

# 2023

## TERNA S.P.A.'S *PLAN 2023-2027*

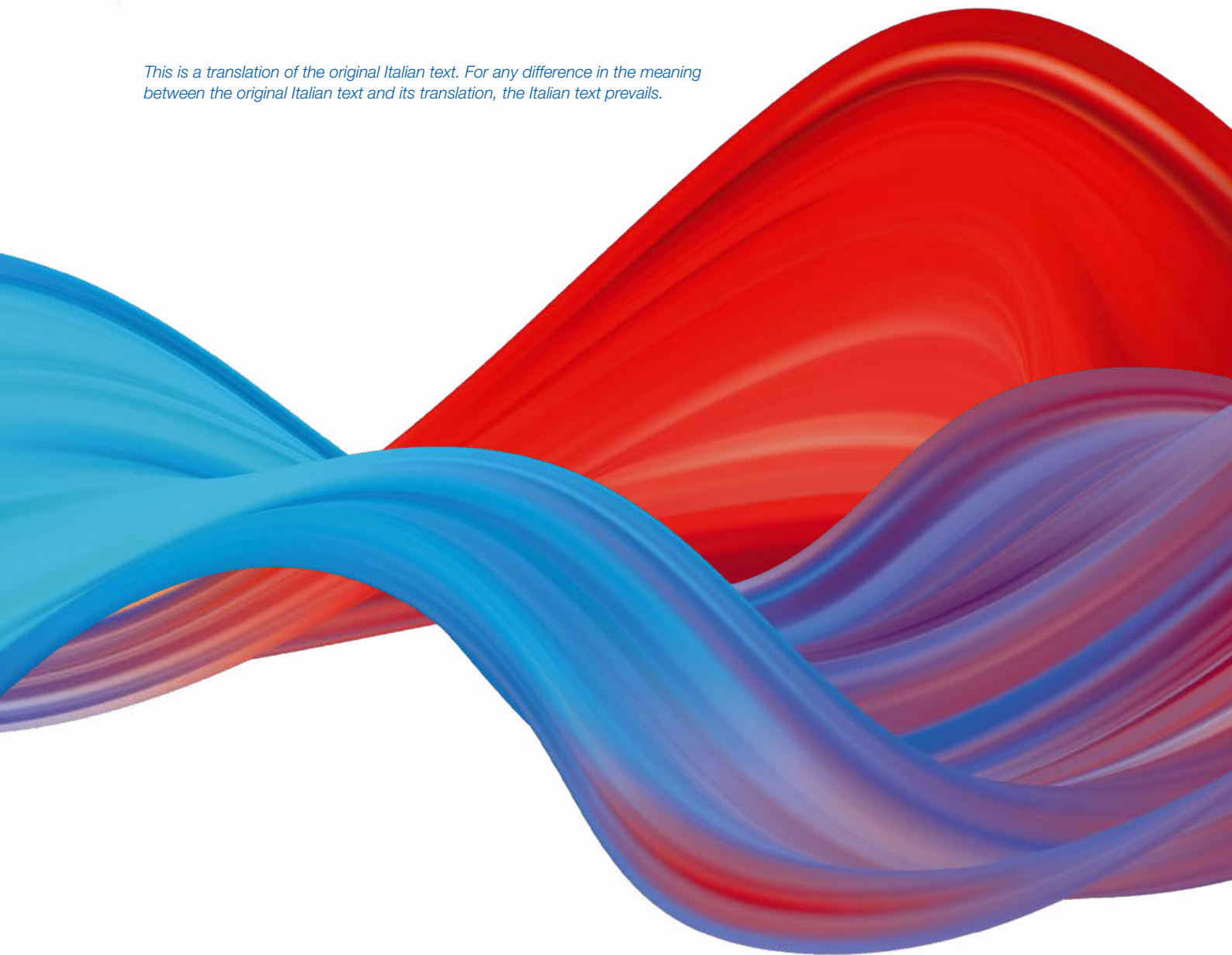
Rome, 22 March 2023



# Terna S.p.A.'s Performance Share Plan 2023-2027

under the terms of art. 114 of Italian Legislative Decree no. 58 of 24 February 1998 ("CLF") and article 84-bis of the Regulation adopted by CONSOB with resolution no. 11971 of 14 May 1999 as amended ("Issuers' Regulation")

*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.*



# 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.

# Introduction

Terna has been using forms of variable remuneration for management, linked to the Company's multi-year performance, for some time now, with the aim of linking a part of remuneration to the creation of sustainable long-term value.

Terna has in place rolling long-term equity incentive plans with annual awards.

The Performance Share Plan 2021-2025 and the Performance Share Plan 2022-2026 are in place, both with a three-year vesting period and a two-year lock-up period, in line with recent legislation.

These share plans make it possible to reward long-term, sustainable growth in shareholder value over time and allow greater alignment with market practices, the recommendations in the Corporate Governance Code and the objectives in the Industrial Plan.

The format used previously has again been retained in 2023 and the new Performance Share Plan, introducing some innovations in relation to performance objectives and their weighting, is designed to ensure an ever-closer alignment between the interests of management and those of the Company's shareholders. The new Plan, covering a period of five years, provides for the grant of the right to receive a number of Terna S.p.A.'s ordinary shares free of charge if predetermined performance targets, closely linked to achievement of the Company's long-term strategic objectives, have been met. These instruments will make it easier to attract and retain key personnel and ensure that the remuneration packages offered to Terna's management are suitably competitive.

The new Plan was approved by the Board of Directors on 22 March 2023, on the recommendation of the Remuneration committee. It will be submitted for approval, in the form of this Information Circular, by the Annual General Meeting.

This Information Circular has been prepared in accordance with art. 84-*bis* of the Regulations for Issuers and in line with the indications in Form 7 of Annex 3A to the Regulations for Issuers, including with regard to the numbering of the related paragraphs. The Circular is intended to provide the Annual General Meeting with the information necessary to deliberate on the equity-based incentive Plan named "**Performance Share Plan 2023-2027**".

The Annual General Meeting of shareholders for 2023, called on to approve the "Performance Share Plan 2023-2027", will be held in single call on 9 May 2023, as determined by the Board of Directors on 22 March 2023.

The Plan is deemed to be of "particular significance", as defined by art. 114-*bis*, paragraph 3 of the CLF and art. 84-*bis*, paragraphs 2.a) and 2.b) of the CONSOB's Regulations for Issuers.

This Information Circular is available for consultation at the registered office of TERNA S.p.A. (at viale Egidio Galbani, 70 in Rome), on TERNA S.p.A.'s website ([www.terna.it](http://www.terna.it)) and on the website of the authorised storage system "1Info" ([www.1info.it](http://www.1info.it)). The Circular has also been filed with the stock exchange operator Borsa Italiana S.p.A. ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

# Definitions

Unless otherwise expressly indicated, the following terms have the following definitions. It is hereby understood that the following expressions and terms defined in the feminine are also intended to refer to the masculine and that the expressions and terms defined in the singular are also intended to refer to the plural.

<b>“Annual General Meeting”</b>	the Annual General Meeting of the Company's shareholders;
<b>“Award Date”</b>	the date of the Board resolution determining the number of Shares to be awarded to each Beneficiary;
<b>“Award”</b>	the Award free of charge of Performance Shares to each Beneficiary at the end of the Vesting Period and on achievement of specific Performance Objectives;
<b>“Beneficiaries”</b>	the Terna Group management personnel who benefit from the Plan;
<b>“Bloomberg GEI”</b>	an index, published annually by Bloomberg, that measures companies' performance regarding gender equality issues and the quality and transparency of their public reporting;
<b>“Board” or “Board of Directors”</b>	the Company's Board of Directors consisting of the members from time to time in office;
<b>“Company”</b>	TERNA - Rete Elettrica Nazionale Società per Azioni (“TERNA S.p.A.”), with its registered office at viale Egidio Galbani, 70, Rome Companies' Register, Tax Code and VAT no. 05779661007, Rome Business register 922416;
<b>“Cumulative Group EBITDA”</b>	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 and amortization and impairment losses;
<b>“Dow Jones Sustainability Index” (or DJSI or Index)</b>	the sustainability index published annually by RobecoSAM, consisting of listed companies considered the best in terms of sustainability performance; in this document, reference is specifically made to the “World” Index;
<b>“Grant Date”</b>	the date of the Board resolution granting the Right to be awarded a given number of Terna S.p.A.'s Shares free of charge;
<b>“Grant”</b>	the grant to each Beneficiary of the Right to the Award of a given number of Performance Shares free of charge at the end of the Vesting Period and on achievement of specific Performance Objectives;
<b>“Letter of Award”</b>	the letter delivered to each Beneficiary following the Award of the Shares in accordance with the Board of Directors' resolution at the end of the Vesting Period and following the Annual General Meeting's approval of the financial statements for the year ended 31 December 2025;
<b>“Letter of Grant”</b>	the letter by which the Company informs each Beneficiary of their participation in the Plan, indicating the Right granted to the Award of a given number of Terna S.p.A.'s Shares (the Performance Shares) free of charge, and the Performance Objectives and Targets;
<b>“Lock-up Period”</b>	the period of two years from the Award Date for the <i>Performance Shares</i> , during which the Shares are non-transferable;

<b>“MIB® ESG”</b>	Italy's first blue-chip index focusing on ESG best practices, based on the outcome of the periodic assessment conducted by the agency, Moody's ESG Solutions;
<b>“Participating Company”</b>	One of the Terna Group companies that has a relationship with a Beneficiary;
<b>“Performance Objectives”</b>	the objectives set by the Board of Directors in respect of the Vesting Period, on the recommendation of the Remuneration Committee, the achievement of which grants the Right to the Performance Shares;
<b>“Vesting Period” or “Performance Period”</b>	the three-year period to which measurement of the Performance Objectives relates;
<b>“Plan”</b>	the “ Plan 2023-2027”, representing by this document and the documentation implementing such Plan;
<b>“Relationship”</b>	the Beneficiary's existing relationship as a Director or as an employee of the Terna Group company;
<b>“Remuneration Committee”</b>	the Board Committee established by Terna S.p.A.'s Board of Directors consisting of the members from time to time in office;
<b>“Right”</b>	the right granted free of charge to Beneficiaries to the Award of a given number of Shares in accordance with the Terms and Conditions and the Letter of Grant;
<b>“Shares”</b>	the Company's ordinary shares;
<b>“Stock Exchange”</b>	the screen-based trading system ( <i>Mercato Telematico Azionario</i> ) organised and managed by Borsa Italiana S.p.A.;
<b>“STOXX ESG”</b>	Launched in 2011, these indices are based on assessments made by the Sustainability rating agency and select the best shares based on ESG performance. Admission to the Global ESG Leaders Index, requires inclusion in at least one of the three specialist indices (Global Environmental Leaders, Global Social Leaders and Global Governance Leaders);
<b>“Target Amount”</b>	the amount of the bonus if all the objectives are met at 100%;
<b>“Terms and Conditions”</b>	the document, approved by the Board of Directors on the recommendation of the Remuneration Committee, setting out the Plan terms and conditions;
<b>“Terna Group”</b>	this indicates: (i) the Company; and (ii) the Company's subsidiaries;
<b>“Total Shareholder Return”</b>	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.

# 1. Beneficiaries

## 1.1 Identification of the names of beneficiaries who are members of the board of directors or management board of the financial instrument issuer, of the companies controlling the issuer and of the companies directly or indirectly controlled by it

The Beneficiaries of this Plan include the General Manager of the Company, who currently also holds the position of Chief Executive Officer.

## 1.2 Categories of employee or other staff of the financial instrument issuer and of the companies that control or are controlled by the issuer

The potential Plan Beneficiaries include Key Management Personnel and other managers selected from the Terna Group's senior and middle managers, who play an important role in achieving the Group's strategic results. These Beneficiaries will be identified during Plan implementation, on the same or on different dates but normally within 31 December 2023.

The Board of Directors, or the Chief Executive Officer acting on its authority, nominates the Beneficiaries at its discretion.

Participation in the Plan is determined exclusively on the basis of the management role held within the Terna Group's organisational structures and, therefore, is in no way related to any offices as may be held by Beneficiaries within the Company's governing bodies or those of Subsidiaries. For this reason, the names of such persons are not provided.

### 1.3 The names of the parties benefitting from the plan belonging to the following groups:

a) *general managers of the financial instrument issuer;*

The Plan applies to the Company's General Manager.

(b) *other key management personnel of the financial instrument issuer not classed as "small", as defined by article 3, paragraph 1(f) of Regulation 17221 of 12 March 2010, if they have, over the course of the year, received total pay (computed by summing cash payments and equity-based payments) in excess of the highest total pay awarded to members of the Board of Directors or the management board, and to general managers of the financial instrument issuer;*

The names of further Beneficiaries to be included in the groups indicated under point 1.3(b) of Annex 3A, Form 7 of the Regulations for Issuers, will be provided later, as per art. 84-bis, paragraph 5(a) of the Regulations for Issuers.

c) *Natural persons controlling the share issuer, who are employees of or who work for the share issuer;*

Not applicable.

### 1.4 Description and quantification, broken down by category:

The Plan is intended for the General Manager, Key Management Personnel and other managers selected from the Terna Group's senior and middle managers, who play an important role in achieving the Group's strategic results. The Plan is for up to a maximum of 120 Beneficiaries.

The disclosures required by the above paragraphs 1.2, 1.3. and 1.4 will be provided, where applicable, during implementation of the Plan, pursuant to art. 84-bis, paragraph 5(a) of the Regulations for Issuers.

The incentive scheme on which the Plan is based is the same for all Beneficiaries, differing only in the size of the Grant, which increases in relation to the role held, the responsibilities assigned and the strategic nature of the manager.

# 2. Reasons for adoption of the plan

## 2.1 Objectives to be achieved by means of the plans

The aim of the Plan is to retain management, by helping to closely link the interests and performance of managers in key roles with the creation of long-term value for shareholders.

Above all, the Plan seeks to pursue the following objectives:

- to focus the attention of senior management and key personnel on medium/long-term strategic success factors, ensuring the complete alignment of management's interests with those of shareholders;
- to strengthen the retention strategy for management and key personnel by maintaining and improving the competitiveness of the Group's remuneration both in Italy and internationally;
- to boost the attractiveness of remuneration for key personnel, creating a strong link between pay, the results achieved and the creation of shareholder value;
- to highlight Terna's commitment to issues relating to sustainability and social and environmental responsibility.

The Plan covers the medium to long term, with a three-year vesting period plus a two-year Lock-up period for a portion of the bonus, during which time the Shares are non-transferable. This period, in line with the recommendations in the Corporate Governance Code<sup>1</sup>, has been considered the most suitable to pursue the pre-determined objectives of the incentive plan and, in particular, to focus Beneficiaries' attention on the Terna Group's medium/ long-term strategic success factors.

## 2.2 Key variables, including in the form of performance indicators taken into account in making awards under equity-based plans

The Plan calls for the assignment of the right to award a number of TERNA S.p.A. shares (Performance Share) free of charge at the end of the Vesting Period provided that the Performance Targets to which the plan is linked are achieved.

The final Bonus under the Plan thus depends on:

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

Each Beneficiary will be Granted the Right to the Award of a given number of Shares in Terna S.p.A. free of charge, as communicated in the Letter of Grant.

At the end of the Vesting Period, a given number of Performance Shares will be awarded to Beneficiaries based on the results achieved in the previous three years, with a 30% portion of the Shares, free of tax and/or social security contributions, subject to a Lock-up period of two years.

<sup>1</sup> "Share-based remuneration for executive directors and senior management must encourage alignment with the long-term interests of shareholders, requiring the prevailing portion of the plan to be subject to an overall vesting period and a lock-up period for the shares granted of at least five years".

The performance indicators to which the Plan is linked are:

1. Operating performance, with a total relative weighting of 50%, with reference to:
  - Cumulative **EBITDA** over the three-year period to 31 December 2025 (weighting 30%), compared with the cumulative EBITDA 23-25 in the Budget for 2023 + 2024-2025 in the Updated 21-25 Plan, with the related score curve shown below:

CHANGE VS CUMULATIVE EBITDA 23-25 IN THE BUDGET FOR 2023 + 2024-2025 IN THE UPDATED 21-25 PLAN	SCORE
-2%	80%
<b>Target</b>	100%
+2%	150%

*In the case of underperformance greater than -2%, the score is zero. Linear interpolation is applied in the case of intermediate figures.*

- Cumulative **regulated INVESTMENT** over the three-year period to 31 December 2025 (weighting 20%), compared with the value of cumulative regulated investment 23-25 in the Budget for 2023 + 2024-2025 in the Updated 21-25 Plan, with the related score curve shown below:

CHANGE VS CUMULATIVE REGULATED INVESTMENT 23-25 IN THE BUDGET FOR 2023 + 2024-2025 IN THE UPDATED 21-25 PLAN	SCORE
-2%	80%
<b>Target</b>	100%
+3%	150%

*In the case of underperformance greater than -2%, the score is zero. Linear interpolation is applied in the case of intermediate figures. Data net of financial expenses and IFRS16.*

2. Market performance, with a weighting of 20% – relative **Total Shareholder Return (TSR)** measured in terms of Terna's performance compared with a benchmark peer group<sup>2</sup>, over a period of three years. The related score curve is shown below:

TERNA'S RANKING	SCORE
7 <sup>th</sup> , 6 <sup>th</sup> or 5 <sup>th</sup> place	0%
4 <sup>th</sup> place	80%
3 <sup>rd</sup> place	100%
1 <sup>st</sup> or 2 <sup>nd</sup> place	150%

*If, despite ranking in 1<sup>st</sup> or 2<sup>nd</sup> place, Terna's TSR is negative in the reference period, the overperformance will not be recognised and the associated score will, therefore, be 100% (the "negative TSR threshold").*

<sup>2</sup> In addition to Terna, the peer group is made up of the following companies: Snam, Red Electrica, Enagas, National Grid, Severn Trent, United Utilities. Equities that are subject to extraordinary operations that entail their delisting or a significant reduction in the free float, will be replaced (up to a maximum of two) by the following stock, listed in order: Elia, REN.

3. Sustainability Performance, with a total relative weighting of 30%, with reference to:

- inclusion in a series of **ESG indices** (weighting 15%):
  - **Bloomberg GEI**: an index, published annually by Bloomberg, that measures companies' performance regarding gender equality issues and the quality and transparency of their public reporting;
  - **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. Admission to the Global ESG Leaders Index, requires inclusion in at least one of the three specialist indices (Global Environmental Leaders, Global Social Leaders and Global Governance Leaders);
  - **DJSI world**: 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;
  - **MIB® ESG**: Italy's blue-chip index focusing on ESG best practices, based on the outcome of the periodic assessment conducted by the agency, Moody's ESG Solutions.

In the event of 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.

The related score curve is shown below:

TERNA'S RANKING	SCORE
Failure to achieve at least <b>6 inclusions</b> over the three years	0%
<b>6 inclusions</b> over the three years	80%
<b>7 inclusions</b> over the three years	100%
<b>8 inclusions</b> over the three years	110%
<b>9 inclusions</b> over the three years	120%
<b>10 inclusions</b> over the three years	130%
<b>11 inclusions</b> over the three years	140%
<b>12 inclusions</b> over the three years	150%

- **Overgeneration** (weighting 15%), which involves reduced use of modulated production from generation using non-programmable renewable sources, requested by Terna to meet security requirements for the National Electricity System.

In order to measure Terna's actual performance in mitigating overgeneration, a metric has been introduced to measure the cut in non-programmable renewable sources and, at the same time, neutralise the impact of the main external factors. Given the expected growth in renewable generation capacity in the coming years, without appropriate mitigation actions the cut in production from non-programmable renewable sources ("overgeneration") would increase substantially, countering (at least in part) the benefits of the energy transition.

The related score curve is shown below:

CHANGE ON ADJUSTED REDUCTION RATE 2018-2022*	SCORE
>564GWh	0%
564GWh (2018-2022 average)	80%
536GWh (down 5%)	100%
508GWh (down 10%)	150%

*Linear interpolation is applied in the case of intermediate figures.*

\* The final cut in non-programmable renewable sources in each year in the three-year period from 2023 to 2025 is adjusted according to the change in the hourly residual load recorded over the three years, compared with the five-year reference period and having neutralised the impact of any unavailability related to network renewal/development works or due to force majeure or requests by third parties. The average figure for the three years represents the adjusted annual average cut in production from non-programmable renewable sources.

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 and the relevant departments, during approval of the financial statements for the year ended 31 December 2025.

## 2.3 Elements underlying determination of the entity of equity-based payments, namely the criteria used to determine such payments

The Target Amount for the Grant is represented by a percentage of the Beneficiary's fixed pay and varies according to the Beneficiary's role and their strategic importance. This value may vary, depending on the role, from **20%** up to a maximum of **123.6%** of the fixed pay for the entire three-year plan.

On inclusion in the Plan, each Beneficiary will be informed that they have been granted the Right to the Award of a given number of Shares in Terna S.p.A. free of charge via the Letter of Grant.

Award of the Right and, therefore, the Award of the Performance Shares is conditional on achieving the determinate Performance Objectives described in point 2.2. Below an overall performance threshold, equal to 80% of the target, no Shares will be awarded to the Beneficiary. In addition, 30% of the Shares awarded, free of tax and/or social security contributions, are subject to a two-year Lock-up period.

After the conclusion of the Vesting Period, the Board of Directors, on the recommendation of the Remuneration Committee, will assess the level to which the Performance Objectives have been achieved, thereby determining the number of Shares to be Awarded. The overall performance is measured as the weighted average of the scores achieved for each of the three objectives, based on the respective performance curves. Below an overall performance threshold of 80% of the target (the "Gate"), no Shares will be awarded to the Beneficiary. The maximum overall score is 150% of the level of the grant at target.

The number of Performance Shares to be Awarded to Beneficiaries will be determined on the basis of the following:

- the results reported in the Terna Group's consolidated financial statements approved by the Annual General Meeting of the Company's shareholders;
- the Total Shareholder Return, as computed by the Company's Administration, Finance and Control and Investor Relations and Sustainability departments or by an external auditor appointed to certify the results achieved;
- the Company's positioning in the ESG indices (Bloomberg GEI; DJSI world; MIB® ESG; STOXX ESG) as published annually by the company S&P Global;
- the value of Overgeneration resulting from the computations provided by the Grid Development and Dispatching Strategies department.

**2.4 Reasons underlying the decision to award equity-based payments based on instruments not issued by the financial instrument issuer, such as financial instruments issued by subsidiaries, parents or third-party companies outside the group of origin; in the event that such instruments are not traded on regulated markets, information on the criteria used to determine the value assigned to them**

Not applicable.

**2.5 Considerations on any significant tax and accounting implications that have affected the nature of the plan**

There are no material tax or accounting implications that have had an impact on the nature of the Plan. With regard to payment of the Bonus, the tax regime applicable and in force in the country in which each Beneficiary is resident for tax purposes will be considered.

**2.6 Any support for the plan from the Special Fund to Encourage Worker Participation in businesses, as defined in article 4, paragraph 112 of Law 350 of 24 December 2003**

The Plan does not receive any form of support from the Special Fund to Encourage Worker Participation in businesses, as defined in article 4, paragraph 112 of Law 350 of 24 December 2003.

# 3. Approval procedure and timing of the award of the instruments

## 3.1 Scope of powers and roles delegated by the General Meeting to the Board of Directors in order to implement the plan

On 22 March 2023, the Board, on the recommendation of the Remuneration Committee, decided to submit the Plan for approval by shareholders at the Annual General Meeting to be held on 9 May 2023.

The Annual General Meeting, called to approve Terna S.p.A.'s Long-term Performance Share Incentive Plan for 2023-2027, will be requested to grant the Board (on the recommendation of the Remuneration Committee) all the broadest possible authority necessary or appropriate in order to implement the Plan, with the authority to subdelegate such authority if required. This authority is to be exercised in accordance with the principles established by the said Annual General Meeting and described in this Information Circular. This includes, merely by way of example and without limitation, the authority – where necessary, in consultation with the Remuneration Committee - to (i) approve and/ or amend and/or supplement the Plan Terms and Conditions; (ii) name Beneficiaries; (iii) determine the number of Shares to Award, based on the performances achieved by each Beneficiary; (iv) to perform any act, obligation, formality or communication that may be necessary or appropriate in order to manage and/or implement the Plan, including its amendment in compliance with the provisions of this Information Circular.

## 3.2 Indication of the persons tasked with administering the plan and their role and responsibilities

The bodies responsible for managing the Plan for the General Manager and Key Management Personnel are the Board of Directors and the Remuneration Committee, whilst for Beneficiaries other than the above, the body responsible for managing the Plan is an entity specifically delegated for this purpose by the Board of Directors, in consultation with the Remuneration Committee.

Each Beneficiary must abstain during votes relating to decisions on their compensation, in addition to absenting themselves from Board meetings during related discussions.

### **3.3 Any procedures in place for review of the plan, including in response to any changes in the underlying objectives**

If the Shares are transformed or converted into a different number of Shares in the Company, as a result of capital transactions, including, but not limited to, share splits and consolidations, the Board may resolve, at its discretion, to make any necessary changes to the number of Shares linked to the Right, with the abstention of Plan Beneficiaries.

The Board, in consultation with the Remuneration Committee and at its sole discretion, with the abstention of any Beneficiaries, will also have the authority to adjust the Performance Objectives so as to guarantee, in the interests of Beneficiaries, a situation that is substantively fair with respect to the pre-existing situation, should extraordinary and/ or unforeseen situations or circumstances arise that may significantly affect the Group's results and/or scope or, more generally, the parameters on which the Performance Objectives are based. This provision is solely in order to preserve the purpose of the Plan in terms of ensuring its ongoing alignment with the Company's business objectives and with the objectives underlying Beneficiaries' incentive schemes.

In the event delisting or a change of control, the Shares may, at the sole discretion of the Board, be awarded to Beneficiaries in advance with respect to the terms provided for in the Plan Terms and Conditions, applying the accruals basis.

The Board may, at its sole discretion, make any and all changes it deems appropriate to the Plan, so as to bring the Plan into line with statutory or regulatory provisions, or to correct any inconsistencies, defects or omissions in the Terms and Conditions and /or the Plan, with Plan Beneficiaries abstaining from any vote on such matters.

### **3.4 Description of the methods of determining the availability and the grant of the financial instruments on which the plans are based (for example: bonus share issues, capital increases with the exclusion of pre-emptive rights, the purchase and sale of treasury shares)**

To implement the Plan, the Company will make use of treasury shares purchased following the resolution passed by the Annual General Meeting of shareholders held on 9 May 2023.

### **3.5 Role played by each director in determining the nature of the plan; any conflicts of interest arising in relation to the directors involved**

The Remuneration Committee was involved, at the various stages, in defining the essential characteristics of the Plan. The Committee consists entirely of non-executive and independent directors, as defined in the combined provisions of articles 147-ter, paragraph 4 and 148, paragraph 3 of the CLF and article 2 of the Corporate Governance Code.

The Chief Executive Officer and General Manager abstained from voting during discussions of his remuneration by the Board of Directors.

### **3.6 For the purposes of the requirements of art. 84-bis, paragraph 1, the date of the decision taken by the relevant body to propose approval of the plan by the general meeting and of the recommendation by the remuneration committee**

At its meeting of 21 March 2023, the Remuneration Committee unanimously expressed a favourable opinion on the proposed approval of the Plan by the Company's Board of Directors.

At its meeting of 22 March 2023, the Board of Directors approved the Plan, with the agreement of the Remuneration Committee and the Board of Statutory Auditors, and proposed to submit the Plan for approval by the Annual General Meeting of shareholders to be held in single call on 9 May 2023.

### **3.7 For the purposes of the requirements of art. 84-bis, paragraph 5(a), the date of the decision taken by the relevant body regarding the award of the instruments and of the recommendation to this body by the remuneration committee**

The Right provided under the Plan will be granted to Beneficiaries by the Board of Directors in the case of the General Manager and Key Management Personnel and, in the case of Managers other than the above, by the body duly delegated for this purpose by the Board of Directors, in consultation with the Remuneration Committee, following approval of the Plan by the Annual General Meeting of the Company's shareholders to be held in single call on 9 May 2023.

The date of the decision taken by the Board of Directors with regards to the Grant of a given number of Terna S.p.A.'s Shares and the date of the eventual proposal to the Board of Directors by the Remuneration Committee are not known at the time of preparation of this Information Circular and, therefore, will be communicated later in accordance with art. 84-bis, paragraph 5(a) of the CONSOB Regulations for Issuers.

### **3.8 The market price, recorded on the above dates, of the financial instruments on which the plan is based, if traded on regulated markets**

The market price of the Shares at the time of the Grant of the Right by the Board of Directors will be announced in accordance with art. 84-bis, paragraph 5 of the CONSOB's Regulations for Issuers.

On 22 March 2023, the date on which the Board of Directors met to finalise the proposed approval of the Plan to be submitted to the Annual General Meeting of shareholders, the official closing price of Terna's Shares on the Stock Exchange was €7.302.

### **3.9 In the case of financial instruments traded on regulated markets, in what terms and in accordance with what procedures does the issuer take into account, when establishing the timing of the grant of instruments in implementation of the plans, the potential for the timing of the following events to coincide:**

- i. the above grant and any decisions in this regard by the remuneration committee, and
- ii. the disclosure of price sensitive information, as defined by art. 17 of EU Regulation 596/2014; for example, where such information is:
  - a. not already in the public domain and capable of causing market prices to rise, or
  - b. already in the public domain and capable of causing market prices to fall.

The entire period of implementation of the Plan will take place in full compliance with the reporting requirements to which the Company is subject under the applicable legislation and regulations. In this way, the transparency and fair disclosure of the information provided to the market will be guaranteed, as will compliance with the Company's own procedures. Any potential oversight may be decided on by the Board of Directors when determining the Plan Terms and Regulations.

# 4. Nature of the instruments awarded

## 4.1 Description of the way in which the equity-based plans are structured

The Plan envisages the Grant of the Right to the Award of a given number of Shares free of charge, in accordance with the Plan Terms and Conditions and the Letter of Grant. The number of Shares to be awarded to Beneficiaries is subject to achievement of Performance Objectives, based on the criteria described in paragraph 2.2.

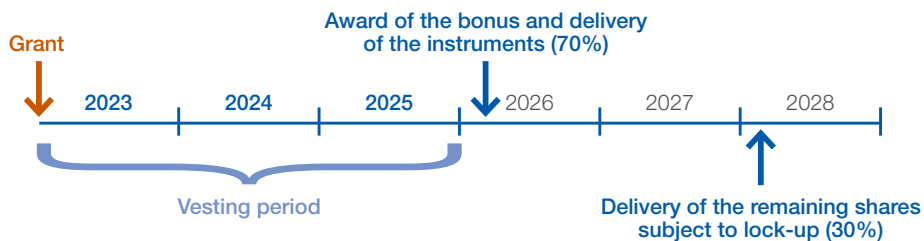
The Shares are awarded at the end of the Vesting Period based on the criteria described in paragraph 2.2.

At the end of the vesting period, each Beneficiary may also be Awarded an additional number of Shares (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 number of additional Shares to be Awarded is determined by dividing the sum of the dividends paid during the vesting period by the average price of the Shares (based on the Volume Weighted Average Price – VWAP) registered in the 22 working days prior to the Award Date for the Shares. 30% of the additional Shares, corresponding with the value of any dividends not received on the Shares effectively Awarded (the dividend equivalent), are subject to a two-year Lock-up period, during which time the Shares are non-transferable.

## 4.2 Indication of the period of effective implementation of the plan, including reference to any different cycles

The Plan provides for the Grant of the Right by 31 December 2023.

The vested Performance Shares will be Awarded to Beneficiaries in 2026, being the year following the end of the Vesting Period. Despite this, 30% of the Shares Awarded, including any awarded as dividend equivalents, free of tax and/or social security contributions, will be subject to a further Lock-up period of two years, which will end in 2028. During this period, the Shares are non-transferable.



### 4.3 Termination of the plan

The Plan will terminate with the Award of the Shares following the Annual General Meeting's approval of the financial statements for the year ended 31 December 2025.

### 4.4 The maximum number of financial instruments, including in the form of options, awarded each financial year to named individuals or specific categories

The maximum number of Shares awardable under the Plan will be determined by the Board of Directors during implementation of the Plan and will be announced in accordance with art. 84-*bis*, paragraph 5.a) of the Regulations for Issuers or, in any event, in accordance with the statutory and regulatory requirements from time to time applicable.

At the date of publication of this document and taking into account the value of the Terna's shares on 22 March 2023, it is estimated that this number cannot exceed 1.2 million of Terna's ordinary Shares, being the maximum number of shares earmarked for use under the Plan, representing 0.06% of the ordinary Shares in issue.

### 4.5 Procedures and provisions regarding implementation of the plan, specifying if the effective award of instruments is subject to the occurrence of certain conditions or the achievement of determinate results, including those that are performance-related; a description of the related conditions and results

Award of the Performance Shares is subject to:

- achievement of the specific Performance Objectives described in paragraph 2.2.
- effective continuation of the employment Relationship, without any period of notice being in progress or, in any event, notice of termination having been given; Directors must not have resigned from their position nor have been terminated (see the further details provided in paragraph 4.8 below).

Without prejudice to the right to claim for any further damages, following Award of the Shares, the Company reserves the right, within the statute of limitations envisaged by current legislation and regardless of whether or not the Relationship is still in place or has been terminated, to request the Beneficiary to return the cash equivalent of any Shares awarded at the Award Date (under a clawback provision), in any of the following cases:

- fraud or gross misconduct on the part of the beneficiary to the detriment of the Terna Group;
- serious and intentional breaches of the law, the Code of Ethics and Company rules;
- the Award of Shares on the basis of information that was subsequently revealed to be manifestly inaccurate and/or misleading.

### 4.6 Indication of any restrictions on the availability of the instruments awarded, or of instruments resulting from the exercise of options, with specific reference to the terms within which it is permitted or prohibited to transfer the instruments to the company itself or to third parties

30% of the Shares Awarded to each Beneficiary at the end of the Performance Period, free of tax and/or social security contributions, are subject to a Lock-up period. The Shares covered by the Lock-up provision may not be transferred and/or sold for a period of 24 months from the Award Date. The same Lock-up provision applies in the same way to the additional Shares Awarded to Beneficiaries as dividend equivalents.

#### **4.7 Description of any termination provisions, in relation to awards under the plan, that are triggered by beneficiaries entering into hedging transactions enabling them to circumvent any restrictions on the sale of the financial instruments awarded, including in the form of options, or of financial instruments resulting from the exercise of such options**

Beneficiaries are prohibited, at the risk of forfeiting their Right to Award of the Shares, from entering into hedging transactions enabling them to alter or affect the alignment with risk inherent in the terms of the equity-based incentive plans.

#### **4.8 Description of the effects of the termination of employment**

Beneficiaries who, at the Award date for the Shares, are in a continuing employment Relationship, without any period of notice being in progress or, in any event, notice of termination having been given, have the Right to the Award of Shares. Directors must not have resigned from their position nor have been terminated. In the event of termination of the Relationship prior to the Award Date for the Shares, the Beneficiary will automatically forfeit the Right, which will thus be ineffective, and the Beneficiary will not have the right to receive any payment or compensation for whatever reason from the Company and/or the Participating Company.

Furthermore, 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 will be maintained (for the Beneficiary or their heirs or successors), based on an assessment of the performance achieved at the date of termination, applying the accruals basis of accounting.

#### **4.9 Indication of any other causes of termination of the plan**

Other than as provided for in the above paragraphs, there are no other causes of termination of the Plan.

#### **4.10 Reasons for a potential provision relating to “redemption”, by the company, of the financial instruments on which the plan is based in accordance with art. 2357 et seq. of the Italian Civil Code; indication of the Beneficiaries of the redemption, specifying if the redemption is only aimed at certain categories of employee; the impact of the termination of employment on such redemption**

Not applicable.

#### **4.11 Any loan or other facilities to be made available for the purchase of shares, as defined by art. 2358, paragraph 3 of the Italian Civil Code**

No form of loan or facility enabling the purchase of Shares has been provided for, in that the Shares are to be awarded free of charge.

#### **4.12 Indication of assessments of the expected cost to the company at the grant date, as determinable on the basis of the terms and conditions previously established, in terms of a total amount and in relation to each instrument in the plan**

This amount cannot currently be computed as it will depend on the value of the Shares at the time of the Award.

The estimated cost of the Long-term Performance Share Incentive Plan for 2023-2027, in the event of achievement of the performances at target and assuming that the price of Terna's Shares remains stable over the period (with respect to a price of €7.302 registered at 22 March 2023) is approximately €5.9 million, for a maximum of 120 beneficiaries.

#### **4.13 Indication of any dilutive effects resulting from the incentive plans**

In view of the fact that the Shares to be awarded to Beneficiaries under the Plan will be made available through the purchase of the Company's own shares (Paragraph 3.4), it is not expected that there will be any dilutive effects.

#### **4.14 Any limits on the exercise of voting rights or on the assignment of property rights**

The Shares awarded will rank *pari passu* with the other shares, as no limits on the exercise of voting rights or on the related property rights have been provided for.

#### **4.15 If the shares are not traded on a regulated market, all information used in effectively measuring their value**

Not applicable, in that the Shares have been admitted to trading on the screen-based trading system (Mercato Telematico Azionario) organised and managed by Borsa Italiana S.p.A..

#### **4.16 – 4.23**

Not applicable.

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Table 1, as provided for in paragraph 4.24 of Form 7 of Annex 3A to the Regulations for Issuers, will be provided later in accordance with the procedures established by art. 84-*bis*, paragraph 5(a) of the Regulations for Issuers.



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