

2019  
Report on compensation policy  
and on compensation paid

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# 1. INTRODUCTION

## 1.1 FOREWORD

The Shareholders' Meeting elected the current Board of Directors on 2 April 2019, defining its term of office as covering a period of three fiscal years (2019-2021), i.e. until the Shareholders' Meeting convened to approve the 2021 financial statements.

The Board of Directors established a series of internal committees, including the Compensation Committee, and appointed the respective Chairmen (the "Board Committees").

As explained later in this Report, the compensation of Directors was determined directly by the Shareholders' Meeting, upon a motion by the controlling shareholder, while that of Directors who perform special functions (Chairman and Chief Executive Officer) and of the members of the various Board Committees and the Oversight Board was determined by the Board of Directors upon proposal by the Compensation Committee and with the input of the Board of Statutory Auditors.

Moreover, the Compensation Committee also submitted its proposal and general recommendations about the compensation policy guidelines for managers, and specifically for top managers, including the members of the Executive Committee reporting directly to the Chief Executive Officer (Comex). In accordance with the criteria set forth in Legislative Decree nr. 58 of 24 February 1998 (known as TUF) they can be identified as executives with strategic responsibilities in the Company.

## 1.2 REGULATORY FRAMEWORK

This Report was developed pursuant to and in implementation of the provisions of Article 123-ter of the TUF and was prepared, with the necessary adjustments as the secondary legislation has not yet been adapted to the new provisions that have entered into force, in accordance with the guidance provided in Article 84-quater, as implemented by the Consob with Resolution No. 18049 of 23 December 2011, which amended the Issuers' Regulations published by the Consob for the purpose of implementing the TUF. In addition, the principles set forth in Article 6 of the Corporate Governance Code for Listed Companies, July 2018 edition (the "Code") are adopted as general reference guidelines on compensation policies for this Report.

## 1.3 PURPOSE AND CONTENTS

This Annual Compensation Report provides information aimed at enhancing the knowledge and awareness of shareholders, investors, the market in general, and the Consob with regard to:

- the Company's general policy concerning the compensation of Directors, Statutory Auditors, top management, including executives with strategic responsibilities, and Company managers in general, describing the governance and procedures applied to define, implement, and assess the implementation of the abovementioned policy;
- a detailed and analytical breakdown of the items and amounts that make up the compensation of Directors, listing fixed and variable cash components, any compensation based on financial instruments, non-cash benefits, any equity interests held in the Company or its subsidiaries, as well as any other indemnity or type of compensation stipulated in the event of early termination or scheduled termination without renewal of the appointment to the post held;
- detailed information about the items and amounts that make up the compensation of the Statutory Auditors;
- aggregate information about the items and amounts that make up the compensation of executives with strategic responsibilities, listing fixed and variable cash components, any compensation based on financial instruments, non-cash benefits, any equity interests held in the Company or its subsidiaries, as well as any other indemnity or type of compensation stipulated in the event of early termination or scheduled termination without renewal of the appointment to the post held.

## 1.4 PREPARATION AND STRUCTURE

This Compensation Report (the 2019 Compensation Report), drafted by the Company, was approved by the Board of Directors at a meeting held on 13 February 2020 (in consideration of the input provided by the Compensation Committee and the Board of Statutory Auditors); Section One of this Report is being submitted for binding vote to the Shareholders' Meeting convened to approve the financial statement for fiscal year 2019, as well as Section Two is being submitted for an advisory vote.

This Report is included in the Corporate Governance document, published together with the Financial Report and the Report on Operations for fiscal year 2019; it will be made available to the market at least 21 days prior to the date of the abovementioned Shareholders' Meeting and is available on the Company's website: [www.edison.it](http://www.edison.it) (under "Governance".)

This Report is structured, with the necessary adjustments, in accordance with the guidelines provided in the abovementioned Article 84-quater of the Issuers' Regulations and conforms to Annex 3A, Form 7-bis and Form 7-ter, as cited in said Article.

## 2. SECTION ONE

### 2.1 GOVERNANCE AND COMPLIANCE

The current Board of Directors was appointed by the Shareholders' Meeting of 2 April 2019, for a term of office ending with the Shareholders' Meeting convened to approve the financial statements for fiscal year 2021. The abovementioned Shareholders' Meeting established the compensation of the members of the Board of Directors, setting it at a gross annual amount of €50,000 for each Director, plus a gross attendance fee of €1,800 for each meeting of the Board of Directors attended by a Director. The abovementioned resolutions were adopted by the Shareholders' Meeting upon a motion by the controlling shareholder, consistent with the amounts applied to the previous Board of Directors.

Subsequently, at the meeting of 3 May 2019, the Board of Directors, having obtained the opinion of the Compensation Committee and that of the Board of Statutory Auditors, in line with the compensation policy submitted to the assembly in 2019 and in consideration of the reference benchmarks, passed resolutions on:

- the compensation for members of the Board's Committees (Control and Risk Committee; Compensation Committee, and Related Party Transactions Committee) and the Oversight Board, to be in place throughout the length of the term of office;
- the compensation for the Chairman and the Chief Executive Officer, exclusively for fiscal year 2019, deeming it appropriate to review the structure and value of the compensation for the following years according to possible variations in the perimeter and profile of the Company following the outcome of the sale of the E&P assets, currently under way.

Subsequently, and with effect from 1 July 2019, there have been changes within the Board of Directors as to the Directors appointed as Chairman and Chief Executive Officer.

### 2.2 COMPENSATION POLICY: PURPOSE AND GENERAL PRINCIPLES

The fundamental purpose of the Company's general compensation policy is to attract and retain the best resources to foster the Company's growth in its market sector, acknowledge the responsibilities assigned to them, motivate them to work towards objectives that are consistent with the expectations of stakeholders, over the short as well as the medium and long term and in compliance with the official risk management policy, and reward them for the results they achieve.

When defining a compensation policy, the following factors are usually taken into account:

- the main features of the compensation policy applied during the previous year;
- the overall macroeconomic scenario and current trends, specifically with regard to the labour market;
- trends in the compensation area with regard to large companies that operate in the domestic and European market, with special emphasis on the Italian energy sector;
- the Company's current financial situation, its short-term and medium-term objectives and the challenges posed by the medium/long-term strategies defined in the Company's strategic plan.

For the purpose of analysing market trends and benchmarking vis-à-vis the market of the competitiveness of the Company's policies and the compensation of managers, the Company relies on the findings of external surveys carried out by qualified international consulting companies.

In addition to the abovementioned findings, specifically with regard to compensation policies for Directors, the Compensation Committee can consider on each occasion whether it should secure, at the Company's expense, the support of qualified external consulting companies different from those normally used by the Company's management.

As far as fiscal year 2019 is concerned, the Committee availed itself of this option and sought support from specialised external provider Willis Tower Watson in order to have a benchmark against which to evaluate the compensation of Directors in charge of special duties and of the committees established within the Board of Directors.

## 2.3 STRUCTURE AND COMPOSITION OF THE COMPENSATION IN 2019

Taking into account the general purposes stated above and the competitive position in the reference market, in 2019 the compensation policy was developed in accordance with the following principles:

- for Directors entrusted with special functions (Members of Board Committees, Chairman, and Chief Executive Officer), the cash compensation is structured as follows: a fixed gross annual component and, exclusively for Directors to whom management authority and operational control are being delegated (the Chief Executive Officer), a variable gross annual component;
- the fixed gross annual compensation must be commensurate with the level of responsibility entailed by the function performed and large enough to ensure that the economic package will be sufficiently competitive, even if no variable annual component is disbursed. With regard to the year 2019, taking into account the principles and general criteria presented in Section 2.2 above, the current Board of Directors, acting upon a recommendation by the Compensation Committee, with the input of the Board of Statutory Auditors, resolved to:
  - a. structure the Chairman's annual compensation as a single fixed component, reducing its amount by about 12.5% compared to the previous three-year term of office. As expressly requested by the Chairman, this component and all other compensation provided for serving as a Director are paid by Edison Spa directly to its Parent Company EDF SA;
  - b. confirm, exclusively for the year 2019, the structure and the amount of the gross annual cash compensation of the Chief Executive Officer. In view of the personal situation of the Chief Executive Officer, who was in office until 30 June 2019 and who is an employee internationally seconded by the Parent company, this compensation also included the value of housing provided by the company and the special tax status applied to expatriate employees in accordance with the policies of the Group. Conversely, the Director who has been acting as Chief Executive Officer since 1 July 2019 is entitled to the benefits applied to them by the Company which employs them (the holding company Transalpina di Energia S.p.A.), benefits applied to executives in the Edison Group. The structure of the compensation of the Chief Executive Officer includes a fixed gross annual component and a variable gross annual component (MBO) equal to about 40% of the total gross annual compensation;

- the variable gross annual compensation of the Chief Executive Officer is predetermined based on a target value (100%) and a minimum and maximum economic value equal to 75% and 125%, respectively, of the target value and is predicated on the achievement of predefined and measurable annual targets assigned by the Board of Directors, further to a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors. For 2019, the reference targets used to determine the variable compensation consisted of three categories of objectives that include:
  - economic and financial targets, with a combined weight of 45% (measured by way of indicators based on Ebitda, cash flow, and the trend in operating expenses);
  - operating performance targets of an industrial and commercial nature, with a combined weight of 35% (consisting of the unavailability of the thermoelectric generation fleet, hydrocarbon production level, development of renewable sources in terms of installed MWs, wholesale power market Ebitda, customer portfolio development, turnover from energy services in the end market, and satisfaction of residential customers -Net Promoter Score-);
  - social targets with an overall weight of 10% referring to the occupational injury rate, both for Company employees and employees of third party companies working for the Company, and to the level of managerial leadership, measured through a dedicated survey carried out among the employees by a qualified external company;
  - this basket of targets was rounded out with the addition of an overall target with a total weight of 10%, aimed at measuring shareholder satisfaction, whose evaluation was to be based on the opinion expressed through the Board of Directors. For the purpose of this assessment, the Board has taken into specific account the management's efforts and results with reference to the impact of overall corporate performance on growth and sustainability perspectives in the medium term.

The targets thus defined are measured on a linear scale based on three levels: a minimum assigned result level (75%), below which the specific target is not deemed to have been achieved and no economic effect is produced, a target level (100%) and a maximum level (125%). The abovementioned general targets also represent common annual objectives for the Company's top management and its managers in general as a whole, supplementing specific area and/or personal targets and accounting for 60% to the overall targets assigned to top managers with strategic responsibilities and for 20 to 30% of overall targets for management in general.

With regard to the results achieved for the common targets assigned to the Chief Executive Officer for fiscal year 2019, the Board of Directors, meeting on 13 February 2020, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, reviewed the data and concluded that the overall performance level achieved by the Chief Executive Officer was 110%. This result will also be used as a reference value for the pro rata portion of the common MBO-related objectives for top managers and all managers based on the abovementioned proportion and the applicable evaluation scale. As is the case for the Chairman, at the express request of the Directors who acted as Chief Executive Officer during the fiscal year, all compensation that they have earned for the posts in which they have served were paid pro rata temporis by Edison Spa to the companies by which they are employed (the Parent Company and the Holding company Transalpina di Energia S.p.A.).

- no medium/long-term stock and/or cash incentive tools were introduced for Directors asked to perform special functions (Chairman and Chief Executive Officer);
- on the other hand, the Board of Directors, meeting on 26 July 2016, upon a recommendation by the Compensation Committee and with the input of the Board of Statutory Auditors, agreed to launch a special medium/long-term cash incentive program for the 2016-2018 three-year period for top managers with strategic responsibilities, in consideration of the specific governance structure of the Company. The Board of Directors subsequently approved

the targets established for this programme (based on parameters involving medium-term cash flow, opex reduction and commercial development on the Italian market), the maximum bonus that could be earned by each beneficiary and the applicable regulation. The results assessment for this cash incentive programme for top executives was approved by the Board of Directors on 3 May 2019, after hearing the advice of the Compensation Committee and with the input of the Board of Statutory Auditors, with a result equal to 85% to be paid out with the appropriations earmarked in the reference period of three years. On 7 December 2019, after hearing the advice of the Compensation Committee and with the input of the Board of Statutory Auditors, and in line with the compensation policy submitted to the Meeting during the course of the fiscal year, the Board of Directors approved the launch of a new LTI plan for 2019-2021, to be paid out in 2022, for the same top executives and Comex members. The new plan follows the same timeline and pursues the same goals as the LTI plan launched for middle managers and high-potential young managers, which was approved by the Board of Directors on 25 October 2018;

- the general compensation policy guidelines structured in three components (fixed compensation, short-term variable compensation, and medium- to long-term variable compensation) approved for 2019 and whose assessment is outlined under chapter 2.4 of this 2019 Compensation Report have been confirmed and subsequently implemented for the entire managerial population, including the top managers with strategic responsibilities;
- to date, no claw-back clauses have been introduced concerning the short-term variable component for executive Directors and Managers with strategic responsibilities, in consideration of the contractual employment relation existing between the executive directors in office, the Top Managers and the companies representing the shareholding structure, as a result of the rigorous assessment and monitoring process of the results achieved with regard to the variable component, carried out by the Company and verified by bodies independent of management. Moreover, the relatively low impact of said variable component in terms of absolute value must also be taken into consideration, as well as the rare occurrence of this practice on the market, except in specific sectors (such as banking and insurance);
- as a rule, the compensation defined for the Chief Executive Officer and for all company employees is deemed to include all compensation that may result from any assignments performed on behalf of and in the interest of the Company, in subsidiaries and/or other investee companies, as well as associations, entities, and foundations;
- the compensation of non-executive Directors is commensurate with the required level of commitment and takes into account any service on Board Committees. It is comprised of a predetermined fixed annual amount and an attendance fee for each meeting of the Board of Directors or one of the Committee attended by a Director. For members of the various Committees, the Board awarded the same compensation to each Committee member, and this was updated based on the evidence provided by the external benchmark the company has referred to, with the exception of Committee Chairmen, who receive a slightly higher compensation, consistent with market practice. Said compensation has been awarded for the entire duration of their term of office. No type of variable compensation tied to corporate results is provided in any form;
- with regard to special benefits, please note that: considering the responsibilities of his post and the operational modalities with which he performs his duties, no special benefits are being provided to the Chairman; as for the benefits provided to the current Chief Executive Officer, being an employee of the parent company in secondment for the holding, the same benefits applied by Edison to all its employees are applied, as outlined below. As far as the Director who served as Chief Executive Officer in the first half of 2019 is concerned, please refer to the second paragraph of the previous chapter, under the letter b. All members of the Board

of Directors and of the Board of Statutory Auditors benefit from specific corporate insurance policy for third party liability.

The Company's benefit policies common to all managers also apply to Top Managers with strategic responsibilities. These policies specifically provide for the award of a company car both for business and personal use, specific pension and health care coverage, insurance for work-related and non-work-related accidents and illness, and life insurance. The maximum insurable amounts covered by these policies are higher than those required currently by the relevant collective bargaining agreement, and are compared with the market of comparable companies by means of specific reports provided by specialised external companies;

- the Company is not a party to any agreements with Directors, including the Chief Executive Officer, calling for the payment of special indemnities in the event of resignation or termination of the appointment/assignment for any reason and/or cause, or if he/she is removed from office due to a tender offer or if the appointment/assignment is not renewed upon its scheduled expiration, also in the light of the fact that the people with executive offices are at the same time working for the companies that make up the company's shareholding structure -except independent directors. Said professional relations are regulated by specific individual employment contracts, which for what concerns the continuity of the relations are formally separate and independent from any corporate assignments and their cessation. This profile is equally relevant for the executives of companies that are part of the shareholding structure who may be asked to perform executive duties in the Board of the Company and/ or of subsidiaries and associates, including executives with strategic responsibilities;
- the Board of Directors has not deemed it necessary to provide for specific succession plans for Directors performing executive duties, in consideration of, among other things, the current shareholding structure and the ample availability of managerial resources within the International Group of the majority shareholder. These elements are deemed sufficient to determine that it is not strictly necessary to identify possible replacements beforehand. On the contrary, succession plans for Top Executives and managers in relevant positions are managed within a specific internal process which undergoes regular updates, generally on a yearly basis.

## **2.4 COMPENSATION POLICY FRAMEWORK AND GUIDELINES FOR EXECUTIVES WITH STRATEGIC RESPONSIBILITIES (2020) - FOR THE CHAIRMAN AND THE CHIEF EXECUTIVE OFFICER (2020-2021)**

The Board of Directors, acting further to a favourable opinion by the Compensation Committee and with the input of the Board of Statutory Auditors, developed the following framework and guidelines for the current year.

- Macroeconomic scenario: the global economy slowed down in 2019, despite signs of stabilisation appearing towards the end of the year, mostly thanks to the cooling trade tensions between the USA and China. However, instability is still very high because of the trade tensions between the USA and the European countries, as well as the possible impact of the United Kingdom leaving the European Union, and Germany's ability to kickstart new, more robust growth after the remarkable slowdown of 2019, which was mostly ascribable to a contraction in the automotive industry.

The global situation has affected the European and Italian economy, particularly exports and even between European countries. The effects of this have led to a drop in household consumption levels, thus enhancing the natural tendency to saving, and a steep decline in industrial investments.



- In Italy, the economic and trade scenario was compounded by political discontinuity in the structure of the government. The combination of the national and international scenario has resulted in the Italian GDP growing by just 0.2% in 2019 (source: ISTAT), remarkably slower than in the last two years and compared to the forecast for 2019. The growth rate is expected to improve ever so slightly in 2020 (+0.6% GDP), while still minimal and weak, and exposed to political uncertainty at a domestic as well as international level. Within such a scenario, the level of inflation and consumer prices remains moderate, settling below 1% in 2019 and expected to remain stable in 2020.
- General labour market: despite the slowed growth, the Italian labour market has continued to show slight improvements in 2019, particularly with a slight drop in the unemployment rate which settled below 10%. Similar improvements have occurred with the drop in youth and female unemployment rates, which however remain particularly high compared to the EU average.
- In the Italian energy industry, the electricity sector has shown consumption values for 2019 in line with the previous year, while the gas sector showed a 2% increase in demand compared to 2018. The energy industry has launched and is currently going through an overhaul of its business and operational models, as well as of the value proposition offered to consumers. This remarkable transformation results in the traditional business perimeter and portfolio of the operators being gradually reviewed and broadened, as well as in corporate aggregation and technological and commercial partnerships. Overall, the industry is starting to show a renewed dynamism after the years of crisis and downturns between 2010 and 2015, and the medium- to long-term perspectives are expected to be characterised by increasingly more energy-intensive consumption, despite the effect of energy efficiency.
- In 2019, the labour market in the energy industry also confirmed the increased dynamicity of the previous two years, as a result of the overhaul of the electricity sector in particular, brought about by the new national and European energy policy guidelines that are increasingly geared towards containing the environmental and climate impact by fostering renewable, low-carbon sources, as well as the development of distributed energy platforms, energy efficiency recovery, and the development of electric mobility and new energy services for consumers, leveraging the remarkable contribution provided by the new technologies, the digital ones in particular.

The current, far-reaching digital transformation of energy companies is creating a need for a heavy investment in digital training to keep the skills of current employees up to par, so as to mitigate the risk of losing competitiveness and efficiency, as well as a need to acquire new skills and new digital expertise to support the ongoing innovation and transformation. This scenario is already creating increasing tension and competitiveness on the labour market, because of the shortage of qualified people possessing that set of new skills.

- In the market context described above, the current scenario and the projections concerning compensation policies in medium- to large domestic companies, recorded by means of systematic surveys the company avails itself of through analyses provided by specialised external companies, show that the gross fixed annual compensation of executive directors and top managers in 2019 has grown by 1.5%, lower than in the previous year and lower than expected. The drop was offset by a higher impact of the variable component paid out during the course of the year. With regard to the energy industry specifically, which in 2018 had recorded more moderate growth rates than the general market, 2019 showed a 2.5% growth in fixed gross annual compensation, 1% higher than the general market and more in line with the projections for the fiscal year in that specific industry. As far as top managers and managers in the general market in Italy are concerned, their fixed gross annual compensation component is projected to grow by 2.5% in 2020. These final

and forecast figures of the compensation growth dynamic include the effect of corporate merit-based salary policies adopted by the companies, as well as the automatic contractual rises connected with seniority.

With regard to the energy industry, the growth trend of gross annual compensation in terms of the gross fixed annual component is roughly 0.5% lower than that of the general market, settling at 2.1%.

- Within the framework of the compensation dynamic outlined above, and in line with the practice implemented in previous years, Edison adopted in 2019 a moderate salary policy, particularly with regard to the Directors and Top managers, and a more competitive salary policy in comparison with the market for young managers and resources with a high growth potential but not yet entrusted with managerial responsibilities. Edison pursues the goal to implement a salary policy that focuses on enhancing its talents and protecting them from the market, particularly middle managers and young managers in key organisational positions with a high potential for development and enhancement of skills that are relevant to the company. As a result of this, and in accordance with the guidelines defined by the Board of Directors in implementation of the policies and guidance provided in the Compensation report approved by the Shareholders' meeting for the year 2019, the Company's compensation policy is structured as follows:
  - with regard to the Directors entrusted with special duties, and to the members of the Committees set up within the Board of Directors, please refer to the provisions under chapters 2.2 and 2.3 above;
  - with regard to the Top management and the management as a whole, the final result of the salary policy was a 1.6% increase, in line with the general market and below the energy industry average. The salary policy adopted by the company for the fiscal year 2019 also took into consideration the effect of the pay-out of the medium and long-term 2016-2018 plan for the top management and of the new 2019-2021 LTI scheme launched for top and middle management, as well as for high potential young managers.
- With regard to the corporate salary policy for 2020, after hearing the advice of the Compensation Committee and the input of the Board of Statutory Auditors, in consideration of the macro-economic scenario and of the salary dynamics projections, the Board of Directors has developed and defined the following guidelines:
  - the Chairman's remuneration was reduced for the year 2019 in order to align it to the evolution of compensation in that position in the market. It is confirmed in the same amount of the year 2019, as it is deemed suitable for the rest of the term in office;
  - in the light of the projected reduction in the corporate economic and financial profile due to the expected sale of the E&P assets and the subsequent repositioning of the post in comparison with the rest of the market, after hearing the advice of the Related Party Transactions Committee, it has been decided to reduce the Chief Executive Officer's overall annual package by 30% and to restructure it into three components: fixed gross annual compensation, variable gross annual compensation (MBO), with the introduction of a medium-term cash component (three-year LTI, mirroring what has been applied to the Top and middle management who are part of an LTI scheme.) The compensation cut is set to remain in place for the remainder of the duration of the term of office with regard to the components paid out annually (fixed compensation and MBO), and to be in place for the duration of the 2019-2021 LTI scheme with regard to the LTI component paid out every three years, in consideration of the contribution provided by the Chief Executive Officer to the achievement of the goals connected with the current 2019-2021 plan since its launch, and in order to strengthen the sharing with the management team under the same plan.
  - with regard to the Top management and management compensation policies, in consideration of the salary policy projections expressed by the abovementioned market analyses as well as of the general economic framework, it is deemed adequate to budget salary policy expenditure for 2020 (in terms of the fixed gross annual component) in line with

the general market projections (2.1%), slightly more cautious than in the energy industry. Moreover, said policy can enable the company to financially support the enhancement of some components of the benefit package for management, thus making it more competitive, and at the same time to achieve a general alignment among the companies of the Edison Group, continuing the implementation of the integration strategy that involves the management teams of recently acquired companies.

- As far as the 2020 targets for the variable, short-term component (MBO) of the Chief Executive Officer, it is also deemed appropriate to confirm the general structure of a panel to include economic and financial targets as well as industrial, commercial operating targets, and social targets, geared towards performance sustainability and corporate growth in the medium- to long term. This structure and panel of targets are also part of the common corporate targets for top management and corporate management at large.

## 2.5 POLICY ORIENTATIONS AND GUIDELINES FOR THE BOARD OF STATUTORY AUDITORS (2020-2022)

The compensation of the Board of Statutory Auditors currently in office was established by the assembly on 30 March 2017, increased by 50% for the Chairman compared to that of the other standing members. The compensation, which was reviewed upwards upon the most recent renewal, is to be deemed commensurate with the level of engagement required, the relevance of the position, and the size and scope of the Company.

As far as the compensation proposals concerning the appointment of the new Board of Statutory Auditors, to be in place throughout the length of the term of office (2020-2022), the Board of Directors finds it more appropriate, in consideration of the control role exercised by this body, to not draft specific proposals and to ask the Shareholders' Meeting to make any assessment on the subject based on the suggestions contained in the Code.

## 2.6 OPERATING PROCEDURES

The corporate governance bodies involved in managing the compensation of Directors are:

- The Shareholders' Meeting, which defines the annual compensation of the Board of Directors relative to the duration of each term of office and, consistent with Article 123-ter of the TUF, must cast a binding vote with regard to the first section of the Compensation Report prepared by the Board of Directors and submitted to the Shareholders' Meeting in connection with the approval of the annual financial statements, as well as an advisory vote with regard to the second section of the report.
- The Board of Directors, which decides how the compensation awarded by the Shareholders' Meeting should be allocated among its members, unless the Shareholders' Meeting has already defined it, and, based on and consistent with the guidelines set forth in the Compensation Report, determines the compensation for Directors who serve on the Committees established by the Board of Directors. The Board also determines the structure and amount of the compensation of any type for Directors who perform special functions (Chairman and Chief Executive Officer), the reference targets with which the variable annual component of the Chief Executive Officer is correlated, both upon definition and verification, as well as any other medium/long-term incentive plans, including those benefitting the Company's management. In performing this task, the Board of Directors is supported by the Compensation Committee, which submits recommendations regarding compensation issues, and where needed by the Related Party Transaction Committee, and adopts its resolution after hearing the input of the Board of Statutory Auditors.

- The Board of Directors delegates to the Chief Executive Officer, through the coordination and control of the Company Departments that report to him, the implementation at the operational level of the resolutions adopted concerning compensation for top managers and managers, in accordance with the guidelines of the Compensation Report, and monitors their correct implementation, relying on the support of the Compensation Committee. Lastly, the Board of Directors drafts the Annual Compensation Report.
- The Compensation Committee, established by the Board of Directors, which also defined the Committee's functions (see the 2019 Report on Corporate Governance for additional information) and approved its operating regulations. In the performance of its functions, the Committee relies on the operational support of the Human Resources and Organization Department and, when deemed appropriate, the support of qualified external consulting companies different from those normally used by the Company's management.
- The Related Party Transactions Committee which carries out the relevant assessments concerning the compensation of Directors with special roles and executives with strategic responsibilities, if the conditions set forth in art. 13, section 3, letter b) of the Consob's Related-Party Regulation are not met.
- The Board of Statutory Auditors, which performs the functions assigned to it pursuant to Article 2389, Section 3, of the Italian Civil Code. In order to effectively perform these functions, its Chairman and/or other Statutory Auditors attend the meetings of the Compensation Committee as invited member(s).
- The Corporate management, which supports the activities of the Compensation Committee with general secretarial service (provided by the Corporate Affairs Department, which performs the same function with respect to the Board of Directors) and supplies the information and data needed to analyze the issues under discussion (provided by the Human Resources and Organization Department, a member of which may attend Committee meeting upon request and invitation by the Committee).

## 3. SECTION TWO\*

### 3.1 SCHEDULE LISTING THE COMPENSATION OF DIRECTORS, STATUTORY AUDITORS, AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The table on the following page shows the details of the compensation for the Directors, the Statutory Auditors, and the Executives with strategic responsibilities, even if ceased during the course of the year, accrued during 2019 for any reason and in any form whatsoever with regard to the Company, its subsidiaries and associated companies as of 31 December 2019.

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\* The Independent Auditors checked the preparation of this section, according to art. 123-ter of the TUF.

**Reference period: January 1, 2019 to December 31, 2019** (in thousands euros)

Beneficiary		Descrip. Of post and term office					Fixed compensation	Compensation for serving on Committees
First and last name	Post held	Period during which the post was held		End of term of office (*)				
<i>Directors in office at December 31, 2019</i>								
Marc Benayoun (a)	Chairman	01.01.19	12.31.19	12.31.21		590	-	
Nicola Monti (b)	Chief Executive Officer	06.19.19	12.31.19	12.31.19		389	-	
Béatrice Bigois (c)	Director	01.01.19	12.31.19	12.31.21		63	8	
Paolo Di Benedetto (c)	Director (g) (h) (i) (l)	01.01.19	12.31.19	12.31.21		64	171	
Fabio Gallia (d)	Director (g) (i)	04.02.19	12.31.19	12.31.21		50	73	
Xavier Girre (d)	Director (g)	04.02.19	12.31.19	12.31.21		50	19	
Jean-Bernard Lévy (e)	Director	01.01.19	12.31.19	12.31.21		250	-	
Nathalie Tocci (c)	Director (h) (i) (l)	01.01.19	12.31.19	12.31.21		66	115	
Nicole Verdier-Naves (c)	Director (h)	01.01.19	12.31.19	12.31.21		66	27	
<b>Total compensation of Directors in office at December 31, 2019</b>						<b>1,588</b>	<b>413</b>	
<i>Directors who resigned their office in 2019</i>								
Marie-Christine Aulagnon (f)	Director (g)	01.01.19	04.02.19	-		15	10	
Gian Maria Gros-Pietro (f)	Director (g) (h) (i) (l)	01.01.19	04.02.19	-		15	35	
Sylvie Jéhanno (c)	Director	01.01.19	06.19.19	-		30	-	
<b>Total compensation of Directors who resigned their office in 2019</b>						<b>60</b>	<b>45</b>	
<b>Total compensation of Directors</b>						<b>1,648</b>	<b>458</b>	
<i>Statutory Auditors in office at December 31, 2019 (m)</i>								
Serenella Rossi	Chairman Board Stat. Audit.	01.01.19	12.31.19	12.31.19		75	-	
Lorenzo Pozza	Statutory Auditor	01.01.19	12.31.19	12.31.19		50	-	
Gabriele Villa	Statutory Auditor	01.01.19	12.31.19	12.31.19		50	-	
<b>Total compensation of Statutory Auditors in office at December 31, 2019</b>						<b>175</b>	<b>-</b>	
<b>Total compensation of Statutory Auditors</b>						<b>175</b>	<b>-</b>	
<b>Total compensation Directors and Statutory Auditors</b>						<b>1,823</b>	<b>458</b>	
<b>Executives with strategic responsibilities (s)</b>						<b>3,204</b> (t)	<b>-</b>	

(\*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.

(\*\*) Non-cash benefits refer to insurance policies taken out by the Company on behalf of the beneficiary and to the value of the compensation in kind.

(a) Confirmed as Director by the Shareholders' Meeting on April 2, 2019 and as Chief Executive Officer by the Board of Directors on April 2, 2019. Elected to the position of Chairman by the Board of Directors on June 19, 2019, effective as of July 1, 2019 after Jean-Bernard Lévy renounced the position.

(b) Co-opted by the Board of Directors on June 19, 2019 to replace Sylvie Jéhanno, who resigned, and elected Chief Executive Officer by the same Board, effective as of July 1, 2019 after Marc Benayoun renounced the position. In office until the next Shareholders' Meeting.

(c) Confirmed as Director by the Shareholders' Meeting on April 2, 2019.

(d) Elected by the Shareholders' Meeting of April 2, 2019.

(e) Confirmed as Director and Chairman by the Shareholders' Meeting on April 2, 2019; this latter position was renounced effective as of July 1, 2019.

(f) Elected by the Shareholders' Meeting of March 22, 2016.

(g) Member of the Control and Risk Committee.

(h) Member of the Compensation Committee.

(i) Member of the Related Party Transactions Committee (formerly Committee of Independent Directors).

(l) Member of the Oversight Board.

(m) Elected by the Shareholders' Meeting of March 30, 2017 which also determined the compensation.

Compensation						
Variable non-equity compensation		Non-cash benefits (**)	Other compensation	Total compensation	Fair Value of equity compensation	End-of-service or employment termination indemnity
Bonuses and other incentives	Profit sharing					
275 (n)	-	-	-	865 (p)	-	-
275 (o)	-	-	-	664 (q)	-	-
-	-	-	-	71 (p)	-	-
-	-	-	-	235 (r)	-	-
-	-	-	-	123 (r)	-	-
-	-	-	-	69 (p)	-	-
-	-	-	-	250 (p)	-	-
-	-	-	-	181 (r)	-	-
-	-	-	-	93 (p)	-	-
-	-	-	-	<b>2,551</b>	-	-
-	-	-	-	25 (p)	-	-
-	-	-	-	50 (r)	-	-
-	-	-	-	30 (p)	-	-
-	-	-	-	<b>105</b>	-	-
<b>550</b>	-	-	-	<b>2,656</b>	-	-
-	-	-	-	75 (r)	-	-
-	-	-	-	50 (r)	-	-
-	-	-	-	50 (r)	-	-
-	-	-	-	<b>175</b>	-	-
-	-	-	-	<b>175</b>	-	-
<b>550 (u)</b>	-	-	-	<b>2,831</b>	-	-
<b>1,043 (u)</b>	-	<b>143</b>	<b>1,174 (v)</b>	<b>5,564</b>	-	<b>838 (z)</b>

(n) Variable compensation for 2019 for the office of Chief Executive Officer, referring to the period during which they held office. (01/01/2019 - 06/30/2019).

(o) Variable compensation for 2019 for the office of Chief Executive Officer, referring to the period in which they held office. (07/01/2019 - 12/31/2019).

(p) Compensation paid directly to the EDF Sa company and not to the person himself.

(q) Compensation in the amount of 700,000 euros paid directly to Transalpina di Energia Spa (the current company by which they are employed) and 2,000 euros waived in favour of Edison Spa, a company of which they were employees until June 30, 2019.

(r) Compensation paid directly to the person.

(s) The figures in the table include all the persons who, during 2019, held the position of Executive with strategic responsibilities (for a total of 14 persons, including 2 managers who left before the end of the year and one manager, appointed as a director from June 19, 2019 and from July 1, 2019 Chief Executive Officer).

(t) Compensation for service as an employee.

(u) Please see Table 3.2 below for details

(v) Includes the payment made in 2019 of the 2016-2018 Three-Year Long Term Monetary Incentive Plan for 1,043 euros.

(z) Includes all severance indemnities for Executives with strategic responsibilities terminated in 2019.

The schedule that follows shows a breakdown of the items “Fixed compensation” and “Compensation for serving on Committees” in the previous schedule.

## Reference period: January 1, 2019 to December 31, 2019 (in thousands of euros)

Beneficiary		Description of post and term of office			Fixed compensation	Detail of Fixed compensation			
First and last name	Post held	Period during which the post was held		End of term of office (*)	Compensation approved by the Shareholders' Meeting	Attendance fees for Committee meetings	Fixed compensation for post held of Chairman	Fixed compensation for post held of Chief Executive Officer	
					(1)	(1)	(2)	(2)	
<i>Directors in office at December 31, 2019</i>									
Marc Benayoun (a)	Chairman	01.01.19	12.31.19	12.31.21	590	50	16	177	347
Nicola Monti (b)	Chief Executive Officer	06.19.19	12.31.19	12.31.19	389	27	9	-	353
Béatrice Bigois (c)	Director	01.01.19	12.31.19	12.31.21	63	50	13	-	-
Paolo Di Benedetto (c)	Director (g) (h) (i) (l)	01.01.19	12.31.19	12.31.21	64	50	14	-	-
Fabio Gallia (d)	Director (g) (i)	04.02.19	12.31.19	12.31.21	50	37	13	-	-
Xavier Girre (d)	Director (g)	04.02.19	12.31.19	12.31.21	50	37	13	-	-
Jean-Bernard Lévy (e)	Director	01.01.19	12.31.19	12.31.21	250	50	14	186	-
Nathalie Tocci (c)	Director (h) (i) (l)	01.01.19	12.31.19	12.31.21	66	50	16	-	-
Nicole Verdier-Naves (c)	Director (h)	01.01.19	12.31.19	12.31.21	66	50	16	-	-
<b>Total compensation of Directors in office at December 31, 2019</b>					<b>1,588</b>	<b>401</b>	<b>124</b>	<b>363</b>	<b>700</b>
<i>Directors who resigned their office in 2019</i>									
Marie-Christine Aulagnon (f)	Amministratore (g)	01.01.19	04.02.19	-	15	13	2	-	-
Gian Maria Gros-Pietro (f)	Amministratore (g) (h) (i) (l)	01.01.19	04.02.19	-	15	13	2	-	-
Sylvie Jéhanno (c)	Amministratore	01.01.19	06.19.19	-	30	23	7	-	-
<b>Total compensation of Directors who resigned their office in 2019</b>					<b>60</b>	<b>49</b>	<b>11</b>	<b>-</b>	<b>-</b>
<b>Total compensation of Directors</b>					<b>1,648</b>	<b>450</b>	<b>135</b>	<b>363</b>	<b>700</b>
<i>Statutory Auditors in office at December 31, 2019 (m)</i>									
Serenella Rossi	Presidente Coll.Sind.	01.01.19	12.31.19	12.31.19	75	75	-	-	-
Lorenzo Pozza	Sindaco effettivo	01.01.19	12.31.19	12.31.19	50	50	-	-	-
Gabriele Villa	Sindaco effettivo	01.01.19	12.31.19	12.31.19	50	50	-	-	-
<b>Total compensation of Statutory Auditors in office at December 31, 2019</b>					<b>175</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total compensation of Statutory Auditors</b>					<b>175</b>	<b>175</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total compensation Directors and Statutory Auditors</b>					<b>1,823</b>	<b>625</b>	<b>135</b>	<b>363</b>	<b>700</b>

(\*) The term of office ends when the shareholders' Meeting approves the financial statements for the year ended on the date shown.

(a) Confirmed as Director by the Shareholders' Meeting on April 2, 2019 and as Chief Executive Officer by the Board of Directors on April 2, 2019. Elected to the position of Chairman by the Board of Directors on June 19, 2019, effective as of July 1, 2019 after Jean-Bernard Lévy renounced the position.

(b) Co-opted by the Board of Directors on June 19, 2019 to replace Sylvie Jéhanno, who resigned, and elected Chief Executive Officer by the same Board, effective as of July 1, 2019 after Marc Benayoun renounced the position. In office until the next Shareholders' Meeting.

(c) Confirmed as Director by the Shareholders' Meeting of April 2, 2019.

(d) Elected by the Shareholders' Meeting of April 2, 2019.

(e) Confirmed as Director and Chairman by the Shareholders' Meeting on April 2, 2019; this latter position was renounced effective as of July 1, 2019.

(f) Elected by the Shareholders' Meeting of March 22, 2016.



Compensation for service on the committees	Detail of Compensation for serving on Committees								
	Honoraria for participating in meetings of the Control and Risk Committee (3)	Attendance fees for meetings of the Control and Risk Committee (3)	Honoraria for participating in meetings of the Compensation Committee (3)	Attendance fees for meetings of the Compensation Committee (3)	Honoraria for participating in meetings of the Related Party Transactions Committee (3)	Attendance fees for meetings of the Related Party Transactions Committee (3)	Honoraria for participating in meetings of the Oversight Board (3)	Attendance fees for meetings of the Oversight Board (3)	
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
8	6	2	-	-	-	-	-	-	-
171	23	9	29	5	27	29	40	9	9
73	22	7	-	-	17	27	-	-	-
19	17	2	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
115	-	-	22	5	22	29	30	7	7
27	-	-	22	5	-	-	-	-	-
<b>413</b>	<b>68</b>	<b>20</b>	<b>73</b>	<b>15</b>	<b>66</b>	<b>85</b>	<b>70</b>	<b>16</b>	<b>16</b>
10	8	2	-	-	-	-	-	-	-
35	6	2	5	2	6	2	10	2	2
-	-	-	-	-	-	-	-	-	-
<b>45</b>	<b>14</b>	<b>4</b>	<b>5</b>	<b>2</b>	<b>6</b>	<b>2</b>	<b>10</b>	<b>2</b>	<b>2</b>
<b>458</b>	<b>82</b>	<b>24</b>	<b>78</b>	<b>17</b>	<b>72</b>	<b>87</b>	<b>80</b>	<b>18</b>	<b>18</b>
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<b>458</b>	<b>82</b>	<b>24</b>	<b>78</b>	<b>17</b>	<b>72</b>	<b>87</b>	<b>80</b>	<b>18</b>	<b>18</b>

(g) Member of the Control and Risk Committee.

(h) Member of the Compensation Committee.

(i) Member of the Related Party Transactions Committee (formerly Committee of Independent Directors).

(l) Member of the Oversight Board.

(m) Elected by the Shareholders' Meeting of March 30, 2017 which also determined the compensation.

(1) Compensation approved by the Shareholders' Meeting of April 2, 2019.

(2) Compensation approved by the Board of Directors on May 10, 2016 and by the Board of Directors on May 3, 2019.

(3) Compensation approved by the Board of Directors on May 3, 2019.

## 3.2 SCHEDULE OF MONETARY INCENTIVE PLANS FOR DIRECTORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

Reference period: January 1, 2019 to December 31, 2019 (in thousands euros)

Beneficiary			Bonuses of the year		Bonuses of previous years			Other Bonuses	
First and last name	Post held	Plan	Paid/ Payable	Deferred	Deferral period	No longer payable	Paid/ Payable	Still deferred	
Nicola Monti	Chief Executive Officer (from 07.01.2019 to 12.31.2019)	Annual Monetary Incentive Plan 2019 (BoD May 3, 2019)	275 (a)	-	-	-	-	-	-
Marc Benayoun	Chief Executive Officer (from 01.01.2019 to 06.30.2019)	Annual Monetary Incentive Plan 2019 (BoD May 3, 2019)	275 (b)	-	-	-	580 (d)	-	-
<b>Total</b>			<b>550</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>580</b>	<b>-</b>	<b>-</b>
<b>Executives with strategic responsibilities</b>									
Compensation in the reporting company		Annual Monetary Incentive Plan 2019	1,043 (c)	-	-	-	-	-	-
		Annual Monetary Incentive Plan 2018	-	-	-	-	1,028 (e)	-	-
		Long Term Monetary, three-year, Incentive Plan - Period 2016 - 2018 (BoD July 27, 2016)	-	-	-	-	1,043 (f)	-	-
		Long Term Monetary, three-year, Incentive Plan - Period 2019 - 2021 (BoD December 7, 2019)	-	1,646 (g)	-	-	-	-	-
Compensation from subsidiaries and affiliates		Annual Monetary Incentive Plan 2019	-	-	-	-	-	-	-
<b>Total</b>			<b>1,043</b>	<b>1,646</b>	<b>-</b>	<b>-</b>	<b>2,071</b>	<b>-</b>	<b>-</b>
<b>Total</b>			<b>1,593</b>	<b>1,646</b>	<b>-</b>	<b>-</b>	<b>2,651</b>	<b>-</b>	<b>-</b>

(a) Variable compensation for 2019 for the office of Chief Executive Officer, referring to the period in which they held office (07/01/2019 - 12/31/2019). Remuneration paid directly to Transalpina di Energia Spa and not to the person.

(b) Variable compensation for 2019 for the office of Chief Executive Officer, referring to the period in which they held office (01/01/2019 - 06/30/2019). Remuneration paid directly to EDF Sa and not to the person.

(c) Variable bonuses for 2019 for eleven executives with strategic responsibilities.

(d) Marc Benayoun's 2018 variable compensation for the position of Chief Executive Officer, paid in 2019. Compensation paid directly to the EDF Sa company and not to the person himself.

(e) Variable bonuses for 2018 paid in 2019 for ten executives with strategic responsibilities.

(f) Compensation for the Three-Year Long-Term Monetary Incentive Plan - Period 2016 - 2018, for seven executives with strategic responsibilities paid in 2019.

(g) Compensation deferred for the Three-Year Long-Term Monetary Incentive Plan - Period 2019 - 2021, for eleven executives with strategic responsibilities.

### 3.3 SCHEDULE OF EQUITY INTERESTS HELD BY DIRECTORS, STATUTORY AUDITORS AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

The schedule that follows lists the equity interests that Directors, Statutory Auditors and Executives with Strategic Responsibilities, including those whose term of office ended during the year, their spouses, if not legally separated, and minor children held, directly or through companies they control, nominees or other parties, during the period from December 31, 2018 to December 31, 2019, in Edison and its subsidiaries at December 31, 2019, based on data obtained from the Shareholders' Register, communications received and other available information.

#### Reference Period: January 1, 2019 to December 31, 2019

First and last name	Post held	Investee Company	Numero of shares held at the end of the previous year (12.31.2018)	Number of shares bought	Number of shares sold	Numero of shares held at the end of the current year (12.31.2019)
<i>Directors in office at December 31, 2019</i>						
Marc Benayoun	Chairman		-	-	-	-
Nicola Monti	Chief Executive Officer		-	-	-	-
Béatrice Bigois	Director		-	-	-	-
Paolo Di Benedetto	Director		-	-	-	-
Fabio Gallia	Director		-	-	-	-
Xavier Girre	Director		-	-	-	-
Jean-Bernard Lévy	Director		-	-	-	-
Nathalie Tocci	Director		-	-	-	-
Nicole Verdier-Naves	Director		-	-	-	-
<i>Directors who resigned their office in 2019</i>						
Marie-Christine Aulagnon	Director		-	-	-	-
Gian Maria Gros-Pietro	Director		-	-	-	-
Sylvie Jéhanno	Director		-	-	-	-
<i>Statutory Auditors in office at December 31, 2019</i>						
Serenella Rossi	Chairman Board Stat. Audit.		-	-	-	-
Lorenzo Pozza	Statutory Auditor		-	-	-	-
Gabriele Villa	Statutory Auditor		-	-	-	-
<b>Executives with strategic responsibilities</b>						
			-	-	-	-

## MOTIONS

Dear Shareholders,

the report on compensation policy for the period 2019-2021 and on compensation paid by Your Company in 2019 (the 2019 Compensation Report) was developed pursuant to and in implementation of the provisions of Article 123-ter of Legislative Decree 58/1998 and subsequent amendments (known as TUF). The article was last amended by means of Legislative Decree 49/2019, and the report was prepared, with the necessary adjustments as the secondary legislation has not yet been adapted to the new provisions that have entered into force, in accordance with the guidance provided in Article 84-quater, as implemented by the Consob with Resolution No. 18049 of 23 December 2011, introduced by the Consob in the Issuers' Regulations published by the Consob itself for the purpose of implementing the TUF. In addition, the principles set forth in Article 6 of the Corporate Governance Code for Listed Companies, July 2018 edition (the "Code") are adopted as general reference guidelines on compensation policies for this Report.

It should be noted that, in the light of the recently introduced legal amendments, the Shareholders' Meeting is required from this year to:

- i) approve "Section One" of the 2019 Compensation Report, which outlines the compensation policies adopted by Your Company in 2019 and proposed for the following two years (2020-2021), based on the information provided in the report, for the members of the Board of Directors (including executives with special duties), executives with strategic responsibilities, and the members of the Board of Statutory Auditors, as well as the procedures followed for adopting and implementing said policy. The resolution is binding;
- ii) vote on the "Section Two" of the 2019 Compensation Report, which, by name for the members of the Board of Directors and Control Bodies and, in aggregate form, for executives with strategic responsibilities, indicates the remuneration paid in 2019 for any reason and in any form by the Company and its subsidiaries or associated companies. The resolution is not binding.

If you agree with its contents, we propose you adopt the following resolutions.

**“The Shareholders’ Meeting,**

- having taken note of the 2019 Compensation Report prepared by the Board of Directors, in application of the provisions of Article 123-ter of Legislative Decree 58/1998 and subsequent amendments, and with the necessary adjustments, to the provisions set forth in Article 84-quater introduced by Consob in the Issuers’ Regulations with resolution no. 18049 of 23 December 2011;
- having examined “Section One” and “Section Two” of the 2019 Compensation Report;
- in consideration of the Corporate Governance Code for listed companies, to which the Company adheres;
- having obtained the favourable opinion of the Compensation Committee and, to the extent applicable, of the Related Party Transactions Committee;

**resolves**

to approve “Section One” of the 2019 Remuneration Report.

in favour of “Section Two” of the 2019 Remuneration Report”.

Milan, February 13, 2020

The Board of Directors  
by: Nicola Monti  
*Chief Executive Officer*

This document is also available on the  
Company website: [www.edison.it](http://www.edison.it)

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