

# 2016 ANNUAL REMUNERATION REPORT

ROME, MARCH 21, 2016

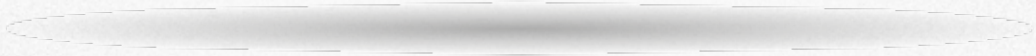
TERNA S.P.A. AND TERNA GROUP

2016





# Transmitting energy



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ROME, 21 MARCH 2016

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*(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)*

# Letter from the Chairman of the Remuneration Committee



Dear Shareholders,

Together with the Directors Gabriella Porcelli and Fabio Corsico, for the role of Chairman of Terna's Remuneration Committee which I have the honour of holding, I am pleased to present the 2016 Annual Remuneration Report. This Report has become a regular appointment that Terna has decided to treat not only as a mere legislative and regulatory obligation, but also as an occasion for an open, transparent and regular discussion with all shareholders and stakeholders on the remuneration systems adopted by the Company.

Transparency on the quality of the remuneration models, alignment between management's actions and shareholders' interests, ability to attract the best professional skills to fill the most strategic managerial roles, human resources enhancement and equal opportunities are confirmed as pillars of the Terna Group's remuneration policy.

Starting precisely from these pillars, the Remuneration Committee's commitment is to propose to the Board of Directors the adjustments to Terna's remuneration model to guarantee constant alignment with the Group's strategic objectives, market best practices, our shareholders expectations and Italian and European legislation.

In this regard, taking forward the initiatives of updating and constantly improving Terna's remuneration system already described in last year's Report, a number of important changes have been introduced in the 2016 Report, which specifically regard:

- the presentation of an initial overview which enables a broad picture of the elements that make up the compensation package of the Chairwoman, the Chief Executive Officer and the General Manager of the Company;
- the description, in the "Shareholder Engagement" paragraph, of the main communication initiatives undertaken during 2015 with the main beneficiaries and users of the Company's Policy on the subject of remuneration;
- a significantly wider disclosure in explaining the targets connected with variable incentives in both the short and long term, through a precise description of the content of the single targets and of the score curves associated with them.

As regards the contents of the new Remuneration Policy, as explained in detail in the text of the Report, the main changes relate to the characteristics of the new Long-Term Incentive Plan ("*2016-2018 LTI Plan*") which, compared with the previous one, provides for a three-year "vesting" period and makes payment of the bonus conditional on achieving:

- stock performance and economic/financial targets, among which Total Shareholder Return has been introduced; this parameter is widely used in international practices, as a measure of total return for shareholders;
- a sustainability target, in response to investors' growing attention to sustainability themes and in keeping with the importance that Terna attributes to socio-environmental responsibility issues.

A further important change related to the long-term incentive system consists of the introduction of deferred payment for a significant proportion of the incentive, so that the application of malus mechanisms becomes even more effective.

Since its listing on the stock exchange, Terna group has constantly generated value for its shareholders, as shown in the charts presented below, achieving significantly better performance than both the Italian market and the relevant sector. This confirms the quality of the remuneration policies adopted.

The elements described up to now were endorsed by the Board of Directors which at its meeting on 21 March 2016 approved the present Report, structured, as provided for in Art. 123-ter of the Consolidated Law on Finance, in two separate sections:

- the first section, on which you are called to express a non-binding vote, describes the objectives and general principles which inspired Terna in defining its approach to remuneration of Directors and management, the governance procedures and the different parties relevant to the definition and implementation of the Remuneration Policy as well as the Remuneration Policy guidelines adopted for 2016;

- the second section, instead, presents the information on actions taken regarding remuneration in 2015, in line with the policy set out in last year's Remuneration Report.

In order to continue with the constant alignment of Terna's remuneration system with the evolving regulatory context and with changes in best practices, the Remuneration Committee appreciates and considers of great value the feedback provided by investors.

Certain that Terna shareholders will find this Report exhaustive and informative, we look forward to your continued support at the Shareholders' Meeting this year.

Yours sincerely,

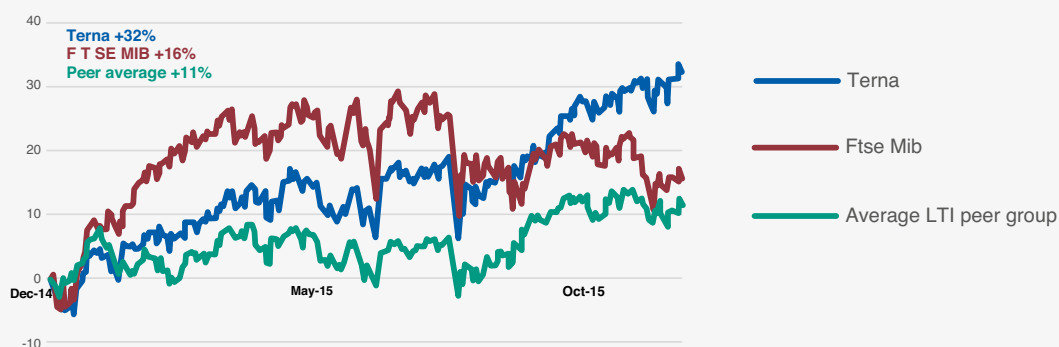
Carlo Cerami  
Chairman of the Remuneration Committee

# Performance of the Terna Group

## 2015 Focus

During 2015, Terna delivered to its shareholders a Total Shareholder Return (TSR) equal to double the average TSR generated in the same period by the FTSE MIB companies and approximately three

times that achieved on average by the 6 companies that make up the peer group identified also for the purposes of the 2016–2018 LTI Plan.

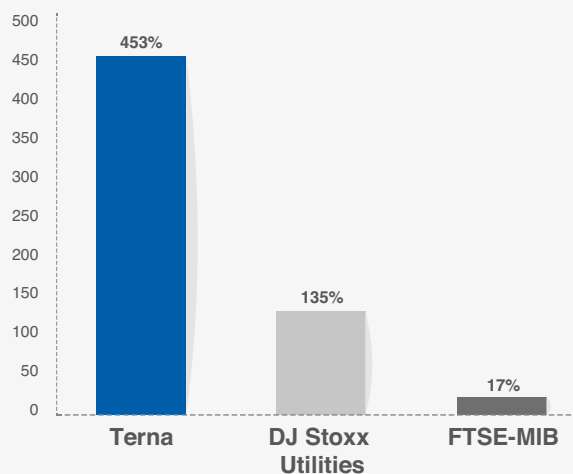


The "peer average" relates to: Snam, Red Electrica del España (REE), Enagas, National Grid, United Utilities and Severn Trent.  
Source: Bloomberg

## PERFORMANCE FROM IPO TO 2015

	2004 (IPO)	2015	Δ 15 vs. IPO	Δ 15 vs. IPO
Revenues	1,023	2,082	>2X	103.5%
EBITDA	683	1,539	>2X	125.4%
EBIT	512	1,022	~2X	99.6%
Group Net Income	236	596	>2.5X	152.5%

## TOTAL SHAREHOLDER RETURN FROM THE IPO TO 31/12/2015



Source: Bloomberg



# Foreword

This Report summarises the principles and guidelines followed by Terna S.p.A. (hereinafter, for brevity, also “Terna” or the “Company”) in order to define and monitor the remuneration policy and its implementation, with particular reference to the members of the administration and control bodies and the General Manager.

The Company has voluntarily decided to expand the range of information it provides to enhance transparency to investors and to the market.

The document is subdivided into two sections:

- **Section I** illustrates the Policy adopted for 2016 and for the subsequent years by Terna for the remuneration of the Directors and the General Manager, specifying the general purposes pursued, the bodies involved and the procedures used for its adoption and implementation;
- **Section II** shows the amounts paid in financial year 2015 to the Directors, the Statutory Auditors and the General Manager.

This Report was prepared in compliance with the current law provisions<sup>1</sup> and is consistent with what established by Consob<sup>2</sup>.

The Policy described in Section I was also prepared in line with the recommendations on the subject of remuneration of the Corporate Governance Code of listed companies (hereinafter “Corporate Governance Code”), in the version most recently approved in July 2015 and endorsed by Terna.

On 21 March 2016, Terna’s Board of Directors, following the proposal of the Remuneration Committee, approved Section I of the Report for 2016 which is submitted to a non-binding vote of the Shareholders’ Meeting called for the approval of the Separate Financial Statements as of 31 December 2015. Section II will also be taken to the same Shareholders’ Meeting only for informative purposes. As mentioned this section provides detailed information on remuneration paid in 2015.

The text of this Report is made available to the public, at the Company’s head office and in the Investor Relations - Corporate Governance section of the Company’s website [www.terna.it](http://www.terna.it), within the twenty-first day preceding the date of the Shareholders’ Meeting called to approve the financial statements related to the year 2015, as foreseen by the current law provisions.

The information documents related to the existing remuneration plans based on financial instruments can be found in the Investor Relations - Corporate Governance section of the Company’s website.

(1) Art. 123-ter of Italian Legislative Decree 58 of 24 February 1998 (the “Consolidated Law on Finance”) which states that “at least twenty-one days before the date of the [...] Shareholders’ Meeting, listed companies must provide the public with a remuneration report, at the registered offices, on their websites and other methods established by CONSOB Regulations”. The same Article 123-ter paragraph 6 of the CLF states that “the [...] Shareholders’ Meeting shall pass a resolution for or against the section of the remuneration report provided for in paragraph 3” (i.e. Section I of this document). This resolution “is not binding” but “the outcome of the vote is made available to the public”.

(2) Resolution No. 18049 of 23 December 2011 which amended Art. 84-quater of the Issuer Regulation issued by CONSOB itself to implement the CLF (see note 1).

# Overview

COMPONENT	PURPOSES AND CHARACTERISTICS	CONDITIONS FOR IMPLEMENTATION	AMOUNTS
Fixed remuneration	Remunerates the skills, the experience and the contribution required by the role.	Remunerative positioning assessed through market benchmarks, with respect to companies comparable for size, ownership structure, complexity of the business model.	<p><b>Chairwoman:</b> € 238,000 gross per year (of which € 50,000 by way of emolument approved by the Shareholders' Meeting).</p> <p><b>CEO:</b> € 235,000 gross per year (of which € 35,000 by way of emolument approved by the Shareholders' Meeting).</p> <p><b>GM:</b> € 850,000 gross per year.</p>
Short-term monetary incentive (MBO)	Provides an incentive to achieve and exceed the annual economic and financial targets set in the budget, and further non-economic annual targets.	<p><b>CEO</b></p> <p>- 2016 Targets:</p> <p>#1. EBITDA</p> <p>#2. Observance of S.EL.F. Integration Plan (RHV Grid)</p> <p><b>GM</b></p> <p>- 2016 Targets:</p> <p>#1. Free Cash Flow (weight 45%)</p> <p>#2. Revenues from Non-Regulated Activities (30%)</p> <p>#3. Quality of service (15%)</p> <p>#4. R&amp;D projects (10%)</p> <p>- Clawback: executable in case of clearly incorrect or fraudulently altered figures, of serious and intentional breaches of laws, of the Code of Ethics and of corporate regulations.</p>	<p><b>CEO</b></p> <p>• € 200,000 gross (ON/OFF) on achieving both targets.</p> <p><i>In the event of achieving only one of the two targets, nothing is due.</i></p> <p><b>GM</b></p> <p>• € 300,000 gross if the weighted average of the scores of the single targets is 100%;</p> <p>• € 450,000 gross (max) if the score of all the targets is at the maximum level (150%).</p> <p><i>For intermediate figures linear interpolation is carried out.</i></p> <p><i>If the weighted average of the scores of the single targets is less than 80%, nothing is due.</i></p>
Long-term monetary incentive (LTI)	Scheme reserved for positions to which the most direct responsibilities for corporate results are attributed. The purpose is the long term alignment of management actions with shareholders' interests.	<p><b>GM</b></p> <p>- 2016–2018 Targets:</p> <p>#1. <b>Cumulative gross profit</b> (weight 50%)</p> <p>#2. <b>TSR</b> - positioning of Terna in the peer group of reference (weight 40%)</p> <p>#3. <b>Dow Jones Sustainability Index</b> (DJSI)</p> <p>- average positioning of Terna in the years of the Plan (weight 10%)</p> <p>- Vesting: three year period</p> <p>- Deferred payment: <b>40%</b> of the incentive is paid one year after the verification of performance targets' achievement.</p> <p>- Clawback/malus: executable in case of clearly incorrect or fraudulently altered figures, of serious and intentional breaches of the laws, of the Code of Ethics and of corporate regulations.</p>	<p><b>GM</b></p> <p>• € 375,000 gross per year if the weighted average of the scores of the single targets is 100%;</p> <p>• € 550,000 gross per year (max) if the score of all the targets is at the maximum level (150%).</p> <p><i>For intermediate figures linear interpolation is carried out.</i></p> <p><i>If the weighted average of the scores of the three targets is less than 80% (min), nothing is due.</i></p>
Benefits	These are an integral part of the "remuneration package" and mainly deal with welfare and pension-related functions.	Defined in continuity with the Policy implemented in the last few years, the provisions of the relevant National Collective Employment Contract, as well as the corporate policies applicable to all Terna's management.	<p><b>GM</b> (and all the management)</p> <p>- corporate contribution to the supplementary pension fund (FONDENEL);</p> <p>- registration in the supplemental health insurance fund (ASEM);</p> <p>- forms of insurance cover against risks of death and disability;</p> <p>- company car for company/private use.</p>
Severance Payments	Severance indemnities aimed at protecting the Company's interests and at preventing any disputes.	<p>Non-renewal on expiry of the mandate or early termination, excluding the case of dismissal for just cause and resignation not caused by reduction of delegated powers.</p> <p><i>(Please note that for the CEO the existing role as executive director and the employment contract are indivisibly connected, so that the termination of one leads to the inevitable termination of the other role).</i></p>	<p><b>Chairwoman:</b></p> <p>Termination benefits equal to 1/12 of the yearly remuneration paid for each year in office.</p> <p><b>CEO/GM:</b></p> <p>The sum of the CEO's termination benefits and the GM's severance indemnities is equal to <b>24 months</b> of the overall remuneration paid for the two positions.</p>



## Changes in 2016

The main changes described in this Report regard the characteristics of the new Long-Term Incentive Plan (LTI):

- **three-year vesting** unlike in the previous 2014–2015 LTI Plan;
- introduction of **Total Shareholder Return (TSR)** as an indicator of value creation for shareholders. Its use, in combination with gross Profit, increases the correlation between the management targets and the interests of the shareholders, and the sustainability of value creation over the long term;
- introduction of **deferred payment** for significant proportion of the incentive;
- introduction of an objective in the field of **Corporate social responsibility (CSR)**.

In addition, more details have been provided on the score curves of the single performance targets (both short- and long-term) and the “*ex post*” disclosure with respect to the achievement of the variable incentive paid in 2015.

## Shareholder Engagement

Terna gives great importance to dialogue and continuous interaction during the year with the main addressees and users of its Remuneration Policy, in order to ensure constant improvement in the adoption of the best market practices, also by incorporating ideas for improvement, especially if received from shareholders and proxy advisors.

In 2015 individual meetings were held with 10 leading institutional investors, with the aim of studying the considerations expressed by them in relation to the key points of the Remuneration Report submitted to the Shareholders for their meeting of 9 June 2015; the Company also met the main proxy advisors.

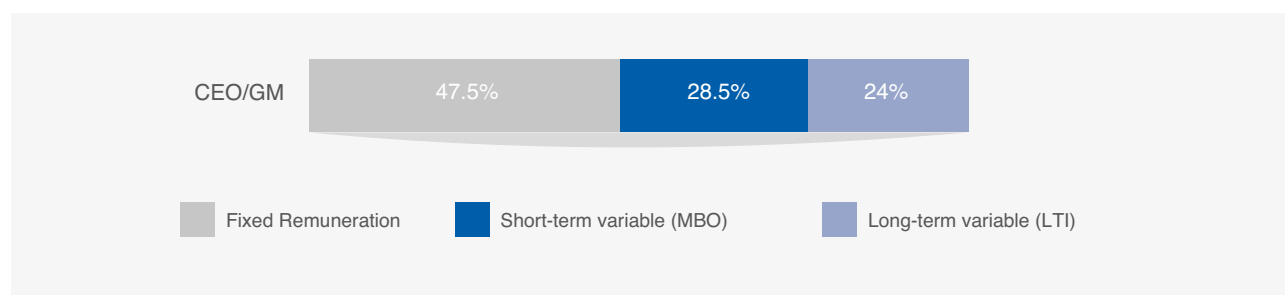
These discussions provided Terna’s technical structures and the Remuneration Committee with precious feedback on the point of view of shareholders and, more generally, of the market on the characteristics of the Remuneration Policy adopted by Terna; this feedback, and the results of the vote of the Shareholders’ Meeting on the 2015 Remuneration Report, were taken into account in the assessment of the changes and improvements introduced into this year’s Report.

In particular, in order to strengthen further the alignment of interests in the long term between the shareholders and the Top Management, Total Shareholder Return was introduced as one of the KPIs of the 2016–2018 LTIs, also in line with the feedback received from the market. This is expressed in terms of Terna’s position compared to a group of comparable companies on a European basis.

## Pay mix for Terna’s CEO/GM

With reference to the Chief Executive Officer, considering also his executive employment relationship, as GM, the pay mix shows the significant weight of the variable component.

### PAY-MIX (IN THE CASE OF TARGETS ACHIEVED AT THE MAXIMUM LEVELS)



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# SECTION I

## REMUNERATION POLICY

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# Governance of the remuneration process

## Corporate bodies and parties involved

The Policy on remuneration of the members of Terna's Board of Directors is defined in compliance with the legislative and statutory provisions, according to which:

- the Shareholders' Meeting determines the remuneration to which the Chairwoman and the members of the Board of Directors are entitled, at the moment of their appointment and for the entire duration of the mandate;
- the Board of Directors determines the remuneration of the Directors with delegated powers for participation in the Board Committees, after obtaining an opinion from the Board of Statutory Auditors.

In accordance with Terna's governance model, the Board is also responsible – in the context of performance plans, to which the determination of the Directors' variable remuneration is connected – for defining the targets and approving the business results.

In line with the recommendations contained in the Corporate Governance Code, finally, the Board of Directors is supported, for what concerns questions of remuneration, by a Remuneration Committee formed by independent Non-Executive Directors, with consultative and advisory functions on the subject. The table presented below summarises the decision-making bodies, the proposal-making bodies and the supporting structures, for each party involved in the Policy.

Individual requiring Remuneration	Decision-making body	Proposal-making body	Any independent expert consultants
<b>CHAIRWOMAN</b>	<ul style="list-style-type: none"> <li>• Shareholders' Meeting</li> <li>• Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders</li> <li>• Remuneration Committee</li> <li>• Corporate Affairs Division/Human Resource and Organisation Department</li> </ul>	
<b>CHIEF EXECUTIVE OFFICER</b>	<ul style="list-style-type: none"> <li>• Board of Directors*</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> <li>• Corporate Affairs Division/Human Resource and Organisation Department</li> </ul>	<i>Willis Towers Watson</i>
<b>DIRECTORS</b>	<ul style="list-style-type: none"> <li>• Shareholders' Meeting**</li> </ul>	<ul style="list-style-type: none"> <li>• Shareholders</li> </ul>	
<b>GENERAL MANAGER</b>	<ul style="list-style-type: none"> <li>• Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> <li>• Corporate Affairs Division/Human Resource and Organisation Department</li> </ul>	<i>Willis Towers Watson</i>
<b>SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES</b>	<ul style="list-style-type: none"> <li>• Chief Executive Officer</li> </ul>	<ul style="list-style-type: none"> <li>• Remuneration Committee</li> <li>• Corporate Affairs Division/Human Resource and Organisation Department</li> </ul>	<i>Willis Towers Watson</i>

\* In addition to the decision taken by the Shareholders' Meeting.

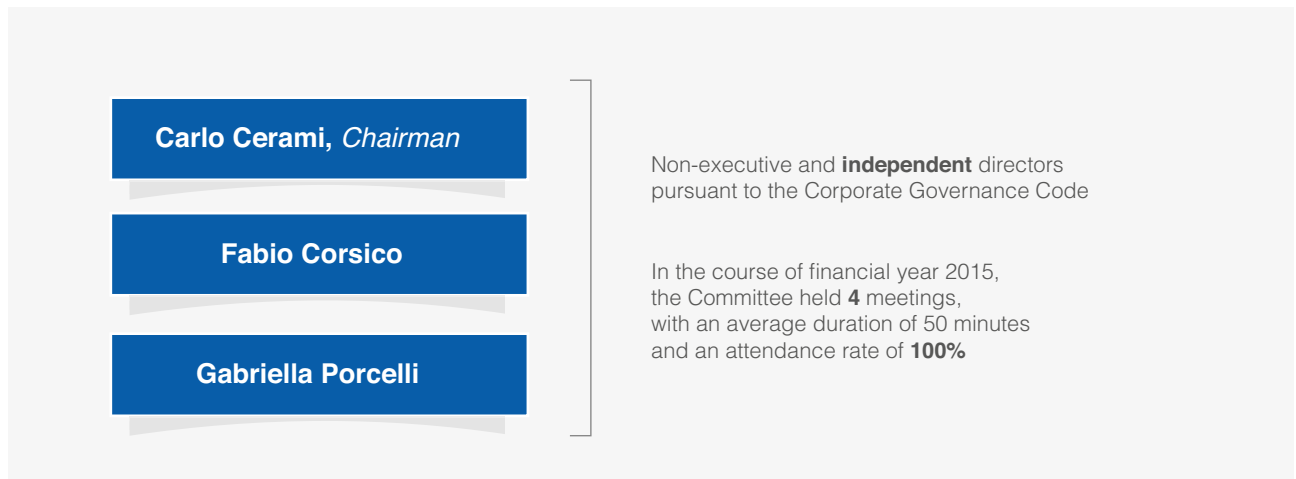
\*\* For the fees of Non-Executive Directors who are members of Committees, see page 17.

## Remuneration Committee

### Composition

Terna's Remuneration Committee was set up in 2004; currently it is made up entirely of Non-Executive and Independent Directors, whilst one member was elected in the lists of the minorities. 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, assessed by the Board of Directors at the time of appointment.

As of the date of this Report, the members of the Remuneration Committee, appointed by the Board of Directors on 27 May 2014, are:



### Objectives

It is the Committee's duty to ensure that the Directors' remuneration policies are developed with no conflicts of interest and in compliance with the provisions of the Corporate Governance Code. To this extent the Committee has consultative and advisory functions. The power to determine the remuneration of Directors holding special office 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, which verifies the consistency of the proposals with the Remuneration Policy adopted by the Company.

### Functions

By invitation of the Chairman, the members of the Internal Audit and Risk Committee and/or other members of the Board of Directors, or the Chairman of the Board of Statutory Auditors (who may designate another Auditor to participate in his place), or other Auditors, or other corporate bodies' members may participate in the meetings. The same goes for others whose presence may be helpful for the Committee's functions. The establishment of this Committee guarantees broad transparency and information on remuneration and on the methods used to establish remuneration.

No Director takes part in Committee meetings in which proposals intended for the Board are formulated on matters concerning his/her remuneration, unless the proposals which regard general Committee members as established within the Board.

In particular, the Committee:

- periodically assesses the adequacy, the overall consistency and the concrete application of the general policy adopted for the remuneration of the Directors and of senior executives with strategic responsibilities;
- submits proposals and delivers opinions to the Board of Directors concerning the remuneration of the executive Directors and of the other Directors holding special office, as well as concerning the setting of performance targets linked to the variable component of the overall remuneration by monitoring the application of decisions adopted by the Board, and verifying, in particular, the actual achievement of the performance objectives;
- develops, submits to the Board of Directors, and monitors the application of incentive schemes (including any shareholders' plans) directed to the senior executives. These schemes are intended as tools for attracting, retaining, and motivating professional with suitable experience and technical skills, by developing their corporate loyalty and ensuring their constant focus on value creation over time.

The Committee, for performing the above functions, is supported by independent external consultants of leading importance at international level.

The information on the activities carried out annually by the Committee are included in the Report on Corporate Governance and Ownership Structures, published by the Company together with the Annual Financial Report pursuant to Article 154-ter of the Consolidated Law on Finance and available on the Company's website (Investor Relations - Corporate Governance section).

We should note that the activities of the Committee were developed within a complex and ongoing process, aimed at defining the new Policy and the related compensation tools as well as the preparation of the Report.

#### THE CYCLE OF ACTIVITIES OF THE REMUNERATION COMMITTEE





## Board of Directors

The Board of Directors of Terna S.p.A. currently in office consists of nine Directors: Catia Bastioli (Chairwoman), Matteo Del Fante (CEO and General Manager), Cesare Calari, Carlo Cerami, Fabio Corsico, Luca Dal Fabbro, Yunpeng He, Gabriella Porcelli, Stefano Saglia. For a detailed description of the functions of the Board of Directors, please refer to the Report on Corporate Governance and Ownership Structures. The roles of the Board under the By-laws - solely with regard to the topics of interest of this Report - are:

- determining the remuneration of Directors holding special office, after consultation with the Board of Statutory Auditors. This remuneration is defined in line with the decisions of the Shareholders' Meeting that can determine an overall amount for the remuneration of all Directors, including those with special duties;
- defining targets and approving the business results for the performance plans to which the calculation of the Directors' variable remuneration is linked;
- approving the general criteria for the remuneration of senior executives with strategic responsibilities;
- assessing the vote regarding the Remuneration Report.

In addition, the Board may delegate its powers to an Executive Committee composed of some of its members or to one or more of its members, including the Chairperson, determining the content, limits and procedures for fulfilling the delegated powers in accordance with Article 2381 of the Italian Civil Code and fixing their remuneration.

## Shareholders' Meeting

The roles of the Shareholders' Meeting under the By-laws - solely with regard to the topics of interest of this report - are:

- appointing and dismissing the Directors, appointing the Statutory Auditors and the Chairman of the Board of Statutory Auditors;
- determining the remuneration of the Directors and Statutory Auditors;
- approving the Incentive Plans based on financial instruments or on performance targets linked to the performance of the Company's stock;
- expressing its opinion on the Remuneration Report itself.

## Action of independent experts

Terna decided to be assisted by the consultancy firm *Willis Towers Watson*, whose responsibilities include a contribution regarding the analyses performed on remuneration and their benchmarking with market standards, as well as the third-party and independent evaluation for the definition of incentive plans and the remuneration policy.

## Policy definition and approval

1. The Committee submits the Policy to the Board of Directors for approval. The Committee may access company information and departments useful for carrying out its duties, involve the Human Resource and Organisation Department, and may also use independent experts in the field within the limits approved by the Board of Directors and set out in the Corporate Governance Code.
2. The Board of Directors defines and adopts the Policy in its forms and internal regulatory sources. Specifically, the Board adopts the contents regarding the remuneration policy for members of the administration bodies and long-term incentive plans. Moreover, with regard to determining the remuneration of Directors holding special office, the Board takes into consideration the opinion of the Board of Statutory Auditors.
3. The Board of Directors, having examined and approved the Policy, submits it to the Shareholders' Meeting for an advisory vote<sup>3</sup>.

(3) It is worth remembering that the Procedure for Related-Party Transactions, adopted by the Board of Directors on November 12, 2010, does not include shareholders' resolutions pursuant to Article 2389, paragraph one of the Civil Code, regarding remunerations of Board members and of the Executive Committee, resolutions on the remuneration for Directors holding special office falling within the total amount previously determined by the Shareholders' Meeting pursuant to Article 2389, paragraph three of the Civil Code and resolutions pursuant to Article 2402 of the Civil Code regarding compensation due to members of the Board of Statutory Auditors. Furthermore, the following resolutions are excluded from the same Procedure for Related-Party Transactions:

- 1) those concerning remuneration plans based on financial instruments approved by Terna's Shareholders' Meeting pursuant to Article 114-bis of the Consolidated Law on Finance, and related executive operations;
- 2) those concerning the remuneration for Directors holding special office and for senior executives with strategic responsibilities if a Remuneration Policy is adopted based on CONSOB regulations on the matter.

# The Terna Remuneration Policy

## Content and goals

The Policy described in the present Report focuses exclusively on the remuneration of the members of the administration bodies, the General Manager, and the senior executives with strategic responsibilities. Currently the only senior executive with strategic responsibilities is the General Manager.

The Policy is aimed at:

- attracting, retaining and motivating resources endowed with the professional skills required to successfully manage the Company;
- facilitating the alignment of interests of its resources with the most important objective of creating value for the shareholders and achieving pre-established performance targets, through the use of variable short and long-term components.

## Guidelines

In developing the Policy, the Board took into consideration the principles and criteria contained in the Corporate Governance Code and in particular that the CEO and GM is the addressee of a Policy in which a significant part of the remuneration is linked to the achievement of specific performance targets, also if non-economic targets, (e.g. indicators of Corporate Social Responsibility).

## Implementation

In implementing the above principles we can note that:

- the remuneration of Directors not holding special office is linked to participation in the Board Committees, with different fees for the Chairperson compared to the members of each Committee;
- the remuneration of the Chairperson of the Board of Directors consists of a fixed amount in line with the role held;
- the remuneration of the Chief Executive Officer and, if the position exists, of the General Manager, is adequately balanced between:
  - a fixed component, in line with the delegated powers and/or responsibilities attributed and sufficient to remunerate the services should the variable component not be paid due to failure to achieve the performance targets specified by the Board of Directors;
  - a variable component linked to the achievement of pre-established, measurable and well defined objectives in order to remunerate the performance achieved both in the short and long term, in line with the economic and financial targets of the Company's Strategic Plan;
  - possible severance payments for the termination of the role of Director, as well as for termination of employment as General Manager.

Lastly, the Policy takes into account the nature and risk level compatible with Terna's aforementioned strategic objectives, as defined by the Board of Directors in its Meeting on 21 March 2016.

The current Policy is substantially in line with last year's Policy, with the instructions provided by the Corporate Governance Code<sup>4</sup>, and with the requests that emerged during the Shareholders' Meeting of 9 June 2015.

(4) For details please see the contents of the "Analytical Index pursuant to Application Criterion 6.C.1 of the Corporate Governance Code".

## Remuneration of the Board of Directors

In this section the main characteristics of the Remuneration Policy are indicated for the following groups of individuals identified by the internal codes:

- Directors not holding special office;
- Directors holding special office.

As of the date of this Report:

- the following are Directors not holding special office<sup>5</sup>:
  - Cesare Calari (Chairman of the Audit, Risks and Corporate Governance Committee);
  - Carlo Cerami (Chairman of the Remuneration Committee);
  - Fabio Corsico;
  - Luca Dal Fabbro (Chairman of the Appointments Committee);
  - Yunpeng He;
  - Gabriella Porcelli;
  - Stefano Saglia (Chairman of the Related-Party Transactions Committee);
- the following are Directors holding special office:
  - Catia Bastioli (Chairwoman of the Board of Directors);
  - Matteo Del Fante (Chief Executive Officer and General Manager).

### Remuneration of Directors not holding special office

#### Shareholders' Meeting established remuneration

The annual remuneration of the Directors not holding special office is composed solely by 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 2014–2016 mandate, this remuneration, as determined by the Shareholders' Meeting of 27 May 2014, based on the proposals made by the shareholders, is € 35,000 per year.

No variable component tied to the economic results achieved by the Company and the Group is contemplated. The Directors not holding special office 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 coverage for civil liability towards third parties; they have the right, finally, to an insurance policy for occupational accidents related to their position.

#### Fee for participating in Board Committees

The additional fees for members of the Committees set up within the Board of Directors are in any case resolved by the Board of Directors, after consulting the Board of Statutory Auditors.

For the 2014–2016 mandate, the annual remuneration of the Directors participating in the Board Committees was determined by the Board of Directors, after consultation with the Board of Statutory Auditors, which was elected by the Shareholders' Meeting of 27 May 2014 and is made up as follows:

- Chairman of the Audit, Risks and Corporate Governance Committee: € 60,000 per year;
- Chairmen of the Remuneration Committee, the Appointments Committee, and the Related-Party Transactions Committee: € 50,000 per year;
- members of the Committees: € 40,000 per year.

(5) The evaluation regarding the existence of the independence requirements of each of the non-executive members is performed by the Board of Directors, taking into account the information provided by the individuals involved, during the appointment and at least annually according to what is represented in the Annual Report on Corporate Governance and Ownership Structures approved by the Board of Directors and published on the Company's website.

## Remuneration of Directors holding special office

### a. Chairperson of the Board of Directors

For the 2014–2016 mandate, the total remuneration for the position of Chairperson of the Board of Directors consists exclusively of the fixed component, structured as follows:

- annual amount approved by the Shareholders' Meeting on 27 May 2014, of € 50,000<sup>(6)</sup>;
- a fixed annual amount of € 188,000 approved by the Board of Directors on 25 June 2014, as proposed by the Remuneration Committee after consultation with the Board of Statutory Auditors.

### b. CEO and General Manager

#### Fixed elements of remuneration

##### Chief Executive Officer

For the 2014–2016 mandate, the total fixed remuneration for the position of Chief Executive Officer is made up of:

- an annual amount approved by the Shareholders' Meeting on 27 May 2014, of **€ 35,000**;
- an annual amount approved by the Board of Directors on 25 June 2014, following proposal of the Remuneration Committee after consultation with the Board of Statutory Auditors, of **€ 200,000**.

##### General Manager

The total fixed compensation foreseen for the General Manager includes:

- a gross annual fixed component (Gross Annual Salary, RAL);
- benefits recognized by the National Collective Bargaining Agreement (CCNL)<sup>(7)</sup> and company practices.

For the current term, the Annual Gross Remuneration approved by the Board of Directors at its meeting on 25 June 2014 is **€ 850,000**.

Overall, therefore, the CEO/GM, for the current mandate, is paid an annual gross fixed remuneration of **€ 1,085,000**.

(6) Under the terms of Article 24.1 of the By-laws.

(7) Supplemental social security and medical insurance (pursuant to the National Collective Employment Contract for senior executives of companies producing goods and services of 30.12.2014).



### Short-term variable component (MBO)

The MBO Plan allows for a yearly evaluation of both Terna and the Beneficiary's performance, and directs management actions towards strategic objectives in line with business priorities.

The Board of Directors, following the proposal of the Committee, determines the MBO objectives for Directors holding special office; these objectives are linked to the annual performance of the Group.

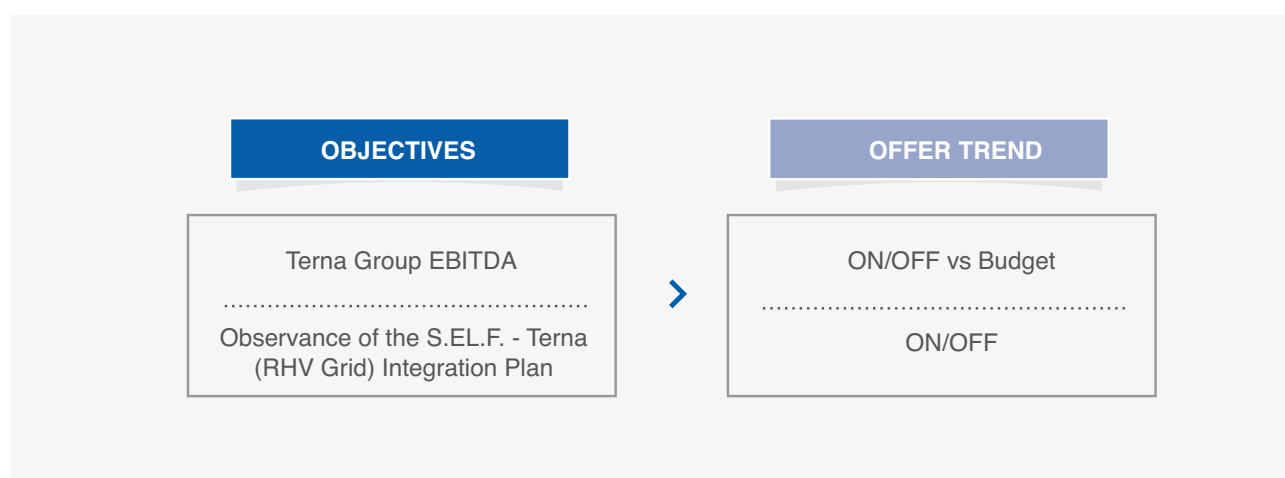
### Chief Executive Officer

The variable short-term remuneration foreseen for the Chief Executive Officer, for the powers delegated to him, is determined by the Board of Directors, following the proposal of the Remuneration Committee and consultation with the Board of Statutory Auditors.

Access to the incentive is subordinated to 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 according to an on/off dichotomous scale.

The table below shows the targets defined for the year 2016.

### 2016 MBO OBJECTIVES - CHIEF EXECUTIVE OFFICER



The second of the two targets shown above relates to the project aimed at an efficient and rapid integration of the operations, within the Terna Group, consequently to the recent completion of the acquisition of the entire share capital of S.EL.F. – Società Elettrica Ferroviaria (Railway High Voltage Grid)<sup>8</sup>.

The amount of the annual incentive, approved by the Board of Directors, is equal to **€ 200,000**; it is an **on/off** payment. Therefore, this amount will be paid only on achievement of **both** the targets, while failure to achieve even only one of the two targets, will not generate any payment.

### General Manager

Payment of the MBO Incentive System to the General Manager is subordinated to verifying the achievement of the performance targets assigned each year.

(8) For more details on Terna's operation to acquire S.EL.F. see the press release available at the following link: <http://download.terna.it/terna/0000/0659/74.PDF>.

For the year 2016, the targets assigned to the General Manager are shown in the table below, with the related score curves.

MBO OBJECTIVES 2016 - GENERAL MANAGER			
Objectives	Weight	Score curve	
Free Cash Flow	45%	<u>Delta vs budget<sup>(a)</sup></u>	<u>Score</u>
		-3%	80%
		Budget	100%
		+3%	130%
		+5%	150%
		For negative delta greater than 3% the score is zero	
Revenues from Non-Regulated Activities	30%	<u>Delta vs budget<sup>(a)</sup></u>	<u>Score</u>
		-3%	80%
		Budget	100%
		+3%	130%
		+5%	150%
		For negative delta greater than 3% the score is zero	
Quality of Service (Energy Not Supplied, RENS)	15%	<u>MWh</u>	<u>Score</u>
		Figure equal to the lowest result in 2008–2015	0%
		Target 2016 AEEGSI + 5%	100%
		Target 2016 AEEGSI <sup>(b)</sup>	150%
		For intermediate figures linear interpolation	
R&D Projects - Smart Islands - Innovative noise mitigation systems	10%	For each of the two projects, the score curve (0%, 80%, 100%, 130%, 150%) is linked to the achievement of specific project milestones; <u>the score associated with the overall target is equal to the average of the scores of the two projects</u>	
<sup>(a)</sup> The assessment of this target shall take into account any regulatory modifications made during the period.			
<sup>(b)</sup> Italian Regulatory Authority for Electricity, Gas and Water.			

The “Free Cash Flow” represents the (monetary) cash flow produced by operations, before servicing the debt, dividends and any extraordinary operations and including taxes.

The target related to “Revenues from Non-Regulated Activities” measures the economic performance of the Terna Group in areas different from those regulated by AEEGSI (Italian Regulatory Authority for Electricity, Gas and Water Services).

The “Quality of Service” provides indications on the operating performance of the Company through the measurement, in MWh, of the quantity of Energy Not Supplied (RENS); therefore, the lower this figure is, the higher the target score will be, up to the maximum score (150%) which corresponds to the target set, for 2016, by the Regulatory Authority for Electricity, Gas and Water.

The objective related to the “R&D Projects”, is made up of the following two projects:

- “Smart Islands”, which envisages specific milestones, to be achieved in 2016, in the creation, on a number of minor Italian islands, of hybrid systems that integrate the diesel powered plants, currently present on these islands, with generation plants powered by: renewable sources, storage systems and systems for active demand management<sup>9</sup>;
- “Innovative systems for noise mitigation”, which provides for the implementation of electronic devices to reduce the noise of static machinery installed in Terna’s electrical substations.

A score curve with threshold values (0%, 80%, 100%, 130%, 150%) linked to the achievement (or otherwise) of pre-set project **milestones** is associated to each of these two projects; the score of the composite indicator is calculated as the arithmetic average of the two scores.

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

- if the average score of the single targets is 80%, the amount is **€ 240,000** gross (28.2% of the GM’s fixed remuneration);
- if the average score of the single targets is 100%, the amount is **€ 300,000** gross (35.3% of the GM’s fixed remuneration);
- if the average score of the single targets is 130%, the amount is **€ 390,000** gross (45.9% of the GM’s fixed remuneration);
- if the average score of the single targets is 150% (*max*), the amount is **€ 450,000** gross (52.9% of the GM’s fixed remuneration).

If the average of the scores of the single targets is less than 80%, nothing is due.

Overall, therefore, the CEO/GM, for the current mandate, is paid a short-term variable remuneration which, at the target, is **€ 500,000** gross per year and at the maximum level is **€ 650,000** gross per year.

### Long-term variable component (LTI, Long Term Incentive)

Also in order to contribute to the achievement of the long-term interests, the Company adopts a long-term incentive system aimed at:

- ensuring the alignment between the value creation for shareholders and for the management, by introducing an economic incentive into the remuneration structure of the Beneficiaries linked to the achievement of challenging company performance targets, including non-economic targets;
- creating loyalty among the Beneficiaries over the Plan period by making the economic incentive set out in the Plan linked to the employment relationship with the Group continuing for at least three years.

The “2016–2018 Monetary Long-Term Incentive Plan” (hereinafter the “2016–2018 Plan” or, in brief, the “Plan”) is intended for the Group managers who perform significant functions for the achievement of strategic results, in addition to the General Manager who also holds the position of Chief Executive Officer.

Access to the incentive is subject to verification of the achievement of the specific KPI, in line with the Group’s Strategy.

(9) For information on the first Smart Island project please see the following press release: [https://www.ternaplus.it/Portals/0/Users/002/02/2/CS%20Giglio\\_Terna%20lbn\\_DEF\\_25062015.pdf](https://www.ternaplus.it/Portals/0/Users/002/02/2/CS%20Giglio_Terna%20lbn_DEF_25062015.pdf).

The KPIs related to the 2016–2018 LTI Plan are presented in the table below, with the relevant score curves.

LTI PLAN 2016–2018			
Objectives	Weight	Score curve	
<b>Cumulated gross profit 2016–2018</b>	<b>50%</b>	<b><u>Delta vs Strategic Plan target</u></b>	<b><u>Score</u></b>
		-2%	80%
		Target	100%
		+3%	130%
		+5%	150%
		<b>For negative delta greater than 2% the score is zero</b> <i>(for intermediate figures linear interpolation is carried out)</i>	
<b>Total Shareholder Return (TSR) 2016–2018<sup>(a)</sup></b>	<b>40%</b>	<b><u>Positioning</u></b>	<b><u>Score</u></b>
Positioning of Terna in the reference peer group		7 <sup>th</sup> or 6 <sup>th</sup> place	0%
		5 <sup>th</sup> place	80%
		4 <sup>th</sup> place	100%
[Terna, Snam, Red Electrica, Enagas, National Grid, Severn Trent, United Utilities] <sup>(b)</sup>		3 <sup>rd</sup> place <sup>(c)</sup>	130%
	1 <sup>st</sup> or 2 <sup>nd</sup> place <sup>(c)</sup>	150%	
<b>Dow Jones Sustainability Index (DJSI)</b>	<b>10%</b>	<b><u>Positioning</u></b>	<b><u>Score</u></b>
The average of the scores relative to Terna's annual positioning in the years 2016–2017–2018.		Non-inclusion in DJSI	0%
		Inclusion in DJSI	80%
		Positioning in the 2 <sup>nd</sup> decile of the index <sup>(d)</sup>	100%
		Positioning in the 1 <sup>st</sup> decile of the index <sup>(d)</sup>	130%
	Positioning in the 1 <sup>st</sup> decile of the index for all years of the Plan and inclusion into the “Gold Class” <sup>(d)</sup> for at least one of the three years	150%	
<p><sup>(a)</sup> The TSR of Terna and of the peers is calculated over a time period of three years, using the average of the closing values of the stock in 2015 and the same average for 2018. Data source for TSR: Bloomberg.</p> <p><sup>(b)</sup> The companies in the peer group are key European regulated utilities listed on the stock exchange, which therefore have equivalent or similar business models to Terna. Stocks that are subject to extraordinary operations that will cause their delisting or a significant reduction in the floating capital, will be replaced (up to a max of two) by the following stocks, listed in order: Elia, REN - Redes Energéticas Nacionais.</p> <p><sup>(c)</sup> If, although it comes in the 1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup> place, the TSR of Terna is negative in the period of reference, overperformance will not be recognised: the associated score will therefore be 100% (“negative TSR threshold”).</p> <p><sup>(d)</sup> In the year 2015, 55 Electric Utilities were assessed by the company RobecoSAM for inclusion in the DJSI World; based on these figures, positioning in the 1<sup>st</sup> or 2<sup>nd</sup> decile means being included among the top 6 or among the top 11 Companies in the world, in the sector, for sustainability performance. Inclusion in the “Gold Class” identified by RobecoSAM in its Sustainability Yearbook requires positioning in 1st place in the sector (“Industry Leader”) or obtaining a score that is less than 1% away from that of the Industry Leader.</p>			



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 system to become active and, therefore, for the right to payment of a bonus to be earned, an **overall** performance of at least 80% has to be achieved.

For what concerns the target related to the positioning of the Terna TSR in the *peer* group, a cap on the score – of 100% – is foreseen if the result of the Company is negative, even though it is placed in the first three positions of the ranking (the so-called “negative TSR threshold”).

In relation to the aforesaid purposes of the Plan, the right of the Beneficiaries to receive the bonus is linked to maintaining the employment relationship within the Terna Group until the bonus is paid; the only cases in which the right to receive the bonus, if earned, remains also in case of termination of the employment relationship are due to the following: retirement, permanent disability or death.

Please note that, for what concerns the General Manager, as the executive employment contract is intrinsically linked to the administrative role as Chief Executive Officer (so that termination of one determines the inevitable termination of the other), it is envisaged, in the case of non-renewal of the mandate as CEO, that at the natural expiry of the vesting period of the Plan and after verification of achievement of the targets, an Incentive will be paid, *pro rata temporis*, set at 2/3 of the total Incentive<sup>(10)</sup>.

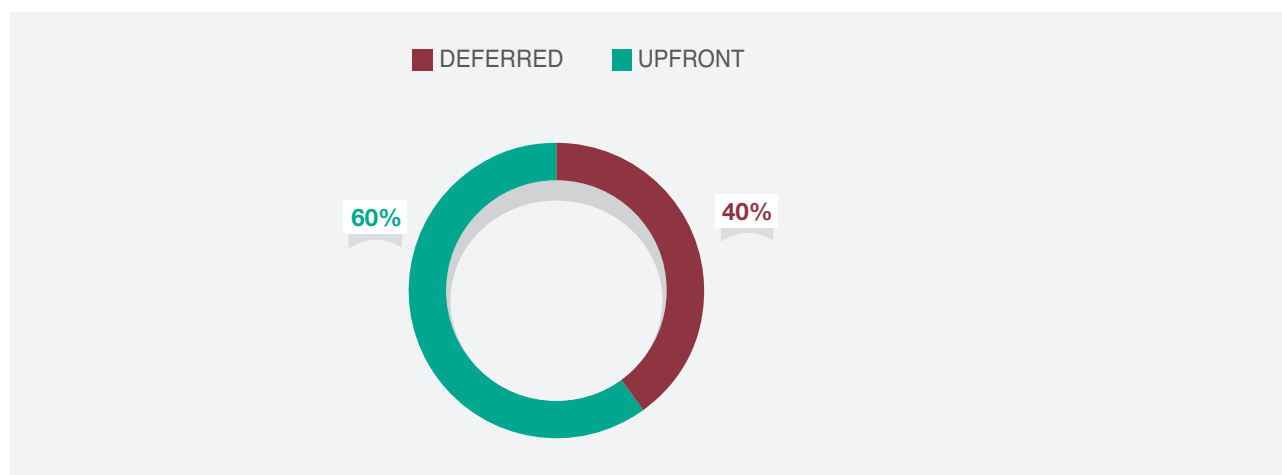
The variable remuneration of the General Manager linked to the LTI Plan is established with reference to:

- an incentive level (“entry level”) of **€ 300,000** gross for every year of the Plan (corresponding to 35.3% of the Gross Annual Remuneration of the GM), in case of achievement of an overall performance of **80%**;
- a target incentive level, of **€ 375,000** gross for every year of the Plan (corresponding to 44.1% of the Gross Annual Remuneration of the GM), in case of achievement of an overall performance of **100%**;
- a maximum incentive level, of **€ 550,000** gross for every year of the Plan (corresponding to 64.7% of the Gross Annual Remuneration of the GM), in case of achievement of the maximum performance level of 150%.

For intermediate performance levels linear interpolation is carried out.

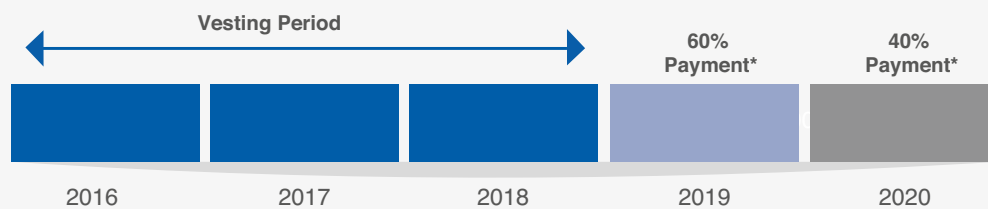
### Deferment in payment of the Long Term Incentive

It is established that payment of 40% of the total long term incentive is **deferred** by one year with respect to that in which achievement of the performance targets is verified.



(10) The current mandate, in fact, will expire in 2017, while the expiry of the Plan is set on the date of approval of the 2018 Draft Financial Statements.

The image below shows the timeline of the 2016–2018 LTI Plan.



\* Subject to verification of performance targets' achievement

#### **“Clawback” and “malus” clauses**

The application of “clawback” clauses, providing for the repayment of sums already paid, is foreseen in the variable portion of the remuneration paid, as well as “malus” clauses, providing for the right, for the Company, to withhold any part of the incentive subject to deferment, if it is proved that the achievement of the objectives was due to fraudulent conduct or gross negligence by the Beneficiary or performed in violation of the reference rules (company, legal and regulatory), and without which the relevant results would not have been achieved. The application of these mechanisms is nevertheless without prejudice to any other action permitted by the law to protect the interests of the Company.

#### **Benefits**

Similarly to what happens with the senior executives of the Group, in line with the Policy implemented in 2015 and in compliance with the national bargaining provisions, the benefits package for the General Manager is defined in accordance with the provisions of the applicable national collective employment contract as well as with the company policies applicable to all senior executives (e.g. allocation of cars for company/private use, supplementary health insurance, etc.).

#### **Comparison with the market**

The Remuneration Committee was advised by the consultancy firm Willis Towers Watson, which carried out a comparative assessment on the incentive schemes within a panel of companies comparable with Terna according to: Italian Stock Exchange segment (only for listed companies), enterprise size (turnover, number of employees, market capitalization), ownership structure and the complexity of the business model.

### Panel of companies for remuneration benchmark

> Brembo	> Fincantieri
> CNH Industrial	> Maire Tecnimont
> Delonghi	> Prysmian
> Elica	> Saipem
> Enel	> Salini Impreglio
> Enel Green Power	> Snam
> Eni	> Telecom Italia

The study showed that, for the Terna Group, the total remuneration of the CEO/GM (fixed component + MBO + LTI) is below the median value of the sample identified.

### Severance indemnity in case of resignation, dismissal or termination of employment

The Chief Executive Officer, consistent with market practices, and in order to protect the interests of the Company by preventing possible disputes, is entitled to termination benefits.

The General Manager, on termination of employment, is entitled to payment of an indemnity in line with the international best practices and with the provisions set out in the National Collective Employment Contract for senior executives of companies producing goods and services.

The sum of the Chief Executive Officer's termination benefits and the General Manager's severance payments is equal to 24 months of the total compensation paid for the two positions. The indemnity, however, is not payable if the termination of the employment relationship occurs for just cause. It should also be noted that, prudentially, since the appropriate requirements were satisfied, these sums were accrued in the 2014 Financial Statements.

The Company does not pay any indemnity or any extraordinary compensation linked to termination of the term to other Directors holding special office, who have been given specific assignments and without an employment contract with the Company, with the exception of the Chairperson, who is entitled to a termination benefits equal to 1/12 of the total annual remuneration for each year in which he/she has held this position.

### Non-competition agreements

Currently Terna does not have non-competition agreements in place that provide Directors and senior executives with strategic responsibilities a compensation of a fixed amount or an amount referable to the Gross Annual Salary in relation to the duration and scope of the obligation deriving from the agreement itself. However, Terna reserves the right to assess, at the appropriate time, the need to provide for specific provisions in this regard.

## Subject Analytical Index (Consob Resolution no. 18049, Section I)

*In order to facilitate the reading of this report, a subject analytical index is presented below, indicating references to the paragraphs that contain information on individual items of the contents of CONSOB Resolution no. 18049, Section I.*

CONSOB Resolution	Required information	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 proper implementation of this policy;	p. 12-15
B	possible scope of action of a remuneration committee or other relevant committee, describing its composition (with distinction between non-executive and independent directors), its competences and operating methods;	p. 12-14
C	the names of any independent experts that contributed to the formulation of the remuneration policy;	p. 12, 15
D	the objectives pursued through the remuneration policy, its underlying principles, and any changes to the remuneration policy with respect to the previous financial year;	p. 16
E	description of the policies regarding fixed and variable components of remuneration, particularly with regard to the relative weightings within the overall remuneration, distinguishing between short and long term variable components;	p. 17-24
F	the policy adopted with respect to non-monetary benefits;	p. 24
G	a description of performance objectives, according to which variable components of the remuneration are assigned, distinguishing between short and long term variable components, and information on the connection between changes in results and changes in remuneration;	p. 19-24
H	the criteria used to evaluate performance objectives forming the basis of the allocation of shares, options, other financial instruments or other variable components of remuneration;	p. 19-24
I	information intended to demonstrate that the remuneration policy is consistent with pursuing the company's long-term interests and with its risk management policy, where formalised;	p. 21-24
J	the vesting period, any deferred payment systems, with indications of the periods of deferment and the criteria used to determine these periods and ex-post correction mechanisms, if applicable;	p. 23, 24
K	information on the presence of clauses for the retention of financial instruments in the portfolio after acquisition, with an indication of the retention period and the criteria used to determine these periods;	Not applicable
L	policy on compensation envisaged in case of termination of office or termination of the employment contract, specifying the circumstances determining the right to the compensation and any link between these payments and the company's performance;	p. 25
N	information on any insurance, social security or pension plans, other than the obligatory schemes;	p. 24
N (i)	the remuneration policy possibly implemented with reference to the independent directors;	The Company does not provide for specific remuneration policies for independent Directors
N (ii)	the remuneration policy possibly implemented with reference to participation in committees;	p. 17
N (iii)	the remuneration policy possibly implemented with reference to the performance of particular tasks (chairman, vice chairman, etc.);	p. 18, 25
O	information regarding the use of remuneration policies of other reference companies and, if used, the criteria chosen for the selection of these companies.	In developing its policy, the company did not take the remuneration policies of other companies as a reference. However a remuneration benchmark was made with a "peer group" (p. 24, 25)



# Analytical Index Pursuant to Applicative Criteria 6 C.1 of the Corporate Governance Code (July 2015 Edition)

*In order to make the reading of this Report easier, the following is an analytical index that lists the references to the sections containing information with respect to the individual points of the Applicative Criteria 6.C.1*

Applicative Criterion 6 C.1	References
a) fixed and variable components are adequately balanced depending on the Issuer's strategic objectives and risk management policy, also taking into account the business sector in which it operates and the nature of business it actually performs;	p. 7, 16
b) maximum limits for the variable components shall be established;	p. 19, 21, 23
c) the fixed component shall be adequate to remunerate the service of the director if the variable component is not paid in case of not achievement of the performance objectives specified by the board of directors;	p. 16, 18
d) the performance objectives - i.e. the economic results and any other specific objectives linked to the payment of variable components (including the objectives defined for the share-based compensation plans) - are predetermined, measurable and linked to the creation of value for the shareholders in the long term;	p. 19-22
e) the payment of a significant portion of the variable component of remuneration shall be deferred for an appropriate period of time with respect to the moment of its accrual; the amount of that portion and the period of deferral shall be consistent with the characteristics of the business carried out and the associated risk profiles;	p. 23
f) contractual mechanisms are foreseen that allow 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 based on data that later turned out to be clearly wrong;	p. 24
g) any severance payment, established on the termination of the directorship, is defined 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.	p. 25

## SECTION II

### IMPLEMENTATION OF THE 2015 REMUNERATION POLICIES

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**30 Foreword**

**30 Part One**

30 Fixed amounts

31 Variable amounts

33 Fees for participating in Board Committees

33 Severance indemnity in case of resignation, dismissal or termination of employment

33 Benefits

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## Foreword

This section is subdivided into two parts and illustrates by names, through tables attached in the second part, the compensations of members of administration and audit bodies, as well as of the General Manager and the information concerning Company shares held by them.

The implementation of the Policy, as verified by the Remuneration Committee during its regular assessment as foreseen by the Corporate Governance Code, remained in line with the general principles indicated in the resolutions adopted by the Board of Directors. See Section I for the detailed description of each component part of the remuneration, including treatments foreseen in case of termination.

The compensation items listed are consistent with the Policy established in 2015 by the Board of Directors and submitted for the advisory and non-binding vote of the Shareholders' Meeting of June 9, 2015, pursuant to Art. 123-ter, paragraph 6, of the Consolidated Law on Finance, which was favourable.

## Part One

### Fixed amounts

In the year 2015:

- the non-executive Directors were paid the fixed amounts established by the Shareholders' Meeting of 27 May 2014 (€ 35,000 per year for each Director);
- the Chairwoman was paid the fixed amount established by the Shareholders' Meeting on 27 May 2014 (€ 50,000 per year) and the fixed amount established by the Board of Directors on 25 June 2014 (€ 188,000 per year). Therefore the overall remuneration package for the Chairwoman, in terms of fixed remuneration, amounted to € 238,000;
- the Chief Executive Officer and General Manager was paid:
  - the fixed amount as Director established by the Shareholders' Meeting on 27 May 2014 (€ 35,000 per year);
  - the fixed amount established by the Board of Directors on 25 June 2014 for the assigned powers and duties (€ 200,000 per year);
  - the fixed component of remuneration as General Manager (€ 850,000 per year).

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

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

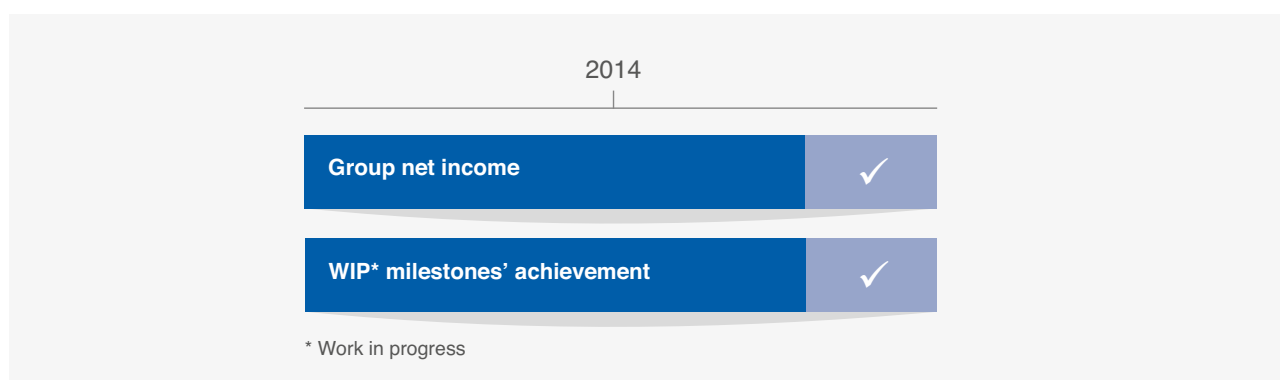


## Variable amounts

### 1.1 Short-term variable incentive

In 2015 the Chief Executive Officer was paid the short-term variable remuneration, based on the performance achieved in reaching the targets foreseen for financial year 2014 (MBO).

More specifically, the annual variable amount (€ 200,000 gross) was paid; please note in this regard, that the MBO bonus established in favour of the Chief Executive Officer is an on/off bonus. The payment of this bonus was dependent on reaching the gate condition expressed by a total score for the Company BSC for the year 2014 of over 100 (the score achieved by the BSC was equal to 140) and the achievement of the pre-determined corporate objectives of particular significance to the Company, summarised in the table below.



The General Manager was paid the short-term annual variable amount (450,000 euro gross). The payment of this bonus was linked to achieving a “gate” condition expressed by the EBITDA target for 2014 envisaged in Terna’s Strategic Plan (achieved) and by achieving a Group BSC score at the maximum value (the BSC score achieved was 140, therefore above the 130 threshold for receiving the maximum incentive). The table below summarises, for each of the targets contained in the 2014 BSC, the relative weight for calculating the bonus, the final figure achieved and how this figure is placed with respect to the corresponding Strategic Plan target.

ACHIEVEMENT OF 2014 BSC TARGETS			
Objectives	Weight	Actual Data	Level of Achievement
<b>Economic-Financial Perspective</b>			
1. Group Ebitda 2. Group Net Income 3. Incentivized Investments	60%	1. € 1,491.5 mln 2. € 514.5 mln 3. € 824 mln	
<b>Internal process perspective</b>			
4. Projects for non-traditional activities	20%	4. € 103 mln	
<b>Customer perspective</b>			
5. Quality of Service	10%	5. ON	
<b>Innovation perspective</b>			
6. Storage systems	10%	6. ON	
<div> Exceeds the target</div> <div> On target</div> <div> Below the target</div>			

The results achieved by Terna in financial year 2014 with reference to the targets contained in the BSC were assessed and approved by the Board of Directors in the meeting on 26 March 2015 - following proposal of the Remuneration Committee - and led to a total score of 140 which made available 150% of the incentive for the General Manager.

Therefore, the total short-term variable remuneration for the CEO/GM was equal to **€ 650,000** gross.

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






## 1.2 Long-term variable incentive

With reference to the 2014–2015 LTI Plan, in financial year 2015 **no payments were made**, as the vesting period of the said Plan had not ended yet.

After verifying that, for the two specific indicators (*1. Group cumulated gross profit, 2. Incentivized investments*), the targets that enabled the maximum score of 150% to be reached had been achieved and that the “gate” condition, represented by the Group cumulative EBITDA target for the two years of the Plan, had been met, the maximum annual bonus of € 550,000 gross **became payable** to the General Manager, for each of the two years of the Plan.

The total amount of **€ 1,100,000** gross will be paid, as provided for in the Plan Regulations, entirely in financial year 2016.

The table below summarises, for each target on which the 2014–2015 LTI Plan is based, the final figure achieved and how this figure is placed with respect to the corresponding Strategic Plan target.

LTI PLAN 2014–2015			
Objectives	Weight	Actual Data	Level of Achievement
Cumulative gross profit	50%	€ 1,770 mln	
Incentivized Investments	50%	€ 1,674 mln	
 Exceeds the target  On target  Below the target			

## Fees for participating in Board Committees

For 2015:

- the Chairpersons of the Appointments Committee, the Remuneration Committee and the Coordinator in office of the Related-Party Transactions Committee, in addition to their fee as Directors (€ 35,000 per year), were accorded an annual remuneration of € 50,000;
- the Chairperson of the Audit, Risk and Corporate Governance Committee, in addition to the fee as Director (€ 35,000 per year), was accorded an annual remuneration of € 60,000;
- the members in office of all Committees, in addition to their fee as Directors (€ 35,000 per year), were accorded an annual remuneration of € 40,000.

The amounts paid to Directors and for participating in Committees are summarised in Table 1.

## Severance indemnity in case of resignation, dismissal or termination of employment

During 2015, no indemnities were paid for resignation, dismissal or termination of the employment, as shown in the column “Severance indemnities for end of office or termination of employment” in Table 1.

## Benefits

In line with the Policy, during 2015, the Chairwoman and the CEO, as General Manager, were granted benefits as listed in Table 1.

# Part Two

**Table 1 - Fees paid to members of administration and control bodies, General Managers and other senior executives with strategic responsibilities**

**Table 3B - Monetary incentive plans for members of the administration body, General Managers and other senior executives with strategic responsibilities**

**Scheme 7-ter - Table 1 - Shareholdings of members of management and control bodies, General Managers and senior executives with strategic responsibilities**

# TABLE 1

## FEES PAID TO MEMBERS OF ADMINISTRATION AND AUDITING BODIES,

A	B	C	D	1	2
Name and surname	Office	Period in which office was held	Date at which office was terminated	Fixed amounts	Compensation for membership in committees
<b>Catia Bastioli</b>	<b>Chairwoman Board of Directors</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 50,000.00 (1)	
				€ 188,000.00 (2)	
<b>(III) TOTAL</b>				<b>€ 238,000.00</b>	
<b>Matteo Del Fante</b>	<b>Chief Executive Officer</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	
				€ 200,000.00 (5)	
				€ 850,000.00 (6)	
<b>(III) TOTAL</b>				<b>€ 1,085,000.00</b>	
<b>Cesare Calari</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 60,000.00 (13)
(II) Remuneration from subsidiaries and associates					
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 60,000.00</b>
<b>Carlo Cerami</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 50,000.00 (11)
					€ 32,958.93 (14)
					€ 40,000.00 (24)
(II) Remuneration from subsidiaries and associates					
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 122,958.93</b>
<b>Fabio Corsico</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 40,000.00 (12)
(II) Remuneration from subsidiaries and associates					€ 40,000.00 (16)
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 80,000.00</b>
<b>Luca Dal Fabbro</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 50,000.00 (23)
(II) Remuneration from subsidiaries and associates					€ 40,000.00 (14)
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 90,000.00</b>



## TO GENERAL MANAGERS AND SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

3		4	5	6	7	8
Variable non-equity remuneration		Non-monetary benefits	Other compensation	Total	Fair value of equity compen- sation	Severance indemnity at the termination of office or employment contract
Bonuses and other incentives	Stake in profits					
				€ 50,000.00		
				€ 188,000.00		
				€ 238,000.00		
				€ 35,000.00		
€ 200,000.00	(18)			€ 400,000.00		
€ 450,000.00	(19)	€ 17,126.00		€ 1,317,126.00		
€ 650,000.00		€ 17,126.00		€ 1,752,126.00		
				€ 95,000.00		
				€ 95,000.00		
				€ 85,000.00		
				€ 32,958.93		
				€ 40,000.00		
				€ 157,958.93		
				€ 75,000.00		
				€ 40,000.00		
				€ 115,000.00		
				€ 85,000.00		
				€ 40,000.00		
				€ 125,000.00		

## continued TABLE 1

## FEES PAID TO MEMBERS OF ADMINISTRATION AND AUDITING BODIES,

A	B	C	D	1	2
Name and surname	Office	Period in which office was held	Date at which office was terminated	Fixed amounts	Compensation for membership in committees
<b>Gabriella Porcelli</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 40,000.00 (12)
					€ 40,000.00 (16)
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 80,000.00</b>
<b>Stefano Saglia</b>	<b>Director</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 35,000.00 (4)	€ 50,000.00 (15)
					€ 40,000.00 (24)
<b>(III) TOTAL</b>				<b>€ 35,000.00</b>	<b>€ 90,000.00</b>
<b>Riccardo Schioppo</b>	<b>Standing Auditor</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 55,000.00 (9)	
<b>(III) TOTAL</b>				<b>€ 55,000.00</b>	
<b>Vincenzo Simone</b>	<b>Standing Auditor</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 45,000.00 (10)	
<b>(III) TOTAL</b>				<b>€ 45,000.00</b>	
<b>M. Alessandra Zunino de Pigner</b>	<b>Alternate Auditor</b>	<b>01/01/2015 - 31/12/2015</b>	<b>Approval 2016 Financial Statements</b>		
(I) Remuneration in the company that draws up the Financial Statements				€ 45,000.00 (10)	
<b>(III) TOTAL</b>				<b>€ 45,000.00</b>	

(1) Remuneration established by the Shareholders' Meeting in accordance with Art. 2389, paragraph 1 for the office of Chairwoman of the BoD.

(2) Remuneration established by the Meeting of the BoD in accordance with Art. 2389, paragraph 3 for the office of Chairwoman of the BoD.

(4) Remuneration established by the Shareholders' Meeting in accordance with Art. 2389, paragraph 1 for the office of Director.

(5) Remuneration established by the Meeting of the BoD in accordance with Art. 2389, paragraph 3 for the office of Chief Executive Officer.

(6) Fixed remuneration of the General Manager

(9) Remuneration established by the Shareholders' Meeting in accordance with Art. 2389, paragraph 1 for the office of Chairman of the Board of Statutory Auditors.

(10) Remuneration established by the Shareholders' Meeting in accordance with Art. 2389, paragraph 1 for the office of Auditor.

(11) Remuneration for the office of Chairman of the Remuneration Committee.

(12) Remuneration as member of the Remuneration Committee.

(13) Remuneration for the office of Chairman of the Audit, Risk and Corporate Governance Committee.

### TO GENERAL MANAGERS AND SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

3		4	5	6	7	8
Variable non-equity remuneration		Non-monetary benefits	Other compensa- tion	Total	Fair value of equity compen- sation	Severance indemnity at the termination of office or employment contract
Bonuses and other incentives	Stake in profits					
				€ 75,000.00		
				€ 40,000.00		
				€ 115,000.00		
				€ 85,000.00		
				€ 40,000.00		
				€ 125,000.00		
				€ 55,000.00		
				€ 55,000.00		
				€ 45,000.00		
				€ 45,000.00		
				€ 45,000.00		
				€ 45,000.00		

(14) Remuneration as a member of the Audit, Risk and Corporate Governance Committee.

(15) Remuneration for the office of Coordinator of the Related-Parties Committee.

(16) Remuneration as member of the Related-Parties Committee.

(18) Value of short term incentives (MBO) relative to assigned targets for 2014 for the Chief Executive Officer.

(19) Value of short term incentives (MBO) relative to assigned targets for 2014 for the General Manager.

(23) Remuneration for the office of Coordinator of the Appointments Committee.

(24) Remuneration as member of the Appointments Committee.

## TABLE 3B

### MONETARY INCENTIVE PLANS FOR DIRECTORS, GENERAL MANAGERS AND OTHER SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

A	B	1	2			3			4
Name and surname	Office	Plan	Yearly bonus			Bonuses for previous years			Other bonuses
			(A)	(B)	(C)	(A)	(B)	(C)	
			Payable/paid	Deferred	Deferral period	No longer payable	Payable /paid	Still deferred	
Matteo Del Fante	Chief Executive Officer								
(I) Remuneration in the company that draws up the Financial Statements		MBO (CEO)	€ 200,000.00						
		MBO (GM)	€ 450,000.00						
		LTI PLAN 2014–2015 (GM)					€ 1,100,000.00		
(II) Remuneration from subsidiaries and associates									
(III) Total			€ 650,000.00	€ -		€ -	€ 1,100,000.00	€ -	€ -

## SCHEME 7<sup>ter</sup> - TABLE 1

### SHAREHOLDINGS HELD BY DIRECTORS, STATUTORY AUDITORS, GENERAL MANAGERS AND SENIOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

#### Shares held by the Directors and the Auditors, General Managers and senior executives with strategic responsibilities

Pursuant to the provisions of Art. 84-*quater*, paragraph 4, of CONSOB Resolution no. 11971/99, in the tables below, the shares of TERNA S.p.A. and its subsidiaries are listed held by Directors, Auditors, General Managers (Table 1), and by Senior executives with strategic responsibilities (Table 2\*), as well as by not legally separated spouses and underage children, directly or through subsidiaries, trust companies or third parties, as indicated in the company's shareholder books, in notices received and other information obtained by the members of administration and audit bodies, General Directors and Senior executives with strategic responsibilities themselves. Therefore, all those who, in 2015, held positions as Directors, Auditors, general managers or senior executives with strategic responsibilities are included.

\* Table 2 is not shown since currently the only senior executive of the Company with strategic responsibilities is the General Manager.

NAME AND SURNAME	POSITION	SHAREHOLDING IN COMPANY	NUMBER OF SHARES HELD AS OF THE END OF THE PREVIOUS YEAR (2014)	NUMBER OF SHARES PURCHASED (IN 2015)	NUMBER OF SHARES SOLD (IN 2015)	NUMBER OF SHARES HELD AS OF THE END OF THE CURRENT YEAR (2015)	OWNERSHIP <sup>1</sup>
Catia Bastioli	Chairwoman of the Board of Directors	TERNA S.p.A.	2,100 <sup>2</sup>	0	0	2,100 <sup>2</sup>	owner
Matteo Del Fante	CEO and General Manager	TERNA S.p.A.	0	0	0	0	-
Cesare Calari	Director	TERNA S.p.A.	0	0	0	0	-
Carlo Cerami	Director	TERNA S.p.A.	0	0	0	0	-
Fabio Corsico	Director	TERNA S.p.A.	0	0	0	0	-
Luca Dal Fabbro	Director	TERNA S.p.A.	0	0	0	0	-
He Yunpeng <sup>3</sup>	Director	TERNA S.p.A.	0	0	0	0	-
Gabriella Porcelli	Director	TERNA S.p.A.	0	0	0	0	-
Stefano Saglia	Director	TERNA S.p.A.	0	0	0	0	-
Riccardo Enrico Maria Schioppo	Chairman of the Board of Statutory Auditors	TERNA S.p.A.	0	0	0	0	-
Vincenzo Simone	Standing Auditor	TERNA S.p.A.	0	0	0	0	-
Maria Alessandra Zunino de Pignier	Standing Auditor	TERNA S.p.A.	0	0	0	0	-
Raffaella Annamaria Pagani	Alternate Auditor	TERNA S.p.A.	0	0	0	0	-
Cesare Felice Mantegazza	Alternate Auditor	TERNA S.p.A.	0	0	0	0	-
Renata Maria Ricotti	Alternate Auditor	TERNA S.p.A.	0	0	0	0	-

(1) In this column – addition to Scheme 7 *ter* of Attachment 3A as set out by Art. 84-*quater*, paragraph 4, of CONSOB Resolution No. 11971/99 – it is listed if the participation is held as ownership, collateral, usufruct, deposit, carry forward, etc.

(2) Of which 2,100 shares held by cohabitant.

(3) The Director Yungpeng He was appointed on 21 January 2015 by co-optation, pursuant to Art. 2386 of the Italian Civil Code, by indication of the relative majority shareholder CDP Reti S.p.A., a joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. and subsequently confirmed by the Shareholders' Meeting of 9 June 2015.



## Glossary

**Audit, Risk and Corporate Governance Committee:** established within the Board of Directors on the basis of Principle 7 of the Corporate Governance Code. It is composed of independent Directors or, alternatively, by at least 3 non-executive Directors, the majority of whom are independent and in this case the Chairman of the Committee shall be independent. For a description of the functions of the Audit, Risk and Corporate Governance Committee, refer to the Report on Corporate Governance and Ownership Structures.

**Board of Directors (BoD):** the collective body responsible for the management of the Company. The Board of Directors of Terna S.p.A. consists of 9 Directors. It is the body responsible for matters including the approval of the Remuneration Policy proposed by the Remuneration Committee.

**Board of Statutory Auditors:** this is the internal supervisory body of the Company, which is attributed the function of supervising the observance of the law and of the By-laws, compliance with the principles of sound administration and, in particular, on the adequacy of the organisational, administrative and accounting procedures adopted by the Company and its concrete operation. It expresses a mandatory, though not binding, opinion on the definition of the Remuneration Policy for Directors holding special office, which must be taken into account in the decisions taken by the Board of Directors.

**Clawback:** these are contractual arrangements allowing the company to ask for the repayment, in whole or in part, of variable components of remuneration paid on the basis of data that subsequently turned out to be wrong.

**Consolidated Law on Finance:** this is the Italian “Consolidated Law on Financial Intermediation” i.e. Legislative Decree No. 58 of 24 February 1998 (as amended).

**Corporate Governance Code:** as defined by Borsa Italiana in July 2015, this is the “Self-regulatory code for Listed Companies in relation to Corporate Governance Code”. The document embodies a number of details about best practices on the organisation and operation of listed companies in Italy. These recommendations are not binding, even if listed companies should “keep the market and its shareholders informed about its governance structure and the degree of adherence to the Code”.

**Directors holding special office:** the Chairperson of the Board of Directors and the Chief Executive Officer.

**Directors not holding special office:** all the Directors with the exclusion of the Chairperson of the Board of Directors and the Chief Executive Officer.

**Dow Jones Sustainability Index (or DJSI or Index):** the sustainability index published annually by RobecoSAM, made up of listed Companies that are considered the best for sustainability performance and corporate social responsibility (CSR); in the present document specific reference is made to the “World” Index.

**Entry level:** minimum level of performance indicators, below which the incentive plans do not provide for any bonuses.

**Executive Directors:** the CEOs of the Company or of a subsidiary of strategic importance, including chairmen thereof when granted with individual management powers or when they play a specific role in the formulation of business strategies; executive directors are also those who hold management positions in the company or in a subsidiary of strategic importance, or in the parent company when the position also regards Terna. Finally, executive directors are also those directors who are members of the Executive Committee, when no Chief Executive Officer has been identified or when participation in the Executive Committee, taking into account the frequency of meetings and the subject of related resolutions, actually entails the systematic involvement of its members in the current management of Terna.

**Gate:** “gate condition” failure to achieve which does not enable the bonus to be paid.

**Gross Annual Salary (RAL):** the annual gross remuneration paid, inclusive only of fixed elements of employee remuneration. It excludes benefits paid in accordance with the employment contract and any amounts paid on an occasional basis for reimbursement of expenses, as well as any bonuses and variable components even if defined as guaranteed and/or paid on a one-off or continuous basis, either repeated or

deferred, and the share of employee termination benefits and any indemnity provided for by law and by the applicable collective agreement.

**Key Performance Indicator (KPI):** the indicator used to measure the performance and achievement of pre-defined objectives.

**Issuers' Regulation:** CONSOB Issuers' Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions, which contains the rules relating to issuers of financial instruments.

**Long Term Incentive Plan (LTI):** this is the long-term incentive plan that provides the persons concerned with a monetary bonus, based on the achievement of long-term objectives defined by the Company.

**Management by Objectives (MBO):** the short-term incentive plan that enables the individuals involved to receive an annual cash bonus, based on established objectives and agreed with each participant in the Plan.

**Maximum overperformance objective:** this is the maximum level of achievement of objectives that entitles the person concerned to get a maximum pre-determined percentage, above 100% of the incentive.

**Regulation on Related-Party Transactions:** is the CONSOB Regulation No. 17221 of March 10, 2010 that identifies the rules to ensure transparency and the substantial and procedural correctness of related-party transactions carried out directly by the Company or through its subsidiaries.

**Related-Parties Committee:** consists of 3 independent directors who were assigned the functions and duties set out by the CONSOB Regulation 17221/2010. For a description of the functions of the Related-Parties Committee, one should refer to the Report on Corporate Governance and Ownership Structures.

**Remuneration Committee:** established within the Board of Directors on the basis of Principle 6 of the Corporate Governance Code. It is composed of independent Directors or, alternatively, by at least 3 non-executive Directors, the majority of whom are independent and in this case the Chairman of the Committee shall be independent. For a description of the functions of the Remuneration Committee, one should refer to the Report on Corporate Governance and Ownership Structures.

**Shareholders' Meeting:** the collective decision-making body of the Company. All holders of voting rights (either directly or by proxy) are represented within this body. It has the powers conferred on it by law and by the By-laws: the main ones are the approval of the Financial Statements, the appointment and removal of Directors, the Board of Statutory Auditors and its Chairman. With regard to Remuneration Policy, it expresses a non-binding opinion on Section I of the Remuneration Report.

**Shareholder:** any shareholder of the Company.

**Stakeholder:** any individual who holds an interest in the Company.

**Senior executives with strategic responsibilities:** these are persons who, directly or indirectly, have the power and responsibility for the planning, direction and control of the Company's operations. For the definition of "senior executives with strategic responsibilities", please refer to Annex 1 to the Regulations on Related-Party Transactions no. 17221 of March 12, 2010.

**Target objective:** this is the level of achievement of objectives, that entitles the person to receive 100% of the incentive.

**Total Shareholder Return (or TSR):** indicates the total return of an equity investment, calculated as the sum of the following components:

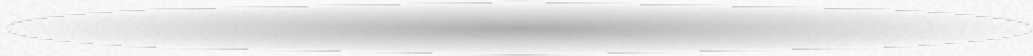
- i) capital gain: ratio between the change in the share price (difference between the price recorded at the end and at the start of the period of reference) and the price recorded at the start of the same period;
- ii) reinvested dividends: the ratio between the dividends per share distributed in the period of reference and the share price at the start of the same period. The dividends are considered reinvested in the stock.

The source used for TSR is Bloomberg.

**Vesting (vesting period):** with reference to an incentive system this is the period that runs between allocation and maturation, that is when the right to receive the incentive is earned.

Coordination and Development by Terna S.p.A.

# **An Asset for the Country**



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