

# TERNA ENERGY S.A.

## REMUNERATION POLICY

As approved by the Ordinary General Assembly of Shareholders of  
April 29, 2020.

| <b>DATE OF ENTRY INTO FORCE</b> | <b>VERSION</b> |
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| <b>AUTHOR</b>  | <b>APPROVAL</b>  |
|--|--|
| NOMINATIONS & REMUNERATION<br>COMMITTEE OF TERNA ENERGY S.A. | SHAREHOLDERS' GENERAL<br>ASSEMBLY OF TERNA ENERGY S.A. |

| <b>DOCUMENT RECIPIENTS</b>       |
|----------------------------------|
| Interested parties and investors |

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## 1. Introduction

The present Remuneration Policy of the members of the Board of Directors (hereinafter, the “Policy”) was prepared by the competent Nominations’ and Remuneration Committee of the Company “TERNA ENERGY INDUSTRIAL COMMERCIAL TECHNICAL SOCIETE ANONYME” (hereinafter the “Company”) member of the TERNA ENERGY group of companies (hereinafter the “Group”), according to the Directive (EU) 2017/828 of the European Parliament and Council of the 17<sup>th</sup> of May 2017 regarding the rights of shareholders as incorporated into Greek law with L. 4548/2018 and especially according to the article 110 of the aforementioned act<sup>1</sup>.

The present Policy has been approved by virtue of the Ordinary General Assembly of shareholders of the Company dated 29/04/2020 and replaces the Remuneration Policy approved by virtue of the Extraordinary General Assembly of shareholders of the Company dated 18/12/2019 and is valid for four (4) years from its approval (hereinafter the “Period of Validity”), unless it is revised and/or amended earlier by virtue of another decision of the General Assembly (hereinafter “G.A”) due to significant changes of the circumstances on the basis of which it was drafted.

The present Policy takes into consideration the relevant best practices for listed companies, the provisions of the Company’s Articles of Association and its Corporate Governance Code while also reflecting the existing agreements regarding the remunerations of the members of the Board of Directors (hereinafter “BoD”), including each General Director/s.

More specifically, the Policy defines exhaustively, on the one hand (i) the existing rights of the BoD members and each General Director as well as the obligations of the Company towards the aforementioned persons and on the other hand (ii) the terms, under which remunerations will be provided, in the future, to existing and/or new BoD members during its Period of Validity, taking into consideration the salary and labor conditions of the employees of the Company and the Group.

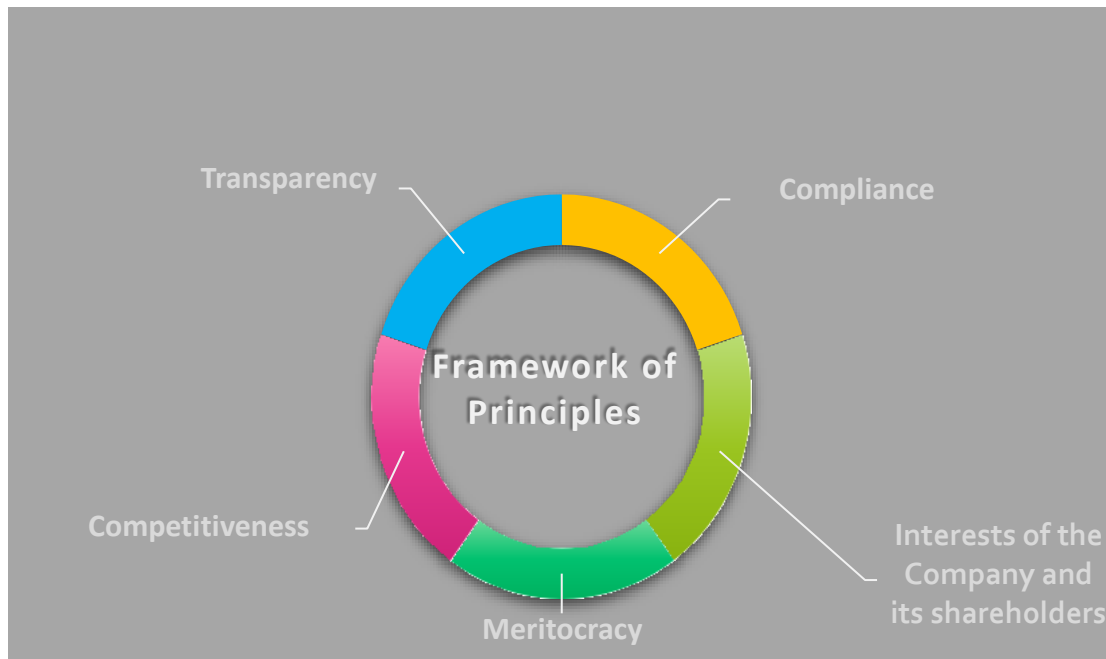
Furthermore, while preparing the present policy the salary and labor conditions of all employees of the Company and the Group were taken into consideration, which are totally harmonized with the principle of remuneration payment based on the reasonable and fair measure towards the people that are chosen as the most appropriate and with the best performance, taking into account the needs and the nature of each position or operational role as well as the corporate interest, according to these thoroughly presented below.

The Policy is available at the website of the Company.

## 2. Objective

The objective of the present Policy is to comply with the legislative framework and the enhancement of transparency regarding the determination and remittance of every kind of remuneration in a transparent, clear, and comprehensive way.

The Guidelines governing the present policy are reflected in the below chart:



More specifically, the present Policy:

- Presents in a transparent way and with clarity the structure of every kind of remuneration that is regulated by the present policy,
- Contributes in the diffusion and consolidation of the principles of meritocracy, justice, proportionality in the formation of the remuneration framework from the top to the bottom of the organization (top down approach) also taking into consideration the kind and level of each remuneration according to the importance and the burden of the responsibilities of each position as well as the performance of each executive,
- Provides the discretion to the Company and the Group to create competitive remuneration packages, that are based on the market practices and simultaneously may attract and maintain within the corporate structure capable and distinguished executives,
- Provides for a reasonable and fair level of remuneration that aims to the creation of added value not only in the long run but also through the attainment of short-term goals taking into consideration, on one hand the prevention of decision-making with excessive risks and on the other hand sustaining the viability and profitability of the Company and the Group,

- Reflects the particularities of the Company's operations and the case by case responsibilities that are undertaken by each beneficiary,
- Serves for the appropriate and efficient risk management,
- Establishes the basic guidelines for the management and payment of remunerations towards the BoD members, the Executive Chairman, the Managing Director and the General Director/s, as the case may be,
- Identifies the different components for the granting of fixed and variable remuneration of every kind and ensures their proper implementation and
- Prevents conflict of interest situations.

In order to safeguard the above, the Company has established internal evaluation procedures, with the increased participation of the Management, that on one hand enhance efficiency in business practice, on the other hand establish and maintain a sense of justice across the executives, as equal efforts and outcomes are evaluated in the same way and method, taking into consideration on a personal level the relevant parameters and reference rules.

In the level of the BoD, it evaluates its efficiency, as well as the committees' that support its work, at least every second year since the undertaking of its duties. The relevant procedure is conducted in accordance with the provisions of the Corporate Governance Code.

### **3. The Role of the Nominations' and Remunerations' Committee**

The transparency and objectivity when determining the Remunerations (namely Remunerations and Benefits) of the BoD members and of the senior executives of the company are essential contributors in its successful course as well as the promotion and maintenance of its value over time. They substantiate the existence of meritocracy in all levels of the company and constitute an incentive to attract professional executives with the capability to contribute effectively to the enhancement and maintenance of the company's growth rate.

The main role of the Nominations' & Remuneration Committee is to investigate and promote the appropriate nominees, which will formulate the company's Board of Directors.

The Committee is comprised by at least three (3) non-executive BoD members, the majority of whom are independent. An independent non-executive member serves as Chairman of the Committee.

The Committee, in order to nominate candidates for the BoD and evaluate the performance thereof, meets at least twice per year and at such other times as necessary.

The duties of the Committee with regards to the nomination of candidates, include, the drafting and submission of proposals to the Board of Directors regarding the annual remuneration to its members, as well as the other executives for whom it has been decided to apply the same remuneration "system" based on the above criteria, and the intention of the management to award these executives with additional remuneration;

additionally, the systematic monitoring and evaluation of the competition and the market in general, so as to keep the top management informed and enable it to adapt its own policy accordingly, with the aim to attract and maintain the best executives in its Board of Directors and in the higher executive positions.

More specifically, the duties include:

- Determination of the Company's requirements regarding the size and composition of the BoD.
- Recommendations regarding the capacities (executive, non-executive, independent non-executive) according with the conditions of the law and the articles of association for every position of the BoD.
- Periodic re-evaluation of the size and composition of the Board of Directors.
- Submission of suggestions for changes/improvements, regarding the appropriate composition and duties, if necessary.

In addition, the Nominations' & Remuneration Committee:

- Processes and proposes the general guidelines system as well as appropriate policies and practices for determining the remuneration scheme of the employees, the BoD members and directors.
- Drafts and submits to the BoD proposals for corporate remuneration policy, assesses its implementation on the basis of the relevant annual remuneration report and formulates the proposals to be submitted for approval by the BoD to the General Assembly of Shareholders.

#### **4. Scope of Application**

The present Remuneration Policy applies to BoD Members and each person that holds the position of General Director/s or their deputies according to the provisions of article 110 par. 1 of L. 4548/2018.

#### **5. Components of Remuneration (Compensations/Benefits) that are included in the Remuneration Policy**

The present Remuneration Policy includes every kind of compensation, namely remunerations and benefits that may be paid to the individuals that fall within its scope, as provided in the applicable law.

Indicatively, the remuneration and benefits that fall within the scope of the present, may include payments in cash, free allocation of shares (according to the provisions of article 114 of L. 4548/18 as applicable), stock option rights (according to the provisions of article 113 of L. 4548/18 as applicable), expenses for the attendance to the BoD meetings, voluntary benefits (such as for instance corporate car, pension benefits, insurance contracts) etc.

The remuneration may include fixed as well as variable component, so as to be aligned not only with the corporate growth and efficiency, but also with the market conditions. More specifically:

### 5.1. Executive BoD members.

The types of remuneration that may be paid by virtue of the present policy to the executive members are briefly presented in the following table:

|                           | <i>Components of Fixed Remuneration</i>    |   |  | <i>Components of Variable Remuneration</i> |  | <i>Additional Benefits</i>                                   |
|---------------------------|--|---|--|--|--|--|
|                           | <i>Annual Remuneration of a BoD member</i> | <i>Remunerations according to article 109 par.3 of L. 4548/2018</i> | <i>Remuneration for services to other companies of the Group</i> | <i>Distribution of Profits</i>             | <i>Other Categories of Variable Remuneration</i> | <i>Corporate expenses/group insurance/corporate car etc.</i> |
| <i>Executive Chairman</i> | ✓  |   |  | ✓*   | ✓*   | ✓**  |
| <i>Managing Director</i>  | ✓  | ✓   | ✓  | ✓*   | ✓*   | ✓**  |
| <i>Executive Members</i>  | ✓  | ✓   | ✓***   | ✓*   | ✓*   | ✓**  |

\*As provided under 5.1.(b) below

\*\*According to the Company's policy as it is analyzed below under 5.1.(c)

\*\*\* According to the Company's policy as it is analyzed under 5.1.(a)

#### a) Fixed Remuneration

Fixed remuneration is paid annually according to the provisions of article 109 par.1 of L. 4548/18 regarding the remuneration of the BoD members, either as a fixed amount of remuneration (per year), or in the form of monthly payments, following a special decision of the General Assembly.

Specifically, the Executive Chairman and the General Director, as a BoD members may receive an annual fixed remuneration, taking into consideration the payments by virtue of article 5.1 (b.1) of the present.

Furthermore, the executive BoD members, who hold managerial roles and positions in subsidiaries of the Group, are remunerated through service agreements of indefinite term that they have signed with such legal entities. The current employment agreements and termination payments provided therein are governed by the common provisions of labor law and no more benefits are provided.

The executive BoD members which receive remuneration from other positions inside the Company according to those set in the present paragraph, as BoD members and members of the Committees of the BoD, receive as fixed remuneration per year which may include the total sum of their compensations, by virtue of the article 5.1.(b.1) of the present.

In case the Company decides to enter into a services agreement or any other kind of special relationship pursuant to article 109 par.3 of L. 4548/2018, whereby remuneration will be paid to an individual falling under the scope of the present policy, the provisions of articles 99-101 of L. 4548/2018 will apply.

The Executive Members of the BoD are remunerated in total for their services to Companies of the Group, with annual fixed fees ranging from scale B (from € 40.000 to € 100.000), A (€ 60.000 to € 160.000) up to A+ (above € 120.000).

## **b) Variable Remuneration**

In general, the purpose and goal of the Company is for the fixed and variable remuneration to be within the market ranges and be proportional to the overall role, responsibilities and duties that each executive member undertakes.

The variable remuneration to the executive members directly depends on their efficiency during the performance of their duties and on the performance of the Company based on its strategic planning for any given period under evaluation. The variable remuneration is considered by the Company as an incentive so as the executive members of the BoD remain in their position for a long time. The variable consideration cannot exceed 100% of the fixed remuneration. In exceptional cases, the Board of Directors can grant additional remuneration to an executive member who has presented remarkable performance during the given period, up to 150% of his fixed fees.

The components of the variable remuneration that may be paid to beneficiaries falling within the scope of the present remuneration policy are the following:

### **(b.1) Distribution of Profits**

According to the Articles of association of the company, it is provided that the company's profits will be granted under the terms and formalities provided in article 109 par. 2 of L. 4548/2018.

The annual total amount to be distributed that falls into the present policy and will be paid as remuneration to the BoD members, should not exceed a reasonable percentage of the company's distributable earnings per case, which will be approved by the BoD ad hoc and subsequently by the General Assembly of Shareholders, in conjunction with dividend policy.



The distribution of the remunerations of the present variable remuneration will be suggested by Nominations' and Remunerations' Committee and will be approved by the BoD.

### **(b.2) Short-term Provision of Variable Compensations Scheme (Bonus)**

In case of achieving specific goals in selected activities of the Company, the possibility of additional variable remuneration (bonus) is provided, either through an approved by the BoD, program of measuring and evaluating individual performance (Performance Management System - PMS) as it has been approved following the relevant proposal of EY&A and the BoD decision, or in each case through an approving decision of the Managing Director upon a justified proposal from the competent directories of the Company and the companies of the Group.

Regarding the PMS, it is applied to the executives of every company of the Group, thus also to the executive members of the board in question. The total maximum amount distributed to all beneficiaries participating in the approved program PMS is determined by the BoD with maximum annual ceiling the amount of one million euros (1.000.000 €).

### **(b.3) Stock option rights plan according to article 113 of L. 4548/2018**

In the context of preparing the present Remuneration Policy under the provisions of L. 4548/18 from 1/1/2019, there is a possibility to establish a stock option plan to be addressed to up to 20 executives of the Company.

The program will be implemented if the goals set by the BoD are fulfilled, with the issuance of new shares or the distribution of its own shares according to article 113 par. 2 of L. 4548/18.

These Executives may be BoD members of the Company and/or work as employees or provide their services through any relationship and will participate to the stock option rights plan according to the specific criteria set by the Company's BoD, in consonance with their contribution to the achievement of the Company's goals in corporate and consolidated basis.

In case the company decides to issue a stock option plan according to the provisions of article 113 of Law 4548/2018, then this policy shall be revised according to the provisions of article 7 hereof.

### **c) Additional benefits**

By virtue of a BoD decision, may be granted to the executive members of the BoD that fall within the scope of the present chapter the following additional benefits, as long as the BoD determines that they are included within the market norms and best practices applied by companies of similar size and perspectives:

- • Corporate car
- Coverage of travel expenses
- Corporate credit card for the coverage of corporate expenses ad hoc (basically this is not a benefit but a way to cover corporate expenses but is mentioned for the sake of completeness)

- Group Life and Health insurance contract, as well as civil liability insurance contract
- Pension plan.

## 5.2. Non-Executive BoD Members

The remuneration that may be paid to non-executive members, independent or not, are briefly presented in the following table:

|  | <i>Components of Fixed Remuneration</i>    |  |  | <i>Components of Variable Remuneration</i> |  | <i>Additional Benefits</i>  |
|--|--|--|--|--|--|---|
|  | <i>Annual Remuneration of a BoD member</i> | <i>Remuneration according to article 109 par.3 of L. 4548/2018</i> | <i>Remuneration for services to companies of the Group</i> | <i>Distribution of Profits</i>             | <i>Other Categories of Variable Remuneration</i> |   |
| <i>Independent Non-Executive Members</i> | √*   |  |  |  |  | Corporate expenses/group insurance/<br>corporate car etc.<br><br>√*** |
| <i>Non-Executive Members</i>             | √*   |  |  | √**  | √**  | √***  |

\* According to the policy of the Company as this is analyzed under 5.2.(a)

\*\* According to the policy of the Company as this is analyzed under 5.2.(b)

\*\*\* According to the policy of the Company as this is analyzed under 5.2.(c)

### a) Fixed Remuneration

The non-executive members receive a fixed remuneration for their participation in the BoD or Committee(s) meetings. The remuneration is given for the time they devote in order to meet the requirements of the position they hold.

For non-executive members, a remuneration scheme is determined for each case, which could be revised on a case-by-case basis, depending on the increase of their workload up to 20%.

Specifically, for the independent non-executive members remunerations as BoD amount up to 40.000 € are provided.

For the participation of each independent non-executive member in committees remuneration of 10.000 € per committee is provided.

For the Chairman of the Audit Committee additional remuneration of up to € 30.000 is set forth.

For members of Committees (Audit Committee) who are not Board members, there is a remuneration of up to € 30.000.

The above remunerations are in line with the practices prevailing in the market nowadays.

The above remunerations can be paid once per year from the after tax profits of the Company.

### **b) Variable Remunerations**

The independent non-executive members do not receive variable remuneration.

As an exception, non-executive BoD members may receive all the components of the variable remuneration of paragraph 5.1 (b).

### **c) Additional Benefits**

For travel and overnight stay expenses for representation purposes to the BoD and Committees' Meetings, an annual compensation of up to 20.000 € is provided, for every non-executive member residing outside of Athens (in essence this is not a benefit but a way to cover corporate expenses). Furthermore, travel and overnight stay expenses for other corporate purposes (for instance participation in scientific conferences), are covered.

Civil liability insurance for the BoD members is also provided.

Other additional benefit do not exist.

As an exception, non-executive BoD members, may receive all the components of the variable remunerations of paragraph 5.1 (c), is provided.

## **5.3. General Director/s (non – BoD members)**

The Company assign general director's/s' duties to individuals that assume executive positions as heads of units of the Company and the Group. It is not necessary for said executives to participate in the BoD of the Company.

The remuneration that may be paid, in implementation of the present policy, to general directors (or their deputies) non-BoD members are briefly presented in the following table:

|                         | <i>Components of Fixed Remuneration</i> |   | <i>Components of Variable Remuneration</i>   | <i>Additional Benefits</i>                         |
|-------------------------|---|---|--|--|
|                         | <i>Employment contract salary</i>       | <i>Remuneration for services within the Group</i> | <i>Other Categories of Variable Remunerations other than the distribution of profits</i> | <i>Expenses/ pension scheme/corporate car etc.</i> |
| <i>General Director</i> | ✓                                       | ✓   | ✓*   | ✓**  |

\* According to the policy of the Company as it is analyzed under 5.3.(b)

\*\* According to the policy of the Company as it is analyzed under 5.3.(c)

### **a) Fixed Remunerations**

The fixed remuneration of the General Directors non-BoD members are paid annually by virtue of an employment/services contract and fall within the range and practices prevailing in the market nowadays.

### **b) Variable Remunerations**

The General Directors non-BoD members may receive the components of the variable remunerations of paragraphs 5.1.b.

As an exception the BoD may, at its sole discretion, acting reasonably, determine additional fee for a General Director for whom this policy applies, in case he has demonstrated remarkable performance during a specific period under evaluation, up to 150% of his fixed remuneration.

The above remuneration, either fixed or variable, fall within the framework and practices currently applicable in the market and are reasonable and proportional to the responsibilities and duties that have been assigned to a General Director.

### **c) Additional benefits**

By virtue of a BoD decision the following benefits may be provided:

- Corporate car
- Coverage of travel expenses
- Corporate credit card for the coverage of corporate expenses ad hoc (basically this is not a benefit but a way to cover corporate expenses but is mentioned for the sake of completeness)

- Group Life or Health insurance contract, as well as civil liability insurance contract
- Pension plan

## **6. Policy regarding the appointment in other Companies**

In compliance with the corporate governance code, the BoD members are obliged to declare to the Chairman of the BoD every participation in boards of directors or other administrative bodies of other kind of other legal entities – bodies of any nature and object, as well as any other relationship and/or activity that probably conflicts with the interests of the Company.

The candidate members are obliged to notify their professional commitments of any kind to other companies, as well as to non-profit organizations, before their appointment to the Company's BoD. Executive BoD member that intends to undertake a position of a non-executive member at the BoD of another non-affiliated company is obliged to obtain the prior approval of the BoD of the first (company). The BoD ensures the efficient management of any possible conflicts of interest between its members and the company and guarantees the protection of confidentiality of critical information that may affect the share price, image, function and competitiveness of the company.

The BoD Members may be elected to the BoD's of affiliates or subsidiaries of the Company and/or to enter into employment contracts/independent services agreements with those and to receive remuneration by them.

In any case, the BoD members shall, during the performance of their duties, demonstrate the "diligence of a prudent businessman", namely to devote all the time required for the effective management of the company, to act with integrity, responsibility and sound judgement and to avoid actions and activities that pose a threat to the company's competitiveness and conflict its interests.

## **7. Procedure of approval and review of the Remuneration policy**

According to article 110 par. 2 of L. 4548/2018, the validity of the approved remuneration policy should not exceed four (4) years since its approval by the G.A. The Company is obliged to submit the remuneration policy to the G.A. for approval whenever there is a substantial change in the conditions under which the approved remuneration policy was conducted and in any case every four (4) years since its approval.

The approval and review of the Policy takes place through the following procedure: The

Nominations' and Remuneration Committee drafts the Policy and submits it to the Company's BoD for approval. Following its approval by the BoD, the Policy is submitted to the G.A for a vote. The vote of the shareholders is binding.

In case that the Company possesses an already approved by the G.A. remuneration policy and the G.A. does not approve the suggested new remuneration policy, the Company continues to pay the remunerations of the BoD member solely, according to the previous, approved Remuneration Policy and submits a revised Remuneration Policy to the following G.A. for approval.

## **8. Derogations of the Policy**

The derogation from the approved remuneration policy, is temporarily allowed in exceptional circumstances, provided that this derogation is necessary for the long-term interests of the company in total or in order to ensure its viability.

The elements of the Policy from which the derogation is possible are the ones that determine the short-term and long-term variable remunerations and more specifically the additional and important roles for the company, the requirements of the duties assigned and the responsibilities of each counsel or general director, the efforts that they have made and significant achievements, the level of respective remunerations of the counsels or general directors of other similar companies and the status, performance and prospects of the Company.

## **9. Publicity of the Remuneration policy**

According to article 110 par. 5, of the L. 4548/18, the present approved Remuneration Policy along with the date and the results of the voting procedure of the G.A. is subject to publicity formalities and remains available on the company's website for at least as long as it is in effect.

## **10. Annual Remuneration Report of the Members of the BoD**

According to article 112 of L. 4548/2018, the Company's BoD is obliged to prepare a clear and comprehensive remuneration report, which will include a complete overview of all payments that are governed by the present policy for the last financial year and the elements that are at least required by the above article 112 of L. 4548/2018, as in force each case.

The report will also include all benefits that have been provided or were owed to the individuals, whose remunerations have been included in the present remuneration policy, during the last financial year, regardless of whether they are newly elected or older BoD members, subject to the provisions of art. 112 par. 5 of law 4548/2018.

The remuneration report of the last financial year is submitted for discussion purposes at the Annual G.A. as an item of the Agenda. The vote of the shareholders regarding the remuneration report is advisory.

The remuneration report will remain available on the Company's website, with no charge, for a period of ten (10) years. Maintaining the remuneration report on the website for a period of more than a decade, is allowed under the condition that the remuneration report does not hereinafter include personal data on members of the BoD within the meaning of the Regulation (EU) 2016/679 of the European Parliament and Council (L 119/1).

## 11. Previous Agreements

With the approval of the present Policy, the Remuneration Policy approved by virtue of the Extraordinary General Assembly of shareholders of the Company dated 18/12/2019 is hereby replaced while the Company is authorized to comply with any commitments regarding the payment of remuneration to BoD members that has already been ratified by the G.A. prior the entry into force of the present Policy. The details of any relevant payments will be defined in the Remuneration Report according to article 112 of L. 4548/2018, if occur.

## 12. Implementation status review

The audit of the implementation of the Policy is conducted under the responsibility of the Nominations' and Remunerations' Committee and the BoD.

## 13. Amendments

| Version | Date       | Description                                    |
|---------|------------|--|
| 2       | 29/04/2020 | Revised publication of the Remuneration Policy |