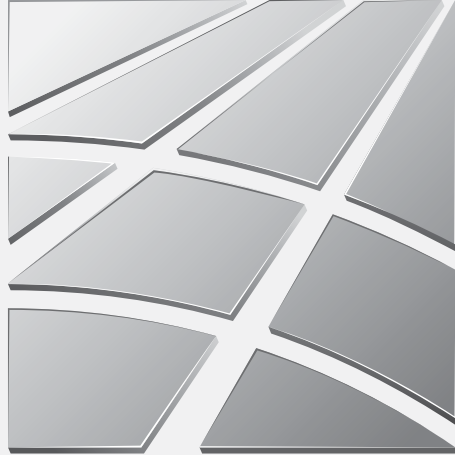


2011



Social responsibility

Our approach

Human resources play a crucial role in Terna's activities. It is people who have the peculiar, rare, or unique technical expertise regarding electricity that enables Terna to carry out its activities as well as possible, with a high level of professional competence and operating efficiency, and to implement the Company's strategy and achieve its objectives. Diligence in renewing these capabilities constitutes an essential element of Terna's managerial approach to human resources. Equally important is another element: concern for occupational safety, which is required by operating activities featuring particular risks, such as tasks performed at heights of many meters above the ground and maintenance work on live lines.

Over time, the importance of these aspects has led to an approach based on:

- **concern for safety** and the prevention of injuries to ensure the physical integrity of employees;
- the design of management and development systems aimed at **improving performance and developing individual capabilities**;
- **investment in training** to enable the Company and its employees to grow;
- **compensation and welfare policies** aimed at aligning individual performances with the Company's goals and providing economic security for employees and their families;
- a well-organized system of **industrial relations based on the involvement of the labor unions** in numerous aspects of corporate life;
- listening to employees through surveys of their opinions.

Policies regarding employees are established by the Human Resource and Organization Department, while resource management is entrusted, in addition to the above-mentioned Department, also to the heads of other departments. Aspects regarding safety are the responsibility of the Corporate Safety Department.

As far as relations with employees and the unions are concerned, see the section on stakeholder engagement in addition to the following pages.

LA1 Changes in personnel composition

LA2

LA13

In 2011 the Group's personnel recorded a slight increase over 2010. The three-year trend is in line with the Company's plans regarding efficiency, marking a decrease with respect to the 2008 level (3,524 employees in Italy). Retirement is by far the most important cause of employee terminations, which are concentrated among the oldest workers. The turnover rate due to spontaneous resignations continues to be very low (0.5%); the overall turnover rate essentially reflects retirements. The average number of years worked at the Company by employees who quit in 2011 was 32.3.

AVERAGE YEARS OF EMPLOYMENT OF EMPLOYEES LEAVING THE COMPANY ⁽¹⁾	2011	2010	2009
Total terminations	32.3	31.6	32.3
Men	32.1	31.2	33.0
Women	34.4	37.2	25.5
Less than 30 years old	3.5	1.6	1.0
Between 30 and 50 years old	6.7	9.1	8.6
More than 50 years old	35.1	34.1	34.1

(1) In the case of employees hired by Terna following acquisitions of divisions, the length of employment takes into account their previous employment.

For the sake of completeness, it should be noted that during 2011 Terna had 34 temporary workers (28 in 2010 and 33 in 2009), who were employees of agencies that supply labor to Terna. Although they were not employees of the Company, these 34 people were involved in Terna's activities for a pre-determined period of time and fall under the GRI's definition of "total workforce" as "supervised workers". These workers are not included in the personnel data shown in the tables. For the Group, the increase in the number of fixed-term employees (from 3.1% to 4.1%) reflects the use of 18-month beginner contracts, which are generally transformed into permanent ones at the end of the period of training and professional integration.

PERSONNEL CHANGES	2011	2010	2009
Total employees	3,493	3,468	3,447
Employees hired during the year	176	178	57
Employees leaving during the year	151	157	134
- men	139	147	122
- women	12	10	12
- less than 30 years old	2	7	1
- between 30 and 50 years old	13	7	8
- more than 50 years old	136	143	125
Turnover rate terminations (%) ⁽¹⁾			
Total	4.4	4.6	3.8
Men	4.0	4.3	3.5
Women	0.4	0.3	0.3
Less than 30 years old	0.1	0.2	0.0
Between 30 and 50 years old	0.4	0.2	0.2
More than 50 years old	3.9	4.2	3.6

(1) Turnover rates report the percentage of terminations with respect to the number of employees as of December, 31 of the previous year.

PERSONNEL COMPOSITION	2011	2010	2009
Total employees	3,493	3,468	3,447
By contract type			
- permanent	3,350	3,361	3,374
- fixed-term	143	107	73
By employment type			
- full time	3,463	3,438	3,417
- part time	30	30	30
By gender			
- men	3,105	3,095	3,092
- women	388	373	355
By age			
- less than 30 years old	522	472	393
- between 30 and 50 years old	1,496	1,494	1,553
- more than 50 years old	1,475	1,502	1,501
Average personnel age (years)			
Average biographical age	45.2	45.6	46.4

To facilitate the interpretation of several indicators regarding personnel composition, the following table breaks down the employees of Terna S.p.A. by professional category as of December 31, 2011.

PERSONNEL COMPOSITION BY CATEGORY	2011	2010	2009
Total	3,493	3,468	3,447
Senior executives	60	59	65
Junior executives	490	502	488
White-collar workers	1,966	1,890	1,874
Blue-collar workers	977	1,017	1,020

Personnel turnover: comparative data

The comparison between Terna and other companies regarding personnel turnover was conducted based on the rate calculated of employees leaving as of December 31 of the previous year.

Since the personnel turnover rate is an indirect indicator of the corporate climate that generally regards all sectors, data was examined both from only transmission companies (TSO panel), from the leading Italian listed companies (FTSE-MIB) and from the international sustainability leaders (SAM - Supersector Leaders).

In 2011, Terna registered a turnover rate equal to 4.4%; in 2010, the year of available reference data, the turnover rate was equal to 4.5%.

In the comparison with other companies, Terna registered a turnover rate lower than the average with respect to all the reference panels. In particular, it registered figures that were among the lowest in the FTSE-MIB panel and in that of the international best practices.

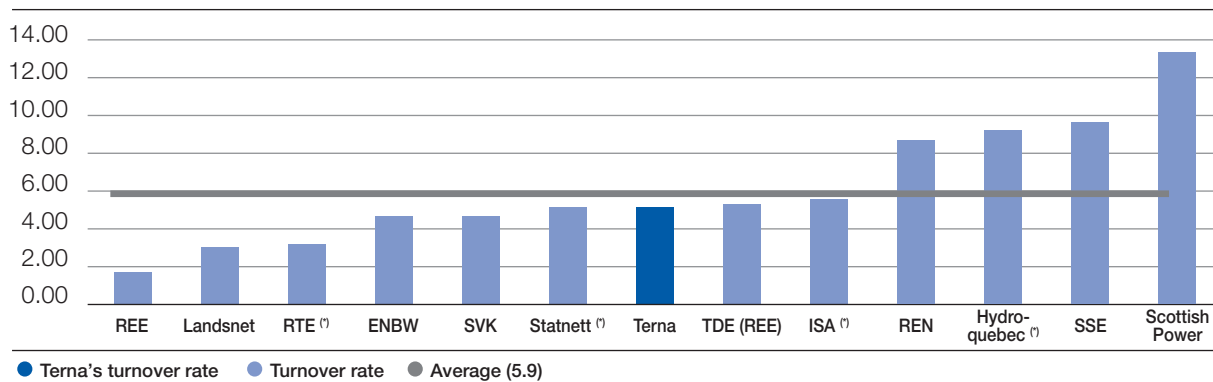
TSO panel: 13 available data (12 companies of which one present with different data according to country); average turnover rate: 5.9%; lowest figure: 1.7%; highest figure: 12.8%; standard deviation: 3.2%. In this comparison, Terna ranked below the average, with the lowest figure with respect to the other panels, influenced by three companies that registered a rate below 4%.

FTSE-MIB Panel: 22 available data (21 companies, one of which present with different data for activities in Italy and abroad); average turnover rate: 9.2%; lowest figure: 1.6%; highest figure: 15.4%; standard deviation: 4.5%. Terna ranked much below the average of the 21 companies of the FTSE-MIB that published data.

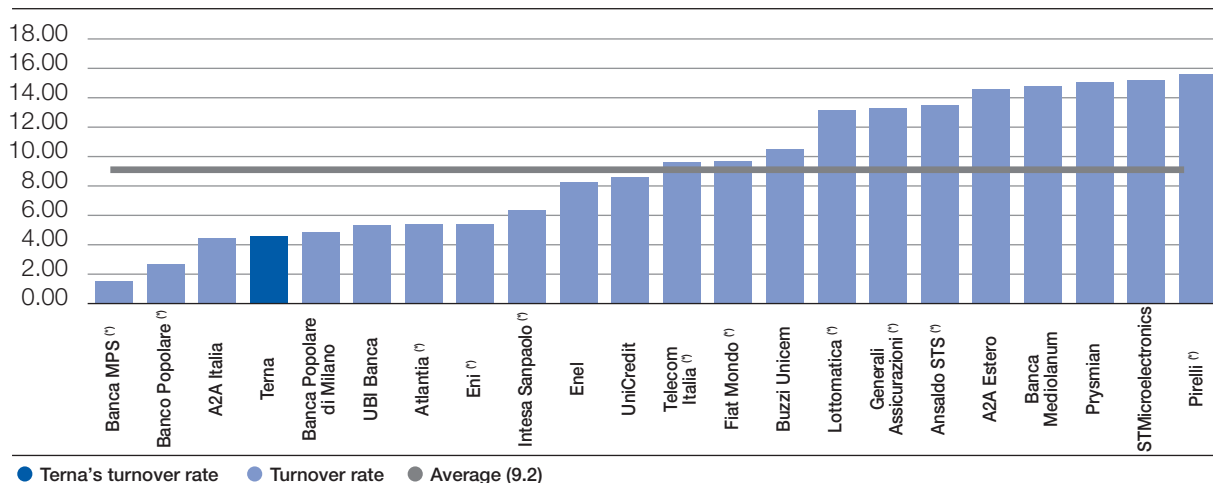
SAM - Supersector Leaders Panel: 15 available data (13 companies of which two present with different data according to sector or country of activity considered); average turnover rate: 8.5%; lowest figure: 1.0%; highest figure: 20.0%; standard deviation: 5.7%.

Even in the comparison with the global sustainability best practices, Terna registered a low turnover rate for employees leaving the company.

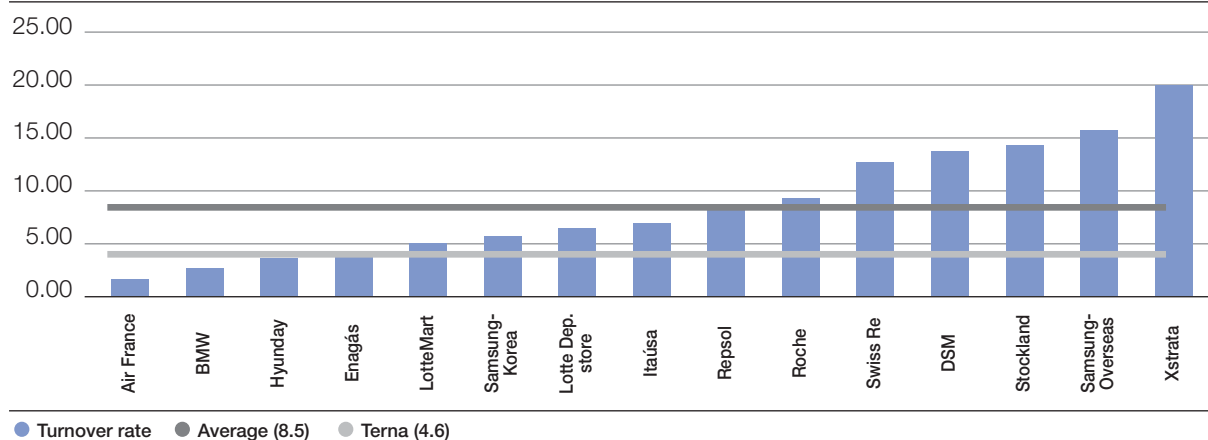
TSO TURNOVER RATE



FTSE-MIB TURNOVER RATE



SAM - SUPER SECTOR LEADERS TURNOVER RATE



(*) Turnover rates were calculated using available data.

For additional information on panel structure and generally on comparisons with other companies, refer to the Methodological Note, page 16.

Terna has offices all over Italy – among other things, because of the necessity of prompt maintenance work on its entire grid. Working days in 2011 for employees hired by contractors for work carried out for Terna totaled 456,807, equal to 2,076 FTE employees (*Full Time Equivalent*) (mainly workers assigned to building electricity lines and power stations) across the national territory. The increase recorded during the three-year period reflects the growth of investing activities that include assigning work to contractors. This data takes into account the duration of the contract work, as well as the variability of the use of personnel therein, and regard all of Terna's contract work, from the construction sites of large-scale work to the cutting of vegetation under overhead lines. The days worked and FTE employees are estimated on the basis of the average and daily number of workers on the largest construction sites and of the amounts paid for contract work on the smaller ones. No additional information is available regarding the types of contracts applied by the contractors.

EMPLOYEES OF CONTRACTORS AND SUBCONTRACTORS

	2011	2010	2009
Days worked	456,807	434,044	336,600
Full Time Equivalent	2,076	1,973	1,530

EU17

The management of generational turnover

The new recently approved Italian legislation regarding retirement (Art. 24 of Law no. 214/2011), that raised the age and seniority requirements necessary for accruing the right to retirement, significantly reduced, also for Terna, the potential "group" of employees leaving, that last year were estimated to be equal to 728 in the 2011-2015 period. The table below summarizes the potential number of employees leaving in the 2012-2016 five-year period, on the basis of data available in the Company's information services.

POTENTIAL NUMBER OF EMPLOYEES LEAVING IN THE 2012-2016 FIVE-YEAR PERIOD

People that accrued the right to retirement (based on the old laws) as of 31.12.2011

Senior executives, junior executives, white collar workers	125
Blue collar workers	40

People that will accrue, for various reasons, the right to retirement for the 2012-2016 period

Senior executives, junior executives, white collar workers	92
Blue collar workers	49

EU15

EU21

It is necessary to note that the actual probability for leaving work during the five-year under consideration is very high only for the first group of employees, for which the reform includes the application of the previous requirements. For those belonging to the second group, instead, a greater use is expected of the possibility for opting to continue working and consequently accrue a better retirement plan. Regarding a forecast for retirements for the 2012-2021 period, the new legislation established that, along with the biographical requirements established for accessing the different retirement modalities, a mechanism is periodically applied that is connected to the “life expectancy”, aimed at balancing medium and long term social security management. Consequently, it is currently not possible to make an accurate forecast of the people expected to leave over the ten year period.

For some time, Terna has implemented various initiatives for managing the generational turnover, the main ones being:

- transferring know-how and expertise, often specific only to Terna, by strengthening the organization of training courses held by internal instructors;
- professional orientation projects aimed at creating and transferring technical and managerial expertise for adequately covering critical roles.

It should also be considered that the entry of new resources having a higher education will make it possible to carry out the same activities as today more efficiently.

EU14 Search and selection

The search-and-selection process aims at ensuring the Company the expertise it needs to achieve its objectives.

The people hired from the external labor market are mainly recent university and secondary-school graduates, in particular electrical engineers (and to a lesser extent ones in other fields) and technicians with diplomas from vocational schools, mostly in the field of electricity. These are young people, who are assigned roles as professionals, as well as technical and operating employees. They receive the basic training required through post-hiring processes that continue throughout their working life and acquire the specific knowledge and capabilities needed. To a lesser and very targeted extent, the Company also hires resources with experience regarding specific professional roles of the core business (for example, project and program managers, construction site managers, experts in authorization processes, expert environmental impact analysts, technical designers, etc.) or in business-support areas (mainly with an economic background).

Over time, the generational turnover the Company is experiencing and its hiring policies entail a decrease in the average age and an increase in the education of the corporate population.

PERSONNEL COMPOSITION BY SCHOOLING

Percentage of employees out of the total of employees as of 31.12.2011	2011	2010	2009
Degree	21.6	19.2	18.0
High school diploma	46.6	46.5	45.6
Vocational school diploma	15.8	16.2	17.0
Elementary/middle school	16.0	18.2	19.4

The process of searching for and selecting personnel is managed by the Human Resource and Organization Department, which also handles relations with schools, universities, employment agencies, etc.

The most important channel for finding candidates is the **Lavorare in Terna (“Working at Terna”) section of the Company’s website**, where applicants can enter their CVs and automatically receive an e-mail of confirmation. The section has been enhanced with information on Terna’s policies regarding the management and development of human resources. To guide candidates, there are descriptions of the profiles and professional qualifications sought for in the Company’s different areas. For viewers of the section who would like further information, a dedicated e-mail address is available (hr@terna.it).

When particular profiles are sought for or are hard to find, the Company uses channels that are alternative to the website database: lists provided by schools and universities, job meetings, career days, employment agencies, newspaper announcements, and online sites. The methods and instruments used in the **selection process** are differentiated according to the profile (recent graduates, junior, middle/expert, senior) and to the number of resources sought for.

To select recent university and secondary-school graduates, the Company generally uses the assessment center (a series of tests aimed at ascertaining whether candidates possess the basic motivational and behavioral requirements) and one

or more interviews aimed at assessing their technical and professional knowledge and capabilities. The assessment center and the first technical/professional interview are often carried out at the same time. Experts from the departments or units concerned participate in the selection process, together with HR specialists, and handle the technical/professional investigation in a methodological framework for which the Human Resources and Organization Department is responsible. For the selection of senior resources the Company uses a sequence of interviews that aim at establishing whether candidates totally match the profile wanted. The first interview is always handled by HR specialists to identify a short list of candidates who will then be invited for a technical/professional interview. The final interview is carried out by HR personnel and the Heads of the departments to which the resources will be assigned. In line with the Company's policy of transparency and fairness in its relations with stakeholders, at the end of the selection process Terna always informs all the participating candidates of the results, whether positive or negative.

Relations with schools, universities and centers of excellence

Terna is expanding its relations with the world of universities, post-graduate training, and institutional training in general to support the process of finding new resources and create a virtuous circle of exchange between the Company and the outside world.

The numerous kinds of cooperation provide for possibilities regarding dissertations, internships, traineeships, project work, scholarships and the exchange of know-how, with university lecturers participating in our courses and our experts in university or secondary-school courses, as well as guided tours of our plants.

The *Lavorare in Terna* section of the corporate website provides information on the procedures for implementing these initiatives, a list of the agreements already in effect with universities, and the job meetings and career days in which the Company participates.

In 2011, to the 25 agreements already existing with the main Italian universities and business schools (framework agreements with all faculties and master's programs of a given university or agreements with individual departments/faculties), 2 were added and 3 others are being finalized.

There were a total of six master's programs, promoted by universities, business schools or centers of excellence, that have received economic contribution in 2011 and that had the possibility of having students carry out project work.

During the year, Terna's experts were also instructors for advanced university training courses (including Corso Smart Grids Politecnico di Bari), master's programs promoted by leading national associations or corporate universities in the sector for a total of 12 projects; six visits to plants were also added for a total of over 170 visitors. The Company hosted 38 interns, trainees, and students writing theses (34 in 2010, 12 in 2009). Some of these were subsequently admitted to the selection process and hired.

The Company participated in 14 career days (8 in 2010) in collaboration with the principal universities in the following cities: Bologna (February and October), Rome (March and May), Turin (March and May), Naples (April), Milan (May and December), Padua (June and October), Bari (October) and Pisa (November).

Activities continued that are part of the FiGi (Engineering School and Large Enterprises) Project, the Memorandum of Understanding between the Engineering Faculty of the University of Rome "La Sapienza" and several large companies that operate in Rome. Terna participated actively in the teaching of the Electrical Engineering course by organizing 5 seminars, as well as guided tours of its plants, in which 41 students participated. Terna is also engaged in promoting and enhancing the Electrical Engineering course, whose enrollment has decreased in the last few years, with consequent problems in finding resources for all the companies concerned, especially in Rome.

At Terna, training is strategically important for developing human capital in keeping with the Company's mission, strategy, and objectives.

It constitutes a joint individual and corporate investment continuously enclosing an employee's entire professional life, aimed at creating value for both individuals – by increasing and diversifying expertise (*employability*) – and the Company – by making their contribution more motivated and qualified.

Maintaining, sharing and transferring Terna's specialized and unique know-how is ensured by a training model that is based on the availability of the most expert resources for acting as project managers and instructors with the Faculty Campus, while also promoting a sense of belonging and integration within the Company. Collaboration with universities, business schools and more in general with external centers of excellence, guarantees the necessary contamination of corporate know-how with that coming from the external world.

In choices implemented, Terna's training model promotes active methods in classroom training and on the job training; if in line with objectives and contents, it adopts innovative methods such as outdoor training, the development center, the business game and the use of simulators. E-Learning is used for campaigns aimed at transferring specific knowledge and information and can also have an integrative/replacement function to classroom learning.

Systematic evaluation of training results enables the Company to collect useful feedback and continually improve its model. The instruments used at the end of courses range from rating questionnaires to achievement tests. At least every two years (last edition: 2010) a survey is carried out among all heads of resources to ascertain the level of effectiveness they perceive (how well the courses satisfy needs, their quality and contribution to resource development) with respect to all the initiatives implemented during the year.

In 2011, the Campus portal – which is accessible from the corporate intranet since the end of 2009 – has been the main support for disseminating information on training possibilities and making available the documentation accompanying the courses, in particular those organized by the Terna Faculty. Works on the Campus premises, which have begun at the end of 2010, have been delayed; they are expected to be available by the end of 2012.

Training provided by Campus includes:

- centrally planned courses/pathways/campaigns for targeted beneficiaries;
- internal or external specific courses assigned upon request to individuals or small groups;
- local Transmission Operating Area courses (to satisfy needs not covered by the centrally organized ones);
- special events.

Training initiatives are categorized by subject area:

- **Context & Business Model** for learning about the internal and external business context in which Terna operates and promoting Corporate Identity. It includes, for example, the "Company Presentation" courses for new hires and the training programs on corporate governance issues (i.e. Code of Ethics, 231 Model – see page 159 of the chapter "Social Responsibility"). The Faculty Campus is often directly in charge of the activities;
- **Education** for managerial and personal development. This training increases role capabilities and fosters the acquisition of the values and sensibilities on which Terna's organizational culture is based;
- **Training** for developing technical and professional expertise and acquiring cross-cutting skills (e.g. foreign languages, Office Automation);
- **Pathway**, which are short- medium- and long-term training processes dedicated to specific target individuals and consisting in a mix of initiatives belonging to the three previous subject areas. The proposals are addressed to both recently hired resources and ones already in service. In the latter case, they belong to homogeneous professional families, for which the Training Pathway aims at aligning capabilities, updating, training, or upgrading.

PERSONNEL TRAINING

	2011	2010	2009
Average number of training hours			
By employee	51	49	47
By category			
<i>Senior executives</i>	19	27	25
<i>Junior executives</i>	30	40	43
<i>White-collar workers</i>	55	47	45
<i>Blue-collar workers</i>	55	58	53
By gender ⁽¹⁾			
<i>Men</i>	51	<i>n.a.</i>	<i>n.a.</i>
<i>Women</i>	44	<i>n.a.</i>	<i>n.a.</i>
% of employees covered ⁽²⁾	97	96	91
Training hours			
Total	178,734	171,146	164,416
Hours of internal instruction	132,190	<i>n.a.</i>	<i>n.a.</i>
Hours of training by course type			
Education	21,664	22,915	11,558
Context and Business Model	31,919	29,928	8,562
Training	125,151	118,303	144,296
Training method			
% of classroom training	98	97	99
% of online training	2	3	1

(1) Data according to gender, calculated for the first time in 2011, was calculated differently from that by category, considering personnel working as of December 31 and not the average number of employees.

(2) Percentage of employees that attended at least one training course.

In 2011, corporate training investments increased by 4% compared to 2010. The sharing knowledge operation, also in support of generational turnover and aimed at creating the Campus in 2008 – underlined by the pay off of *Esperienze in Rete* – is now fully operational. The contribution of the Faculty Campus, at central and/or local levels, was significantly predominant, particularly for training activities belonging to the sections Context & Business Model and Training, especially where knowledge and expertise regarding Terna's specific and typical know-how needed to be developed.

In short, **in 2011, 97% of Terna's employees took at least one course** (+1% compared to 2010), with more than 178,000 hours of training provided (nearly 4% more than in 2010), 98% of which were in a classroom and 2% online. The average number of training hours per employee was 51 (+4% compared to 2010).

Training for employees: comparative data

The comparison between Terna and other companies regarding training was conducted based on the annual training hours per capita. Since employee training is a sustainability aspect that generally concerns all sectors, data was examined both from only transmission companies (TSO panel) and from the leading listed Italian companies (FTSE-MIB) and the international sustainability leaders (SAM - Supersector Leaders).

In 2011, Terna's training hours totaled 51 per capita; in 2010, the year of available reference data, training hours per employee totaled 49.

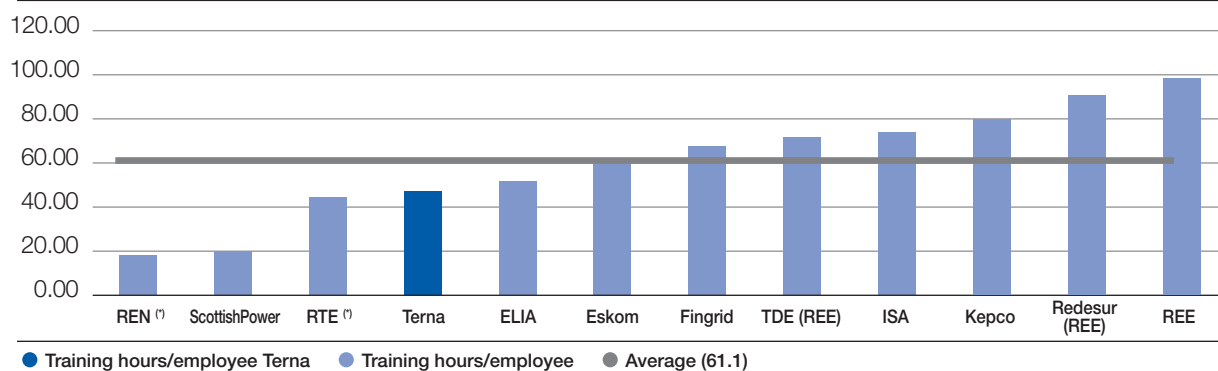
In the comparison with other companies, Terna ranked among the first places in two of the three reference panels, including the one for international best practices.

TSO Panel: 12 available data (10 companies, one of which, REE, present with different data according to the country); average per capita hours: 61.1; lowest figure: 19.4; highest figure: 99.0; standard deviation: 24.8. In this comparison, Terna ranked below the average, strongly influenced by three companies that registered over 80 training hours per capita.

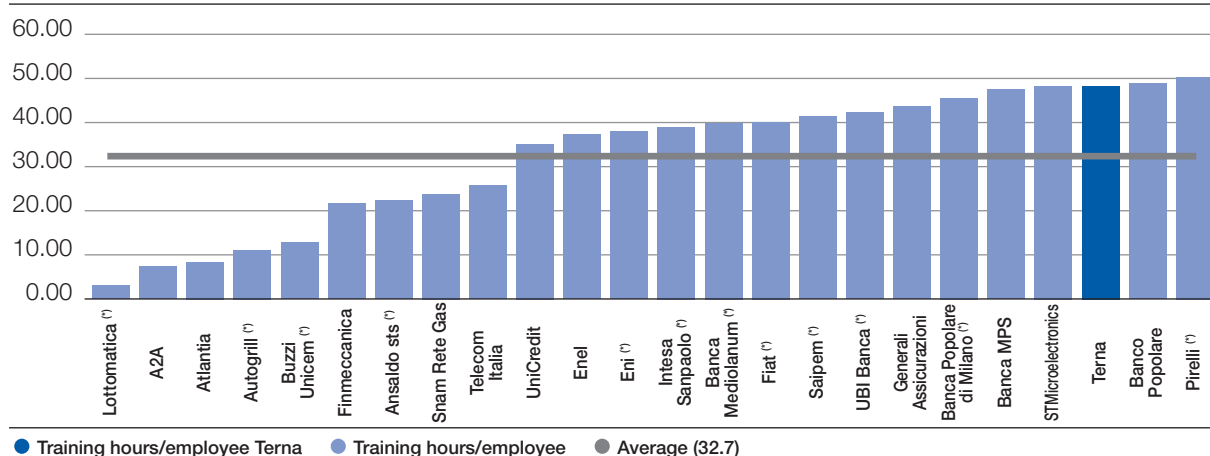
FTSE-MIB Panel: 24 available data; average per capita hours: 32.7; lowest figure: 5.1; highest figure: 50.4; standard deviation: 14.9. Confirming the results included in last year's Sustainability Report, Terna ranked among the first places among the leading Italian companies, well above the average of the 24 companies of the FTSE-MIB that published the data.

SAM - Supersector Leaders Panel: 17 available data (15 companies, one of which, BMW, present with different data according to employee category); average per capita hours: 37.7; lowest figure: 8.1; highest figure: 103.0; standard deviation: 28.5. Even in the comparison with the global sustainability best practices, Terna ranked among the first places for number of training hours per employee. The first three companies registered figures that were higher than 80 training hours per capita; Hyundai (Construction & Materials sector) was excluded from the panel that registered 264.5 number of training hours per employee (corresponding to over one month and a half of working time), a figure that was strongly influenced by characteristics that do not allow the case being suitable for comparison.

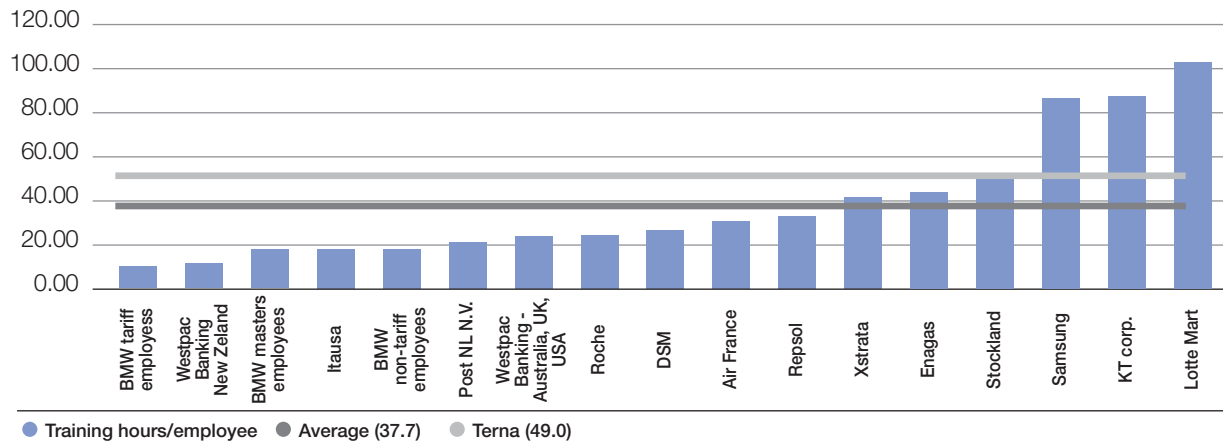
TRAINING HOURS/TSO EMPLOYEE



TRAINING HOURS/FTSE-MIB EMPLOYEE



TRAINING HOURS/SAM - SUPERSECTOR LEADERS EMPLOYEE



(*) Training hours were calculated using other published data. The calculation of per capita training days compared to per capita hours was based on 8 hours/day.

For additional information on panel structure and generally on comparisons with other companies, refer to the Methodological Note, page 16.

With regard to the section Context & Business Model (over 31,000 hours of training) it is necessary to underline, along with the consolidated training initiatives for the electricity market, a widespread training campaign implemented in the classroom and online on Information Security for over 3,800 hours of training that will be completed in 2012.

With regard to Education (over 21,000 hours of training), in connection with the company's strategic objectives, the year's focus was business innovation and development. For this purpose, a training event was organized for all executives and for a selection of middle managers that was funded by Fondirigenti (three meetings with international experts and external representatives, two visits to outstanding companies in innovation). Completion is scheduled in 2012. Additional initiatives included: a *Laboratory on Innovation* proposed, in a different version, to a selection of professional junior executives and white-collar workers; an initiative focused on problem solving for developing organizational conduct, "innovation and proactive conduct" addressed to a selection of professional white-collar workers. The new initiatives also included a broad training offer that during 2011 was further developed compared to the previous plan and extended to white-collar and blue-collar workers.

In brief, during the 2009-2011 three-year period, the Education offer gradually reached the objective of covering both action areas (organizational conduct expected in performance) and individuals identified on the basis of Performance management and/or in relation to development responsibilities of collaborators.

With regard to Training, which is of primary importance owing to the nature of Terna's technical business, over 125,000 training hours were held, increasing by 6% compared to 2010. Within this sector, the Safety section increased significantly by +24% compared to the previous year (over 61,000 of training hours) mainly due to a widespread training campaign on preventing electricity risks and implementing the updating initiatives in compliance with the new regulations (see page 171 of chapter "Social Responsibility"). In 2011, a widespread training campaign was also implemented involving all blue-collar workers for using PC workstations in IT islands across the territory; the initiative intended supporting the shift, even of this corporate group of employees, to online presence detection systems and more generally, to accessing corporate computer communication channels (intranet).

Lastly, commitment continued in 2011 for medium-long term Pathways both for newly hired employees as well as for employees in service that totaled 33% of the training hours (28% newly hired employees, 5% resources already employed). Pathways for newly hired employees (hired as of 2007-2008) – highly important for facilitating the generational turnover process that the company is experiencing – regarded all types of personnel with university degrees and high school diplomas (professionals, white-collar workers, technicians, blue-collar workers), totaling over 49,000 training hours.

With regard to the Pathways dedicated to employees in service, the Pathway for shift workers of the Real Time unit of the Dispatching and Energy Operation chain involved nearly 66 resources and totaled nearly 7,000 hours of training. The decrease compared to 2010 was due to the postponement owing to technical reasons of part of the activities relating to introducing a new system of control and energy operation. The new Pathway for management assistants and secretarial pools (Session for Roles, Session for I&CT, Session for Terna's business model) totaled over 1,500 hours of training.





Personnel development and management

Terna's system for developing and managing human resources is based on performance as an indicator for guiding growth. The essential elements of the model are the definition of the objectives and the conduct that is expected, assessment of results, feedback, and development and training actions. The heart of the system is the **Global Performance System (GPS)**, which entered into operation in 2009 accompanied by a training campaign addressed to all the personnel concerned. The Global Performance System is based on a definition of performance that has two aspects: the first is the actual achievement of the pre-established objectives, while the second regards the organizational actions carried out to achieve them. A specially developed IT system accessible individually by the employees contains the objectives to be reached and expected performance; the same system records the results of the assessments and ensures that they are available over time. Performed by the person directly responsible and validated by the latter's manager, the evaluation provides for feedback, which is essential for guiding conduct, highlighting strong points and areas that need to be improved, and activate measures for development, such as training. The repetition of performance assessment in annual cycles allows the growth of individuals to be monitored and guided. The application of the GPS currently involves a segment of employees with managerial and professional responsibilities: all senior executives (except the foremen of the shifts that control the grid in real time), and some white-collar workers.

LA12 A total of 651 employees were involved in the first assessment cycle, which started in 2009. In 2011, 763 employees – nearly 22% of the total corporate population – were involved (38% of female personnel and 20% of male personnel). This number will gradually rise as new personnel targets are included with the goal of increasing transparency and communication between managers and employees. Therefore, in 2012 the process of gradually extending the system will continue. For blue-collar workers and other employees not included in the GPS, less structured forms of assessment are used, such as periodical interviews with managers and HR representatives, partly because the requirements of their jobs and the paths of professional growth are more strictly determined by the collective labor agreement.

The measurement of performance is also entrusted to other instruments. Terna has had for some time a strategic control system based on the **Balanced Scorecard** method, through which it monitors the progress made in attaining strategic economic and managerial objectives, including the main environmental and social performance objectives.

Performance measurement is also connected with the payment of variable parts of compensation. In particular in 2011, Terna has had a **Stock Option Plan** for its top management, which was resolved upon in December 2005 (scheduled to expire in 2010, but later extended to 2013); among other things, the adoption of this Plan has provided the Company with an important instrument for ensuring the loyalty of the senior executives who hold the most important positions for the achievement of its strategic objectives.

The same purpose also applies to the 2011-2013 cash **Long-term Incentive (LTI) Plan** for the top management and managers who hold key positions, which is linked to corporate objectives.

Other variable-compensation schemes are based on annual performance objectives.

MBO (Management by Objectives), reserved for corporate Management, links the sums of individual bonuses to the extent to which both corporate and individual objectives are achieved. Monitoring and controlling corporate activities are based on the Balanced Scorecard system which evaluates, on a quarterly basis, the trend of objectives – including sustainability objectives – linked to the Strategic Plan. The Balanced Scorecard system is linked to MBOs, by referring sustainability objectives to the managerial variable remuneration system.

Recognizing the importance of the extensive involvement of employees in the implementation of programs and plans regarding quality and productivity, Terna signed an agreement with the Labor Unions governing a **corporate-result bonus to incentivize labor productivity** (see also the section on Industrial Relations).

The bonus is a variable element of compensation and consists of two parts:

- “corporate profitability” linked to the Company's general performance and paid to most employees generally, with the exception of senior executives;
- “incentives for productivity/quality” linked to the achievement of specific quality and productivity objectives connected with the employees' work and paid to blue- and white-collar workers.

As in other large electricity companies, the conditions of Terna's employees (wages, working hours, annual leave and other aspects of employment) are substantially better than the Italian average.

In particular, the following benefits are provided for most employees:

- supplementary health care;
- supplementary pensions (voluntary participation);
- insurance for non-occupational injuries;
- recreational associations;
- more favorable maternity-leave conditions than those provided for by the law;
- subsidized loans for purchasing a home, as well as for serious family needs;
- cafeteria service or meal coupons.

The benefits are available to all employees once they have finished their trial period, including part-time employees and those with beginner contracts. Insurance coverage for occupational injuries is regulated by law and applies to all employees. Terna provides better conditions for specific categories.

Furthermore, Terna's employees (excluding senior executives that can benefit from a different fund) are automatically enrolled in the **supplementary healthcare fund FISDE** (Supplementary Health-care Fund for Employees of the Enel Group). The FISDE organizes prevention campaigns for its members that include preventive examinations and sessions providing information on the main health risks. The following have been some of the topics of the information and prevention campaigns:

- smoking;
- alcohol;
- tumors;
- cardiovascular disease;
- ophthalmological disease;
- disabilities.

The FISDE partly pays for the medical treatment of disease not only for its employee members, but also for the dependent members of the latter's families.

Beneficiaries	Information and prevention of risks	Treatment
Workers	yes	yes
Families of workers	no	yes

Child and family care

The Italian law regulates maternity leave and family leave establishing a general coverage compared to which Terna's conditions are even more favorable, applying both the CCNL (Contratto Collettivo Nazionale di Lavoro - Collective Bargaining Contract) for the sector as well as corporate agreements. The most important measures include:

- 5 months of paid maternity leave, recognized to the mother and distributed before and after giving birth. Terna guarantees 100% integration of the remuneration compared to 80% established by the law;
- 6 months of additional maternity leave with a 30% remuneration. Terna integrates 45% and 40% respectively for the first and second month of leave time. Leave time can also be taken by the father, within a maximum of 10 months for the total leave of both parents. If not taken during the child's first years, the leave time can also be taken subsequently, up to the age of 8, but will not be paid;
- non-remunerated leave time (paid only in cases of serious disabilities) without any limits for being taken, in the case of a child's illness within the age of 3;
- 3 days a month, or 2 hours a day, of leave time for child or family care, paid in case of serious disability;
- extraordinary leave time for 2 years in case of serious disability of a child or close relative.

The table below includes the number of employees that took family leave time for at least 29 days in 2011. This information processing started with reference to 2011; therefore, for this first year of data collection, information regarding the number of employees that resumed service (as requested by indicator LA15 of the GRI protocol) and that continued to remain in service after 12 months following their return is unavailable.

Nonetheless, a verification conducted on employees leaving in 2011 indicated that with no dismissals occurred, no one among the employees who resigned had taken family leave time in 2010.

NUMBER OF EMPLOYEES THAT TOOK FAMILY LEAVE TIME	2011
Total	23
- women	18
- men	5

LA8

LA15

LA13 Diversity and equal opportunity

LA14 Terna adopts systems for selecting, developing, and paying personnel that recognize and reward merit and performance. All forms of discrimination, beginning with the selection and hiring process, are explicitly forbidden by the Group's Code of Ethics.

A large majority of employees are men, because of the traditional scarcity of the supply of female labor in the more technical occupations. However, the presence of women is increasing, partly as a reflection of the general trend of the labor market and the greater participation of women in the labor force.

Amounting to 9% in 2005, **the percentage of women employees at Terna in Italy increased from 10.3% in 2009 to 11.1% in 2011**. The increase also regarded the positions with the highest qualifications and responsibilities: the percentage of women in managerial positions (senior and junior executives) rose from 15.7% in 2009 to 17.1% in 2011.

During 2011, **18.2% of all newly hired employees** – net of blue-collar workers – **were women**, a percentage higher than that of the women already employed at the Company, again excluding blue-collar workers.

Several favorable kinds of conditions established by the law and provided for by the industry's collective labor agreement contribute to fostering the employment of women at Terna, for example, maternity-leave (see text page 163 in this chapter).

The principal indicators for equal opportunity between men and women recorded that Terna's management systems do not generate discriminating conditions against women. The major trend of female employment is the result of the lower levels of women leaving with respect to men and the levels of women entering that are much higher than the male levels. The percentage of women in managerial positions and the category progress divided by gender (see following table) are not different from those belonging to men. Also data on remuneration conditions indicate limited differences among white-collar workers and junior executives that are more significant, but decreasing, for senior executives.

Demonstrating its concrete concern for promoting the contribution of women, **in 2009 Terna joined "Valore D"**, an initiative started by several women managers from a number of important Italian and multinational companies with the objective of creating synergy and developing the professional competence of women to achieve greater opportunities for representation in enterprises. In practice, the women in these companies put their knowledge at the disposal of the women in associated companies to foster the professional development of women, as well as networking opportunities.

EC7 Almost all employees are Italian citizens, with only three having foreign citizenship. This figure shows, without any specific corporate policies in this regard, how rooted Terna is in the Italian economy. With regard to the presence of **personnel belonging to protected categories** (for example, invalids), the figure as of December 31, 2011 was **128 people** (116 in 2010 and 114 in 2009). This number is in line with the regulations applying to Terna (in particular, the Ministerial Decrees of March 21, 1996 and May 15, 2000), which provide for a gradual increase in the quota of protected-category employees to 7% (a general legal obligation) through the hiring of a larger percentage of them out of the total number of new hires. Finally, the following table shows the composition of Terna's Board of Directors, broken down by gender and age.

COMPOSITION OF THE BOARD OF DIRECTORS OF TERNA S.P.A.

Percentage values	2011	2010	2009
Men	100	100	100
Women	0	0	0
- less than 30 years old	0	0	0
- between 30 and 50 years old	33	44	44
- over 50 years old	67	56	56

EQUAL OPPORTUNITY FOR MEN AND WOMEN

Percentage values	2011	2010	2009
Women as % of employees			
Women/total	11.1	10.8	10.3
Women/total net of blue-collar workers	15.4	15.2	14.6
Female senior executives as % of total executives	16.7	17.0	15.4
Female senior and junior executives as % of total senior and junior executives	17.1	16.8	15.7
Employment growth			
Annual change: women	4.0	5.1	-1.1
Annual change: men	0.3	0.1	-2.3
Outflows ⁽¹⁾			
Outflows: women	3.2	2.8	3.3
Outflows: men	4.5	4.8	3.9
Inflows ⁽¹⁾			
Inflows: women	7.2	7.9	2.2
Inflows: men	4.8	4.9	1.6
Employees in managerial positions			
Female executives out of total female employees	2.6	2.7	2.8
Men executives out of total men employees (excluding blue-collar workers)	2.4	2.4	2.7
Category promotions ⁽²⁾			
Promotions to junior category as % of previous category: women	0.4	0.8	1.5
Promotions to junior category as % of previous category: men	0.6	1.1	1.2
Women/men basic retribution difference ⁽³⁾			
Senior executives	79.6	78.0	78.8
Junior executives	93.7	92.6	91.6
White-collar workers	93.9	93.9	93.5
Women/men pay difference ⁽⁴⁾			
Senior executives	75.5	n.a.	n.a.
Junior executives	96.9	n.a.	n.a.
White-collar workers	90.2	n.a.	n.a.

(1) Outflows (inflows) for women and men report employees according to gender who left (entered) in the business compared to the employees' total according to gender as of December 31 of the previous year.

(2) The figure is the result of the ratio between the promotions to junior executive that occurred during the year and the employees categorized as white collar workers in the previous year, calculated by category (men/women). Promotions from blue-collar worker to white-collar worker and from junior to senior executive were not considered, because the number was not significant on an annual basis.

(3) The figure is the result of the ratio between the annual base pay of men for the different categories and the annual base pay of women for the same categories. The figure was not calculated for blue-collar workers, because there are no women in that category.

(4) The figure, calculated for the first time for 2011, is the result of the percentage ratio between the annual total remuneration for women according to different categories and the annual total remuneration for men for the same categories. The total remuneration includes, in addition to the base pay, the production bonuses, the different types of incentives and the value of benefits received during the year.

Gender pay gap: comparative data

A comparison between Terna and other companies regarding equal opportunities was conducted based on the gender pay gap, the result of the relation between women's annual base remuneration - according to different categories - and men's annual base remuneration for the same categories.

Even though the gender pay gap is a sustainability aspect that generally regards all sectors, it was possible to consider in the comparison only the Italian companies of the FTSE-MIB since, for the companies from the other two panels, the workers were divided into different contract categories according to the company and the country and cannot be applied to the categories (senior executives, junior executives, employees) considered by Terna, that are also the same in many other Italian companies.

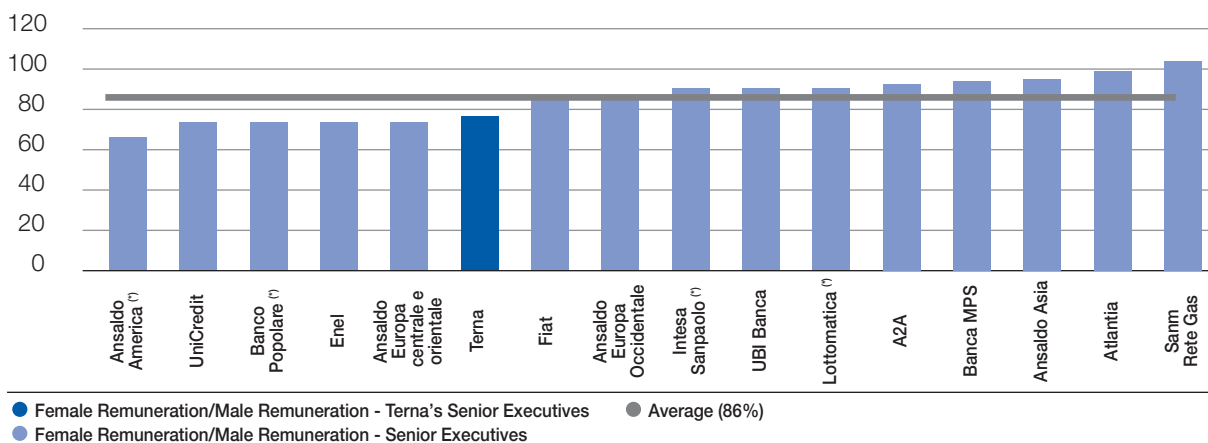
In 2011, Terna's gender pay gap was equal to 80% for senior executives, 94% for junior executives and 94% for employees; in 2010, the year of the available comparative data, the gender gap was equal to 78% for senior executives and 93% and 94% for junior executives and employees, respectively.

Compared to the other Italian companies of the FTSE-MIB, Terna ranks above average for the gender pay gap for junior executives and employees.

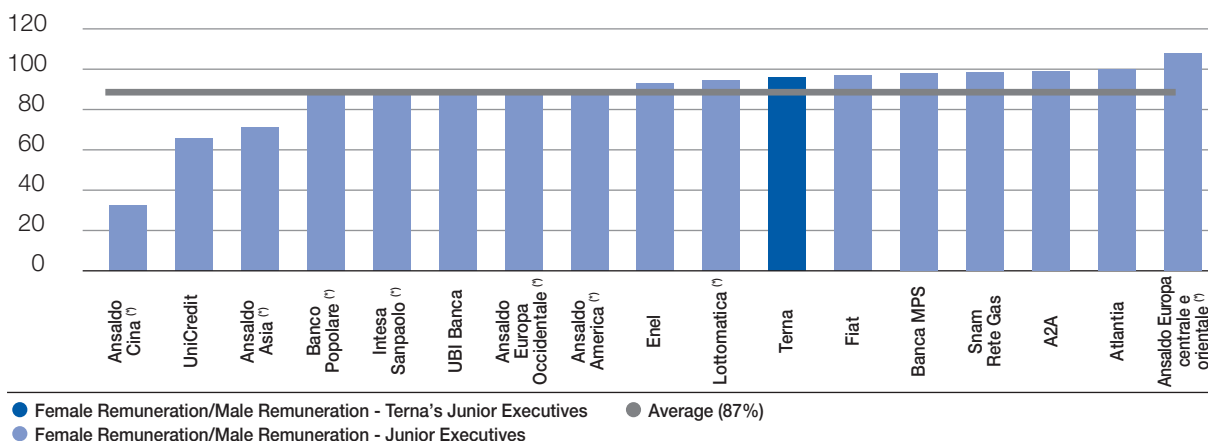
FTSE-MIB Panel: 17 available data (13 companies, one of which is present with different data according to the country where its activity is carried out); gender pay gap average: 86% senior executives, 87% junior executives, 88% employees; lowest figure: 68% senior executives, 33% junior executives, 57% employees; highest figure: 103% senior executives, 106% junior executives, 103% employees. Standard deviation: 10% senior executives, 17% junior executives, 12% employees.

In this comparison, Terna ranked above average for the contract categories of junior executives and employees, while the gender pay gap for senior executives is below average, also influenced by two companies whose data are equal to or slightly higher than 100% (average remuneration of female senior executives equal or higher than that of male colleagues). In particular, the case of total equal average remuneration for gender of senior executives, junior executives and employees that could derive from the reference to only minimum contract wages, indicates a possible discrepancy in the definition of base remuneration adopted by the different companies.

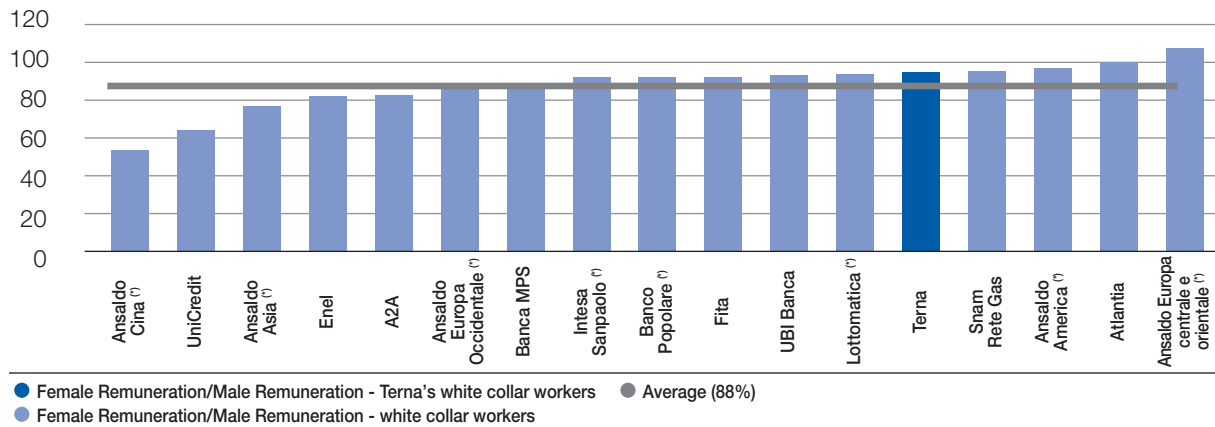
GENDER PAY GAP - FTSE-MIB SENIOR EXECUTIVES ⁽¹⁾



GENDER PAY GAP - FTSE-MIB JUNIOR EXECUTIVES



GENDER PAY GAP - FTSE-MIB WHITE-COLLAR EMPLOYEES



(*) The gender pay gap was calculated using available data.

(1) 16 data were considered since Ansaldo does not publish the gender pay gap for senior executives referred to China.

For additional information on panel structure and generally on comparisons with other companies, refer to the Methodological Note, page 16.

Internal communication

Terna recognizes the essential role of internal communication in fostering the exchange of information, creating integration, promoting teamwork, and speeding up processes. Internal communication is divided into two areas. One comprises the instruments – the corporate intranet, the dissemination based on the waterfall method of team-briefing information, and the house organ *Terna News*; the other one special events and projects, such as the annual We:Me convention, meetings between the Top Management and Senior Executives, and the “CreativInTerna” Competition. The following are some of the initiatives carried out in 2011.

Inauguration of the new office and “Zero Impact” Project in Milan

As with the move to the new headoffice in Rome in 2009, the transfer of 140 people from the Company’s three offices in Lombardy to a single new one was accompanied by a carefully planned internal communication project.

Therefore, entrance into the new offices of Pero in February, in the area of the new Fiera di Milano, represented the point of arrival of a path that began over three months before with ad hoc communication, tools and a customized welcome program the first day of entrance.

The Milan office was chosen as a pioneer for a path defined together with LifeGate through which Terna decided to implement, following the opening of its new offices on the territory, offsetting measures deriving from its own participation in the Zero Impact Project. As of 2011, CO₂ emissions generated by implementing new corporate communication tools were neutralized by creating new green areas located also at Terna’s offices. In Milan, the green project is located along the Alzaia (towpath) del Naviglio Grande, with the planting of 50 shrubs as part of the area’s redevelopment project. For its new headoffice in Rome, Terna had already identified the area of the Parco dell’Aniene facing the offices as part of its participation in the Zero Impact Project.

Fourth edition of the “CreativInTerna” internal photography and drawing competition

The 150th anniversary of the Unification of Italy has provided an opportunity for creating images that represent our capability of transmitting ideas and values through the generations. With the theme “Italian stories: 150 years of energy”, our artists took photographs of situations and people that resonated with pride to be passed on as precious experiences. As for the past editions, CreativInTerna 2011 was also linked to a social partnership identified in the project “Pianeta Nuovo” of the Fondazione Albero della Vita Onlus. The project is implemented in Italian elementary, middle and high schools to promote the integration of foreign students. An example of transmitting the value of integration and acceptance starting from the young generations. Consisting of Terna’s Chairman, Luigi Roth, and personalities of the world of photography and art, the jury chose the winners, whose works were used for corporate materials (the 2012 calendar) and reproduced in prestigious publications. Moreover, the drawings of the winners were used for making an original bookmark in the three colors of the

EN18

Italian flag distributed together with the Calendar and the 2012 Organizer.

In four editions, CreativInTerna totaled over 1,200 works including photographs and drawings creating a large virtual gallery of the creativity of our people.

Terna's employees are the protagonists of an artwork

The employees had the unrepeatability opportunity of being the main players of an artwork unique in its kind. Upon Professor Alberto Garutti's proposal, winner of the second edition of the Terna Prize for Contemporary Art for the famous artists category, 50 employees participated with their physical presence in a special installation dedicated to the world of electricity.

Garutti, former professor at the Accademia di Brera, participated in the research project "Beyond Entropy: when Energy becomes form", promoted by the London School of Architecture, whose objective was to explore from an artistic and scientific point of view the world of energy: architects, scientists and artists were invited to collaborate in creating installations regarding different forms of energy.

Garutti's group worked on electricity: during the research phase he was assisted by the colleagues from the company's technical departments for better understanding the "energy's journey". The implementation phase included the presence of 50 colleagues, photographed in different groups within the venue of the Triennale di Milano that in June hosted the exhibit dedicated to all the project's works. The 10 photographs taken formed a wall installation accompanied by a cube made out of large sheets containing the phrase "The persons portrayed are some of the many whose work allows electricity to illuminate the spaces of the Triennale. Together, with their qualities and different backgrounds, they stand to witness the vast and complex system that allows turning on the light in this room. This work is dedicated to each one of them". A unique tribute to the art of energy transmission through our people.

We transmit energy also through sports



Andalo (TN): group photograph of the SciInTerna skiers.

Sports have always been connected with energy, perseverance, determination and team-building. For this reason Terna, whose mission is energy transmission, has chosen sports as a channel for promoting identity, integration and team spirit. Based on the project that began with the Terna Running Team, a team of amateur runners was formed four years ago, that brings its energy to non-competitive marathons for social purposes and that continues to grow in numbers, the company has promoted new opportunities for "transmitting energy" through sports.

For the 150th anniversary of the Unification of Italy, BicilnTerna was created, a four day bicycle tour from the Adriatic coast to the Tyrrhenian one along the electricity lines, that connect energy across Italy. A team formed by 20 colleagues, wearing Terna's colors and followed by a support team also formed by employees, reached historical sites as well as those linked to its electrification in our country last June. The event was followed step by step on the company Intranet and the local press published articles covering the bicycle tour. Their journey was also covered by a broad photographic reporting in the company's house organ "Terna News".

The BicilnTerna initiative ideally continued in 2012 with a new sports initiative this time dedicated to skiing and named SciInTerna. 60 colleagues competed in March in Andalo (Trento), in an exciting giant slalom ski competition. The event was a success for participation and team spirit for a new initiative created once again from a collaboration between head office and territory. A programmed choice that aims at joining people also during the planning phase by promoting the participation of colleagues with different professional backgrounds that share common grounds in Terna's mission "transmitting energy" in all we do.

Terna's commitment to safety should be seen in the context of the current regulations. Revised in 2008 by Legislative Decree 81/2008 ("Consolidated Act regarding the safeguard of occupational health and safety"), Italian legislation on safety is among the most stringent in Europe. The obligations for companies regard many aspects: risk analysis, identification of the chain of responsibility beginning with the employer, protection procedures and devices, training, monitoring of activities, including those entrusted to contractors and subcontractors. One of the most important obligations is to perform an analytic assessment of risks regarding the health and safety of workers. This assessment must regard the specific risks of the single activities, the stress-related risks but especially those deriving from the interference of the works carried out by contractors and subcontractors for all the activities that make up the work process of the construction site. The costs for eliminating or mitigating the risks of interference are excluded from the price competition for the award of contracts.

In this situation, Terna's emphasizes the following points regarding occupational safety:

- **clear safety policy guidelines:** the importance of protecting people from physical harm is stated in Terna's Code of Ethics, which identifies the essential principles that everyone, at the different organizational levels, must comply with so that policies, procedures, technologies, and knowledge contribute to the awareness and prevention of risks. The Company's Occupational Safety Policy, which is an integral part of the integrated quality-environment-safety Management System, specifies the guidelines of the Code of Ethics. The Policy also expresses its commitment to promoting the prevention of injuries for all employees, including those of contractors;
- an **environment safety & security portal** on the corporate intranet containing an updated and complete **file of legislation** regarding occupational safety (national and regional regulations, technical standards issued by competent bodies). Through the portal it is also possible to access an online service providing advice regarding the interpretation of regulations and the procedures for applying them, as well as a file of the control programs and the related results;
- an **organizational unit responsible for safety**, with the corporate Safety Department in charge nationally and heads in the local offices (Area managers, heads of Safety, Prevention, and Protection) and on construction sites; this unit also carries out direct inspections on work places and building sites. As provided for by the law, employers, including the AOT heads, have unlimited authorization for expenses regarding occupational safety;
- an **OHSAS 18001-certified management system** (certification obtained in 2007 and confirmed in 2010, covering 100% of the Company's activities). The system is integrated with the quality-and-environment one and is based on scrupulous risk mapping. The Risk Assessment Document, prepared by the employer and the Head of Safety, Prevention, and Protection and examined by the competent doctor, shows the seriousness and probability of occurrence of specific risky events for each role and activity performed by Terna's employees. The management system consists in a methodical and detailed collection of **Operating Procedures and Instructions** – which are also available through the corporate intranet – on all the activities regarding safety (safety training, work methods, use of Personal Protective Equipment), with greater detail for the activities that entail electrical risk (Instructions for the Prevention of Electrical Risk – DPRET). The DPRET is an essential document for Terna and therefore in 2010 Terna voluntarily submitted the new edition of the DPRET for external assessment by the INRiM (National Institute of Metrological Research), a scientific institute under the Ministry of Education, which issued its positive opinion in September, thus confirming the complete soundness of the instructions provided. Also in 2010, Terna requested and obtained from INAIL, the National Institute for Aid for Occupational Injuries, to recognize the Company's "good practice" for the Operating Instruction "Climbing towers and off-the-ground aid on HV electricity lines", which has also become the benchmark for the external compliance checks performed by the supervisory authorities;
- **intense supervisory activity:** the correct and complete application of the procedures is subject to inspections by the RSPP (two a year in their respective Territorial Areas) and **internal compliance checks** on all the Local Operating Areas, as well as the constant supervision of employers. The **external checks** required for the confirmation of certification increase diligence regarding safety issues and compliance with conduct rules, as do the elected representatives of the employees entrusted with checking the application of the regulations (on the Workers' Safety Representatives, see the LA6 indicator);
- intensive and ongoing **information and training:** all employees are informed about the main ideas and innovations regarding safety through various channels, including the corporate intranet and the organization of informative meetings. The courses cover all **safety issues**, from changes in regulations to the Operating Instructions for all risky activities (for example, off-the-ground work, the use of Personal Protective Equipment). In particular, equipment at the **Viverone Training Center**, in Turin, enables the Company to **train** workers to safely climb towers (through the use of full-size training towers) and to perform live work in a controlled environment;
- the inclusion of **performance objectives regarding occupational safety** in the system of indicators to which the variable compensation of the departments concerned – Corporate Safety, Human Resources and Organization, and

Plant Maintenance – is linked, in particular the objective of improving the safety level, which aims at reducing injuries through an “occupational-safety index” consisting of the injury rate and lost day rate, measured at the level of Terna’s single Operating Areas;

- **applied research:** a specific organizational unit of the Engineering Department experiments with safety materials and devices, testing their reliability through resistance trials in extreme conditions;
- concern for safety conditions with regard to the **contractors** that perform work on construction sites on behalf of Terna. The protective measures introduced or strengthened by Legislative Decree 81/08 (see the paragraph “Relations with Suppliers” in chapter “Economic Responsibility”) in contract work to construct overhead lines and power stations require, among other things, a declaration that all the personnel on the construction site has been informed about and trained in the use of the personal protection equipment and the risks established in the Construction-site Safety Plan (PSC) and the Operating Security Plan (POS) prepared by the companies.

For several roles – for example, workers assigned to the mounting and maintenance of lines, cutting vegetation, and painting, construction-site and squad foremen, and safety heads – Terna requires additional certification that they have received between 24 and 32 hours of training for their roles, designed in cooperation with training institutes specialized in the field of electricity and SINCERT-certified.

Finally, during the supplier qualification process, Terna requires that candidate companies have documented procedures for protecting the health and safety of workers. In particular, companies in categories considered most significant with regard to safety and the environment must fill out a detailed questionnaire regarding specific organizational and procedural elements and aspects capable of ensuring good management practices in addition to compliance with all law provisions.

Main 2011 activities

Construction-sites monitoring

During the past year, nearly 100 construction sites monitoring was conducted on the main construction sites with the support of a specialized external company. This activity, that began in 2009, has the purpose of ensuring full compliance with the official and most significant safety requirements. In December, in order to share the results of the monitoring carried out with the main persons in charge for this work, a training event was organized for “Safety management in construction sites” promoted by the Corporate Security Department with the collaboration of the Human Resources Department. 80 colleagues participated with different responsibilities and activities linked to safety in construction sites. In addition to further analyzing issues related to applying Terna’s guidelines, during the event the best practices found in the different monitoring were presented as examples.

In 2011, an interdepartmental working group was also formed to initiate a series of assessments in construction sites; the group is formed by experts in safety, 231 Model, Fraud management and Quality system. The purpose of the assessments conducted by the team in 2011 - to be carried out also in 2012 – is a 360° monitoring of contracted activities allowing to foresee any corrective measures and improvements to be implemented based on synergy.

Moreover, already at the end of 2010, Terna and ANIE (Federazione Nazionale Imprese Elettrotecniche ed Elettroniche - National Federation of Electrotechnical and Electronic Companies) formed a Working Group with the purpose of harmonizing and standardizing provisions of the various different territorial bodies assigned to assess safety in construction sites for electricity works. In particular, the Group’s activities regarded the Guidelines for “Working at heights”. Terna’s objective is to uniform provisions for guaranteeing full understanding on the part of all those working in the sector to promote efficiency.

The Memorandum of Understanding with the Fire Department

The Head of the National Fire Department, of Public Aid and Civil Defence, Eng. Alfio Pini and Chairman Luigi Roth signed a Memorandum of Understanding for increasing the protection of the National Electricity Grid. This is the first agreement of its kind in Italy among the National Fire Department and a private company.

The Memorandum has the objective of developing a series of activities aimed at:

- specifically training the Fire Department personnel called to take action for aiding people near or in contact with overhead electricity lines and for drafting coordinated operating procedures;
- increasing physical protection levels of power stations, through specific training of Terna's personnel and identifying systems and procedures aimed at extinguishing fires and limiting environmental damages. For this purpose, the Memorandum also includes implementing a simulation system of the equipment in Terna's power stations considered being most vulnerable;
- drafting guidelines aimed at addressing electricity line problems interfering with activities subject to fire prevention control.

Lastly, the agreement establishes that activities necessary for reaching the objectives included in the Memorandum will be defined between the Head of the Fire Department and Terna through specific provisions to be implemented.



The Head of the National Fire Department Alfio Pini (left) and Terna's Chairman Luigi Roth.

Emergency systems in case of fire

With the aim of obtaining maximum speed and effectiveness of action in case of fire, Terna is equipped with – initially in its head office – “One Seven” fire prevention technology, a type of equipment that guarantees user safety and fast action through various specific characteristics:

- fast gas and vapor cooling: the decrease in temperature with the foam contained in the equipment is of 10.3 degrees C per second while with water it is only of 1.5 degrees;
- the manageability of an autonomous unit allows it to be connected to any type of on-site hydrant;
- the possibility of maintaining good visibility thanks to the reduced quantity of smoke produced.

Another important investment for fire emergencies regarded the equipment of the company's operational fleet of vehicles. Powder fire extinguishers were replaced with disposable extinguishers/suppressants weighing only 6 kg each and lasting up to 5 years without any maintenance requirements.

Lastly, 350 “first aid” boxes were distributed in the power stations across the national territory to use in case of fire, each one containing equipment certified by the Fire Department and necessary for extinguishing the fire.

Training and information

In 2011, over 60,000 training hours were dedicated to health and safety (increasing by over 20% compared to 2010). The DPRET (Disposizioni per la Prevenzione del Rischio Elettrico di Terna – Instructions for the Prevention of Electrical Risks of Terna) information campaign was particularly important that began at the end of 2010 and that continued throughout 2011 with over 30,000 training hours for junior executives, white-collar workers and senior executives.

HOURS OF TRAINING ON WORKERS' HEALTH AND SAFETY

	2011	2010	2009
Total	61,033	49,222	46,537
Senior executives	206	175	232
Junior executives	2,536	3,897	2,781
White-collar workers	25,737	20,265	18,781
Blue-collar workers	32,554	24,885	24,743

Moreover:

- updating activities established by the TU81/08 (i.e., first aid, fire prevention) were initiated and completed;
- an internal campaign was launched against the risks of alcohol and drugs. Addressed to all employees, the initiative included the widespread distribution of the guide “Occupational safety against alcohol and drug abuse”;
- an important training campaign was planned on safety in construction sites for 2012.

In 2011, the Company also continued the “**Analysis of the context and identification of the incentives capable of fostering safe occupational behavior**” project. Started in 2009, this project aims at enabling the Company to learn about its employees’ opinions and sensations regarding safety. In addition to surveying the employees’ degree of awareness of Terna’s commitment, the initiative represented an opportunity for gathering ideas and incentives leading to safer behavior at work. In the light of the results achieved by the project in the previous years, in 2011, the survey sample has been doubled with more than 320 employees interviewed and covering all the geographical areas in which Terna operates. The analysis regarded both the context and the nature of the work and showed that **employees are aware of the Company’s investment in the values of safety**. Training, meetings, and the possibility of sharing results are considered positive and are encouraged by employees. In order to adequately respond to the needs that emerged on the territory, in 2012, results will be distributed not only among the corporate management, but also at a more widespread level, aspects and themes will be suggested that are useful for further analyzing each area that participated in the interview.

Also in 2011:

- the Company’s OHSAS 18001 certification was confirmed;
- in compliance with the law, the RSPP and the AOT heads performed 133 inspections and the competent doctor carried out nearly 228 visits to work places;
- fourteen internal audits were performed;
- periodical preventive medical examinations were also performed for atypical workers, as provided for by Legislative Decree 81/08.

LA7 Occupational injuries

As in the two previous years, also in 2011 there were no fatal occupational injuries. The total number of injuries was in line with 2010. The injury rate shows limited fluctuations over time, while the absentee rate confirmed the downward trend. There were no hours of absence attributable to occupational disease, since – according to the official list – the kind of work performed at Terna is not associated with the possible onset of professional diseases. Therefore, the occupational disease rate at Terna should always be considered zero.

No fatal occupational injuries were recorded nor cases of fatal or serious injuries – even ones that occurred in previous years – for which in the three-year period considered it was definitively established that the company was in any way responsible. In 2011, no injuries occurred to Terna female workers.

OCCUPATIONAL INJURIES, TERNA EMPLOYEES GRI-ILO DEFINITIONS ^{(1) (2)}

	2011	2010	2009
Injury Rate	1.67	1.74	1.24
Lost Day Rate	46.4	65.0	40.9
Absentee Rate ⁽²⁾	7,757.0	7,796.5	8,219.4
Occupational Diseases Rate	0	0	0
Number of injuries	49	50	36
- serious	1	2	0
- fatal	0	0	0

(1) As required by the GRI protocols, the definitions adopted are those of the International Labour Organization (ILO). To facilitate comparison with other sources, the following notes provide the values of the same indicators calculated according to alternative formulas. It was not considered necessary to further break down the figures at the regional level, because Terna operates only in Italy.

The **injury rate** is the number of injuries with at least one day’s abstention from work divided by the number of hours worked during the year and multiplied by 200,000 (corresponding to 50 working weeks x 40 hours x 100 employees). To facilitate comparison with other sources, this indicator was also calculated using a multiplication factor of 1,000,000 instead of 200,000 (consequently obtaining an injury rate five times that of the ILO). According to the latter calculation, the injury rate was **8.3 in 2011, 8.7 in 2010, and 6.2 in 2009**.

The **lost day rate** is the ratio between the number of days not worked because of injury and the number of hours worked during the year multiplied by 200,000. Days not worked are calendar days and are counted from when the injury occurred. To facilitate comparison with other sources, this indicator was also calculated using a multiplication factor of 1,000. According to this way of doing the calculation, the lost day rate was **0.2 in 2011, 0.3 in 2010, 0.2 in 2009**.

The **absentee rate** is the number of days of absence because of illness, injury, or strike out of the number of days worked in the same period multiplied by 200,000. To facilitate comparison with other sources, this indicator was also calculated as a percentage of the days worked. According to this way of doing the calculation, the absentee rate was **3.9 in 2011, 3.9 in 2010, 4.1 in 2009**.

The **occupational disease rate** is the total number of cases of occupational disease divided by the number of hours worked in the year, multiplied by 200,000.

(2) In 2011, processing criteria were revised and the items determining the total of hours worked. In order to guarantee coherence and comparison of data, the figures of hours worked were updated and revised that were also used in the previous years (2010 and 2009) for calculating injury and absentee rates; for this reason, data published in the table are different with respect to the data published in the previous years.

(3) The reasons for absence considered do not include maternity leave, marriage leave, study leave, leave for union activities, other cases of paid leave, and suspensions.

In 2010, Terna consolidated its internal procedures for reporting injuries of employees of contractors and subcontractors, monitoring all the construction sites and recording all kinds of injuries (instead of only fatal and serious ones, which had been duly presented in the previous editions of the Sustainability Report). As in the case of Terna's employees, in 2011 and 2010 there were no fatal injuries among the employees of contractors and subcontractors.

OCCUPATIONAL INJURIES OF CONTRACTORS AND SUBCONTRACTORS EMPLOYEES

GRI-ILO DEFINITIONS

	2011	2010	2009
Occupational injuries	13	14	n.a.
- serious	4	5	1
- fatal	0	0	1
Injury Rate ⁽¹⁾	0.75	0.85	n.a.

(1) This is the number of injuries with at least one day's abstention from work divided by the number of hours worked during the year and multiplied by 200,000 (corresponding to 50 work weeks x 40 hours x 100 employees). To facilitate comparison with other sources, this indicator was also calculated using a multiplication factor of 1,000,000 instead of 200,000 (consequently obtaining an injury rate five times that of the ILO). According to the latter calculation, the injury rate was **3.7 in 2011 and 4.2 in 2010**.

Industrial relations

The industrial relations between Terna and the labor unions that represent its employees take place at both the electricity industry level and the Company level.

All of Terna S.p.A.'s employees are covered by a **collective labor contract** adopted by the companies in the **electricity industry** (in Italian, the CCNL - the National Collective Labor Contract for employees in the electricity industry). This contract governs many aspects of employee pay and benefits, such as, for example, the minimum pay for the different professional categories, the terms and conditions of shift workers, annual leave, overtime, supplementary health care, and supplementary pensions. Terna participates in establishing the industry's rules, since it is part of the employer delegation that negotiates the renewal of the contract with Labor Unions. The three-year CCNL in effect was signed on March 5, 2010 and expires on December 31, 2012. LA4

The relation with the industry Labor Unions also gives rise to the **regulation of the indispensable tasks** that must be performed in the event of a strike to ensure service continuity. At Terna, this issue is governed by the National Union Agreement of November 12, 1991, which implements Law no. 146 of June 12, 1990, regarding the exercise of the right to strike in essential public services and approved by the Guarantee Authority on Strikes for the aforesaid law. HR5

Among other things, the agreement provides in any case for the exemption from strikes of the personnel that is indispensable for supplying the service and entrusted with short-term planning, as well as the operation and maintenance of the production and transmission system. With regard to such provisions, at Terna this exemption concerns shift workers of the National Control Center, the Grid Services and Production-Plan Services, the Distribution Centers, and the Plant Remote-control Centers.

As far as employees on call are concerned, the agreement in question provides that, although they have the right to suspend their normal work during a strike, they are obliged to be on call throughout the duration of said strike. As long as strikes are called in compliance with law provisions, there are no limitations on Terna employees' to exercise their right to strike.

It should be noted, however, that when the CCNL was renewed on March 5, 2010, guidelines were established for the subsequent definition of the new regulations regarding the right to strike in the electricity industry. These guidelines confirm the principle of service continuity **in the event of a strike** and introduce on an experimental basis innovative elements regarding strike procedures for personnel on call.

The renewal of the CCNL provided for the establishment of a bilateral, industry-level Body on "Health, Safety, and the Environment", with the task of enhancing the safeguard of occupational safety, beginning with common objectives agreed on by the parties. In particular, the Body has the task of presenting proposals, monitoring, and coordinating training regarding environmental and safety issues. Provision was made for the possibility of establishing – in companies with more than 500 employees – bilateral corporate committees to work in cooperation with the industry Body. LA6
LA9

Employee involvement in matters of health and safety is currently regulated by the law, which provides for Employee Safety Representatives (RLS) to be appointed by all the employees. The RLS thus represent 100% of the employees and their number varies according to the number of the company's employees and offices. Their role involves seeing that regulations regarding the health and safety of workers are applied. During the aforesaid renewal of the CCNL, the role of

the RLS was expanded to include environmental issues, so they are now RLSA.

Representatives may request the Company to carry out inspections and they are consulted about risk assessment and the identification of preventive measures. At least once a year they participate in meetings with the employer and other corporate figures responsible for health and safety to examine the appropriateness of personal protective equipment and training programs, as well as the repercussions of new technologies.

In March 2009, Terna and the Company Unions signed an application agreement, while in June 2009 elections were held for the new RLS for all of Terna's local units. The new RLS for the Company's offices in Rome were appointed in October of the same year.

The aforesaid corporate agreement of March 2009 is only one of the numerous elements of the **relationship between Terna and Labor Unions at the Company level**. Industrial relations in the Company are based on the involvement of Labor Unions in the main aspects of corporate life, provided that the distinction of roles and responsibilities is maintained. Union relations at the Company level are governed by the *Protocol on the system of industrial relations*, which establishes a structured system of relations based on advance and/or periodical negotiation, discussion, consultation, and information. The **employee union membership rate at Terna S.p.A. in 2011 was 60.6%**, which is high compared to the industry average, but represented a slight decrease compared to previous years. Membership is concentrated in the largest unions, which determines the absence of fragmentation in union representation and constitutes the condition for a high-profile system of industrial relations. Management of the *Protocol on the system of industrial relations* has enabled the parties to develop and consolidate an effective network of relations at all levels, thus allowing the processes of change of significant corporate interest to be governed.

In the 2009-2011 three-year period, bargaining with the industry labor unions led to the **signing of 44 agreements**. In 2011, industrial relations activities were characterized by bargaining with the national Secretariats of Labor Unions regarding corporate contracts or second tier contracts.

Two principal agreements were signed for defining the new economic – regulatory reference framework for the 2011-2013 three-year period, regarding Production Bonuses and Expense Reimbursement for business travel, respectively. The latter agreement allowed superseding the pre-existing system based on 20 different regional agreements, gradually establishing – by January 1, 2013 – single amounts at the national level for the individual reimbursement items.

Moreover, with the agreement signed on September 21, 2011, specific training projects were implemented regarding occupational safety (Safety management in construction sites, Fire prevention training, Safe driving on snow and ice) with the intention of consolidating a model of industrial relations based on participation also by sharing training goals and objectives. Lastly, a preliminary discussion with the national Labor Union Secretariats was initiated regarding the project of the Terna Group's new corporate structure.

Labor Organization involvement in case of organizational models represents one of the central aspects of industrial relations: both law provisions, sector contract and corporate agreements contribute to regulating this model. Pursuant to the law, in case of mergers, acquisitions or other significant changes in corporate ownership structure identified by the law itself, the workers' representatives must be informed and consulted no less than twenty-five days prior to binding agreements.

In compliance with the union agreements in effect at Terna, in the event of significant organizational changes preliminary discussions with the unions must be held, to be concluded within three months. The Company is required to make available all the documentation necessary for the union representatives to obtain a complete view of the organizational project in order to express comments and proposals. At this stage, the preliminary information remains at the collective level. Individual employees are informed in advance only if the organizational change entails their transfer to a different office. In this case, workers must be informed in writing at least thirty days in advance.

LA5



Our approach

Terna is an infrastructure company that is strategic for the Italian economy and provides a public utility service. Society – understood in both a general sense as the recipient of Terna’s service and a local sense as the communities more directly affected by projects for developing the transmission grid – is an essential stakeholder.

S01 Terna’s approach to the local communities that host the construction of new infrastructure is discussed in depth in the chapter “Environmental responsibility”, because the visual and landscape impacts are the most significant ones of such activity. In this chapter, contrarily, other possible impacts on individuals and on society are discussed.

S09

EU20 The construction of new electricity lines does not involve the physical displacement of people or entire communities, but only the use of from nearly 30 to nearly 250 square meters of land for every pylon. Terna’s use of innovative solutions, such as, for example, single-pole pylons, tends to reduce the physical encumbrance, as well as the visual impact, of new lines. Even though Terna is authorized by the law (Law no. 1775 of 1933 and Presidential Decree 327/2001 – Consolidated Act on expropriations) to use an expropriation procedure to obtain the land, the Company prefers solutions based on mutual consent, paying a one-off compensation for the line’s right of way through private property (mounting pylons, installing overhead conductors, laying underground cables). In this case, the owner will no longer be able to use the land physically occupied by the pylons, it being understood that in the event the lines are dismantled, the land will again be at his complete disposal.

EU22 The pursuit of a consensual solution fails only in a minority of cases. When that happens, it is necessary to use coercive measures. In the 2009-2011 three-year period, Terna constructed nearly 515 km of power lines, which entailed obtaining easements from approximately 14,412 land owners (7,092 in 2011, 3,586 in 2010 and 3,734 in 2009). In 16% of the cases it was necessary to use a coercive easement procedure.

When Terna constructs a station, which occupies much more land, the Company normally purchases the necessary land. Considering its role as the provider of a service to society and the regulatory context in which it operates, Terna complies scrupulously with the laws and regulations that concern it.

In consistency with this fair and respectful approach, Terna considers the identification and implementation of social, humanitarian, and cultural initiatives to be an integral part of its mission, as a concrete sign of participation in the civil development of the communities in which it operates.

As provided for by its Code of Ethics, in its relations with public authorities and associations, Terna represents its interests in a transparent, meticulous, and consistent manner, while avoiding collusive behavior.

HR1 Human rights

HR3

HR4

HR5 The Terna Group operates in Italy, where the legal framework and the level of civil development amply guarantee respect for human rights, freedom of association, and collective bargaining, thus making it superfluous for the Company to dedicate particular attention to these issues, with the implementation of special management policies. Throughout all of 2011,

HR6 Terna’s projects abroad (Balkan area and North Africa) did not imply any operational activities. Even the Montenegrin company Terna Csrna Gora, established in June 2011 (2 employees with local contracts as of December 31, 2011), provides support to Terna’s activities deriving from its equity share in the Montenegrin TSO CGES (see “The Terna Group”, page 28). This Company adopted the Group’s Code of Ethics in February 2012.

HR7

HR9 **Since 2006, Terna has adopted and incorporated in its Code of Ethics the principles of the Global Compact**, thus establishing a benchmark – an insuperable limit – for all the situations in which the Company might operate in the world.

HR10 This commitment was further strengthened in December 2009, when the Board of Directors resolved to formally join the Global Compact (see the dedicated box in the chapter “Profile”, page 40).

HR11 In compliance with the above and the current lack of criticalities, the managing responsibility for human rights is in principle within the sphere of the Human Resource and Organization Department, and – considering that many aspects regarding human rights are dealt with in Terna’s Code of Ethics – the Audit Department is entrusted with ensuring that the rules are correctly applied. Regarding guaranteeing respect for human rights and workers’ protection in contractor and subcontractor works carried out on behalf of Terna, a fundamental role is played by the Procurement Department and by the Corporate Security Department; for this purpose see paragraphs “Relations with Suppliers” and “Occupational Health and Safety”, respectively on page 104 and 169 of this Report. The Corporate Social Responsibility Department, finally, tracks changes in external references (for example international agreements), with an eye to, among other things, possible Company activities in other countries in the future.

The safeguard of legality and the prevention of corruption

At Terna, the prevention of corruption is a strategic activity which meshes with the internal control systems. Legality and honesty are two of the general principles on which the Code of Ethics and conducting the Company's activities are based. Terna's strategy in this regard focuses on three major areas:

Risk management: since 2001 Terna has adopted the 231 Organizational Model, an updated set of guidelines, procedures, training commitments, and control mechanisms which forms an integrated system for the prevention of specific risks, including the crimes of corruption.

During the 2009-2011 period, the Audit Department examined all the corporate departments (100%) and the Company's subsidiaries several times with regard to the different kinds of risks, including those concerning corruption, and produced audit and risk-assessment reports for at risk corporate processes and departments.

Monitoring: the Security Department's Fraud Management Unit performs tasks regarding:

- the prevention and management of crimes, carried out through:
 - the systematic analysis of the preconditions characteristic of incidents of fraud, identifying the critical areas in which the phenomena can be favored and possible causes in organizational and operating aspects of processes;
 - defining specific monitoring and control procedures for reducing risks;
 - constant monitoring of the effectiveness of prevention systems adopted;
- checking and assessing new parties and counterparties with the aim of limiting the risks stemming from transactions with third parties;
- preliminary validation of the requests for assigning consulting, professional assignments, IT services and assignment procedures to pre-determined contractors;
- in compliance with the Memorandums of Understanding signed with them, sending to the Public Authorities in charge data, information, and details on contractors and subcontractors in order to prevent criminal infiltration of construction work on the infrastructures of the National Transmission Grid (NTG).

Personnel training: Terna constantly organizes training courses on the Code of Ethics and 231 Model. The objective of these courses is to ensure, at all the corporate levels, awareness and the dissemination of the rules of behavior and the procedures established for the prevention of crimes and to inform and train personnel regarding the areas at risk of crimes and the potential crimes with regard to the activities performed. In 2009, awareness regarding the Code of Ethics was also increased through a dissemination campaign addressed to the first reporting lines and, using the waterfall method, all employees during the establishment of an Ethics Committee aimed at facilitating internal discussion of ethical issues. In March 2011, the Security Department published and distributed to all employees a manual entitled "Legislative Decree no. 231 of June 8, 2001 - Organizational model and procedure management" to further support information and training activities regarding the subject. The following table shows the data on the employees who attended the courses on 231 Model in the 2009-2011 three-year period.

COURSES ON 231 MODEL

Indicator	2011	2010	2009
Participants in the course			
Number of participants	97	1,073	1,053
- senior executives	12	26	12
- other categories	85	1,047	1,041
% Coverage			
Out of total	2.8	30.9	30.6
- senior executives	20.0	44.1	18.5
- other categories	2.5	30.7	30.8

Following the 2009/2010 campaign, during 2011 training on the 231 Model regarded only specific updating requirements. During the year, a working group was formed for defining a new online course and classroom activities.

In 2011, as in the three previous years:

- there were no cases of litigation regarding corruption;
- there were no disciplinary penalties for incidents of corruption;
- there were no ascertained reports of violation of the Code of Ethics with regard to corruption.

As of December 31, 2011 no litigation regarding corruption was pending.

S02

S03

HR3

S04

Social responsibility

S05 Relations with institutions

The nature of Terna's business makes it necessary for it to engage in a continual dialogue with the government at both the national and local level and with local communities, as well as to listen to the requests and needs expressed by institutions and the public at large, which also leads the Company to participate in hearings, meetings, conferences, and forums with institutions and stakeholders. In addition, the Company constantly monitors both national and local legislative activity.

To combine the need for expediting authorizing and implementing electricity infrastructures with the need for maximum protection of archaeological and cultural heritage, on April 28, 2011, Terna stipulated with the Ministry for Cultural Heritage and Activities (MIBAC) a Memorandum that establishes the obligation, during the planning phase, of preliminary archaeological surveys after which the Superintendents and archaeological authorities can request further analyses prior to beginning work.

During 2011, on several occasions, the company was heard by the Parliament.

- On January 19, Terna was invited by the Senate's Industrial Commission to take part in the hearing for examining Legislative Decree 28/11 implementing Directive 2009/28/CE for promoting the use of energy from renewables. During the hearing, Terna underlined the need for more rigorously complying with the rules that establish a single Authorization for the plant and the connection works so that the energy produced can be injected into the grid with consequent advantages for both consumers and the environment.
- On April 27, Terna was heard at the Environmental Commission of the Chamber of Deputies during the preliminary survey on "Environmental policies regarding energy production from renewables". On this occasion it provided various data on the growth of the renewable sector and underlined the importance of properly applying the existing provisions for contrasting any type of speculation. The survey highlighted Terna's commitment in building new power lines and stations for exploiting as best as possible the energy produced from the plants supplied by renewables.
- On October 18, Terna was heard by the Senate's Industrial Commission during the preliminary survey on the National Energy Strategy. On this occasion, the Company illustrated its projects for adapting the grid to the needs deriving from the growth of renewables whose installed power has tripled in two years and is expected to continue to increase in the next ten years. To safely manage the energy produced by intermittent sources, in implementing Legislative Decree 28/11, Terna integrated the 2011 Development Plan including the building of energy storage systems capable of significantly increase the quantity of renewable energy absorbed by the electricity grid and at the same time improve the electricity system's safety.

During the year, Terna's top management met with the institutional world to discuss issues that are particularly important for the Company, such as the investments included in the Development Plan for the electricity grid. Even on these occasions, criticalities for the electricity system's safety were underlined owing to the increased energy produced from intermittent sources as well as the possible solutions, such as developing new technology and installing energy storage systems allowing to safely exploit green energy for the electricity system.

Participation in Associations

In consistency with commitments expressed in the Code of Ethics, Terna cooperates, discusses, and supports the work of the associations to which it belongs to contribute to the general improvement of the electricity industry and its regulations and technical standards.

Terna continues to be a member of Confindustria, the most important association representing the interests of Italian companies. In April 2008, Terna also signed a Memorandum of Understanding with ANIE (the National Federation of Electrotechnical and Electronic Companies), which is a member of Confindustria. The three-year agreement provides for common initiatives aimed at institutional and financial partners and the operators of the electricity grids of foreign countries of common interest with regard to their respective objectives of international growth. ANIE undertakes to encourage its members to provide, upon Terna's request, technical advice about foreign markets and to facilitate the exchange of information and statistical data to improve knowledge of markets of interest.

Terna also actively participates in the CEI (Italian Electrotechnical Committee), an organization entrusted with tasks regarding the industry's technical standards. Terna employees with technical roles often belong to professional associations whose purpose is to keep their members updated, such as, for example, CIGRE (*Conseil International des Grands Réseaux Électriques*) and AEIT (Italian Federation of Electrotechnics, Electronics, Automation, Information Technology, and Telecommunications), which group electrical engineers and other industrial specialists.

In harmony with the willingness to contribute toward the country's civil growth even beyond its own infrastructural role, in 2011 Terna confirmed its support in favor of social, cultural and environmental initiatives.

Terna's corporate giving activities mainly consist in financial support to charity initiatives. To these the resources are added dedicated to organizing initiatives in favor of the community, the free-of-charge transfer of corporate property no longer useful in the production cycle and the support provided in the form of work time dedicated by Terna's employees to different initiatives, particularly remunerated hours for volunteering activities.

It should be stressed that contributions are never granted in favor of political parties or of their representatives, as established in Terna's Code of Ethics.

For preparing accurate reporting on these themes, aimed at monitoring for internal uses and for external comparison, in 2011 Terna joined the London Benchmarking Group (LBG), an international group of companies active with regard to charity initiatives that also developed the classification and measuring standard, by the same name, of the initiatives in the community and the related input (donations in cash, in kind, in employee time) and output (benefits actually generated by the initiatives, both for recipients and for the company). The LBG model represents a conceptual reference framework for defining, classifying and accounting corporate charitable initiatives. Accounting contributions often requires using other accounting criteria (for example, the fair value of property transferred or the amount of a sponsorship that becomes an actual charity activity) and is therefore influenced by interpretational aspects, however, it has the quality of creating a coherent relation among costs and benefits of charity initiatives, allowing for strategic planning and a rational management of corporate giving.

During 2011 Terna defined its monitoring systems as described in the dedicated box that follows.

The LBG model for strategically managing corporate giving

In 2011 Terna joined the LBG – The London Benchmarking Group, a British organization that, together with the operational coordination of Corporate Citizenship, joins over 120 companies on the theme of the impacts of Corporate Community Investments for which an accurate measuring method has been defined.

For the first time, the 2010 Sustainability Report (pages 161-162) classified the initiatives implemented by Terna in the community during the year, according to the LBG Model, highlighting the three possible contribution modalities (cash, in kind, or in employee time), the types of initiatives (donations, investments in the community or commercial initiatives in the community) and their objectives (Education and youth, Health, Economic development, Environment, Art and culture, Social welfare, Support for emergencies and Other).

Not having the necessary data available for this first model application, it was not possible to measure the outputs of charitable initiatives, i.e. the impacts on the beneficiary organization, the end beneficiaries and the company. For this reason, during 2011, monitoring tools were defined, consistent with the LBG model and adapted to the Italian context and Terna's peculiarities.

The tools defined by Terna include drafting a project-chart, filling in a questionnaire for collecting information on the allocation of donations and sponsorships and the initiative's visibility and a final chart for assessing the effects on the Company.

This monitoring set was applied for a first data collection at the end of 2011 and as of 2012 it accompanies from the very beginning each individual initiative also for supporting the effectiveness and efficiency assessment of the initiative itself.

In Italy, despite the LBG method is referred to in many sustainability reports, only two companies have officially joined it: Terna and Telecom Italia.

In parallel to this activity, new Operational Instructions were drafted and published for "Management of requests for the free-of-charge transfer of corporate property" which regulates one of the three inputs measured by the LBG method.

EC8 The following table shows the aggregate community initiatives, classified for the first time according to the LBG model, carried out by Terna in 2011:

COMMUNITY INITIATIVES

Values in euro	2011	2010
Total value of contributions (excluding internal overhead costs)	1,923,500	1,558,825
Composition by type of contribution		
- In money	1,833,550	1,436,743
- In kind (free-of-charge transfer of corporate property)	42,414	34,547
- Employee time	47,536	87,535
Composition by type of initiative		
- Donations	1,338,914	808,085
- Investments in the community	244,336	114,283
- Commercial initiatives in the community	340,250	636,457
Composition by purpose		
- Education and youth	498,936	81,297
- Health	22,404	35,086
- Economic Development	479,000	171,575
- Environment	21,000	32,240
- Art and culture	545,900	751,644
- Social welfare	30,000	66,250
- Support to emergencies	61,850	5,000
- Other	264,410	415,733

(*) **Donations:** episodic contributions, typically in response to requests for funds from charitable organizations deemed deserving.

Investments in the community: expenses for coordinated/organized initiatives by the Company according to a medium-long term plan, often in partnership with NGOs.

Commercial initiatives in the community: marketing initiatives with charitable consequences (only the part of the expense is calculated representing a charitable contribution).

Despite a one year pause of the Terna Prize for contemporary art, artistic and cultural initiatives are confirmed as being the area of major concentration of Company's initiatives. Significant activities were also carried out in 2011 for youth training through collaboration programs with Universities and Master's programs. Supporting environmental causes was not included into this table since it is usually linked to building new electricity lines and was therefore reported as environmental expenses (see the dedicated paragraph in the chapter Environmental responsibility, pages 146-147).

Nearly 40% of the organizations that received a donation in 2011 returned to Terna the LBG questionnaire on the external effects of corporate giving that allowed a first evaluation of the effects on the community. Among these the following are listed:

Art and culture

- **Spazio Teatro NO'HMA "Teresa Pomodoro":** Terna supported the 2010-2011 theater season focused on the theme "Man and the sense of things" and the second edition of the International Prize for Theater of Inclusion. For the themes addressed and the free-of-charge use, the Spazio NO'HMA represents an element of value in the current contemporary cultural scenario.

The LBG survey registered an important cultural enrichment for a public of approximately 24,000 people that would have otherwise been excluded from using the regular theater circuits.

Social welfare

- **Province of Ravenna for the Tuzla Orphanage:** Terna supported building an electricity production plant from photovoltaic panels for supplying hot water to minors living in the Tuzla orphanage (Bosnia-Herzegovina). Upon completion, LBG registered an immediate benefit in terms of greater personal hygiene and improved quality of life for the 130 children living in the orphanage.
- **Popica Onlus, "StradAlternativa" Project:** Terna participated in this social inclusion and health project addressed to approximately 120 children and youth living in extreme poverty conditions along the roads of Satu Mare in Romania. The LBG survey underlined that in 25% of cases, an important behavioral change occurred and a cultural and professional enrichment that determined more generally a significant improvement in the quality of life. For an additional 30%, this change had only begun or was in progress for being consolidated.

Health

- **Fondazione Onlus Marina Minnaja:** Terna supports this three-year project that began in 2011 for educating and training patients on a waiting list and after organ transplant by providing assistance during the transplant process and the production of educational and informative materials.

The LBG survey, conducted a few months after the project began, registered benefits for the organization in this first phase, that focused on training volunteers.

Education and youth

- **Fondazione Ugo Bordoni:** Terna supports the activities of the Fondazione Ugo Bordoni, the high cultural institute that conducts research, scientific and applied studies in electronic communication, information technology, electronics, network public services, radio and TV and audio-visual and multi-media services in general for promoting scientific progress and technologic innovation.

The LBG survey registered, as the output of Terna's contribution, a broadened offer of the foundation's new services in favor of scientific research through co-funding of scholarships, grants and research contracts for activities concurred with the Universities of Rome "La Sapienza", Tor Vergata and Roma Tre, Politecnico di Milano, Università di Milano Bicocca, Università dell'Aquila and Università di Bergamo. The foundation, in turn, was able to increase its professional know-how on themes of Urban Energy Network, referred to Smart Grids and Smart Cities and produce two original research studies.

In 2011, during the Christmas holidays, a new solidarity project was implemented described in the following box.

With "A better future for all" 2011 Christmas by Terna creates solidarity

The 2011 Christmas holidays were for Terna the occasion for launching the solidarity initiative "A better future for all" that supported three projects aimed at the welfare of future generations and of health.

Preserving a forest, providing a better future to children with a difficult present situation and supporting Italian excellence in medical-scientific research on hopeless diseases are respectively the objects of the projects of WWF Italia, Associazione Ai.Bi. - Amici dei bambini and "Adotta una cellula" of the Casa Sollievo della Sofferenza in San Giovanni Rotondo and of the Associazione "Neurothon Onlus" that Terna has supported and promoted also through its Christmas cards and its website www.terna.it.

These projects, promoted by organizations that successfully passed transparency and reliability criteria, were selected for all having the objective of guaranteeing a better future.

During the International Year of Forests, the initiative undertaken by WWF Italia promotes, the protection of the humid forest of the Foce dell'Arrone along Lazio's coastal area, a small pocket of biodiversity along the Tyrrhenian Sea characterized by a growing urbanization. The coastal forest with its sandy dunes and Mediterranean Maquis containing animal and plant species living in this particular habitat represent the most significant characteristics of the Foce dell'Arrone which, together with the nearby Oasi di Macchiagrande, are also a precious example of environmental protection and conservation of its history and culture.

Minors living in difficult family situations are the object of Terna's second solidarity project: a foster home near Milan founded by Ai.Bi. - Associazione Amici dei bambini. Creating a serene and constructive environment for a child that is temporarily away from his family of origin through the support of foster parents providing love, safety and protection and promoting a healthy growth and development of a child's social and individual identity, represents the objective of the foster homes, a solution that is not yet widespread but that focuses on children.

A better future also passes through the support provided to scientific research and to its constant commitment toward expanding human knowledge for increasing the quality of all: defeating neurodegenerative diseases such as the ALS, multiple sclerosis, Alzheimer's disease is the primary objective of the project "Adotta una cellula" by Prof. Angelo Vescovi, Scientific Director of the Casa Sollievo della Sofferenza whose studies on cerebral stem cell transplants are finding effective treatment against these diseases. The experimenting protocol defined by Prof. Vescovi succeeded in obtaining in March 2011 the authorization from the Istituto Superiore della Sanità for proceeding with human experimenting on patients affected by ALS.

To complete the initiative, Terna was also the promoter of three projects with its suppliers requesting them to contribute with a donation rather than sending Christmas gifts.

Sponsorships, divided according to areas, included:

Economic development

- **2011 Cigré International Symposium** dedicated to “The electric power system of the future – Integrating supergrids and microgrids” (Bologna, September 13-15). Terna supported this international initiative hosted by the Department of Engineering at the University “Alma Maudiorum” in Bologna, regarding integrating complex grids.

Environment

- **IVth Energy Festival** (Florence, June 23-25). Terna supported this national event entirely dedicated to energy that promotes an exchange between the public and representatives of the scientific, cultural, artistic and economic and institutional worlds as well as of associations.
- **Vth the Pimby - Please in My Backyard Prize:** conceived by the association by the same name, this is an award given to the bodies that promote a culture of sustainably getting things done on their territory, by constructing works with the agreement of the inhabitants and in compliance with the relevant regulations. Terna supports the prize to foster a sustainable approach based on consultation with local communities.

Art and Culture

- **Year of Russian language and culture in Italy and of Italian language and culture in Russia:** Terna supported cultural initiatives organized by the Italian Cultural Institute in Moscow promoted by the joint Committee established by the two governments for organizing events in Rome, Milan, Moscow and St. Petersburg.
- **“Gli occhi di Caravaggio. Gli anni della formazione tra Venezia e Milano”** (The eyes of Caravaggio. The training years in Venice and Milan): Terna supported the exhibit hosted in Milan by the Museo Diocesano of the Ambrosian Dioceses, from March 11 to July 3, 2011.
- **XLIXth Campiello Prize:** Terna supported the 2011 edition of the Campiello Literature Prize, which is organized and promoted by the Veneto Confindustria.