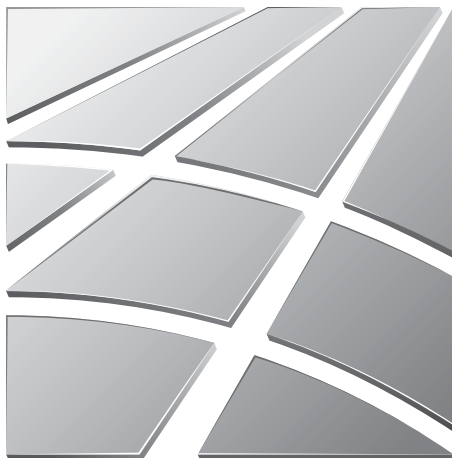


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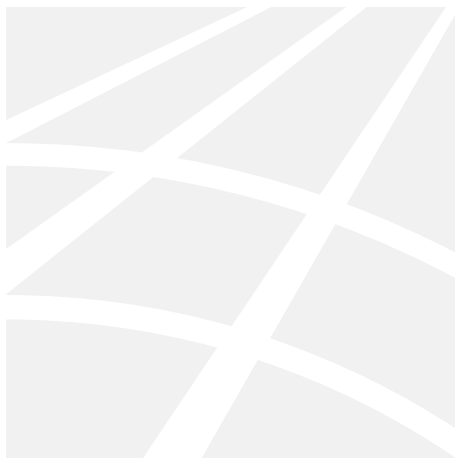


Ethical Code

Terna is a leading grid operator for energy transmission. The company manages electricity transmission in Italy and guarantees its safety, quality and affordability over time. It ensures equal access conditions for all grid users. It develops market activities and new business opportunities with the experience and technical expertise acquired in managing complex systems. It creates values for shareholders with a strong commitment towards professional excellence and with a responsible approach towards the community, fully respecting the environment it operates in.



2008



Ethical Code

LETTER FROM THE CHAIRMAN AND THE CEO

A guide to everyday decisions. A concise definition to present a Code of Ethics which actually takes us straight to the heart of a very complex, important and high-profile tool.

Our Code of Ethics was drawn up in 2006, following the transformation that allowed Terna to become an independent operator for the energy transmission market. It is the result of an internal process of reflection and sharing of knowledge regarding Terna's identity, mission and values as well as its future goals, its relations with other parties and the conduct held by people within the company and towards the outside world.

The document aims at defining ethical principles and regulations by focusing in detail on Terna's specific characteristics and by helping to spread those universal values and principles that every company should apply in conducting its business.

The most important reason for drawing up and adopting a Code of Ethics is to generate trust in stakeholders.

In every field the reliability and sound reputation of a company produce value and represent a vital growth and development driver. Terna is assigned a general interest service, therefore the responsibility for the electricity service is also the first ethical commitment towards the community that expects the services' continuity, quality and affordability.

These also represent the main expectations of grid users and of the public authorities. Local communities and the public opinion in general ask that the territory and the environment be respected. Before deciding how to invest their capital, the economic system, financial analysts and investors not only look at the accounts, but also at other intangible values.

In order to meet these expectations, conduct must be coherent with the Code of Ethics that does not represent a formal compliance, but a guide for conquering the trust of our stakeholders through everyday activities.



Simple compliance with legal obligations is vital, but it is not enough. Best practices demand more: guidelines in applying the principles included in the Code, rules, recommended conduct, systems for monitoring and improvement, representatives to contact in case of doubt or in the event of unpredictable circumstances and lastly strict rules for dealing with breaches.

The Code of Ethics involves considerable commitment on Terna's part and requires a sense of compliance and responsibility especially from employees, directors, associates and significant business partners. In a certain way it forms part of the professional relationship that binds them to the company. Therefore, it must be distributed, related, consulted and explained to anyone intending to work for Terna or with Terna. It should be introduced into daily practice. For this purpose, as envisaged by the Code of Ethics itself, an Ethical Committee was established: a point of reference for identifying responsible and proper conduct to maintain in work situations and for facilitating everyone's compliance with these regulations. Not only because they are mandatory, but we hope the principles outlined will be respected by all those who are bound to do so. These regulations should be shared and applied by everyone above all at a personal level and secondly at a professional level. We ourselves are the first to commit to this approach: to improve each day, spreading positive values and constructive conduct not only in the company and on the market, but also in the society we live in.

The Chairman
LUIGI ROTH

A handwritten signature in black ink, appearing to read 'Luigi Roth'.

The CEO
FLAVIO CATTANEO

A handwritten signature in black ink, appearing to read 'Flavio Cattaneo'.

I Ethical Code Terna



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INTRODUCTION

PURPOSE OF THE ETHICAL CODE

The Ethical Code is a tool for preserving the company's values and integrity over time. It provides a set of positive principles and standards of conduct (hence the term "code") that Terna has voluntarily chosen to adopt and to make public as a tangible expression of its intentions towards the subjects with whom it comes into contact (an "ethical" choice).

The Code is a touchstone for everyday work. Every action performed and every relationship established, whether between people or towards the outside world, has a positive or negative effect on the company.

Professional integrity, honesty and the honouring of commitments lay the groundwork for trust. Breach of these values, recognised by the community and by the market, unfair or unlawful actions can cause damage that is difficult to redress. Damage can take various forms, for example, it can affect the company's image, and above all its reputation and its credibility, and it can have detrimental repercussions on market trust and the trust of shareholders and stakeholders, but also the trust of customers, suppliers and the very people that work or wish to work for Terna.

Compliance with the Ethical Code and constant application of its principles can avoid all this. The Ethical Code also aims to help people recognise the ambiguous or potentially risky situations that they may encounter in performing their activity, as well as to identify relations or conduct that are not crystal clear and that can damage Terna.

Hence thorough knowledge of the Ethical Code is a duty, as is its application. The company's reputation and success depend on the attention of each and every person.

SCOPE OF APPLICATION AND VALIDITY

This Ethical Code applies to Terna SpA. It is binding on the directors, employees and all those who work in the name of and on behalf of Terna, as it forms part of corporate provisions. Where expressly provided, it is also binding on certain external stakeholders in their contractual relations with Terna. As a general rule, however, Terna would hope that its stakeholders spontaneously embrace the principles upon which the Code is based, that they accept the Code and apply it as the foundation for mutual trust-based relations¹.

In its Ethical Principles (section 1), the parts of the Code relating to loyalty towards the company, conflicts of interest and protection and proper use of corporate assets (section 2) and the General Guidelines concerning relations with stakeholders (at the beginning of each chapter of section 3), apply to the whole Group, including its direct and indirect subsidiaries, both in Italy and abroad.

In view of the cultural, social and economic differences of the various countries in which Terna operates, individual subsidiary companies may adopt their own guideline documents which, complying with the spirit

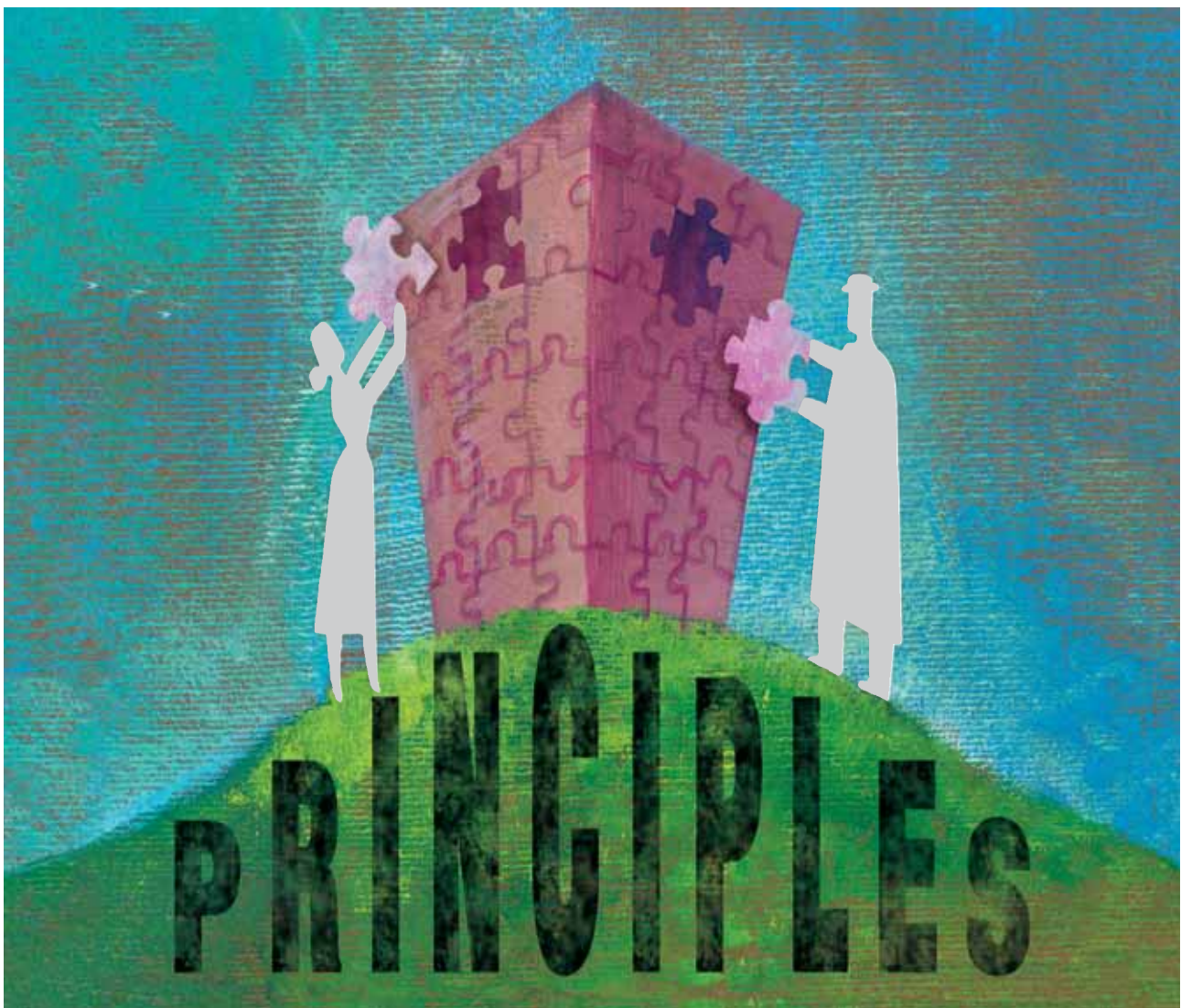
¹ "Stakeholders" means all those who directly or indirectly enter into relations with Terna, such as its shareholders, employees, associates, customers, suppliers and business partners, but also the authorities to whom Terna refers in performing its business. On a more general level, a company's stakeholders are those subjects whose interests influence or are influenced by the effects of its activities.

and, where possible, drawing inspiration from the content of the other sections, supplement the Parent Company's Ethical Code with principles of conduct specific to their activity and operating context. Terna requests that its subsidiaries establish principles of conduct consistent with the highest local standards, in terms of environmental protection, safety and workers' human rights.

STRUCTURE

Terna's Ethical Code is divided into five sections:

- Terna's fundamental **ethical principles**;
- conduct requested, especially employees, with regard to three broad issues that cut across the whole organisation: **loyalty to the company, conflicts of interest and protection and proper use of corporate assets**;
- the main guidelines on the conduct to be observed **in relations with stakeholders**, grouped into eight categories towards which Terna intends to follow standard conduct;
- Terna's **commitments** to ensure **compliance with the Code** and **requested conduct** with regard to certain stakeholders;
- The **provisions for implementation of the Code** and the reference figures responsible for updating the Code and collecting reports and to whom to apply if clarification is required.



01

ETHICAL PRINCIPLES

THE ETHICAL CODE IS BASED ON A NUMBER OF GENERAL ETHICAL PRINCIPLES THAT REPRESENT BROAD UNIVERSAL VALUES FORMING THE ESSENCE OF EVERY ASPECT AND EVERY INSTANT OF COMPANY LIFE, AND ON FOUR PRINCIPLES THAT TERNA RECOGNISES AS PARTICULARLY SIGNIFICANT TO ITS OWN ACTIVITY AND NATURE.



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THE GENERAL PRINCIPLES

Lawfulness is the cornerstone upon which the whole Code stands. Compliance with the law is unwaivable not only in Italy but also in the other countries in which Terna's business is performed. Under no circumstances will a breach of this principle be justified, not even in the name of Terna's interests. As the substance of national legalisation may differ from country to country, Terna intends to acknowledge a number of fundamental internationally accepted ethical principles. Specifically, it acknowledges and undertakes to comply with the ten United Nations Global Compact Principles, the highest values that the United Nations recommends to companies, and which summarise the most important documents accepted at international level in terms of workers' and human rights, respect for the environment and the fight against corruption. It also refuses involvement with subjects that carry on unlawful activities or activities financed by unlawfully funded capital.

Another general principle is **honesty**, necessary to gain credibility within and without the company and to establish trust-based relations with stakeholders. As a consequence of this principle, Terna will not condone corruption² in any guise or form.

Lastly, **responsibility**, which means considering the consequences of Terna's actions, being attentive to their impact on the community and the environment and to the sustainability of long-term growth.

TERNA'S FOUR PRINCIPLES

- **Good management** at all levels, that is, the capacity to guide and govern the company in a balanced and profitable manner, but also each individual's commitment to work in an effective and efficient manner, providing at all times and expecting high standards of quality. This principle includes, as essential condition for mutual trust between company and the following elements:
 - result-related components: quality of service, financial performance, enhancement of infrastructure over time;
 - process-related components: spread of a common culture of safety and awareness of risk, both individual and general; development of risk management systems; identification of reference criteria for corporate decisions and definition of procedural standards;
 - strategic components: company's evolution and future ranking within its sector and wider contexts.
- **Respect**, a very broad and sensitive issue, because it affects the individual in his personal/private sphere as well as in his working life, and also, more generally the attitude of the company with regard to its commitments towards stakeholders. As far as in-house relations are concerned, respect firstly means protecting employees' physical and moral integrity and valorising them as key resource to competition and success. Instead,

² Global Compact is an international initiative to support ten universal principles relating to human rights, labour standards, the environment and the fight against corruption, which has been embraced by companies, United Nations agencies, trade unions and civil society organisations. They are universally accepted as they derive from the Universal Declaration of Human Rights; the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work; the Rio Declaration on the Environment and Development; the United Nations Convention Against Corruption. The ten UN Global Compact principles are provided in full on page 30 of this Code.

outside company, it means maintaining professional relations with customers and suppliers, but also listening to other stakeholders – such as local authorities or the media – regarding them as interested parties to be considered, informed and involved. Lastly, it means carrying on business in a way that is compatible with the surrounding environment and in everyone's interest.

- **Fairness**, the founding principle for correct and impartial conduct. It represents the capacity to maintain a constant balance between specific and general interests, of the individual and the company, of all shareholders and of every grid user and supplier. This principle is important in a great number of relations, but is particularly significant in three cases. The first relates to the treatment of people, whose skills and merits, as well as duties, must be given fair consideration.

The second refers to relations with the electricity sector operators, where non-discrimination and impartiality are mandatory for Terna. Lastly the third case concerns relations with the general public, where the requirements of the territory on which Terna plants stand (or are to be established) must be reconciled with the general service costs.

- **Transparency**, in actions, communications and disclosure, is a key element to offering reliability to internal and external stakeholders. It concerns the sphere of corporate management, which must be clear and verifiable, and concerns the disclosing of information on the company to the outside world. Disclosure, in particular, must not only comply with the established procedure at all times, but must also be simple, comprehensible, timely and accurate and – if published – easily accessed by all.



02

LOYALTY TOWARDS THE COMPANY, CONFLICTS OF INTEREST AND PROTECTION AND PROPER USE OF CORPORATE ASSETS

THE REGULATIONS PROVIDED TO TERNA EMPLOYEES TO HELP THEM AVOID CONFLICTS OF INTEREST, WORK WITH DILIGENCE AND PROTECT CORPORATE ASSETS, SHOW THAT LOYAL, PROPER AND TRANSPARENT CONDUCT ARE FUNDAMENTAL VALUES FOR THE COMPANY

CORRECTNESS



GENERAL GUIDELINES

THE REGULATIONS PROVIDED TO TERNA EMPLOYEES TO HELP THEM AVOID CONFLICTS OF INTEREST, WORK WITH DILIGENCE AND PROTECT CORPORATE ASSETS, SHOW THAT LOYAL, PROPER AND TRANSPARENT CONDUCT ARE FUNDAMENTAL VALUES FOR THE COMPANY. PROFESSIONAL LOYALTY MEANS RECOGNISING, IN A WORKING CONTEXT, CASES OF CONFLICTS OF PERSONAL AND CORPORATE INTEREST AND RESOLVING THESE IN THE INTEREST OF THE COMPANY. IT MEANS, FOR EXAMPLE, AVOIDING CONDUCT DIRECTED AT UNLAWFULLY INFLUENCING PUBLIC OFFICERS OR EMPLOYEES OF OTHER COMPANIES TO OBTAIN PREFERENTIAL TREATMENT FOR TERNA, BUT IT ALSO MEANS INFORMING THE OUTSIDE WORLD THAT THE REFUSAL OF CERTAIN ATTITUDES IS NOT JUST A FORMAL STATEMENT, BUT A SUBSTANTIVE ONE. THE SAME GOES FOR THE PRINCIPLE OF PROTECTION AND PROPER USE OF CORPORATE ASSETS: THE COMPANY BELONGS TO EVERYONE AND ITS INTEGRAL VALUE IS A GUARANTEE FOR THOSE WHO WORK FOR IT. CONDUCT THAT IS NOT BASED ON COMPLIANCE WITH THESE PRINCIPLES PROVES COSTLY FOR ALL.

CONFLICTS OF INTEREST

Conflict between personal and company interests arise when conduct or decisions implemented in working activity can generate an immediate or deferred advantage for oneself or one's relatives or acquaintances, to the detriment of company interest.

Examples of situations that may create conflicts of interest are provided below:

- performing a top-management function (CEO, director, head of function) while having economic interests with suppliers, customers or competitors (holding of shares, professional offices, etc.);
- having responsibility for Terna's procurement, or control over the execution of supplies, and performing working activities for suppliers;
- taking advantage personally – or through relatives – of business opportunities of which knowledge has been gained through the position held in Terna;
- accepting money, presents (valuables, trips, various types of free gifts) or favours (e.g. recruitment or career progress for relatives) from persons or companies that have or intend to enter into business relations with Terna;

- recruiting, promoting or acting as the direct superior of a relative or of a person with whom there is a close personal relationship.

Conflicts of interest have a direct effect on the person involved, limiting or influencing objective judgment. Anyone realising or believing he is involved in a conflict of interest, or who feels uneasy managing a professional situation due to external interests or who does not feel free to make decisions and perform his activity, must report to his superior or to the other functions identified in corporate procedures, so that the situation may be clarified and directions provided on how to act. This procedure applies regardless of the extent of gifts or benefits received or promised, of the family tie or personal relationship involved or of other variables.

Beyond the personal perception of conflicts of interest, it is however necessary to follow the following general rules:

- with regard to the specific case of free gifts or other types of presents, some form part of normal business practices or common courtesy, while others exceed this limit and can be directed at gaining preferential treatment in business

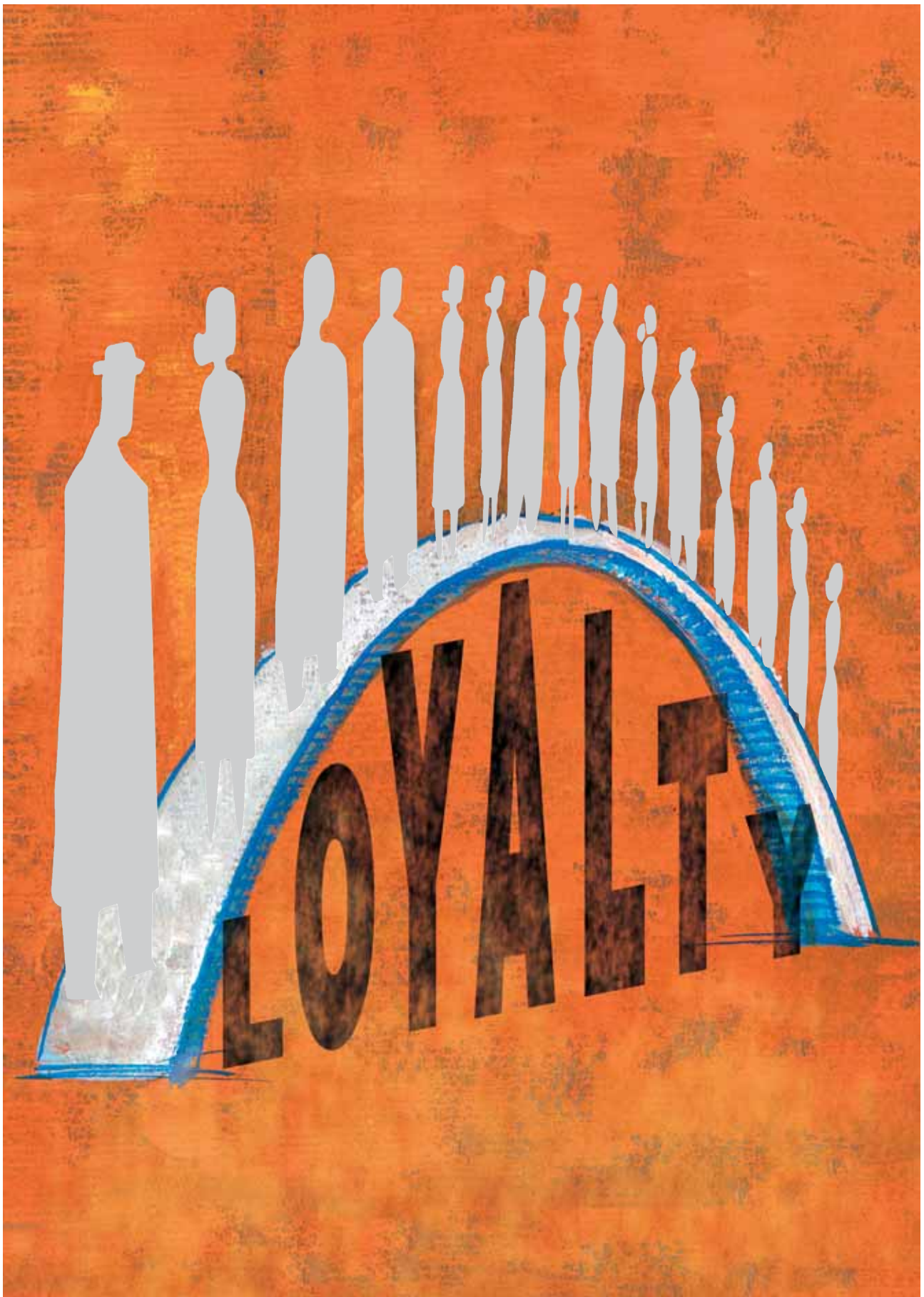
relations. Terna asks its employees to refuse gifts that exceed a modest value or where there is doubt over appropriateness;

- cases of next of kin who are employees of suppliers, customers, competitors of Terna or sector authorities must be reported, when their activity or function may have repercussions on Terna. Directors must ensure they report update of their offices.

In line with the principles of the Ethical Code, in order to prevent conduct intended to corrupt or interpretable as such, Terna establishes standards of conduct with regard to gifts made to external subjects. As a general rule, gifts must be made exclusively to promote the company's image and brand. For this reason, Terna:

- does not approve any form of gift that may even only be interpreted as exceeding normal business practices and common courtesy, or aimed at gaining preferential treatment in the performance of any of its activities. Specifically, it forbids any form of gift that may influence the independence judgement – or lead to assurance of any advantage – addressed to Italian and foreign public officers, auditors, directors of Terna S.p.A. and subsidiaries, statutory auditors or their relatives;
- does not approve valuable gifts, not even in the countries in which this type of exchange is customary practice between business partners. This regulation concerns both gifts promised or offered as well as those received;





In any case, Terna abstains from any practice that is contrary to the law and to normal business practices or not permitted by the Ethical Codes – if these are known – of the companies or entities with which it has relations.

LOYALTY TOWARDS THE COMPANY AND PROTECTION AND PROPER USE OF CORPORATE ASSETS

Terna expects loyal and diligent conduct from all employees and compliance with the employment contract and corporate provisions. All-round collaboration is in fact fundamental to the company's positive performance.

Firstly this means pursuing with commitment, expediency and diligence the objectives set by the company and by direct superiors, working in accordance with procedures. It implies compliance with the Ethical Code and, for those with management responsibilities over others, ensuring compliance with the Code from co-workers and providing them with assistance in its application. It also means protecting the company's interest in every working situation, for example, ensuring that suppliers fulfil their contractual commitments towards Terna.

Fair and loyal conduct towards the company also implies the commitment to guarantee protection and proper use of corporate assets, which is expected from all Terna's employees and all those who have access to its structures.

- Firstly everyone is expected to operate with diligence in order to protect corporate assets, through responsible conduct and compliance with the operating procedures governing use, and accurately documenting employment of assets;
- the corporate assets assigned to each employee must be used sparingly and with considerable care: they must not be used improperly or in such a way as to cause damage or to limit efficiency, or contrary to the company's interest;

- everyone is required to preserve and protect the resources with which they are entrusted: hence they must implement the most suitable measures to prevent theft and they must punctually report shortcomings in the security systems, threats or potentially damaging events to their direct superior or to the function in charge of security or control.

One of the most important corporate assets is the information and data that Terna possesses on external subjects, employees, structures and corporate activities. The corporate functions in charge define appropriate procedures to ensure that information is protected, kept confidential and that the controlled disclosure both within and outside the company follows specific, authorised channels.

- Hence protecting corporate resources means not disclosing information on Terna's affairs outside the company. Specifically, it means not allowing confidential information (whether concerning Terna or in its possession) to be acquired by persons outside the company or other than those authorised to handle it;
- IT applications are fundamental work tools and each employee is responsible for their use.

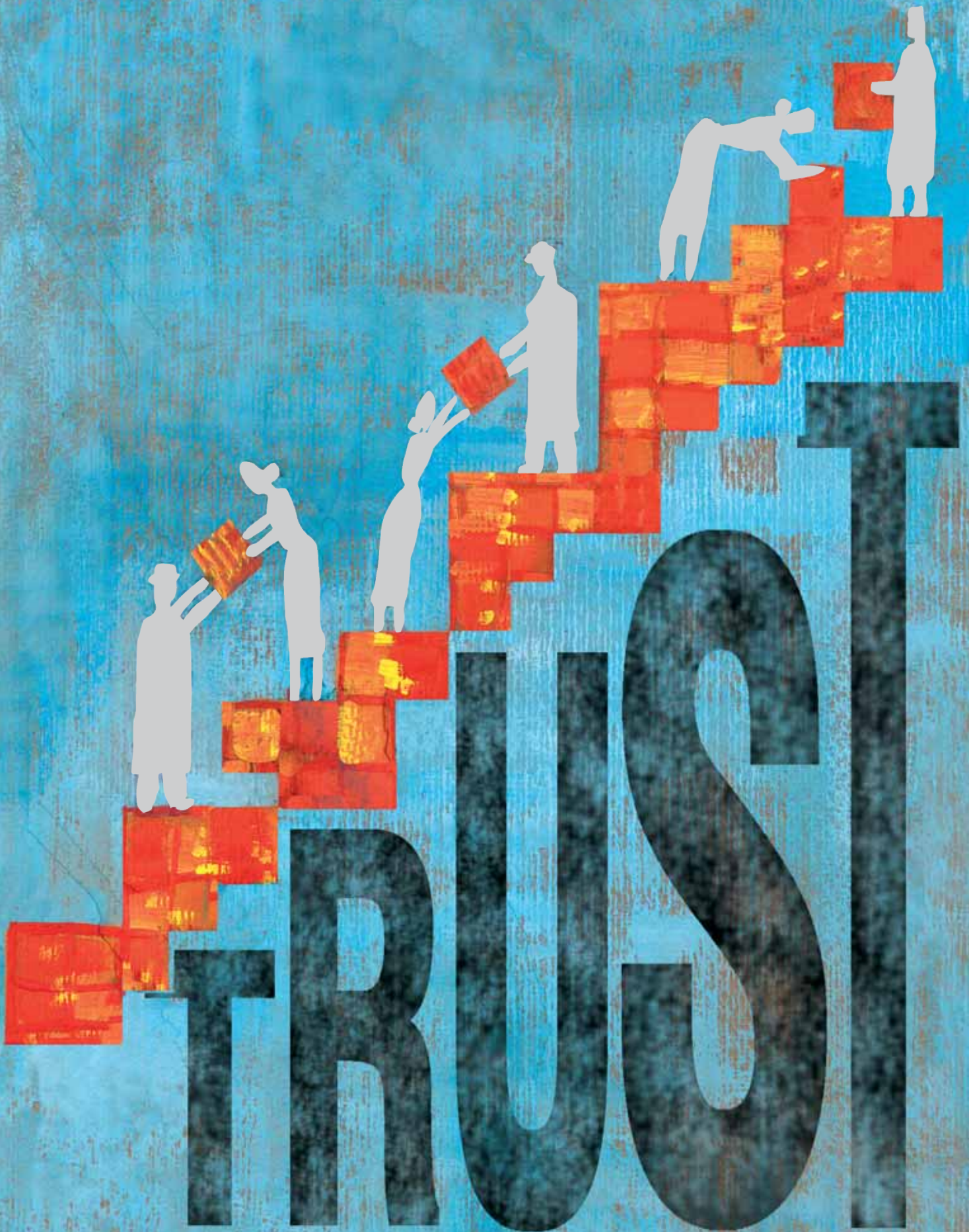
Hence they must:

- strictly abide by the provisions set forth in corporate security policies, to avoid compromising the good working order of IT systems and their protection;
- refrain from sending threatening or abusive email messages, refrain from using low-level language, from making inappropriate comments that can cause personal offence or damage the company's image;
- refrain from navigating on websites with indecent and offensive content;
- in general, refrain from using IT equipment for purposes that are illegal or that may compromise its good working order for corporate use.

03

PRINCIPLES OF CONDUCT IN RELATIONS WITH STAKEHOLDERS

THE CODE IS A TOUCHSTONE FOR EVERYDAY WORK. EVERY ACTION PERFORMED AND EVERY RELATIONSHIP ESTABLISHED, WHETHER BETWEEN PEOPLE OR TOWARDS THE OUTSIDE WORLD, HAS A POSITIVE OR NEGATIVE EFFECT ON THE COMPANY. PROFESSIONAL INTEGRITY, HONESTY AND THE HONOURING OF COMMITMENTS LAY THE GROUNDWORK FOR TRUST.



SHAREHOLDERS, FINANCIAL ANALYSTS AND LENDERS

SHAREHOLDERS, FINANCIAL ANALYSTS, BANKS, CREDITORS, LENDERS, RATING AGENCIES

GENERAL GUIDELINES

TERNA'S CHIEF COMMITMENT TO SHAREHOLDERS IS THE CREATION OF VALUE, WILL BE ACHIEVED BY ENSURING THAT MANAGEMENT, IN THE LONG AND SHORT TERM, IS FOUNDED ON GOOD CORPORATE GOVERNANCE POLICIES, TRANSPARENCY, PROTECTION AND EXPANSION OF ASSETS. HENCE AN ESSENTIAL ELEMENT OF THE RELATIONSHIP WITH SHAREHOLDERS, BUT ALSO WITH LENDERS AND ANALYSTS, IS TRUST, GAINED THROUGH CONSTANT DIALOGUE AND TIMELY, REGULAR AND SYMMETRICAL DISCLOSURE OF INFORMATION TO ALL SHAREHOLDERS.

RELATIONS WITH SHAREHOLDERS, FINANCIAL ANALYSTS AND LENDERS

- Terna's commitment to shareholders is to implement wise management practices that reconcile its economic/financial market objectives with the requirements of safety, quality and cost-effectiveness of the service for which it is concession holder;
- an efficient Corporate Governance system is not only essential to corporate management and control, but is also an increasingly important competitive factor for maximising the value distributed to shareholders. It is a tool that safeguards market rules as well as all the components of the shareholding structure. Hence Terna adopts a Corporate Governance system that complies with the provisions of Italian law, is in line with the Code of Conduct for Listed Companies and has been substantiated on the basis of internationally recognised best practices;
- to protect corporate integrity, Terna adopts and develops a system to manage, anticipate and control risk. This system aims to protect Terna from, and as far as possible prevent, potential crises.
- Terna also adopts a system of control, organisation and management directed at guaranteeing transparency, accuracy and veracity in corporate reporting (financial statements, periodic reports, prospectuses, etc.) as well as preventing corporate offences (false accounting, rigging the market, market abuse, false reporting to supervisory authorities or other mechanisms aimed at privileging specific interests, to the detriment of company interests);
- no specific categories of shareholders or individual shareholders are intentionally or genuinely favoured through selective use of confidential information;
- disclosure to shareholders is timely, constant and symmetrical towards all investors: in addition to mandatory reports, Terna provides maximum availability and permanent communication channels dedicated to shareholders, including through its website. It implements specially-developed information campaigns, in accordance with practices observed by listed companies;

- all those who have access to information that is not available to the public and is capable of influencing the performance of listed shares or financial instruments (even other than those issued by Terna) must avoid conduct that can constitute or favour insider trading. This provision refers to employees, members of the Board of Directors, Statutory Auditors, executive managers, senior managers, members of the auditing company or other collaborators. In this respect appropriate internal dealing procedures are also adopted with regard to disclosure of information;
- institutional investors and small shareholders are ensured homogeneous and simultaneous disclosure: hence the financial statements, mandatory interim reports, presentations to the financial community and other important notices are all available on the website. This is to ensure that investors' decisions may be based on thorough knowledge of the company's strategic choices, on the management performance and on the expected return from invested capital.



EMPLOYEES

EMPLOYEES, DIRECTORS, ASSOCIATES, EMPLOYEES' REPRESENTATIVES, TRADE UNION ORGANISATIONS.

GENERAL GUIDELINES

TERNA BASES RELATIONS WITH ITS EMPLOYEES AND ASSOCIATES ON RESPECT FOR HUMAN RIGHTS AND PROTECTS PHYSICAL INTEGRITY AND MORAL DIGNITY, IN ALL ASPECTS OF WORKING LIFE. IT EXERCISES HIERARCHICAL AND ORGANISATIONAL AUTHORITY WITH FAIRNESS AND WITHOUT ABUSE OF POWER. IT SPREADS AND CONSOLIDATES A CULTURE OF SAFETY AMONGST WORKERS BASED ON RISK AWARENESS AND PREVENTION, ALSO ENSURING THAT WORKPLACES ARE SAFE, HEALTHY AND DECENT. TERNA CONSIDERS THE PROFESSIONAL CONTRIBUTION OF ITS EMPLOYEES AN INDISPENSABLE FACTOR TO SUCCESS: HENCE IT VALORISES HUMAN RESOURCES, PROVIDING THEM ALL WITH CLEAR AND ACCESSIBLE INFORMATION AND TRAINING NECESSARY TO PERFORMANCE OF THEIR WORK. IT INVESTS IN DEVELOPMENT OF SKILLS POSSESSED, FAVOURS A HANDS-ON APPROACH TO WORK, RECOGNISES AND REWARDS INDIVIDUAL SKILLS AND MERITS.

RELATIONS WITH EMPLOYEES

- Terna undertakes to avoid all forms of discrimination based on age, gender, sexual preference, health, race, nationality, political opinions and religious beliefs.
- It respects workers' right to set up representative associations, acknowledges the role of the more representative trade union organisations and is open to dialogue and discussion on the major issues of mutual interest.

They establish procedures, work methods and operating instructions that are clear, coherent and comprehensible at all levels. They promote awareness of risk and knowledge of preventive measures with appropriate training initiatives and maximum accessibility to documentation;

- those in charge of activities ensure that their resources comply with preventive measures. They do their utmost to avoid attention lapses occurring in the performance of risky activities. They assimilate indications from co-workers for improving safety and protecting health. Under no circumstance is compliance with safety measures subordinated to the interest of accomplishing the work on time;

HEALTH AND SAFETY

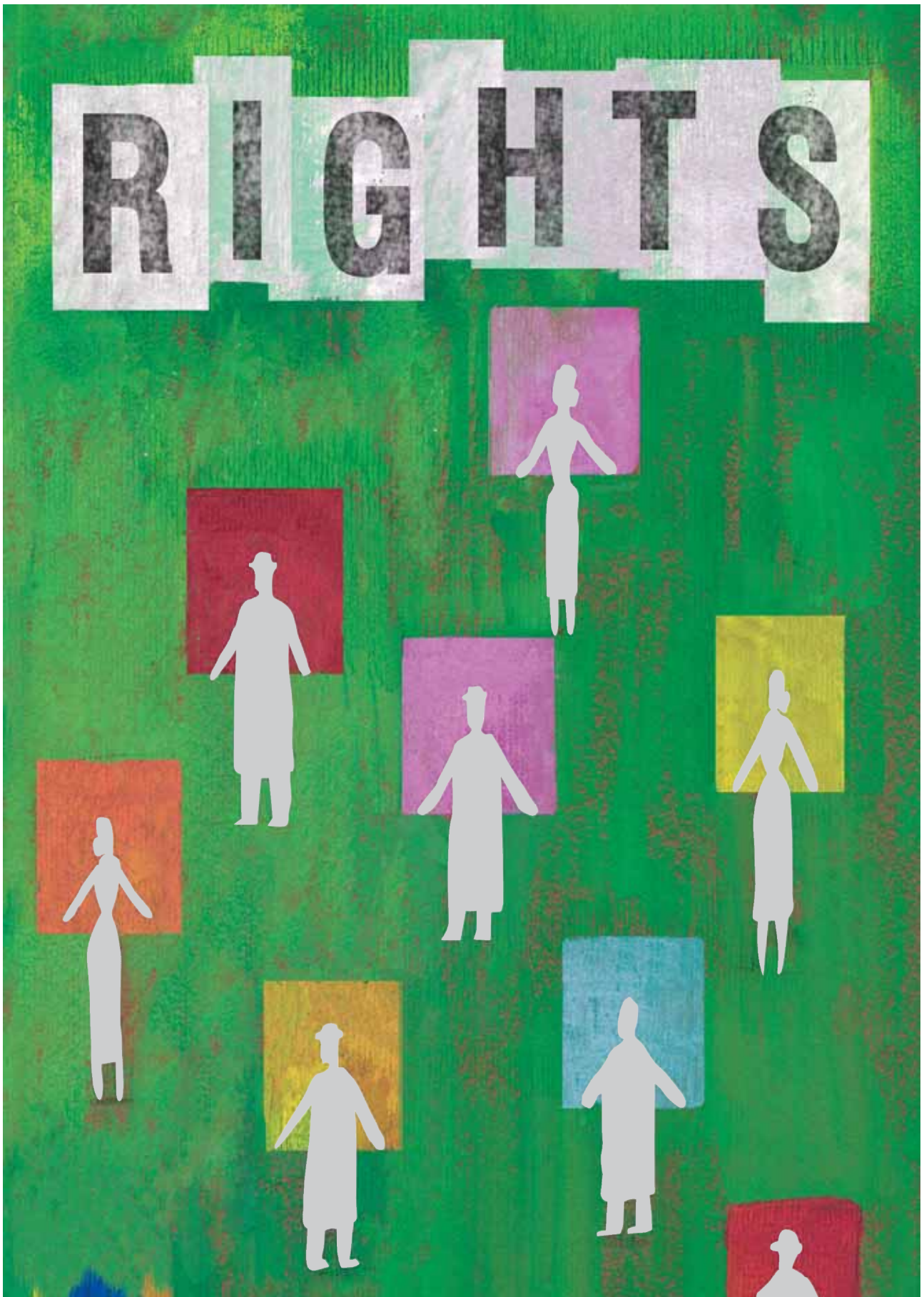
- To achieve efficient and effective prevention of accidents on the workplace, safety must be everyone's concern;
- the appropriate corporate functions ensure accident prevention policies are up-to-date, comparing these with the best practices adopted in similar activities and by adopting the best technologies available.

- employees follow applicable safety regulations in a strict and conscientious manner, encouraging noncompliant colleagues to do the same and reporting any shortcomings or areas of improvement to those responsible for safety aspects.

HUMAN DIGNITY

- Conduct involving systematic discrimination, humiliation, psychological violence or isolation against associates and colleagues is not permitted, for whatsoever reason, as it is an affront to human dignity;
- sexual harassment or sexually orientated behaviour or comments that may offend personal sensitivities (for example, displaying images with explicit sexual references, persistent and continuous allusions) are not tolerated;
- the privacy of individual employees is protected by adopting policies that specify the information required and the relative procedures for data processing and conservation. Such policies also prohibit, without prejudice to the circumstances provided by the law, the disclosure/circulation of personal data without the consent of the party concerned;
- the carrying out of surveys on the ideas, preferences, personal tastes and private life in general of employees and associates is excluded;
- Terna undertakes to remove physical barriers that compromise the work opportunities or capacities of disabled persons.





FAIR TREATMENT OF EMPLOYEES

- Employees are treated fairly and with respect for their rights in all phases of their working life. Personnel administration is performed with accuracy, ensuring that personal data remains confidential and that obligations are punctually fulfilled. The parties concerned may have access to the selection policies and criteria adopted, as far as confidentiality considerations allow;
- no form of employment relationship that is contrary to the provisions of the law or the contract is tolerated;
- personnel selection is performed on the basis of matching the candidate's skills and aptitudes with corporate requirements and in accordance with equal opportunity policies;
- the information requested during the selection phase is strictly related to assessing the aspects required by the professional and psychological/aptitude profile, while respecting the candidate's privacy and opinions;
- at the beginning of the employment relationship each employee receives clear and accurate information on the function or the duties to be performed, the legal and wage conditions, the regulations and procedures to be observed in order to prevent and avoid work-related health risks;
- personnel management decisions are taken on the basis of the professional characteristics, skills and aptitudes shown by the employees and associates (for example, in the case of promotion to the higher roles and assignment of offices) and on considerations of merit (for example in awarding bonuses and incentives), in accordance with the criteria expressed in the personnel policies;
- training is provided for groups and individuals on the basis of specific professional development objectives, in accordance with the company's need to update know-how, maintain and develop adequate technical skills and re-qualify human resources;
- the personnel management division adopts appropriate measures to avoid favouritism, nepotism, or forms of patronage in personnel selection, recruitment and management phases. Within the limits of the information available and the protection of privacy, relations involving hierarchical subordination between collaborators linked by family ties are excluded. The recruitment of employees of external companies responsible for performing the obligatory audit is specifically restricted;
- those in charge expect the work supplied by their subordinates to be consistent with their duties and the work organisation schedules. They plan the work according to the company's requirements and - without prejudice to technical/production requirements - support employee participation in training initiatives and the enjoyment of holidays, in accordance with the rules and regulations in force. They avoid the use of overtime as customary practice in organisation of work. They stimulate and listen to their collaborator's opinions on work schedules and function objectives. They do not abuse their position in the hierarchy to expect personal favours. They oppose any failure to observe corporate provisions, while respecting individual dignity and fair treatment of personnel, with explicit reference to legislative sources in force;
- as far as general work efficiency allows, job flexibility that facilitates the management of maternity and childcare is favoured.

SUPPLIERS

GENERAL GUIDELINES

IN ITS RELATIONS WITH SUPPLIERS, TERNA'S ATTENTION IS PRIMARILY FOCUSED ON TRANSPARENCY AND CORRECTNESS AND RELATIONS ARE BASED ON MUTUAL ADVANTAGE AND COSTEFFECTIVENESS. SUPPLIERS COMPETE ON EQUAL TERMS BASED ON THE QUALITATIVE AND ECONOMIC CONDITIONS OF THEIR OFFER, THEIR GUARANTEES OF PROFESSIONALISM AND NONINVOLVEMENT IN UNLAWFUL ACTIVITIES, SAFETY STANDARDS AND LASTLY, WHERE NECESSARY, CERTIFICATION OF QUALITY, SOCIAL AND ENVIRONMENTAL RESPONSIBILITY.

RELATIONS WITH SUPPLIERS

- Terna's relations with suppliers are founded on uniformity of treatment;
- in drawing up contracts Terna undertakes to provide the contracting party with clear and comprehensible specification of the conduct to be observed in all circumstances envisaged. It respects contractual agreements and commitments, including the terms and conditions of payment, in return for execution of assignments and works according to the procedures established by the parties;
- procurement processes place the emphasis on:
 - seeking the maximum competitive advantage for Terna;
 - granting equal opportunities to each supplier;
 - fundamental, mutual loyalty, transparency and collaboration in pre-contractual and contractual conduct;
 - technical up-to-date of new products and services through constant dialogue with all potential suppliers;
 - giving each suitably qualified supplier the possibility to compete for stipulation of contracts, avoiding preferential treatment;
 - selecting suppliers by adopting objective and documentable criteria and ensuring sufficient competition in each tender;
- for the core goods categories, Terna adopts a suppliers' register for which qualification criteria are based on specific technical and financial requirements that do not therefore constitute a bar to access. The main requisites include availability of resources - including financial - organisational structures, project capacities and resources, know-how, quality certification (e.g. ISO 9000) or safety certification;
- in order to ensure procurement activity is compliant with the ethical principles adopted, a number of social or environmental requirements (e.g. existence of an Environmental Management System) or specific external certification have been introduced for particular suppliers;
- maximum transparency and ethical efficiency in the procurement process is obtained by strictly following the internal procurement procedures, which must provide for the following:
 - assessment of whether it is appropriate to rotate staff in charge of procurement;
 - limitation of the cases in which there is an overlap of roles between the unit requesting the supply and the unit stipulating the contract;
 - traceability of the decisions taken;
 - conservation of information as well as of official tender and contractual documentation for the periods established by regulations in force;
 - monitoring the ownership structures of suppliers;

- in individual contracts with suppliers, specific clauses are drawn up stating Terna's adoption of the Ethical Code and of the Organisation and Business Model pursuant to Article 6 of Legislative Decree 231/2001;
- with regard to standards of safety on the workplace, Terna undertakes to provide as thorough a presentation as possible of the risks associated with performance of works on behalf of the company and of the related preventive measures;
- with suppliers of countries defined as "at risk" by recognised organisations, contractual clauses are introduced providing for: auto-certification on the part of suppliers of compliance with specific social obligations (e.g. measures that guarantee workers respect for fundamental rights, principles of equality of treatment and non-discrimination, protection of child workers) and the possibility of monitoring activity at the production units and operating headquarters of the supplying company;
- Terna intends to enter into business relations only with subjects that carry on lawful activities, financed by legitimately funded capital. To this end and where possible, it performs preventive control by requiring – even where not legally obliged – special anti-Mafia and anti-money laundering certifications and statements;
- should a supplier adopt conduct that does not comply with the general principles of this Code, further opportunities to work with Terna may be precluded.



GRID USERS, CUSTOMERS AND BUSINESS PARTNERS

PRIVATE CUSTOMERS, GRID USERS (PRODUCERS, DISTRIBUTORS, TRADERS, INTERRUPTIBLE CUSTOMERS), ELECTRICITY SYSTEMS USERS, GRID OWNERS, OTHER GRID OPERATORS, BUSINESS PARTNERS

GENERAL GUIDELINES

TERNA HAS TWO MAJOR “CUSTOMER” TYPES: GRID AND ELECTRICITY SYSTEM USERS, WHERE IT OPERATES AS CONCESSION HOLDER AND THE TECHNICAL AND COMMERCIAL ASPECTS OF THE SERVICE ARE SUBJECT TO REGULATION, AND CUSTOMERS IN THE STRICT SENSE, WHERE IT INSTEAD OPERATES ON THE FREE MARKET AND WITH A NON-PREDETERMINED CONTRACTUAL RELATIONSHIP. IN BOTH CASES, TERNA’S CONDUCT IS CHARACTERISED BY RESPECT FOR THE CUSTOMER, ATTENTION TO ITS NEEDS, FIRST-RATE SERVICE QUALITY AND PROFESSIONALISM. WITH ITS BUSINESS PARTNERS, IN BOTH ALLIANCES AND COMPETITIVE SITUATIONS, TERNA ENSURES CORRECT AND FAIR CONDUCT.

RELATIONS WITH GRID USERS, CUSTOMERS AND BUSINESS PARTNERS

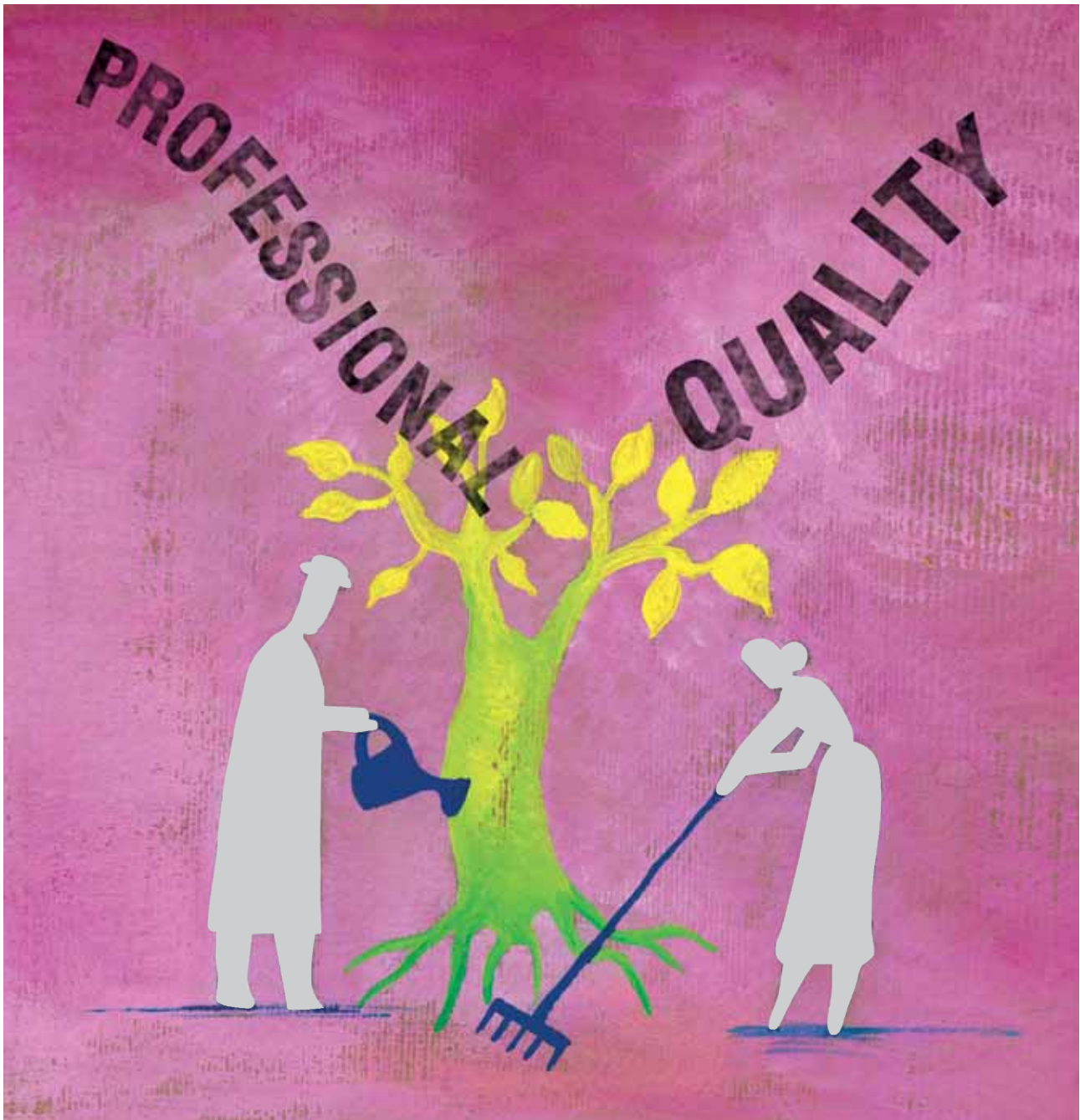
- Terna guarantees grid users and customers a high quality service, subject to constant improvement;
- Terna’s relations with grid users are regulated. Terna recognises the value of regulation and respects its content. It collaborates with the grid users to define proposals for amendment to regulation intended to improve relations;
- with regard to grid users and the electricity system, attention to customers is apparent in the commitment to maintain service efficiency and in the careful consideration of the economic repercussions of management decisions;
- relations with grid users are managed by Terna in a non-discriminatory manner: Terna does not allow arbitrary discrimination between sector operators, whether individually or by category, nor does it allow misuse of monopoly power. As far as possible decisions are based on criteria that are and can be predetermined and Terna respects their application. It ensures maximum transparency and accountability of the decisions taken in order that the decision-making principles adopted remain consistent over time;
- in its relations with the other grid operators, Terna’s approach is characterised by professional best practices, cooperation and constructive dialogue. It is willing to consider their operating requirements, within the limits of system safety, its own management interests and the principle of impartiality;
- Terna employees who have contact with external stakeholders, including grid users for management activities, are required to guarantee confidentiality of commercial, technical and any other important information, relating to the grid users, that they may come to acquire in performing their activities;
- with regard to market customers, Terna applies first-rate professionalism in technical and commercial relations and guarantees exceptional attention to customer requests, with a view to establishing ongoing, long-term commercial relations. The contracts and

communications to non-regulated market customers are clear and straightforward. The contracts conform to legislation in force and do not contain practices that are easily misinterpreted or otherwise deceptive;

- Terna keeps its market activities separate from its regulated activities. It does not reserve preferential treatment for grid users who are also market customers, nor does it let perceive this

possibility, generating false expectations in active or potential customers;

- Terna ensures fair conduct in relations with its business partners and the subjects with which it competes on the market, for instance, in international tenders and auctions or in procedures for award of contracts or concessions.



REGULATORY BOARDS AND AUTHORITIES

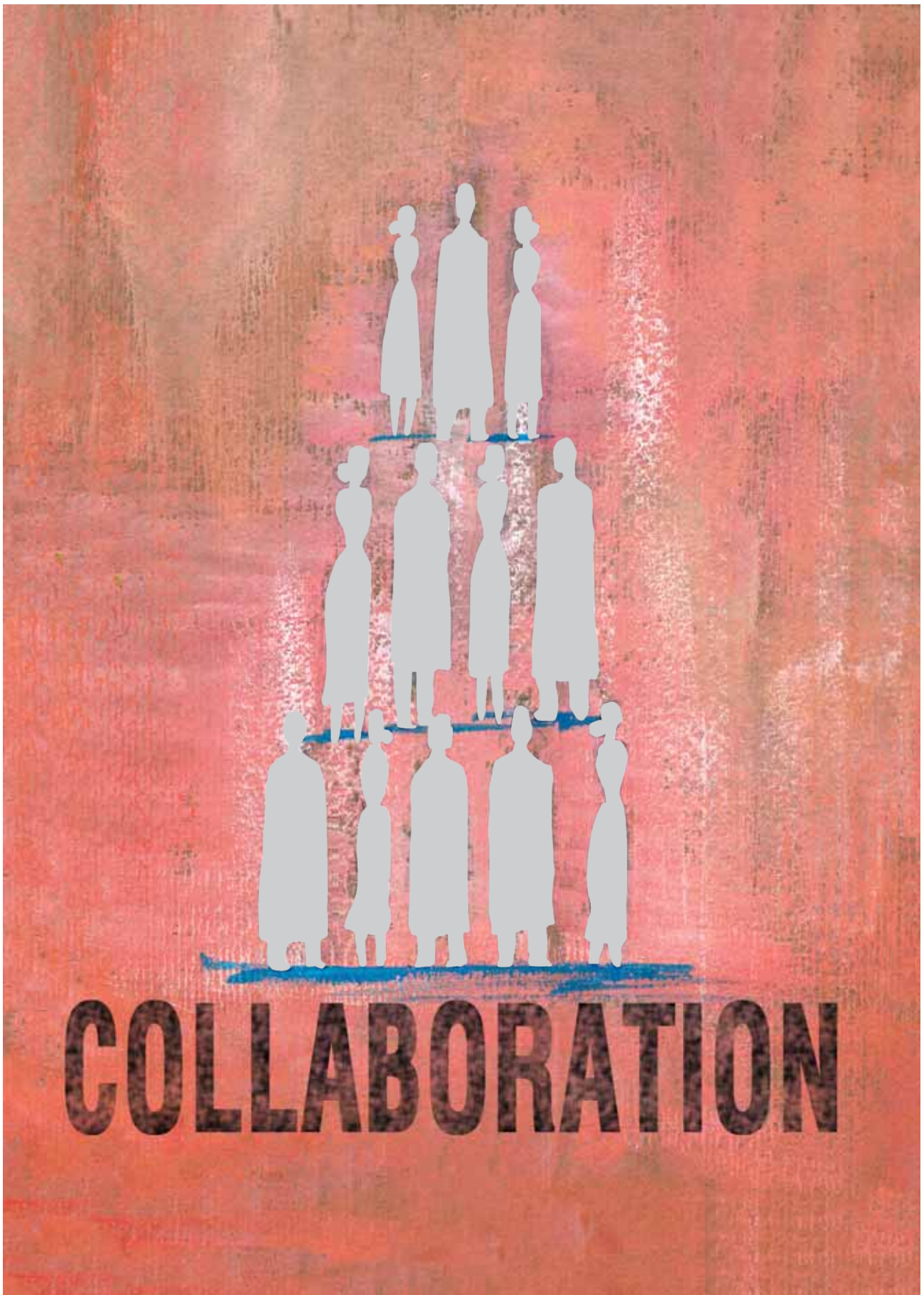
**AEEG THE ITALIAN AUTHORITY FOR ELECTRICITY AND GAS,
OTHER SECTOR REGULATORS, GOVERNMENT BODIES WITH
POLICY-MAKING POWERS, ANTITRUST AUTHORITY, CONSOB,
STOCK EXCHANGE ENTITIES, STRIKE GUARANTEE COMMISSION**

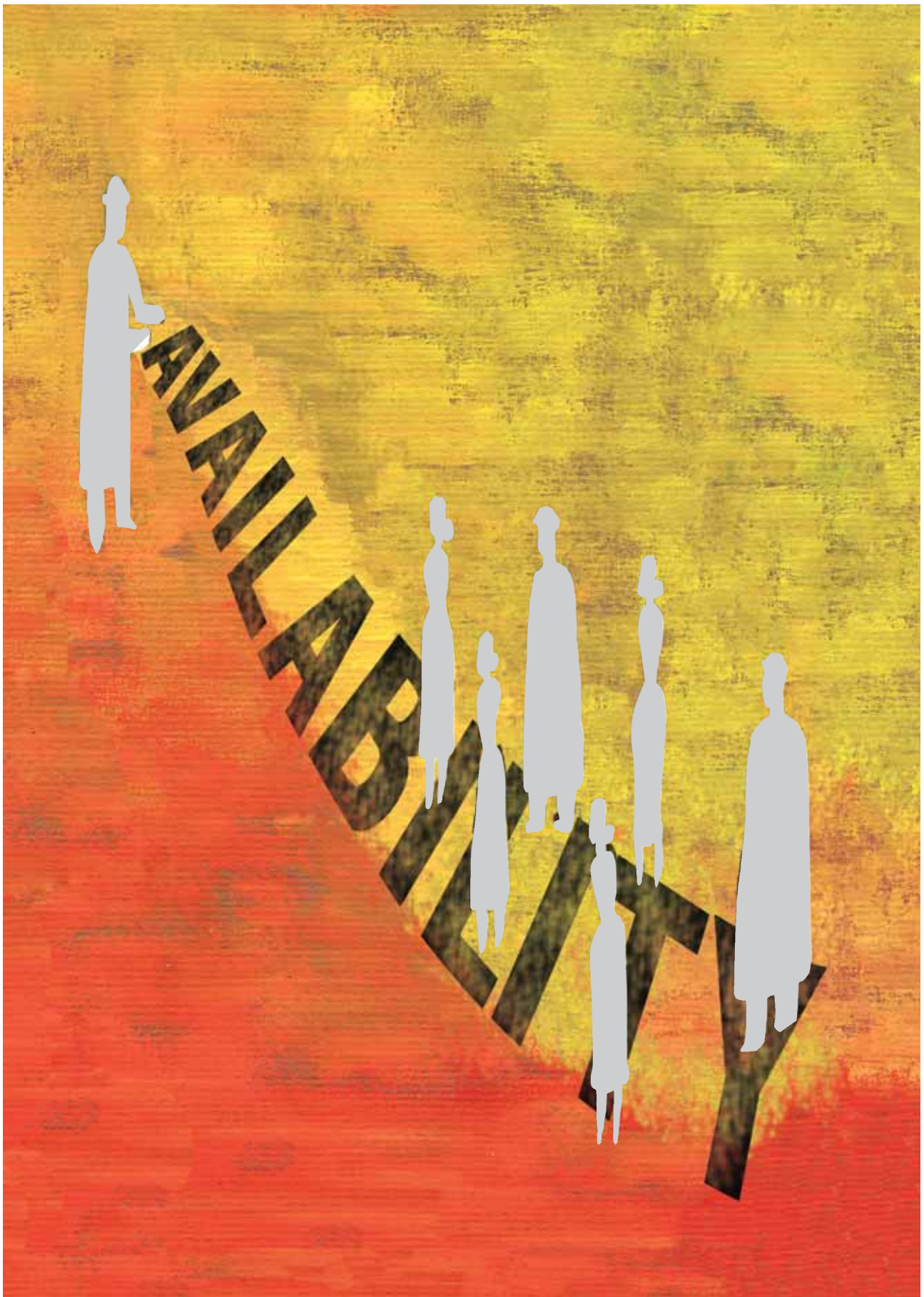
GENERAL GUIDELINES

IN ITS RELATIONS WITH REGULATORY BOARDS AND AUTHORITIES, IN ITALY AND IN COUNTRIES IN WHICH IT OPERATES, TERNA INTENDS TO BE RECOGNISED FOR ITS LONG-STANDING RELIABILITY AND CONSTANT WILLINGNESS TO COMMUNICATE IN A TRANSPARENT MANNER AND TO PROVIDE ACCURATE AND TRUTHFUL DISCLOSURE. WITH THE MINISTERS INVOLVED IN DEFINING THE POLICIES OF TERNA'S ACTIVITY AND THE ELECTRICITY SECTOR REGULATORS, THIS INTENTION MEANS PROVIDING THE INFORMATION AND DATA REQUESTED IN A PRECISE AND PUNCTUAL MANNER.

RELATIONS WITH REGULATORY BOARDS AND AUTHORITIES

- Terna provides the regulatory boards and authorities with the information and data requested, ensuring that it is complete and reliable. It respects deadlines and provides timely responses, insofar as the technical assessments involved in the requests allow;
- Terna's approach to the sector regulatory boards and authorities is one of fair collaboration. It provides all the relevant information and uses its technical know-how to facilitate the regulators' task, while safeguarding the third party data in its possession. All information must be disclosed in compliance with corporate policies and verified with those responsible;
- Terna provides assistance in defining sector rules by researching, experimenting and proposing new solutions of interest to the company and also the general public;
- Terna undertakes - as far as it is aware - to avoid situations of conflicts of interest with employees of sector regulatory boards and authorities.





INSTITUTIONS AND ASSOCIATIONS

EUROPEAN COMMUNITY AND INTERNATIONAL BODIES, NATIONAL INSTITUTIONS AND GOVERNMENT REPRESENTATIVES, CIVIL DEFENCE SERVICE, NATIONAL SAFETY AUTHORITY AND POLICE FORCES, REGIONS, PROVINCES AND AUTONOMOUS PROVINCES, ECONOMIC CATEGORY ASSOCIATIONS, ETSO, UCTE

GENERAL GUIDELINES

TERNA ADOPTS AN APPROACH BASED ON OPENNESS AND COOPERATION WITH INSTITUTIONAL STAKEHOLDERS, IN ITALY AND IN EUROPE, AS WELL AS IN COUNTRIES WHERE IT OPERATES DIRECTLY OR THROUGH ITS SUBSIDIARIES. IT COLLABORATES, MEASURES UP TO AND SUPPORTS THE WORK OF ASSOCIATIONS OF WHICH IT IS MEMBER, FOR THE PURPOSE OF GENERALLY IMPROVING THE SECTOR AND TECHNICAL REGULATIONS AND STANDARDS. IN ALL CASES, RELATIONS ARE CHARACTERISED BY TRANSPARENCY, PURSUIT OF CONTINUITY AND RESPECT FOR MUTUAL AUTONOMIES.

RELATIONS WITH INSTITUTIONS AND ASSOCIATIONS

- Relations with the institutions are directed at representing Terna's activities, assessing the implications of legislative and administrative acts, replying to requests made by institutions and administrations, as well as to informal requests and to acts pertaining to parliamentary questions and commissions, or in general stating Terna's position on important issues.
- To this end, Terna undertakes to:
 - establish efficient communication channels with institutional stakeholders at international, EU, national and local level;
 - represent its own interests and positions in a transparent, accurate and consistent manner, avoiding collusive practices;
 - coordinate relations with institutional stakeholders so as to ensure maximum clarity in relations;
 - adopt appropriate measures to prevent perpetration of offences against public administration;
- Terna adopts conduct consistent with the purposes and guidelines of the category associations of which it is member.

MEDIA, OPINION GROUPS, SCIENTIFIC COMMUNITY

**MEDIA, UNIVERSITIES AND SCIENTIFIC ASSOCIATIONS,
ENVIRONMENTAL ASSOCIATIONS, CONSUMER ASSOCIATIONS,
OPINION MAKERS, OPINION GROUPS, (NATIONAL AND INTERNATIONAL)
TECHNICAL REGULATION ENTITIES, POLITICAL PARTIES**

GENERAL GUIDELINES

TERNA INTENDS TO PROVIDE THE MASS MEDIA AND OPINION GROUPS IN GENERAL WITH A CONSTANT, RELIABLE, ACCURATE AND NON-DISCRIMINATORY FLOW OF INFORMATION. HENCE IT ENSURES UNIFORM PUBLIC DISCLOSURE OF INFORMATION, IN TERMS OF ACCESSIBILITY, TIMELINESS AND SYNCHRONISED COMMUNICATION OVER VARIOUS CHANNELS (TRADITIONAL AND WEB, FOR EXAMPLE). THE HIGH REGARD FOR TRANSPARENCY LEADS TERNA TO EXCLUDE EXPLOITATION, MANIPULATION OR DISTORTION OF INFORMATION FOR THE COMPANY'S BENEFIT. TERNA COMMITS TO CONSTRUCTIVE DIALOGUE WITH ASSOCIATIONS PROTECTING THE INTERESTS INFLUENCED BY ITS ACTIVITIES AND TO SEEKING AREAS OF POSSIBLE COOPERATION FOR THE COMMON GOOD.

RELATIONS WITH THE MEDIA, OPINION GROUPS AND THE SCIENTIFIC COMMUNITY

- Terna's communications towards its stakeholders (even when indirect, via the mass media) are characterised by respect of the right to be informed. Under no circumstances will it permit disclosure of false or biased news or comments.
- All communication activity complies with the law and with professional rules and practices and is distinguished by clarity, transparency and timeliness. It safeguards privileged, price sensitive or industrial information and avoids any improper form of pressure or attempts to curry favour with the media. In order to ensure that information is complete and consistent, Terna's relations with the media comply with special procedures, authorised by the CEO:
- all press releases and other documents of general interest are available on Terna's website (www.terna.it), which provides detailed information on issues related to Terna's core business as well as to its ethical commitment;
- Terna allows its employees to attend conferences, seminars, workshops and encounters on publications of a technical/scientific, social and economic nature, as appropriate to their specialisation, in compliance with corporate policies and with the authorisation of their supervisor. Terna supports technical regulation entities by providing knowhow and assistance in developing sector standards. In all cases these activities must ensure that the confidentiality of corporate and third party data is protected and must be approved and coordinated by those in charge of external communications;
- dialogue with the associations and organisations representing stakeholders' interests is of strategic importance to the correct development of business. This is why Terna establishes communication channels through which to put forward its position, prevent possible conflicts of interest and where possible cooperate for the common good.

- Specifically, Terna:
 - replies to the observations raised by the associations, as quickly and as efficiently as the performance of normal corporate activities permits;
 - when possible, it endeavours to inform the more qualified and representative associations of issues of interest to specific categories of stakeholders;
- Terna not only establishes relations with institutions, but also with entities, institutes, and agencies in the environmental field, with which it promotes, implements and coordinates policy programmes and agreements;
- Terna does not finance political parties, their representatives or candidates, in Italy or abroad, and does not sponsor events that serve a purely political propaganda purpose. It also abstains from exerting any form of direct or indirect pressure on politicians (e.g. by conceding Terna structures, accepting recommendations for recruitments, consultation contracts);
- sponsorships or donations, that may concern social or environmental issues, sport, shows and art, must in some way be associated with Terna's activity and must comply with corporate policies on the matter. As a general rule, it is preferable for Terna to be able to have a say in the planning phase so as to ensure originality and effectiveness;
- Terna does not dispense contributions to organisations with which a conflict of interest may arise (e.g. trade unions, environmental or consumer protection associations). However it may cooperate, even on a financial level, with these organisations on specific projects, following certain criteria:
 - the purpose must in some way be associated with Terna's mission;
 - the allocation of resources must be clear and documentable;
 - the project must be authorised by the functions in charge of managing relations with these organisations.



GENERAL PUBLIC AND TERRITORY

GENERAL PUBLIC AND NATIONAL SYSTEM, TERRITORY AND ENVIRONMENT, FINAL USERS OF THE ELECTRICITY SYSTEM, LOCAL ENTITIES DIRECTLY AFFECTED BY TERNA'S ACTIVITY

GENERAL GUIDELINES

AS CONCESSION HOLDER, TERNA PROVIDES A SERVICE OF GENERAL INTEREST. HENCE THE GENERAL PUBLIC REPRESENTS ONE OF ITS MOST IMPORTANT STAKEHOLDERS, BE IT INDIRECTLY. IN IMPLEMENTING MANAGEMENT DECISIONS, TERNA THEREFORE PLACES EMPHASIS ON THE PRINCIPLE OF RESPONSIBILITY, ENSURING SERVICE SAFETY, CONTINUITY, QUALITY AND COST EFFECTIVENESS OVER TIME, AS WELL AS ASSESSING THE LONG-TERM EFFECTS OF ITS DECISIONS. TERNA RESPECTS THE ENVIRONMENT AND THE SOCIETY IN WHICH IT OPERATES. IT LISTENS TO THE POINT OF VIEW AND THE REQUIREMENTS EXPRESSED BY THE LOCAL INSTITUTIONS OF THE AREAS IN WHICH GRID PLANT IS SITUATED OR UNDER CONSTRUCTION, SEEKING SOLUTIONS THAT RESPECT THE ENVIRONMENT AND LOCAL INTEREST, INSOFAR AS GRID EFFICIENCY REQUIREMENTS AND GENERAL SERVICE OBLIGATIONS ALLOW.

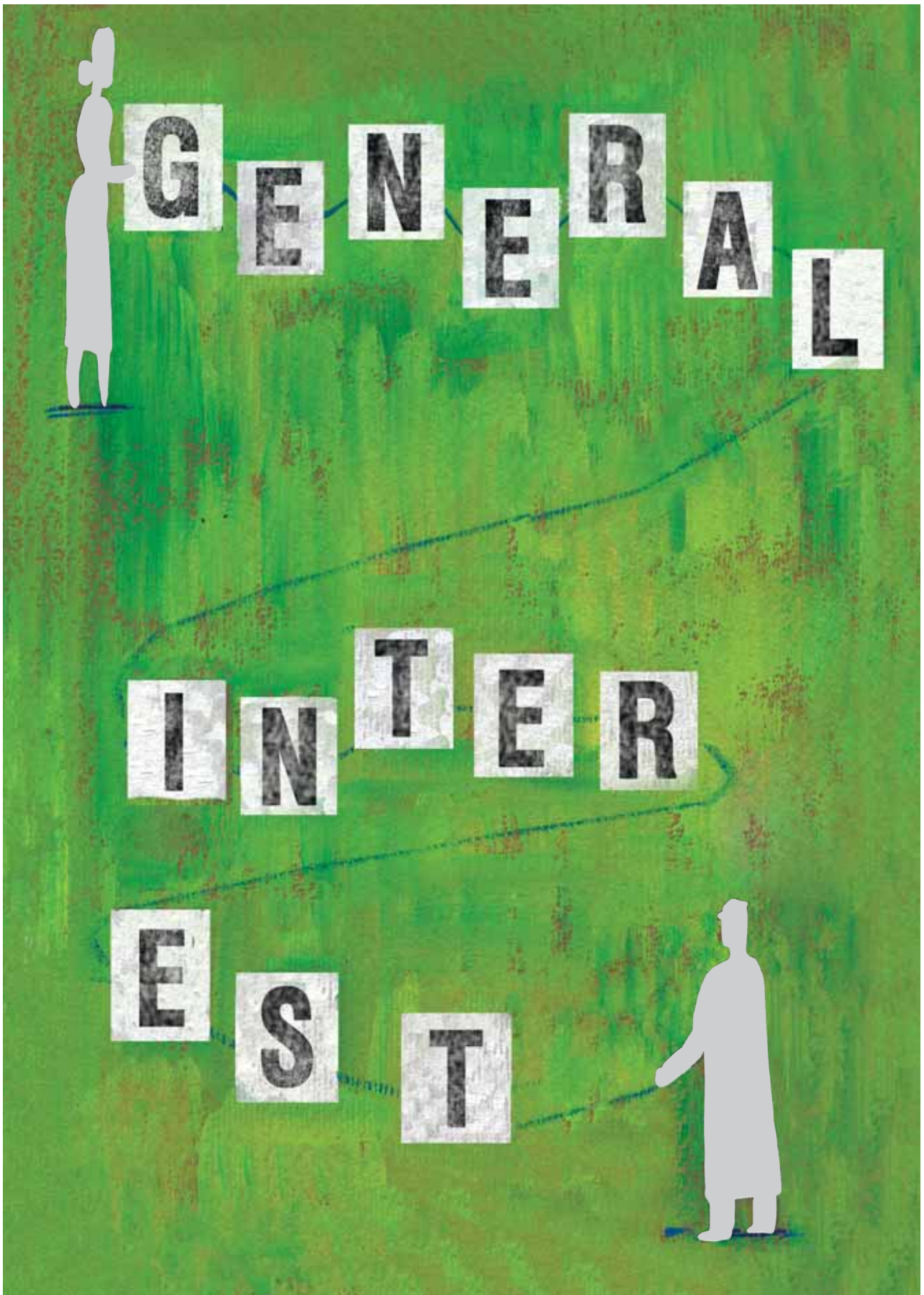
RELATIONS WITH THE GENERAL PUBLIC AND THE TERRITORY

As concession holder, Terna performs a service of general interest and owns one of the country's important infrastructures and is therefore aware of the influence, albeit indirect, that its activities may have on the wellbeing of the general public. This is why it interprets the service safety, continuity, quality and cost efficiency obligations arising from the concession as a responsibility towards the country, even in the long-term.

- It recognises the importance of social acceptance from the communities in which it operates and strives to achieve its objectives by affording attention to the environment, landscape and interests of the local and national communities, assuring minimum possible impact on the territory;
- to ensure that electricity grid development needs are complementary to rather than in conflict with the requests voiced by the institutional representatives of the local communities, Terna places great importance in preventive dialogue with the local authorities.

Hence it is prepared to work to reach joint solutions, taking territorial characteristics and electricity system safety into consideration, as well as the general public's wider interest in grid efficiency and service cost effectiveness;

- through constant monitoring of the environmental impact, Terna strives to reduce the effects of its activity on the environment, taking advances in scientific research, technology and best experiences into account;
- Terna considers the defining and implementing of policies to support initiatives of social, humanitarian and cultural importance to be an integral part of its activities and a means of contributing to the civil development of the communities in which it operates;
- Terna provides feedback on the implementation of its environmental and social policies and on the consistency between the objectives and the results achieved through regular ad hoc publications, such as the Sustainability Report.



COMMITMENTS FOR CODE COMPLIANCE AND REQUESTED CONDUCT

TERNA ASKS ALL ITS STAKEHOLDERS, WITHOUT DISTINCTION, TO TAKE NOTE OF THE ETHICAL CODE AND TO ENSURE THAT IN THEIR DIRECT RELATIONS WITH TERNA, THEY ARE AWARE OF ITS SCOPE OF APPLICATION AND OF ANY RESTRAINTS.

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COMMITMENTS FOR CODE COMPLIANCE AND REQUESTED CONDUCT

In order to maximise effectiveness of its Ethical Code and to encourage compliance as consolidated practice within the company, Terna undertakes to:

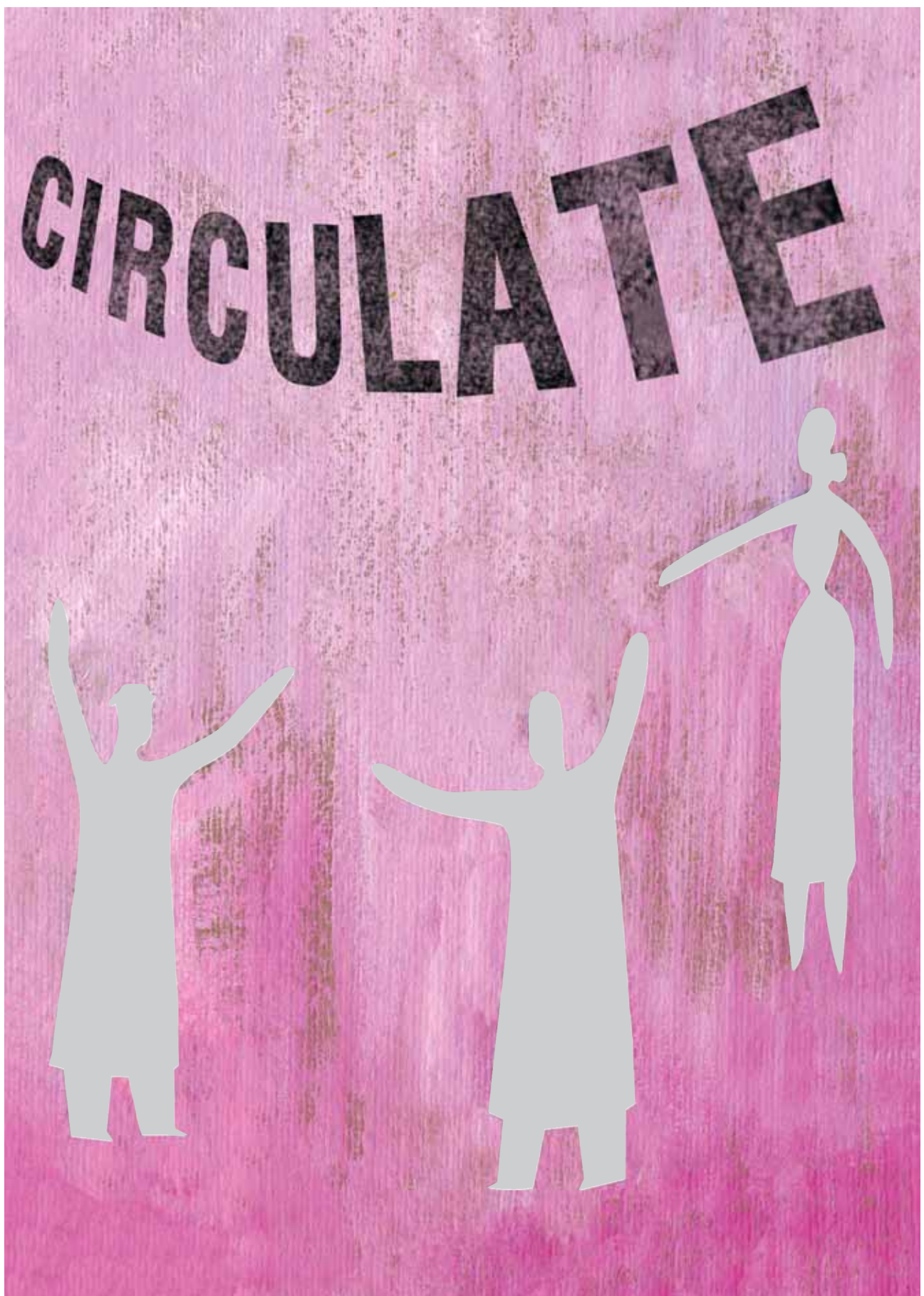
- ensure timely circulation of the Ethical Code to both internal and external stakeholders through specific communication activities, using the different procedures appropriate to the stakeholders (e.g. providing all associates with copy of the code, setting up special sections in the corporate intranet, on the website or in documents where it is deemed necessary, or through other specific information or training initiatives);
- specifically ensure that all Terna employees understand the Ethical Code, are provided with any necessary clarification and consider the Code an integral part of the employment relationship, by implementing a training programme aimed at heightening awareness of ethical principles and rules;
- explain the system for reporting breaches and specify the reference figures who will clarify interpretation of the Code;
- guarantee that the identity of the reporter will remain confidential as will the content of the report, without prejudice to legal obligations;
- protect those who report breaches in good faith, showing loyalty to the company, from retaliation or negative repercussions on their professional position;
- collect and assess reports according to prescribed procedures and, should breach be confirmed, define sanctions commensurate with the severity of the breach;
- integrate the Code, when required in order to clarify cases not envisaged by the current version, by releasing specific communications on the intranet, or by revising and updating the Code in accordance with new corporate, ethical, environmental or social policies;
- regularly monitor Code compliance levels and keep stakeholders informed on maintenance of the commitments undertaken through the Ethical Code, as well as on the corporate policies related to the principles and guidelines that it promotes (e.g. with the annual Sustainability Report);
- verify and if necessary review corporate guidelines and procedures, to ensure they are in line with the Ethical Code.

Terna asks all its stakeholders, without distinction, to take note of the Ethical Code and to ensure that in their direct relations with Terna, they are aware of its scope of application and of any restraints.

Specifically it asks:

- internal stakeholders – directors, employees, subsidiaries and those working in the name of and on behalf of Terna to embrace the Code's principles and guidelines within their professional capacity. To imperatively comply with those prescriptions and requested conduct that directly concern the performance of their activity, and to work towards ensuring company-wide compliance with the Code;
- specific categories of stakeholders (suppliers, associates, etc.) to observe certain rules of conduct provided by the Code (safety, confidentiality, etc.) in a binding manner in their relations with Terna. The stakeholders concerned will be informed of this request and constraints will be underlined in contractual agreements.

Terna invites everyone to verify dubious or ambiguous interpretations according to the procedures set forth in Section 5 of this Code, applying to the reference figures indicated, and to promptly report any suspected breach.

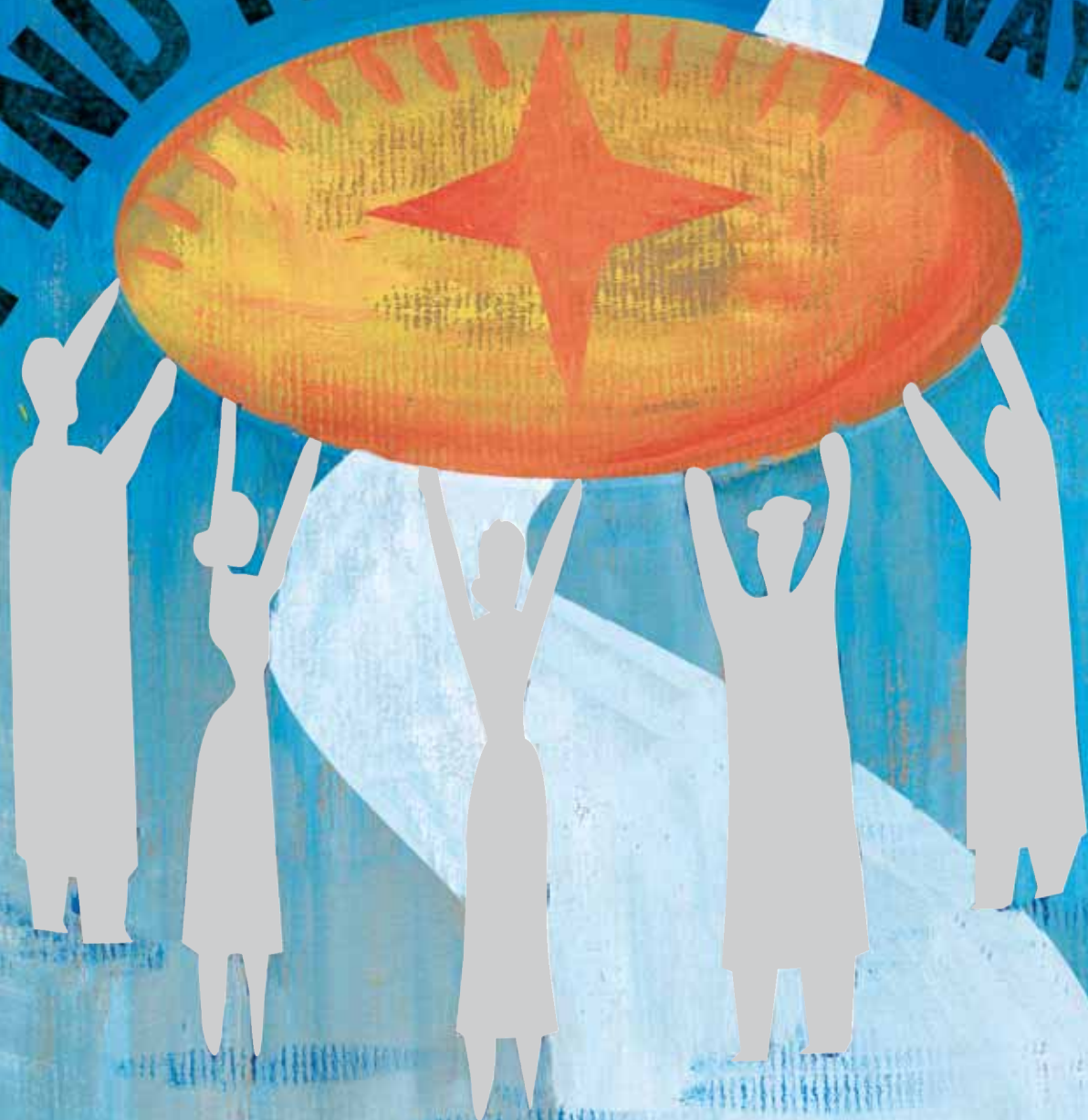


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GENERAL RULES AND APPLICATION OF THE CODE

TERNA REQUIRES THAT ANY CONDUCT IN CONTRAST WITH THE ETHICAL CODE IS REPORTED. THIS ALLOWS THE COMPANY TO PINPOINT CRITICAL SITUATIONS, TO PUT THEM TO RIGHT AND TO STRENGTHEN STAKEHOLDERS' TRUST. TERNA HAS CHOSEN TO ADOPT AN ETHICAL CODE, TO COMPLY WITH ITS MISSION AND ITS ETHICAL VALUES AND PRINCIPLES: SO APPLYING IT IS A DUTY THAT EVERYONE MUST FULFIL.

FIND THE RIGHT WAY



GENERAL RULES AND APPLICATION OF THE CODE

THE PRINCIPLES AND CONDUCT EXPRESSED IN TERNA'S ETHICAL CODE OFFER A GENERAL REFERENCE FRAMEWORK. HOWEVER, EVERYDAY WORKING CONTEXTS CAN GIVE RISE TO QUERIES ON THE INTERPRETATION OF PRINCIPLES AND ON THE CORRECT CONDUCT TO BE OBSERVED IN VARIOUS SITUATIONS. FOR THIS REASON TERNA PROVIDES ITS STAKEHOLDERS WITH A NUMBER OF CHANNELS FOR DIRECT CONTACT WITH THOSE WHO CAN HELP CLARIFY DOUBTS AND EXPLAIN THE CODE'S SCOPE OF APPLICATION. THE SAME COMMUNICATION CHANNELS ALSO COLLECT THE REPORTS OF BREACH OF THE CODE'S PRINCIPLES.

IT IS IMPORTANT FOR TERNA THAT ANY CONDUCT IN CONTRAST WITH THE ETHICAL CODE IS REPORTED. THIS ALLOWS THE COMPANY TO PINPOINT CRITICAL SITUATIONS, TO PUT THEM TO RIGHT AND TO STRENGTHEN STAKEHOLDERS' TRUST. TERNA HAS CHOSEN TO ADOPT AN ETHICAL CODE, TO COMPLY WITH ITS MISSION AND ITS ETHICAL VALUES AND PRINCIPLES: SO APPLYING IT IS A DUTY THAT EVERYONE MUST FULFIL.

CLARIFICATION ON THE CODE AND REPORTING OF BREACH

For Terna employees the first figure of reference for clarification on the Code and its application is their direct superior, who may be able to answer the query or may refer it to other corporate functions, to the Ethical Committee or to the Audit function. Ethical queries must be treated seriously and those fulfilling roles of responsibility must be able to facilitate their solution.

For reports of breach the first reference figure is again the direct superior, who may implement corrective measures and perform a mediating role, or may refer the report to the Ethical Committee or the Audit function.

However, the direct superior is not the only possible reference figure. For clarification as well as for reports, employees may personally apply to the Ethical Committee or to the Audit function. These channels are also entrusted with collecting reports of breach of the Code from stakeholders outside the company.

Terna considers reports made in good faith to be a sign of loyalty towards the company. It guarantees those making reports maximum confidentiality; it does not tolerate acts of retaliation and will punish perpetrators. In the same spirit of loyalty, it asks that reports are not submitted in anonymous form.

The contact addresses (postal address, email and telephone) are provided or updated over the intranet and the website with special corporate notices.

e-mail comitato.etico@terna.it
audit.codiceetico@terna.it

address **Ethical Committee** **Audit Function**
Terna **Ethical Code**
Via Arno 64 **Via Arno 64**
00198 Roma **00198 Roma**

References figures

In order to further guarantee confidentiality, employees may also contact the Ethical Committee as a whole or its individual members by email or through other dedicated channels, which will be communicated by the company when they are activated and will be reported in the intranet in the Ethical Code section. Individual members by email or through other dedicated channels, which will be communicated by the company when they are activated and will be reported in the intranet in the Ethical Code section.

CONTROLLING OF REPORTS, APPLICATION OF SANCTIONS

In Terna responsibility for collecting reports and for providing clarification lies not only with the direct superiors, but also with the Ethical Committee and the Audit function.

The Ethical Committee is a board made up of at least three members, appointed by the CEO on behalf of the various corporate divisions. The members remain in office for a limited period of time and it is their duty to:

- answer requests for clarification on the Ethical Code;
- receive and examine reports of breach;
- decide whether to open a report investigation procedure;
- provide those making the report with a reply on this decision.

The Ethical Committee has been set up to provide internal and external stakeholders with a specific communication channel on Ethical Code related issues.

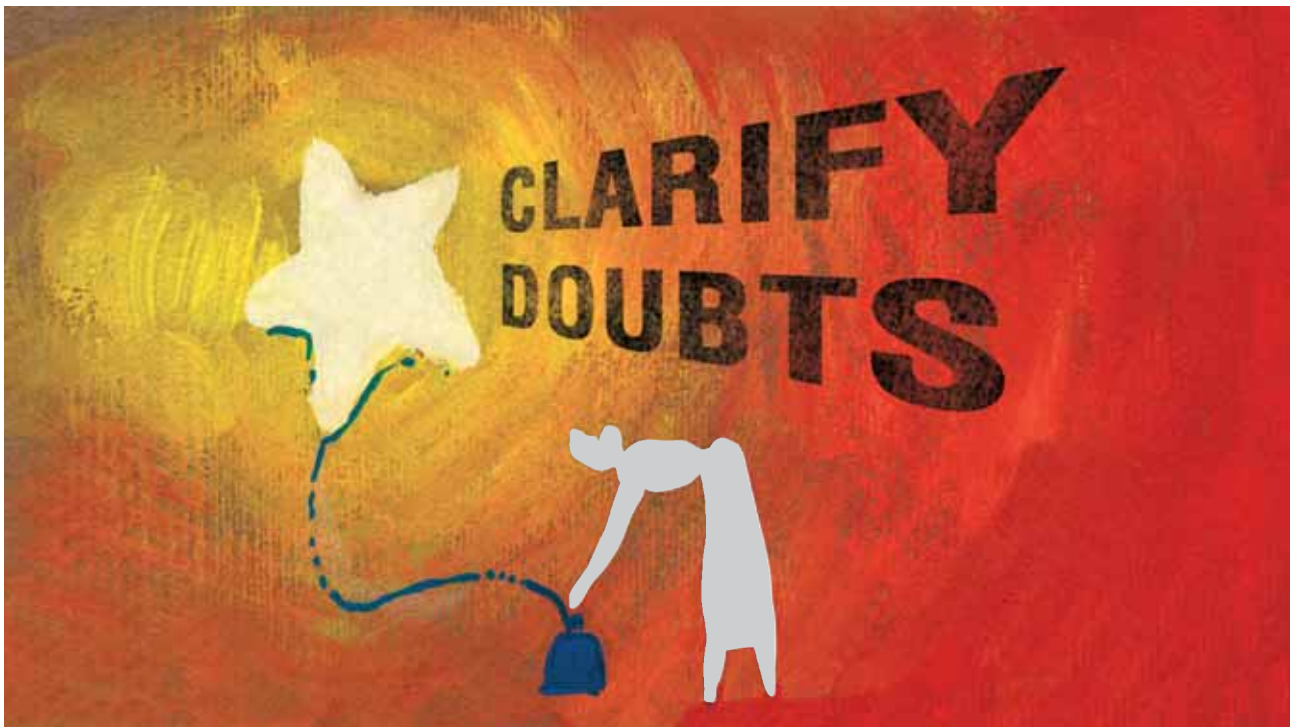
The Audit function is Terna's internal control function, reporting directly to the Chairman.

Given its independence in terms of organisation and management hierarchy, it is entrusted with investigating reports of breaches of the Code. Hence the Audit function carries out the preliminary inquiry that follows the report and - in the case of confirmed breach - directly provides notice of the outcome to the Chairman or the CEO, who decide on the sanctions to be applied. In the case of more serious infringement, reports are submitted directly to the Internal Audit Committee.

The Audit function is also responsible for periodic control of compliance with the Ethical Code.

REVIEW OF THE ETHICAL CODE

Responsibility for integrating, reviewing and updating the Ethical Code lies with the Internal Audit Committee, which may delegate the task to a work group. Proposed amendments are approved by the Board of Directors.



THE TEN GLOBAL COMPACT PRINCIPLES IN THE AREAS OF HUMAN RIGHTS, LABOUR, ENVIRONMENT AND ANTI-CORRUPTION ENJOY UNIVERSAL CONSENSUS AND ARE DERIVED FROM:

- THE UNIVERSAL DECLARATION OF HUMAN RIGHTS
- THE INTERNATIONAL LABOUR ORGANISATION'S DECLARATION ON FUNDAMENTAL PRINCIPLES AND RIGHTS AT WORK
- THE RIO DECLARATION ON ENVIRONMENT AND DEVELOPMENT
- THE UNITED NATIONS CONVENTION AGAINST CORRUPTION

HUMAN RIGHTS

PRINCIPLE I

BUSINESSES SHOULD SUPPORT AND RESPECT THE PROTECTION OF INTERNATIONALLY PROCLAIMED HUMAN RIGHTS WITHIN THEIR SPHERE OF INFLUENCE; AND

PRINCIPLE II

MAKE SURE THAT THEY ARE NOT COMPLICIT, EVEN INDIRECTLY, IN HUMAN RIGHTS ABUSES.

LABOUR STANDARDS

PRINCIPLE III

BUSINESSES SHOULD UPHOLD THE FREEDOM OF ASSOCIATION AND THE EFFECTIVE RECOGNITION OF THE RIGHT TO COLLECTIVE BARGAINING;

PRINCIPLE IV

THE ELIMINATION OF ALL FORMS OF FORCED AND COMPULSORY LABOUR;

PRINCIPLE V

THE EFFECTIVE ABOLITION OF CHILD LABOUR; AND

PRINCIPLE VI

THE ELIMINATION OF DISCRIMINATION IN RESPECT OF EMPLOYMENT AND OCCUPATION.

ENVIRONMENT

PRINCIPLE VII

BUSINESSES SHOULD SUPPORT A PRECAUTIONARY APPROACH TO ENVIRONMENTAL CHALLENGES;

PRINCIPLE VIII

UNDERTAKE INITIATIVES TO PROMOTE GREATER ENVIRONMENTAL RESPONSIBILITY; AND

PRINCIPLE IX

ENCOURAGE THE DEVELOPMENT AND DIFFUSION OF ENVIRONMENTALLY FRIENDLY TECHNOLOGIES.

COMBATING ANTI-CORRUPTION

PRINCIPLE X

BUSINESSES SHOULD WORK AGAINST ALL FORMS OF CORRUPTION, INCLUDING EXTORTION AND BRIBERY.

A graphic illustration featuring five white silhouettes of human figures with their arms raised in a gesture of triumph or freedom. The figures are arranged around the central text: two at the top, one in the center, and two at the bottom. The background is a vibrant green with a textured, painterly appearance. The text 'HUMAN DIGNITY' is written in large, bold, black capital letters across the middle of the image.

HUMAN DIGNITY

Coordination and Development by TERNA S.p.A.

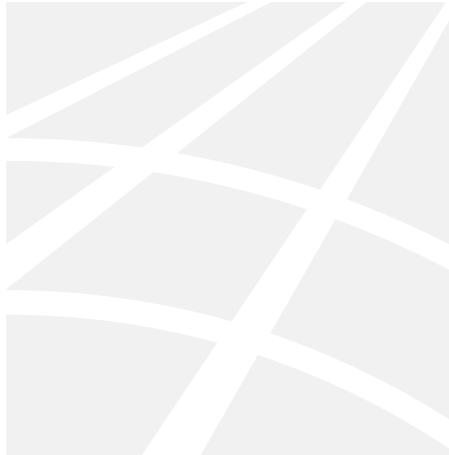
External Relations and Communication Department

Editorial Design

Interno Otto, Rome

Illustrations

Chiara Attorre, Rome



Increasing the service's efficiency and the company's competitiveness.
Providing services under concessions and planning the electricity grid's development.
Continuously enhancing the professional skills of collaborators.
Working in respect of the environment.
Developing a corporate Group identity both nationally and internationally.

www.terna.it



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