, to which payment of the variable components are linked, are predetermined, subject to a maximum limit, measurable and to a significant extent linked to long-term performance and consistent with the Company's strategic objectives and aimed at promoting its sustainable success, while also including non-financial measures (e.g. sustainability indicators).

## 4.3 Implementation

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

- the remuneration of Directors without delegated powers is aligned with their expertise, professionalism and commitment required in order to perform the tasks assigned to them and 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>9</sup>, is designed to ensure a balance that is appropriate and consistent with the Company's strategic objectives and risk management policy, bearing in mind the nature of the business and the sector in which Terna operates, whilst ensuring that the variable component represents a significant part of the overall remuneration package.

In implementation of art. 5, Recommendation 27(f) of the Corporate Governance Code, 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.

## 4.4 Elements of the remuneration policy

Within the scope of the role of the Annual General Meeting in re-electing the Board of Directors tasked with defining the relevant remuneration and the decisions to be taken by the new Board of Directors, Terna's Remuneration Policy for 2023 consists of the following key 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.

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<sup>9</sup> The Policy is applied to Key Management Personnel in the same way as it is applied to the role of General Manager.

## 4.5 Remuneration of members of the Board of Directors

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

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

In line with the prerogatives of the Annual General Meeting and the new Board of Directors, the Guidelines for the Remuneration Policy for 2023 are based on a principle of continuity with the previous year. The Remuneration Policy for 2023 may be further developed following expiry of the term of office of the current Board of Directors and the related powers.

### 4.5.1 Remuneration of Directors without delegated powers

#### Remuneration established by the Annual General Meeting

The annual remuneration of Directors with delegated powers consists solely of the fixed component, considered sufficient to attract, retain and motivate Directors endowed with the professional qualities required to successfully manage the Company. This component is linked to the commitment required for each of them. For the 2020-2022 term of office, this remuneration, as determined by the Annual General Meeting of 18 May 2020, based on the recommendations put forward by shareholders, is €35,000 gross per year, in continuity with the previous term of office.

No variable component tied to the operating performance of the Company and the Group is provided for. Directors without delegated powers do not participate in the incentive plan and there is no distinction in terms of remuneration between independent and non-independent Directors.

These Directors are also entitled to reimbursement for expenses incurred while carrying out their duties in addition to insurance cover for civil liability towards third parties; they have the right, finally, to an insurance policy for occupational accidents related to the position.

The Annual General Meeting scheduled for 9 May 2023 will elect the new Board of Directors and will decide, for the 2023-2025 term of office, the amounts to be paid to Directors without delegated powers.

#### Fee for participating 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 2020-2022 term of office, the annual fee payable to Directors for participation in Board Committees was determined by the Board of Directors on 18 May 2020, in consultation with the Board of Statutory Auditors, elected by the Annual General Meeting held on 18 May 2020. 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 appointed for the 2023-2025 term of office will determine the fees for participating as Chair or Member of a Board Committee.

## 4.5.2 Remuneration of Directors with delegated powers

### Chairwoman of the Board of Directors

In continuity with the previous term of office, for the 2020-2022 term of office, the total remuneration for the role of Chairwoman of the Board of Directors, as determined by the Annual General Meeting and the Board of Directors on 18 May 2020, consists solely of the fixed component, broken down as follows:

**Pay\* art. 2389,  
para. 1 of the  
Italian Civil Code**



**€50,000**

**Pay\*\* art. 2389,  
para. 3 of the  
Italian Civil Code**



**€188,000**

\* Annual pay approved by the Annual General Meeting held on 18 May 2020 (and in accordance with article 24.1 of Terna's Articles of Association).

\*\* A fixed annual amount approved by the Board of Directors on 18 May 2020, as proposed by the Remuneration Committee after consultation with the Board of Statutory Auditors.

The Chairwoman of the Board of Directors thus earns gross fixed remuneration of **€238,000** for the 2020-2022 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 for 2023 will determine the remuneration for the 2023-2025 term of office for the Chair pursuant to art. 2389, paragraph 1, while the Board of Directors appointed for the 2023-2025 term of office will determine the remuneration for the office of the Chair of the Board of Directors pursuant to art. 2389, paragraph 3.

### CEO 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.

As the term of the current Board of Directors is due to expire with the approval of the financial statements for the year ended 31 December 2022, the specific remuneration of the Chief Executive Officer and General Manager to be appointed by the competent corporate bodies and the relevant amounts is subject to resolution, pursuant to the applicable laws and regulations, by the bodies themselves, and in compliance with the general principles contained in this Remuneration Policy for 2023.

### Fixed component of remuneration

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

In continuity with the previous term of office, for the 2020-2022 term of office, total fixed remuneration for the role of Chief Executive Officer breaks down as follows:

**Pay\* art. 2389,  
para. 1 of the  
Italian Civil Code**



**€35,000**

**Pay\*\* art. 2389,  
para. 3 of the  
Italian Civil Code**



**€200,000**

\* Annual pay approved by the Annual General Meeting held on 18 May 2020 (and in accordance with article 24.1 of Terna's Articles of Association).

\*\* A fixed annual amount approved by the Board of Directors on 18 May 2020, as proposed by the Remuneration Committee after consultation with the Board of Statutory Auditors.

### Fixed component of remuneration - General Manager

In continuity with the previous term of office, the General Manager's total fixed remuneration for the 2020-2022 term of office consists of a gross annual fixed component (gross annual pay or GAP), approved by the Board of Directors on 18 May 2020, totalling **€850,000**.

In total, therefore, the CEO and GM earns total gross annual fixed remuneration of **€1,085,000** for the 2020-2022 term of office.

## FOCUS

### CEO and GM Pay Ratio

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 2023 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 Groups Italian workforce, which results in a ratio of 25.

The pay ratio has remained generally stable since 2016: from 2016 to 2021 the ratio was 26, decreasing slightly in 2022 and 2023 to 25, confirming the fact that the pay structure continues to appropriately reward the level of expertise, experience and contribution required for the various roles.

### Short-term variable component (MBO)

The short-term incentive (MBO) plan allows for the assessment of the annual contribution of each beneficiary to the performance of Terna and directs management actions towards strategic objectives in line with business priorities.

The Board of Directors, following the proposal of the Remuneration Committee, defines the MBO objectives for Directors holding special office and for the General Manager, with the abstention of the Chief Executive Officer and General Manager, within the scope of his interests.

The short-term incentive scheme does not provide for deferral mechanisms. This choice was made in full awareness and upon taking into consideration the following elements:

- the risk profile of the company and reference sector;
- the presence of a long-term incentive scheme and its relative weight compared to the fixed component and 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 two-year lock-up period;
- the existence of clawback provisions.

Finally, it should be noted that, in recent 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 2023, a particularly challenging year in view of the current COVID-19 pandemic and the resulting developments in the macroeconomic and geopolitical environment.

In line with previous years, the short and long term variable incentive schemes established in the Remuneration Policy for 2023 reflect the challenging nature of strategic objectives.

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

The short-term incentives foreseen for the Chief Executive Officer, for the powers delegated to them, are determined by the Board of Directors, with the abstention of the Chief Executive Officer and General Manager, based on the recommendation from the Remuneration Committee and in consultation with the Board of Statutory Auditors.

Access to the incentive is subordinated to the achievement of pre-defined corporate objectives of particular significance for the Company, proposed *ex-ante* by the Committee, approved by the Board of Directors and measured *ex-post* by the same Committee on an on/off basis.

The annual value of the incentive, approved by the Board of Directors, is €50,000 gross on achievement of the minimum level of performance (an objective with a weighting of 25% ON) and €200,000 gross on achievement of the maximum level (all objectives ON).

The table below shows the targets defined for the year 2023:

#### 2023 MBO objectives - Chief Executive Officer

GOALS	WEIGHT	SCORE CURVE
Terna Group - 2023 Net Profit	50%	ON/OFF (vs 2023 Profit in the 2023 Budget)
Incentives output - DSM: measured with internal calculation tools in accordance with Methodology Resolution 597/21 on the measurement of volumes procured for services in 2023 less than or equal to 8.4 TWh	25%	ON/OFF
Incentives output - inter-zonal: maintenance in 2023 of the transmission capacity made available from 1 January 2021 (+1450 MW in total) to confirm the incentive pursuant to ARERA Resolution 23/2022	25%	ON/OFF

The first of the objectives assigned to the Chief Executive Officer measures the value of Net Profit in the 2023 Budget.

The second objective measures 2023 performance in relation to the measurement of the volumes procured for the relevant services, using internal calculation tools in accordance with Methodology Resolution 597/21. The curve provides for a 100% enabling assessment of part of the bonus, in line with the approach adopted in 2022.

The final objective is to maintain the transmission capacity available from 1 January 2021 (+1,450 MW) throughout the year, in order to avoid the residual risk of a clawback on the incentive pursuant to ARERA Resolution 23/2022; the TIQ. TRA (567/19) allows the regulator to reduce the bonus in cases where the ratio between the average transmission capacity made available for the day-ahead market and the peak winter transmission capacity is significantly lower than historical ratios, in one or more of the three years following commissioning of the investment that made the additional transmission capacity available, except for reasons unrelated to the transmission system operator, where duly documented.

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

The payment of short-term incentives (MBO) to the General Manager is subject to verifying the achievement of the performance targets assigned annually, defined 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 their interests.

For 2023, the targets assigned to the General Manager are shown in the table below, with the related score curves.

### MBO objectives For 2023 - General Manager

GOALS	WEIGHT	SCORE CURVE	
EBITDA 2023 - Terna Group	25%	Change vs budget	Score
		< -2 %	0%
		-2% (Minimum)	80%
		Budget (Target)	100%
		+2% (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			
Regulated investment - Terna Group*	20%	Change vs budget	Score
		< -2 %	0%
		-2% (Minimum)	80%
		Budget (Target)	100%
		+3% (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			
Assets entering service - Terna Group*	10%	Change vs budget	Score
		< -5% compared to Target	0%
		-5% compared to Target (Minimum)	80%
		Budget net of Italy-France (Target)	100%
		Budget (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			
Service Quality (Regulated Energy Not Supplied, RENS)	20%	MWh	Score
		Target 2023 ARERA** + 300 MWh	0%
		Target 2023 ARERA +5% (Minimum)	80%
		Target 2023 ARERA (Target)	100%
		Target 2023 ARERA -10% (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			
Workplace safety (SI) Terna Group personnel working in the electricity sector	20%		Score
		SI > 1.6	0%
		SI = 1.6 (Minimum)	80%
		SI = 1 (Target)	100%
		SI ≤ 0.65 (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			
Injuries among contractors in Italy	5%		Score
		Number of injuries at contractors in 2023 ≥ Highest number of injuries that occurred in the three-year period 2020-2022	0%
		Number of injuries at contractors in 2023 = average number of injuries in the three-year period 2020-2022 (Target)	100%
		Number of injuries at contractors in 2023 ≤ Minor injuries that occurred in the three-year period 2020-2022 (Maximum)	150%
<i>For intermediate figures linear interpolation</i>			

\* Net of financial expenses and IFRS16.

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

The first of the objectives assigned to the General Manager measures the value of EBITDA in the Budget for 2023.

The second objective assigned to the General Manager measures the value of Investment in the Budget for 2023 for all the Terna Group's regulated activities.

The third objective measures "Assets entering service" in the Budget for 2023, indicating the value of assets ready to enter service as part of the grid and as operating assets in the relevant period for all the Terna Group's regulated activities.

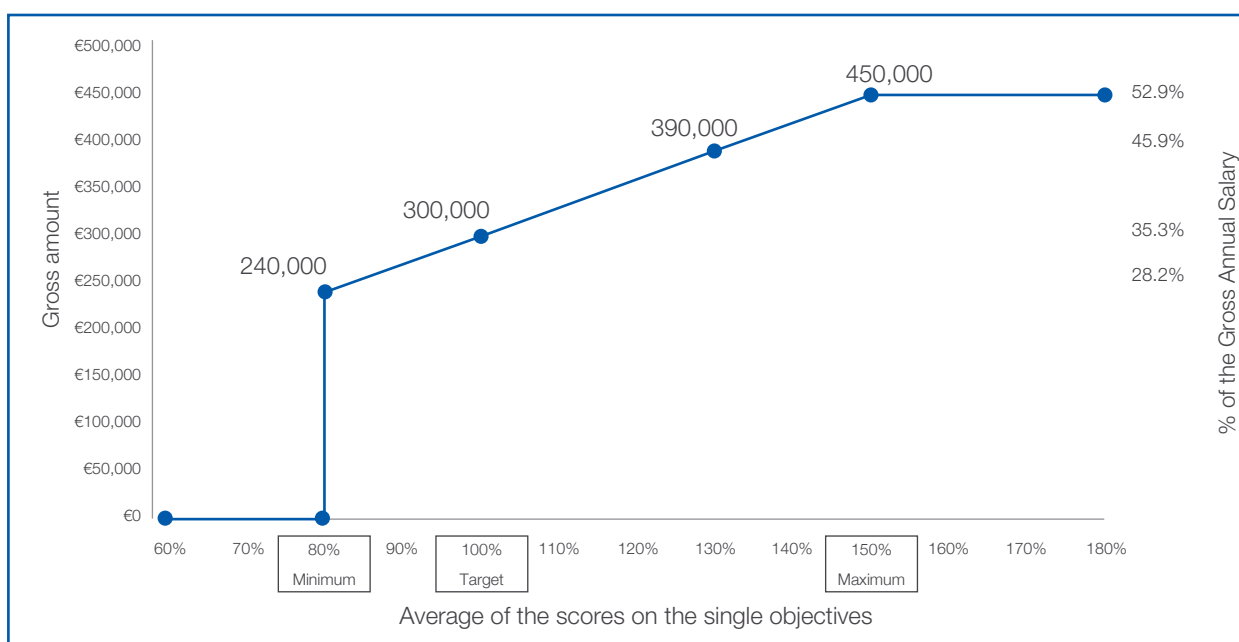


The “Service Quality” objective refers to the Group’s operating performance by measuring, in MWh, the quantity of energy not supplied (RENS, Regulated Energy Not Supplied). As a result, the lower the figure for this indicator, the higher the score, up to a maximum of (150%).

The “Workplace safety” 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 final objective assigned to the General Manager is represented by the number of injuries to the personnel of contractors working at Terna’s sites (within Italy).

The amount of the incentive actually disbursed varies according to the level of achievement of the targets assigned to the single objectives, as illustrated here below:



If the average of the scores of the single targets is less than 80%, nothing is due. In the event of outperformance, it is not possible to attain a higher bonus than the maximum set (150%).

On the whole, therefore, for 2023, the CEO and GM will receive short-term variable remuneration amounting, **at target**, to **€500,000** gross per year and, in the case of outperformance, to €650,000 gross per year.

## Long-term variable component (LTI)

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

- 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;
- creating loyalty among the beneficiaries over the period of the Plan by making the economic incentive set out in the Plan linked to the employment relationship with the Group for the period of validity of the Plan.

In continuity with the approach used in previous years, for 2023, Terna has adopted a new rolling long-term equity-based incentive scheme. Specifically, in 2023 the Company will operate the Performance Share Plan 2023-2027 (the "Performance Share Plan 2023-2027").

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, also reflected in the extended duration of the new Plan.

Key aspects of the Performance Share Plan 2023-2027 are described below.

### *Long-term incentive plan based on Performance Shares for 2023-2027*

The Performance Share Plan 2023-2027 is intended for the General Manager (who also holds the position of Chief Executive Officer), Key Management Personnel and other managers selected from the Terna Group's senior and middle managers, be they Executives or Middle Managers, and provides for the use of Terna S.p.A.'s ordinary shares (Performance Shares) and rolling annual awards, with a three-year vesting period (2023-2025) and a two-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 which determine the number of Performance Shares to be attributed at the end of the vesting period are:

- Three-year cumulative **EBITDA** and three-year cumulative regulated **INVESTMENT** reflecting the operating performance achieved;
- **Relative TSR** versus a peer group, reflecting the level of share price performance delivered;
- **Inclusion in ESG indices (Bloomberg GEI; DJSI-World; MIB® ESG; STOXX ESG)** to measure the performance linked to the sustainability of Terna's business.
- **Overgeneration**, which involves reducing modulated production from generation from non-programmable renewable sources required by Terna to meet security requirements for the national electricity system.

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

### Long-term Incentive Plan based on Performance Shares for 2023-2027

GOALS	WEIGHT	SCORE CURVE	
<b>Cumulative EBITDA over the three-year period to 2025</b> compared with the cumulative EBITDA 23-25 in the Budget for 2023 + 2024-2025 in the Updated 21-25 Plan	30%	Change vs EBITDA 2023 Budget + 2024-2025 in the Updated 21-25 Plan	
		-2%	Score
		Target	80%
		+2%	100%
			150%
<i>In the case of underperformance greater than -2%, the score is zero (linear interpolation is applied in the case of intermediate figures)</i>			
<b>Cumulative regulated INVESTMENT over the three-year period to 2025*</b> compared with the cumulative regulated investment 23-25 in the Budget for 2023 + 2024-2025 in the Updated 21-25 Plan	20%	Change vs Regulated investments 2023 Budget + 2024-2025 in the Updated 21-25 Plan	
		-2%	Score
		Target	80%
		+3%	100%
			150%
<i>In the case of underperformance greater than -2%, the score is zero (linear interpolation is applied in the case of intermediate figures)</i>			
<b>Relative Total Shareholder Return 2023-2025<sup>10</sup></b> Terna's positioning in the reference peer group <sup>11</sup>	20%	Ranking in the peer group	
		7 <sup>th</sup> , 6 <sup>th</sup> or 5 <sup>th</sup> place	Score
		4 <sup>th</sup> place	0%
		3 <sup>rd</sup> place	80%
		1 <sup>st</sup> or 2 <sup>nd</sup> place	100%
<i>If, although positioned in 1st or 2nd place, the TSR of Terna is negative in the period of reference, outperformance will not be recognised: the associated score will therefore be 100% (so-called "negative TSR threshold")</i>			
<b>ESG indices</b> (Inclusion in Bloomberg GEI; DJSI-World; MIB® ESG; STOXX ESG)	15%	Ranking	
		Failure to achieve at least 6 inclusions over the three years	Score
		6 inclusions over the three years	0%
		7 inclusions over the three years	80%
		8 inclusions over the three years	100%
		9 inclusions over the three years	110%
		10 inclusions over the three years	120%
		11 inclusions over the three years	130%
		12 inclusions over the three years	140%
		12 inclusions over the three years	150%
<i>In the event of the termination of one of the selected indices (Bloomberg GEI; DJSI-World; MIB® ESG; STOXX ESG) or of a significant change in the underlying criteria, this will be automatically replaced with the FTSE4GOOD index.</i>			
<b>Overgeneration</b> reduced modulated production from generation from non-programmable renewable sources required by Terna to meet security requirements of the national electricity system.	15%	Change on adjusted reduction rate 2018-2022	
		>564GWh	Score
		564GWh (2018-2022 average)	0%
		536GWh (down 5%)	80%
		508GWh (down 10%)	100%
<i>Linear interpolation is applied in the case of intermediate figures</i>			

\* Net of financial expenses and IFRS16.

The overall performance is measured as the weighted average of the scores achieved for each of the three Plan targets, according to the respective performance curves presented above. 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 outperformance, it is not possible to attain a higher bonus than the maximum set (150%).

<sup>10</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 2022 and the same average for 2024. The source of the data for TSR is Bloomberg.

<sup>11</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 the regulated utilities sub-sector and therefore implement a business model that, although related to different sectors, presents elements of uniformity and comparability with Terna's. The selection of the peer group was therefore guided towards the identification of stocks that reflect the characteristics of Terna's stock, with reference to the business cycle as well as with reference to external elements that may affect their performance, so much so that at the time of drafting this Report, the same stocks were examined by financial analysts for the purposes of evaluating and comparing them with Terna's stock. Equities that are subject to extraordinary operations that entail their delisting or a significant reduction in the floating capital, will be replaced (up to a maximum of two) by the following stock, listed in order: Elia, REN.

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 2025.

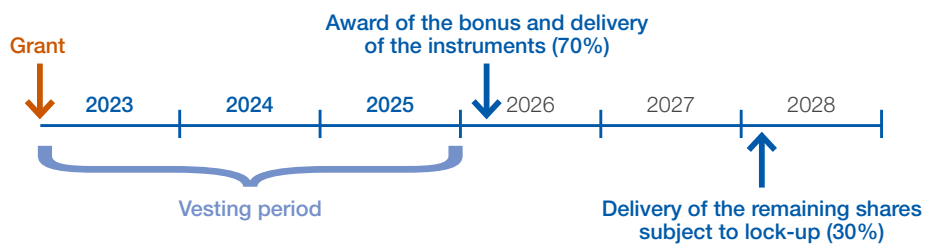
At the end of the vesting period, an additional number of Performance Shares may be awarded (the dividend equivalent). These additional Shares correspond with the value of any dividends not received on the Shares effectively awarded, with the aim of achieving an increased alignment between the interests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

The final Bonus 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 share price performance.

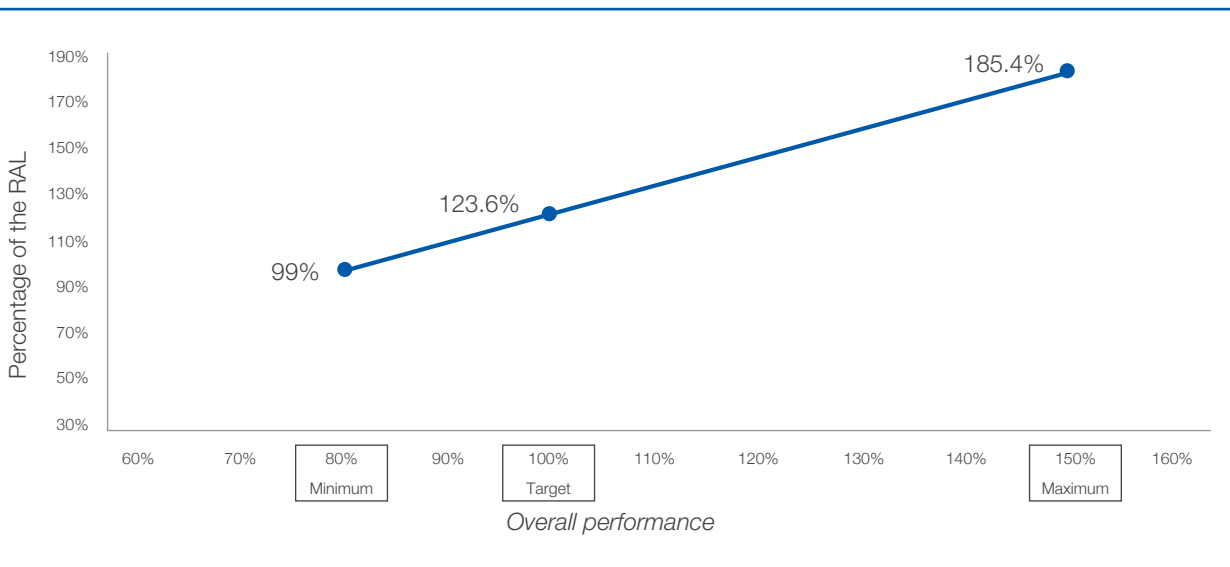
At the end of the vesting period, 30% of the Shares awarded, including those awarded as dividend equivalents, will be subject to a further lock-up period of two years, which will end in 2027. During this period, the Shares are non-transferable (meaning that they may not be transferred and/or sold for a period of 24 months).

The following chart shows the timing of the Performance Share Plan 2023-2027:



**New LTI Plan: Performance Share Plan 2023-2027 - General Manager**

The General Manager’s variable remuneration linked to the Performance Share Plan 2023-2027 involves the grant of the right to a given number of Shares corresponding with a percentage of the General Manager’s Gross Annual Pay (overall three-year values). 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 share price performance.

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 two years. During this period, the Shares are non-transferable (meaning that they may not be transferred and/or sold for a period of 24 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 a prorated 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 rolling equity-based incentive plans in place awarded annually.

These are the Performance Share Plans for 2021-2025 and 2022-2026.

These share plans make it possible 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 Industrial Plan.

Details of the Long-term Performance Plans for 2021-2025 and 2022-2026 are provided in the Remuneration Reports for 2021 and 2022 and the related Information Circulars, all of which are available on the Company's website.

## FOCUS

### 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.

## Benefits

As is the case with the Group's management personnel and in keeping with the Policy implemented in previous years, 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 18 May 2020, 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, an all-inclusive severance payment equal to 24 months' pay (being fixed and short- and long-term variable remuneration calculated in accordance with the Policy), in addition to a payment in lieu of notice (6 months' fixed and short- and long-term variable remuneration calculated in accordance with the Policy) pursuant to art. 2121 of the Italian Civil Code; (ii) as Chief Executive Officer, a termination payment due at the end of the term in office (*TFM*) equal to 1/12 of remuneration as CEO (fixed and short-term variable remuneration) paid for each year in office. These severance payments are not linked to performance.

It should be noted that, under the same conditions, the Chief Executive Officer and General Manager retains the rights awarded under the incentive schemes and that, in the event of termination prior to the end of their term of office, the rights will be calculated on a prorated basis. In any event, bonuses are awarded when the plans mature.

As the term of the current Board of Directors is due to expire with approval of the financial statements for the year ended 31 December 2022, the specific remuneration (including any further bonuses) of the Chief Executive Officer and General Manager to be appointed by the competent corporate bodies and the relevant amounts will be decided on by the bodies themselves, in compliance with the general principles contained in this Remuneration Policy for 2023.

## 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 2020-2022 term of office, the Board of Statutory Auditors received the following remuneration, set by the Annual General Meeting of 18 May 2020:

### Board of Statutory Auditors (remuneration for the 2020-2022 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 2022 will elect the new Board of Statutory Auditors for the three-year term of office, determining the pay due to the Chair and to each standing member of the Board.

## 4.7 Remuneration of Key Management Personnel

Key Management Personnel (KMP) refers to persons who, directly or indirectly, have the power and responsibility for the planning, direction and control of the Company's operations. At the date of this Report, Key Management Personnel, as reflected in the Group's new organisational structure, hold the following positions:

- Chief Financial Officer;
- Head of Corporate Affairs;
- Head of Innovation & Market Solutions;
- Head of Large Projects and International Development;
- Head of External Relations, Government Affairs and Sustainability;
- Head of the National Transmission Grid;
- Head of People Organization and Change;
- Head of Grid Development and Dispatching Strategies.

The list of Key Management Personnel has been drawn up by interpreting article 152-*sexies*, paragraph 1(c) of the Regulations for Issuers in its widest sense, 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, linked to the Group's sustainable success (principle XV in the Corporate Governance Code now in force) and in line with the overall remuneration policy drawn up by the Board of Directors.

Recommendations 27 and 28 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.

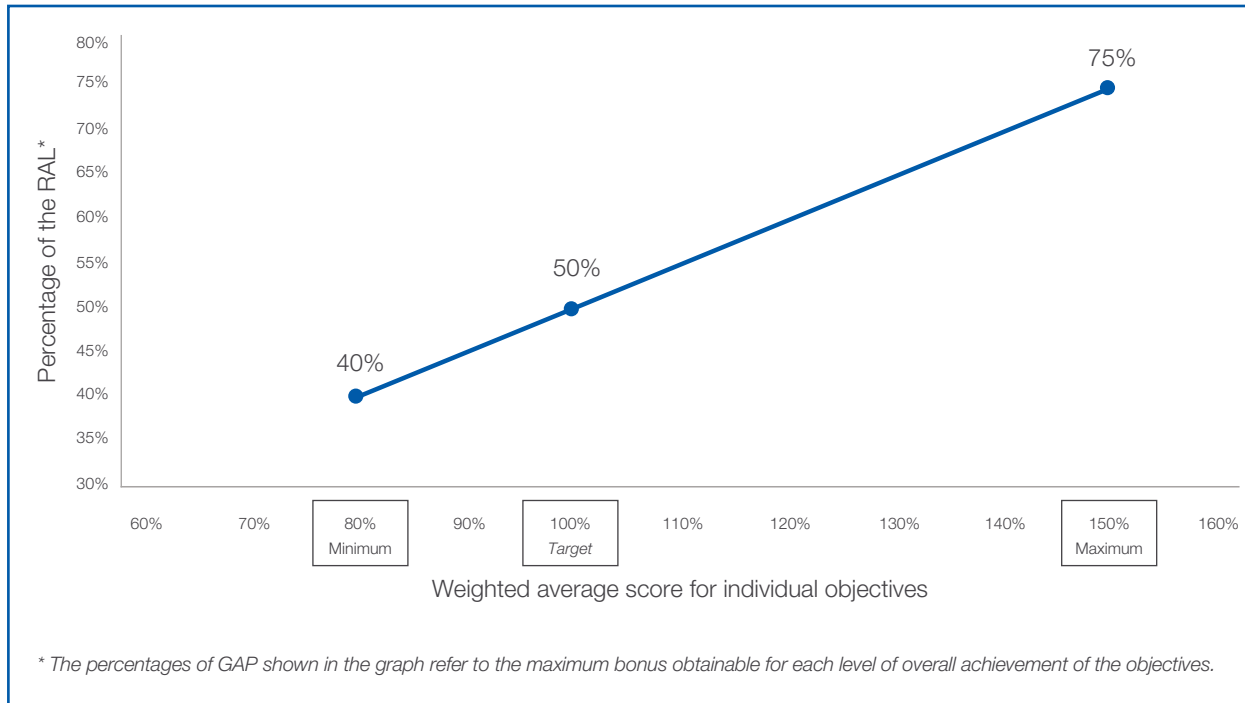
MBO objectives for Key Management Personnel are set by the Chief Executive Officer, in line with the Remuneration Policy and with the general criteria set by the Remuneration Committee.

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

Performance gate:		budgeted EBITDA curve					
	Weighting		Weighting		Weighting		
Group objectives	40%	Cross-cutting objectives	20%	Individual objectives	30%	Qualitative objective	10%
Objectives common to all 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 Framework	

Payment of the short-term incentive (MBO) to Key Management Personnel follows the Remuneration Committee's assessment, with the support of the People Organization and Change department, of achievement of the performance objectives assigned annually.

The amount of the incentive actually disbursed varies according to the level of achievement of targets linked to the single objectives (and therefore related to the scores achieved by each KPI) which are specific to each role:



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 two-year lock-up period;
- the existence of clawback provisions.

The Company may recognize extraordinary bonuses - also by providing retention mechanisms and alignment with the interests of shareholders - in order to remunerate the value created for the shareholders in the context of transactions and projects of an extraordinary nature or with reference to transactions of an extraordinary nature and with a significant impact on the business, subject to the approval of the Board of Directors and at the proposal of the Remuneration Committee, having consulted the Board of Statutory Auditors, without prejudice to the controls on transactions with related parties pursuant to the Procedure for Related Party Transactions, where applicable. This provision can also be extended to the Chief Executive Officer and General Manager.

## Long-term variable component (LTI)

In line with the terms applicable to the General Manager, Key Management Personnel may also participate in the long-term Performance Share Plan 2023-2027.

The new Performance Share Plan 2023-2027 for Key Management Personnel involves the same performance objectives 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	
Vesting period	2023-2025	
	30%	Cumulative EBITDA
	20%	Cumulative regulated INVESTMENTS
Objectives	20%	Relative TSR
	15%	ESG Indices (Inclusion in Bloomberg GEI; DJSI-World; MIB® ESG; STOXX ESG)
	15%	Overgeneration
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 a prorated 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.

## FOCUS

### Clawback and malus provisions

The variable portion of the remuneration paid to the Key Management Personnel is also 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.

### *Signing bonus and one-off bonus*

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

Key Management Personnel may also be eligible for a one-off bonus as a part of remuneration and/or to promote retention.

The maximum amount in either case, considered individually, may not exceed the target variable remuneration set by the Policy.

### *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 (being fixed and short- and long-term variable remuneration calculated in accordance with the Policy), in addition to a payment in lieu of notice (6 months' fixed and short- and long-term variable remuneration calculated in accordance with the Policy) pursuant to art. 2121 of the Italian Civil Code. These severance payments are not linked to performance.

It should be noted that, under the same conditions, the manager retains the rights awarded under the incentive schemes and that, in the event of termination prior to the end of their term of office, the rights will be calculated on a prorated basis and awarded on the basis of the assessment of performance at the end of the vesting period. In any event, bonuses are awarded when the plans mature.

# 5 Detailed index

## of topics (CONSOB Resolution 18049 and subsequent revisions, 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, revised, Section I.

CONSOB RESOLUTION	DISCLOSURE REQUIRED	REFERENCES
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;	Paragraph 3 (pages 20 to 29)
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, and any further measures designed to avoid or handle conflicts of interest;	Paragraph 3.1 (pages 24 to 27)
C	how the company has taken into account the compensation and working conditions of its employees in drawing up the remuneration policy;	Paragraph 4.1 (page 34)
D	the names of any independent experts that contributed to the formulation of the remuneration policy;	Paragraph 3.3 (page 29)
E	the purposes of the remuneration policy, its underlying principles, duration and, in the event of revision, a description of the changes to the remuneration policy with respect to the last policy submitted for approval by the Annual General Meeting and how this revision takes into account the votes held and opinions expressed during such meeting or subsequently;	Paragraph 1 (page 13), Paragraph 2 (pages 14 and 15), Paragraph 4.1 (pages 30 to 33)
F	a description of the policies regarding fixed and variable components of remuneration, particularly with regard to their relative proportion within overall remuneration, distinguishing between short- and medium/long-term variable components;	Executive Summary (pages 8 and 9), Paragraph 2.4 (pages 18 and 19), Paragraph 4.5 (pages 36 to 46), Paragraph 4.6 (page 47) and Paragraph 4.7 (pages pages 47 to 51)
G	the policy adopted with respect to benefits in kind;	Executive Summary (page 9), Paragraph 4.5.2 (page 46) and Paragraph 4.7 (page 51)
H	a description of the financial and non-financial performance objectives, including any criteria relating to corporate social responsibility, on the basis of which the variable components are awarded, distinguishing between short- and medium/long-term variable components, and information on the link between changes in results and the change in remuneration;	Executive Summary (pages 8 and 9), Paragraph 4.5.2 (pages 38 to 45) and Paragraph 4.7 (pages 48 to 50)
I	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, specifying the measure of the variable component to be awarded on the basis of the level of achievement of the objectives;	Executive Summary (pages 8 and 9), Paragraph 4.5.2 (pages 42 to 45) and Paragraph 4.7 (page 50)
J	Information designed to show the contribution made by the remuneration policy, and in particular the variable components of remuneration, to the company's strategy, the pursuit of its long-term interests and its sustainability;	Paragraph 4.1. (pages 30 to 33), Paragraph 4.5.2 (pages 38 to 45) and Paragraph 4.7 (pages 48 to 50)
K	the vesting period, any deferral mechanisms, with indications of the periods of deferral and the criteria used to determine these periods and <i>ex-post</i> correction mechanisms for the variable component (malus or clawback provisions);	Paragraph 4.5.2 (pages 38 to 45) and Paragraph 4.7 (pages 48 to 50)
L	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;	Paragraph 4.5.2 (pages 42 to 45) and Paragraph 4.7 (page 50)
M	the policy on compensation envisaged in case of termination of office or termination of employment (and the related details);	Executive Summary (page 9), Paragraph 4.5.2 (page 46) and Paragraph 4.7 (page 51)
N	information on any insurance, social security or pension plans, other than the obligatory schemes;	Executive Summary (page 9), Paragraph 4.5.2 (page 46) and Paragraph 4.7 (page 51)
O (i)	the remuneration policy possibly implemented with reference to the independent directors;	The Company does not use specific remuneration policies for independent directors.
O (ii)	the remuneration policy possibly implemented with reference to participation in committees;	Paragraph 4.5.1 (page 36)
O (iii)	if present, the remuneration policy for directors with delegated powers (chair, deputy chair, etc.);	Executive Summary (page 8) and Paragraph 4.5.2 (page 37)
P	if the remuneration policy was drawn up on the basis of the remuneration policies of other companies and, if so, the criteria used in choosing such companies and which companies were used;	In drawing up its policy, the Company has not made reference to the remuneration policies of other companies. Remuneration has, however, been benchmarked against to peer group Paragraph 2.3 (pages 17 and 18).
Q	elements of the remuneration policy to which, under exceptional circumstances, exemptions apply and, with prejudice to the requirements of Regulation 17221 of 12 March 2010, any other procedural conditions on the basis of which the exemption may be applied.	Paragraph 3.2 (pages 28 and 29)

# 6 Detailed index

## in accordance with Recommendation 27 of art. 5 of the Corporate Governance Code (January 2020 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 recommendation 27 in art. 5 of the Corporate Governance Code.

The remuneration policy for executive directors and senior management defines:

POINT	DISCLOSURE REQUIRED	REFERENCES
a)	a balance between the fixed and variable components that is appropriate and consistent with the company's strategic objectives and risk management policy, bearing in mind the nature of the business and the sector in which Terna operates, whilst ensuring that the variable component represents a significant part of the overall remuneration package;	Paragraph 2.4 (pages 18 and 19) and Paragraph 4.1 (pages 30 to 33)
b)	any caps on variable components;	Executive Summary (pages 8 and 9), Paragraph 2.4 (pages 18 and 19), Paragraph 4.5.2 (pages 38 to 45), Paragraph 4.7 (pages 48 to 50)
c)	performance objectives, to which payment of the variable components are linked, predetermined, measurable and to a significant extent linked to long-term performance. These are consistent with the company's strategic objectives and aim to drive sustainable success, including, where material, non-financial measures;	Executive Summary (pages 8 and 9), Paragraph 4.5.2 (pages 38 to 45), Paragraph 4.7 (pages 48 to 50)
d)	an appropriate deferral period – with respect to the vesting condition – for a significant part of the variable component, in line with the nature of the business and the risk profile;	Paragraph 2.4 (pages 18 and 19), Paragraph 4.5.2 ( 42 to 45) and Paragraph 4.7 (page 50)
e)	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 or under other circumstances that may be identified by the company;	Paragraph 4.5.2 (page 45) and Paragraph 4.7 (page 50)
f)	clear and pre-established rules governing severance payments 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 indemnity is not paid if the termination of the relationship is due to the achievement of objectively inadequate results.	Executive Summary (page 9) and Paragraph 4.5.2 (page 46)









**Section II:  
Report on remuneration  
paid in 2022**

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# Introduction

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>12</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 2022 and put to a binding vote by the Annual General Meeting held on 29 April 2022, in accordance with art. 123-ter, paragraph 6 of the CLF, which voted in favour of the Policy.

<sup>12</sup> In accordance with CONSOB Resolution 18049 of 23 December 2011, 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

## 1. Corporate performance 2022

2022 continued to be marked by continual upheaval. Despite the resulting economic and financial tensions, Terna recorded an exceptional performance, confirming the solidity of the business and showing further proof of the organisation's ability to react and adapt to unforeseen circumstances.

In particular, the Group's net profit recorded an improvement of €67.6 million compared with last year and EBITDA of €204.4 million. Capital expenditure amounted to €1,756.8 million, with an increase of €236.1 million. Finally, Group operating profit amounted to €1,608.1 million, an increase of €455.2 million.

Despite the negative impact on financial markets of the ongoing geopolitical tensions, inflationary pressures and the energy crisis, as at 31 December 2022 Terna's Total Shareholder Return was positive at 1.03%.

Furthermore, Terna guaranteed an excellent level of service, also in terms of regulated energy not supplied, with a final balance of 240 MWh against a Target set by Arera of 791 MWh. With regard to the output-based incentives, ARERA resolution 23 of 25 January 2022 determined the bonus for the development of inter-zonal transmission capacity in 2020 and for cost-effective investment at €143.6 million for the 2021-2023 period. Furthermore, in Resolution 26 of 3 February 2023, ARERA awarded Terna a bonus of €150 million for the progress made in resolving grid constraints due to voltage regulation and improve conditions for essential service provision between 2019 and 2021 (so-called intra-zonal incentives).

Occupational health and safety has always represented a key priority for Terna; in fact, the injury rate among Terna employees in 2022 is in line with the previous year and significantly below the average injury rate for the 2018-2020 period, with a safety indicator of 0.74; the number of injuries among contractors was in line with the average for the 2020-2022 period, with a reduction in serious injuries.

Finally, in terms of ESG indices, in 2022 Terna was once again listed on:

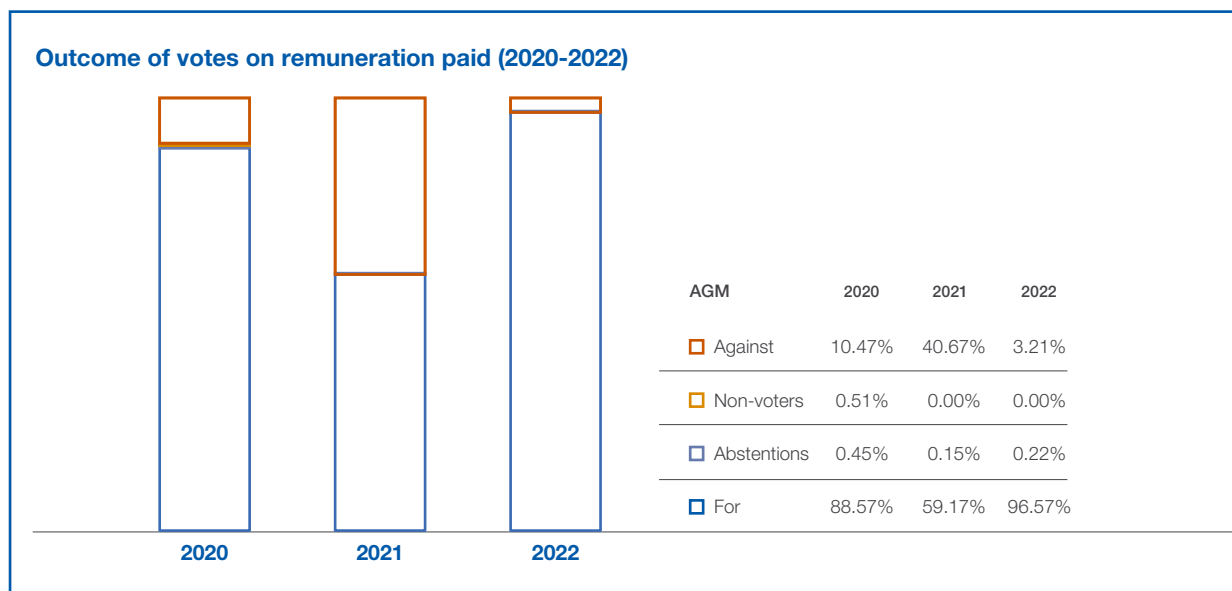
- the *Bloomberg GEI*, the international index that measures corporate performance on gender equality issues and the quality and transparency of public reporting;
- the *Dow Jones Sustainability Index World*, confirming itself in the leading group which only includes 8 electric utilities worldwide and in the top decile among the companies evaluated by Standard & Poor's through the Corporate Sustainability Assessment;
- the *MIB® ESG*, Italy's blue-chip index focusing on ESG best practices and based on the score issued by the rating agency Moody's ESG;
- the *STOXX Global ESG Leaders*, indices based on the scores issued by the rating agency Sustainalytics, which selects the best-performing securities in terms of ESG among those in the STOXX® Global index.

Please refer to the Integrated Report for the year ended 31 December 2022 for a description of the main factors that characterised operations in 2022.



## 2. Outcome of shareholder votes and feedback

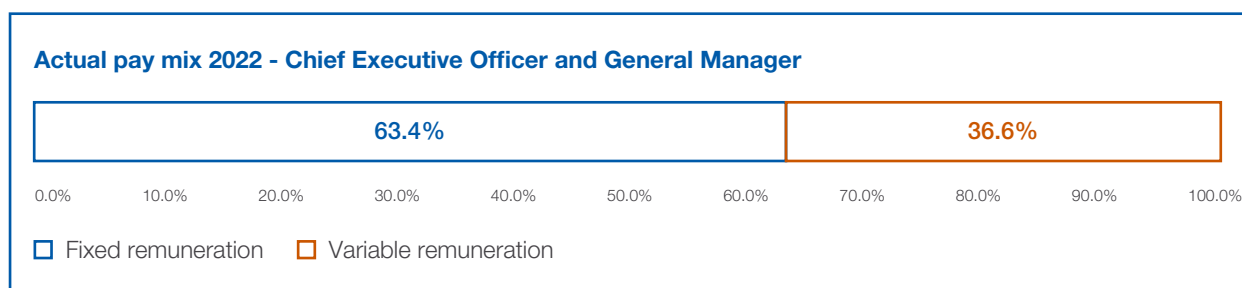
As required by art. 123-ter of the CLF (as amended by the Legislative Decree of 10 May 2019), the Annual General Meeting of 18 May 2020 was invited for the first time to hold an advisory vote on Section II of the Report on the Remuneration Policy and Remuneration Paid. The following chart shows the outcome of the non-binding votes on Section II of the Report on the Remuneration Policy and Remuneration Paid, from 2020 to 2022.



The outcome of this vote and feedback from investors and proxy advisors on the remuneration paid in 2021 was analysed by Terna in 2022, together with observations received on Section I of the Report. Terna thus took the views and opinions expressed into account in preparing this Report on the Remuneration Policy and Remuneration Paid, without prejudice to existing contractual commitments and the labour law restrictions of the Italian Civil Code.

## 3. Ratio of fixed to variable remuneration paid

In compliance with the requirements introduced in the revised Regulations for Issuers, this paragraph provides details of the ratio of fixed to variable remuneration paid to the Chief Executive Officer and General Manager in 2022. Specifically, the computation took into account the fixed remuneration shown in column 1 of Table 1 and the variable non-equity remuneration shown in column 3 of the same table.



The following paragraphs include a detailed description of the single components of pay taken into account.

It should be noted that there are no variable components of pay linked to the Company's or the Group's financial performance in the case of other members of the Board of Directors and the Board of Statutory Auditors.



## 4. Fixed amounts

### Non-executive Directors

In 2022, the non-executive Directors were paid the fixed amounts established by the Annual General Meeting of 18 May 2020 (€35,000 annual gross for each Director), if necessary calculated on a *pro-rata temporis* basis.

### Chair

In 2022, the Chairwoman, elected by the Board of Directors on 18 May 2020, was paid the fixed remuneration approved by the Annual General Meeting of 18 May 2020 (€50,000 annual gross) and by the Board of Directors on 18 May 2020 (€188,000 annual gross). Therefore, the overall remuneration package for the Chairwoman, in terms of fixed remuneration, amounted to €238,000 annual gross.

### CEO and General Manager

In 2022, the Chief Executive Officer and General Manager, elected by the Board of Directors on 18 May 2020, were paid:

- the fixed amount as Director, established by the Annual General Meeting of 18 May 2020 (€35,000 annual gross);
- the fixed amount, established by the Board of Directors on 18 May 2020, for assigned powers and duties (€200,000 gross per year);
- the fixed component of remuneration as General Manager (€850,000 gross per year).

Therefore, the 2022 overall remuneration package for the CEO and General Manager, in terms of fixed remuneration, amounted to €1,085,000 annual gross.

The amounts related to the fixed compensation are specified in the relevant column of Table 1.

### Key Management Personnel

In 2022, Key Management Personnel were paid fixed amounts, including the annual changes to the Remuneration Policy, totalling €2,343,333.05.

Table 1 shows the fixed remuneration paid in aggregate form.

## 5. Variable amounts

### Short-term variable incentive

#### CEO and General Manager

In 2022, the Chief Executive Officer and General Manager received the short-term incentive remuneration (MBO), based on the performance achieved in achieving the targets foreseen for the two roles, as reported in the financial statements for the year ended 31 December 2022, which will be submitted for approval by the Annual General Meeting, which approves Section I of this Report<sup>13</sup>.

<sup>13</sup> Remuneration paid in application of the principles indicated in the remuneration policy put to an advisory, non-binding vote at the Annual General Meeting held on 29 April 2022.

The Chief Executive Officer and General Manager received the following annual variable remuneration for 2022:

- €200,000 gross as Chief Executive Officer. In this regard, it should be noted that the MBO bonus payable to the Chief Executive Officer is of the on/off type and that all the objectives assigned were achieved;
- €425,520 gross as General Manager, based on an overall level of achievement of the objectives assigned of 141.84%.

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

#### 2022 MBO objectives - Chief Executive Officer

OBJECTIVES	WEIGHTING	TARGET	ACTUAL	SCORE
Terna Group - 2022 Net Profit	50%	€773.81 million	€856.98 million	ON
Innovation - NexTerna programme Launch of Terna Academy; Employee satisfaction; Hybrid workspace model	25%	ON	ON	ON
Incentives output For the overall calculation of the incentives, all the resolutions adopted in 2022 are considered (including the resolution on inter-zonal bonuses), as well as the elements contained in the reports sent to ARERA by Terna for the purpose of recognising output incentives relating to inter-zonal incentives (pursuant to Resolution 699/18), as well as quantifying incentives for DSM efficiency (pursuant to Resolution 597/21) through internal calculation tools.	25%	€202 million	€369.19 million	ON

#### MBO objectives for 2022 - General Manager

OBJECTIVES	WEIGHTING	TARGET	ACTUAL	SCORE
EBITDA 2022 - Terna Group	25%	€1,903.54 million	€2,059.23 million	150.00%
Regulated investment - Terna Group*	20%	€1,545.19 million	€1,634.50 million	150.00%
Asset entering service - Terna Group*	10%	€1,191.36 million	€1,266.04 million	112.84%
Service Quality (Regulated Energy Not Supplied, RENS)	20%	791.39 MWh	240.00 MWh	150.00%
Workplace safety (SI) Terna Group personnel working in the electricity sector	20%	1	0.74	137.14%
Injuries among contractors in Italy	5%	37 injuries	35 injuries	112.50%
<b>WEIGHTED AVERAGE SCORE</b>				<b>141.84%</b>

\* Net of financial expenses and IFRS16.

The total short-term variable remuneration relating to the 2022 performance period, was equal to €625,520 gross for the CEO and GM.

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 the year ended 31 December 2022, amounting to €1,625,910. Overall average achievement of the objectives assigned was approximately 142.12%.

Signing bonuses amounting to a total of €120,000 gross were also paid to Key Management Personnel. These bonuses were recognised exclusively to attract resources with extensive management experience and in possession of critical skills for the business.

Tables 1, 3A and 3B show aggregate figures for signing bonuses and variable remuneration paid on a prorated basis for the period for the various positions held, considering all the persons qualifying as Key Management Personnel for at least a part of the year in 2022.

## Special, one-off bonus

As provided for in the Remuneration Policy for 2022, on 22 March 2023 the Board of Directors approved the payment of a special, one-off bonus to some Key Management Personnel for exceptional performance in the context of a transaction of an extraordinary nature and with a significant impact on the business, in order to reward the value created for shareholders.

This extraordinary performance related to increased profit, which could neither be budgeted for nor foreseen, associated with the output-based incentive mechanisms on dispatching activities, amounting to €334.7 million, accrued on the basis of the provisions of Resolutions 597/2021 and 132/2022, aimed at reducing the costs of the DSM, the shortfall in wind power production and essential services (€194.2 million, corresponding to the accrued portion of the current value of the incentive due in the period 2022-2024), and Resolution 699/2018, which incentivised the implementation during the three-year period 2019-2021 of grid development work to relieve congestion within zones, resolve grid constraints due to voltage regulation and improve conditions for essential service provision (€140.5 million, corresponding to the present value of the amount established by Resolution 26/2023 that will be collected over three years starting from 2023).

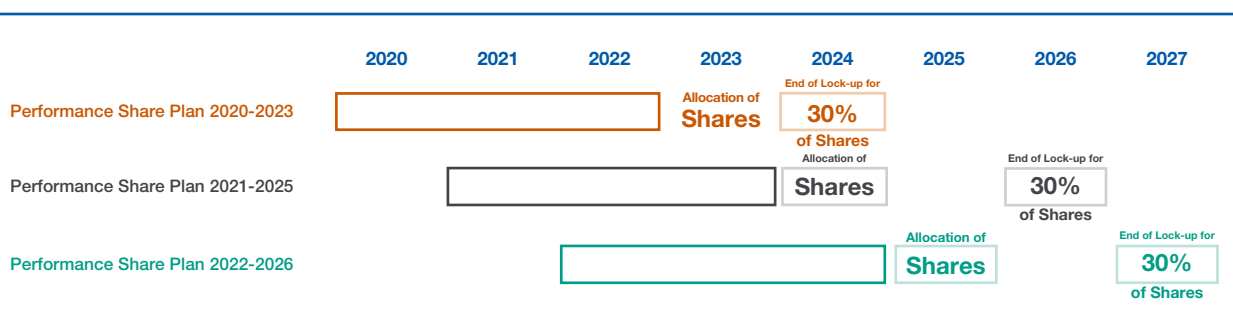
The total amount of the special, one-off bonus was €1,707,000.

In order to better reflect the interests of shareholders, the entire amount of the special bonus was invested, on an individual and voluntary basis, in Terna's shares, with a lock-up period up to 31 december 2024.

The Chief Executive Officer and General Manager opted to waive his right to the special bonus, also in the light of the current economic and social context in Italy and ongoing macroeconomic and geopolitical developments.

## Long-term variable incentives

With regard to Terna's policies, the long-term variable incentive plans are as follows:



In 2022, the Performance Share Plan 2020-2023 was concluded.

This Plan was described in the Policy for 2020 and published in the Remuneration Report for 2020.

Based on the assessment conducted by the Remuneration Committee and the resulting recommendation, on 22 March 2023 the Board of Directors confirmed the degree to which the cycle's three performance objectives had been achieved, as described below:

GOALS	WEIGHT	TARGET	ACTUAL	SCORE
Cumulative EBITDA over the three years to 2022 compared with cumulative EBITDA over the three years of the Industrial Plan	50%	€5,487.0 million	€5,744.4 million	150.00%
Total Shareholder Return 2020-2022 Terna's ranking in the benchmark peer group	30%	3 <sup>rd</sup> place	1 <sup>st</sup> place	150.00%
Dow Jones Sustainability Index (DJSI) Terna's annual ranking in the years 2020- 2021-2022	20%	Inclusion in all three years and positioning among the top 7 companies in at least one year out of 3	2020: 1 <sup>st</sup> decile; inclusion; 1 <sup>st</sup> place in the Dow Jones Sustainability Index World. 2021: 1 <sup>st</sup> decile; inclusion; 2 <sup>nd</sup> place ex aequo with Iberdrola in the Dow Jones Sustainability Index World. 2022: 1 <sup>st</sup> decile; inclusion; 1 <sup>st</sup> place in the Dow Jones Sustainability Index World.	150.00%
<b>WEIGHTED AVERAGE SCORE</b>				<b>150.00%</b>

Based on the above, the overall level of achievement of the Performance Share Plan 2020-2023 was 150%. At the meeting of 22 March 2023, the Board of Directors determined the number of shares to be allotted (including the amount awarded as a dividend equivalent):

- 281,200 to the General Manager;
- a total of 307,977 for Key Management Personnel.

These shares are partially (30%) subject to the restrictions resulting from the one-year lock-up period, as provided for in the Information Circular for the Performance Share Plan 2020-2023.

It should also be noted that, in the light of the description provided in Section I of the Remuneration Reports for 2021 and 2022 respectively, during 2021 and 2022, grants were made under the Performance Share Plan 2021-2025 and the Performance Share Plan 2022-2026. Information on these Plans is provided in Table 3A.

## 6. Fees for participating in Board Committees

The fees paid for membership of Board Committees are reported below. For details on amounts paid to Directors and for participating in Committees, refer to Table 1.

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

The Chairs of the Nominations Committee, Remuneration Committee and the Coordinator of the Related Party Transactions Committee received gross remuneration of €50,000 per year (in addition to pay received in their capacity as Directors – €35,000 per year gross).

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

The Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee received gross remuneration of €60,000 per year (in addition to pay received in their capacity as Director – €35,000 annual gross).

## Committee members

Members of all the Committees, other than the related Chairs, received a gross sum of €40,000 per year (in addition to pay received in their capacity as Director – €35,000 per year), calculated on a prorated basis for the period in which they were in office in the case of Directors who became Committee members during the year.

## 7. 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 2021. The value of these benefits is shown in Table 1. These amounts were paid on a prorated basis for the period the various positions were held, considering all the persons qualifying as Key Management Personnel for at least a part of the year in 2022.

## 8. Severance

No severance payments were made in 2022.

## 9. Annual change in remuneration paid and in the Company's performance

In line with the requirements of the revised Regulations for Issuers published by the CONSOB and the remuneration paid and described in this Section of the Report, this paragraph provides an annual comparison between 2019, 2020, 2021 and 2022 of:

- the total remuneration paid to members of the Board of Directors and the Board of Statutory Auditors, as shown in "Total" column (6) in Table 1.  
In this regard, the table below shows total remuneration paid - prorated on the basis of the period in office - to all persons who have held the position of Director or Statutory Auditor, even if for only a fraction of the year, during 2019, 2020, 2021 and 2022. The change in remuneration between 2020-2019, 2021-2020 and 2022-2021 is only shown for persons receiving pay in both years;
- the Company's results, in terms of EBITDA and Total Shareholder Return;
- total average remuneration for the Company's employees, based on the average full-time workforce, excluding the Chief Executive Officer and General Manager, calculated as the sum of gross annual pay, short-term variable remuneration for the year, benefits and any further compensation (e.g., overtime pay).

## Remuneration of the Board of Directors and the Board of Statutory Auditors

NAME	POSITION	2019	2020	2021	2022	Δ2022-2021
Valentina Bosetti	Chairwoman of the Board of Directors		148,624.15 €	238,907.90 €	238,907.90 €	0.00%
Catia Bastioli	Chairwoman of the Board of Directors	239,736.85 €	91,734.92 €			
Stefano Antonio Donnarumma	CEO and General Manager		1,203,775.71 €	1,723,651.25 €	1,770,743.52 €	2.73%
Luigi Ferraris	CEO and General Manager	3,326,853.34 €	526,348.85 €			
Jean-Michel Aubertin	Director		46,723.83 €	83,659.14 €	115,178.24 €	37.68%
Antonella Baldino	Director		21,804.45 €	35,054.25 €	35,054.25 €	0.00%
Paolo Calcagnini	Director	30,642.25 €	13,451.13 €			
Valentina Canalini	Director		21,804.45 €	35,054.25 €	35,054.25 €	0.00%
Ernesto Carbone	Director		46,723.83 €	83,768.90 €	115,178.24 €	37.50%
Fabio Corsico	Director	125,545.39 €	125,913.40 €	125,193.74 €	125,193.74 €	0.00%
Alessandra Faella	Director		46,723.83 €	83,659.14 €	115,178.24 €	37.68%
Giuseppe Ferri	Director		46,723.83 €	83,768.90 €	115,178.24 €	37.50%
Paola Giannotti	Director	120,138.34 €	135,986.48 €	135,209.24 €	135,209.24 €	0.00%
Marco Giorgino	Director	65,633.29 €	121,732.13 €	125,193.74 €	125,193.74 €	0.00%
Yunpeng He	Director	75,327.23 €	50,400.85 €	35,054.25 €	2,497.01 €	-92.88%
Gabriella Porcelli	Director	157,279.13 €	141,264.59 €	125,193.74 €	125,193.74 €	0.00%
Qinjing Shen	Director				32,709.29 €	
Elena Vasco	Director	112,195.15 €	48,039.74 €			
Luca Dal Fabbro	Director	45,179.14 €				
Matteo Mario Busso	Standing Auditor		34,245.92 €	55,085.24 €	55,085.24 €	0.00%
Raffaella Fantini	Standing Auditor		28,019.39 €	45,069.75 €	45,069.75 €	0.00%
Riccardo Schioppo	Standing Auditor	55,239.97 €	21,137.49 €			
Vincenzo Simone	Standing Auditor	45,196.34 €	45,205.17 €	45,069.75 €	45,069.75 €	0.00%
M. Alessandra Zunino de Pignier	Standing Auditor	45,196.34 €	17,294.31 €			

The changes are due to the term in office and/or participation in Board Committees and not to any change in the applicable remuneration policy. Details of the individual components of remuneration are provided in the tables and notes in Section II of the Reports for 2019, 2020, 2021 and 2022.

## Terna group performance

MEASURE	2019	2020*	2021*	2022*	CHANGE 2022-2021
EBITDA	1,741.2 million	1,811.0 million	1,854.8 million	2,059.2 million	11.0%
Total Shareholder Return	25.13%	9.36%	18.78%	1.03%	-17.75%

\* In compliance with the requirements of IFRS 5, the overall results for the 2022, 2021 and 2020 financial years attributable to the South American subsidiaries involved in the potential sale of the Group's Latin American assets have been classified in "Profit/(Loss) from assets held for sale" in the Group's reclassified income statement.

## Average remuneration of employees

SCOPE	2019 (€)	2020 (€)	2021 (€)	2022 (€)	CHANGE 2022-2021
Employees in the electricity sector (average)	49,766	50,158	52,212	52,607	0.76%





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					
				50,000.00 €		
		907.90 €		188,907.90 €		
		<b>907.90 €</b>		<b>238,907.90 €</b>		
				35,000.00 €		
200,000.00 €				400,000.00 €		
425,520.00 €		60,223.46 €		1,335,743.52 €	416,992.68 €	
<b>625,520.00 €</b>		<b>60,223.46 €</b>		<b>1,770,743.52 €</b>	<b>416,992.68 €</b>	
		178.24 €		115,178.24 €		
		<b>178.24 €</b>		<b>115,178.24 €</b>		
		54.25 €		35,054.25 €		
		<b>54.25 €</b>		<b>35,054.25 €</b>		
		54.25 €		35,054.25 €		
		<b>54.25 €</b>		<b>35,054.25 €</b>		
		178.24 €		115,178.24 €		
		<b>178.24 €</b>		<b>115,178.24 €</b>		
		193.74 €		125,193.74 €		
		<b>193.74 €</b>		<b>125,193.74 €</b>		

Section II: Report on remuneration paid in 2022

A	B	C	D	1	2
NAME AND SURNAME	POSITION	PERIOD IN OFFICE	EXPIRY OF TERM OF OFFICE	FIXED AMOUNTS	FEES PAID FOR PARTICIPATION IN BOARD COMMITTEES
<b>Alessandra Faella</b>	<b>Director</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(I) Remuneration from the company preparing the financial statements			35,000.00 €	80,000.00 €
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>35,000.00 €</b>	<b>80,000.00 €</b>
<b>Giuseppe Ferri</b>	<b>Director</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(I) Remuneration from the company preparing the financial statements			35,000.00 €	80,000.00 €
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>35,000.00 €</b>	<b>80,000.00 €</b>
<b>Paola Giannotti</b>	<b>Director</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(I) Remuneration from the company preparing the financial statements			35,000.00 €	100,000.00 €
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>35,000.00 €</b>	<b>100,000.00 €</b>
<b>Marco Giorgino</b>	<b>Director</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(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>Yunpeng He</b>	<b>Director</b>	01/01/2022-26/01/2022	Approval of 2022 financial statements		
	(I) Remuneration from the company preparing the financial statements			2,493.15 €	
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>2,493.15 €</b>	
<b>Gabriella Porcelli</b>	<b>Director</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(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>Qinjing Shen</b>	<b>Director</b>	26/01/2022-31/12/2022	Approval of 2022 financial statements		
	(I) Remuneration from the company preparing the financial statements			32,658.68 €	
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>32,658.68 €</b>	
<b>Matteo Mario Busso</b>	<b>Standing Auditor</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(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>Raffaella Fantini</b>	<b>Standing Auditor</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(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>Vincenzo Simone</b>	<b>Standing Auditor</b>	01/01/2022-31/12/2022	Approval of 2022 financial statements		
	(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 (8)</b>					
	(I) Remuneration from the company preparing the financial statements			<b>2,343,333.05 €</b>	
	(II) Remuneration from subsidiaries and associates				
	<b>(III) Total</b>			<b>2,343,333.05 €</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					
		178.24 €		115,178.24 €		
		<b>178.24 €</b>		<b>115,178.24 €</b>		
		178.24 €		115,178.24 €		
		<b>178.24 €</b>		<b>115,178.24 €</b>		
		209.24 €		135,209.24 €		
		<b>209.24 €</b>		<b>135,209.24 €</b>		
		193.74 €		125,193.74 €		
		<b>193.74 €</b>		<b>125,193.74 €</b>		
		3.86 €		2,497.01 €		
		<b>3.86 €</b>		<b>2,497.01 €</b>		
		193.74 €		125,193.74 €		
		<b>193.74 €</b>		<b>125,193.74 €</b>		
		50.62 €		32,709.29 €		
		<b>50.62 €</b>		<b>32,709.29 €</b>		
		85.24 €		55,085.24 €		
		<b>85.24 €</b>		<b>55,085.24 €</b>		
		69.75 €		45,069.75 €		
		<b>69.75 €</b>		<b>45,069.75 €</b>		
		69.75 €		45,069.75 €		
		<b>69.75 €</b>		<b>45,069.75 €</b>		
<b>3,332,910.00 €</b>		<b>196,568.93 €</b>		<b>5,872,811.98 €</b>	<b>506,651.73 €</b>	
<b>3,332,910.00 €</b>		<b>196,568.93 €</b>		<b>5,872,811.98 €</b>	<b>506,651.73 €</b>	

## Table 1 Notes

<b>Valentina Bosetti</b>	<b>Column 1</b>	The amount includes: - fixed annual remuneration payable pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Chairwoman (€50,000); - fixed annual remuneration payable pursuant to art. 2389, para. 3 of the Italian Civil Code for the position of Chairwoman (€188,000).
<b>Stefano Antonio Donnarumma</b>	<b>Column 1</b>	The amount includes: - fixed annual remuneration payable pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000); - fixed annual remuneration payable pursuant to art. 2389, para. 3 of the Italian Civil Code for the position of Chief Executive Officer (€200,000); - gross annual pay (€850,000) for the position of General Manager.
	<b>Column 3</b>	The amount includes: - gross amount due under the MBO scheme for 2022, relating to the position of Chief Executive Officer (€200,000); - gross amount due under the MBO scheme for 2022, relating to the position of General Manager (€425,520).
<b>Jean-Michel Aubertin</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000).
	<b>Column 2</b>	The amount includes: - gross remuneration due as a member of the Nominations Committee (€40,000); - gross remuneration due as a member of the Remuneration Committee (€40,000).
<b>Antonella Baldino</b>	<b>Column 1</b>	The amount, which corresponds to fixed annual remuneration payable pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000), to be paid to Cassa Depositi e Prestiti S.p.A. This amount was not paid in 2022.
<b>Valentina Canalini</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000). This amount was not paid in 2022.
<b>Ernesto Carbone</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000). The amount was partially disbursed in 2022.
	<b>Column 2</b>	The amount includes: - gross remuneration due as a member of the Related Party Transactions Committee (€40,000); - gross remuneration due as a member of the Nominations Committee (€40,000). The amounts were partially disbursed in 2022.
<b>Fabio Corsico</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000).
	<b>Column 2</b>	The amount includes: - gross remuneration due as Chairman of the Remuneration Committee (€50,000); - gross remuneration due as a member of the Nominations Committee (€40,000).
<b>Alessandra Faella</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000). This amount was not paid in 2022.
	<b>Column 2</b>	The amount includes: - gross remuneration due as a member of the Remuneration Committee (€40,000). This amount was not paid in 2022; - gross remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000). This amount was not paid in 2022.

	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000). The amount was partially disbursed in 2022.
<b>Giuseppe Ferri</b>	<b>Column 2</b>	The amount includes: - gross remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000). - gross remuneration due as a member of the Related Party Transactions Committee (€40,000). The amounts were partially disbursed in 2022.
	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000).
<b>Paola Giannotti</b>	<b>Column 2</b>	The amount includes: - gross remuneration due as Chairwoman of the Audit, Risk, Corporate Governance and Sustainability Committee (€60,000); - gross remuneration due as a member of the Related Party Transactions Committee (€40,000).
	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000). The amount was partially disbursed in 2022.
<b>Marco Giorgino</b>	<b>Column 2</b>	The amount includes: - gross remuneration due as a member of the Audit, Risk, Corporate Governance and Sustainability Committee (€40,000); - gross remuneration due as Chairman of the Related Party Transactions Committee (€50,000). The amounts were partially disbursed in 2022.
<b>Yunpeng He</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000), calculated on a prorated basis, to be paid to State Grid. This amount was not paid in 2022.
	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000).
<b>Gabriella Porcelli</b>	<b>Column 2</b>	The amount includes: - gross remuneration due as Chairwoman of the Nominations Committee (€50,000); - gross remuneration due as a member of the Remuneration Committee (€40,000).
<b>Qinjing Shen</b>		The amount corresponds to the gross annual fixed pay established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Director (€35,000), calculated on a prorated basis, to be paid to State Grid. This amount was not paid in 2022.
<b>Matteo Mario Busso</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay, established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Chairman of the Board of Statutory Auditors (€55,000). This amount was not paid in 2022.
<b>Raffaella Fantini</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay, established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Statutory Auditor (€45,000). This amount was not paid in 2022.
<b>Vincenzo Simone</b>	<b>Column 1</b>	The amount corresponds to the gross annual fixed pay, established pursuant to art. 2389, para. 1 of the Italian Civil Code for the position of Statutory Auditor (€45,000). This amount was not paid in 2022.
<b>Dirigenti con Responsabilità Strategiche</b>	<b>Column 3</b>	The amount corresponds to total gross remuneration due under the MBO scheme for 2022 (€1,625,910) and the special, one-off bonus for 2022 (€1,707,000).

**Table 3A**

Equity-based incentive plans, other than share options, for members of the Board of Directors, General Managers and other Key Management Personnel

A	B	1	FINANCIAL INSTRUMENTS AWARDED IN PREVIOUS YEARS THAT DID NOT VEST DURING THE YEAR	
			2	3
NAME AND SURNAME	POSITION	PLAN	NUMBER AND TYPE OF FINANCIAL INSTRUMENTS	VESTING PERIOD
Stefano Antonio Donnarumma	CEO and General Manager	Performance Share Plan 2020-2023 (AGM of 18 May 2020)		
		Performance Share Plan 2021-2025 (AGM of 30 April 2021)	248,565	3 years
		Performance Share Plan 2022-2026 (AGM of 29 April 2022)		
<b>(II) Remuneration from subsidiaries and associates</b>				
<b>(III) Total</b>				
Key Management Personnel (8)		Performance Share Plan 2020-2023 (AGM of 18 May 2020)		
		Performance Share Plan 2021-2025 (AGM of 30 April 2021)	283,320	3 years
		Performance Share Plan 2022-2026 (AGM of 29 April 2022)		
<b>(II) Remuneration from subsidiaries and associates</b>				
<b>(III) Total</b>				



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
						281,200	7.22**	
199,987	1,250,978.05	3 years	15/06/22	7.88*				416,992.68
	<b>1,250,978.05</b>							<b>416,992.68</b>
						307,977	7.22**	
242,988	1,519,955.19	3 years	15/06/22	7.88*				506,651.73
	<b>1,519,955.19</b>							<b>506,651.73</b>

\* The market price at the grant date: based on the Volume Weighted Average Price (VWAP) registered in the 22 working days prior to the Grant Date for the shares.

\*\* Price calculated on the Volume Weighted Average Price (VWAP) in the 22 business days prior to the Date of the Board meeting that determined the number of shares to be allocated.

## 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
			BONUS FOR THE YEAR			BONUS FOR PREVIOUS YEARS			
			(A)	(B)	(C)	(A)	(B)	(C)	
NAME AND SURNAME	POSITION	PLAN	PAYABLE/PAID	DEFERRED	DEFERRAL PERIOD	NO LONGER PAYABLE	PAYABLE/PAID	STILL DEFERRED	OTHER BONUSES
<b>Stefano Antonio Donnarumma</b>		<b>CEO and General Manager</b>							
(I)	Remuneration from the company preparing the financial statements	MBO 2022 (CEO)	€ 200,000,00						
		MBO 2022 (GM)	€ 425,520,00						
(II)	Remuneration from subsidiaries and associates								
<b>(III)</b>	<b>Total</b>			<b>€ 625,520,00</b>					
<b>Key Management Personnel (8)</b>									
(I)	Remuneration from the company preparing the financial statements	MBO 2022	€ 1,625,910,00						
		Special, one-off bonus 2022						€ 1,707,000,00	
(II)	Remuneration from subsidiaries and associates								
<b>(III)</b>	<b>Total</b>			<b>€ 1,625,910,00</b>			<b>€ 1,707,000,00</b>		

## FORM 7-ter

### Interests of members of management and oversight bodies, General Managers and Key Management Personnel

### Shares held by Directors, Auditors, General Managers and Key Management Personnel

In accordance with art. 84-*quater*, paragraph 4 of CONSOB Resolution 11971/99, the following tables provide a list of shares in Terna and its subsidiaries held by Directors, Statutory Auditors, General Managers (table 1) and Key Management Personnel (table 2), and by spouses who are not legally separated and minor children, either directly or through subsidiaries, trust companies or proxies, as recorded in the shareholder register, notifications received and other information obtained by such members of management and oversight bodies, General Managers and Key Management Personnel. The list includes all persons holding the positions of Director, Statutory Auditor, General Manager and Key Management Personnel in 2022.

The number of shares is reported by name for members of the management and oversight bodies and general managers and, on an aggregate basis, for other key management personnel.

**Table 1**

NAME AND SURNAME	POSITION	INVESTEES COMPANY <sup>14</sup>	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS YEAR (2021)	NUMBER OF SHARES PURCHASED (IN 2022)	NUMBER OF SHARES SOLD (IN 2022)	NUMBER OF SHARES HELD AT END OF YEAR 2022	TITLE <sup>15</sup>
<b>Bosetti Valentina</b>	Chairwoman of the Board of Directors	TERNA S.p.A.	0	0	0	0	
<b>Donnarumma Stefano Antonio</b>	CEO and General Manager	-	0	0	0	0	
<b>Aubertin Jean-Michel</b>	Board member	-	0	0	0	0	
<b>Baldino Antonella</b>	Board member	-	0	0	0	0	
<b>Canalini Valentina</b>	Board member	-	0	0	0	0	
<b>Carbone Ernesto<sup>16</sup></b>	Board member	-	0	0	0	0	
<b>Corsico Fabio</b>	Board member	-	0	0	0	0	
<b>Faella Alessandra</b>	Board member	-	0	0	0	0	
<b>Ferri Giuseppe</b>	Board member	-	0	0	0	0	
<b>Giannotti Paola</b>	Board member	-	0	0	0	0	
<b>Giorgino Marco</b>	Board member	-	0	0	0	0	
<b>He Yunpeng<sup>17</sup></b>	Board member	-	0	0	0	0	
<b>Shen Qinjing<sup>18</sup></b>	Board member	-	0	0	0	0	
<b>Porcelli Gabriella</b>	Board member	-	0	0	0	0	
<b>Busso Matteo Mario</b>	Chairman of the Board of Statutory Auditors	-	0	0	0	0	
<b>Fantini Raffaella</b>	Standing Auditor	-	0	0	0	0	
<b>Simone Vincenzo</b>	Standing Auditor	-	0	0	0	0	
<b>Massimiliano Ghizzi</b>	Alternate Auditor	-	0	0	0	0	
<b>Barbara Zanardi</b>	Alternate Auditor	-	0	0	0	0	
<b>Maria Assunta Damiano</b>	Alternate Auditor	-	0	0	0	0	

**Table 2**

NUMBER OF KEY MANAGEMENT PERSONNEL	INVESTEES COMPANY <sup>19</sup>	NUMBER OF SHARES HELD AT THE END OF THE PREVIOUS YEAR (2021)	NUMBER OF SHARES PURCHASED (IN 2022)	NUMBER OF SHARES SOLD (IN 2022)	NUMBER OF SHARES HELD AT END OF YEAR 2022	TITLE <sup>20</sup>
8	-	0	0	0	0	

<sup>14</sup> TERNA S.p.A. and its subsidiaries.

<sup>15</sup> In 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>16</sup> On 23 January 2023, Mr Ernesto Carbone resigned with immediate effect following his appointment, by Parliament in joint session, as a member of the *Consiglio Superiore della Magistratura*.

<sup>17</sup> Il Consigliere Yunpeng He, eletto dall'assemblea degli azionisti del 18 maggio 2020 e tratto dalla lista espressione del socio CDP Reti S.p.A., ha rassegnato le proprie dimissioni in data 11 gennaio 2022 per sopravvenuti impegni professionali. A seguito delle suddette dimissioni, in data 26 gennaio 2022, il Consiglio di Amministrazione ha nominato per cooptazione Qinjing Shen in sostituzione del Consigliere dimissionario. L'assemblea del 29 aprile 2022 ha deliberato sulla sua nomina.

<sup>18</sup> Mr Yunpeng He, appointed by the Annual General Meeting of 18 May 2020 and selected from the slate presented by the shareholder CDP Reti S.p.A., resigned from his position with immediate effect on 11 January 2022 due to professional commitments. Following the resignation, on 26 January 2022 the Board of Directors appointed Qinjing Shen to replace the resigning Director, Yunpeng He. His appointment was confirmed by the Annual General Meeting of 29 April 2022.

<sup>19</sup> TERNA S.p.A. and its subsidiaries.

<sup>20</sup> In 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

**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.

**Audit, Risk, Corporate Governance and Sustainability Committee:** this is a Board Committee set up on the basis of art. 6 of the Corporate Governance Code. Its members are non-executive independent Directors, and the Committee’s Chair is an independent Director. 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.

**Bloomberg GEI:** an international index, published annually, that measures companies’ performance regarding gender equality issues and the quality and transparency of their public reporting.

**≤Board of Directors:** this is the collective body responsible for management of the Company. Terna S.p.A.’s Board of Directors consists of 13 Directors. It is the body with the authority for, among other things, approving the Remuneration Policy recommended by the Remuneration Committee.

**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.

**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.

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

**Corporate Governance Code:** Borsa Italiana’s new Corporate Governance Code for Listed Companies, published in January 2020 and in effect from the first reporting period beginning after 31 December 2020, and to which Terna adheres. The document contains a series of principles and recommendations setting out the objectives of good corporate governance for companies listed on the screen-based trading system (*Mercato Telematico Azionario*) managed by Borsa Italiana. Application of the Code is voluntary and is described in the Report on Corporate Governance and Ownership Structures.

**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.

**Dow Jones Sustainability Index (or DJSI or Index):** the sustainability index published annually by S&P Global, consisting of listed companies considered the best in terms of sustainability performance; 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.

**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.

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

**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.

**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, last amended by resolution 22144 of 22 December 2021.

**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.

**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.

**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.

**MIB® ESG:** Launched in 2021, this is Italy's first blue-chip index focusing on ESG best practices. The index is based on the outcome of the periodic assessment conducted by the agency, Moody's ESG, part of Moody's ESG Solutions

**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.

**Nominations Committee:** this is a Board Committee set up on the basis of art. 4 of the Corporate Governance Code. Its members are independent Directors. A description of the functions of the Nominations Committee is provided in the Report on Corporate Governance and Ownership Structures.

**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%.

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

**Regulation on Related Party Transactions:** CONSOB Regulation 17221 of 10 March 2010, as amended, 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.

**Regulations for Issuers:** the CONSOB Regulations for Issuers 11971 of 14 May 1999, as amended, containing regulations applicable to the issuers of financial instruments.

**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, as amended. 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 art. 5 of the Corporate Governance Code. Its members are non-executive Directors, the majority of whom independent, and the Committee's Chair is an independent Director. A description of the functions of the Remuneration Committee is provided in the Report on Corporate Governance and Ownership Structures.

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

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

**STOXX ESG:** Launched in 2011, these indices are based on assessments made by the Sustainalytics rating agency and select the best shares based on ESG performance.

**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.

**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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