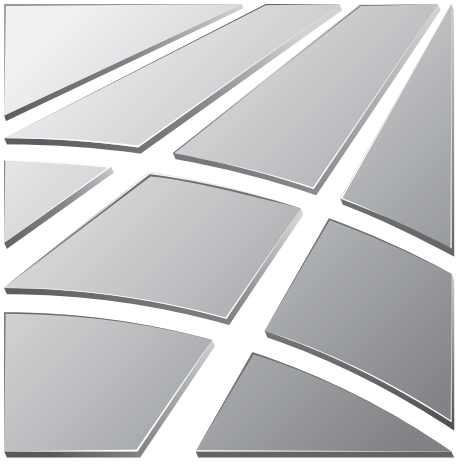
2008



Sustainability Report

Terna

Terna manages electricity transmission in Italy and guarantees its safety, quality and low costs over time. The Company ensures equal access conditions to all grid users. It develops market activities and new business opportunities based on its experience and technical know-how acquired in managing complex systems. Terna creates value for its shareholders with an outstanding professional commitment, with a responsible approach towards the community and in respect of the environment.

2008

Sustainability Report

Terna

Summary

Letter to the stakeholders

For Terna, 2008 was a year that brought great satisfaction, both in economic results, which exceeded forecasts, and in the area of sustainability. The developing overall economic scenario has cast an even sharper spotlight on the company's solidity and performance, which are founded upon its role as an infrastructural firm carrying out works and services of general interest. And as a result of this role, there is also a strong recall to our responsibilities, in a phase in which we expect infrastructural investments to make an important contribution to economic recovery.

Carrying out the national electricity grid Development Plan, always one of Terna's fundamental goals, is more than ever at the centre of our Strategic Plan; the sale of stakes in Brazil, announced in April 2009, helps towards concentrating on the Italian core business. In 2008, we further increased investments over the average for the years before, and we are committed to continuing on this path for 2009 as well, and for the years to follow. The most important projects include building the SAPEI, the submarine cable connection between Sardinia and the Italian peninsula. It is a record-setting work from the technical standpoint, with important sustainability implications, not only for the attention to the environment which, in accordance with what is now a well-established approach, we have integrated into the planning and building phases, but also for the positive effects it will have on the production of energy from renewable sources in Sardinia. Works proceeded in 2008; the first of the two cables laid will enter service by the end of 2009. Other grid development investments have major environmental implications as well: the kilometres of existing power lines we will be able to remove (about 1,200) by carrying out our main development projects are almost triple the number of kilometres of new lines we will be building (about 450).

Contributing to the electricity grid's sustainable development will be the collaboration agreement reached between Terna and WWF Italia – the first signed by the world's largest nature conservation organisation with a major Italian infrastructure company – which calls, among other things, for preparing guidelines to integrate biodiversity and conservation protection factors among the criteria used to define where new power lines are placed. As for existing lines, another collaboration agreement signed with LIPU – the Italian partner of BirdLife International – has initiated a field study to assess the interaction between birds and high-voltage power lines, an aspect for which scientific information is still scanty.

In addition to considering the environmental aspects, appropriately performing our fundamental mission – transmitting electricity – also means devoting constant attention to our people. The year 2008 saw a sharp increase in internal communication activities, the start of new training paths and the use of internal instructors in the Campus project, and the

preparation of the performance evaluation system that will be fully operational in 2009. In addition to responding to an overall design of human resources development and management, the projects that have been carried out and started up are also a concrete corporate response to the areas of improvement indicated in the employee satisfaction surveys that Terna carries out regularly every year.

2008 also saw Terna's more decisive commitment to supporting initiatives in social, cultural, and humanitarian settings – another way to return value to civil society and local communities, in consideration of our presence on the territory with electricity grid maintenance and development activities. Particularly important among the various initiatives is the *Premio Terna01* award – an initiative conceived and developed by Terna to promote modern art and in particular the work of contemporary Italian artists. And volunteer work carried out by Terna's employees in the non-profit sector has been the guiding criterion for other generosity efforts made to support local projects.

The results obtained bear witness to progress on a number of fronts, respecting the purposes declared also in Sustainability Reports of years past. They bear witness to a path that goes on consistently – and that will continue into 2009 and beyond – because it is linked to the core business and aimed at maintaining a relationship of trust with stakeholders.

Externally, the local territory remains the central dimension of the dialogue. As the Report illustrates in the section dedicated to this, listening to and dialoguing with local institutions is and will remain our most important stakeholder engagement activity: the grid's development in fact cannot progress without society's acceptance of electricity infrastructure. Our approach for some time has been to take the territory's needs into consideration right from the initial planning phases: the objective is to bring local interests in line with Terna's and its shareholders' interest in creating value, and the country's interest in enjoying a reliable, efficient electricity service.

Internally, investment in occupational safety and developing human resources will be the main lines of intervention in 2009 as well. Moreover, with targeted communication efforts, we will strengthen the appeal to the values of the Code of Ethics, and to the need that everyone comply with it. We will then continue the path begun in 2008, as we present this Sustainability Report to selected groups of stakeholders: our commitment to transparency would not be complete unless it were tested in its effectiveness, and enriched by observations from those it addresses.

The Chairman
LUIGI ROTH

The CEO
FLAVIO CATTANEO

Executive Summary

Terna is the main owner of the National high-voltage electricity Transmission Grid in Italy with over 98% of the national electricity infrastructures. It has been listed on the Italian stock market since 2004 and its relative majority shareholder, with a shareholding of 29.99%, is Cassa Depositi e Prestiti (a joint-stock company in which the Italian Ministry of Finance has a 70% shareholding).

With the purchase of the high-voltage electricity lines belonging to Enel Distribuzione (April 1, 2009), Terna ranks first in Europe and seventh in the world among the independent network operators, with over 61,000 km of electricity lines under its management. The Terna Group also operates in Brazil through its subsidiary Terna Participações. An agreement was signed on April 24, 2009 for the sale of this shareholding to Cemig Geração e Transmissão SA. The agreement will probably reach completion by the end of the year.

- *In 2008 the Terna Group revenues reached 1,395 million euro, of which 1,196 million in Italy. On December 31, 2008 the number of employees in the Group stood at 3,734, of which 3,524 in Italy.*
- *On April 28, 2008 the new Board of Directors was appointed. Its mandate will finish with the approval of the Financial Statements for 2010. The Shareholders' Meeting confirmed Luigi Roth in his role as Chairman of the Company. The Board of Directors confirmed Flavio Cattaneo as CEO.*

The Sustainability Report 2008: new points

The Sustainability Report 2008 was prepared, like the previous two editions, according to the G3 Reporting Guidelines of the Global Reporting Initiative, and was audited by the KPMG auditing company (level B+). There are 39 GRI indicators, 33 of which refer to the Group's boundary (6 more than in the 2007 Report). It also includes the information corresponding to the 29 GRI indicators of the electricity sector (Electric Utilities Sector Supplement, Pilot Version 2007) and their related comments.

- *Two new indicators were published: EN8 (total water withdrawal) and EN19 (refrigerant gases).*
- *A new paragraph called "Revenue structure and regulatory framework" has been included (p. 24-26): this explains the mechanisms used to remunerate Terna's regulated activities.*
- *Further information has been added about equal opportunities for men and women (table on p.122): Terna's management systems do not cause any discriminatory treatment of women.*
- *Additional information about safety in the workplace has been included (p.137-138), which illustrates Terna's commitment towards on-going improvement.*
- *Details relating to employees in contracting companies and their related injuries have been shown for the first time in the LA1 and LA7 indicators (p. 125-126 and p. 128-129, respectively).*
- *Details relating to corporate giving expenses have been published (p. 73 and 140-142).*

The four areas of responsibility: main results

Terna acknowledges four areas of responsibility: the three areas relating to the company's Social Responsibility (economic, environmental and social) and a fourth area concerning its responsibility towards the electricity service, directly connected to its mission. The year 2008 highlighted progress in all areas.

- *The performance targets on the continuity and quality of the electricity service were achieved and surpassed (p. 60-61).*
- *A daily wind-power electricity production forecasting process was launched which achieved the maximum incentive bonuses for forecasting accuracy as provided for by the Authority for Electricity and Gas.*
- *Two important collaboration agreements were signed with LIPU (p. 91) and WWF (p. 99). The first is targeted towards research into the interaction between high-tension cables and birds. The second aims to integrate environmental criteria that are consistent with the WWF's conservation strategy into the planning process for the construction of new lines.*
- *Continuing attention has been paid towards the containment of CO_2 emissions, although there were no obligations to do so ensuing from the Kyoto Protocol or from emission trading schemes. The programmes particularly relate to the control over SF_6 losses (a greenhouse gas found in some electricity station equipment) and over emissions from the company's vehicle fleet (p.106-107 and 110). According to the Italy Report of the Carbon Disclosure Project 2008, Terna*

is one of seven Italian S&P/MIB companies that have prepared a strategy for emission containment (p. 102).
- *New communication tools for employees have been developed (periodical house organ, photographic competition, Christmas get-togethers) and the existing ones have been improved (p. 122-123).*
- *There has been a 27% increase in the number of staff training hours, which had already shown growth in 2007 (p. 139-140).*
- *Support towards social causes was increased. In Italy, sums spent on gifts and sponsoring activities exceeded 2 million euros, thanks also to the links with company initiatives such as the Premio Terna01 award and the internal competition called CreativInTerna, and to the information received from employees concerning various deserving projects (p. 140-142).*
- *The third People Satisfaction survey was held, which highlighted a satisfaction rate among employees of over 60%; the first survey on internal communication activities and tools was also conducted (p. 46-47).*
- *Meetings with stakeholders were organised for the first time in order to illustrate Terna's approach towards sustainability and its Sustainability Report. These meetings involved journalists specialised on environmental and social responsibility themes as well as operators in the non-profit area (p. 48-49).*

Sustainability rating and recognition

- FTSE4Good. *Terna was confirmed as one of the companies included in the prestigious Financial Times London Stock Exchange index, which gathers together the best European companies in terms of their sustainable economic development.*
- Dow Jones Sustainability Indexes. *On the basis of analyses conducted annually by the SAM (Sustainability Asset Management) ethical rating agency, to obtain admission to the Dow Jones Sustainability indexes, Terna ranked among the best fourteen electricity utilities out of 107 examined in all parts of the world. It received the special Sector Mover 2008 citation, which is given to those companies that have made the best progress in the 22 areas of sustainability under analysis.*
- Accountability Rating 2008. *Terna was ranked eighth among 40 major Italian companies belonging to the S&P/MIB stock market index. Accountability Rating Italia is the Italian version of the Accountability Rating International performed by the AccountAbility Institute. The AccountAbility analyses are based on their own internally-developed procedures which make the institute one of the international reference points on sustainability reporting standards.*
- Premio Aretê. *Terna came first in the "Internal Communication" strategy.*
- The European Business Awards. *Terna received the "Ruban d'honneur" for being one of the 10 finalists in the 2009 awards in the Corporate Sustainability category. The European Business Awards identify and award prizes to the most successful companies in the 27 EU nations that have distinguished themselves in various fields, including innovation and commitment towards sustainable development.*

Sustainability objectives for 2009

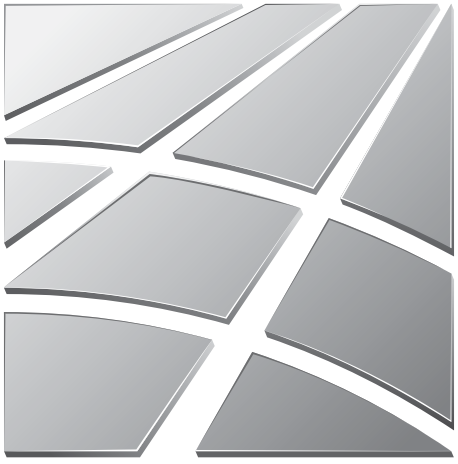
The 2009 objectives represent another step forward along the paths already embarked upon (p. 40).

- *Creation of a campaign to raise the level of attention paid to the values expressed in the Code of Ethics.*
- *Continuation of discussions with stakeholders based on the contents of the 2008 Sustainability Report.*
- *Compliance with the targets assigned by the Authority for Electricity and Gas.*
- *Progress in the programmes to reduce CO_2 emissions.*
- *Definition of a specific accounting system for environmental expenses.*
- *Approval of a policy on gifts and sponsoring activities and their related management procedures.*
- *Improvements in external communication on the topic of sustainability through a specific section on the website.*
- *Launching the Global Performance System, the new performance assessment model for Terna employees.*

Sustainability is also this

- *The SOC (Security Operation Centre) was opened. This control centre complies with Terna's security model and ensures integrated supervision over physical, logical and environmental security (p. 59).*
- *Launching of coordinated planning among the operators of the European grid (p. 66).*
- *An electricity station was built in a space of only 500 m^2 at Arco (TN) instead of the 3,500 m^2 normally required (p. 69).*
- *In Montepulciano (SI), a disused pylon becomes a lookout post for birds (p. 92).*
- *Work on the SAPEI submarine link has continued: the "record-breaking cable" that respects the environment (p. 96-97).*
- *Joining the "10x10" Project organised by the motoring magazine Quattroruote: Terna undertakes to cut CO_2 emissions in its fleet of company vehicles (p. 107).*
- *Terna was one of the best companies in the first Italian edition of "CRF Top Employers" based on the ranking procedure created by the Dutch agency CRF (p. 137).*
- *The first Premio Terna01 Contemporary Art awards were held: "Let's transmit energy to Art" (p. 142).*

2008



Introduction

Terna

Introduction

Like the last two editions, the 2008 Terna Sustainability Report has been prepared based on the Sustainability Reporting Guidelines defined in 2006 by the GRI - Global Reporting Initiative, also known as G3. This year as well, the Sustainability Report was subjected to specific review procedures by KPMG, which prepared its own Report of the Independent Auditors attached hereto.

The 2008 edition has some improvements over 2007. In particular:
- two new general indicators were introduced (EN8 at the Group level, and EN19 with reference to Italy);
- the set of indicators required by the Supplement to the GRI - G3 Guidelines for companies in the electric utilities sector (Electric Utilities Sector Supplement, Pilot Version 2007) was completed; in particular, the indicator EU16, which was not available last year, was calculated;
- for six environmental indicators (EN2, EN3, EN13, EN14, EN16, EN22), the reporting boundary was extended to include Brazilian activities as well. As a consequence, these indicators now refer to the Group boundary.

As for the indicators in the Electric Utilities Sector Supplement, whose publication is not yet mandatory, Terna deemed it consistent with its commitment to transparency to stakeholders to provide a response to all information requests, in consideration of their relevance to the specific area of activity. A table in the paragraph GRI Content Index lists all the information provided for by the Supplement (new indicators and more in-depth versions of pre-existing indicators or of the parts on management approach), indicating whether or not these are applicable to Terna's type of activity. For the applicable ones, the page where the information is found is indicated.

The greater information on activities in Brazil, which does not stop at merely developing six new Group indicators, is the response to a commitment expressed in the previous editions of the Report: gradual alignment of the information framework for the two countries where Terna operates. It should also be underlined that on April 24, 2009, Terna announced it had signed an agreement to transfer its stake in Terna Participações. Although the transaction will not close before September 2009, Brazilian activities are destined to leave the reporting boundary.

The Report is organised in the same way as it has been in years past. After the "Terna's profile", the breakdown of topics into four central sections has been maintained. These correspond to the triple bottom line – economic, environmental, and social – characterising sustainability reports, preceded by the section on the responsibility of the electricity service, regarding Terna alone. The sections open with an illustration of the operational approach to the specific area of responsibility, continue with the selection of the G3 performance indicators of greatest relevance for each section, and close with some more in-depth passages that Terna deems it important to provide.

The G3 performance indicators take the form of point-by-point responses to specific queries, and on the whole offer an integrated key to interpreting Terna's way of working with regard to sustainable development. It is specified that in the LA2 indicator, the turnover rates for the years prior to 2008 were recalculated by relating the outgoing flows to the number of employees as of December 31 of the previous year.
The Report ends with some tables of additional numeric indicators and a glossary useful in understanding the technical vocabulary specific to the electricity industry. The opening of the "Tables of indicators" section includes a table listing all the variations from the additional indicators furnished in the 2007 Sustainability Report, and the reasons for the variations.

The G3 indicators to be included were selected on the basis of a careful evaluation of the informative purpose of each, and their pertinence to Terna's activities and the interests of its stakeholders. In fact, the Report ideally addresses all the stakeholders identified in the Company's Code of Ethics. To help readers interested in accurately retrieving the information provided for by the GRI Reporting Guidelines, the table of the GRI Content Index has been added immediately after this introduction.

The G3's application level has been given a B+ assessment.

The data were calculated with precision, based on the results of the general accounting and of Terna's other information systems; in the event of estimates in determining the indicators, the procedure followed was indicated.

The observation period is the year 2008: all the data refer to the financial year closing December 31, 2008; moreover, reference was made to the new elements of importance occurring until April 30, 2009. Last year's Report, approved by Terna's Board of Directors as of October 2008, contained the main information through June 30, 2008.

Boundary

Unless otherwise indicated, the data and information in the 2008 Sustainability Report refer to the boundary that comprises Terna SpA and the companies that were consolidated by the direct method in the Consolidated Financial Statements as of December 31, 2008 (see p. 130 for the detail of companies). Therefore, the Sustainability Report, in compliance with the GRI Boundary Protocol, aims to comprise all the companies over which Terna SpA exercises direct or indirect control, in Italy or abroad (Brazil).
There are no joint ventures, subsidiaries, or outsourcing or leasing activities that can meaningfully influence the comparability of the data, or the boundary.

Each G3 indicator published in the Sustainability Report states the calculation boundary adopted, which may be:
- Group, as defined above;
- Italy, or Terna SpA.

For the Group data, where possible, the information by geographic area (Italy, Brazil) is also provided.

The indicators provided for by the G3 for which the reporting boundary covers the entire Terna Group are as follows (32 indicators, against the 20 required for the guidelines' compliance level B).
- Economic performance indicators: EC1, EC2, EC3, EC6, EC7.
- Environmental performance indicators: EN2, EN3, EN4, EN8, EN12, EN13, EN14, EN16, EN22, EN28, EN29.
- Social performance indicators:
  - Labour practices and decent work: LA1, LA2, LA3, LA4, LA7, LA10, LA13, LA14.
  - Human rights: HR6, HR9.
  - Society: SO2, SO4, SO6, SO7, SO8.
  - Product responsibility: PR8, PR9.

The reasons for limitation to the Italian boundary in calculating the other G3 indicators are connected with the impossibility of gathering the data with satisfying quality standards, or of doing so efficiently, or with the low significance of the phenomenon.

In this regard, it should be stressed that, considering the total weight of the Group's activities, the information on Italy still significantly reflects the economic, environmental, and social aspects of the entire Group.

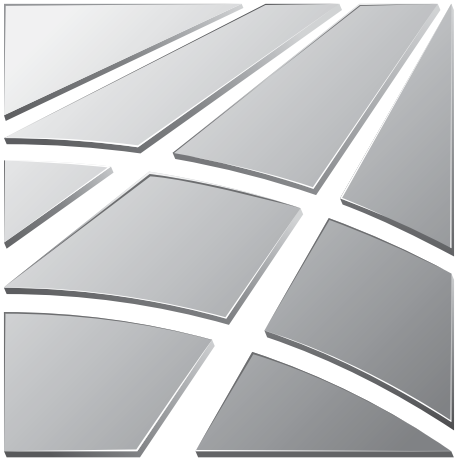
In fact, Terna's activities in Italy account for:
- approximately 86% of the total in terms of Group revenues;
- approximately 94% in terms of the Group's employees;
- approximately 92% in terms of length of the electrical grid owned by the Group.

For the third year running, the Sustainability Report, which illustrates the results and objectives of responsibility for the short/medium term, was examined and approved by the Board of Directors.

Whoever is interested in knowing more about the information contained in this Report may e-mail CSR@terna.it, telephone Terna's switchboard (Italy – +39 06.83138111) and request the appropriate office, or send a letter to:

EXTERNAL RELATIONS AND COMMUNICATION DEPARTMENT
CORPORATE SOCIAL RESPONSIBILITY
Terna
Viale Egidio Galbani, 70
00156 Rome

2008



GRI Content Index

Terna

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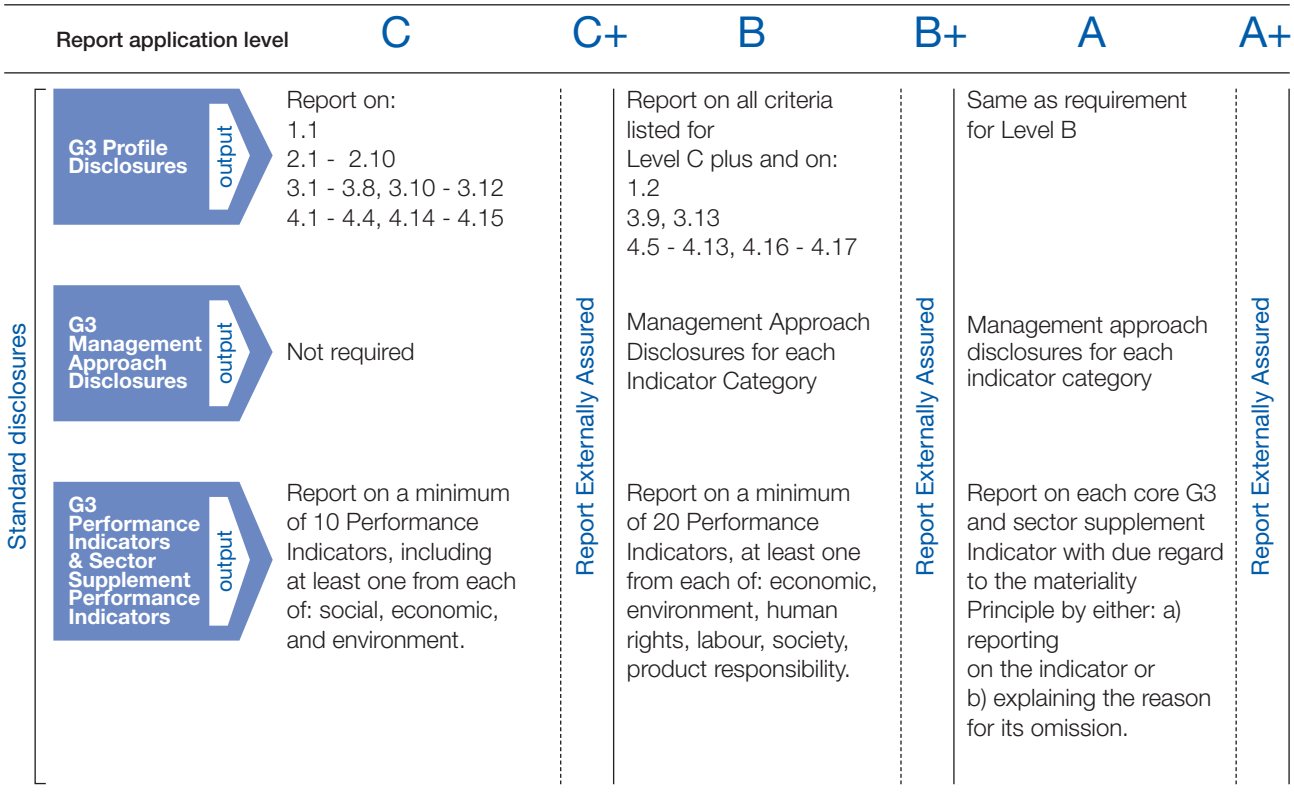
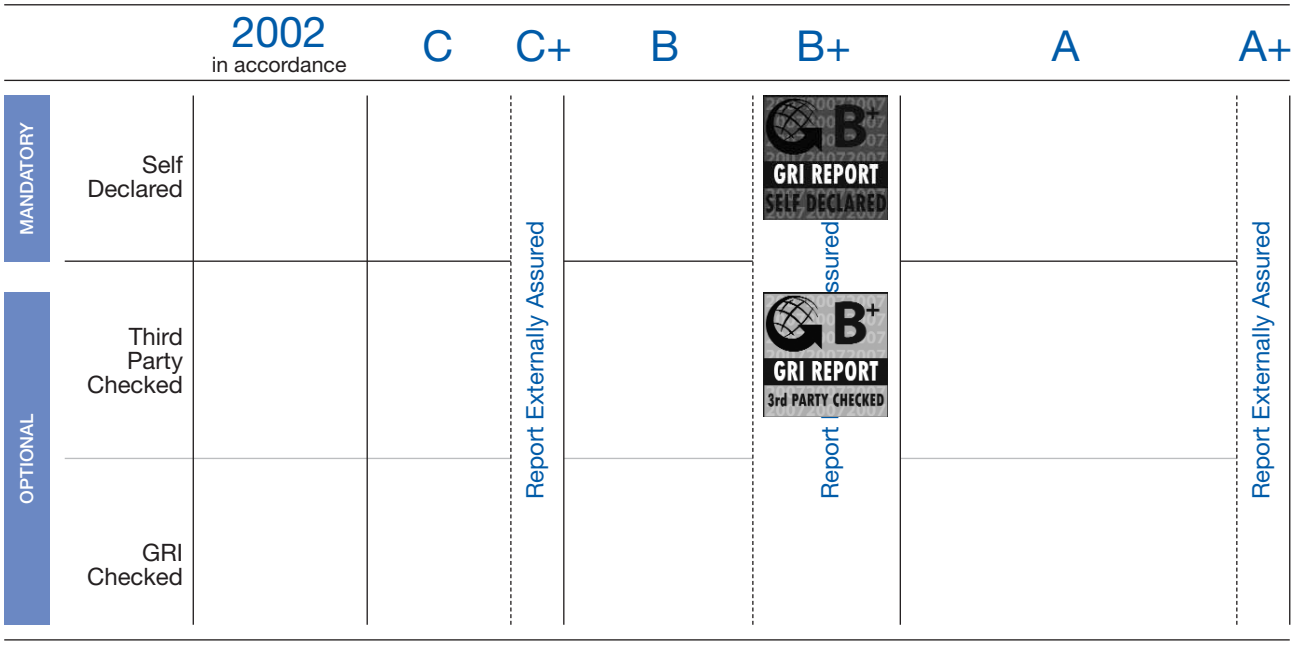

Report application level
C
C+
B
B+
A
A+
Standard disclosures
G3 Profile Disclosures
output
Report on:
1.1
2.1 - 2.10
3.1 - 3.8, 3.10 - 3.12
4.1 - 4.4, 4.14 - 4.15
G3 Management Approach Disclosures
output
Not required
G3 Performance Indicators & Sector Supplement Performance Indicators
output
Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.
Report Externally Assured
Report on all criteria listed for Level C plus and on:
1.2
3.9, 3.13
4.5 - 4.13, 4.16 - 4.17
Management Approach Disclosures for each Indicator Category
Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labour, society, product responsibility.
Report Externally Assured
Same as requirement for Level B
Management approach disclosures for each indicator category
Report on each core G3 and sector supplement Indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.
Report Externally Assured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A+
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Self Declared
Third Party Checked
GRI Checked
Report Externally Assured
GRI REPORT
SELF DECLARED
GRI REPORT
3rd PARTY CHECKED
Report Externally Assured
Report Externally Assured

LIST OF G3 PERFORMANCE INDICATORS PUBLISHED IN THIS REPORT

Code	Boundary	Indicator	Notes	Page
EC1	**Group**	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and to governments		73-74
EC2	**Group**	Financial implications and other risks and opportunities for the organisation's activities due to climate change		75
EC3	**Group**	Coverage of the organisation's defined benefit plan obligations		76-77
EC6	**Group**	Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation	Data published starting 2007	77
EC7	**Group**	Procedures for local hiring at significant locations of operation and proportion of senior management hired from the local community		77
EN3-4	**Group**	Direct and indirect energy consumption by primary energy source	Group data only for 2008	88-89
EN8	**Group**	Total water withdrawal by source	Data published starting 2008	89
EN11	**Italy**	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		89-90
EN12	**Group**	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas		90-91
EN13	**Group**	Habitats protected or restored		92-93
EN14	**Group**	Strategies, current actions and future plans for managing impacts on biodiversity		93-99
EN16	**Group**	Total direct or indirect greenhouse gas emissions by weight	Group data only for 2008	100-102
EN17	**Italy**	Other relevant indirect greenhouse gas emissions by weight	Some data only with reference to 2008	102-103
EN18	**Italy**	Initiatives to reduce greenhouse gas emissions and reductions achieved		106-107
EN19	**Italy**	Emissions of ozone-depleting substances by weight	Data published starting 2008	108
EN22	**Group**	Total weight of waste by type and disposal method		108-109
EN28	**Group**	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		109
EN29	**Group**	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce	Data published starting 2007	110
LA1	**Group**	Total workforce by employment type, employment contract and region		125-126
LA2	**Group**	Total number and rate of employee turnover by age group, gender and region		126
LA3	**Group**	Benefits provided for full-time employees that are not provided to temporary or part-time employees, by major operations		127
LA4	**Group**	Percentage of employees covered by collective bargaining agreements		127
LA5	**Group**	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements		127-128
LA6	**Italy**	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety		128
LA7	**Group**	Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region		128-129
LA8	**Italy**	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases		129
LA10	**Group**	Average hours of training per year per employee by employee category		132
LA13	**Group**	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity		132-133
LA14	**Group**	Ratio of basic salary of men to women by employee category		133

Code	Boundary	Indicator	Notes	Page
HR6	Group	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour		134
HR9	Group	Total number of incidents of violations involving rights of indigenous people and actions taken		134
SO2	Group	Percentage and total number of business units analysed for risks related to corruption		134-135
SO4	Group	Actions taken in response to incidents of corruption		135
SO6	Group	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country		135
SO7	Group	Total number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices and their outcomes		135
SO8	Group	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		135
PR8	Group	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data		57
PR9	Group	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		57

LIST OF G3 PERFORMANCE INDICATORS PUBLISHED IN THE SUPPLEMENT FOR THE ELECTRIC UTILITY SECTOR (EUSS)

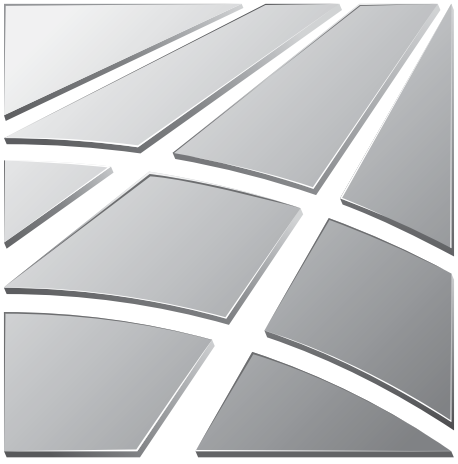
Code	Boundary	Indicator	Notes	Page
EU1	Not applicable	Installed capacity (MW), broken down by primary energy source, by country and by regulatory regime	Terna neither possesses nor manages electricity production plants	-
EU2	Italy	Number of residential, industrial and commercial customer accounts		82
EU3	Group	Length of above and underground transmission and distribution lines by regulatory regime		23; 148
EU4	Not applicable	Allocation of CO_2 emissions allowances or equivalent, broken down by carbon trading framework	Terna has no activities in the field of electricity generation, and is therefore not subject to emissions reduction obligations or emissions trading schemes	-
EU5	Italy	Management approach to ensure short and long-term electricity availability and reliability		58-59
EU6	Not applicable	Demand-side management programmes including residential, commercial and industrial programmes	Demand side management programmes are carried out by distribution companies. Terna is a Transmission System Operator	-
EU7	Italy	Research and development activity aimed at providing reliable and affordable electricity and promoting sustainable development		67-69
EU8	Not applicable	Provisions for decommissioning of nuclear power sites	Terna neither possesses nor manages nuclear plants	-
EU9	Not applicable	Planned capacity (MW) against projected electricity demand over the long-term, broken down by energy source and country or regulatory regime	Terna has no activities in the field of electricity generation	-
EU10	Not applicable	Estimated capacity (MW) saved through demand-side management programmes	Demand side management programmes are carried out by distribution companies. Terna is a Transmission System Operator	-
EU11	Not applicable	Estimated energy (MWh) saved through demand-side management programme, broken down by residential, commercial and industrial customers	Demand side management programmes are carried out by distribution companies. Terna is a Transmission System Operator	-
EU12	Not applicable	Average generation efficiency by energy source and by country or regulatory regime	Terna neither possesses nor manages electricity production plants	-

Code	Boundary	Indicator	Notes	Page
EU13	Italy	Transmission and distribution losses as a percentage of total energy		102; 148
EU14	Italy	Biodiversity of replacement habitats compared to the biodiversity of the areas that are being replaced		92-93
EU15	Italy	Programmes and processes to ensure the availability of a skilled workforce		136-140
EU16	Italy	Total subcontracted workforce	Estimate made for the first time in 2008	126
EU17	Italy	Percentage of contractors and sub-contractors that have undergone relevant health and safety training		138
EU18	Italy	Participatory decision making processes with stakeholders and outcomes of engagement		45-50
EU19	Italy	Approach to managing the impacts of involuntary displacement		124
EU20	Italy	Contingency planning measures and disaster/emergency management plan and training programmes, and recovery /restoration plans		58-59
EU21	Italy	Number of people displaced by new or expansion projects related to generation facilities and transmission lines, broken down by physical and economic displacement		124
EU22	Italy	Programmes, including those in partnership with government, to improve or maintain access to electricity services		66
EU23	Not applicable	Practices to address language, cultural, low literacy and disability related barriers to accessing and safely using electricity services	Terna has no direct relations with the final users of the electricity service	-
EU24	Italy	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases		42
EU25	Not applicable	Percentage of population unserved in licensed distribution areas, broken down by population in rural areas and urban areas	Terna has no direct relations with the final users of the electricity service	-
EU26	Not applicable	Number of residential disconnections for non-payment, broken down by duration of disconnection	Terna has no direct relations with the final users of the electricity service	-
EU27	Italy	Power outage frequency (SAIFI)		60
EU28	Not applicable	Average power outage duration (SAIDI)	Performance indicator not pertaining to the electricity transmission business	-
EU29	Not applicable	Average plant availability factor by energy source and by country or regulatory regime	Terna neither possesses nor manages electricity production plants	-

LIST OF ADDITIONAL COMMENTS REQUESTED BY THE SUPPLEMENT FOR THE ELECTRIC UTILITY SECTOR (EUSS) FOR INTEGRATION INTO THE GRI G3 GUIDELINES

Aspect of the G3 Guidelines involved	Commentary	Boundary	Notes	Page
Environmental management approach	Ban on equipment containing PCBs	**Italy**		87
	Use of water	**Italy**	Data published for the first time in 2008	89
	Vegetation along electricity lines	**Group**		67; 93
	Radioactive waste	**Not applicable**	Terna neither possesses nor manages nuclear power plants	-
EN1	Inventory of equipment containing PCBs	**Group**		87
EN8	Water used in thermal and nuclear plants	**Not applicable**	Terna neither possesses nor manages nuclear power plants	-
EN16	CO_2 emissions	**Group**	Group data published only for 2008	101
EN20	NO and SO emissions per MWh generated	**Not applicabile**	Terna's activity produces no NO or SO emissions	-
EN21	Cooling water in thermal plants	**Not applicable**	Terna neither possesses nor manages thermoelectric power plants	-
EN22	PCB waste	**Group**		152
LA1	Contractor workforce		Figure estimated for the first time in 2008	126
LA2	Turnover by category, age and gender			126
LA4	Contractor employees covered by collective bargaining agreements	**Italy**		127
LA7	Injuries of contractors	**Italy**		128-129
HR5	Strikes and continuity of the electricity service	**Italy**		121
PR1	Electromagnetic fields and public health	**Italy**		43

2008



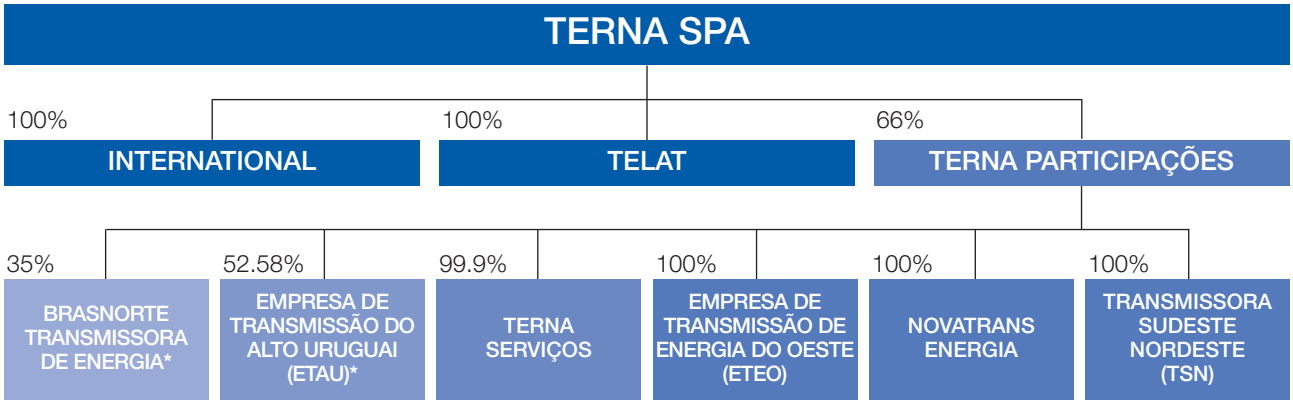
Terna's profile

Terna

Activities, organisation and ownership structure

The Terna Group is a large grid operator for the transmission of electricity. The name Terna derives from the cluster of three conductors or groups of conductors (in Italian "terna" means "threesome") equipped to carry each of the three phases of a three-phase electricity field used in the alternating current grid.
Terna is an internationally-sized Group: it is one of the leading Transmission System Operators (TSO) in the world as regards the number of lines it manages. Its headoffices are in Rome, Italy.
Its main operations are in Italy and Brazil. It is the main owner of the National high-voltage electricity Transmission Grid with over 98% of the national electricity infrastructures.

DETAILS AS AT APRIL 30, 2009



(*) Consolidated with the Net Equity method.

In **Italy** Terna is the main owner (over 98%) of the National high-voltage electricity Transmission Grid (NTG) with 39,456 km of lines, 371 transformer stations, eighteen interconnection lines with foreign countries (details as of December 31, 2008)[1].
Under government licence, Terna has the role of Italian Transmission System Operator: it is responsible for electricity transmission and dispatching along the high- and very-high-voltage grid throughout Italy. It is also responsible for the planning, building and maintenance activities on the Grid.

Terna's current company structure in Italy is the result of a process liberalising the electricity sector, launched in 1999. Amongst other things this process assigned the function of system operator to GRTN, a company under public control. In line with the Decree of the Italian Prime Minister (dated May 11, 2004), Terna was listed on the Italian Stock Market from June 2004 onwards, and was the owner of almost the entire National Transmission Grid. In November 2005 it acquired from GRTN the functions as grid manager together with its related human resources and materials. The reunification of the roles of grid manager and owner (save for a few minor sections) also coincided with Terna's independence from the Enel Group, of which it had previously been a part. Today, Terna is an entity which competes in the markets with total, strategic and managerial autonomy, strengthened by the technical and managerial skills it acquired in the past, when it operated within Italy's largest group in the electricity sector: it is, therefore, a combination of innovation and tradition, two values that accompany Terna in its prospects for development.

Terna also has a 24.4% holding in a company called CESI SpA, which builds and manages laboratories for tests, commissioning, studies and research in the field of electrotechnology and energy.

Through its directly-owned Brazilian subsidiary, Terna Participações SA (which is listed on the São Paolo Stock Market in Brazil), the Terna Group exercises control over a number of wholly or partially owned companies, which all operate in the field of electricity transmission in **Brazil** together with accessory services. All together, these companies are the owners of 3,330 km of electricity lines on the Brazilian national transmission grid (as at December 31, 2008) and hold thirty-year licences for the planning, construction, management, maintenance and development of the grid.
The various stages leading to the current set-up included the incorporation of Terna Participações SA (April 2006), the

(1) This situation relating to December 31, 2008 does not include Enel's acquisition of ELAT (now called TELAT), which occurred on April 1, 2009. TELAT owns about 18,583 km of high-voltage lines. Thanks to this acquisition, Terna confirms its position as leading independent operator in Europe and seventh in the world as regards the number of kilometres of lines under management.

subsequent transfer to it of share parcels in the individual subsidiaries and the listing of Terna Participações on the São Paolo Stock Market in October 2006. Subsequently, Terna Participações acquired the control over or stakes in other companies and established the company called Terna Serviços.
On April 24, 2009, an agreement was signed for the sale of the 66% shareholding in Terna Participações to Cemig Geração e Transmissão SA. When the sale is complete (though this is not expected before the end of September 2009), all intercompany dealings between Terna Participações and Terna will cease.

SIZE OF THE ORGANISATION AS OF DECEMBER 31, 2008	Italy	Brazil	Group
Number of employees	3,524	210	3,734
Turnover in millions of euro (net of pass-through items)	1,195.8	199.4	1,395.2
Total capitalisation - shares (millions of euro) *	-	-	4,559
km of lines	39,456	3,330	42,786

(*) Calculated on the average price in December 2008 of Terna SpA shares.

Significant events during the 2008 financial year and in the first 4 months of 2009

New Board of Directors
On April 28 Terna's Shareholders' Meeting appointed a new Board of Directors whose mandate will end with the approval of the Financial Statements for 2010. The Shareholders then confirmed Luigi Roth as Chairman of the Company.

Italy
- On December 11, 2008, the subsidiary RTL-Rete di Trasmissione Locale SpA (100% controlled by Terna) was fully merged into Terna SpA.
- On December 19, 2008, an agreement was signed for the transfer to Terna of the high-voltage electricity grid owned by Enel Distribuzione. This transfer was completed on April 1, 2009. With the purchase of the assets belonging to ELAT - Enel Linee Alta Tensione (18,583 km) Terna confirms its position as the leading independent operator in Europe and seventh in the world with over 61,000 km of electricity lines under its control.

Brazil
- On January 25, 2008 the company called Terna Serviços LTDA was set up; 99.9% of the shares are held by Terna Participações.
- Through its subsidiary company Lovina Participações SA, Terna Participações purchased the entire share capital of the company called Empresa de Transmissão de Energia do Oeste LTDA ("ETEO"). The transaction was completed on May 30, 2008 subsequent to the approval of the local regulating authority (ANEEL, Agência Nacional de Energia Elétrica). With effect from June 2, 2008, Lovina Participações SA was merged through incorporation with the newly-acquired ETEO.
- On April 24, 2009, an agreement was signed for the sale of 66% of the share capital in Terna Participações to Cemig Geração e Transmissão SA. When the sale is complete, all intercompany dealings between Terna Participações and Terna will cease.

Ownership structure

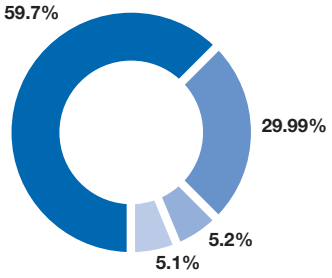
Terna SpA has been listed on the Italian Stock Market since June 2004. In February 2009, the Share Capital stood at 440,199,936 euro, represented by 2,000,908,800 ordinary shares, each with a face value of 0.22 euro.
Terna's relative majority shareholder on the same date, with a shareholding of 29.99%, was Cassa Depositi e Prestiti (a joint-stock company in which the Italian Ministry of Finance has a 70% shareholding).
63% of the share capital is Italian-owned, whereas 37% is held by foreign funds, a percentage which is slightly higher than last year (35%). Terna has the highest percentage of foreign investors among the Italian Blue Chips.
The major shareholders after Cassa Depositi e Prestiti are:
- Pictet Asset Management SA, which holds 5.2% of the share capital;
- Enel SpA, which holds 5.1%.

No other entity has a higher-than-2% stake in Terna's share capital and there is no knowledge of any intercompany agreements relating to its shares. On April 19, 2007, Cassa Depositi e Prestiti SpA ascertained that it had actual control over Terna SpA.

TERNA'S BODY OF SHAREHOLDERS

- Other Institutional Investors + Retail
- CdP - Cassa Depositi e Prestiti
- Relevant Institutional Investors (Pictet)
- Enel

Total 100%



Terna's Bylaws include specific provisions relating to the participation of the State in companies involved in liberalisation processes and establishes certain restrictions regarding shareholding and voting rights. Similar to other cases where companies are involved in the process of liberalisation, the Ministry of Finance, in agreement with the Ministry of Economic Development, has the right to oppose the purchase of shareholdings exceeding 5% by entities not under State control. In addition, in order to safeguard Terna's independence and impartiality, no operator in the electricity sector can exercise voting rights in the appointment of the Board of Directors for a quota above 5% of the share capital.

Revenue structure and regulatory framework

In 2008 the Terna Group achieved revenues for 1,395 million euro, including 1,196 million in Italy. About 93% of the Italian revenues come from activities whose prices are fixed by the Authority for Electricity and Gas (AEEG) and only 7% come from other activities, which mainly consist of the provision of services to third parties such as maintenance to lines belonging to other owners, telecommunication services and consultancy services in the transmission sector.

These regulated revenues are generated by various price items: the main payment to Terna is for **transmission costs**, paid by different categories of electricity sector operators (distributors, producers) based on the quantity of energy transported (withdrawn, inserted or dispatched) on the grid owned by Terna.

The unitary amounts for the various price items are calculated annually by AEEG, on the basis of regulations stipulated at the beginning of each four-year regulatory period. The costs plus margins which are acknowledged to Terna and the quantity of electricity actually transported both contribute to calculations. The **cost items** taken into consideration when determining the transmission price are based on three category areas:

- **RAB remuneration**. The value of the RAB (Regulated Asset Base - Net invested capital) is revalued annually in line with the variation in the deflationary factor for gross fixed investments (issued by Istat - Italian Statistics Institute) and is updated on the basis of net investments made by Terna. These investments include the construction of electricity infrastructures (lines and stations) aimed at the renewal or development of the grid (projects included in the Grid Development Plan) and the improvements to the management system (e.g. IT systems or technologies to increase the security of the electricity system).
  The RAB is remunerated by the AEEG at a rate of return linked to those in the markets, and is fixed at 6.9% for the third regulatory period (2008-2011). This yield is increased by 2 or 3 percentage points for those development investment categories that are attributed particular strategic importance.
  In 2008, the RAB remuneration represented about 41% of the costs acknowledged to Terna. In line with Terna's programme of investments over the coming years, the incidence of RAB yield over the total acknowledged costs is expected to rise;
- **amortisations**. Annual adjustments are made to the amortisation figures, which are acknowledged as an effect of new, completed investments, alienations and the completion of the useful life of assets. The amortisation remuneration quota is estimated to be about 25% of total recognised costs;
- **operating costs**. These include the running costs relating to transmission, dispatching and measuring activities and, in general, to labour costs and the costs for procuring those goods and services, that are not considered investments. The item covering these costs, which in 2008 amounted to about a third of the total acknowledged costs (AEEG figures), is

subject to a price cap mechanism i.e. it is revalued on the basis of inflation and reduced by an efficiency factor, which stands at 2.3% for transmission activities and at 1.1% for dispatching activities. At the end of the previous regulatory periods, the efficiency gains achieved that exceeded the planned efficiency factor were equally shared between Terna and its end users by reducing tariffs.

Once the unitary amounts for the various price items have been defined, Terna's revenues then depend on the actual dynamics in electricity consumption: they may actually be above or below the expected figure based on the **volume** of business.

The sharp reduction in production activity, which started in the second half of 2008, provided a more uncertain picture relating to the trends in energy demand and led the AEEG to issue Resolution no. ARG/Elt 188/08 which introduced an optional access mechanism for partially sterilising the volume effect for the remaining part of the regulatory period (2009-2011). This mechanism, which Terna decided to subscribe to, stipulated that the Authority:

- would supplement Terna's remuneration for the proportion in volumes over and above an excess figure of 0.5%, if the actual volumes were lower than those used to establish the tariffs for 2009;
- would ask Terna to pay back any higher earnings for the proportion in volumes over and above an excess figure of 0.5%, if the actual volumes were higher than those used to establish the tariffs for 2009;

With the introduction of this **mechanism guaranteeing the level of revenues** for the period 2009-2011, one can state that in the electricity transmission sector there has been a change from a price-cap system, where the level of revenues also depends on the volume of electricity transported on the national grid, to a revenue-cap system where the level of revenues is in practice fixed beforehand; in this case, the revenues can only vary by an amount equal to +/-0.5%, compared to that used to define the annual tariff levels.

Revenues for pass-through items

In order to maintain the electricity system in balance, Terna has to perform certain regulatory actions. These actions involve the sale and purchase of energy, particularly on the Market for Dispatching Services (MDS). The regulations state that the economic value of these transactions should have a final balance of zero for Terna: they are, therefore, pass-through items, which do not have an effect on the marginal revenues in Terna's Income Statement. The remuneration quota which Terna collects from producers and distributors and passes on to other owners of network portions on the NTG is also a part of these items.
In 2008, the pass-through revenues and costs amounted to an overall figure of 6,545 million euro.
Pass-through items, which are valued by applying specific tariff rates, are regulated by Terna with the sector operators.

A significant entry under these pass-through items is represented by the so-called uplift, the payment to cover the net charges incurred in order to obtain the resources on the MDS, which during 2008 amounted to about 2,000 million euro. The uplift, which is transferred to the end users in their electricity bills, corresponds to the part of the pass-through costs incurred by Terna for the dispatching service, which cannot be covered through the balance between costs and revenues, for the regulation of the imbalances and for the purchases/sales transacted by Terna on the electricity market.
Even if they have no effect on Terna's profitability, the pass-through revenues have an important effect (due to their size) on relations with the sector operators as regards the commercial and administrative management of contracts and receivable and payable invoicing. On this point, refer to the paragraph "Relations with the electricity sector operators" on page 81.

Transmission costs in the end consumer's bill

In line with current regulations, the majority of costs acknowledged to Terna are invoiced by the distribution companies to the end customers of the electricity service through the item called TRAS. **According to AEEG information (Annual Report 2008), the transmission costs (regulated marginal revenues) account for about 2% of the electricity bill** of an average user.

Incentive schemes

The AEEG has introduced specific bonus/penalty schemes aimed at providing an incentive towards improving the service, in terms of technical reliability and economic savings. The incentives planned for 2009, for example, relate to a reduction in the volumes of resources obtained on the MDS with a view to reducing the weight of uplift for the end users. An implicit aspect of the incentive schemes is that, when the objectives are achieved, the benefits for the service users has a multiple value of the incentive provided to Terna.
The bonuses for achieving the 2008 improvement objectives in forecasting the national electricity requirements and in wind power production are included in the overall figure for regulated revenues and amount to about 5 million euro.

Objective	Year of introduction	Period of validity	First year economic effects will be produced	Range of penalities/ bonuses (euro)	Result in 2008 (euro)
Improvement in forecasting production from wind power	2007 (Resolution no. 351/07)	2008-2011	2008	Max. penalty 1.5 Mln Max. bonus 3 Mln	Bonus 3 Mln
Improvement in forecasting demand	2007 (Resolution no. 351/07)	2008-2011	2008	Max. penalty 2.5 Mln Max. bonus 5 Mln	Bonus 1.9 Mln
Reduction in the amount of resources purchased for dispatching	2008 (Resolution of ARG/Elt no. 206/08)	2009	2009	Max. penalty 5 Mln Max. bonus 40 Mln	

Other incentive measures

- As regards regulating the quality in the transmission service, the AEEG issued Resolution no. 341/07, which defined a framework of incentives and penalties, applicable for the period 2008-2011, linked to two indicators: ENSR (i.e "reference energy not supplied") and NDU (i.e. "number of supply outages per user") measured respectively at a national level and at a level of each Transmission Operational Area (TOA). The bonus/penalty is calculated by multiplying a pre-established amount (15,000 euro for each MWh in the case of ENSR) by the difference between the actual value and the target value of the indicator, net of an excess range (+/-10% of the target value for ENSR and +/-5% for NDU). During 2008 the reference levels were calculated and the first economic effects of this scheme to regulate the quality of the transmission service will be had from 2010 onwards;
- the Authority also issued Resolution no. 188/08, which established the possibility of also applying the extra-remuneration mechanism to investments that are underway at the time, but restricting this to a category of investments proposed by Terna which are of particular strategic importance for the system and provided that the operational start-up deadline is met for the investment as fixed by the Authority on the basis of information supplied by Terna.

(millions of euro) Terna Revenues 2008		% Composition on Italy revenues	 on Group revenues	Counterparties in the economic dealings
Margin revenues				
Terna Group of which:	1,395.2		100.0	
- Brazil	199.4		14.3	
- Italy	1,195.8		85.7	
Terna SpA [1] of which:	1,196.1	100.0	85.7	
Payment to CTR for use of grid	1,060.5	88.7	76.0	distributors and users of input dispatching
Other energy revenues – DIS and MIS components	48.4	4.0	3.5	users of dispatching (withdrawal and input)
Pass-through revenues	**6,545.1**			**users of dispatching, other grid owners**

(1) The difference between the Italia and Terna SpA revenues is due to consolidation accounting.

Core organisation and processes in Italy

Electricity transmission on the national network represents Terna's core business. Its purpose is to transfer electricity put into the grid by Italian production plants and imported from abroad along interconnection lines, to high-voltage withdrawal points, which are normally electricity stations connected to the distribution network. At an operational level, this activity is achieved by the combined effort of various company departments which are responsible for transmission-related tasks and are mostly under the Italy Operations Division.

Energy transmission requires an efficient electricity grid, capable of meeting electricity consumption demands and distribution needs throughout the territory. This involves the planning, construction and maintenance of transmission lines and stations that are connected to production plants and distribution networks. The second important element of the transmission service is grid operation: the most important aspect of this is represented by the real time control over power flows, to ensure a constant balance between electricity supply and demand.

Operation

The fundamental aspect of grid operation is represented by constantly matching energy injection and withdrawal, i.e. energy supplied (domestic and imported production) and consumption by end users.
Preparation for real time operation includes planning for various lengths of time when the grid and production plants may be unavailable, forecasting the national electricity demand, comparing forecasts with the production plan coming from free energy market transactions (Italian Electricity Market and over-the-counter contracts), acquiring resources for dispatching and verifying power transfers for all the lines on the transmission grid. In the real time control phase, the National Control Centre coordinates other centres across the territory, monitors the Electricity System, performs the dispatching task and takes action to correct any differences in the expected schedule (breakdowns in production plants or in grid sections, trends in demand that differ from forecasts) by sending orders to the producers and to the Remote Control Centres to adjust supply and the grid's configuration. To avoid the risk of grid degeneration and extended outage, the National Control Centre may also decide to reduce the demand.

TERNA SPA'S ORGANISATION CHART AS AT DECEMBER 31, 2008

Planning the Development of the Grid

By analysing the electricity flows along the grid and making forecasts about demand, Terna is able to assess the grid's critical areas and to identify new work projects required to guarantee the system's suitability to meet demand, to ensure safe grid operation, to reduce congestion and to improve service quality and continuity. The new work projects requiring implementation are included in the National Transmission Grid's Development Plan that is submitted for approval each year to the Ministry for Economic Development; Terna then proceeds with the authorisation process, including prior consultation with the local authorities leading ultimately to planning permission approval.
Through an analysis of the condition of the grid, Terna also identifies how operators submitting a request can best connect their power plants to the transmission grid.

Construction
Terna defines the engineering standards for the various power plants connected to the grid and in particular the construction standards and performance specifications for equipment, machinery, electricity station components and power lines. As regards the construction of plant systems, Terna prepares construction projects for authorised works; in particular, it defines which external financial resources are required, prepares the project budget and establishes work methods and technical specifications for the components and materials to be used in building stations and lines. It may also adopt some innovative solutions. The construction of new plant systems is generally outsourced.

Maintenance
Terna performs power line and station maintenance organised through eight Transmission Operational Areas which employ the majority of the Company's human resources (nearly 70%) who are also involved in maintenance work for non-regulated customers.

Other activities
Terna's commercial dealings with other sector operators include the transport of energy from producers to distributors and operations on the electricity market and produce economic transactions for which Terna itself organises settlement.

Specific departments are responsible for analysing, assessing and monitoring risks associated with the operational business, including, in particular, risks linked to operating processes and technological infrastructures. The aim here is to identify and implement preventive measures which can adequately limit such risks.

Membership in Associations

Sodalitas
Terna is one of the companies which contributed towards the Foundation for the Development of Business, established in January 2008. The Foundation continues to demonstrate the commitment shown by Sodalitas over the years in sharing ideas on social responsibility and promoting dialogue between enterprises and the non-profit world. The Foundation, whose importance and commitment in developing social responsibility in Italy is recognised by the major players in the entrepreneurial, government, social and cultural sectors, can count on the support of its 61 companies that represent nearly 50% of the capitalisation on the Italian Stock Exchange, and of 81 volunteer managers. Terna's presence within this important network bears witness to the commitment that Terna shows towards sustainability and represents its intention to make continuing progress in this direction.

International Bodies
Terna is an active member of **UCTE** and **ETSO**, two associations of TSOs from various European countries whose aim is to compare, coordinate and set standards and criteria for the technical and commercial management of transmission grids and their interconnection. Terna is also a member of the **ERGEG** Implementation Group, which was created within the European Group of electricity regulators for market integration. Furthermore, Terna also participates in the **CIGRE**, where worldwide operators can discuss topics relating to the technical, economic and regulatory aspects of electricity systems, and is a member of the Italian National Committee belonging to **WEC** (World Energy Council).

National Associations
Terna continues to belong to Confindustria, which is Italy's main organisation representing employers in industry.
Moreover, in April 2008, Terna signed a Memorandum of Understanding with **ANIE** (Italy's National Association of Electronics and Electrotechnical Companies) belonging to Confindustria. The agreement, which will last for three years, includes the definition of common initiatives with representatives from the government and financial world and also with electricity grid operators in foreign countries regarding their respective objectives in relation to international development. ANIE's commitment is also to raise the awareness of its Members and to respond to Terna's request in providing technical advice relating to business within the foreign markets and in encouraging the reciprocal exchange of information and statistical data to promote a better understanding about common interest markets.

Terna is also an active member of **CEI** (Comitato Elettrotecnico Italiano), an institution that establishes technical standards within this sector. Terna's employees who have technical responsibilities are often members of professional associations, such as AEIT (Association of Electrotechnical Engineers), which provide them with refresher courses in their fields.

The 2009-2013 Strategic Plan

The Terna Group's strategic vision is outlined in the 2009-2013 Strategic Plan, which was presented to investors and financial analysts on February 3, 2009. The Plan, however, excludes the effects of the sale of Terna Partecipações, which was decided at a later date. The Plan sets safety and reliability objectives for the electricity service and envisages a significant investment plan for the development and expansion of activities both in Italy and abroad.

Development of the National Transmission Grid

During the five-year period, over 3.4 billion euro will be invested, with a 300 million euro increase over the figures announced last year.
Grid development investments represent 77% of the total and stand at 2.6 billion euro, which is above the 2.5 billion euro announced last year.
The most important infrastructural works in Italy will include:

- underwater cables between Sardinia and mainland Italy (SAPEI);
- Sorgente-Rizziconi connection (Sicily/Calabria);
- grid upgrading in the city of Turin;
- Dolo-Camin lines (Veneto Region);
- Foggia-Benevento lines (Apulia/Campania);
- Santa Barbara-Casellina lines, between the cities of Florence and Arezzo;
- restructuring the grid in North Calabria;
- upgrading of the electrical systems around Valcamonica;
- Trino-Lacchiarella lines (Piedmont/Lombardy).

Improvement in margins

Increased revenues and stricter cost controls will help the Group's EBITDA margin to increase from 71% to 77% at the end of the five-year Plan.
As regards revenues over the period from 2008 to 2013, an average annual increase of 5% is envisaged for the Group, thanks to the extension to its reference area with the purchase of ELAT but also to the higher levels of regulated revenues in Italy due to the increase in the RAB and recognised costs.
As regards costs, the Plan also envisages that costs will remain stable despite the strong increase in assets, due to the rationalisation of external costs and the restrictions on increases to internal costs by optimising resources and insourcing personnel on investment activities.
From 2008 to 2013 assets are envisaged to grow by over 40%, which will allow a significant improvement in efficiency with a reduction of 27% in regulated costs per kilometre of lines during the period of the Plan.

Quality and Safety of the Grid

Terna must guarantee the safety of the electricity system and the highest quality in the transmission service, in line with the levels laid down in the Grid Code and with international best practices. In safety terms, investments linked to the Defence Plan have increased by 40% compared to the previous Plan with the aim of improving reliability and efficiency by carrying out work on the TLC network and on the IT systems, thereby increasing asset protection.
Terna also undertakes to maintain current quality standards relating to transmission and dispatching services.
As regards energy consumption, there was a drop in electricity demand during 2008 for the first time since 1981 and forecasts over the next twelve months would indicate a further fall in demand.

Capital structure

Cash absorption linked to the purchase of ELAT, its investment plans and dividend policies have made an improvement to its financial leverage within the capital structure efficiency. Terna SpA's gearing (financial leverage defined as the ratio between borrowing towards the financial system and the total loans from credit sources and shares) has risen from 41% at the end of 2008 (preliminary figures) to 58%.
The increase in borrowing envisaged during the period of the Plan stands at 2.4 billion euro.
In addition to its current liquid assets, Terna has already found adequate financial resources to cover the purchase of ELAT and nearly all the requirements of the Plan, at extremely competitive costs.
Financial ratios will worsen due to the increase in debt following the ELAT acquisition and this could lead to a downgrade in the Group's rating, although it is expected to remain stable throughout the period of the Plan. Any downgrade will not have significant effects on the consolidated financial charges.

Dividend policy

Terna confirms its dividend policy that envisages a minimum annual increase in the dividend of 4%, taking 2005 as the reference year, and half-yearly coupons, providing an advance and a balance payment. This policy represents a very attractive yield for investors and one of the best in this sector.

Italy, an electricity hub for the Mediterranean

The Italian electricity transmission network has several interconnections with foreign countries via overland lines, connecting Italy with France (4 lines), Switzerland (9), Austria (1) and Slovenia (2), and submarine lines connecting Italy with Greece (1) and France (1).
Electricity interconnections play an important strategic role for Italy because they contribute towards:

- strengthening the safety in supplies and operation of the national electricity system;
- improving competitiveness in the national electricity market;
- allowing electricity to be imported at lower prices to the benefit of Italian companies and families;
- differentiating supply areas and resources, in particular, by reducing dependence on gas;
- the level of imports into Italy of electricity generated by renewable energy sources, facilitating the achievement of the objectives fixed by the EU for 2020 in the "third energy package".

Owing to its position and geographical characteristics, Italy represents the ideal electricity hub for countries in South-Eastern Europe and North Africa that overlook the Mediterranean. In order to promote the creation of interconnections with these areas and strengthen Italy's strategic role, Terna is working very hard towards making developments and collaborating with institutions and local electricity operators.

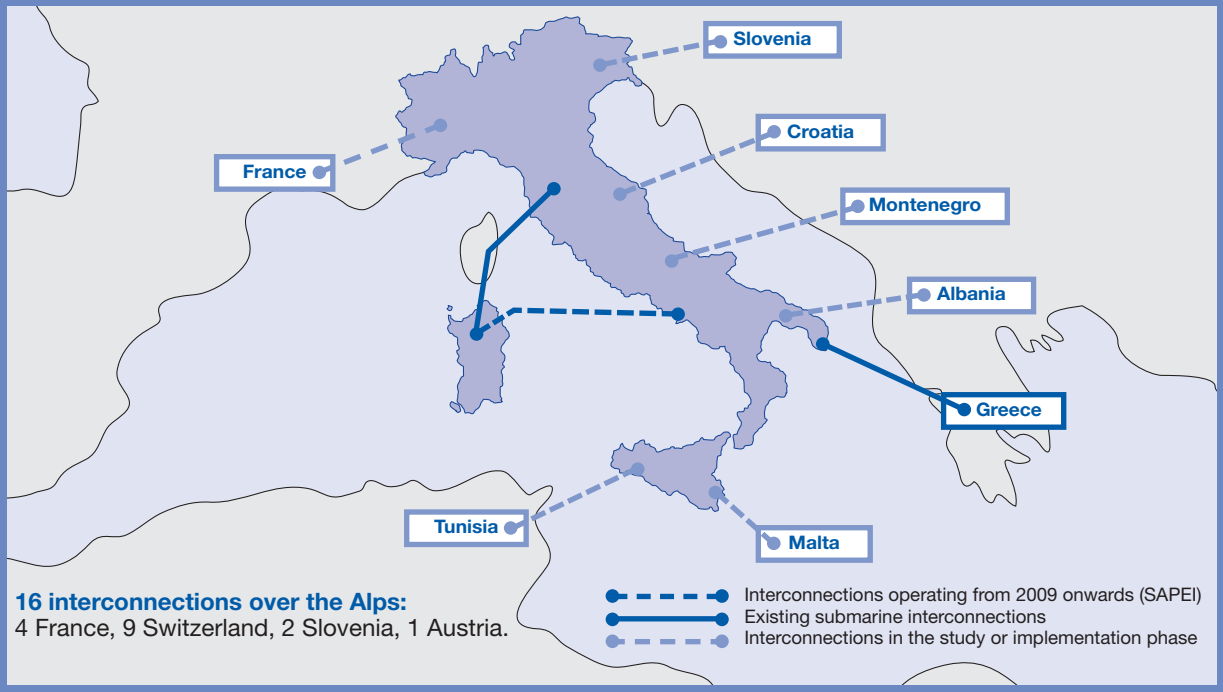
South-Eastern Europe

- following the signing of the agreement between Terna and EPCG, the new submarine interconnection between Italy and Montenegro entered into the implementation phase;
- the feasibility study regarding the new submarine interconnection between Italy and Croatia is nearing completion, following the agreement signed in October 2007 between Terna and HEP OPS;
- contracts providing technical assistance and consultation services to operators and local institutions and investors are up and running in Albania and Kosovo, and Bosnia and Serbia;
- Terna is in the process of assessing, together with some governments in the area, procedures for possible direct involvement in the development of local transmission networks.

North Africa and the Mediterranean

- operating phase of the new submarine interconnection between Italy and Tunisia under way, thanks to the establishment of a company in which Terna and the local operator (STEG) hold equal stakes;
- feasibility study for the new submarine interconnection between Italy and Malta in the completion phase.

INTERCONNECTIONS WITH FOREIGN COUNTRIES



Governance structure

Terna's corporate governance system

Terna adheres to the new Self-Regulation Code of listed companies as published by Borsa Italiana in March 2006 (Self-Regulation Code). In 2007, it approved – and subsequently implemented – the adjustments of the corporate governance system for compliance with the commitments provided for by the Code.

The Company's current corporate governance system is therefore in line with the principles contained in the Self-Regulation Code, with the pertinent recommendations formulated by CONSOB, and, more generally, with international best practice. This system of corporate governance is oriented towards the objective of creating value for shareholders, in the awareness of the social relevance of the activities in which the Group is engaged, and the need, in carrying out these activities, to make suitable consideration of all the interests involved.

Terna's governance characteristics are illustrated in the Governance Report contained in the yearly financial Report, and available at Terna's website (www.terna.it), in the Investor Relations section.
This chapter provides an outline, with precise references where necessary. Some information is also included in the paragraph "Ownership structure" (p. 23).
For more on the Self-Regulation Code, see Borsa Italiana's website (www.borsaitaliana.it).

Statutory bodies

Terna's governance structure is founded upon the traditional administration and control model, and complies with the provisions of Italian Law as regards companies with listed shares. It provides for:
- a **Board of Directors**;
- a **Board of Auditors**;
- the **Shareholders' Meeting**;
- a **Director** in charge of preparing the company's accounting documents.

Auditing is entrusted to a specialised company duly entered in the CONSOB register, appointed for the purpose by the Shareholders' Meeting at the proposal of the Board of Auditors. The company charged with auditing Terna SpA plays a similar role with the main subsidiaries.

Board of Directors

Structure, appointment, and duties

Appointed by the Shareholders' Meeting, the Board of Directors sees to **corporate management**. The Board of Directors is charged with the functions and responsibilities for the Company's and the Group's strategic and organisational guidance, and with verifying that the checks are in place as needed to monitor the affairs of the Company and its subsidiaries.

The Board of Directors may consist of seven to thirteen members, appointed for a period not to exceed three financial years, who may be re-elected upon expiration of the term; to this, an Administrator not entitled to voting rights may be added: his appointment is reserved to the Italian state by virtue of the regulations on privatisations. This power of appointment has not as yet been exercised. The Board currently in office, appointed on April 28, 2008, has **nine members**.

Board Members

The Corporate Bylaws require the entire Board of Directors to be appointed in accordance with the "**slate voting**" mechanism, which is intended to guarantee that, within the management body, three tenths of the Administrators will be members designated by shareholding minorities. Slates of candidates may be presented by the outgoing Board of Directors, or by shareholders who, on their own or together with other shareholders, represent at least 1% of the capital.

The Board members shall possess the **requirements of good standing, professionalism and independence** as indicated by the Articles of Association.

Under the slate voting mechanism, the résumés of the Board of Directors candidates, which shall record that the requirements have been satisfied, are made available to the shareholders prior to the meeting. Summaries of the résumés of the members elected to the Board are contained in the Governance Report (p. 292-294).

To a stricter degree than the Law provides, at least one third of the Administrators in office shall possess the specific requirements of independence as provided for by art 15.4 of the Corporate Bylaws. Based on the criteria for assessing the independence of its non-executive members – defined in line with the criteria indicated by the Self-Regulation Code – and based on the information provided by the individual interested parties, the Board of Directors, both at the time of appointment and, lastly, at the session of March 11, 2009, certified the satisfaction of the **independence requirement for four non-executive Administrators**. (The independence requirements are specified in the yearly Governance Report, p. 298).

Executive powers and remuneration

Part of the remuneration of the executive Administrators is linked to the economic results achieved by the Company and the attainment of specific objectives indicated earlier by the Board of Directors. The remuneration of the non-executive Administrators is commensurate with the commitment required of each of them, taking membership in one or more Committees into account. Said remuneration is not linked to the economic results achieved by the Company. The non-executive Administrators are not the recipients of share-based incentivisation plans.

Except for the CEO, the other members of the Board of Directors shall be deemed non-executive. Indeed, a Board decision of November 2, 2005 conferred the following:

- to the CEO: all the powers for the Company's administration, except for those otherwise attributed by Law or by the Corporate Bylaws, or at any rate those reserved for the Board of Directors;
- to the Chairman: some powers of a non-operational nature.

Assessment of the function of the Board of Directors

For the third year running, the Board of Directors carried out the 2008 assessment of the size, composition, and function of the Board and of its Committees, provided for by the Self-Regulation Code published by Borsa Italiana, relying on the assistance of an outside specialist consultant in order to ensure that the maximum objectivity would underlie its evaluations. Based on the results of the analyses made, the Board of Directors arrived at a positive overall assessment of the size, composition, and function of the Board and of its Committees, having positively viewed all the main profiles taken into examination and aimed at the better performance of its role.

Board of Directors Meetings

During 2008, the Board held thirteen meetings of a duration averaging one hour and thirty minutes each, which were duly attended by the Board Members with the Board of Auditors on hand.

Committees within the Board of Directors

A Remuneration Committee and an internal control Committee have been established within the Board of Directors.
The **Remuneration Committee** has the primary task of making proposals to the Board for the remuneration of the CEO and of the other Administrators holding particular offices, while monitoring application of the decisions adopted by the Board. The Committee also determines the remuneration criteria for the top management of the Company and its subsidiaries.
During the 2008 financial year, the Committee held three meetings duly attended by its members, each averaging about an hour in duration.
The **Internal Control Committee** has functions to provide consultation and make proposals to the Board of Directors in establishing the guidelines of the internal control system and verifying their suitability.
In discharging their responsibilities, Committees have been given the power to access the necessary corporate information and offices, as well as the power to rely on outside consultants as needed. Towards these ends, the Committees have been allocated suitable financial resources.
During the 2008 financial year, the Committee held ten meetings duly attended by its members, each averaging about one hour and thirty minutes in duration.

Board of Auditors

Appointed by the ordinary Shareholders' Meeting, the Board of Auditors is an independent control body, called upon to provide oversight on compliance with the law and the memorandum of association, compliance with the principles of proper administration in the performance of corporate activities, and the suitability of the organisational structure of the Company's Internal Control System (ICS) and of its administrative and accounting system. It discharges the duties attributed to it by the law on the Self-Regulation Code of Quoted Companies.

BOARD OF DIRECTORS (TERM BEGINNING APRIL 28, 2008)

Office	Members	Executive	Non-Executive	Independent	Internal Control Committee	Remuneration Committee
Chairman	Luigi Roth		●			●
Chief Executive Officer	Flavio Cattaneo	●				
Board Member	Cristiano Cannarsa		●			
Board Member	Paolo Dal Pino		●	●	●	●
Board Member	Matteo del Fante		●		●	
Board Member	Claudio Machetti		●			
Board Member	Salvatore Machì		●	●	●	●
Board Member	Michele Polo		●	●	●	
Board Member	Vittorio Rispoli		●	●		●

Internal Control System (ICS)

In the matter of internal control, in December 2006, the Board of Directors updated, based on the prior examination made by the Internal Control Committee, the definition of the "Terna Group Internal Control System" (ICS), taking its inspiration from the best national and international practice.

The Group's ICS helps guarantee achievement of the strategic objectives, the safeguarding of corporate assets, the effectiveness and efficiency of company operations, reliability of financial transactions, compliance with laws and regulations, reliability of corporate reporting and financial information, the safeguarding of uninterrupted electricity service, and impartial behaviour ensured in carrying out activities under concession.

It is based on the following elements:
- control environment (the governance system);
- risk management system;
- control activity;
- communication and information processes;
- monitoring of the system's effectiveness.

The coordinated function of these elements determines the overall effectiveness of the ICS.

Supported by the internal control Committee, the Board of Directors, **sets the guidelines of the internal control system** in such a way that the chief risks are identified, monitored, and handled in accordance with criteria of compatibility with a healthy, proper management, and **evaluates the suitability** and actual function of the internal control system.

Terna's Board of Directors meeting of March 11, 2009, in line with the opinion rendered by the internal control Committee based on the analyses made over the course of 2008, found the Group's internal control system **suitable for achieving an acceptable risk profile**, in consideration of the sector in which Terna operates, and its size, organisational structure, and corporate organisation (art. 8.C.1 letter c) of the Self-Regulation Code).

Internal control employee

The actual operation and ongoing effectiveness of the Internal Control System is checked by an Employee identified within Terna in the person of the Audit Office Manager. He or she is appointed (and, where necessary, recalled), after hearing the opinion of the internal control Committee, by the Board of Directors, at the proposal of the Company's Chairman, who also oversees the auditing activity in concert with the CEO.

The Audit manager operates distinctly from and independently of the hierarchical line, and is on the staff of the Chairman, to whom he or she reports. The Audit Manager reports the results to the CEO, the Internal Control Committee, and the Board of Auditors. He or she **operates through auditing actions**, whose sphere of application extends to the entire Group.

In late 2008, as provided for by the international standards issued by the Institute of Internal Audit (IIA), Terna's auditing office was subjected to an External Quality Assessment to evaluate activities in terms of their effectiveness and compliance with the Standards for the Practice of Internal Auditing issued by the IIA, earning, in early February 2009, a "general conformity" grade – the **highest positive assessment that can be earned** in accordance with the IIA.

Code of Ethics and Organisational Model pursuant to Legislative Decree no. 231/01

Code of Ethics

Approved by the Board of Directors meeting of December 21, 2006, the current Code of Ethics is a document that aims to explain how unique Terna is in its ethics, both by detailing its characteristics and by helping spread those universal principles and values to which every company must refer in its work in order to generate trust in its stakeholders. It is a set of rules of conduct for the organisation, and a tool for governing relations. The Code of Ethics is subdivided into five sections, dealing, in order, with the following:

- the **fundamental ethical principles** of Terna, broken down into general ethical principles (legality, honesty and responsibility), having a broad value cutting across the entire organisation, that underlie all behaviour and every moment of corporate life, and into four principles that Terna recognises as particularly significant for its activity and nature (good management, respect, fairness and transparency);
- the **behaviour required**, especially of employees, in three themes cutting across the entire organisation: company loyalty, conflict of interest, and integrity of corporate assets;
- main indications on the conduct to be maintained in **relations with stakeholders**, in eight groups towards which Terna intends to maintain uniform behaviour;
- Terna's **commitments** to comply with the Code and the behaviour required with regard to some stakeholders;
- the Code's **implementation regulations** and the persons of reference in charge of updating and collecting reports, to be contacted for any clarifications that may be necessary.

The Code applies to all the Terna Group's subsidiaries, entirely for sections 1 (Principles) and 2 (Conflict of interest, company loyalty and integrity of corporate assets). For section 3 (Relationship with stakeholders), its application is limited to the initial guidelines illustrating the references for the behaviour to be maintained with regard to the individual categories of stakeholder.

In the Code of Ethics, Terna recognises and undertakes to respect the ten principles of the **United Nations Global Compact** – the highest values that the United Nations recommends for companies.

Organisational and Management Model 231

In 2002, Terna's Board of Directors decided to adopt the Organisational and Management Model in compliance with the requirements of Legislative Decree no. 231 of June 8, 2001, which introduced into the Italian juridical system a regime of administrative (but de facto criminal) liability borne by companies for some types of crimes committed by their Administrators, directors, or employees in the interest or benefit of said companies.

Over time, the Model has undergone a number of modifications as it has adjusted to the provisions of law and the subsequent addition of new crimes in Decree 231, taking into account the integration of the activities to manage the National Transmission Grid, the experiences gained, and the orientations that have emerged in the jurisprudence.
In particular, during the 2008 financial year, **supplements and updates** to the Model were approved, with regard to **money-laundering crimes** and crimes regarding the **violation of occupational health and safety regulations**, and specific "compliance regulations for the **prevention of administrative crimes and offences of market abuse**" were adopted.

This initiative is in addition to that of the Code of Ethics, in the conviction that the adoption of this Model – beyond the prescriptions that indicate it as an optional, non-mandatory element – may also be a sound tool to raise the awareness of all those working on the name and in the behalf of Terna and the Group, so that, in their own activities, they may maintain proper, transparent behaviour.

As it currently stands, the Model is **organised in eight parts**:

- a **general part** describing, among other things, the content of Legislative Decree no. 231/01, the objectives and function of the Model, the duties of the Oversight Body – set up as a board – called upon to oversee the function of and compliance with the Model, the flows of information, and the sanctioning system;
- a **special part A** on crimes committed in relations with public administration;
- a **special part B** on corporate crimes;
- a **special part C** on crimes for the purpose of terrorism or overturning democratic order;
- a **special part D** on crimes against the individual person;
- a **special part E** on offences in the matter of market abuse, supplemented by specific “compliance regulations for the prevention of administrative crimes and offences of market abuse";
- a **special part F** on crimes of receiving stolen goods, laundering and using money, assets, or utilities of illicit provenance, which were introduced into Decree no. 231/01 by the effect of the entry into force of Legislative Decree no. 231/07;
- a **special part G** on crimes of manslaughter and grave or very grave injury committed with violation of the regulations on safeguarding occupational health and safety.

In its content, this Model is consistent with the provisions of the guidelines established by trade associations and with best practice.

Sustainability: programmes, risks, opportunities

Terna’s themes

By its very nature, Terna’s activity has a strong impact on the territory. As the owner of one of the largest and most strategic national infrastructures, plus portions of lines abroad, its presence is a tangible and visible one, commonly identified with the large iron pylons for the power lines traversing the territory in long, continuous stretches.

Reducing the **impact of power lines** is therefore a priority objective. Respect for the environment and the local communities is in fact a criterion of behaviour that can set off a virtuous circle: it makes it possible to preserve the territory’s natural and cultural richness, to ease the acceptance and creation of investment in infrastructure (which is always difficult, particularly in a densely inhabited country like Italy), and thus to generate economic benefits for both shareholders and for a society at large that can count on more efficient, more affordable service.

The commitments expressed in the Code of Ethics and the approach concretely implemented in relations with local institutions and with environmentalist associations show that respect for the environment and local communities is the behaviour that Terna wishes to adopt. It is accompanied by other choices of conduct that aim to instil, and consolidate over time, a **relationship of trust with stakeholders**, both in the field of **economic relations** – with suppliers, customers in a regulated, market-oriented setting, and shareholders – and in **relations with institutions** at a central level, primarily with industry regulation authorities, and locally. **Investment in safety and competence** is the characteristic trait of the relationship with employees. The following table illustrates the salient points of the commitments that Terna has outlined in the Code of Ethics with regard to its stakeholders. The direct relationship with the various categories of interested parties, which feeds and refines knowledge of their expectations, is described in the following paragraph “Stakeholder involvement”.

SHAREHOLDERS, FINANCIAL ANALYSTS AND FINANCERS Shareholders, financial analysts, banks, creditors, financers, rating agencies.	• Balanced management of financial and safety objectives, and quality of service; • creation of short- and long-term value for the shareholder; • corporate governance in line with best practices; • adopting risk control and anticipation systems; • listening to shareholders, and providing them with timely, symmetric information; • commitment to avoid insider trading.
EMPLOYEES Employees, administrators, collaborators, employees' representatives, trade union organisations.	• Protecting employees' physical integrity and personal dignity; • non-discrimination and equal opportunity; • investment in professional growth; • recognition of capacities and of individual merit.
SUPPLIERS	• Opportunity to compete based on quality and price; • transparency and compliance with contractual commitments and agreements; • transparent purchasing processes; • qualification of suppliers, also with quality, environmental, and social certifications; • anti-mafia and anti-laundering protection towards suppliers.
GRID USERS, CUSTOMERS AND BUSINESS PARTNERS Private customers, grid users (producers, distributors, traders, interruptible users), users of the electricity system, grid owners, other grid operators, business partners.	• Efficient, high-quality service aimed at constant improvement; • no arbitrary discrimination between operators; • confidentiality of information regarding the grid's users.
REGULATION AUTHORITIES AND INSTITUTIONS Authority for Electricity and Gas (AEEG), industry regulation authority, government bodies with guidance powers, Antitrust, CONSOB, stock exchange authorities, strike guarantee Commission.	• Transparent, complete, and reliable information; • respect for deadlines; • loyal, collaborative approach to facilitate the regulatory duties.
INSTITUTIONS AND ASSOCIATIONS European Union and international bodies, national institutions and government representations, Civil protection, authority for national security and law enforcement, regions, provinces and autonomous provinces, associations representing economic interests, ETSO, UCTE.	• Transparently, rigorously and consistently representing own interests and positions avoiding attitudes of a collusive nature; • guaranteeing maximum clarity in relations.
MEDIA, OPINION GROUPS, SCIENTIFIC COMMUNITY Media, university, and scientific associations, environmentalist associations, consumer associations, opinion makers, opinion groups, technical legislation bodies (national and international), political parties.	• Public, even spread of information; • excluding the instrumentalisation and manipulation of information to the Company's benefit; • search for areas of cooperation in the mutual interest with associations representing the stakeholders.
SOCIETY AND THE TERRITORY National society and the national economic system, territory and environment, final users of the electricity service, local bodies directly affected by Terna's activity.	• Guaranteeing safe, uninterrupted, high-quality, and affordable service over time; • evaluation of the long-term effects of own choices; • reduction of the environmental impact of own activities; • preventive dialogue with the territory's institutions in order to make investments that respect the environment, landscape, and local interests; • support for initiatives of a social, humanitarian, and cultural value; • providing a response on the implementation of the environmental and social policy.

Sustainability performance and objectives

Programmes and results

The year 2008 saw major progress in all areas of responsibility. Special mention is made of the following **results**:

- among the stakeholder engagement activities, meetings focusing on Terna's sustainability approach and on presenting the Sustainability Report were organised for the first time, aimed at journalists specialising in environmental and social responsibility issues. The meetings provided interesting ideas for improvement;
- the central importance of responsibility for electricity service was confirmed by the good result achieved with respect to the targets set by the Authority for Electricity and Gas (AEEG) for 2008; greater revenues, amounting to about 5 million euro, were also achieved based on the incentivisation schemes in force (see the paragraph "Revenue structure and regulatory framework");
- the important collaboration agreements reached with LIPU (Italian League for the Protection of Birds) and the WWF (see box on p. 91 and p. 99) laid the foundation for a greater sustainability of Terna's core activities. The collaboration with LIPU calls for making an in-depth scientific analysis of the interaction between birds and high-voltage power lines, and assessing the most appropriate mitigation measures; the agreement with the WWF will lead to greater integration of biodiversity and conservation aspects into the planning of new lines. In both cases, there will also be concrete improvements in a series of protected areas identified by the agreements;
- internal communication activities showed strong development with new instruments (periodic house organ, in-house contest, organisation of Christmas meetings) introduced, and existing ones improved;
- the economic commitment to donations was increased; these benefits became a significant complement to numerous corporate projects, such as *Premio Terna01* (awarding of first prize), the in-house CreativInTerna contest (donation to Ai.Bi. – *Amici dei Bambini* – in proportion to participation), and the annual convention (the savings made in the organisation of the event helped start up charity projects indicated by employees). In this regard, see the paragraph "Initiatives in the Community" on p. 140.

In 2008, Terna's sustainability performance and approach also earned numerous accolades (see following paragraph).

The **objectives for 2009** are additional steps on the paths already undertaken; the table to the side provides a summary. Of the objectives, particular mention should be made of the following:

- a campaign referring to the content of the Code of Ethics, postponed from 2008, to be organised in the various in-house communication channels;
- continuing the dialogue with stakeholders based on the contents of the 2008 Sustainability Report;
- improving the outside communication of sustainability (already under way in 2008), through the appropriate section of Terna's website;
- preparing a specific bookkeeping for environmental expenses;
- defining a policy and in-house procedures to identify initiatives worthy of support through benefits or sponsoring.

Terna's social responsibility: objectives and results

Objective/result areas	2007 Results	2008 Objectives	2008 Results	2009 Objectives
Governance and general aspects	• Spreading the Code of Ethics, postponed to 2008; • Corporate convention on sustainability held; • Partial start-up of stakeholder involvement process; • Recognition performed (Vigeo).	• Campaign to spread the Code of Ethics; • Meetings with stakeholders on Sustainability Report; continuance of stakeholder involvement process; • Review of collection of Terna Participações CSR data.	• Spreading the Code of Ethics, postponed to 2009; • 2 meetings with stakeholders on Sustainability Report and sustainability in Terna (p. 48-49); • Increase of the number of Group G3 indicators (p. 10-11).	• Campaign to spread the Code of Ethics; • Meetings on Sustainability Report with other categories of stakeholders; • Improving sustainability section on Terna website; • Anticipating scheduling for the publication of the Sustainability Report.
Responsibility for the electricity service	• Compliance with target, except for non-supplied Energy indicator; • Safety plan progress according to schedule.	• Compliance with target continuity indicators; • Safety plan progress according to schedule.	• Compliance with targets (p. 60-61); • Safety plan progress (p. 59).	• Compliance with target continuity indicators; • Safety plan progress according to schedule; • Positive result of Authority for Electricity and Gas (AEEG) incentives.
Economic responsibility	• Corporate profitability(1); • Investment in grid development(1); • Containing transmission costs(1).	• Corporate profitability; • Investment in grid development; • Containing transmission costs.	• Corporate profitability(1); • Investment in grid development(1); • Containing transmission costs(1).	• Corporate profitability; • Investment in grid development; • Containing transmission costs.
Environmental responsibility	• Certification obtained (December 2007); • Identification of drivers for containing SF_6 leaks; • Study carried out.	• Progress of SF_6 containment project in the identified drivers; • Agreement for joint projects with at least one environmentalist association.	• Progress of project to contain SF_6 leaks (p. 106-107); • Agreements with LIPU (p. 91) and WWF (p. 99).	• Progress of project to contain CO_2 emissions (SF_6 and vehicle fleet); • New accounting of environmental expenses; • Progress of action plans of agreements with LIPU and WWF.
Social responsibility	• Initiatives carried out in in-house communications, training and compensation; • Improved "People Satisfaction" index; • OHSAS 18001 certification obtained.	• Carrying out new initiatives in in-house communications, training, development/ compensation.	• Production of house organ "Terna News", and internal contest CreativInTerna (p. 122-123); survey on in-house communication (p. 47); review of training plan (p. 139-140); preparation of Global Performance System (p. 136-137).	• Initiatives carried out to raise awareness of safety; • Operative start of performance assessments with Global Performance System; • Adoption of corporate giving policy and procedures.

(1) The result achieved equals a performance at least equal to the target for the corresponding indicators of the internal Balanced Scorecard system.

Recognitions received in the reporting period

FTSE4Good

On March 13, and again on September 12, 2008, Terna was reconfirmed in the FTSE4Good (FTSE4Good Global and FTSE4Good Europe), the prestigious stock market index of the Financial Times Stock Exchange of London that groups together the finest European companies that stand out for sustainable economic development. Admission criteria assess the commitments made and the results achieved by the companies in the environmental field (environmental management systems and policy), in the social field (systems to manage relations and collaboration activities with stakeholders), and in terms of respecting and defending human rights.

Dow Jones Sustainability Indexes

In January 2009, the 2009 SAM Sustainability Yearbook, prepared by the SAM Rating agency based on the analyses conducted yearly for admission to the Dow Jones Sustainability Indexes (DJSI), was published. Terna was ranked among the top 14 electricity utilities out of the 107 examined worldwide, thus garnering 2008 SAM Bronze Class Status. Terna also received special mention as Sector Mover 2008, which rewards the companies that have made the most progress in the twenty-two analysed areas of sustainability.

Storebrand Best In Class Status

In February 2009, Terna received the Storebrand "Best In Class Status 2008". The two-year search made by Norway's Storebrand investment fund ranked Terna in the top 14 European utilities out of the 53 assessed – and among the only two in Italy. In Storebrand's analysis, the chief references were the Universal Declaration of Human Rights and resolutions by the ILO and other international organisations (including, for example, Amnesty International), while in the environmental field reference was made to the guidelines of the UNEP (United Nation Environmental Program) and WBCSD (World Business Council for Sustainable Development).

Global Sustainability Index

In 2008, Terna was confirmed in the family of KLD Global Sustainability Indexes. The Global Sustainability Index (GSI), one of the most widespread and accredited standards in the United States, through benchmarks on companies' sustainability performance, provides important indications for choosing Ethical and SRI funds, whose investors require them to select socially responsible corporations.
The Global Sustainability Index (GSI) is the product of a long-standing collaboration between KLD Research & Analytics, Inc founded in 1988, and the SiRi Ltd network of European and global sustainability analysts, including Dutch Sustainability Research (The Netherlands), Centre Info (Switzerland), SIRIS (Australia), Jantzi Research (Canada), Scoris (Germany) and Analistas Internationales en Sostenibilidad (Spain).

Ethical Index Euro

On April 17, 2008, E.Capital Partners, a rating and advisory company for ethical investments, confirmed Terna in the Ethical Index Euro which groups together the companies with the greatest capitalisation and belonging to the Economic and Monetary Union (EMU).

Axia Ethical Index and Axia CSR Index

In 2008, Terna was reconfirmed in the Axia Ethical Index and the Axia CSR Index, created by the Merchant Bank Axia Financial Research among the companies with the largest S&P/MIB capitalisation and from the Eurostoxx60.

Accountability Rating 2008

In the 2008 Accountability Rating, Terna earned an eighth-place ranking among the 40 largest Italian firms belonging to the S&P/MIB 40 index. Accountability Rating Italia is the national extension of Accountability Rating International carried out by the AccountAbility institute. AccountAbility's analyses are founded upon methods developed on its own, in which the institute is one of the international points of reference on sustainability reporting standards.

The European Business Awards

On April 7, 2009, Terna was awarded the "Ruban d'honneur" for having been included among the ten finalists in the 2009 "The European Business Awards" in the Corporate Sustainability category.
The European Business Awards identifies and rewards the companies with greatest success in the European Union's 27 member countries, companies that stand out in a variety of settings, including innovation and commitment to sustainable development. The EBA is supported by organisations strongly involved in promoting corporate objectives at all levels, for Europe's economic, industrial, and environmental development.

Aretê Award

The Aretê jury awarded Terna first place for the "in-house communications" category. The prize refers to the communication efforts implemented by Terna in the 2007-2008 period (see box on p. 123).

National Outstanding and Social Responsibility Development Award

In August 2008, Terna Participações received the National Outstanding and Social Responsibility Development Award, given by IBRAE – Instituto Ambiental Biosfera e Instituto Barsileiro de Estudos Specializados – for its contribution towards and stimulation of man's sustainable development.

Disputes and litigations

Opposition to the building of new lines

Projects to build new infrastructures often result in adverse, NIMBY (Not In My Backyard) reactions. In these cases, Terna's attitude is to examine and find solutions – even those technically more complicated than those originally defined – provided that they are compatible with the requirements of safe, efficient and affordable electricity service.

The search for shared solutions requires arduous mediation and a lot of time. Although outcomes are normally positive, cases of local opposition, which receive media attention, may persist along the way. Of these, the following cases in 2008 and the first months of 2009 should be mentioned:

- "Santa Barbara-Casellina" case. Dispute raised by some property owners whose homes are located near route of the power line being built since 2008. Route variant requested;
- "Dolo-Camin" case. The procedure is underway for authorisation by the Ministry of Economic Development in agreement with the Ministry of the Environment. Currently, the proceedings are in the environmental impact assessment commission. Two municipalities in the Province of Padua oppose the project's plan, requesting that the power line for their respective territories be placed underground;
- "Trasversale Veneto" case. The authorisation path has been initiated. The start-up caused a new friction with local communities, and in particular with an environmentalist association of the municipality of Paese. The local bodies involved (Provinces of Treviso and Venice) are in favour of the project. The committees request that the entire power line be placed underground (about 33 km at 380 kV);
- "Cagliari Sud-Rumianca" case. Opposition by the municipality of Capoterra against the path of the 150 kV line; currently being examined by the services conference;
- "Montercorvino-Avellino" case. The municipality of Parolise showed its will not to sign the Protocol of Understanding and the related convention with Terna; opposition to the intervention, currently in the phase of concerted planning, is also brought by other municipalities.

Investigations by the Authority for Electricity and Gas

Two investigations opened by AEEG in 2007, of potential interest to Terna, have yet to reach their conclusion.

Outages in Sicily in June 2007

On June 26, 2007, Terna activated anti-black-out measures in Sicily to prevent loss of control of the system and thwart more critical situations (see box "The crisis of the electricity system in Sicily," p. 82 of the Sustainability Report 2007). Electricity distributors thus implemented scheduled rotating outages for widespread users; the measure became necessary due to a series of concomitant factors: very high consumption; widespread fires which resulted in some lines being removed from service in order to permit extinguishing operations; failures and breakdowns. Protests by citizens and businesses denounced the harm to corporate activity caused by the interruption in electric power.
With its decision no. 155/2007, the AEEG initiated a fact-finding investigation of the outages taking place in Sicily on June 25 and 26, 2007.

Fact-finding investigation of unsupplied power

With its decision no.177/07, the AEEG initiated a fact-finding investigation of the irregularities found in quantifying the lots of power withdrawn by the National Transmission Grid for the first three months of 2007, aimed at:

- identifying any errors committed in the performance of the measurement service, and the responsibility of the subjects involved;
- investigating the possibility that these mistakes may have happened also in previous years;
- identifying operative and procedural errors that Terna and the distributors must correct to guarantee the minimisation of errors in determining the lots of electrical power input into and withdrawn from the electricity system.

Environmental dispute

The environmental dispute regards the installation and operation of electrical plant, and in particular the effects of electric and magnetic fields.
The Parent Company is the defendant in a number of civil and administrative suits demanding that the power lines be moved and their operating procedures modified based on their presumed harmfulness, even if installed in compliance with the regulations in force. Only in a highly limited number of cases were claims made to be refunded damage to health caused by electromagnetic fields.
In this matter, it should be mentioned that the issuance of the Decree of the Italian Prime Minister of July 8, 2003, completing the regulations of framework law no. 36 of February 22, 2001, which concretely established the values of the three parameters (limits of exposure, attention values, and quality objectives) provided for by the law, and with which electricity plant must comply, had a favourable impact on the disputes in progress, since until now the range of the framework law had been limited to principles of a general nature.

From the standpoint of the decisions that have been handed down, it is pointed out that only in sporadic cases were pronouncements unfavourable to the Company made. These pronouncements were appealed and the decisions are still pending. See the Tables of indicators for quantitative information on environmental disputes.

Electric and magnetic fields: the limits of law

The main values of reference for emissions of electric and magnetic field currently provided for by law (Decree of the Italian Prime Minister of July 8, 2003) are as follows:

- exposure limits. In the case of exposure to electric and magnetic fields at a frequency of 50 Hz generated by power lines, the exposure limit of 100 microTesla by magnetic induction and 5 kV/m for the electric field, understood as effective values, must not be exceeded;
- attention values. As a precautionary measure for protection from possible long-term effects possibly connected with exposure to the magnetic fields generated at grid frequency (50 Hz), in children's play areas, in home environments, in school environments, and in locations intended for a presence of no less than four hours a day, the attention value of 10 microTesla, to be understood as the mean of values over the course of 24 hours under normal operating conditions, is assumed for magnetic induction;
- quality objectives. In the design of new power lines in correspondence with children's play areas, home environments, school environments and locations intended for a presence of no less than four hours a day, and in the design of new settlements and new areas as above near power lines and installations already present in the territory, for the purposes of the progressive minimisation of exposure to the electric and magnetic fields generated by the power lines operating at a frequency of 50 Hz, the quality objective of 3 microTesla for the magnetic induction value, to be understood as the mean of values over the course of 24 hours under normal operating conditions, is established.

The values of the 3 parameters, and in particular the attention value (10 microTesla) and the quality objective (3 microTesla), bear witness to the adoption into Italian law of the precautionary approach indicated by art. 15 of the Rio Principles). Respect for the regulations of law in its activities implies Terna's adoption of this principle.

Other disputes

Also pending are some disputes regarding urban and planning and environmental matters, connected with the building and operation of some transmission lines, whose unfavourable result could generate effects that at present are unforeseeable and thus not included in determining the "Fund for disputes and sundry risks". For a limited number of judgements, it is not currently possible to rule out unfavourable results whose consequences may, in addition to the payment of damages, consist of incurring charges connected with the modifications of the lines and their temporary non-availability. However, an unfavourable outcome would not compromise the operation of the lines.
Taking into account the reports by outside attorneys, an examination of disputes leads to the opinion that negative outcomes are only remote possibilities.

For information on other disputes involving Terna, see p. 183 of the 2008 Annual Financial Report, and the data on disputes in the Tables of indicators.

Medium- and long-term challenges

In a medium- to long-term scenario, sustainability issues intersect with Terna's development strategies, particularly for aspects of relationship with the territory, environmental impact, and social responsibility in foreign countries. Coming years will also see the issue of core competences intensify in a phase of generational transition. But the central importance of the quality and safety of the electricity service remains.

Territory

Growing value for shareholders is linked, in the medium/long term, with grid development investments and the growth of activities abroad. As for grid development, two aspects are crucial:

- acceleration of the authorisation processes. In Italy, the authorisation path for building new power lines may take up to four times longer than actually performing the work. Terna has chosen the road of dialogue and interface with local institutions, in the conviction that identifying shared solutions that respect the territory will ease the authorisation path, also due to the trust effect generated by the company's consistent behaviour over time. It will thus be important to

develop the approach of concerted planning in all Regions, and to integrate into the strategic environmental assessment process – the technical instrument through which dialogue on the placement of new power lines concretely takes place (see "Concerted planning with the territory", p. 111) – the new stimuli originating from local stakeholders and from the relationship with environmentalist organisations, for example in the area of safeguarding biodiversity (see "Agreement with LIPU" and "Agreement with WWF", p. 91 and 99);

- acceptance by local communities. Beyond the relationship with institutions, increasing the level of acceptance of electricity infrastructure by the affected communities is a highly important objective, as shown by the cases of disputes illustrated above, Terna has initiated reflection on the most effective procedures for submitting its development projects (see also "Stakeholder involvement", p. 45).

With respect to both these objectives, an important role is played by effective information and communication, transparently conveying to citizens and institutions the role of public interest that Terna performs in the electricity system, and helping build a favourable climate around Terna's image and activities. For this purpose it is necessary to stress – also through institutional campaigns – Terna's commitment to electricity service and to a sustainable development of electricity infrastructure.

Growth abroad

As to growing activities abroad, this will also involve commitment to coordinating social and environmental responsibility policies, which includes measuring performance. Coordination with Brazil's activities led to improvement in 2008, as shown by the increase of G3 indicators with Group boundary presented in this Report.
However, on April 24, 2009, Terna announced it had reached an agreement to sell its stake in Terna Participações. Terna's future presence in other countries will require greater commitment to Group coordination, especially if these countries were at greater risk from specific standpoints, such as environmental standards and the prevention of corruption.

Environment and climate

The emerging issues for which Terna expects to intensify its monitoring and attention include electromagnetic fields and climate change.
For the former, Terna's commitment is above all one of scrupulous respect for the regulations of Italian law, which appear to be among the strictest on the international scene. Given public opinion's sensitivity to the issue, Terna will also devote constant attention to the evolving stance of the scientific community, in order to assess any risks connected with its activities.
Climate change and greenhouse gas emissions demand our attention as one of the most significant problems globally. Terna has no activity in the field of generating electricity and is therefore not subjected to emissions reduction obligations or emission trading schemes; no particular risks may be glimpsed as to the consequences of climate change on Terna's profit and loss account (see indicator EC2 on p. 75). However, it has already activated the preparation of programmes to contain and, where possible, reduce its own direct and indirect emissions (see indicator EN18 on p. 106). However, the grid's development is the greatest contribution that Terna can make, because the system's greater efficiency depends on it, also in terms of the connection of new, higher-performance plants, and output from renewable sources.

Electricity service

Sustainability of transmission activities is in the first place linked to the quality of the service. Terna is committed to carrying out an investment plan for the electricity system's safety (see the chapter on the Responsibility for the electricity service) to minimise the risk of power failure. The introduction by the Authority for Electricity and Gas (AEEG) of reward/penalty schemes has opened greater risks and opportunities correlated with the defined targets (forecast of wind production and need, unsupplied power). See the paragraph "Revenue structure and regulatory framework".

Human resources

Constant attention will be given to human resources, first in terms of safety, but also with training initiatives aimed at guaranteeing that its activities' specific technical skills will be renewed and updated over time.

This last point takes on particular importance given the generational transition that Terna has begun to face, and will intensify in coming years, in particular among its own specialised technicians. In this delicate phase, in which it is necessary to pass on the skills accumulated with experience on the job, Terna is embarking on a knowledge management project entitled "Campus Terna", centred upon structuring training paths dedicated above all to the rapid growth of the youngest, most promising resources, with expert personnel taking part as instructors (see "Training" on p. 139). For Campus, the development of a dedicated site was also initiated, using a building located in a power station to the north of Rome.

Stakeholder involvement

During the preparation of its Code of Ethics, Terna actively involved its upper echelons and top management in order to identify the most significant categories of stakeholders based on the continuity of dealings with them and how important their influence is on the Company and vice versa.
With regard to such categories of stakeholders, Terna uses certain specific tools to monitor and check their expectations and opinions. The main tools are shown in the following table.The monitoring and checking tools are employed according to varying schedules.

Stakeholder	Monitoring and checking tools
Shareholders, financial analysts and financiers	Targeted meetings, road-shows, website and emails.
Employees	Annual "People Satisfaction" survey, survey on internal communication tools.
Suppliers	Purchasing portal, direct meetings.
Grid users, customers and business partners	Consultation Committee on the Grid Code.
Regulatory Authority	Periodical meetings.
Institutions and associations	Direct participation in technical committees.
Media, Opinion Groups and the Scientific Community	Presentation of the Sustainability Report, direct meetings.
Community and Territory	Random sample surveys, consultation process in planning the electricity grid.

Below is an account of the interviews and discussions held with stakeholders during 2008 and the beginning of 2009. Anyone interested may write to the following email address: CSR@terna.it.

Shareholders

Terna places a great deal of emphasis on the openness and promptness of the information it supplies to its institutional and private investors. Through its Investor Relations and Company Affairs Departments, Terna has set up an on-going and profitable dialogue with its market operators and retail shareholders.
For this purpose a number of contact points have been created aimed directly at non-institutional investors (tel: +39 06 8313 8136 and +39 06 8313 8359; email: azionisti.retail@terna.it) and at institutional investors (tel: +39 06 8313 8106 and +39 06 8313 8145; email: investor.relations@terna.it).

In addition, it was deemed appropriate to encourage further open dialogue with investors by providing adequate downloadable information on the company's website (www.terna.it). On the website it is possible to find information of an economic and financial nature (financial statements, half-year and quarterly company reports, presentations given to the financial community) and also data and up-to-date documentation of general interest to shareholders (press releases, members of the company bodies, Company Bylaws and shareholders' meeting regulations, information and documents about corporate governance, Code of Ethics, organisational and management model pursuant to Leglislative Decree no. 231/2001).

During 2008 there were 27 requests for information from shareholders via email (17 in 2007 and 62 in 2006).

The requests for information mainly concerned share performance, dividends and other information which was provided by the appropriate departments.

Financial communications

On February 3, 2009, the customary annual meeting with the financial community and the press was held in Milan to present the Company's strategies.
During this meeting, Terna's management provided the investors with information about future investment plans, the programmes for operational efficiency, network quality and safety targets and the philosophy and criteria that guide the search for growth opportunities. Particular attention is always paid to the plans for optimising the capital structure and on the dividend policies.

The roadshow programme that the Company organises periodically to illustrate the company's strategies on a global scale has continued to grow in importance. During the first quarter of 2009 alone, the top management was actually involved in intense communication activities with over 160 institutional investors, shareholders or potential shareholders and with over 40 analysts and sales experts. The meetings were held in 19 of the main international financial centres, including London, Edinburgh, Dublin, Amsterdam, Milan, Geneva, Zurich, Frankfurt, Paris, Madrid, Lisbon, Copenhagen, Helsinki, New York, New Jersey, Philadelphia, Boston.
There were also a number of one-to-one and group meetings held in the Rome offices and company personnel took part in some sectorial conferences (Utilities Conference).
Whenever the company's (quarterly, half-year and annual) results are published or there are significant M&A transactions, the Company organises conference calls and real-time webstreaming on the company's website. The number of people who take part in the events live via the two channels is on average over 50, including about 22 analysts who follow shares and publish reasearch details.

The process of recreating Socially Responsible Investors (SRI), present and potentially interested in holding stakes in Terna's share capital, is still on-going and aims to define a specific communication programme.
Furthermore, since 2009 the Sustainability Report has been available online and joins with the other interactive tools in the Investor Relations section on Terna's website, which are all aimed at guaranteeing effective communication of the company's economic results and strategic objectives.

Participation at the Shareholders' Meeting in 2009 was in line with that of the previous years.

	April 22, 2009	April 28, 2008	May 24, 2007
Representation of Share Capital	48.9%	50.2%	49.7%
- CdP, Enel, Generali and Banca d'Italia	38.0%	38.2%	40.5%
- Other Shareholders	10.9%	11.9%	9.2%

Employees

"People Satisfaction" survey

The "People Satisfaction" survey, which is aimed at all employees and was run for the first time in 2007, was again repeated at the start of 2009. As usual, the questionnaire was filled in anonymously so as to encourage free expression of ideas.
Workers received the paper questionnaire and for the first time a series of focus groups were held around the territory, involving 185 workers chosen at random. This dialogue procedure was extremely well received and also had a positive effect on the numbers taking part in the survey: the actual percentage of workers who failed to respond to the survey dropped by 10%.
In order to encourage participation, the survey launch was supported by an ample programme of internal communications: banners on the company's Intranet, interviews with the Personnel Director on the importance of the project and of taking part in it, email messages, collaboration from the department heads in confirming the importance of the survey in order to improve the climate within the Company.
The redemption rate reached 70%, the value already achieved last year.

Strong points (percentage of satisfaction among the respondents >60%)
The results confirm a strengthening in the areas that already had positive results last year and whose score has increased compared to the previous edition. For the first time the "Management" category comes within the strong points and displays one of the strongest growths.
Orientation towards the competitive system: trust in Terna's ability to move within its reference market means that "Orientation towards the competitive system" was the aspect with the highest score.
Sense of belonging: the sense of belonging and company loyalty continue to be one of the most positive characteristics to emerge from the survey. Working in Terna is a point that brings satisfaction and staying in the Company is preferable to an equivalent post elsewhere.

Management: compared to the 2008 survey, all categories have signalled a general improvement in their level of satisfaction towards the management style of their bosses. There was also an increase in satisfaction towards the company's senior management on account of their capacity to communicate the company's values and mission.
Values: quality of service, competence and professionalism, ethical behaviour and responsibility towards the environment are "strong" values, that are well appreciated and acknowledged within the life of the Company. Respondents also continue to have a positive perception of the attention that Terna places in the development of innovative solutions of a technological and procedural nature and they recognise that the Company is particularly effective in implementing decisions. One point requiring attention is team-working, though this is not the perception of manual workers.

Points requiring improvement (percentage of satisfaction among the respondents <40%)
The critical points raised in the previous edition still remain, but in certain specific fields there is some recognition of the results achieved by the Company in response to the outcome of the preceding surveys with initiatives such as the "Terna People Care" programme.
Jobs: the overall assessment of work in general has improved in all categories, although the bonus system and career opportunities are still seen as very unsatisfactory. All categories are highly satisfied and show improvements in their high level of appreciation for their jobs and the opportunities they have to develop their skills.
Communication: communication remains the most critical aspect in the 2009 survey, particularly on account of the low level of satisfaction regarding communication about assessment criteria and the bonus system. Despite a drop among senior managers, the assessment of communications that go through "official channels" remains stable.
In 2009, there is a continued overall view of a company where people are happy to work and have a strong sense of belonging, attachment and pride as regards the level of professionalism displayed by the Company and its individual members of staff. There is also a continued demand for improvements to the performance evaluation system and recognition of merit. In general the results of the 2009 edition of the "People Satisfaction" survey indicate a sound, overall level of satisfaction and provide encouragement towards continuing to develop the Company's initiatives in the field of communication, training, relations between managers and assistants and performance recognition, launched as a result of the previous surveys.

Survey about the tools and the activities of internal communication

During 2008, Terna launched a number of initiatives regarding internal communication (see the relevant paragraph on p. 122-123). At the beginning of 2009 in order to understand how much people know about and appreciate the initiatives and tools that were implemented, a survey was held on internal communication. It was conducted anonymously and involved all employees who have an IT workstation (60% of respondents) and about 10% of workers, via a series of focus groups around the territory. All internal communication initiatives achieved a result that was well above satisfactory. The tool which achieved the best result was the Intranet. The major reasons for this success include its user-friendliness and the amount of useful information and news. There is room for improvement in the connection quality and organisation of the information.

The survey allowed information to be gathered regarding the strengths and areas requiring improvement in all the internal communication tools. Action will be taken during 2009 on the basis of the results and suggestions gathered in the survey.

Industrial relations

Industrial relations within the Company are based on the involvement of Trade Unions in the main themes regarding the life of the Company, including the analysis of the strategic policy guidelines and discussions about any issues emerging at a local level, while respecting the distinctly different roles and responsibilities of each part.

The Protocol on Industrial Relations is the foundation agreement for relations with the relevant Trade Unions and it outlines a system of relations and arrangements which centre around meetings concerning negotiations, discussions, consultation and information, held in advance and/or periodically (see the paragraph on Industrial Relations on p. 121).

During the three-year period from 2006 to 2008, negotiations with the relevant Trade Unions led to the signing of 22 agreements.

With specific reference to 2008, a particularly important agreement was signed together with the National Officers of the Trade Unions concerning the level of profits-related bonuses for all employees, based on "Company Profitability", which showed a significant increase (about 70%) over the bonuses awarded in the previous year.

Another central theme of industrial relations concerned the attempt by the Company to recreate a single national agreement regarding conditions for travel expenses and claims, which are governed by 21 different territorial agreements.
Lastly, certain meetings were held in advance regarding organisational changes to some Senior Management Staffs. There were also some periodical meetings about staffing level policies, safety and protection in the work environment and training.

Grid users and electricity sector operators

Consultation Committee

During 2008, Terna continued its ongoing dialogue with the electricity sector operators through the User Consultation Committee.

The Committee is the technical consultation body established in line with Prime Ministerial Decree dated May 11, 2004, that regulates the unification between grid ownership and management. It represents the permanent consultation body for electricity grid operators and those represented include the various operator categories, such as distributors, producers using conventional and non-conventional energy sources, major industrial customers, wholesalers and consumers, with the participation of members from the Authority for Electricity and Gas and from the Ministry of Economic Development acting as observers.

The Committee has various functions including consultation, making proposals about changes to the regulations, and also providing conciliation, since the Committee, upon request from the interested parties, can help find solutions to disputes between grid users regarding the application of the Grid Code regulations.

During 2008, the Committee met almost once a month and was called upon to express its opinion on Terna's draft Development Plan of the National Transmission Grid for 2009, paying particular attention to the new planned development measures and to the definition of the Plan in its entirety. The Committee also took part in consultations regarding changes and additions to the regulations included in Terna's Grid Code (changes to the dispatching regulations, changes to the way the various grid zones are divided up, various technical documents, etc.).

Suppliers

The specific "Purchasing Portal" section of the company's website represents the point of contact between Terna and its suppliers. The portal can be accessed to consult calls for tender, take part in bidding for contract tenders on-line and carry out the procedures to qualify as a member of the List of Authorised Suppliers. The Purchasing and Contracts Department also keeps in direct contact with the suppliers regarding the management of their contracts but also in order to improve their knowledge about specific issues relating to groups of suppliers. For example periodical meetings are held with the authorised supplier companies and trade associations (e.g. ANIE), which represent the common interests of their member companies, in order to give them updates about changes to the requirements or salient features regarding ethical behaviour when dealing with Terna.
For example, in 2008, all the companies involved in tree-cutting were called to a meeting where they were shown the 2009 training programme that should be organised for their own specialist personnel and to highlight the effects of Legislative Decree no. 81/2008 on their activities.
Another event which involved a large section of authorised supplier companies was the one aimed at drawing their attention to the provisions of the signed "Integrity Pact" which, as mentioned, commits them jointly with Terna to avoid possible clashes of interest and practices that restrict competition.

Media and Opinion Groups

Meetings about the Sustainability Report with specialist journalists and social responsibility workers and experts

Two meetings were held in November 2008, aimed mainly at journalists specialised in topics relating to social responsibility and the environment. During these meetings, Terna's approach towards sustainability was illustrated on the basis of the contents of the 2007 Sustainability Report. The aim of these presentations was to illustrate Terna's activities and to gather opinions from journalists. Certain interesting points emerged about the way information concerning social responsibility initiatives is provided.

Presentation of the Sustainability Report, Rome, November 20, 2008

The meeting was organised by Terna along the lines of a media workshop. A number of journalists and specialist agencies in the field of social responsibility and the environment took part, and after the presentation of the contents of the Report, they provided a further analysis of Terna's commitment towards sustainability by asking a number of questions. In conclusion, the debate with the journalists looked at ways in which the Sustainability Report could be exploited as a valuable vehicle for communicating Terna's initiatives. One of the proposals that emerged suggested publishing a validation of the Report's contents by experts in the various fields discussed. These experts could be university professors or recognised specialists and their validation would provide stakeholders with additional elements in assessing the credibility of the information.

XV Edition of the *Seminario di Redattore Sociale*, Capodarco, November 28-30, 2008

This seminar, which is a point of reference for those involved in information in the field of social affairs and the third sector, was organised by the Redattore Sociale Press Agency in the usual setting of the Capodarco Community. As sponsor of the event, Terna was offered the opportunity of organising an evening meeting at the residential seminar. About forty people took part including journalists, journalism students and third-sector workers. The meeting started with a presentation by the Company on its commitment within the field of sustainability and continued in the form of an open debate. Several interesting points emerged, including a suggestion that Terna's commitment in the territory could be more structured, alongside its current commitment with the institutions, by creating solidarity-based initiatives aimed at alleviating or resolving social needs at a local level.

Another discussion seminar, centred around the sustainable development of the electricity grid, was held in Milan on September 16, 2008, during the Social Responsibility Fair called "*Dal Dire al Fare*" ("From Words to Actions"), before an audience of people interested in environmental and social responsibility topics.

Community and Territory

Coordination with Local Authorities

Terna's approach to the territory mainly has to do with building new lines (see chapter on Environmental Responsibility, specifically, "Concerted planning with the territory") and mainly consists of an engagement process with the local institutions (Regional and Local Authorities, Forestry Commissions, etc.). This process also includes listening to the opinions of stakeholders and looking for shared solutions as to where to build new infrastructures and how existing ones should be reorganised. Dialogue between Terna and the territorial institutions involves twenty members of staff from the Grid Planning and Development Department: their time is devoted to institutional meetings and joint inspection visits with all the parties involved. Activity is intense since the procedure that prepares and leads to the authorisation of new building works is highly complex.

The pre-authorisation procedure lasts an average of three years and is divided into the following six phases:
- meetings to define and formalise collaboration within the field of Strategic Environmental Assessment;
- meetings to define a system of criteria for analysing the territory and selecting the alternatives with the lowest impact;
- meetings in order to apply the criteria to the territory and identify the corridor where the work should be performed;
- meetings to define the feasibility areas within the corridor and formalise the related draft agreements;
- meetings to define and formalise agreements on compensation measures;
- meetings with town councils to illustrate the agreed location and the contents of the agreements.

The authorisation procedure, which evolves through a series of joint department meetings lasts on average two years. An example that provides a clear explanation of this dialogue process with stakeholders of the territory is described in the box "Trino-Lacchiarella lines".

Trino-Lacchiarella lines

In order to resolve safety problems and to place new available production in Piedmont into the grid, new electricity lines (95 km at 380 kV) were designed to join the stations of Trino (Province of Vercelli) with Lacchiarella (Province of Milan).
The building of these works will allow the electricity network to be vastly rationalised with the solution to many critical points: with the main part of this new construction of 95 km, 215 km of the old lines will be demolished, 97 km will be laid underground and 78 km will be delocalised.
The consultation process was highly complex due to the number of entities involved (40). It was launched in 2003 with the identification of an environmentally-preferable corridor for the electricity lines. Between 2003 and 2005 a number of technical meetings were held with the Regional Authorities and the criteria for choosing the location were agreed jointly. From 2005 onwards the Parks which would in the future be crossed by the lines were involved in the consultations.
In October 2006, the Regional Governments of Lombardy and Piedmont approved the environmental corridor which would host the new electricity lines. Piedmont formally expressed its approval in March 2007.
In the early months of 2008, in a meeting with the Central Authorities (and those of Piedmont and Lombardy) for the Quality and Protection of the Landscape, Architecture and Contemporary Art and Archaeological Sites, agreement was reached about the feasibility strips for the route and subsequently Terna sent the analytical mapping documentation showing them clearly.
Once the environmentally-preferential corridor had been identified, meetings were held with the Local Authorities in order to reach an agreement about the feasibility strip of the route and the action plan for the rationalisation associated with the new works. During these meetings, the Regions and Provinces involved expressed their willingness to coordinate the consultation activities regarding the location of the electricity lines and the rationalisation process associated with them, and this made it possible to take on board some of the comments/suggestions made by the Town Councils involved and to conduct joint inspection visits.
The consulation process is expected to finish in May 2009 on the Piedmont side and by the end of June for the Lombardy side.

Numbers involved in the consultation process

40 entities involved
- 2 Regions: Piedmont, Lombardy
- 2 Provinces: Vercelli, Pavia
- 2 Parks: Parco Lombardo della Valle del Ticino, Parco Agricolo sud di Milano
- 34 Municipalities: 8 on the Piedmont side, 26 on the Lombardy side (23 in the Province of Pavia and 3 in the Province of Milan)

40 meetings and 23 joint inspection visits
In order to choose the environmental corridor:
- Piedmont: 6 meetings and 3 joint inspection visits
- Lombardy: 15 meetings and 6 joint inspection visits

In order to choose the feasibility strip of the route:
- Piedmont: 6 meetings and 3 joint inspection visits
- Lombardy: 13 meetings and 11 joint inspection visits

Survey on a sample of the population

In May 2008, Terna conducted a telephone survey (through the specialised company called Gfk-Eurisko) on a sample of 1,500 people representing the national population of over 18s. The survey aimed at sounding out public opinion about Terna: it wished to look closely at the expectations the public has on the Company, at the general public's opinion on the presence of electricity lines in the territory and the Company's initiatives in the field of social responsibility. Last year's Sustainability Report included the survey's results and the outcomes of similar research in previous years.

The most widespread expectation that the public has of Terna was the following:
- being sensitive towards ecology and environmental issues and respecting the environment (50% of those who know Terna).

The following expectations come well behind with figures approaching 30% of those who know Terna:
- being capable of quickly solving crises such as black-outs;
- not only thinking of profits, but also acting in the best interests of the Country and Italians;
- being managed by serious and reliable managers (this expectation ranks lower, 23%, in the élite segment).

Compared to previous editions, there was an increase of 14 percentage points in the acknowledgement that Terna is sensitive towards the environment (from 46% in February 2007 to 60% in May 2008).

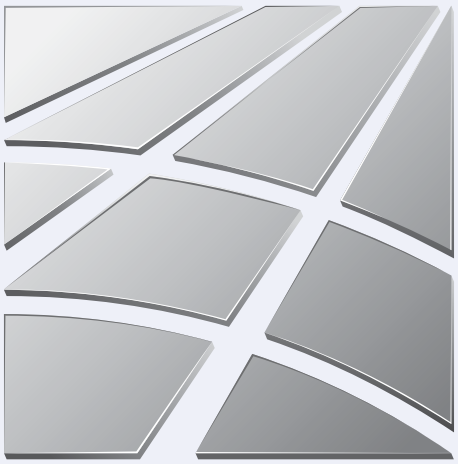
By comparing expectations and acknowledged characteristics, Terna's sensitivity towards ecological themes emerges as a strong point.

The following aspects emerged regarding public reaction towards the presence of electricity lines:
- in the total sample, including those who do not have direct experience of electricity lines near their homes, 64% of citizens feel that the presence of electricity lines is not bothersome (or only slightly), compared to 33% who think they are (20% quite bothersome and 13% very bothersome);
- 40% of citizens can see electricity plants within a 500 meter radius of their homes; 22% of citizens can see large systems (systems that are likely to belong to Terna);
- in this latter group, 58% feel these are not bothersome (or only slightly), while 40% feel they are bothersome (24% quite bothersome and 16% very bothersome). Most of the population (64%) consider that the presence of electricity lines is not bothersome or only slightly. The situation changes for those who can see electricity lines within a 500 meter radius of their homes (58%). Nevertheless the majority (52%) would not accept the building of new lines near their homes and nearly a quarter of the sample population would actively oppose it. The percentage of those against rises slightly to 56% for people who can already see a large electricity plant from their home, because the percentage of those likely to actively oppose new lines rises (32%);
- the presence of a pylon is seen above all as being a health-related issue (76%), a safety issue (68%) and lastly as an aesthetic problem (52%).

With regard to initiatives in the field of social responsibility, Terna should engage in the following:
- contribute towards reducing greenhouse emissions and promote energy savings (80%);
- guarantee employee safety (72%);
- reduce the visual and environmental impact of its systems (45%);
- inform schools and families about electricity (45%);
- finance cultural and social solidarity initiatives (17%).

This list of priorities is the same as that provided by the sample with reference to electricity companies in general: energy savings and efficiency as well as employee safety prevail over reducing the visual impact of the systems. This order could possibly reflect a scant knowledge of Terna and of the characteristics of its business: this is partially confirmed by the percentage of those failing to reply (18% on the question about Terna, 5% on the question about electricity utilities).

2008



Responsibility for the electricity service

Terna

Context, management approach, and objectives

Terna's main activity is to provide the electricity transmission service on high-voltage lines that connect the production plants to the networks of distributors. It is a service rendered under government concession. In Italy, where Terna owns about 98% of the national transmission grid (data as of December 2008) and also plays the role of electricity system operator, the service is indispensable for the functioning of the entire electricity system and to ensure electricity for all citizens.

Given the nature of the service, Terna is not affected by problems of product responsibility typical of those who produce goods and have a relationship with the final consumer, such as the explanatory content of labelling, commercial communication and marketing, or safety for the protection of persons. The latter has to do with the presence of power lines, and is dealt with as an aspect of environmental responsibility.

Although the final users of the electricity service are not Terna's direct customers, but rather the customers of the companies distributing and selling electricity, the Company's essential role in the electricity system makes Terna ethically responsible to the national community as a whole; sense of responsibility for a utility of general interest is traditionally part of its personnel's work culture.

Terna thus strongly feels the responsibility entrusted to it by the government concession, and has adopted its objectives as its own. In particular, in the Italian context, it undertakes to:
- provide a safe, reliable, uninterrupted and affordable service;
- develop and maintain the efficiency of the transmission system;
- comply with the principles of impartiality and neutrality to ensure fair treatment of all the grid's users.

Responsibility regards both daily and medium/long-term operation: the transmission grid is an asset for Terna, but also a fundamental infrastructure of the country, and today's management, maintenance, and development must take into account the need to guarantee efficiency and safety right now and for future generations.

Management objectives are therefore above all linked to compliance with the regulations and specific targets identified by the industry regulation authorities (in Italy, the Authority for Electricity and Gas: AEEG - Autorità per l'Energia Elettrica e il Gas); of these, various service continuity measures hold particular importance. Terna's performance in recent years has always met or exceeded the pre-established targets.
Terna's role in the Italian electricity system involves specific objectives related to safety and grid development. The objectives find expression in the defence systems improvement plan, an investment plan that schedules interventions on various aspects that impact maintenance, and where applicable the restoration of the electricity system's safety conditions.

The grid development objectives are set out in the Development Plan approved yearly by the Ministry of Economic Development. Development interventions are identified by Terna also on the basis of the condition that the grid's greater efficiency will determine a positive balance between development costs and benefits for the electricity system as a whole.

The function of electricity system operator requires possessing confidential data on the users of the transmission and dispatching services, and on electricity producers in particular. Moreover, the National Statistical System has entrusted Terna with the task of developing Italian statistics on the electricity industry, for which information is collected from industry operators. For these data, and those that it processes to manage the economic relationship with the grid's users, Terna implements the best practices to protect confidential data, in order to keep the information in its possession from being accessible or disclosed to third parties not entitled to it.

G3 product responsibility performance indicators

PR8

Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Boundary: Group

In Italy, Terna has the function of electricity system operator. This means its databases hold confidential data on the users of the transmission and dispatching services, and of electricity producers and traders in particular. For example, some of these data are specific to the plants, with their production capacities, and to the introduction programmes presented to the electricity exchange. Considering this information's great commercial value, Terna implements the best practices to protect confidential data in order to keep the information in its possession from being accessible or disclosed to third parties not entitled to it. This is also true for the data collected from industry operators for the purposes of compiling industry statistics – a duty discharged by Terna within the framework of the National Statistical System. The responsibilities regarding data processing are examined in the Programmatic Document on Security, which is constantly updated.
To further improve the reliability of the databases, the Disaster Recovery project entered into force in December 2008, making it possible to add a clone infrastructure that activates in the event of outage to the information technology infrastructure containing critical information.
In terms of protecting information and company information systems, 2008 saw the start of a programme to improve Information Security Governance in line with international best practices, based on developing a structured Information Security Management model.
The programme is centred upon adopting an advanced Information Security Framework inspired by ISO/IEC 27000 and NIST SP800 standards, capable on the one hand of progressively improving the protection of corporate information systems and data, and on the other of seeking compliance with increasingly strict industry and legal regulations.
The security of information (and systems) is no longer seen as the result of a set of technological countermeasures, but as the result of a well-organised process which, by involving various corporate figures at every level, ends up identifying the appropriate mix of protection measures, with respect for a precise framework of operative rules and procedures.
Starting from the definition of the specific Information Security policies, the programme triggers a virtuous cycle of improvement of security practises on solid bases (processes, behaviour, awareness, roles, responsibilities and technologies) also capable of projecting the Company towards possible developments with a view to ISO 27001 certification.
Neither in 2008, nor earlier, were complaint episodes encountered with regard to privacy violation or incautious use of data on grid users.
The indicator does not apply to Brazil because Terna Participações does not have the role of Terna SpA's System Operator. Relations with other grid owners and with the system operator (ONS) are of an exclusively technical nature and do not involve the possession of sensitive data. There are no direct relations with final consumers.

PR9

Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Boundary: Group

Electricity transmission is an activity performed under concession and subject to regulations by authorities with broad regulatory powers, in both Italy and Brazil. These authorities also have the power to hand down sanctions should there be corporate behaviour that does not comply with the rules set for the exercise of the transmission service, including respect for pre-established performance levels.
In 2007, Terna relied on its right to pay the fine to a reduced extent – equal to 55,645 euro – thus closing the proceedings with the Regulatory Authority for Electricity and Gas regarding the 2003 black-out, which were aimed at laying down sanctions (see the paragraph "Disputes and litigations", p. 42). And in 2006 and 2008, no sanctions against Terna by industry authorities or other competent authorities, either in Italy or Brazil, were recorded.
No criminal sentences under final decision or settlements for accidents caused to third parties by Terna's assets occurred in 2007 (first year of survey) or 2008.

Additional information

Safety of the electricity system

Guaranteeing the safety of the national electricity system and contributing to the safety of the countries to which Italy is connected is a delicate task, which Terna carries out through a group of actions governed by a rigorous risk assessment. The objective is to reduce to a minimum the likelihood of service interruption, and to contain, to the extent possible, the consequences of outages if they occur.

Terna adopts safety criteria in line with UCTE (Union for the Co-ordination of Transmission of Electricity) policies, which prescribe the best practices in the field of managing electricity systems with reference to criteria of the safety, frequency, and regulation of the flows of electricity between countries.
The UCTE promotes close collaboration between the European Transmission System Operators (TSO). Terna, the number-two TSO in Europe, contributed to drawing up the policies, which contain operating practices already trialled and adopted by the Company for some time.

To reach high levels of safety, Terna pursues excellence in all segments of electricity dispatching and transmission: in developing and building the electricity system, in maintenance, and in operation.
It is in the operative phase that the activities of overseeing and protecting the physical integrity of the plants, preparing the defence plans that limit the extent and duration of outages, and the core activities for the preventive planning of operation and real-time monitoring are particularly important. Continuous personnel training is also essential to safety.

Commitment to continuous improvement finds expression in the electricity System Safety Plan, prepared by Terna and approved by the Ministry of Economic Development. The Plan provided for by the law following the 2003 black-out is prepared every year, with a three-year horizon.
Designed and coordinated entirely by Terna, the Plan has also become a reference for company programming and represents an increasingly important commitment: this is demonstrated by investments, which have grown from 10 million euro in 2004 to the 48 million euro recorded in 2008. The Plan has also seen a major evolution in content. In early editions, its main purpose was to provide information on the activities to limit the consequences caused by major failures on the national grid and in the neighbouring electricity systems, and to assess the risks in advance.
Subsequent Plans added disaster recovery techniques, which make it possible to increase the sturdiness and availability of the operation planning and monitoring infrastructure.
In recent editions, the Plan adopted the need – internationally recognised as a priority – to reduce vulnerability to intentional physical and cyber-attacks.

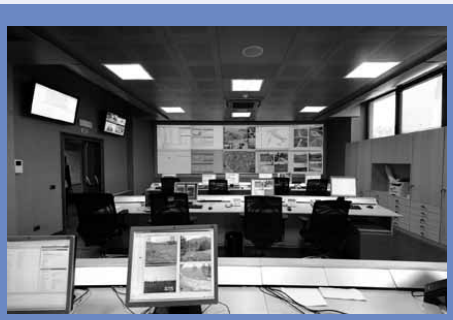
2008 recorded progress regarding:
- reduced risk in the integrated maintenance planning process, which was made more flexible and oriented towards the system's safety requirements;
- extension of disaster recovery to the systems involving the electricity market's performance;
- the effectiveness of the wind production forecast system, which allowed Terna to successfully meet the incentivisation target made available by the Authority for Electricity and Gas (AEEG);
- mitigation of vulnerability, with the development of the Security Operation Centre, a continuous-shift facility that makes it possible to monitor the physical security of the assets and computer security;
- gradual extension of the anti-intrusion network and video surveillance of power stations;
- adjustment of the systems to integrate neighbouring foreign grids into the National Transmission Grid's control system.

As of April 2008, Terna implemented the fifth edition of the Plan for the years 2008-2011, calling for 183 million euro in investment.

Interventions provided for in the fifth edition of the electricity System's Safety Plan

In the financial year Programming area, commitment is towards perfecting the models for managing the non-availability of "on demand", which were introduced in 2008, reviewing the processes, improving the tools to support the process of assessing medium-term adequacy, and defining new models verifying security in the programmes of non-availability of grid elements. Additional contexts of improvement will be directed towards completing the logistical aspects regarding disaster recovery and extending the application boundary, and a consolidation of management procedures as concerns the programming/market process. In the online Monitoring area, substantial objectives include improving the online monitoring system through the completion of the visibility of the major Italian grid at a voltage under 220 kV, and the streamlining of archiving systems to enable greater effectiveness in the activity of reconstructing/analysing outages. In the Regulation and protection systems area, interventions on the defence systems and some studies on the electricity system's defence strategies are priorities. As regards the systems, the objective is to complete the northeast/northwest remote shutter and extend the building of the new BME system to central/southern Italy, including the islands. The main studies will instead regard the assessment of the strategies to subdivide the system into islands and the adoption of load lightening based on voltage relay. The system repowering area will see continued structural reinforcement of the telecommunications infrastructure instrumental to monitoring, conducting and defending the electricity system, through: the completion of the backbone infrastructure in proprietary optic fibre; completion of the firewall; gradual extension of the telecommunications system based on conveyed digital waves; compliance with the schedules for carrying out repowering tests. Moreover, procedures to manage and operate the new grid infrastructure through the adoption of appropriate support instruments are to be strengthened. The repowering direction from abroad is to be completed and tested. In the infrastructure monitoring and safety area, the fundamental objectives regard starting up the Security Operation Centre, the extension of the station intrusion and video surveillance control system. Interventions to accelerate installation in the station and to introduce remote operation for the functional monitoring of electrical phenomena and state-of-the-art remote diagnostics are priorities.

The Security Operation Centre (SOC)

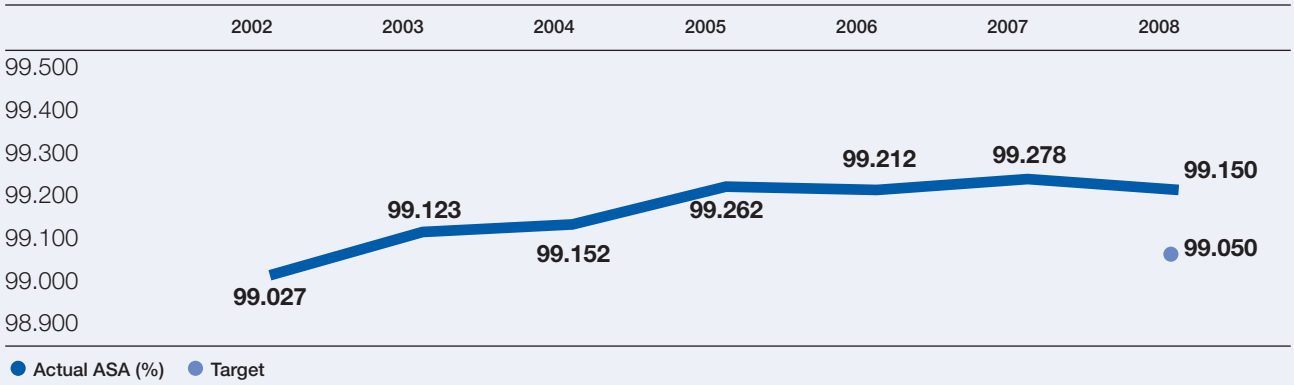


In 2008, the SOC, a control centre that responds to Terna's security model, was inaugurated.
The SOC guarantees an integrated security process: Physical, Logical, and Environmental Security. Its area of competence extends from monitoring stations to monitoring materials, checking ICT platforms, and environmental monitoring.
To better monitor the stations, a census of all Terna's power stations was carried out, attributing a sensitivity index to each. Starting from the most sensitive installations, a grid protection intervention plan was then formulated, calling for anti-intrusion video surveillance systems at all power stations, in addition to a link with the prefectures so that police station offices may be equipped with the video surveillance system's terminals. In this way, in the event of accidents or intrusions in the individual stations, the SOC will alarm the police stations, which will immediately acquire the video information originating from the plants, in order to carry out the necessary investigations.
Again in the context of protecting the National Transmission Grid, special agreements have been initiated with Civil Protection, thanks to which all the notices regarding alarm of weather or hydro-geological risk, as well as all press releases regarding seismic events, are also circulated to Terna, which sees to disseminating them to all the operative structures.
As regards monitoring materials, all the assets to be protected will be equipped with special sensors also capable of detecting signal loss from each individual sensor. The sensor will send the alarm to the SOC, from which the competent operative units and law enforcement will be alerted, for intervention at the plant where necessary.
The protective shield of the SOC also extends to personnel: those who have to go abroad for work, particularly to areas considered "at risk", will be given a hand-held device that will send a GPS signal detectable by satellite and visible from the SOC, which will locate the person wherever he or she is. The domains of the telecommunications network will also be subject to monitoring, to check accidents and vulnerabilities that may compromise the security and transmission of information. Lastly, as regards monitoring the corporate network, the entire network has been equipped with special sensors that, in the case of events such as fire, send a signal through the Terna network to the SOC, which can thus activate the forestry corps and fire department.

Service continuity and quality

Continuity is the most important parameter for measuring the quality of electricity service. All the segments of the electricity system (generation, transmission and distribution) contribute to the final result: ensuring, for society at large, that electricity will be available, with interruptions beneath the pre-established thresholds and with suitable standards of technical quality. The tables on the following pages illustrate Terna's performance with reference to the transmission system for which it is directly responsible. In particular, the results for recent years are reported, also with respect to the targets planned and objectives for 2009. Service quality is an objective also recognised by the Regulatory Authority for Electricity and Gas (AEEG). After a phase of observation of Terna's performance, the Authority introduced, for the 2008-2011 period, a service quality incentivisation scheme, in which performance with respect to the pre-established targets activates an economic reward/penalty mechanism (see the paragraph "Revenue structure and regulatory framework"). The parameters of reference are Energy Not Supplied power and a new indicator: number of supply outages per user (NDU). This compound indicator, measured at the level of the individual Transmission Operational Areas, will be perfected with the surveys for 2008 and 2009. The incentivisation scheme will yield its first economic effects in 2010. During 2008, the data survey through the monitoring network in service since 2006 continued, also in collaboration with final customers and distributors. The equipment widely installed in the grid continues to provide important information on waveform quality.

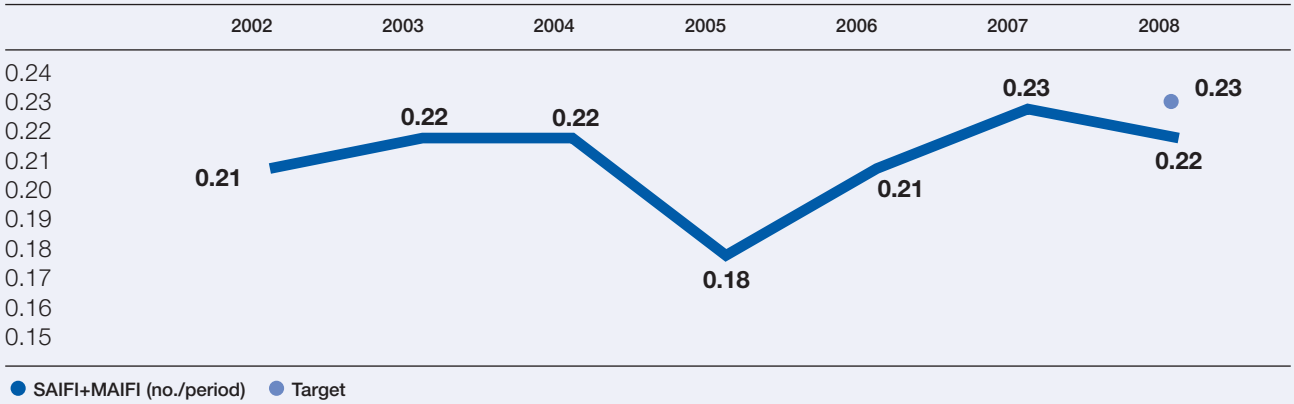
AVERAGE SYSTEM AVAILABILITY – ASA



Target 2007 **99.050%** → Target 2008 **99.050%** → Target 2009 **99.050%**

ASA (Average System Availability)
Defines the average availability for use of the electricity grid's components in a certain period. This index may be expressed with reference to specific classes (for example, by voltage level), grid areas or, as in this case, the entire National Transmission Grid.
The performance achieved in 2008 met the reference target.

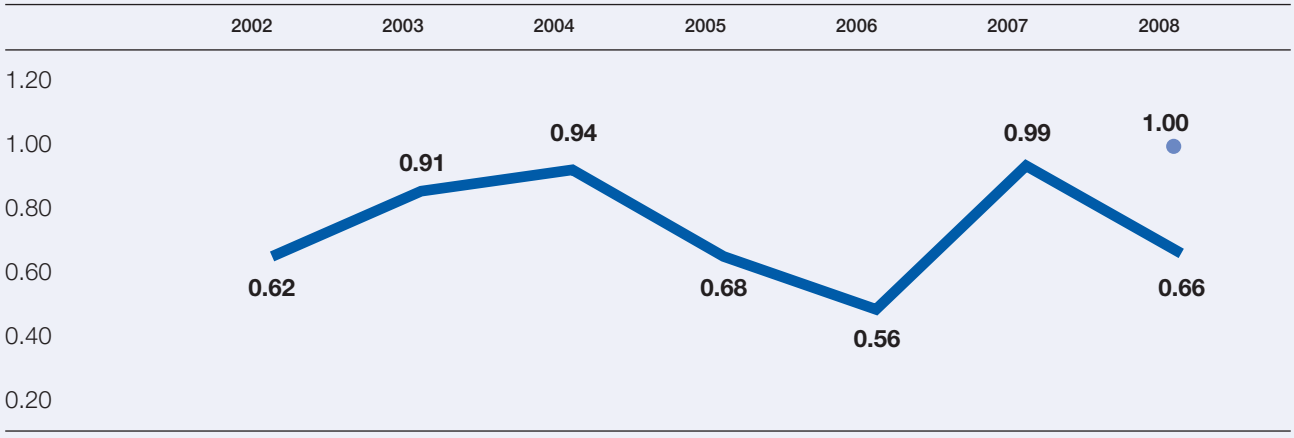
CONTINUITY INDICATOR (SAIFI + MAIFI)



Target 2007 **0.23** → Target 2008 **0.23** → Target 2009 **0.22**

SAIFI+MAIFI (Short Average Interruption Frequency Index + Medium Average Interruption Frequency Index)
This power failure frequency index is calculated as the ratio between the number of customers involved in brief (less than three minutes) and long (longer than three minutes) power failures and the number of users of the National Transmission Grid. The figure is rounded to the second decimal place.
The performance achieved in 2008 exceeded the reference target.

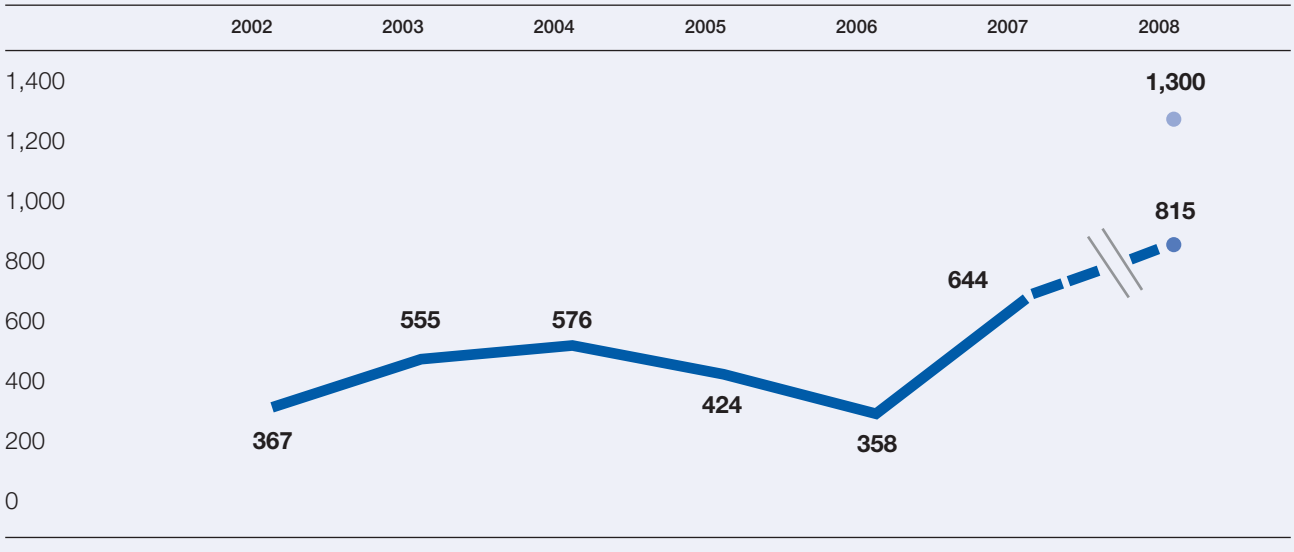
AVERAGE INTERRUPTION TIME – AIT



Target 2007 **1.00** → Target 2008 **1.00** → Target 2009 **1.00**

AIT (Average Interruption Time)
Average time of interruption of power of the electricity system (National Transmission Grid) in one year. It is calculated as the ratio between energy not supplied in a certain period (ENS value) and the average power absorbed by the electricity system in the period being considered. The figure is rounded to the second decimal place.
The performance achieved in 2008 exceeded the reference target.

SERVICE CONTINUITY INDICATOR (ENERGY NOT SUPPLIED - ENS) (1)



Target 2007 → **550 MWh** Target 2008 → **1,300 MWh**

ENS (Energy Not Supplied)
Until 2007, the energy not supplied indicator was used as internal process KPI for the purposes of the continuous improvement of Terna's performance in service quality on the National Transmission Grid. This KPI referred to the energy not supplied to the users directly connected to the National Transmission Grid, caused by events affecting the National Transmission Grid, and did not consider the portions due to major accidents.
Starting January 1, 2008, with Decision no. 341/07, the Authority regulated the quality of the service performed by Terna, through an incentive/penalty mechanism that, among other things, redefined the ENS indicator. The new index also includes the energy not supplied to directly connected users caused by events on other connection grids not belonging to the National Transmission Grid, and a portion of the energy not supplied due to Major Accidents[2].

(1) Data approximated to the unit 2007.
(2) The term "Major Accident" refers to any power failure with energy not supplied greater than 250 MWh. The portion affecting the ENS index is a percentage that diminishes as the energy not supplied in the individual major accident increases.
For the new index, the performance achieved in 2008 exceeded the level of reference.

Brazil

In **Brazil**, the National System Operator defined a transmission line availability indicator. For Terna Participações, this indicator equalled 99.97% in 2008 (see Terna's yearly Financial Report, p. 102 and following, for more information on service quality in Terna Partecipações's subsidiaries).

The critical points of the electricity system

To ensure uninterrupted transmission service, Terna must guarantee that the electricity system is operated in compliance with safety criteria and within acceptable risk margins. This means satisfying the electricity demand in Italy with suitable reserve margins, in order to handle unexpected failures or power consumption increases, while maintaining the parameters characteristic of the grid elements (voltages and currents) within the admissible operating ranges. This activity is carried out relying on constantly improving methods and increasingly precise information. In particular, information refers to:

- forecasting the power requirement in the medium term;
- technical features of the plants in operation;
- introduction of new generation plants;
- statistical accident rates of generators by type of primary source;
- reductions for High Discharge Temperature (HDT) and derating of thermal generation units[2];
- production capacity of hydro generation units that can modulate production;
- historic trend of flowing water units, or geothermal, or other non-programmable source;
- NTC – Net Transfer Capacity and the relative reductions planned to appropriately size the importing of power from abroad;
- non-availability due to scheduled maintenance of transmission grid elements and generating units.

The evidence that emerges from evaluation of the system's power margins are shared by Terna with all institutional subjects involved, such as the Ministry of Economic Development and the Regulatory Authority for Electricity and Gas, and make it possible to provide contributions of use in managing any and all emergencies, weather related or otherwise. Terna, in fact, takes part in the control room for monitoring the Po basin's hydric system, the gas system's technical emergency and monitoring committee, and the Pentalateral Working Table with neighbouring foreign grid Operators for the management of operating problems connected with electricity transfer.

The methodology adopted allows Terna to identify any system criticalities.

As regards the assessments of the safety and adequacy of the national electricity system for 2009, the method's application shows no particular critical issues for mainland Italy. The increased generation capacity initiated in late 2008, and which will continue over 2009, allows more resources to be exploited.

As regards Sicily and Sardinia, reduced margins in comparison to 2008 are expected for 2009. In fact, compared with last year, against increased need at the maximum load peak expected on the islands, the available generation resources are unchanged, or even reduced. In addition, 2009 is characterised by stoppage requested for maintenance of production units longer than that of 2008. Some of the maintenance works will also involve plants of significant importance for the electricity system's operation in Sicily and in Sardinia. All this, together with the high accident rate for the islands' generating units – significantly greater than the average due to the plants' obsolescence – makes Sicily's and Sardinia's electricity systems particularly exposed to long-duration breakdowns, and considerably limits the possibility of performing maintenance, especially on the generating units.

The situation is more critical in Sicily, where the combination of increased need, reduced available production capacity, high accident rates for the generating units, and the maintenance of generation plants critical for operation make the island's electricity system particularly exposed to the risk of power failure, particularly in the summer. As for Sardinia, it is stressed that the new link with the mainland, the SAPEI cable, will be available starting from the month of September 2009, and only from that moment onwards will the island's system margins be better than those of 2008.

In this situation, Terna is adopting all the measures available to reduce risks in operating the electricity system on the islands. These actions include coordinated maintenance of production units, the demand to anticipate the availability of new generation plants, and the consolidation of the defence plan for which significant adjustment activities were carried out in 2008.

(2) HDT and derating are phenomena that reduce generation capacity in given periods of the year.

Agreement in Sicily with the regional forests department to combat fires

Terna and Dipartimento regionale delle Foreste have signed an agreement to improve coordination of fire extinguishing activities for the 2009 summer season. In particular, the agreement calls for accelerating the disconnection of the lines affected by fires, so as to permit the intervention of aerial equipment, thus reducing extinguishing times.
Moreover, especially for Region of Sicily's Forestry Corps, Terna will make available teaching material and technical operators free of charge, so as to update all personnel to be engaged in the forest fire extinguishing task force.
By creating strong synergy, this agreement will strengthen the activities already performed by the Region of Sicily's Forestry Corps, and at the same will reduce requests for intervention by Terna's personnel involved in identifying the lines affected by the fire.

Grid development

The transmission grid must be gradually modified and extended in accordance with the development of electricity production and consumption.
New production plants require connections to the grid; demand for electricity, like supply, grows differently in different areas of the country. The combination of these elements modifies the flows of electricity, showing up in bottlenecks (congestion, in technical terms).
For this reason, Terna prepares programmes for investing in grid development, in order to keep it in step with developing production and consumption, and to increase its efficiency.
The interventions that Terna plans and carries out also have positive impacts on society at large: the assumption made in carrying them out is in fact that the collective economic benefit they generate will be greater than their cost.
Every year, Terna prepares a Development Plan that accounts for the interventions planned for the next ten years, while also detailing progress of the works planned in years past.
In 2008, Terna was the first firm in Italy to submit the Development Plan to the Strategic Environmental Assessment methodology in accordance with the provisions of European Union Directive no. 42 of 2001 (see the following box, "Development plan and strategic environmental assessment").
Approved by Terna's Board of Directors on December 17, 2008, the 2009-2018 Plan was sent to the Ministry of Economic Development on January 30, 2009 for approval (as provided for by the Concession of April 20, 2005).
For a response on the main expectations of the stakeholders, the 2009 Plan, in accordance with the provisions of Autorità Garante della Concorrenza del Mercato (the antitrust authority), had already been submitted for the evaluation of the User Consultation Committee, which expressed its favourable opinion.

Development plan and strategic environmental assessment

In issuing Directive no. 42/2001/EC, the European Union prepared application of the Strategic Environmental Assessment (SEA) to the plans and programmes that may have significant effects on the environment. The directive was adopted in Italy with Legislative Decree no. 152/2006 (Environment Code), entered force on July 31, 2007, and underwent significant modifications with Legislative Decree no. 4/2008.
For the National Transmission Grid's Development Plan, the SEA was performed at state level. The competent authority is the Ministry of the Environment, which for its investigative activities relies on the Technical Commission – SEA section – and expresses its justified opinion in agreement with the Ministry of Cultural Assets.
The Development Plan's SEA procedure is structured in six phases:

1. Preliminary phase (Scoping);
2. Preparing and presenting the Environmental Report (ER) and the non-technical Summary;
3. Consultation;
4. Assessment;
5. Decision;
6. Monitoring.

The Environmental Report is Terna's responsibility, is an integral part of the Development Plan, and accompanies its entire development and approval process.
The report must identify, describe and assess the significant impacts that implementation of the Development Plan may have on the environment and cultural heritage, as well as the reasonable alternatives that may be adopted in consideration of the Development Plan's objectives and territorial setting.
The Environmental Report, the non-technical Summary, and the proposal of the Development Plan are submitted to the Ministry of the Environment, the regions, and the provinces whose territory is affected by the Plan. After submission, the 60-day consultation phase begins: anyone may examine the proposal of the Development Plan and of the Environmental Report and submit any observations, together with new and additional elements for fact finding and assessment.
The Ministry of the Environment, in collaboration with the Ministry of Economic Development, carries out technical investigation activities and evaluates all the submitted documentation, as well as the observations, objections, and suggestions received; within ninety days, in agreement with the Ministry of Cultural Assets, it expresses its opinion.
Where necessary, the Ministry of Economic Development, in collaboration with the Ministry of the Environment, revises the Development Plan in light of the justified opinion as expressed. It then approves the Plan by attaching a summary statement illustrating how environmental considerations were integrated into the Development Plan and how the results of the consultations were taken into account, as well as the reasons why the adopted Development Plan was chosen among the possible alternatives that had been identified.
Monitoring ensures control over the significant impacts on the environment derived from implementation of the approved Development Plan, and verifies the achievement of the pre-established sustainability objectives, so as to promptly identify the unforeseen negative impacts and adopt the appropriate corrective measures.
As of December 2008, the Ministry of Economic Development approved the 2008 Development Plan.
Approval was made public by the same Ministry in January 2009, with an announcement in Gazzetta Ufficiale (no. 15 of January 20, 2009).
In late January 2009, Terna transmitted the 2009 Development Plan to the Ministry of Economic Development. With an announcement in Gazzetta Ufficiale (no. 51 of March 3, 2009) on March 3, 2009, the Ministry initiated public consultation on the 2009 Development Plan and the 2009 Environmental Report.

Main development activities

Works performed

Two stations were inaugurated in 2008: a 380 kV station in Priolo in the province of Syracuse, and the other in Palo del Colle near Bari. Both are employed to collect the production of new generation plants.
Over the course of the year, the 220 kV "Avise-Villeneuve" link was strengthened, and a new 132 kV "Chievo-Verona Sud" cable link, the first step in the Bussolengo 220 kV streamlining, was built in the province of Verona.
2008 also saw transformation capacity increase by about 1,000 MVA and 250 MVAR, and approximately 50 km of new high-voltage lines enter service.
A major part of the 2008 development activity regarded the works to develop the SAPEI submarine cable which will link Sardinia to the Italian peninsula. This is one of Terna's most important strategic actions towards strenghtening the national electricity system. It will be a record-setting cable: 420 km in underwater connection, laid at a depth of up to 1,600 metres below sea level – the world's deepest – for a total investment exceeding 650 million euro. Partial entry into service is scheduled in 2009. Works will continue until 2011.

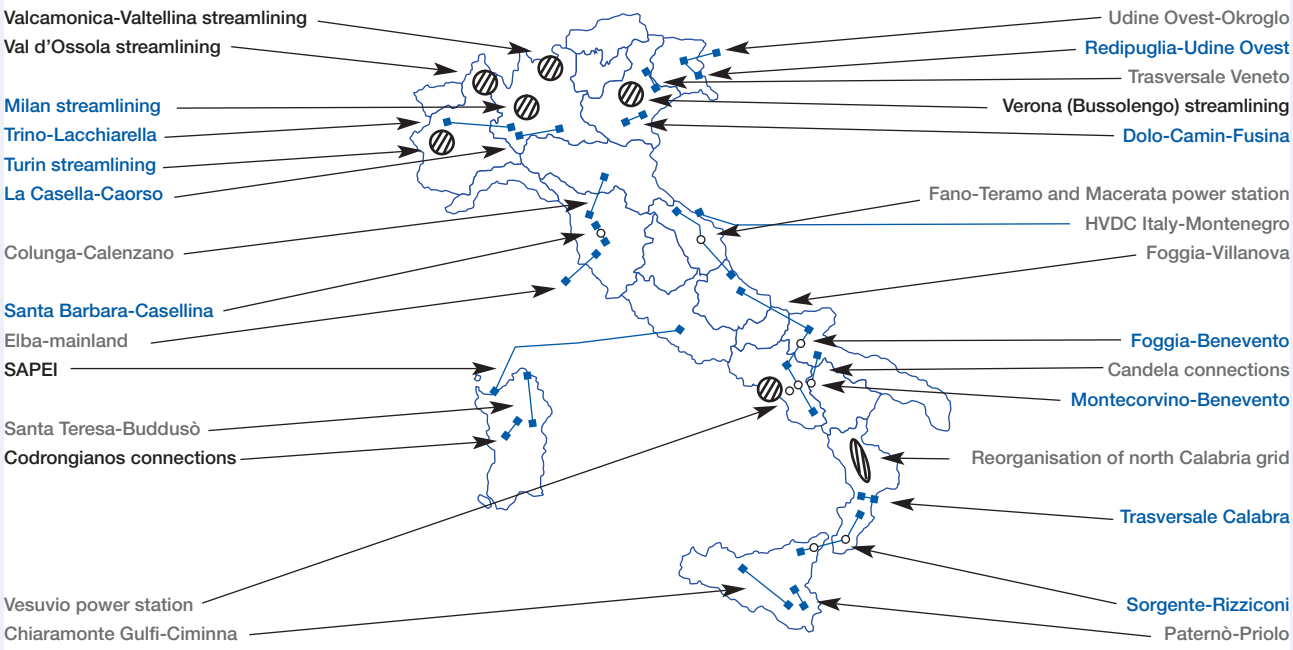
Works in the authorisation process

In 2008, Terna initiated two major projects in authorisation:
- new double circuit 380 kV line, Udine Ovest power station-Redipuglia power station;
- new double circuit 380 kV line, Trino power station-Lacchiarella power station.

The authorisation processes for the following interventions are still in progress:
- the new double circuit 380 kV line, Sorgente (Sicily)-Rizziconi (Calabria) – aerial section;
- streamlining to 380 kV between Venice and Padua (Dolo-Camin-Fusina intervention);
- streamlining to 380 kV in the Province of Lodi (Chignolo Po-Maleo);
- strengthening of line to 380 kV, Foggia-Benevento.

For the same interventions, Terna reached agreement in advance with the local bodies involved, as to a set of interventions – streamlining – aimed at reducing the pressure of new infrastructure on the territory.

SUMMARY OF MAIN INTERVENTIONS, 2009-2013 DEVELOPMENT PLAN



Connection of new plants

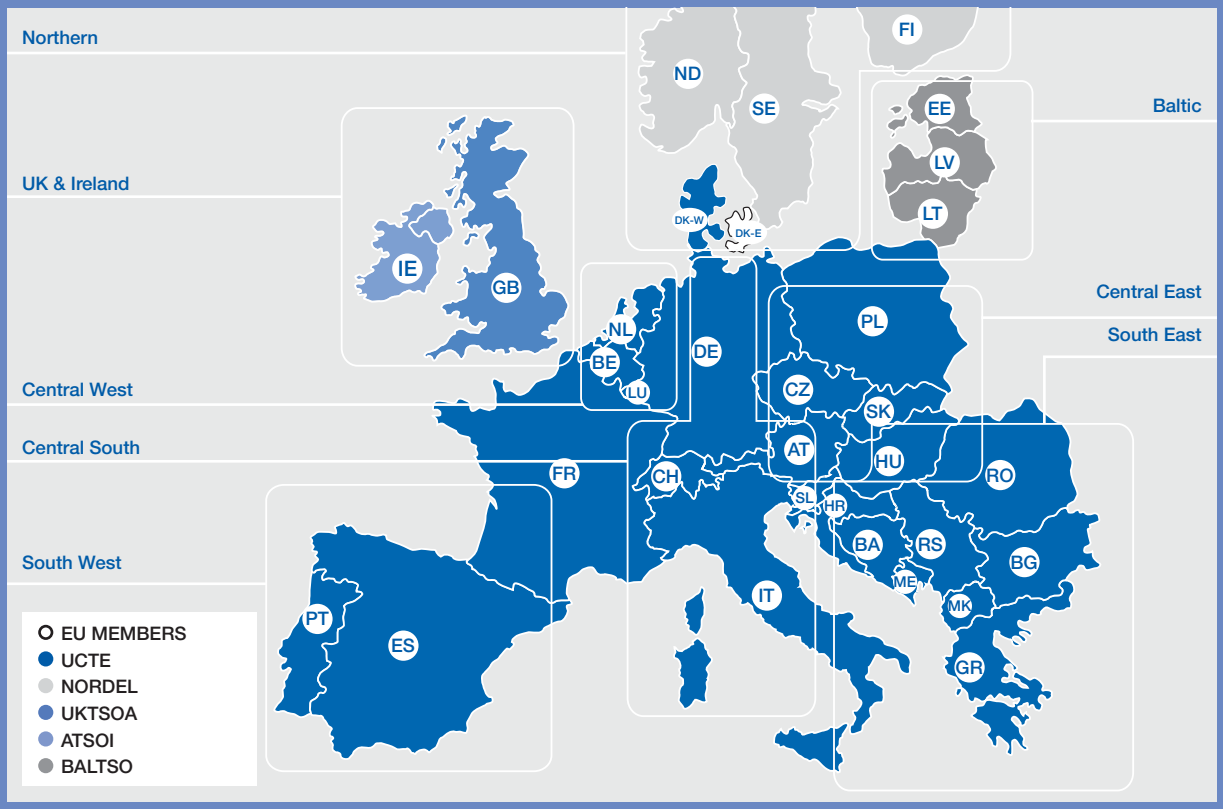
The grid infrastructure access activity is regulated by the Authority for Electricity and Gas (Autorità per l'Energia Elettrica e il Gas - AEEG). The description of the typical connection solutions is a fundamental part of the Grid Code. Terna may, however, examine alternative solutions, which must be approved by AEEG to reduce to a minimum the possibility of attitudes that may appear discriminatory against applicants.

Current regulations govern many phases in the network infrastructure access process, defining margins of discretion for Terna, such as request handling time, determination of the elements of the technical connection solutions, and the average costs and times of reference in the works performed. Terna satisfies these needs with an information technology system for the management of connection requests, which permits univocal coding, traceability and the process's transparency.

Over the course of 2008, works were concluded to develop grid plant for the connection of:
- 7 primary distribution substations;
- 13 production plants from conventional sources;
- 23 plants for production from renewable sources.

Coordinated planning among European transmission operators

The European electricity grid is broken down into five macro-regions that refer to five organisations: NORDEL, BALTSO, UKTSOA, ATSOI, and UCTE. Each of these organisations performs coordination between the operators involved, with regard both to operating activity and to planning new investment.
Italy is part of UCTE (Union for the Coordination of Transmission of Electricity) – the association of 24 Transmission System Operators in continental Europe that coordinates the function and development of the European electricity transmission grid from Portugal to Poland, from Holland to Romania and Greece.
Starting on the coming June 1, as decided by the 42 Transmission System Operators (TSOs) in 34 countries, a new association will be in operation: Entso-E (European Network of Transmission System Operators for Electricity); this makes a major contribution towards creating reliable and efficient European markets.



2008 was also an important date for coordinated planning between grid operators and members of the UCTE, with the "UCTE Transmission Network Development Plan" published for the first time on June 3. The document represents the prompt response by network operators to the implementation of the "3rd Energy Package" provided for by the European Commission, which set the objective of dealing with real energy problems from the standpoint of sustainability and greenhouse gas emissions, as well as in terms of security of procurement and dependence on imports, without losing sight of the competitiveness and actual setting up of the domestic energy market.

Plant maintenance

Improving the level of maintenance of the plants has a positive effect on the quality and continuity of the service. Towards these ends, to make identifying and reaching the plants faster, Terna uses a georeferencing system (GIS).

The main activities performed on power stations and lines are as follows.

- **Plant monitoring and control activity:** during 2008, in addition to the checks provided for by law, approximately 10,600 periodic surveillance/technical checks were performed on the stations at various voltage levels. Visual checks were also performed on owned lines for a total of approximately 85,000 km of inspected double circuits (about two inspections a year), of which about 1,600 by helicopter.
  Line monitoring is also aimed at evaluating the growth of vegetation, in order to prevent contact between plants and conductors, with the consequent risk of short circuit, line interruption and possible fires.
- **Ordinary maintenance activity:** Terna carries out maintenance activities under an "on condition" policy, which is to say that it identifies the interventions to be performed based on the strong and weak signals found from the information originating from the integrated remote conduction system, from the online sensors, and from what emerged during plant monitoring. For this purpose, an expert system to support the line and station maintenance activities, called MBI (Maintenance and Business Intelligence) is employed: this allows maintenance activities to be optimised. Line maintenance activities also include plant cutting. Intervention on vegetation normally involves either cutting trees down to the ground or, in the case of environmental constraints, removing branches to maintain distance and safety. Herbicides are never employed.
- **Works under voltage:** approximately 2,400 interventions were performed. These interventions, carried out with the line under voltage, increase the availability of the plants, and consequently contribute towards improving service quality and continuity.
- **Extraordinary maintenance activity:**
  - in the area of power lines, in addition to the complete reconstruction of about 17 km of 150 kV line, approximately 250 supports, 200 km of conductors, 170 km of guard wires, and 3,100 insulator chains were renovated;
  - in the area of the stations, 60 stalls were renovated, and 7 transformers replaced.

Projects for the plants' improvement and reliability

The following are the main activities performed in 2008 for the purposes of improving the reliability of the plants and accelerate interventions on failures:

- the modifications to be made to the control systems and the data flow to the remote conduction centres, remote command of security measures on the line and earth disconnecting switches were designed (Disconnecting Switch Lock Device), in such a way as to be able to perform work on the line without needing to send personnel to the Stations;
- the specification for a trial system for the online monitoring of the main high-voltage equipment was prepared. The procurement routine was also initiated. The data from the equipment will be conveyed through the Electricity Grid Monitoring system. Trialling is planned at the Lacchiarella power station;
- a massive campaign is underway to replace high voltage in oil with similar equipment insulated in SF_6, which is intrinsically safer;
- a multi-year campaign is underway to develop local communications infrastructure at power stations. This will make it possible to introduce monitoring technologies and remote diagnostics. For 24 power stations, optic fibre LANs were developed to capitalise on assets already present, and to remotely obtain information on the location of the point of failure on high-voltage lines, and thus to accelerate the intervention;
- on the power lines, instrument check activities were increased with thermal cameras to identify hot points, and with ultraviolet cameras (Daycor) to survey the corona effect on insulators, conductors, and terminal boards, in order to assess the condition of the components for scheduling possible maintenance interventions;
- also on the lines, the campaign continued to replace glass insulators with other insulators consisting of compound materials or of glass pre-varnished with silicone resins, in order to reduce the grid's vulnerability in zones with high saline or industrial pollution.

Engineering and innovation

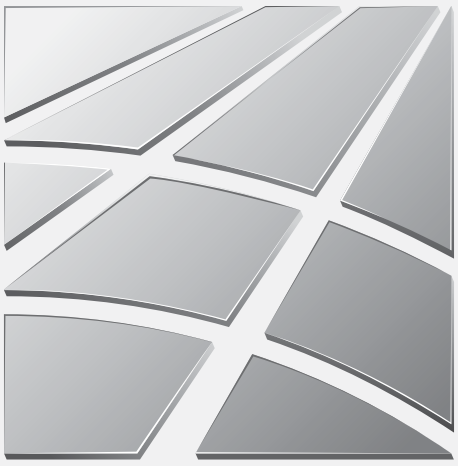
To introduce new technological and plant solutions, new instruments and methods aimed at improving the reliability of the plants, and therefore the quality of the service, Terna makes prevalent use of in-house technicians. Through careful monitoring and analysis of the behaviour of equipment and plant, these men continuously search for improvement. Terna also relies on the specialist support of builders and universities, and the collaboration of CESI SpA, a specialised research centre in which it holds a 24.4% stake.
As regards the studies to innovate and develop new engineering solutions, there are four areas of research, illustrated in the following chart.

Purpose	Projects and works progress, 2008
Optimisation of structures and materials	
Design of supports with reduced visual impact and/or improved environmental integration.	**Tubular, single-pole supports** Structural design of an initial series of supports for 150 kV lines to be used in places of strong scenic interest (e.g. Parks) has been completed. The first 40 supports are installed, part of which are in service, in Valdossola, and mounted by helicopter to reduce the work site's impact as well. Design initiated for a second set of supports for 150 kV power lines with greater mechanical performance, available starting 2009. Tests under way for a prototype tubular support for 380 kV lines, to be used on some soon-to-be-built power lines. **Foster pylons** In 2008, project defined for the first section of line with supports designed by Sir Norman Foster, to be built in 2009. The assembly of the first pole took place in March 2009. **International "*Tralicci per l'ambiente*" (pylons for the environment) contest** In 2008, the contest's first phase was completed: eligible entrants submitted their "ideal proposals" which were selected by the jury and passed on to the second phase, which calls for the definition of "preliminary projects". Contest scheduled to conclude by the end of 2009.
Stronger transmission capacity of existing lines.	**Conductors with high thermal limit and reduced lengthening** Conductors of numerous 132/150 kV line segments replaced, and criteria defined to replace conductors on the Piossasco-Villarodin 380 kV interconnection to be developed starting 2009.
Rapid replacement of fallen supports.	**Light structures to be used for replacement** Study completed and international tender begun for the procurement, by the end of 2009, of the first 6 supports to be made available to Terna's maintenance crews.
Improved surface insulation in highly polluted environments.	**Polymer insulators** Given their surface characteristics and their lightness, insulators are particularly adapted to areas that present strong saline or industrial pollution. The technology for the diagnostics of the insulators has been developed, and the method for their replacement with line under voltage successfully trialled.
Equipment diagnostics	
Early signalling of anomalies.	**New sensors on equipment and machinery** New types of sensors placed on equipment and machinery have been defined and developed, and are being installed at the Lacchiarella station. They will be the object of a trial period, with a view to a potential widespread installation.
New equipment	
Power stations: reduced space and construction times.	**Compact integrated station equipment (MCI)** New equipment have been specified: by enclosing a number of functions (switching, sectioning and measurement) in a single envelope, it reduces the space occupied for developing stations. In 2008, Arco and Ardenno were activated and construction on two plants – Lago Boracifero in Tuscany and Casuzze in Sicily – begun.
Plant safety	
Increased automation.	**New devices for earthing for works** Devices designed and produced to replace the operator, for quicker manoeuvres on the plants. Trialling has been completed; 2009 will see the installation of 80 prototype devices designed in collaboration with the leading disconnecting switch suppliers.

A power station in a small area

In 2008, Terna's capacity for technological innovation made it possible to build a power station in an area of only 500 m^2, instead of the 3,500 m^2 normally needed for the required technical features.
The station was built at Arco in the Province of Trento.
This is not to be considered an exercise in style: indeed, the plant had to be placed at the centre of an industrial and advanced services zone, in a very limited area. It was not possible to acquire any other neighbouring area.
To overcome such space limitations, equipment recently introduced into Terna's plants were used. Called Integrated Compact Modules (MCI), they include, in a single device, all the equipment that constitutes a normal support. To further reduce the space occupied by the plant, it was also necessary to act upon the system of bars, using an SF_6 insulated system similar to that of the GIS (Gas Insulated Substations), instead of the conventional air system normally planned for Integrated Compact Modules. Integration of the two solutions made it possible to achieve, more cheaply and quickly, the same compactness benefits typical of GIS.
It is a set of interventions with benefits also from the environmental standpoint: the Arco station's architecture in fact has lower volumes of SF_6 – an insulating gas normally present in equipment and a source of greenhouse gases – and construction solutions guaranteeing minimum leakage. Development times were also record setting: Arco was completed in just seven months, and is an important prototype for the future.

2008



Economic responsibility

Terna

Context, management approach, and objectives

Terna believes that the service objectives, as referred to in the opening paragraph of the preceding chapter on the Responsibility for the electricity service, are integrated with those relating to economic performance. The synthesis of these two aspects lies within its search for operational efficiency and opportunities for growth, in compliance with its service obligations, in particular regarding the security of the electric system.

Terna has a monopoly in Italy in its management of electricity transmission. Growth in business and revenues, therefore, cannot be achieved through an expansion in its market shares and is promoted through the following main factors:

- acquisition of new assets, in particular the remaining parts of the National Grid which are not yet owned by Terna. This process covered the three-year period 2006-2008; with the acquisition in April 2009 of Enel's high-tension cables, the portions of the transmission network that are not yet owned by Terna can be considered as negligible;
- search for operational efficiency;
- carrying out investment work as stipulated in the network Development Plan;
- non-regulated activities. These activities, which mainly include services provided to other companies in the sector, are in some respects a partial trade-off with the first point: the acquisition of new portions of the transmission network actually reduces the potential for non-regulated business.

Other opportunities for growth lie in expanding business abroad. Since the sale of the Brazilian subsidiary Terna Participações was announced, the search for new investment opportunities in the transmission sector have centred on the Southern Mediterranean and the Balkans, where a number of projects are being developed involving in particular the creation of interconnection lines. (See the box "Italy, an electricity hub for the Mediterranean" on p. 30).

For more details on the related effects of the growth factors mentioned, please refer to the paragraph entitled "Revenue structure and regulatory framework" on p. 24.

The development of these aspects and the goals set for each of them are dealt with in the Industrial Plan, a description of which is provided in this Report in the chapter called "Terna's profile" (p. 21). Details of the Plan are also supplied to financial analysts during the course of a special presentation. Further information is available on Terna's website (www.terna.it) in the Investor Relations/Presentations section.

In order to monitor its economic performance during the year, Terna uses a quarterly, financial accounting system which is also used for reporting to the financial markets. In addition to this, Terna also employs an internal assessment system, which measures the progress of the objectives referred to in the Industrial Plan, with Balanced Scorecards. This management tool allows the user to fix a set of economic, organisational and skills development objectives, that are logically connected with each other, and periodically measure their state of progress. The objectives monitored using these Balanced Scorecards are also used to calculate the variable salary components included in the bonus system (see the paragraph entitled "Development and management of human resources" on p. 136.

G3 economic performance indicators

EC1

Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and to governments

Boundary: Group

The Value Added generated and distributed by the Group registered an increase of 1.9% during the three-year period 2006-2008. The distributive quotas relating to employee salaries and risk capital remained substantially stable during the three-year period in question with an average value of 25% and 31% respectively. On the other hand, credit capital payments showed an increase, while payments to the State Administration and allocations to reserve funds were both reduced. Although this last figure is still the smallest of the five categories for allocating Value Added, it was the one which showed a significant reduction (from about 10% down to about 1%).

The figures relating to the creation and distribution of Value Added were taken from the Consolidated Financial Statement, prepared in accordance with the IFRS/IAS. The Terna Group has been using the IFRS/IAS principles since the 2005 financial year.

Donation costs for 2008 amount to 1,110,600 euro for Terna SpA and about 864,090 for Terna Participações at the average exchange rate for 2008 (see Terna's Financial Report for 2008 on p. 53). The Terna Group sustained overall donation costs amounting to 1,974,690 euro.

In drawing up the Consolidated Financial Statements as at December 31, 2008, and as a consequence, in preparing the Consolidated Value Added Statement, the item balances of certain comparative figures relating to December 31, 2007 were recalculated on the basis of the early application of IAS 23 (reviewed in 2007), which was approved by the European Commission at the end of the month of December 2008. The early application of this standard meant, in particular, that the financial charges relating to the construction and purchase of property, plant and machinery and intangible assets (which since the January 1, 2006 have satisfied the requirements of IAS 23R) were capitalised as a cost item of these assets. As described in greater detail in the Consolidated Financial Statements as at December 31, 2008 (see p. 128), the overall effect of these adjustments led to a higher level of net profits and larger net equity as at December 31, 2007 to the tune of 1.4 million and 1.6 million euro, respectively (net of the related taxation).

TERNA GROUP VALUE ADDED STATEMENT

in euro	2008	2007	2006
A. Production value			
1. Revenues from sales and services	1,336,249,371	1,296,174,946	1,228,696,068
4. Other revenues and income	58,940,584	51,991,730	47,799,759
Revenues from standard production	**1,395,189,955**	**1,348,166,676**	**1,276,495,827**
5. Revenues from atypical production (low cost activity)	66,341,085	51,191,913	36,814,283
Global production value	**1,461,531,040**	**1,399,358,589**	**1,313,310,110**
B. Production costs			
6. Consumption of raw materials	30,312,206	16,703,095	18,659,477
7. Costs for services	118,083,553	121,549,334	128,432,873
8. Costs for use of third party assets	13,169,234	13,681,375	16,874,507
9. Provisions for risks	2,083,272	5,688,218	12,881,120
11. Sundry operating charges	15,113,695	8,938,057	11,658,905
Total intermediate production costs	**178,761,960**	**166,560,079**	**188,506,882**
Gross standard value added	**1,282,769,080**	**1,232,798,510**	**1,124,803,228**
- Ancillary revenues	219,617,845	117,682,973	193,451,285
- Ancillary costs	193,344,539	84,789,606	95,861,509
12. Balance of ancillary items	26,273,306	32,893,367	97,589,776
Gross global value added	**1,309,042,386**	**1,265,691,877**	**1,222,393,004**
Amortization of intangible assets	28,608,234	23,380,193	18,804,937
Depreciation of tangible assets	251,807,678	233,281,293	193,651,637
Net global value added	**1,028,626,474**	**1,009,030,391**	**1,009,936,430**
Non-subordinate personnel	1,582,934	3,937,131	1,227,396
Employees: direct remuneration	211,481,387	189,120,465	189,233,019
Employees: indirect remuneration	57,368,481	51,036,274	58,064,208
A - Remuneration of personnel	**270,432,802**	**244,093,870**	**248,524,623**
Direct taxes	193,028,465	173,580,625	235,174,142
Indirect taxes	24,418,236	14,905,302	14,195,732
B - Remuneration of to State Administration	**217,446,701**	**188,485,927**	**249,369,874**
Charges for short-term capital	18,503,828	3,483,147	849,792
Charges on bank mortgages	78,263,512	71,312,756	72,044,252
Charges on bond issues	102,567,782	67,446,159	47,521,890
C - Remuneration of on borrowed capital	**199,335,122**	**142,242,062**	**120,415,934**
Dividends*	328,155,134	322,709,374	291,800,000
D - Remuneration of on risk capital	**328,155,134**	**322,709,374**	**291,800,000**
Allocations to reserve	13,256,715	111,499,158	99,825,999
E - Corporate remuneration	**13,256,715**	**111,499,158**	**99,825,999**
Net global value added	**1,028,626,474**	**1,009,030,391**	**1,009,936,430**

(*) The 2008 dividends refer to those distributed to third parties by Terna SpA (316.1 million euro) and by Terna Participações (12.0 million euro).
The 2007 dividends refer to those distributed to third parties by Terna SpA (302.1 million euro) and by Terna Participações (20.6 million euro).
The 2006 dividends refer to those distributed to third parties by Terna SpA (280 million euro) and by Terna Participações (11.8 million euro).

EC2

Financial implications and other risks and opportunities for the organisation's activities due to climate change

Boundary: Group

Terna is a utility company whose business involves the transmission of electricity, or, in other words, transporting electricity from the producers to the distributors, who then supply the end users connected to their networks. Terna is in no way involved in power production: for this reason the Company is not subject to any compulsory reductions in emissions or to any emission trading schemes.
Therefore, there are no likely fiscal programmes (e.g. carbon tax) or regulatory programmes (emission reduction targets, or the inclusion in emission trading schemes) which could have direct effects on Terna's business and financial performance. Climate change does not represent a threat for Terna with regard to its foreseeable business prospects.
Nevertheless, Terna recognises the growing importance of climate change and has identified certain potential, though rather remote, risks and opportunities linked to global warming and to the reactions that this might provoke with governments and consumer attitudes. The potential comebacks on Terna's business activities relate to the following aspects:

- Terna's task of maintaining the balance on the transmission network between power supply and demand, in accordance with its role in Italy as operator of the transmission system, becomes more difficult in extreme weather conditions – as has occurred in recent years – either when there has been a drought or a heat wave. The likelihood is increasing of critical situations leading to possible temporary power cuts for users and as a consequence Terna may become the subject of high-profile attention from Public Authorities and the mass media. Critical situations are not a threat to Terna's company accounts but to its reputation; conversely, sound management of critical situations provides Terna with an opportunity of bolstering its image as a reliable operator;
- general support for the development of renewable energy sources generates risks and opportunities for Terna's company image, since public opinion expects a style of business management which is mindful of the effects on the environment (see the results of the Eurisko survey published on p. 51). New power plants using renewable energy sources with outputs of over 10 MW have to ask Terna to be connected to the transmission network. The authorisation procedure in such cases can be extremely long: Terna may have some difficulty in connecting new plants in accordance with the producers' requested timescales. Conversely, as is explained in the detailed analysis found in the chapter on Environmental responsibility (see p. 111 and following), investments in the development of the electicity network also lead to important consequences in terms of emission reduction throughout the electricity system (reduction in losses, improvements in the production mix, connecting new plants fuelled by renewable sources). Terna's image may well benefit from this positive role;
- the increase in energy production from renewable sources, often with incentives from directly-related legislation, means that Terna must have technical facilties which can cope with the new scenario. In particular, there are problems with regulating production systems which use windpower, due to the variable and sudden changes in weather conditions. An incentive scheme, covering the period 2008-2011, has been in operation since 2008: it awards Terna bonuses or penalties on the basis of its ability to correctly predict windpower production (maximum bonus: 3 million euro; maximum penalty: 1.5 million euro). During 2008 the scheme generated 3 million euro in bonuses for Terna (the maximum possible amount) due to improvements in its forecasting;
- worries about climate change, or an increase in energy raw material prices could lead to a reduction in the flexibility of energy demand and an increase in GDP. The tendency towards energy savings and the search for greater energy efficiency could actually lead to a lower growth in electricity demand (and therefore in the transmission service) than is currently the case, all other conditions being equal. However, the regulations adopted so far by the relevant Authority exclude the possibility that a reduction in volumes could lead to a significant reduction in revenues for Terna, even though the tariff system used produces these revenues as the product of unitary tariffs multiplied by the volume of electricity transported. In fact, the AEEG has recently passed resolutions introducing a mechanism that partially neutralises the volume effect for the remaining part of the regulation period (2009-2011). With the introduction of this mechanism guaranteeing the level of revenues for the period 2009-2011, one can state that in the electricity transmission sector there has been a change from a price-cap system, where the level of revenues also depends on the volume of electricity transported on the national grid, to a revenue-cap system where the level of revenues is in practice fixed beforehand; in this case, the revenues can only vary by an amount equal to +/-0.5%, compared to that used to define the annual tariff levels.

EC3

Coverage of the organisation's defined benefit plan obligations

Boundary: Group

The Terna Group does not have any company pension plans with defined benefits. Pension coverage offered by the state system in Italy (which used to be one of the highest among the OECD countries) has been reduced by a series of reforms since the middle of the 1990s. Terna offers its employees a voluntary supplementary pension scheme with a defined paying-in system. In particular, senior managers can sign up for the Fondenel Pension Fund (http://fondenel.previnet.it) which includes contributions paid by the managers themselves and by the Company; in both cases the level of contribution varies according to the date the manager was first employed and the date the manager first signed up for the supplementary pension fund. Other employees (workers, office staff and middle managers) can sign up for the Fopen Pension Fund (http://www.fondopensionefopen.it).
In Brazil supplementary pension schemes are not provided. In addition to pension schemes, employees in Italian companies are eligible for other indemnities which are defined benefits.
In particular:

- during their working life all employees contractually receive a "loyalty bonus" after 25 and 35 years of service within the same company;
- when their employment contract is terminated all employees are entitled to receive Employee Severance Indemnity (TFR); senior managers, hired or appointed prior to March 1, 1999 receive Allowance for Want of Notice, and all employees (workers, office staff and middle managers) hired prior to July 25, 2001 receive Allowance for Additional Monthly Salaries;
- after their employment contract has finished, senior managers are entitled to a form of supplementary health care (ASEM). In addition, employees hired prior to July 1, 1996 are granted reduced tariffs for household electricity consumption (energy discount).

The table below shows the breakdown and movements in the Employee Severance Indemnity and other staff benefit funds as at December 31, 2008:

in millions of euro	Dec. 31, 2007	Allocations	Interest cost	Utilisations and other movements	Dec. 31, 2008
Benefits due during period of employment					
Loyalty bonus	5.1	0.2	0.2	-0.4	5.1
Total	**5.1**	**0.2**	**0.2**	**-0.4**	**5.1**
Benefits due at termination of employment contract					
Employee Severance Indemnity	73.8	9.9	3.3	-12.6	74.4
Additional Monthly Salaries	7.3	0.3	0.4	-0.6	7.4
Allowances in lieu and similar	3.6	-	0.1	-0.2	3.5
Total	**84.7**	**10.2**	**3.8**	**-13.4**	**85.3**
Benefits due after termination of employment contract					
Energy discount	51.6	0.7	2.6	-3.0	51.9
ASEM	12.0	-	0.2	-0.6	11.6
Total	**63.6**	**0.7**	**2.8**	**-3.6**	**63.5**
Total	**153.4**	**11.1**	**6.8**	**-17.4**	**153.9**

The total amount as at December 31, 2008 stands at 153.9 million euro and is substantially in line with the previous financial year (153.4 million euro as at December 31, 2007). Allocations for the period (11.1 million euro) include the figure for actuarial losses, equal to 9 milllion euro (0.2 million referring to Allowances for Want of Notice and 0.7 million to ASEM) and are mainly attributable to Employee Severance Indemnity (9.9 million euro). The Employee Severance Indemnity is also affected by the interest accrued during the period (+3.3 million euro) and the relative uses made of it over the year (-12.6 million euro).

The main assumptions used in the actuarial estimate of the liabilities for employee benefits are shown below:

% values	2008	2007
Discount rate	4.8%	4.6%
Labour cost increase rate	2.0%-5.0%	2.0%-4.0%
Health cost increase rate	3.0%-4.0%	3.0%

EC6

Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation

Boundary: Group

The geographical locations where the Terna Group makes its purchases are Italy and (for its subsidiary Terna Participações) Brazil. The Group's purchasing policy excludes the idea of selecting suppliers on the basis of their location; yet, the majority of purchases are actually made through national suppliers, i.e. Terna SpA uses suppliers based in Italy and the subsidiary Terna Participações uses those based in Brazil. This is particularly true regarding the need to obtain supplies locally for maintenance activities.
Terna SpA makes most of its purchases through groups of approved companies that satisfy EU directives or through specific calls for bids, also at EU level. The vast majority of companies which offer their services and have gained approval in these areas are in fact Italian companies.
It should be noted, however, that a significant proportion of the figure spent for local purchases actually goes to important international industrial groups with branch offices in Italy, such as ABB, Siemens, Prysmian and Areva, which are world leaders in their specific reference markets.
The proportion of overall purchases spent by each of the various operational centres during 2008 is shown in the table below:

PROPORTION OF PURCHASES FROM LOCAL AND FOREIGN SUPPLIERS (PERCENTAGE OF THE OVERALL FIGURE) [1]

	2008		2007	
	Italy	Brazil	Italy	Brazil
Local Suppliers	80%	89.1%	96%	98%
Foreign Suppliers	1%	10.9%	1%	2%
Other Suppliers [2]	19%	0%	3%	0%

(1) Indicator not-calculated in 2006.
(2) Temporary associations of companies consisting of Italian and foreign suppliers.

EC7

Procedures for local hiring at significant locations of operation and proportion of senior management hired from the local community

Boundary: Group

The make-up of Terna's personnel and senior management in the two geographical areas where it currently operates – Italy and Brazil – reflects a hiring policy which favours employees coming from the local communities.
In Italy, the entire staff – including senior management – are Italian. This reflects the fact that Terna's roots are deeply embedded in the Italian economy and that the Italian business represents the lion's share of the Group's revenues (85.7% in 2008). The situation was exactly the same in 2007 and 2006.
In Brazil, 98% of employees – excluding senior management – are Brazilian (in the previous two years the figure was 100%). The number of senior managers as at December 31, 2008 (consisting of the General Director and the managers reporting directly to him) stood at eleven, seven of whom (63%) were Brazilian.

In 2006 and 2007 the percentage of Brazilian senior managers was 56% and 57%, respectively.

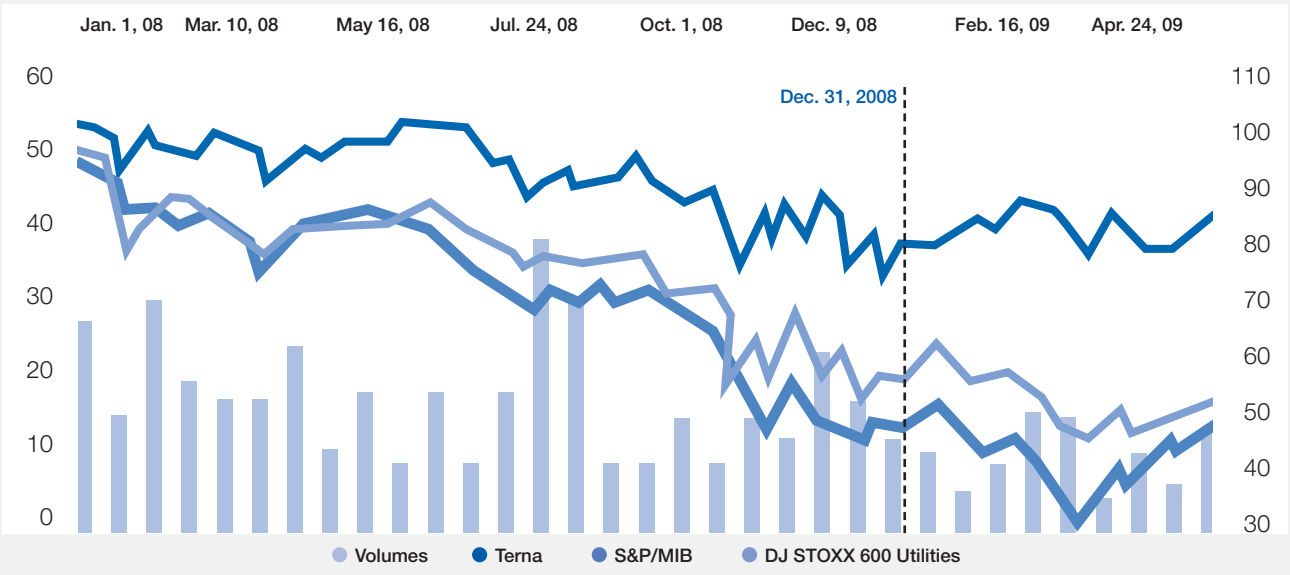
Additional information

Relations with shareholders

Share performance

From their initial listing on the Stock Market (June 2004) to the end of December 2008, Terna SpA shares registered a 37% increase in value, while the S&P/MIB index suffered a drop of over 30%. There was an increase in capitalisation of about 1.3 billion euro, from the initial 3.4 billion to 4.7 billion.
During 2008 there was a serious international financial crisis and Terna shares actually lost 15.3% of their value and ended the year with a face value of 2.335 euro per share. Nevertheless, the relative performance compared to the Italian Blue Chips index showed a plus value of 34 points (S&P/MIB, the most highly penalised index in Europe due to the predominant weighting of the credit sector was 49.5% down), allowing it to rank second after Snam for value appreciation. It also ranked among the best shares in the European sector, making gains of 23 points above the DJ STOXX Utilities (-38.6%) and achieving second place among the regulated utilities.

SHARE PERFORMANCE



Source: Bloomberg.

During the early part of 2008 there was an increase in oil prices which raised fears about a possible rise in inflation and led to falls in world share prices. These falls slowed between April and May and it was on May 22 that Terna recorded its highest value for the year at 2.945 euro per share.

Subsequently, the liquidity crisis in the credit market worsened and contributed to increase uncertainty about the future of the economy and global finances, leading to a significant collapse in the international stock markets. In this scenario, Terna shares also reversed their trend and although their performance was better than the average for shares listed on the Italian stock market, they dropped to their lowest price for the year on December 17 and stood at 2.125 euro per share.

At the start of 2009, Terna shares benefitted from the announcements about certain important company events, such as the purchase of the high-voltage network belonging to Enel Distribuzione, new regulations and the presentation of the Company's Strategic Plan for the period 2009-2013. In particular, the sustainability of its new strategic targets contributed towards highlighting the defensive nature of the share in the current economic situation.
Since March, renewed trust in an economic recovery has favoured a rebound in banking and insurance shares, penalising the more defensive sectors such as utilities. Nevertheless, the signing of the agreement for the sale of 66% of Terna Participações has helped to support the share and take its listed price back above 2.40 euro.

Since the beginning of the year Terna has ranked fourth place among the DJ STOXX Utilities, first place among the regulated European utilities and its performance has been above average for the sector and the market (Terna +4.39%, S&P/MIB -1.45%, DJ STOXX Utilities -12.13%)[1].

Total Shareholder Return

The most comprehensive indicator of the value created by an enterprise for its shareholders is TSR (Total Shareholder Return, the overall return on investment for the shareholder), which is calculated by adding together the increase in the share price over a specified period of time and the dividends per share paid out in the same period.
The calculation of TSR, therefore, shows the annual rate of return for an investor who purchased Terna shares on date X and sold them on date Y. This calculation includes all the dividends paid out by the Company and reinvested in Terna shares on the date the related coupon is detached.

The total return for a shareholder, holding Terna shares on December 30, 2008 (the last date the market was open in 2008) was therefore:
- since IPO: 76.65% (S&P/MIB: -16.84%);
- since December 28, 2007: -10.30% (S&P/MIB: -46.65%).

From December 30, 2008 to April 30, 2009, the TSR was 4.39% (S&P/MIB: -1.04%).

TRENDS IN DIVIDENDS DISTRIBUTED BY TERNA SPA(1)

	Year	Coupon detachment	Payment	Dividend (euro)
Interim dividend 2004	2004	October 18	October 21	0.045
Final dividend 2004	2005	May 23	May 26	0.070
Interim dividend 2005	2005	November 21	November 24	0.050
Final dividend 2005	2006	June 19	June 22	0.080
Interim dividend 2006	2006	November 20	November 23	0.053
Final dividend 2006	2007	June 18	June 21	0.087
Interim dividend 2007	2007	November 19	November 22	0.056
Final dividend 2007	2008	June 23	June 26	0.095
Interim dividend 2008	2008	November 24	November 27	0.0592

(1) Terna has adopted a policy of paying dividends on a twice-yearly basis.

Relations with suppliers

In its dealings with suppliers, Terna places the utmost importance on transparency and fair treatment, as is indicated in its Code of Ethics. All suppliers that meet the conditions of non-involvement in corruption, comply with safety standards, respect human rights and are sound on a professional and organisational level, are allowed to compete with each other on equal terms regarding to their quality and prices.

Purchases are normally made on the basis of **competition procedures**, which ensure that all suppliers taking part enjoy equal opportunities and maximum transparency. Terna's aim is to make purchases at the lowest possible price while maintaining the required level of quality, but additional checks are always carried out to see that suppliers also meet the required **ethical, social and environmental standards**.
Procurement contracts generally include clauses about commitments to comply with Terna's Code of Ethics and its 231 Organisational Model. They also draw attention to the non-use of child labour and black labour, the exploitation of workers and discriminatory behaviour towards employees. Since 2008, suppliers have also been asked to sign a special "Integrity Pact" which commits them jointly with Terna to avoid possible clashes of interest and practices that restrict competition.

In particular, in order to be included in Terna's List of Suppliers, companies belonging to sectors where the supplier qualification applies, must demonstrate that they manage ethical, social and environmental affairs in line with Terna's policy guidelines. The most important sectors for Terna's core business are supplies and contracts for works and services in the electricity transmission, telecommunications and IT sectors. In line with **the supplier qualification system**, only companies that are deemed suitable are included in the List of Qualified Companies and allowed to take part in competitions organised by Terna within their respective product categories.
During 2008, about 72% of total purchase orders issued by Terna were made to suppliers who had been through the approval process.

(1) Performance calculated in comparison to the closure date as at April 30, 2009.

The supplier qualification procedure

The qualification procedure allows Terna to assess the suitability of suppliers with regard to their lawfulness, economic and professional soundness and compliance with Terna's policy guidelines on ethical, social and environmental matters.

The following are included in the qualification requirements:

- the application of contractual and salary conditions that are not inferior to those stipulated in the Collective National Labour Agreements for the same type of activity;
- the implementation of legal provisions regarding environmental protection and safety in the workplace;
- the existence of documentation certifying the adequacy of a management system in line with the model laid down in the ISO 14001 standard and the OHSAS 18001 standard on health and safety.

The entire company qualification process, from initial approval through to monitoring the Company's actual behaviour and the imposition of any sanctions, is managed by Terna's **Company Qualification Committee**, consisting of ten members from management and an independent, external Chairman who has proven legal and technical expertise. A special group from the Purchasing and Contracts Department provides operative support in the company approval and monitoring procedures. The task of this group is to check that companies maintain the same level of compliance they were acknowledged with during the approval process, for the whole three years their approval remains valid.

The monitoring process includes continual screening from a number of information sources, such as Terna's Departments or external sources, and news items in the mass media or through external IT systems. If suppliers fail to maintain behaviour in line with approval requirements, they may be warned or even suspended temporarily from the List. In more serious cases they may be struck off the List of Suppliers.

During 2007, 2 companies were struck off the List of Suppliers and 2 in 2008.

Work contracting

As work contracting involves the use of external labour on Terna construction sites, the most stringent rules are qualification regarding supplier qualification and management procedures. This partly depends on the characteristics of Italian legislation and partly reflects Terna's particularly cautious approach.

When Legislative Decree no. 81/2008 ("Consolidated Act regarding health and safety in the workplace") came into force on May 15, 2008, Italian legislation became one of the most stringent in Europe in terms of safety measures. One of the most important aspects concerns the requirement to carry out an analytical assessment of health and safety risks for workers from contracting and sub-contracting companies as regards all activities included in on-site work processes. This risk analysis must be performed by an external expert. This analysis produces an estimate of safety costs, which are excluded from any discounts applied in contract bids and in the assignment of tender contracts.

With the aim of further reducing safety risks in contract work, Terna also requires employees working for contract companies to have special certification, such as:

- Italian language certificates, since this is the language used in safety notices and information on construction-sites;
- attendance certificates for specific training courses regarding technical, safety and environmental matters for those working on sites where overhead power lines are being constructed. The courses must last thirty-two hours and be held by selected training institutes with SINCERT certification, using a syllabus laid down by Terna.

Improvement objectives

The increase in the number of product sectors included in the supplier qualification procedure is one of the objectives for continual improvement within the purchasing strategy.

As regards work contracting in particular, the aim is to increase the proportion of purchases made through qualified companies from the current 79% (total orders in 2008) to almost 100% of the amount spent in work contracting. In 2008, the technical requirements for approval in the cable-laying, tree-cutting and painting sectors were finalised. In 2009 the qualification process is expected to reach its conclusion and will include the publication of the revision on electro-mechanical assemblies.

PROCUREMENT FIGURES (ITALY)	2008	2007	2006
Qualified sectors	36	35	35
Companies suited to Supplier List (as at Dec. 31)	303	265	238
Companies qualified (during the year)	60	74	65
Suppliers under contract (as at Dec. 31)	1,841	1,828	1,696

WORK ASSIGNMENT PROCEDURES ADOPTED (% ON AMOUNTS ASSIGNED)	2008	2007	2006
European tenders	76.9%	65.0%	85.7%
Non-European tenders	13.4%	18.6%	8.6%
Ordinances	9.7%	16.4%	5.7%

Brazil

During 2007 and 2008 Terna SpA e Terna Participações worked very hard together, which allowed the Brazilian subsidiaries to bring their purchasing procedures gradually into line with Terna SpA's quality standards. In particular in 2008, the SAP system was launched in Brazil and integrated with the Terna SpA platform.

Relations with the electricity sector operators

Terna's major counterparties are the electricity sector operators:

- owners of parts of the electricity network, to whom Terna must guarantee the right of connection in compliance with legal and technical provisions;
- dispatching users, i.e. producers, end customers or wholesalers who have been delegated by the latter and with whom Terna governs the dispatching service;
- interruptable customers, i.e. withdrawal end customers who supply Terna with the service of interruptability of their own load;
- distribution companies and owners of production facilities, with whom Terna regulates the energy transmission service on its own network.

The dealings between the sector operators and Terna are mainly governed by the Authorities for the sector, and in technical and commercial terms are defined in the Grid Code.
In addition to following the provisions laid down by the competent Authorities and the Grid Code, Terna pays constant attention to the needs of the operators so as to share and identify solutions that may also lead to amendments in the Grid Code itself, in line with the stipulated procedures.
Within the scope of the dispatching services, in particular, and together with the input users of dispatching, Terna regulates the economic items relating to the provision of the resources required to protect the security of the national electricity system, ensuring the balance between input supplies and withdrawal demands and guaranteeing that the network parameters, such as voltage and frequency, are at the correct levels.
Another aspect that Terna deals with, together with the input users of withdrawal and dispatching, is the regulation of economic items relating to imbalance, i.e. the difference between the programmes which the users presented on the energy markets and the real values of the energy supplied into and withdrawn from the network. In fact, if there is any negative or positive difference or imbalance in the technical definition, the related energy is supplied/purchased by Terna.
The economic items relating to supply on the Market for Dispatching Services (MDS) and to the imbalance for input supply users, are negative and in 2008 they are worth about 2.3 billion euro.
The economic items relating to imbalance for withdrawal users, including the invoicing for system charges are positive and in 2008 are worth about 2.6 billion euro.

During 2008, Terna continued with a series of initiatives to improve the way it deals with its counterparts, in line with the principles of a system operator (transparency, neutrality of treatment and efficiency) but also with those of a market operator, such as promptness in providing answers, clarity, fairness and providing easy access to the physical and economic elements, that are the foundations of economic control with Terna.

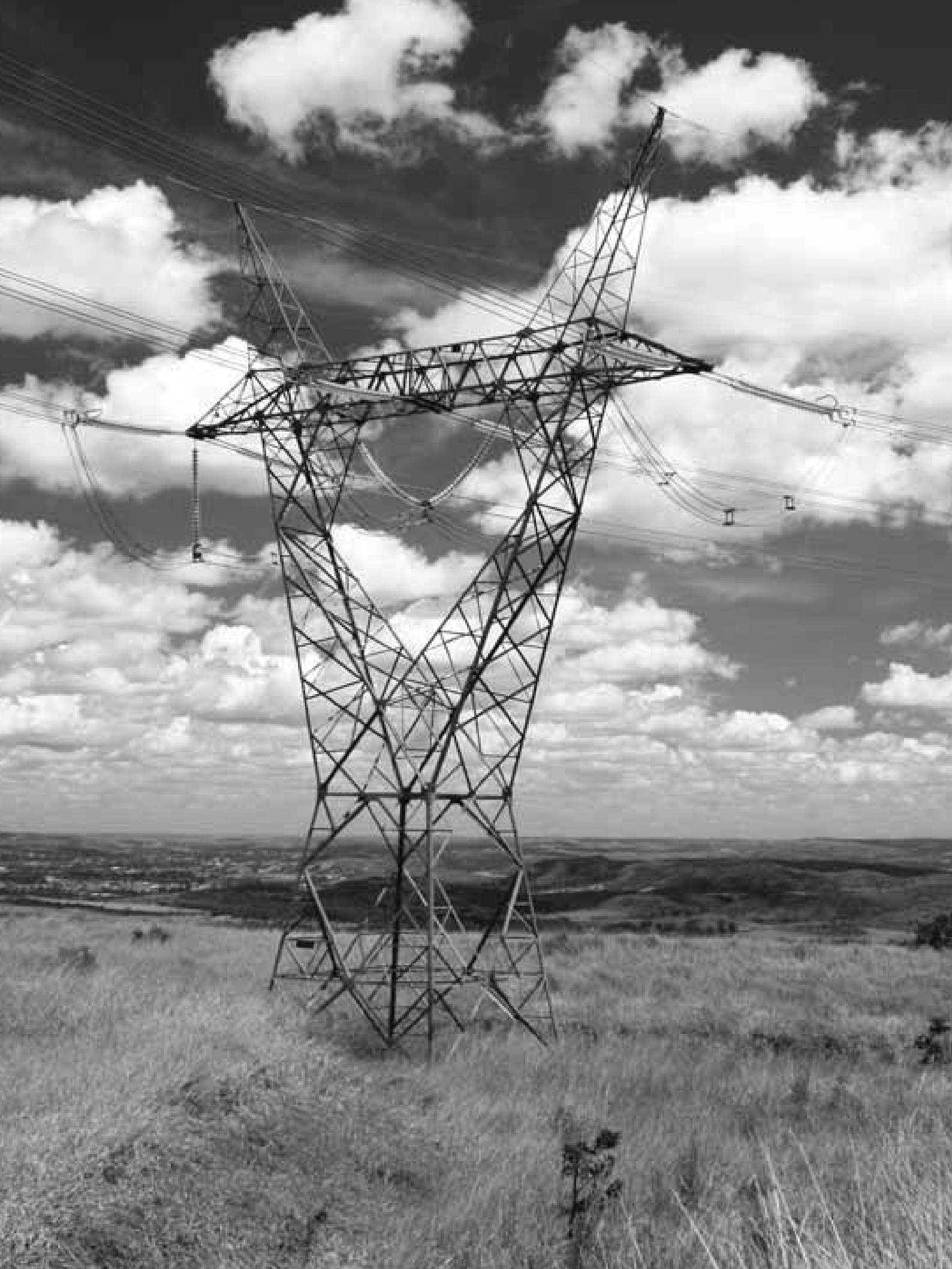
In particular, among its activities aimed at improving and optimising relationships with its counterparts and providing itself with a market-oriented image, Terna launched a project during 2008 whose objective is the implementation of **Customer Relationship Management (CRM)**.
The main activities of the CRM will include the identification and creation of methods and technologies that are integrated with communication systems and aimed at dealing with customer contacts via a web portal, where the counterparts can forward applications, manage their progress, view information and gain access to specific procedures. The goal of the CRM will also be to identify solutions capable of automating all business procedures requiring direct contact with customers and to implement procedures and tools in order to enhance the customers' knowledge and information in compliance with the above-mentioned principles.
Within the scope of the project which is expected to reach completion between 2009-1010, Terna has implemented certain specific functions to support the dispatch adjustment process as well as the management of the interruptability service.

The functions developed on the internet site specifically for these interruptable customers are aimed at allowing the assignees of the interruptability service to monitor more efficiently the quality of the services provided to Terna.
In 2008, Terna did in fact continue to supply resources for the load interruptability service so as to guarantee the operational safety of the national electricity system if the resources supplied on the dispatch services market turned out to be insufficient. The load interruptability service is supplied by end customers who have the technical requirements and are ready to have their load cut, and is contractually governed in accordance with the conditions in the Grid Code and the provisions issued by the sectorial Authorities.
The assignees of the interruptability service number about 120 with around 3,400 MW of power and the related negative economic adjustment is annually worth about 0.5 billion euro.

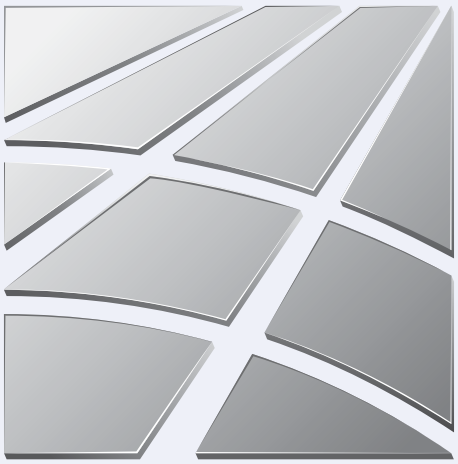
TERNA'S CONTRACTUAL RELATIONSHIPS WITH ELECTRICITY SECTOR OPERATORS

Economic nature	Entities	Number of entities (1) 2008	Number of entities (1) 2007	Number of entities (1) 2006
Interruptability	Interruptible users	120	131	133
Transmission fee Distributors	Distributors connected directly to the National Grid	21	21	21
Transmission fee Producers	Owners of production facilities	75	1,200 (2)	1,007
Dispatching fees	Input users of dispatching (producers and traders)	75	74	70
	Withdrawal users of dispatching (traders and end customers including the Single Buyer)	102	98	97

(1) The figure refers to the number of physical units located in Italy in December of each year.
(2) Since January 1, 2008, the vast majority of small production facilities have come under the ownership of the GSE. In accordance with the provisions of Resolution no. 280/07, the consideration to transmission fee producers is governed directly between Terna and GSE with regard to all facilities where specified withdrawals are made.



2008



Environmental responsibility

Terna

Context, management approach, and objectives

For Terna, striking the right balance between power requirements and safeguarding the territory means seeking appropriate solutions to guarantee the country the electricity it needs under the best conditions of reliability, affordability and environmental sustainability.

Terna's activity consists of supplying the electricity transmission service, which is performed through the high-voltage electricity grid. Therefore, from the environmental standpoint, the clearest impact of this activity does not lie so much in the use of natural resources or the emission of pollutants, as it does in the **physical presence of power lines and stations** and their interaction with the surrounding natural and manmade environment.

Growing environmental awareness and widespread local opposition to the building of new infrastructures – a trait characterising many industrialised countries and certainly the Italian situation – has in recent years led Terna to develop an approach devoting great attention to the environment and to the territory's needs. To build new lines, the road that has been chosen is that of **concerted planning with the territory's institutions** (Regions, Provinces, Municipalities, Park Bodies, etc.) in order to consider environmental needs right from the initial planning phases and to take them into increasingly detailed account until the development phase (see the paragraph "Concerted planning with the territory" in the Additional Information part).

Respect for the environment and territory is the credential with which Terna intends to establish a relationship of trust with central authorities (such as, for example, Ministries and industry regulation Authorities) and with local institutions that are also the depositories of the authorisation power for new infrastructures. In this way, consideration of environmental problems converges with Terna's interests in making its grid development investments and with the more general interest of society at large for uninterrupted, safe and efficient electricity service. This approach is valid in both Italy and Brazil, with implications currently more relevant in Italy, where the activities to build new lines are a stable part of the core business.

A particularly important aspect in this sense are the interventions to **eliminate existing lines** rendered obsolete by making other line sections more powerful or building new lines or stations: in these interventions – called "streamlining" efforts – the number of kilometres of lines eliminated is often greater than that of the lines built, with a net effect of freeing the territory of the presence of electricity infrastructure.

As for existing lines and their operation, Terna's attention to its activities' environmental impact is identified with the Environmental Management System that in December 2007 obtained **ISO 14001 certification**, regarding all of Terna SpA's activities and covering the entire transmission grid (stations, lines), and all offices.

Among the **significant environmental aspects**, particular mention is made of the following:
- emission of electric and magnetic fields;
- visual impact of lines and stations;
- impact of lines on biodiversity, with particular reference to birdlife;
- special waste and its elimination.

Significant aspects include greenhouse gas emissions. Since Terna does not produce electricity, the emission of greenhouse gas is not a typical correlative of its activity; the Company is in fact not subject to Kyoto Protocol constraints or to emission trading schemes. Attention to emissions – which is translated above all into **controlling leaks of SF_6**, a gas present in some station equipment, and controlling emissions by motor vehicles in the corporate fleet – is thus the result of a general sensitivity to the problem of climate change. It should thus be stressed that the investments provided for by the **Electricity Grid Development Plan** may have indirect positive effects on the reduction of emissions by the national electricity system (see p. 115-116).

For all these aspects, Terna is carrying out **monitoring** based on the new procedures prepared in the management system, which involve a gradual improvement of the quality of data and enable a more accurate spread of targets and precise performance evaluation for a growing number of indicators. The main environmental data were made available in the G3 environmental performance indicators reported in this chapter and in the additional "Tables of indicators".
Terna's environmental policy expresses the commitment to adhere to practices to contain and reduce environmental impact even beyond the limits of law, where this does not compromise safeguarding the other general interests that Terna is called upon to guarantee: safe, uninterrupted electricity service, maintaining the efficiency of the electricity system, adjusting it to the country's productive and consumption needs, and fair access to the grid for industry operators.

Terna's commitments are oriented mainly towards:
- planning grid development investment, listening to the needs expressed by stakeholders (especially territorial institutions), and seeking shared solutions;
- building, managing and maintaining the grid, and adopting procedures in line with the regulations of law and, where possible, with environmental impact reduction objectives;
- in the relationship with suppliers, requesting gradual adjustment to the environmental standards adopted by Terna;
- in the area of electromagnetic fields, maintaining strict compliance with the regulations and attention to the developments of scientific studies; contributing to a proper representation and understanding of the phenomenon;
- in the area of biodiversity, making the commitment to contain the plant's impact, particularly on birdlife, with mitigation interventions to be implemented also through programmes agreed upon with environmentalist associations (in this regard, see also the Indicators EN12 and EN14);
- in the area of climate change, recognising the importance of the problem, and undertaking actions to help reduce greenhouse gas emissions.

As for improvement programmes, there is continued attention to reducing emissions through feasibility studies and projects on SF_6 leaks, station electricity consumption and the fleet of corporate vehicles, while the start of collaboration projects with leading environmentalist associations on the theme of biodiversity, as shown by the agreement with LIPU (see box on p. 91) and with the WWF (see box on p. 99), will make it possible to develop guidelines on introducing power lines into the environment, and to base the preparation of mitigation tools upon scientific premises.

In organisational terms, environmental responsibility is subdivided into various corporate offices that take part in an Environment and Sustainability Steering Committee to coordinate activities and identify priorities and objectives to be proposed to top management. Participating directorates are Operations Italy, Company Security which oversees the integrated Safety Environment Quality management system, Institutional Affairs, Human Resources and Organisation and External Relations and Communications. The Committee's secretary is given the function of corporate social responsibility. A standing working group of technicians, within the framework of the Environmental Management System, is charged with monitoring the environmental indicators.

Brazil

Terna Participações SA has an Environmental Management System that, although uncertified, was developed in line with ISO 14001 and ISO 14031:2004 standards. The System is composed of the environmental policy, the management manual, and the environmental and social programmes. These documents contain action plans, process management procedures, and monitoring and periodic re-examination of performance indicators. The Environmental Management System sees company-wide implementation: all employees, subcontractors, and partners are subject to the same guidelines in discharging their duties.
On the organisational level, Terna's environmental and social performance is managed under the coordination of the Environment directorate, which reports to the office of the general manager.

Elimination of equipment containing oils with PCBs

Polychlorinated biphenyls (PCB) were used all over the world as insulators in transformers and in other electronic apparatus, since they are a sound alternative to inflammable mineral oils. However, later studies showed that PCB has an extraordinary bioresistance, capable of causing hazardous effects on living organisms. Legislative Decree no. 209/99, CEI regulation 10-38, the guidelines of the Ministry of the Environment, and European Community Law no. 62/05 introduced the obligation of declaring the quantity of PCB-contaminated oils possessed, and established elimination times and procedures. In keeping with this provision, Terna currently has an elimination programme summarised in the table below. The data refer to Italian plants: the equipment used in Brazil is less than ten years of age, and contains no PCB.

	kg of oil		
	2008	2007	Elimination plan
PCB Concentration			
PCB > 500 ppm	4,461	4,461 (1)	All eliminated by the end of 2009
PCB > 50 ppm and ≤ 500 ppm	131,520	257,642	By the end of 2010, quantity reduced below 100,000 kg

(1) The figure (2,986 kg) published in the 2007 Sustainability Report was corrected following evidence that emerged after publication.

G3 environmental performance indicators

EN3-EN4

Direct and indirect energy consumption by primary energy source

Boundary: Group

Electricity transmission requires the direct consumption of energy only for certain activities supporting the production cycle:
- fuel for company cars (used for power line inspections, repairing failures, and other activities connected in particular with maintaining lines and stations);
- gas oil for emergency generators, which enter service only in the event of a lack of electric power – the normal source of power for the equipment – to guarantee that the electricity system's normal function is monitored and restored;
- gas oil and methane for heating – particularly of offices.

At present, Terna's motor vehicles and plants are powered using non-renewable energy sources.
Indirect energy consumption coincides with the electricity employed for office and power station uses.
The table below reports direct and indirect energy consumption with reference to 2008, 2007, and 2006.

The database of power consumption is being completed and improved, as an effect of inclusion in the Environmental Management System. The values reported in the table are in part estimated (methane for heating and electricity for office and power station use) because the starting consolidated data cover only part of the plant. In particular, it is stressed that the indirect energy consumption is estimated based on the available measurements, which do not cover all of Terna's power stations. Any actual variations in consumption fall within the estimate error, and therefore the figure remains the same over the three-year period under consideration. Lastly, improved monitoring at times involves variations from one period to another, which reflect a different data collection method and not a change in corporate performance.
On the whole, the residual imperfections in monitoring consumption are not of a nature that would compromise the quality of the overall figure.
The data on Brazil, and consequently the Group data, are available only starting 2008.

DIRECT AND INDIRECT ENERGY CONSUMPTION - ITALY [1]

	Source of energy	Unit of measurement	Quantity			Conversion factor	Gigajoules		
			2008	2007	2006		2008	2007	2006
Direct consumption									
Motor vehicles	oil	ton	148	187	421	44.8	6,630	8,399	18,862
	gas oil	ton	1,566	1,551	1,274	43.33	67,855	67,189	55,182
Generators and heating	gas oil	ton	192	172	138	43.33	8,319	7,470	5,962
Heating	methane	m^3 (thousands)	124 [2]	756	680	39.01	4,837	29,474	26,539
Total							**87,641**	**112,532**	**106,545**
Indirect consumption									
Powering of stations and offices	electricity	GWh	150	150	150	3,600	540,000	540,000	540,000
Total							**540,000**	**540,000**	**540,000**

(1) Consumption in gigajoules is calculated taking into consideration decimals not reported in the table; multiplying the quantity by the conversion factors may yield different results.
(2) The availability of more reliable consumption data for 2008 (Rome offices and 5 out of 8 territorial offices, for which the 2007 figure is available) allowed a more precise estimate of overall methane consumption to be made.

DIRECT AND INDIRECT ENERGY CONSUMPTION - GROUP 2008 (1)

	Source of energy	Unit of measurement	Quantity			Conversion factor	Gigajoules		
			Italy	Brazil	Group		Italy	Brazil	Group
Direct consumption									
Motor vehicles	oil	ton	148	53	201	44.8	6,630	2,374	9,004
	gas oil	ton	1,566	134	1,700	43.33	67,855	5,806	73,661
Generators and heating	gas oil	ton	192	70	262	43.33	8,319	3,033	11,352
Heating	methane	m^3 (thousands)	124	0	124	39.01	4,837	0	4,837
Total							**87,641**	**11,213**	**98,854**
Indirect consumption									
Powering of stations and offices	electricity	GWh	150	1.79	151.79	3,600	540,000	6,444	546,444
Total							**540,000**	**6,444**	**546,444**

(1) Consumption in gigajoules is calculated taking into consideration decimals not reported in the table; multiplying the quantity by the conversion factors may yield different results.

EN8

Total water withdrawal by source

Boundary: Group

Water is not part of the production cycle of electricity transmission and dispatching. During 2008, the system to survey the water used at Terna Italia's central and territorial offices, corresponding to 98,041 m^3 (the figure refers to 91% of personnel), was prepared.
The water that is used normally originates from connections to aqueducts for civil use.

As regards Brazil, the water consumed is 7,810 m^3 (the figure refers to 100% of personnel).

EN11

Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas

Boundary: Italy

Since the proximity of protected areas, or at any rate areas of natural interest, is so important in terms of the risk of negative impact by Terna's plant on birdlife, the interaction between power lines and these areas is constantly monitored. Given the grid's extension throughout the national territory, the main instrument for identifying critical line sections is a highly complete territorial database populated with data from Regions and Ministries. These data were acquired through data exchange protocols aimed at the application of the Strategic Environmental Assessment to the National Transmission Grid Development Plan. The collected data were homogenised and inserted into a nationwide standard mapping system. In addition to locating the power lines, the database's main information regards aspects of geology, hydrogeology, nature and landscape, including the following:
- level of seismicity;
- climate data;
- national polluted sites;
- official list of protected areas, river parks, natural parks, reserves, national land and marine parks;
- sites of community interest (SIC) and special protection areas (ZPS);
- Important Bird Areas (IBA);
- landscape risk map;
- legislative constraints and administrative boundaries.

In 2007, with the database's support, Terna performed an inventory of the possible interferences between its own structures (power lines) and the protected areas or areas with high biodiversity, intersecting the data on the electricity grid with those of a territorial nature, present in the data base, through accredited GIS (Geographic Information System) tools. Considering all the types of protected areas defined by various regulations (national and regional parks, national and regional reserves, sites of community interest, special protection areas) and eliminating overlaps, 11.4% of Terna's electricity grid (about 4,400 km) traverses protected areas for sections that may range from a few hundred metres to several dozen kilometres. For the sake of comparison, it is reported that the aforementioned protected areas cover a surface equal to 22.1% of Italian national territory, again net of overlaps.
The computerised mapping system makes it possible to repeat the inventory periodically, in order to take into account the evolution of the electricity grid's development and of the boundary of the protected areas.

During 2007-2008, there were no constructions/demolitions of plants in protected areas that modified the result of the census that had been performed. However, the inventory will be repeated to include the approximately 18,000 km of new high-voltage lines acquired from Enel in April 2009, as soon as the georeferencing of these lines has been integrated into the database.

Terna made an estimate of the impact of the interventions provided for by the 2008 Development Plan on the national system of protected natural areas and on the 2000 Nature Network (the network of areas particularly valued for biodiversity as provided for by the Habitats Directive no. 92/43/EC).
Considering only the grid development, reorganisation, and/or streamlining interventions, for which concerted planning agreements have been formalised between Terna SpA and the local administrations with territorial responsibility, the balance of new constructions and demolitions yields an approximately 350 km reduction of power lines in protected areas. The figure is partially comparable with that regarding the intersection between Terna's lines and protected areas (approximately 4,400 km), since it includes demolitions of lines also belonging to other Operators (Enel, RFI, etc.).

EN12

Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas

Boundary: Group

In Italy, Terna's plants are widespread throughout national territory, with a grid extending about 40,000 km. The grid's relationship with the surrounding natural environment and its impact on biodiversity are characterised differently in the phase of building new lines, and in that of operating existing ones. In the construction phase, impact on biodiversity is linked to the work site activities: opening of passages to get to where the pylons are to be erected, excavating the earth, removing residual material. The intervention to build new lines and stations requires special attention when taking place near or within protected areas.

Once the line is built, there is a dual relationship with biodiversity. On the one hand, the line's route may be a factor increasing the biodiversity and protection of certain species. For example, when lines traverse large open or extended areas with single cereal crops, the pylons and their bases can be "islands" concentrating biodiversity. Pylon bases, particularly the basis of the larger pylons supporting the high-voltage lines, are the only areas spared by intensive agriculture and free of earth work and transformation activities. These are the areas where wild rodents find refuge in spontaneous grasses and bramble, as their burrow systems are not periodically destroyed by ploughing activities. And the rodents' predators – birds of prey – concentrate around these areas. Birds, and in particular birds of prey, in fact commonly use power lines and pylons as lookouts over the territory, and as structures for nest-building.

On the other hand, the presence of the lines has potentially negative effects on biodiversity, and on birds in particular. The electrocution risk should not affect Terna's plant, since it is linked to the reduced space between the conductors typical of low- and medium-voltage lines[1], which may lead to the electrocution of the birds – large ones in particular – that cross their path. But high-voltage lines may be hazardous particularly for collision risk. The actual occurrence of collisions depends on the density of birdlife and the frequency of transits near the lines. The relevant factors are the routes of migrating birds (particularly important in Italy, which is a "bridge" country between Europe and Africa), the location of wetlands on the territory, and the presence of protected areas, reserves, and parks.

(1) In Italy, given the wingspan of bird species, high-voltage power lines are not generally held to be a source of electrocution risk which, on low- and medium-voltage lines, is seen as the most important cause of accidental death of birds. The scientific study of reference remains that by V. Penteriani, *L'impatto delle linee elettriche sull'avifauna*, WWF Italia, Serie Scientifica no.4, 1998.

In 2008, Terna signed an agreement with LIPU (the Italian partner of BirdLife International) for a scientific study on the interaction between birds and high-voltage lines.
From this study, assessments on the actual collision risks, and on the measures to mitigate them, are expected (see box "Agreement with LIPU").

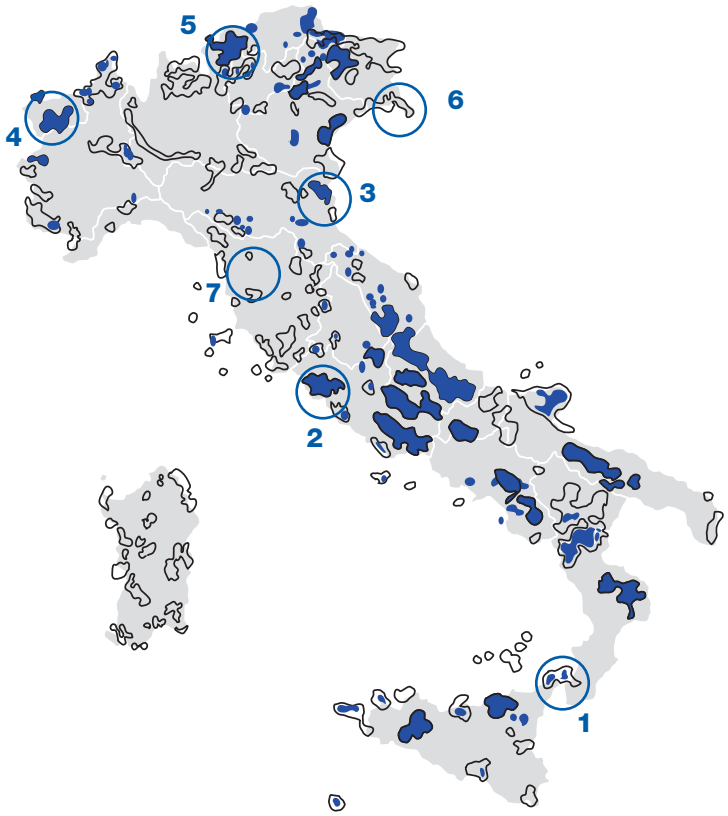
In Brazil, the monitoring of the impact on biodiversity and on protected areas is conducted jointly with the federal bodies of IBAMA (*Istituto Brasileiro do Medio Ambiente e dos Recursos Naturais Renovaveis*) and with the territory's environmental control agencies already involved in the authorisation phase (see the indicator EN14).

Agreement with LIPU - *Lega Italiana Protezione Uccelli* (Italian league for bird protection)

In December 2008, Terna and LIPU, BirdLife International's partner for Italy, signed an agreement to more deeply examine the interaction between birdlife and high-voltage power lines. The project presents an important opportunity to study, for the first time systematically and on a nationwide scale, the effect of the impact of birdlife on high-voltage power lines. To date, the only available studies in fact regard the electrocution of birds touching the two conductors with their wings at the same time – a phenomenon typical of low- and medium-voltage grids. Based on the particular concentration of wild birds (migration, stopping, reproduction), seven study test areas throughout national territory were identified. These are areas classified as ZPS (*Zone Protezione Speciale*, or "special protection areas") and IBA (Important Bird Areas), and at the same time marked by the presence or proximity of Terna lines. The study, which had a sixteen-month duration, had the following chief objectives:

- assessing the collision phenomenon, with particular reference to the most significant species from the conservation standpoint;
- highlighting the factors (logistic, environmental) influencing the likelihood of collision;
- identifying possible interventions to reduce the collision phenomenon.

TERNA-LIPU AGREEMENT STUDY AREA



1. Stretto di Messina
2. Monti della Tolfa
3. Valli di Comacchio
4. Parco Nazionale del Gran Paradiso
5. Parco Nazionale dello Stelvio
6. Carso Triestino
7. Montepulciano

○ IBA
● ZPS

Birdlife observation tower in the oasis of Montepulciano

Thanks to Terna, Riserva Naturale del Lago di Montepulciano has a new birdlife observation tower. The station was built using an out-of-service pylon, appropriately modified for nature observations and made available by Terna to the Province of Siena, which manages the protected area. Located at the north-western end of the lake, the observation tower is a structure 25 metres tall, with a large teaching platform about 10 metres up, designed for groups of visitors and elementary students, and a smaller station at the top, accessible to scholars and researchers. The former pylon will allow visitors to extend their gaze over the entire lake and surrounding countryside, offering a privileged vantage point over the entire nature reserve. It will also be extremely valuable for carrying out environmental and biodiversity monitoring activities. Thanks to their fibre optic cables, the video cameras at the top transmit real-time images to the Visitors' Centre. Along with Lake Chiusi, Lake Montepulciano is currently one of Central Italy's most important wetlands. And the nature reserve is placed right along the migration route traversing Tuscany from the Arno Valley to the Tiber Valley, thus representing a major stopping point for birdlife in its seasonable movements from African countries to Europe, in addition to being used by numerous species of birds for wintering and nest-building.

EN13

Habitats protected or restored

Boundary: Group

Italy

Environmental mitigation and compensation interventions are normally provided for as an element of the agreements with Regions and local bodies that precede authorisation to build new lines. But the most important interventions for environmental recovery are those of dismantling existing lines, carried out within the framework of grid streamlining efforts and made possible by the building of new lines. This takes place, for example, when the new power line has a voltage level higher than existing lines: it then becomes possible to demolish sections of line already in existence, with a positive balance between kilometres of lines demolished and those built.

Line removal

In 2007, the most important intervention was the removal of 12 km of lines (28 pylons) in Parco Molentargius-Saline in Sardinia. Ten pylons located in a pond recognised as a protected area of great environmental value were removed, as the site had become a nesting place for the pink flamingo – a species considered to be in an unfavourable conservation status (SPEC – Species of European Conservation Concern, cat. 3). For the flamingos, the line presented a collision hazard, with impact episodes even involving younger specimens.

Line removals play a growing role in programmes for coming years. In the "10 projects for sustainable development", which bring together some of the most significant initiatives provided for by the Electricity Grid Development Plan, Terna is planning to build about 450 km of new lines, which will make it possible to demolish more than 1,200 km of already existing lines.

For more details on line removals, see the paragraph "Streamlining" (p. 115) and, for an example, the box "Lodi: streamlining with low environmental impact".

Reclaimed land

The building of the power station converting the SAPEI submarine cable in Fiumesanto, Sardinia, involved a major land reclamation. The land, ideally placed as a SAPEI terminal site, was polluted by activities carried out earlier in the same location by other industrial companies. By rigorously applying the regulations of law, which require the reclamation of polluted sites, Terna first carried out careful studies of the area to determine the degree and nature of the pollution. Then, 45,000 tons of land were removed and brought to authorised dumps; given the hydrocarbon content, it is classified as special waste. On the whole, the operation closed with the complete restoration of soil conditions for an area of 50,000 metres square, going down to about one metre in depth.

Brazil

The federal regulations that govern the concessions of public services (Law no. 9985/2000 and Decree no. 4340/2002) establish an obligation for all companies that cause significant environmental impact. These companies are required to sustain the implementation of conservation measures, through the conferral of resources equal to at least 0.5% of the total costs provided for carrying out the works.

In 2008, the following environmental offsets carried out by the subsidiaries in Brazil may be highlighted:

- ETEO: an area of 68.44 hectares recovered through the planting of 116,348 native species of trees at the Assis nature reserve in the state of São Paulo;
- Novatrans: 6,042,000 reais paid to IBAMA, to be used at the nature reserves of: Gurupi, Serra Geral do Tocantins, Nascente do Rio Parnaíba national park, Parque Nacional Chapada dos Veadeiros, Parque Ecológico e Vivencial do Descoberto, Parque Nacional do Itatiaia;
- ETAU: an investment of 654,900 reais was made;
- TSN: for the southeast/northeast interconnection line, IBAMA approved the amount of 6,611,352 reais, corresponding to 1% of the risk value, to be applied to the conservation units: Chapada da Diamantina national park, environmental protection area of the state of Estadual do Pouso Alto, Lavapés regional park.
  For the Camaçari II-Sapeaçu transmission line, Centro de Recursos Ambientais, an environmental protection body in the region of Bahia, approved the amount of US$ 222,000, to be used at the conservation units: Joanes Ipatinga environmental protection area.
  For the Santa Cruz-Paraíso Açu LV transmission line, IDEMA, Insititute for the economic and environmental development of the state of Rio Grande do Norte, approved the amount of US$ 177,707 – 0.73% of the value of the investment made to purchase equipment, furniture, and a pick-up type car for administration and the conservation department of the IDEMA units.
  For the Goianinha-Mussuré transmission line, IBAMA approved the amount of 105,850 reais for the Fernando de Noronha national marine park.

EN14

Strategies, current actions and future plans for managing impacts on biodiversity

Boundary: Group

Italy

Terna's approach to protecting biodiversity is above all preventive. Right from the **planning phase** of new development interventions, Terna takes into consideration the need to preserve the environment and landscape by searching for solutions, shared with local administration, for the placement of electricity infrastructure. As much as other environmental variables, biodiversity, and in particular the presence of protected areas, is therefore an input for a sustainability-oriented planning of the grid's development. The biodiversity features of the areas potentially destined to house new infrastructure are carefully studied. The information that is collected becomes part of the criteria for determining the final path.
In 2008, this approach found confirmation in the Protocol of understanding signed by Terna with the WWF (see box), which, among other things, calls for integrating environmental criteria in line with the WWF's conservation strategy into the process of planning the new lines to be built.

Moreover, in the new lines **building phase**, Terna adopts some mitigation and compensation measures, such as:

- environmental restorations, consisting of the performance of natural engineering works capable of regulating the surface outflow of precipitation water and therefore controlling the phenomenon of soil erosion;
- reforestation, through the planting of native shrub and tree species belonging to the area's vegetation;
- planting native species of grass, distributed along with natural binders and fertilizers, helping them to take root. The use of native species prevents the occurrence of phenomena of floral pollution through the introduction of species that do not belong to the environment;

• compensation: forest cutting along the lines being designed is offset by the planting of individual trees belonging to the same species, over equivalent area.

As regards the **lines already in existence**, Terna has trialled mitigation systems regarding in particular the interference between lines and birdlife. The most proven system is the installation, in line sections characterised by frequent bird transit, of special devices called "dissuaders" which, with the bulk and noise generated when blown by the wind, make the power lines more easily perceptible to birds in flight. In a number of cases, the installation of dissuaders has been urged by environmentalist associations.

In 2008, Terna signed an agreement with LIPU for the performance of scientific surveys on the interaction between birdlife and high-voltage power lines. The result of the study will allow an objective assessment of the phenomenon to be made, and mitigation techniques (see box on p. 91), if necessary, to be refined.

Again in 2008, Terna was invited by ISPRA (Istituto Superiore per la Ricerca e la Protezione Ambientale) to take part – along with the leading infrastructure concessionaires, organisations protecting the landscape and biodiversity, and other institutions – in a working group established on the issue of introducing line infrastructure into the territory, with particular attention to impact on ecosystems.
The group's activities led to a Report published in March 2009, on "Protecting the ecological connectivity of the territory and of line infrastructures". The document is aimed at identifying the mitigations of the environmental impacts on ecosystems due to the introduction of infrastructures, and at defining a GIS (Geographic Information System) method for identifying ecological connection areas.
Terna joined the working group with a contribution aimed at capitalising on:
• the approach adopted for the location of new development interventions, illustrating its experience in integrating environmental and territorial constraints into the building of new infrastructure;
• interventions to mitigate any residual impacts by the works on animal and plant life.
The working group's activities are aimed at preparing guidelines that can be of support in the infrastructure design phase, in order to mitigate the effects on natural habitats.

For some time, Terna has also been committed to trialling **alternative uses of power lines to the benefit of biodiversity**. In particular, these include placing boxes for birds of prey to build nests on pylons. Numerous studies have cast light on how power lines can serve as vantage points for birds of prey on the hunt; they rest on the supports because of their height and also because of the protection from predators they afford. Again in 2008, Terna maintained support for the "nests on pylons" initiative in collaboration with the ornithological association Ornis Italica, under which recent years have seen the installation of more than 300 boxes suitable for birds of prey to build their nests. Constant monitoring of the boxes also made it possible to collect a considerable amount of biological and behavioural data and to find a positive effect in terms of biodiversity, represented by the increased population of kestrels residing in the area. The pylon-mounted boxes were also monitored in the 2008 reproductive season, to verify their occupation by kestrels and to collect reproductive data. The nests were inspected starting from mid-March, in order to verify their occupation, determine brood size and laying date, and evaluate reproductive success. The laying and hatching data collected are in line with the average of the values recorded in the past, and it is estimated that at least 650 young falcons have taken flight from the boxes mounted on Terna's pylons in the Province of Rome.

Attention to biodiversity also marked the design of SAPEI, the submarine direct current cable that will link Sardinia to the Italian peninsula, and one of the most important strategic works planned by Terna to strengthen the national electricity system. SAPEI was designed and built with special attention to the environment, including a study of the interaction between the submarine cable and biodiversity, with reference to protecting the Posidonia colonies on the cable's path and its passage within Santuario dei Cetacei, a marine park (see box on p. 96).

The new link between Sardinia and the Italian mainland (SAPEI)

The SAPEI is one of the most important strategic works planned by Terna to strengthen the national electricity system. The new power line will link Sardinia to the Italian mainland with a double 500 kV DC submarine cable. It will be the world's second longest connection after the cable between Holland and Norway, and the one placed deepest beneath the sea. The inauguration of the first cable is expected before the end of 2009, with the second to be completed in late 2010. Authorised in only 12 months, works began in October 2006, with geophysical and geotechnical surveys on the sea floor. In 2008, in keeping with the scheduled deadlines, more than 58% of the total of investment was carried out. The first of the two cables (440 km, 420 km of which submarine cable) was laid. The voltage tests were successfully performed in late November 2008. The two Latina and Fiumesanto switching stations are in an advanced state of progress. The two electromechanical assemblies of the first pole of the Latina switching station have been completed; those for the second pole are being completed.
The work has many benefits, including in particular:

- increased safety of Sardinia's electricity system (SAPEI's 1,000 MW correspond to more than 50% of the island's needs);
- possibility of exporting to the mainland more efficient thermoelectric production (1/3 of the power plants are coal-fired) and especially production from renewable sources, particularly wind, which is seeing strong development;
- opportunity for Sardinia's electricity operators to take part in electricity market negotiations with fewer exchange constraints, while at the same time guaranteeing the system's greater flexibility and operating security;
- ability to face the removal from service, expected in coming years, of the current 200 kV direct current connection between Sardinia, Corsica and Italy (SACOI), due to the obsolescence of the cable that has been in operation for more than 40 years.

SAPEI: the numbers

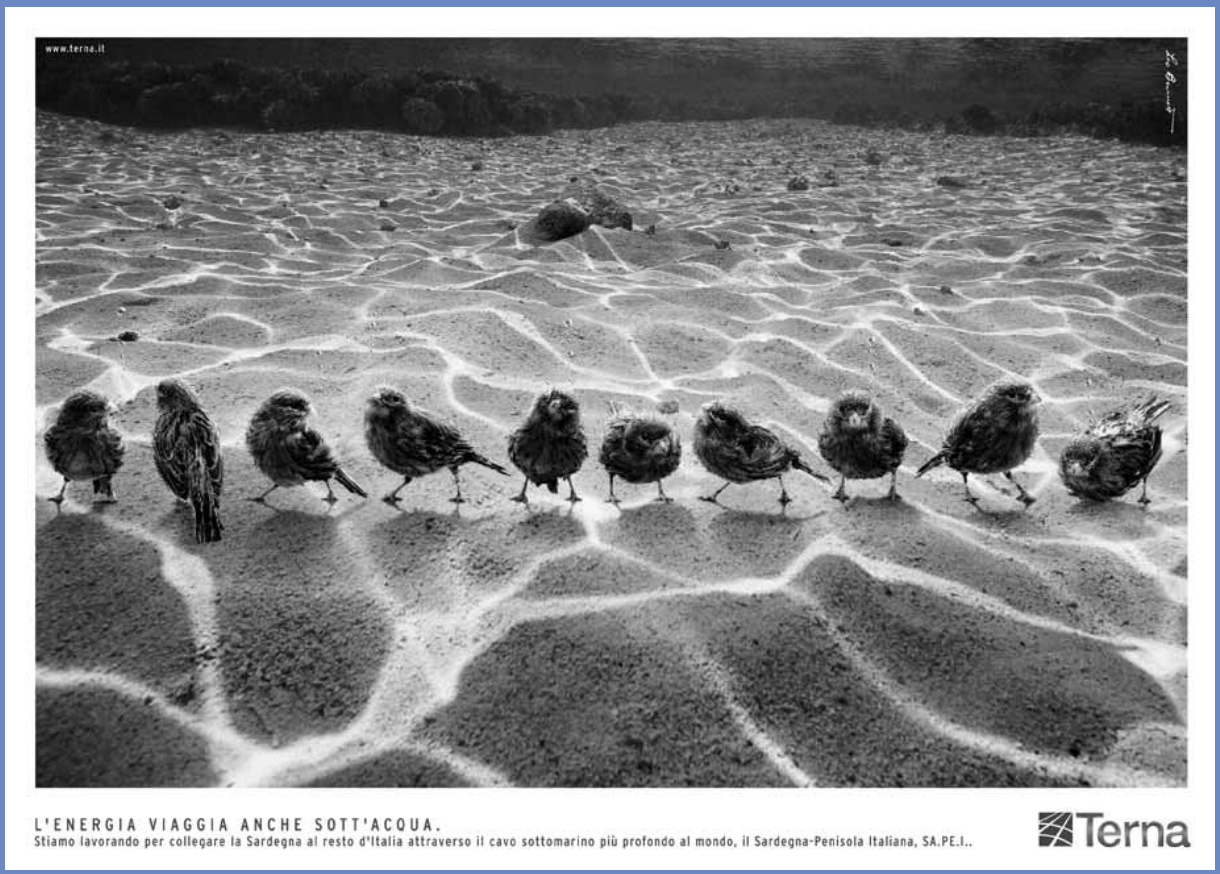
2	submarine cables, land cables, switching stations
12	centimetres of cable diameter
22	meters in height of the switching stations
50	tons of bollard pull of the cable-laying vessel
70	technical and environmental regulations
90	total resources involved in the project
420	420 km in length
500	500 kV of voltage DC
1,000	MW of power
1,600	maximum laying depth
5,000	project documents
7,000	tonnage of the cable-laying vessel
35,000	m^2 of the area of the Latina station
48,000	m^2 of the area of the Fiumesanto (SS) station
50,000	m^3 of land removed
700,000,000	investments planned, in euro

Along the path, the cable encounters a variety marine ecosystems that present different features and unique characteristics, such as the Posidonia oceanica ecosystems in Sardinia, the Santuario dei Cetacei protected marine area, and the presence of Cymodocea nodosa at the Nettuno landing.
A set of in-depth studies carried out prior to the start of the works made it possible to prepare a comprehensive picture of the physical, chemical and biological environment within which the SAPEI is being developed. The studies allowed the optimal route to be precisely defined, providing elements indispensable for predicting impacts.

Posidonia and Cymodocea

Posidonia oceanica is a species of sea grass fundamental to the coastal marine ecosystem, having been defined as a priority for conserving natural habitats, as well as wild flora and fauna. It represents a vast area of colonisation for numerous organisms, both plant and animal, which makes it one of the environments of greatest ecological diversity. In addition to Posidonia, Terna has taken into consideration another important sea species present at the site of the Nettuno landing – Cymodocea nodosa.

To safeguard these ecosystems, specific investigations have been carried out, and routes have been selected to protect areas as much as possible. In these areas, the cable was laid on the sea floor without having to dig into the substrate, and special anchoring devices were used so as not to harm plant life. The purpose is to avoid creating openings in the prairie, to prevent erosion processes, and to make sure that the cable's presence does not alter the prairie's environmental status.
Impacts during the placement works were monitored, and will be monitored through 2011.



Santuario dei Cetacei

Santuario dei Cetacei is a protected marine area covering about 100,000 km^2. This portion of the Mediterranean is home to the most important marine fauna in the entire basin: in these waters, blue whales, sperm whales, common bottlenose dolphins, striped dolphins, Risso's dolphin, and many other species find ideal conditions for stocking up and reproducing.
The marine area hosts 190 km of the cable. This is why, during the design phase, Terna relied on the results of successful international experiences like Basslink, the DC link between the State of Victoria in Australia and the island of Tasmania, as well as on SACOI's operative experience.
Studies have shown the work's complete compatibility with the protected marine area, indicating that there are no elements pointing to possible acoustical disturbance caused by the passage of current through submarine cables.

Parco del Foglino

The land portion of the SAPEI cable traverses Parco del Foglino. Environmental requalifications have been planned in the park; in particular, only three trees will be cut down, as opposed to the 53 that had been authorised for removal.

Brazil

In Brazil, the protection of biodiversity is strongly supported at the regulatory level.
The placement, building and introduction into service of new infrastructures requires the issuance of three levels of authorisation:

- a preliminary licence: issued in the activities planning phase, it regards the fundamental requirements and prescriptions that must be met in selecting the site and in the work installation phases in harmony with the federal or regional territory use plans;
- an installation licence: to proceed with construction works; this authorisation depends on the evaluation by the authorities in charge of the environmental management plan (*Plano Básico Ambiental*) presented by the companies: it must contain measures to mitigate and monitor plans and programmes for the construction and management of the project being authorised;
- an operating license: this authorisation is issued following the verifications made by the bodies in charge once the plant has been completed and, in the case of a positive outcome, allows commercial operations to begin.

The main institutions involved in the process through which the environmental licenses and authorisations are issued are the Brazilian Institute for the environment and renewable natural resources (IBAMA) and the territorial environmental monitoring agencies involved.
The Brazilian National Indian Foundation (FUNAI) and the National Institute for Historic and Archaeological Heritage (IPHAN) also take part in the environmental authorisation process.

The method adopted by the Group also includes programmes for:

- maintaining access roads to the infrastructure, and the service areas;
- providing environmental communication and education;
- recovering degraded areas.

Birdcam Project

Again in 2008, Terna sponsored the Birdcam project in collaboration with the ornithological association Ornis Italica, calling for the installation of video cameras trained upon artificial nests: the idea is to monitor the birds' reproductive period (online at **www.birdcam.it** and on Terna's website).
The activities in the 2008 season began in February when the cameras were switched on in the nest of Aria and Vento, the pair of peregrine falcons nesting on the building at the University of Rome "La Sapienza". From this nest, two falcons were born, taking flight in late May.

In the first week of June, the camera recording Arianna and Bacco, a pair of kestrels nesting on a Terna pylon, was also activated. Although these falcons nested late, this made it possible to extend the "camera season" until the first week of July.
During the period of the webcam's operations, **www.birdcam.it** saw more than 1,800,000 hits (250,000 individual accesses) – doubling the figure for 2007, and four times better than 2006. The maximum number of hits was recorded in the month of May, with the hatching of the kestrels' eggs and the fledging of the chicks of the peregrine falcon couple. The forum was also well frequented, receiving about 40,000 messages, many of which from foreign countries.

Agreement with WWF

In January 2009, Terna and the WWF signed a protocol of understanding aimed at a sustainable development of the electricity grid, with particular regard to reducing the environmental impact of large transmission lines and protecting biodiversity. The main objective of the agreement is to achieve greater integration of environmental criteria into the phase of planning the electricity grid's development, and to bring this activity into harmony with the conservation strategy promoted by the WWF. The three-year agreement calls for a series of initiatives, with reference to planning the electricity grid and minimising the impact in some WWF oases. In particular, the objectives of the collaboration are:

- to increase and monitor the level of integration of environmental criteria within the process for the integrated planning of the transmission grid's development;
- to harmonise the grid's development with the WWF's Ecoregional conservation strategy;
- to define, in a shared way, a specific plan of actions for the sustainability of the grid's development in WWF oases. Biodiversity monitoring will be activated in WWF oases and in the priority areas identified by Biodiversity Vision for the Alps and Central Mediterranean Ecoregions. Also assessed will be the impact of the electricity grid on species, ecosystems and ecological processes: there will also be a subsequent definition of mitigation interventions.

Moreover, environmental recovery projects will be carried out and defined starting from two areas at particular biodiversity risk, to be identified at a later time by Terna and WWF.

Signign the Terna-WWF agreement. Terna CEO Flavio Cattaneo at left, with WWF President Enzo Venini.

EN16

Total direct or indirect greenhouse gas emissions by weight

Boundary: Group

Greenhouse emissions connected with Terna's activities derive from:
- direct consumption of energy sources (oil and gas oil for vehicles, gas oil for heating and generators, methane for heating);
- indirect consumption of energy sources (electricity consumption);
- leaks of SF_6 (sulfur hexafluoride), a greenhouse gas employed in station equipment due to its high insulating power.

The following table shows an estimate of the CO_2 emissions that may be attributed directly or indirectly to Terna's activities. The calculation of emissions follows the guidelines published by the World Business Council for Sustainable Development jointly with the World Resources Institute (The GHG Protocol. A Corporate Accounting and Reporting Standard). In the Protocol's terms, the table includes Scope 1 and Scope 2 emissions. Refer to the indicator EN3-4 for a comment on the process to improve the monitoring of energy consumption databases.

DIRECT AND INDIRECT CO_2 EMISSIONS - ITALY

	Unit of measurement	Quantity			Tons of CO_2 equivalent		
		2008	2007	2006	2008	2007	2006
Direct emissions							
Oil for motor vehicles	ton	148	187	421	445	582	1,306
Gas oil for motor vehicles	ton	1,566	1,551	1,274	5,118	4,973	4,084
Gas oil for generators and heating	ton	192	172	138	628	553	441
Methane for heating	m^3 (thousands)	124	756	680	271	1,652	1,448
SF_6 leaks	ton	3.410 (1)	2.099	1.569	81,499	50,166	37,499
Total direct emissions	**ton**				**87,961**	**57,926**	**44,778**
Indirect emissions							
Electricity (2)	GWh	150	150	150	69,750	71,250	71,250

(1) The data on SF_6 gas emissions in 2008 include the leaks connected with an accident that occurred at the Tavernuzze (Florence) power station, which allowed an enormous amount of gas to escape: the amount of reloaded gas was 1.1 tons. Part of the dispersed gas decomposed by combustion. It deposited in the oil collection tank below and was later cleaned. After the accident, total SF_6 emissions stands at 2.3 tons, with corresponding CO_2 emissions equalling 55,209 tons.
(2) For 2008, the conversion of electricity consumption into CO_2 emissions was calculated taking into account the weight of thermoelectric production on the total of Italian electricity output (2007 statistical data) and the mix of fuels used for this production. For 2007 and 2006, the reference is to 2005 statistical data. Imports are likened to Italian production; this results in an overestimation of emissions, since imported energy is mainly nuclear, a source totally absent in domestic production.

DIRECT AND INDIRECT CO_2 EMISSIONS - GROUP 2008

	Unit of measurement	Quantity			Tons of CO_2 equivalent		
		Itay	Brazil	Group	Italy	Brazil	Group
Direct emissions							
Oil for motor vehicles	ton	148	53	201	445	165	610
Gas oil for motor vehicles	ton	1,566	134	1,700	5,118	430	5,548
Gas oil for generators and heating	ton	192	70	262	628	225	853
Methane for heating	m^3 (thousands)	124	0	124	271	0	271
SF_6 leaks	ton	3.4 (1)	0	3.4	81,499	0	81,499
Total direct emissions	**ton**				**87,961**	**819**	**88,780**
Indirect emissions							
Electricity (2)	GWh	150	1.8	151.8	69,750	866	70,616
Total indirect emissions	**ton**				**69,750**	**866**	**70,616**
Total emissions	**ton**				**157,711**	**1,686**	**159,396**

(1) The data on SF_6 gas emissions in 2008 include the leaks connected with an incident that occurred at the Tavernuzze (Florence) power station, which allowed an enormous amount of gas to escape: the amount of reloaded gas was 1.1 tons. Part of the dispersed gas decomposed by combustion and deposited in the oil collection tank below, and was later cleaned. After the incident, total SF_6 emissions stands at 2.3 tons, with corresponding CO_2 emissions equalling 55,209 tons.
(2) For 2008, the conversion of electricity consumption into CO_2 emissions is done taking into account the weight of thermoelectric production on the total of Italian electricity output (2007 statistical data) and the mix of fuels used for this production. The conversion factor is 0.465 tons of CO_2/MWh. Imports are likened to Italian production; this entails an overestimation of emissions, since the imported energy is mainly nuclear, a source totally absent in domestic production. For Brazil, the 2008 conversion factor published on the website of Brazil's Ministéro de Ciencias e Tecnologia-MCT, equal to 0.484 ton CO_2/MWh, was used.

The data show that the main sources of CO_2 emissions attributable directly and indirectly to Terna's activities are, in decreasing order:
- SF_6 leaks;
- electricity consumption (indirect emissions);
- fuel used for corporate motor vehicles.

The SF_6 leaks are the main direct source of Terna's greenhouse gas emissions, and the leading cause for the increase in emissions between 2006 and 2008.
The data on SF_6 gas emissions in 2008 includes the leaks connected with an accident that occurred at the Tavernuzze (Florence) power station, which allowed gas to escape. After the accident, the increase in SF_6 leaks between 2006 and 2008 is to a large extent due to the growing reliance on power station equipment that employs SF_6 gas as insulation instead of oil. The choice of gas-insulated equipment responds to criteria of size and visual encumbrance, as well as greater safety in the event of malfunction. From 2006 to 2008, the amount of SF_6 present in Terna's systems grew by 48 tons (+15.1%). **The incidence of the leaks as a percentage of the gas present in the operating equipment** – the parameter Terna looks to when measuring its performance in this field – although reaching 1.07% in 2008, was in line (0.73%) with earlier years (0.69% in 2007), not counting the leaks recorded in the Tavernuzze incident. For data on the amounts of SF_6 gas used, see the Tables of indicators; for the leak containment programmes, see the indicator EN18.

Carbon Disclosure Project 2008

Out of forty Italian companies in the S&P/MIB, eighteen have taken part in the Carbon Disclosure Project 2008, the international project that asks leading businesses to transparently disclose their greenhouse gas emissions. Only seven of these companies have worked out an emissions containment strategy. One of them is Terna, although electricity transmission is not subject to Kyoto constraints or to emissions trading schemes. Launched in 2000, the Carbon Disclosure Project (CDP) is an international initiative whose objective is to regularly assess the strategies with which the world's leading corporations in terms of market capitalisation respond to the challenge of climate change. On behalf of numerous institutional signatory investors (large banks and financial intermediaries, managing a total of more than 55 trillion US dollars), the CDP monitors companies' energy policies and performance, and their ability to manage risks and opportunities connected with climate change. In the 2008 edition, about 3,000 major corporations were involved in the project. For the first time, a CDP Italy Report was published, focusing on companies in the S&P/MIB40. The survey shows highly rapid evolution in how climate changes are perceived. Terna is among the seven companies that have developed an emissions containment strategy, having set a specific performance target referring to operational aspects of their core business: controlling leaks of SF_6, a greenhouse gas present in some power station equipment.

EN17

Other relevant indirect greenhouse gas emissions by weight

Boundary: Italy

Besides emissions related to electricity consumption, there are other indirect emissions that may be linked to Terna's activity. They correspond to:
- grid losses;
- employees' air travel;
- consumption of refrigerant gases.

Particularly significant among these are **grid losses**, defined as the difference between the energy introduced by producers and final consumption; Terna's losses are those associated with the transmission grid. From the technical standpoint, losses are an aspect that cannot be eliminated: they depend on the power lines' resistance to the passage of electricity, and are directly proportional to the transported current and to the distance between the points of generation and consumption, and inversely proportional to voltage levels.
At present, the distinction between losses attributable to transmission and distribution respectively is estimated based on a typical configuration of transits of electricity on the transmission grid, and on technical coefficients (losses on the lines by corona effect in proportion to voltage and by joule effect in proportion to the current, losses on the transformers). Based on these estimates, the CO_2 emissions associated with grid losses are as follows:
- grid losses: 4,457 GWh,
- CO_2 equivalent emissions: 2,072,505 tons.

These values are reported on the basis of the 2008 pre-consumption data.
As discussed in the paragraph "Service continuity and quality", Terna has, in agreement with its distributors, initiated direct measurement of withdrawals (inputs have already been measured) from the National Transmission Grid. Although still not officially in use, initial results of the remote measurement confirm the validity of the estimates made, and their reliability for the purposes of the aggregate measurement of National Transmission Grid losses. Estimates and measurements show that the amount of emissions associated with grid losses is much greater than the other emissions – direct and indirect – connected with Terna's activity.
However, it must be specified that Terna can only define the size of the losses, since they are not completely under its control. To explain this point, it is useful to distinguish between dispatching operations and grid development activities.
Dispatching operations are necessary to guarantee the constant balance between grid inputs and withdrawals, to maintain grid safety and avoid outages. These operations occur, in accordance with regulated criteria, within the framework of the productive arrangements determined by the energy market. Terna cannot interfere with these even for the purpose of minimising losses. It should also be noted that the energy market implicitly favours more efficient production: this entails a tendency to reduce emissions that greatly exceeds grid losses.

Production arrangements being equal, grid development activities would determine greater efficiency, and thus reduced losses. However, the grid's development allows previously impossible productive arrangements and growth in consumption. Moreover, the grid's very development is in part dictated by the need to connect new plants, whose location is not decided by Terna. The overall effect of grid development actions on losses cannot be predetermined, nor is it under the transmission operator's control: other factors can more than offset the increased efficiency derived from the grid's development. This is true both in terms of the absolute amount of loss, and of the losses' incidence on the total energy consumed.

In 2008, for the first time, the emissions from **air travel** by Terna SpA employees were calculated. The data are shown in the table.

INDIRECT CO_2 EMISSIONS FROM EMPLOYEE AIR TRAVEL - 2008

Type of flight	Miles	CO_2 emissions (tons)
Domestic	3,793,592	1,090.0
International (Europe)	1,306,497	268.5
Intercontinental	1,152,414	230.9
Total	**6,252,503**	**1,589.4**

The **refrigerant gases** in Terna SpA air conditioning systems were also surveyed for the first time in 2008. Yearly consumption data are not yet available; for the moment, only the information on the amount of gas installed is provided.

REFRIGERANT GASES PRESENT IN TERNA SPA'S SYSTEMS - 2008 (1)

Description	Unit of measurement	Value
R22	kg	2,591.8
R407C	kg	784.0
R410A	kg	348.7
Others	kg	2.4
Total	**kg**	**3,726.9**

(1) Data refer to about 77% of Terna's sites and 90% of personnel.

The refrigerant R22 is a hydrochlorofluorocarbon (HCFC). In existing systems, its use is governed by the regulation (EC) no. 2037/2000, under article 5, paragraph V; in systems where the refrigerant R22 is currently used, topping up with virgin gas can be done until no later than December 31, 2010.

EN18

Initiatives to reduce greenhouse gas emissions and reductions achieved

Boundary: Italy

Terna's business is the transmission of electricity, and it possesses no production activities. As in all industries in general, also in the electricity industry these are those most responsible for greenhouse gas emissions. This is why Terna is not subject to obligations to reduce emissions in accordance with the Kyoto objectives, or to emissions trading schemes of any kind. Terna's choice to make a commitment to contain its emissions is therefore completely voluntary.
Terna's choice of commitment and transparency was recognised by the first report in Italy completed by the Carbon Disclosure Project, an international initiative focusing on CO_2 emissions and the policies to contain them, in which only seven Italian companies took part (see box on p. 102).
The first calculations of direct and indirect emissions were made (see point EN16) in regards to 2006. Attention began to be focused on two medium/long-term intervention programmes involving the leading sources of direct greenhouse gas emissions specific to Terna:

- a programme to contain SF_6 links. According to a CEI (*Comitato Elettrotecnico Italiano*) technical regulation, although SF_6 gas does contribute to the greenhouse effect, this contribution is less than that of other gases by a factor of 1:1,000 – a very low contribution indeed. Terna has implemented a number of initiatives, such as early identification of leaks and the search for technological solutions to improve the equipment's seal;
- a feasibility study on energy savings at power plants, aimed at assessing the possibility of reducing electricity consumption for station uses.

In both cases, these are initiatives that may have a significant effect, but only in the medium/long term. In these initial phases, the yearly objectives consist of project progress milestones, rather than emissions quantity levels.

In 2008, Terna joined a programme to reduce the emissions of corporate vehicle fleets, committing to reducing these emissions by 10% in 2009. This new initiative aims at producing effects on the company's third most important source of emissions (see the EN16 indicator). For more details see the box "Terna joins Quattroruote's '10x10' project".

Containment of SF_6 leaks

Thanks to chemical and physical properties that make it an excellent insulator, the gas SF_6 (sulfur hexafluoride) is used as an insulation medium in certain electrical devices, making it possible to reduce their size. The smaller SF_6-insulated equipment is safer in operation: in the event of serious malfunction, they do not have the same dangerous consequences of traditional devices with insulating oil. Thanks to these properties, growing use of equipment with SF_6 is foreseen, as is also done by other transmission operators abroad.

Part of the gas present in the infrastructures is dispersed into the atmosphere due to flawed seals, and sometimes also during pressure restoration operations. SF_6 is classified as a greenhouse gas: Terna thus proposes keeping SF_6 leaks under control, to contain and possibly reduce their percentage incidence on the total of gas used (in absolute terms, the dispersed gas could in fact increase due to the greater use of SF_6-insulated equipment).

In 2008, a series of initiatives to contain SF_6 leaks continued. The following table provides a summary and the developments expected for 2009.

By adopting the various measures indicated, Terna proposes gradually reducing the incidence of leaks below the current level of approximately 0.7% per year. Based on the new equipment installation schedules, the foreseeable reduction is 0.1% over five years. The actual availability of equipment with lesser leakage will play a crucial role; a contribution will also come from applying the new procedure for monitoring the equipment, which will make it possible to identify those with anomalous leakage and to perform timely, targeted interventions.

Type of programme/initiative	2008	2009
New leak-monitoring procedure [1] and less dispersion in the pressure restoration phase	Procedure (requiring greater measurement accuracy) approved in June. Partial application of new procedure, which guarantees accurate measurements. No deviations from previous measurements were found.	Application of procedure: all plant for the entire year.
Integrated Compact Modules (set of various units) with reduction of at least 30% of the amount of SF_6 needed for insulation in comparison with armoured mounts	Installation of first modules for verification of performance.	After the positive outcome of verifications, the equipment is considered an application standard and will be installed as needed.
Early detection systems to remotely monitor reduced gas pressure in equipment [2]	First installation on the 380 kV section at Lacchiarella.	Verification of results and evaluation of widespread application.
New measurement transformers (TA) sealed or with leaks max 0.1% per year [3]	Technical specification to suppliers. Prototypes in development phase.	Evaluation of results. If positive, orders for production (scheduled for 2010).

(1) The new detection system involves recording the gas used and dispersed for each individual station; until 2007, the measurement of the leaks was provided by the overall quantities of SF_6 purchased, net of the new installations.
(2) Early and remote identification of equipment with irregular drops in gas pressure makes it possible to take targeted action on the equipment while also avoiding the system's going down due to loss of insulation.
(3) The particular nature of this initiative, justified by losses exceeding the declared thresholds, lies in the fact that there is currently no equipment on the market capable of guaranteeing an extremely low level of leakage over time.

Energy savings at stations

There is a potential conflict between energy savings objectives and security requirements needs, which require more lighting at stations. The search for savings opportunities is thus directed towards:

- a feasibility study of power-savings lighting solutions, using LED and automatic on/off switching systems sensitive to lighting conditions and capable of reporting any anomalies;
- trialling the installation of photovoltaic panels in auto-producing stations.

In 2008:

- specific techniques were perfected to build lighthouse towers using LED lighting;
- the first trial photovoltaic system was installed at the Palo del Colle (Bari) station.

Terna joins Quattroruote's "10x10" project

In July 2008, Terna joined Quattroruote's "10x10" project. To begin with 10 companies (but already now 29) made the commitment to eliminating 10% of their corporate vehicle fleets' CO_2 emissions in one year.
Particular attention is focused on reducing the impact caused by the emissions connected with corporate travel, fuel consumption and the efficiency of the corporate fleet. Terna has committed to reducing CO_2 emissions by:

- renewing its vehicle fleet – 590 "euro 0" cars in 2007 as opposed to the current figure of more than 600 "euro 4" vehicles – and adopting 9 hybrids in a project that calls for replacing about 80 "euro 1" vehicles with approximately 90 "euro 4" and "euro 5" units for 2008;
- monitoring consumption;
- optimising routes, in and out of the city;
- adopting safe and eco-friendly driving techniques.

EN19

Emissions of ozone-depleting substances by weight

Boundary: Italy

Although data on ozone-depleting gas consumption are not yet available, 2008 saw the first census of refrigerant gases installed in Terna's conditioning systems. For the results, see the indicator EN17.

EN22

Total weight of waste by type and disposal method

Boundary: Group

Italy

WASTE PRODUCTION AND DISPOSAL [1]	Unit of measurement	2008	2007	2006
Special non-hazardous waste				
quantity produced	ton	4,001.2	2,769.9	4,894.8
quantity sent for recovery	ton	3,653.8	2,400.2	4,549.4
Special hazardous waste				
quantity produced	ton	4,009.6	1,793	3,387.8
quantity sent for recovery	ton	3,616.8	1,560.6	3,128.4
Waste produced - total	**ton**	**8,010.7**	**4,562.9**	**8,282.6**
Waste recovery	**%**	**90.8**	**86.8**	**92.7**

(1) Except for the "Excavation earth and rocks" and "Mud and land drainage water" for the reasons indicated in the comment.

The waste in consideration is that derived from the production process. Products from service (typically office) activities, which are classified as normal urban waste, are excluded.
These last data were surveyed for the first time in 2008, with reference to the entire Company, as provided for in the improvement of the Environmental Management System. They are published in the following table.

PRODUCTION AND ELIMINATION OF URBAN WASTE - 2008	Unit of measurement	
Paper		
Quantity produced	ton	53.3
Quantity sent for recovery	ton	53.3
Toner		
Toner cartridges, spent and not containing hazardous substances		
Quantity produced	ton	8.6
Quantity sent for recovery	ton	8.6

No trend emerges in the three-year period in question. The amount of waste produced each year is in fact affected by line and equipment renewal activities, which can be discontinuous over time.
For the 2005-2008 period, a detail of the waste produced and recovered by analytic category of waste is contained in the Tables of indicators. No detail on the methods of elimination is available, but they are identified by Terna in compliance with the legislation in force.

The regulations of law governing waste identify the conditions (waste type, presence and quantity of hazardous substances) in order to be able to proceed with recovery; the percentage of recovered waste – which still remains quite high in the four years under question – is therefore not a variable completely under Terna's control, since the recovery of some types of waste may be excluded by law.
For example, in 2008, the approximately 61,000 tons of earth removed from the Fiumesanto site in Sardinia and the 2,093 tons of "Mud and land drainage water" originating from the same site, where Terna began construction of a major power station, were brought to an authorised dump. This was due to the type of pollutant present, connected with activities performed earlier at the same sites by other industrial concerns, rather than by Terna.
Conversely, the approximately 5,500 tons removed to renovate the Casellina (Firenze) power station were almost entirely recovered.

The waste products in the aforementioned examples both fall under the category "Excavation earth and rocks": no reference is made of these data in the table in order to make the data more uniform and comparable over time. The reasons for the exclusion are as follows:
- the work site activities, and the waste derived therefrom, are not normally included within the boundary of Terna's activities, but are usually contracted. The two aforementioned cases are exceptions;
- there is a considerable imbalance between the weight of this "exceptional" waste (excavated earth) and the other waste included in Terna's activities. This holds particularly true for the Fiumesanto work site.

Inclusion of the "Excavation earth and rocks" and "Mud and land drainage water" categories (chiefly regarding the Fiumesanto and Casellina work sites) would have yielded the following results:
- waste produced (total) 77,034.1 tons;
- special non-hazardous waste (quantity produced) 72,564.4 tons;
- special non-hazardous waste (quantity sent for recovery) 9,130.0 tons.

Brazil

The activities of Terna Participações and the subsidiaries ETEO, ETAU, Novatrans, and TSN consist of transmitting high-voltage electricity and maintaining the lines under concession. The waste under consideration is that derived from the productive process. It excludes that produced by service (typically office) activities and classified as normal urban waste. Monitoring of the waste data is one of the elements of the Environmental Management System implemented by Terna Participações.
The data on the waste produced in the Brazilian subsidiaries are available for the first time with reference to 2008. The following table illustrates the Group's situation for the same year.

2008 WASTE PRODUCTION AND ELIMINATION - GROUP	Unit of measurement	Italy	Brazil	Group
Special non-hazardous waste				
quantity produced	ton	4,001.2	11.1	4,012.3
quantity sent for recovery	ton	3,653.8	0.2	3,654
Special hazardous waste				
quantity produced	ton	4,009.6	1.8	4,011.4
quantity sent for recovery	ton	3,616.8	1.8	3,618.6
Waste produced - total	**ton**	**8,010.7**	**12.9**	**8,023.6**
Waste recovery	**%**	**90.8**	**0.2**	**90.6**

EN28

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Boundary: Group

No administrative or judicial sanctions, pecuniary or non-pecuniary, laid by final judgement for failure to comply with environmental laws or regulations were recorded in the 2006-2008 period, either in Italy or in Brazil. The Tables of indicators and the "Disputes and litigations" sections contain further information on environmental disputes.

EN29

Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce

Boundary: Group

The main data available regard the fleets of company vehicles. In both Italy and Brazil, the company's fleet, used mainly for line inspection and repair, is not concentrated in a few locations, but employed over a vast territory. There is therefore no impact problem in specific areas, but a general pollution effect. The main intervention for reducing the impact of transport on the environment consists of modernising the vehicle fleet, and scrupulous maintenance.

Italy

At the end of 2008, the Terna SpA vehicle fleet consisted of 1,555 vehicles, of which:
- 653 cars of various makes for the movement of personnel for maintenance, urgent interventions, and line inspections;
- 701 vans and off-road vehicles;
- 201 special vehicles (wreckers, cherry pickers, aerial work platforms, etc.).

2008 and the first months of 2009 saw a major changeover of motor vehicles: obsolete and polluting vehicles dating back to the 1990s were replaced with new, less-polluting ones. In particular, euro 4/5 cars, which have replaced those in the euro 0 category, entered service.
Since the motor vehicles are used on a daily basis for inspections on lines and to reach plants that require urgent repairs, the environmental impact of their use is significantly diminished.

TERNA'S VEHICLE FLEET	2008 (1)		2007	
Motor vehicles at end of year, by category				
hybrids	9	0.6%	9	0.6%
euro 5	100	6.3%	0	0.0%
euro 4	1,126	71.2%	949	63.2%
euro 3 or less	347	21.9%	544	36.2%
Total motor vehicles	**1,582**	**100%**	**1,502**	**100%**

(1) Data refer to March 2009.

In 2008, Terna joined Quattroruote's "10x10" project, with which it committed to eliminating 10% of its corporate vehicle fleets' CO_2 emissions in one year (see box "Terna joins Quattroruote's '10x10' project").

Brazil

Terna Participações has a fleet of 119 cars (data refer to the end of 2008 and the census of owned vehicles). Compared with the previous two-year period (2006: 42 vehicles; 2007: 54 vehicles), a significant increase may be seen, due to the acquisitions that have taken place, and to the insourcing of line inspection and maintenance activities.

There are three categories:
- large displacement: 16 vehicles;
- medium displacement (between 2,000 cc and 3,000 cc): 41 vehicles;
- small displacement: 62 vehicles.

All the vehicles are periodically overhauled in compliance with the maintenance procedures and in line with the required safety standards.

Additional information

Concerted planning with the territory

The building of new lines answers the requirements of the electricity system – such as resolving congestion and eliminating overload risks – and the increased energy production and consumption that accompanies the economic growth of specific areas or the entire country. While the grid's development is functional to the interests of the Company, the environmental impact connected with building new power lines is concentrated on the territory affected by the route of the line. Moreover, the density of population of many parts of Italy, and the artistic, cultural and scenic value of others, increases planning complexities and development difficulties.

It is in dialogue with local institutions that Terna concretely seeks sustainable solutions. In this way it is possible to preserve the richness and potential of the cultural and environmental assets of the territory in which the electricity transmission system's development requirements are placed.

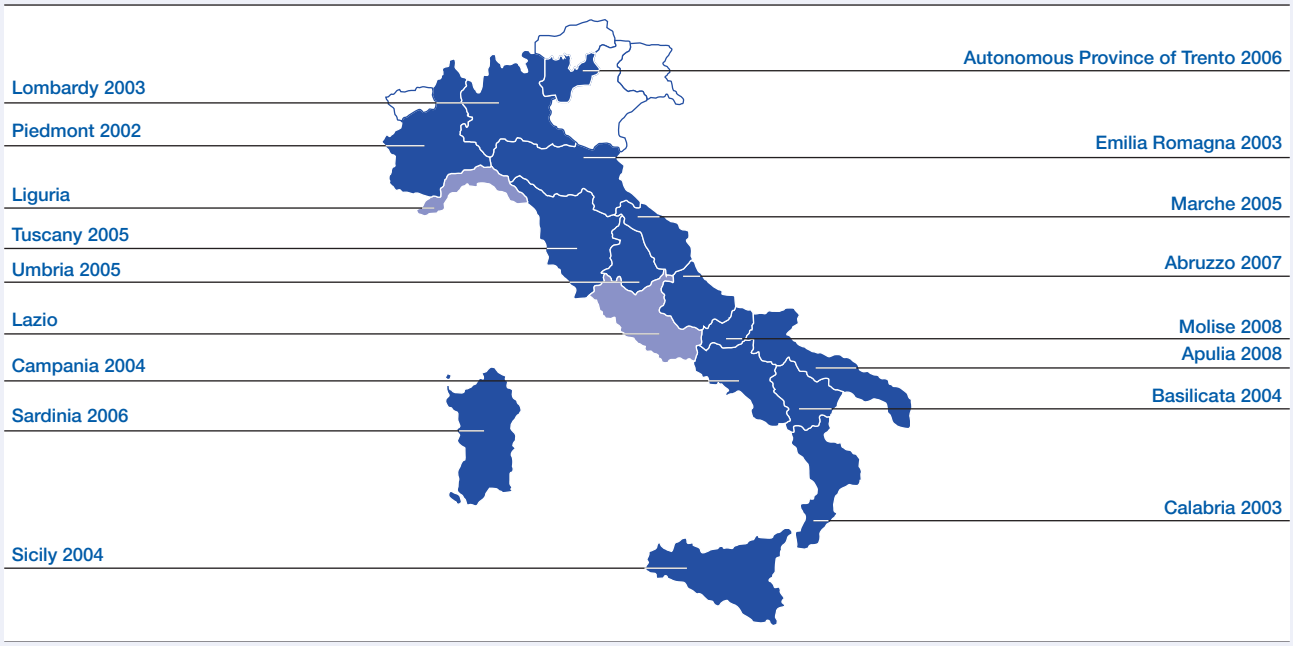
Starting in 2002, Terna opened an entirely new scenario for developing infrastructure in Italy. In practise, until that time, dialogue with the territory only began at the beginning of the authorisation phase, when the infrastructure's design was already at the executive level. Environmental considerations were made in that phase through the Environmental Impact Assessment (EIA) procedure. This approach led to strong opposition from the local institutions involved, and the populations affected. The result was that often it became necessary to change the original design: this caused slowdowns or even, in some cases, the impossibility of identifying a practicable solution.

Terna's choice was to anticipate dialogue with the territory in the strategic planning phase of the interventions – construction of new lines and stations – included in its Development Plan. The methodology used calls for prior dialogue with institutions and public administrations at various levels (Regions, Provinces, Municipalities). Criteria of territory characterisation are shared between all involved, issues are examined in view of the optimal placement of new installations. Once solutions are found together with local administrations, specific agreements are signed between Terna and these administrations. In substance, Terna's approach involves voluntarily developing a method for relating with the stakeholders of the territory, inspired by the Strategic Environmental Assessment (SEA). The SEA, then the object of an EC Directive (Directive no. 2001/42/EC), was only to be adopted into Italian legislation many years later (in 2007), and with implications far less articulated in terms of the relationship with local institutions.

The choice of taking inspiration from the SEA methodology for constructing a transparent, documented, viable and inclusive planning process was shared and developed within a national-level working group ("SEA" table), formally established in 2005, which includes participation by the Ministry for the Environment, Land and Sea (*Ministero dell'Ambiente e della Tutela del Territorio e del Mare* - MATTM), the Ministry of Cultural Heritage and Activities (*Ministero per i Beni e le Attività Culturali* - MiBAC), the Ministry of Economic Development (*Ministero dello Sviluppo Economico* - MSE), the Regions and the Autonomous Provinces. The group's proceedings are supplemented by the gradual signing, with regions and local bodies, of Protocols of Understanding and Programme Agreements, to formally establish the progress of the mutual commitment.

In 2002, Terna reached agreements on applying the SEA method with a growing number of regions – now 15, including the Autonomous Province of Trento.

REGIONS WITH SEA AGREEMENTS



The SEA-inspired model, which over the years recorded major developments arising from well-organised, profitable collaboration between the parties, is now broken down into levels of dialogue, analysis and assessment:

- the strategic level: once the electrical requirements for developing the transmission grid are identified, the possible intervention alternatives to be planned in response to identified requirements (criticalities) are defined;
- the structural level: once the strategic alternatives for the work to be carried out have been identified, it is possible to identify, within said alternative, corridors (portions of territory up to several kilometres wide) suitable for hosting the scheduled works;
- implementation: within the selected corridor, possible location alternatives for the designed plants are identified as the route's feasibility areas – portions of territory up to several hundred metres wide, within which the designed route may be developed.

Territory characterisation criteria

In concerted planning with the territory, one of the most effective tools for selecting alternatives with less impact is sharing the ERPA (Exclusion, Repulsion, Problematic nature, Attraction) location criteria.
The territory to be studied is characterised according to criteria that express its greater or lesser suitability for hosting the various interventions. Terna and the Regions, as part of the national SEA working group, have agreed upon a system of criteria based on four classes:

- **Exclusion:** areas where any building is ruled out;
- **Repulsion:** areas that preferably would not be affected by interventions, unless there are no alternatives, or where there are only alternatives with less environmental compatibility, and at any rate in compliance with the agreed-upon framework of requirements;
- **Problematic nature:** areas where passage raises problems on objective grounds documented by the bodies involved, and that therefore require additional territorial analysis. This analysis establishes whether the level of criticality can be overcome, subject to compliance with a framework of requirements agreed upon with the bodies, or whether other alternatives must be identified. Unlike the other criteria, this one is characterised by the need for more in-depth analysis, and by the absence of an automatic a priori assessment mechanism;
- **Attraction:** areas to be privileged where possible, subject to verification of the territory's load capacity.

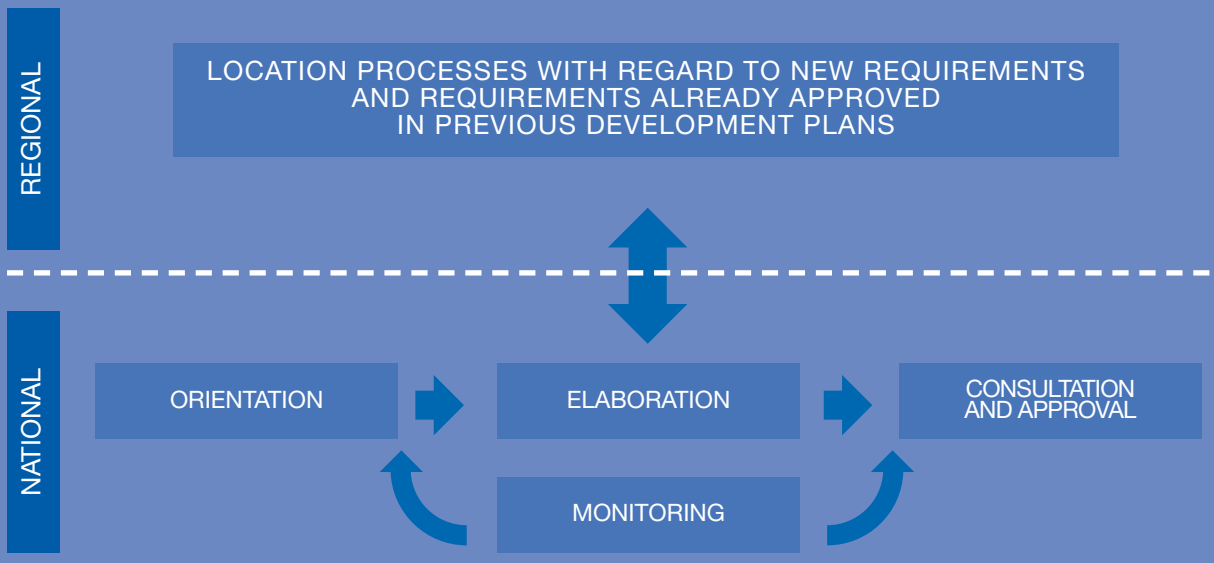
Each class of ERPA criteria includes a number of categories. At present, the Exclusion criterion includes the areas recognised by the regulations as areas of absolute exclusion, such as airports and military zones (E1), and areas not directly excluded by the regulations, but that are still restricted through specific agreements agreed upon *a priori* between Terna and the bodies involved (E2). For example, this category includes continuous urban areas, for which, in light of Law no. 36/2001 which introduces the concept of a buffer zone to protect the population from the effects of electromagnetic fields, the shared choice to adopt a maximum safeguard criterion was made.

The Repulsion criterion includes: areas that may be taken into consideration only in the absence of alternatives (R1), natural areas affected by protection constraint, for which specific agreements are established (R2), and areas to be taken into consideration only if there are no alternatives with greater environmental compatibility (R3).
The Attraction criterion includes: areas with good scenic compatibility (A1) and areas already affected by line infrastructure (A2), as infrastructural and power corridors in which the placement of a new line, consistently with the territory's load capacity, is held to be more sustainable than the possibility of involving new territorial settings not interfered with by line infrastructure.
In late 2008, there were six Regions with which a formal agreement on sharing criteria was reached (Abruzzo, Calabria, Campania, Marche, Piedmont, Sicily), and there were two (Emilia Romagna, Friuli Venezia Giulia) with which agreements that were not formally defined were reached.

The integrated planning process

The adoption of the SEA directive (Directive no. 2001/42/EC) into Italian law (Legislative Decree no. 152/06, subsequently modified by Legislative Decree no. 4/08) introduced the obligation of submitting to SEA the National Transmission Grid Development Plan with a procedure at national level. The problem for Terna was how to integrate the great wealth of information, content and agreements developed over time through direct dialogue with the territory's institutions into this national process.
The following diagram illustrates the new integrated planning process that Terna has defined in agreement with the "National SEA table". This process capitalises on the concerted planning approach developed by Terna over the years, bringing it into harmony with the procedure required by the regulations in force.
The term "integrated planning" means that the electricity system's planning activities are in constant, mutual dialogue with the concerted planning activities. Terna believes that in this way it can help guarantee the sustainability of planning the development of the National Transmission Grid: the electricity planning process concretely integrates environmental "considerations" arising from dialogue with the territory.
This approach makes clear the value of the concerted planning processes voluntarily implemented by Terna since 2002 (regional processes). These are supplemented and integrated by the plan's formal SEA procedure (national process), as defined by the regulations in force. Integration, understood in this sense, makes it possible to draw up an Environmental Report as required by Legislative Decree no. 152/06 and subsequent modifications and supplements: the report contains updated data and information originating from concerted planning with the territory, rather than merely from the available literature.

INTEGRATED PLANNING OF THE NATIONAL TRANSMISSION GRID



The national level is the formal level of the SEA procedure, as defined by the regulations referred to above. It calls for the preparation of the Environmental Report "... identifying, describing and assessing the significant effects that implementation of the plan or programme may have on the environment, as well as the reasonable alternatives in light of the objectives and the territorial setting of the plan or programme".

The various phases in which the national level is organised are those of orientation, elaboration, consultation, approval and monitoring of the Development Plan and of the Environmental Report associated with it: these are the documents formally and expressly required by the SEA procedure (along with the non-technical Summary).
The regional level is the concrete level of "dialogue with the territory", which is to say the level of prior concerted planning that Terna, in harmony with the intent of the national SEA, carries on with the Regions and local bodies: the idea is to find together more sustainable and practicable location solutions for the National Transmission Grid's development interventions. Whenever agreements with Regions and local bodies are reached (on "corridors" and/or "route feasibility areas"), the contents of these agreements migrate to the national level, becoming the content for the Environmental Report. A fundamental aspect of the integrated planning process outlined above is coordination between the two levels: the aim is to leave the right decision-making autonomy to the regional level, which still proceeds on the basis of and in the furrow laid down by criteria and methods (ERA/ERPA placement criteria, indicators, etc.) defined by the national level.

Lodi: streamlining with low environmental impact

In June 2008, in Lodi, the Province, Parco Regionale Adda Sud, and all the affected municipalities signed the Protocol of Understanding to streamline the electricity grid. The Province of Lodi will have a new 380 kV power line between the future power stations of Chignolo Po and Maleo. In this way the so-called "bottlenecks" currently affecting the grid will be eliminated. Energy will be recovered from a more efficient source for at least 400 MW – which is to say one half the power of a large electric power plant. The work to streamline the high-voltage grid will also make it possible to considerably reduce the power lines' environmental pressure. In fact, the eliminated lines will be more than double the new ones: 64 km of lines to be dismantled, as against 27 km of overhead lines to be built (23 km of new 380 kV line and 4 km of connections to lower-voltage levels). From the technological standpoint, the project calls for the prevalent use of tubular, single-pole, or "reduced environmental impact" supports to replace the traditional, truncated pyramid suspension towers. The use of these new types of pylon will make it possible to minimise the area of territory occupied by the lines, and the area the supports occupy on the ground (5 m^2 for a single-pole support, as opposed to 250 m^2 for the traditional, truncated pyramid suspension tower). The design of the future Maleo and Chignolo Po stations calls for carrying out masking interventions with nature engineering techniques which use native vegetation to enable increased local biodiversity and offer feeding and refuge habitats to local animal species. As illustrated by the photo simulations made, the station will be masked with various species of shrub vegetation, and with embankments to optimise the result.

Photographic simulation of the building of the Maleo station.

Photographic simulation of the Maleo station with the planned masking works.

Environmental Sustainability and Development Plan

Streamlining

Streamlining interventions are complex activities that involve a number of grid elements at the same time: often some portions of the grid are removed when new lines are built.

Streamlining interventions are performed mainly by:

- replacing some plants with others having superior features, such as for example the introduction of new 380 kV links to replace a greater number of lower-voltage lines;
- eliminating portions of grid that are found to be used negligibly or not at all following new developments resulting in a more powerful grid;
- avoiding strengthening plants that have reached saturation, by introducing new grid elements (this is usually the case of power lines, where the new elements are for example stations).

When streamlining is possible, the development of a new plant also involves reducing occupation of the territory, due to the removal of old lines. In the set of streamlining interventions provided for by the Development Plan, demolitions far exceed the new constructions, with a positive net effect in terms of freeing the territory of the presence of power lines. Therefore, the dismantling of line sections due to the construction of new power lines is the most significant contribution benefiting the environment derived from the grid development activity.
See, for example, the box “Lodi: streamlining with low environmental impact”.

Development Plan and reduction of CO_2 emissions

The building of new lines and stations provided for by the Development Plan brings positive effects not only in terms of service safety and final cost, but also in terms of reduced emissions by the electricity system. The effects that may be achieved upon completion of the Plan are in three categories.

Reduction of grid losses

Grid losses depend, among other things, upon the length of the path of electricity on the transmission grid. Put as simply as possible, the farther the point of consumption (of withdrawal from the National Transmission Grid) is from the point of production (of input into the National Transmission Grid), the greater are the losses, consumption being equal. Moreover, the path being equal, losses are greater on a low-voltage line. Development interventions that improve the grid’s layout bring the points of withdrawal and consumption closer together: other conditions being equal, the consequence is reduced grid loss. The same result is produced by making a section of the grid more powerful, for example when a 380 kV line replaces a 150 kV one on the same path.
With the complete development of the interventions provided for in the 2009 Development Plan, the reduced losses at peak could reach a power value of 200 MW. This corresponds to a reduction of power loss in the grid that has been assessed at about 1,200 GWh/year. Supposing that this reduction coincides with an actual savings in fossil fuel, these interventions may be held to include the added value of a **reduction in CO_2 emissions** ranging **between 500,000 and 600,000 tons a year**.
It should be noted that the estimate is made with conditions being equal: a modification in consumption or the placement of the production plants could lead to different outcomes (see also the indicator EN17 for more discussion on the possibility of Terna controlling grid losses).

Improving the productive mix

Among the main goals of the transmission grid’s development is that of overcoming the limits of transport between “electrical areas”. The existence of these limits imposes some restrictions on the possibility of production by generation units that are more efficient, or less polluting in terms of CO_2 emissions, and at the same time makes production by obsolete plants necessary for the grid’s safety.
The interventions provided for by the Development Plan would make possible a productive mix more efficient than the present one, with a greater level of production by plants with higher performance. The same amount of final consumption would thus be satisfied with a lower quantity of fuel: the benefits may be quantified as **CO_2 emissions reduced by up to 3,600,000 tons a year**.

Connection of plants from renewable sources

The main contribution to reducing emissions comes from the connection – provided for among the Development Plan’s interventions – of production plants from renewable sources. The generation of energy from renewable sources represents an energy potential showing strong growth in recent years. In particular, the wind source recorded a considerable increase, especially in our country’s southern and island regions. One of Terna’s tasks is to plan the reinforcements of the National Transmission Grid to foster production from renewable sources, seeking to overcome any grid and operating constraints that risk conditioning operators, who enjoy the right of priority in dispatching.

The elements conditioning wind production may be ascribed basically to two categories:

- limits due to problems of safe operation of the electricity system, which is to say those connected with dispatching constraints that also require verification of the generation/load balance in the case of sudden lack of production capacity from non-programmable renewable sources; these limitations, transitory and concentrated only in the low-load hours, are also indirectly correlated with an insufficient transmission capacity on some critical sections of the grid. This is true in particular in the islands, and therefore may be reduced with interventions to reinforce the ultra-high-voltage primary transport system;
- limits that may be directly attributed to an insufficient transmission capacity of the portions of grid (generally in high-voltage) to which the plants from non-programmable renewable sources in question are connected.

The development solutions planned in response to the critical areas as above therefore include interventions to reinforce sections of primary grid (e.g. SAPEI and Sicily-mainland interconnection). Indirectly, this makes it possible to reduce the factors conditioning the exercise of wind plant production, as well as interventions for the local strengthening of the subtransmission grids in which wind generation is introduced directly. In addition to these interventions, new wind production collection stations have been planned and are being authorised on the primary 380 kV grid, which will make it possible to limit the building of new 150 kV power lines that would otherwise be necessary.

MAIN INTERVENTIONS TO FOSTER WIND PRODUCTION

Category	Interventions	Power from renewable sources (MW)
Grid reinforcements indirectly functional to the reduction of operating constraints in generation dispatching, which foster production from non-programmable renewable sources	"Sorgente-Scilla-Rizziconi" 380 kV power line and strengthening of the ultra-high-voltage grid in Sicily	1,000
	Strengthening of the interconnection capacity between Sardinia and the mainland, and between Sardinia and Corsica	700
Interventions for the strengthening and decongestion of portions of high-voltage grid on which production from non-programmable renewable sources is directly introduced	Reinforcements of the transmission grid in the area between Foggia, Benevento and Salerno	1,100

Wind power: a priority

In line with what has been recorded in recent years, the input from the wind source in Italy showed a significant increase in 2008, growing from the value[1] of 3.7 TWh in 2007 to 4.4 TWh, with an estimated figure of 5.1 TWh for 2009. This increase has a significant, positive impact in environmental terms, in that it involves reduced introduction of productions from non-renewable sources, and in particular from the thermoelectric source, with consequently reduced greenhouse gas emissions.

The European Union's objectives regarding penetration of renewable sources and the regulation in force in Italy converge in assigning dispatching priority to electricity from the wind. Terna ensures the dispatching priority by reducing, in normal operation, productions from sources other than wind; however, the intermittent nature of the primary source and its unpredictability require special attention in planning, in order to keep wind production from creating problems to safe, uninterrupted service.

Starting January 2008, as part of the dispatching activity, Terna embarked on a daily process to forecast, with 72-hour timeframe, inputs from wind. The Autorithy for Electricity and Gas gave Terna a specific incentivising remuneration aimed at achieving adequate forecasting accuracy.

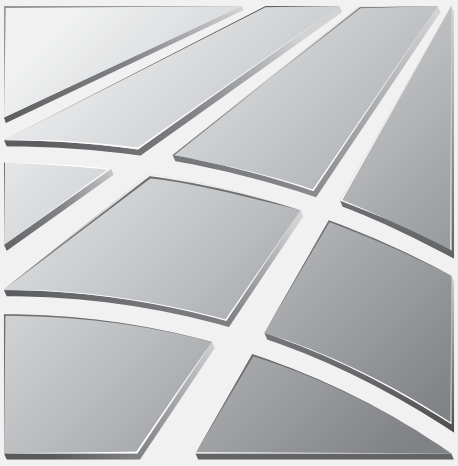
The wind input forecast makes it possible to more accurately schedule production from non-renewable sources, such as thermoelectric production, with benefits in terms of both safety and affordability, in particular enabling the system's operating reserve margins to be better sized.

The results obtained are largely positive: the accuracy of the forecast in 2008 was 27%[2], comparable with the finest international standards. These results, confirmed by the preliminary data for the first two months of 2009 (25% accuracy), were obtained thanks to an activity of constant monitoring and carefully scheduled updating of the neural network underlying the forecast model.

The scheduling of these activities is essential for obtaining a continuously improved forecast accuracy. And this objective is required by the Autorithy for Electricity and Gas itself (AEEG) in formulating the incentives through the definition of a target for the following years which, through a mechanism of retroaction to the electricity system of part of the benefit obtained the previous year, is increasingly challenging.

(1) Data referring only to major production units, which is to say those with power greater than 10 MVA.
(2) The forecast accuracy is assessed as the sum of absolute values of the forecast on an hourly basis, in proportion to the energy introduced.

2008



Social responsibility

Terna

Context, management approach, and objectives

Labour practices and decent work

Human resources play a crucial role in Terna's operations. The company's people are the repository of Terna's distinctive technical skills. Often rare or even unique to the electricity industry, these skills allow Terna to operate effectively, achieving high levels of professionalism and operating efficiency, and to deal with the changes required by the evolving context and the implementation of company strategies. A fundamental element of Terna's HR management approach is the focus on renewing these skills. A second, equally important, element is safety in the workplace, heightened by the fact that many operating activities entail specific risks, such as working at considerable heights and performing maintenance on lines under live voltage.

Over the years, the importance of these aspects has led Terna, in its Italian activities, to adopt an approach that is based on:
- attention to safety, to guarantee the physical integrity of its employees;
- investment in training and development, to ensure that the Company and its people have the chance to grow;
- salary and welfare policies aimed at matching individual performance with company targets and providing employees and their families with economic stability. In comparative terms, the remuneration package offered to Terna's employees, as in other large companies in the electricity sector, is considerably better than the Italian average.

This fundamental approach can also be seen in the management policies of its Brazilian subsidiaries, which are gradually adopting the management practices and tools used in Italy, while respecting the cultural, organisational and social differences between the two countries.
Responsibility for personnel policies and management is entrusted to the Human Resources Department and its related Department Chief. Safety matters are the responsibility of the Company Security Department.

At the start of 2009, the "People Satisfaction" survey, which was run for the first time in 2007, was again repeated. This survey is an internal monitoring and checking tool used in training, development and internal communication programmes (see p. 46-47).

The following paragraphs provide further details of Terna's management procedures in Italy.

Development of human capital

In addition to the above-mentioned information, further details can be found under the G3 LA10 indicator and in the sections "Development and management of Human Resources" and "Training" regarding the 2008 results and management objectives. As confirmation of the importance of the technical skills and high professionalism of Terna's personnel, we include the following breakdown of employees according to their qualifications, which shows an increase in university graduates during the 2006-2008 three-year period.

BREAKDOWN OF EMPLOYEES ACCORDING TO QUALIFICATIONS - ITALY	2008	2007	2006
University Degree	17%	16%	15%
High School Diploma	45%	44%	43%
Vocational Qualification	17%	17%	18%
Primary/Middle School	21%	23%	24%

Safety in the Workplace

Terna has a long-standing tradition in developing and implementing injury prevention measures. These involve identifying risks, adopting meticulous, safe working practices, providing constant training and monitoring to ensure that safety measures are strictly observed when work is being performed. Preventive measures specifically concern risks of electrocution and falling. Terna's approach to these issues is to adopt and continually improve work methods and safety standards, aimed at safeguarding the health and physical integrity of its staff, mainly through the use of good technical practices. However, the essence of effective prevention still lies in the behaviour of its employees and their sense of responsibility, which need to be fostered through training, information and supervision.
Terna's constant attention towards and search for continuous improvements allowed the Company to be awarded the **OHSAS 18001** "Certification for safety in the workplace and health protection management" in December 2007.
Despite this attention to safety, however, there was unfortunately one fatal accident among Terna's employees during

2008. This intensified the company's commitment and search for possible improvements in such a delicate area of company activities: for further information about Terna's systems and initiatives within the field of safety, refer to the paragraph "Safety in the workplace: a commitment towards on-going improvements" on p. 137.

Industrial Relations

In 2008, Terna's unionisation rate remained high (64%) compared to the average in the industrial sector, even if slightly down on 2007 (66.5%) and on 2006 (68.8%).
As membership is concentrated in the leading trade unions, representation is not fragmented and this facilitates good quality, productive relations. Industrial relations within the Company are based on the involvement of the trade unions in the main themes regarding the life of the Company, including the analysis of the strategic policy guidelines and discussions about any issues emerging at a local level, although the different roles and responsibilities of each side remain quite distinct.
The Protocol on Industrial Relations is the foundation agreement for relations with the relevant trade unions and it outlines a system of relations and arrangements which centre around meetings on negotiations, discussions, consultation and information, that are held in advance and/or periodically. Application of the Protocol on industrial relations has led to the development and consolidation of an efficient network of relationships between the parties at all levels, allowing change processes of particular company importance to be managed appropriately. A collective labour contract is applied to all employees (see indicator LA4).
Relations with the relevant trade unions have also facilitated the creation of regulations regarding the provision of essential services during strike action so as to ensure continuity of service. Terna applies the National Trade Union Agreement dated November 12, 1991, which enforces Law no. 146 dated June 12, 1990 and contains the rules on exercising the right to strike in essential public services, validated by the Commission that guarantees the enforcement of the law itself.
The agreement also states that all personnel that are essential for ensuring continued service and those in charge of short-term planning, the operation and maintenance of production and the transmission service are exempt from taking strike action. With regard to such provisions, Terna's shift personnel working at the National Control Centre, Grid Services and Production Planning, Distribution Centres and Centres for the Remote Control of Systems are also exempt from taking strike action.
As regards personnel on call, the agreement in question establishes that such personnel, while having the right to suspend their ordinary work during the strike, must ensure their availability to be oncall even during the actual strike period.
Provided that strikes are announced in compliance with the legal and contractual provisions, there are no existing limitations to exercising the right to strike for the rest of Terna's personnel.
It should also be noted that with regard to certain aspects laid down by Law no. 146 dated June 12, 1990 (later modified by Law no. 83 dated April 11, 2000), the collective national labour contract dated July 18, 2006 regulates the provisions for mediation and conciliation procedures.
Negotiations with the National and Territorial Trade Union delegations led to the signing of twenty-one union agreements during the three-year period from 2006 to 2008.

Diversity and Equal Opportunities

Terna adopts personnel recruitment, development and salary systems that reward individual merit and performance. Any form of discrimination, starting from the company's personnel selection procedures, is strictly forbidden by the Group's Code of Ethics.

In Italy, all employees are Italian nationals; in Brazil, too, all employees are local, with the exception of seven expatriate Italians.

With regard to the percentage of women in the workforce, the Group continues to employ a majority of men, particularly in Italy, due to the traditional shortage of women offering their services in more technical professions. The number of women working in the Group is however increasing, and has risen from 9.2% in 2005 to 10.5% in 2008. This trend is also found in the more highly qualified managerial positions of responsibility, where the percentage of women has risen from 12% in 2005 to 15% in 2008.
During 2008, the percentage of women hired in managerial and office positions out of the total number of newly hired personnel in Italy stood at 23%, a level that is much higher than the percentage of women already working in the Company in such positions. In 2008, the trend showing an increase of women working for Terna continued, as a reflection of the greater overall participation of women in work and of their growing level of education.
Some of the benefits provided by the relevant collective labour contract are an improvement on certain normal legal provisions and this has facilitated the increase in women working in Terna. For example, Terna offers a level of maternity pay that is higher than the statutory amount both during the mandatory period (100% of the last salary instead of 80%) and during the optional period of leave (45% in the first month, 40% in the second and third months and 30% in the following three months, against 30% for the whole six-month period).
The main indicators used to describe equal opportunities between men and women (some of which were calculated and published for the first time this year) suggest that Terna's management systems do not provoke any discriminatory treatment to the disadvantage of women.

EQUAL OPPORTUNITIES FOR MEN AND WOMEN - TERNA SPA

% values	2008	2007
% of women out of total number of employees		
women/total	10.2	9.8
women/total net of blue collar workers	14.6	14.2
Employment growth		
annual % growth for women	5.3	5.2
annual % growth for men	0.3	0.1
Turnover rate - outflow (%)		
women	2.1	2.5
men	3.8	4.6
Turnover rate - inflow (%)		
women	7.3	9.0
men	4.2	4.8
Women in managerial positions		
% of women executives out of total number of women	2.8	2.9
% of men executives out of total number of men (excluding blue collar workers)	2.6	2.8
Promotions		
% of promotions from office worker to middle manager out of total number of office staff (women)	3.0	1.2
% of promotions from office worker to middle manager out of total number of office staff (men)	1.2	1.0
% of promotions to middle manager or executive out of total number of office workers and middle managers (women)	2.4	1.0
% of promotions to middle manager or executive out of total number of office workers and middle managers (men)	1.0	1.0
Salary differential men/women		
Executives	1.40	1.31
Middle Managers	1.10	1.10
Office Staff	1.07	1.06

The percentage of women among the total number of employees is on the increase and this positive trend is a result of the lower numbers of women leaving the Company and the significantly higher numbers joining the Company.

Women are not penalised from a career point of view: company development policies reward merit without gender discrimination and salary levels indicate modest differences between men and women in the office worker and middle management categories, and more marked differences in senior management pay, though the gap is closing.

Employment

Terna's headcount is rising in Italy and in Brazil.
No problems of workforce reduction have been recorded in the past nor are currently foreseeable.
The pursuit of operating efficiency does not rely on direct downsizing measures, but on only partial replacement of retiring employees.
In 2008, Brazil almost doubled its workforce and nearly completed its internalisation process for its cable maintenance activities, which had previously been carried out through outsourcing.

Internal communication

Terna recognises the fundamental role played by internal communication in facilitating the exchange of information, creating integration, encouraging team spirit and accelerating processes. Ever since the first edition of the "People Satisfaction" survey in 2007, the Company has been committed towards creating new tools which would support development in this area.
This thrust is not only evident from the results of the 2008 edition but also from certain acknowledgements received such as the Aretê Award for social communication assigned to Terna's Internal Communication Department (see box below).
During 2008, some new initiatives and internal communication tools were added to those developed previously, such as the corporate intranet, the cascade information mechanism, teambriefing, and the annual We:Me convention. In June 2008, for example, the bi-monthly houseorgan Terna News was launched, with a circulation of 4,000 copies distributed to all employees. Terna News can count on the support of a network of correspondents in every Direction who enrich the editions of the magazine with useful articles. In the summer months, the first art competition for employees and their children was held on the theme of energy transmission: the aim was to reinforce the sense of belonging to the Company through a creative activity. Entries for the competition, called CreativInTerna, included photos, videos and drawings. The works were selected by a panel of judges chaired by Terna's Chairman, Luigi Roth, and consisting of professionals from the world of photography and the Cinema. The entries were assessed in a strictly anonymous fashion. The winning pieces were also used to create the Diary for 2009, the special edition of the Ansa PhotoBook for Terna and to decorate the new office premises in Rome, in Viale Galbani, while in the process of preparation. In addition, for each person taking part, Terna donated a sum to Ai.Bi. (Associazione Amici dei Bambini) for a total of 10,000 euro. One of the other initiatives involving employees was the sailing regatta "Velisti... non per caso" ("Yachtsmen... not by chance"), in which about sixty colleagues took part, taking it in turns to make up the Terna team. For the level of involvement, the visibility provided by the initiative and the results achieved, "Velisti... non per caso" was rewarded with a mention in the Premio NOI – Nuovi Orizzonti d'Impresa by the Unione Industriali di Roma (award given by the Industrial Confederation for new approaches); the mention was for having found a way of transferring sporting values, such as teamspirit, healthy competition and results-orientation into a corporate reality. A special team-building event was also organised in 2008 inside the Marcigliana Reserve in Rome. Over 100 colleagues took part in eco-sustainable activities such as cleaning the area and mounting gazebos and fences to decorate the Park which also houses the Roma Nord electricity station.
Lastly, the third edition of the We:Me initiative was held with a slightly more sober programme due to the difficult economic climate. The event, however, allowed a sum of 80,000 euro to be donated to social initiatives, selected locally, also on the basis of voluntary activities performed by Terna employees.

Terna receives the Aretê Award for internal communication

The panel of judges for the Aretê Award, chaired by Stefania Prestigiacomo, Minister of the Environment and Protection of the Territory and the Sea, awarded Terna first prize in the "Internal Communication" category, acknowledging its commitment towards creating tools and initiatives which involve employees in the circulation of information and corporate values. "The value and identity of a company inevitably depend on the people who work in it, and this is precisely why managing information constitutes one of the major factors behind our success and growth", commented Flavio Cattaneo, Terna's CEO. "In these terms the Aretê Award is an important acknowledgement of our commitment towards building a strong identity that is shared by all employees within the Group. This achievement is all the more important when you consider the highly specialised nature of the service we offer". The Aretê Award (in Greek, a virtuous course in thought, feeling and action), promoted by Pentapolis in collaboration with Anima, Legambiente and the Fondazione Pubblicità Progresso, aims to bring to the attention of the business community in particular, and the public in general, those entities which have excelled in effective communication in compliance with the rules of responsibility.

Human Rights

The set of G3 indicators on human rights aims to illustrate elements of performance that achieve significance only for those companies which are based or operate in countries where the respect for fundamental human rights is not guaranteed. The majority of the Terna Group's activities are performed in Italy, where the regulatory framework and the level of civil development are such that the Company is not required to put any particular emphasis on respecting human rights or implementing *ad hoc* management policies. The only country where Terna operates with its subsidiaries is Brazil, where the regulatory framework guarantees respect of the main UN declarations and conventions and of the International Labour Organization (ILO). It is also worth noting that, on the basis of the recommendations included in the ILO website and those of the FTSE4Good Advisory Committee, Brazil is not considered a country at ethical risk in terms of human rights.

Lastly, it should be pointed out that in its Code of Ethics Terna has embraced the UN Global Compact Principles, thus setting up a benchmark, an impassable boundary, for all the situations it may come across when operating anywhere in the world. According to the Code of Ethics, each subsidiary must adopt the highest local standards in terms of respecting human rights and the environment.

Although no such problems currently exist, the responsibility for managing human rights related issues generally lies with the Human Resources and Organisation Department. Since Terna's Code of Ethics nevertheless deals with and reiterates many aspects of human rights, the Audit Department is entrusted with overseeing correct application of the related rules, while the Corporate Social Responsibility Department monitors development of external references (e.g. international conventions) also in relation to Terna's potential activities in countries other than those where it currently conducts business.

Society

When Terna operates under concession agreements, it provides a service of interest to the community. Society, therefore, is a fundamental stakeholder, both on a general level as user of Terna's service, as well as on a local level when directly affected by grid development investment projects. Information on these points can be found in the paragraphs on "Context, management approach, and objectives" in the chapters on responsibility for the electricity service and on environmental responsibility.

Building new electricity lines does not imply the need to physically move citizens or entire communities, but only the use of land (usually agricultural land) covering a surface area ranging from approximately 30 to 250 square metres for every pylon. To obtain the use of the land, Terna is authorised by law (Law no. 1775 of 1933; Presidential Decree no. 327/2001, Consolidated Text for Land Expropriation) to follow a specific procedure for land expropriation. Nevertheless, Terna normally follows a procedure leading to an amicable agreement which includes offering a one-off payment for the right to pass the electricity line across private land (building pylons, overhead conductors, underground cables). For the owner, the land remains useable though limited by the physical space occupied by the pylons; if the lines are subsequently demolished, the land is returned to the respective owners.
When it is not possible to reach the desired, amicable agreement, as happens in a small minority of cases, expropriation has to be enforced. For example, in the three-year period from 2005 to 2007, nearly 300 km of power lines were built which involved the right of passage for the power lines over land owned by nearly 3,000 people, but coercive measures were only necessary in about 20% of these cases.
When an electricity station is built occupying a considerably larger area of land, Terna normally purchases the necessary land.
In general, and also with regard to its role of service provider to the community and the regulatory context in which it operates, Terna places great importance on compliance with the applicable laws and regulations. The SO7 and SO8 indicators, which highlight the absence of legal action taken for unfair competition, antitrust issues and monopolistic practices, as well as the absence of significant administrative or judicial sanctions, are witness to the fact that correct behaviour is acknowledged objectively.
In its relations with institutions, Terna abides by the provisions of its Code of Ethics, which specifically deals with the issue of corruption and relations with political parties. With regard to this second point, the Code expressly forbids grants to political parties and their members (see indicator SO6). As regards corruption, the provisions of the Code of Ethics are supplemented by the 231 Organisational Model procedures, a control system that identifies potential risk areas in the Company and implements a series of preventive measures, such as training initiatives and setting up a special Supervisory Board. Information on the Model and its evolution can be found in the paragraph on "Governance Structure" in Terna's Profile. The SO2 and SO4 indicators report on the corruption monitoring activity and on the absence of episodes of corruption at Group level.
The Code of Ethics, which is fully applied both in Italy and in Brazil, can be found on the Terna website (www.terna.it) in the Investor Relations/Corporate Governance section.
The 231 Organisational Model is also available in the same section. At present, the Model is applied to the full in Italy, while its extension to Brazil is still in the process of implementation.
Terna also believes that defining and implementing initiatives of social, humanitarian and cultural value are an integral part of its activities and a way of contributing to the civil development of the communities in which it operates (see paragraph on "Initiatives in the Community").
Organisational responsibility for the corporate social responsibility issues discussed in this section lies with:

- the Company Security Department;
- the Audit Department, as regards monitoring and implementing the programme of internal control and as the reference point for the application of the 231 Organisational Model;
- the departments that supervise in-company circulation of changes to regulations and laws and provide information on their correct application: the Regulatory Affairs Department, Legal and Corporate Affairs Department, Institutional Affairs Department, Company Security Department.

Internal awareness is raised through training initiatives that address the implications of the 231 Organisational Model and spread the knowledge of the Code of Ethics to all employees.

G3 social performance indicators

Labour practices and decent work

LA1

Total workforce by employment type, employment contract and region

Boundary: Group

The table below provides the numbers and breakdown of Group employees. In order to have details in full, it should be pointed out that as at December 31, 2007, there were 15 temporary workers in Terna SpA (20 in 2007 and 7 in 2006), who have an employment contract with an agency providing employment services to Terna. Although they are not company employees, the 15 people are included in Terna's activities for a set period and are included in the G3 definition of "total workforce" as "supervised workers". These workers are excluded from the personnel figures stated in the table.

The Brazilian companies make use of outsourced workers who are not directly employed but have the same rights as subordinate employees. In 2008 they totalled 41, in 2007, 25 and in 2006, 24.
The rise in the number of Group employees in 2008 chiefly reflects the consolidation of the functions of Terna Participações and the insourcing of previously outsourced maintenance activities on lines and operations (O&M) that were almost completed in 2008.

In Italy, the growth in the number of employees with fixed-term contracts (from 3.9% to 4.7%) reflects the use of training contracts which are officially fixed-term, but usually become permanent once the professional training period is over.

	2008			2007			2006		
	Group	Italy	Brazil	Group	Italy	Brazil	Group	Italy	Brazil
By contract type									
permanent contract	3,568 95.6%	3,358 95.3%	210 100.0%	3,469 96.3%	3,362 96.2%	107 100.0%	3,516 98.9%	3,436 98.9%	80 100.0%
fixed-term contract [1]	166 4.4%	166 4.7%	0 0.0%	133 3.7%	133 3.8%	0 0.0%	39 1.1%	39 1.1%	0 0.0%
By type of employment relationship									
full time	3,708 99.3%	3,498 99.3%	210 100.0%	3,572 99.2%	3,465 99.1%	107 100.0%	3,531 99.3%	3,451 99.3%	80 100.0%
part time	26 0.7%	26 0.7%	0 0.0%	30 0.8%	30 0.9%	0 0.0%	24 0.7%	24 0.7%	0 0.0%
Total number of employees	**3,734**	**3,524**	**210**	**3,602**	**3,495**	**107**	**3,555**	**3,475**	**80**

(1) Training contracts.

To facilitate the reading of some of the workforce composition indicators, the table below provides a breakdown of Group employees according to the professional categories in use in Italy, which have also been used to classify Brazilian personnel.

WORKFORCE BREAKDOWN BY CATEGORY	Italy	Brazil	Group
Executives	65	2	67
Middle Managers	485	13	498
Office Staff	1,907	119	2,026
Workers	1,067	76	1,134
Total	**3,524**	**210**	**3,734**

As regards 2008, the figures relating to the **number of employees in contract companies involved in work on behalf of Terna** were calculated for the first time and the figure stood at 1,145. This number takes into consideration the duration of the contracts and the variability in the use of manpower within the contracts: it is, therefore, an estimate of the number of full-time employees (FTE - Full-Time Equivalents) relative to Terna's tender contracts in 2008, ranging from large-scale sited projects to the cutting of trees beneath electricity lines.

LA2

Total number and rate of employee turnover by age group, gender and region

Boundary: Group

Employees leaving the Company are mainly concentrated in the upper age brackets and their employment ends almost exclusively due to retirement. The turnover rate should, therefore, be considered as something physiological.

	2008			2007			2006		
	Group	Italy	Brazil	Group	Italy	Brazil	Group	Italy	Brazil
Employees leaving during the year	147	126	21	165	152	13	184	169	15
men	134	119	15	155	144	11	171	159	12
women	13	7	6	10	8	2	13	10	3
under 30 years of age	13	6	7	9	5	4	8	7	1
between 30 and 50 years old	32	21	11	17	11	6	18	16	2
over 50 years old	102	99	3	139	136	3	158	146	12
Total number of employees	**3,734**	**3,524**	**210**	**3,602**	**3,495**	**107**	**3,555**	**3,475**	**80**
Turnover rates [1]									
men	3.7%	3.4%	14.0%	4.4%	4.1%	13.8%	5.0%	4.7%	22.6%
women	0.4%	0.2%	5.6%	0.3%	0.2%	2.5%	0.4%	0.3%	5.7%
under 30 years of age	0.4%	0.2%	6.5%	0.3%	0.1%	5.0%	0.2%	0.2%	1.9%
between 30 and 50 years old	0.9%	0.6%	10.3%	0.5%	0.3%	7.5%	0.5%	0.5%	3.8%
over 50 years old	2.8%	2.8%	2.8%	3.9%	3.9%	3.8%	4.6%	4.3%	22.6%
Total number of employees	**4.1%**	**3.6%**	**19.6%**	**4.6%**	**4.4%**	**16.3%**	**5.3%**	**5.0%**	**28.3%**

[1] The turnover rates for the years prior to 2008 differ from those published in recent years because the method used to calculate 2008 has also been applied here; this method compares the numbers leaving with the number of employees on December 31 of the previous year.

LA3

Benefits provided for full-time employees that are not provided to temporary or part-time employees, by major operations

Boundary: Group

The benefits package offered to employees in Italy differs from that in Brazil.

Italy
The following benefits are offered to all employees:
- additional health care;
- supplementary pension scheme (voluntary subscription);
- insurance for out-of-work injuries;
- leisure associations;
- more favourable maternity benefits than those provided under Law;
- subsidised loans for the purchase of a first home or for serious personal circumstances;
- staff canteen or meal vouchers.

Once the probation period has been completed, these benefits are available to all employees. This also includes employees with a part-time contract or training contract, although other forms of fixed-term contracts, which are not currently used, would not be included.
Disability benefits are regulated by Law and are extended to all employees. Terna provides improved conditions for certain categories.

Brazil
Additional health care is provided and this includes dental treatment. Meal vouchers are also provided.
Life assurance was introduced in 2007. All these benefits are available to workers and assistants whatever their form of contract.

LA4

Percentage of employees covered by collective bargaining agreements

Boundary: Group

100% of employees are covered by collective bargaining agreements.

LA5

Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements

Boundary: Group

Italy
According to legal provisions, in the event of mergers, acquisitions or other significant changes in the ownership structure of the Company (as envisaged by the relevant laws), the workers' representatives must be informed and consulted at least twenty-five days prior to any binding agreement.

In the event of significant organisational changes, the trade union agreements in force within Terna provide for preliminary discussions with trade unions, to be concluded within three months. The Company must supply sufficient documentation to provide a global vision of the organisational project, so that remarks and proposals may be submitted. In this phase, the prior information is provided at a collective level. Prior information need only be sent to individual employees if the organisational change involves a transfer for the employee; in this case the worker must be provided with a written notice of no less than thirty days.

Brazil
The contract does not include obligations regarding the need to advise employees about organisational changes.

LA6

Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety

Boundary: Italy

The Law provides for the appointment by election – on the part of all employees, which are therefore 100% represented – of WSRs, Worker Safety Representatives, the number of which varies according to the number of employees and work sites.
Their role is to monitor the application of workers' health and safety regulations.
The Representatives may ask the Company to perform inspections and their views are sought on risk assessment and the identification of preventive measures. At least once a year they take part in a meeting with the employers and those in charge of health and safety issues to examine suitability of personal protection devices and training programmes, as well as any repercussions due to the introduction of new technology.

In June 2009, elections will be held to choose the new WSRs responsible for all the Terna sites in Italy. Conversely, the elections for the WSRs at the central offices in Rome will be held in October 2009.

LA7

Rates of injury, occupational diseases, lost days and absenteeism, and total number of work-related fatalities by region

Boundary: Group

Italy

INJURIES AT WORK - TERNA EMPLOYEES	2008	2007	2006
Injury Rate	1.72	1.45	2.14
Lost Day Rate	329.1	51.2	361.5
Absentee Rate (1)	9,442	10,381	11,609
Number of accidents	50	40	56
of which fatal	1	0	1

(1) The causes for absence from work included maternity leave, marriage leave, study leave, trade union activity, other paid leave and suspensions. The data for 2006 and 2007 differ slightly from those published in 2007 following corrections to the original data.

During 2008, there was a fatal accident involving a Terna employee, while he was performing maintenance work on high-voltage lines in Valmontone near Rome. A judicial investigation was opened on the accident.
The fatal accident that occurred in 2006 was due to a road accident probably caused by a sudden attack of ill health while on the way to work.
The rate of occupational disease is not available, since their occurrence is almost negligible.

INJURIES AT WORK - CONTRACT COMPANY EMPLOYEES	2008	2007	2006
Injury Rate	1.23	n.a.	n.a.
Number of accidents	8	n.a.	n.a.
of which fatal	2	0	0

n.a.: not applicable.

The accident frequency rate for employees in contract companies was calculated for the first time in 2008. The injury figures are to be considered as indicative: in this first year, only a part of the construction sites were inspected; the number of hours worked was reduced in corresponding fashion in order to obtain a denominator that was homogeneous with the number of accidents.
During the three-year period investigated, there were no accidents to contract company employees where responsibility could be attributed to Terna.

Brazil

In the three-year period 2006-2008 there were no recorded injuries at work.
During the three-year period examined, there were no accidents to contract company employees where responsibility could be attributed to Terna.

Details regarding personnel absences are not available; the incidence of this phenomenon is nevertheless marginal at a group level, considering that Brazilian workers represent only 5% of the total.

Definitions

The definitions used are those provided by the International Labor Organization (ILO):

- Injury Rate
  This is the number of injuries involving at least one day's abstention from work divided by the hours worked in the year, multiplied by 200,000 (equal to 50 working weeks multiplied by 40 hours, multiplied by 100 employees).
- Lost Day Rate
  This is the ratio between days lost due to injury and the hours worked in the year, multiplied by 200,000. The days are calendar days and are counted from the time when the injury occurred.
- Absentee Rate
  This is the number of days of absence due to illness, strikes and injury, out of the number of days worked for the same period, multiplied by 200,000.

LA8

Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases

Boundary: Italy

Terna's employees (excluding senior managers) are automatically included in the supplementary health fund, FISDE (*Fondo Integrativo Sanitario per i Dipendenti del Gruppo Enel*).

FISDE organises various prevention campaigns for its members that include preventive check-ups and informative sessions on principal health risks. Topics discussed include the following:

- smoking;
- alcohol;
- tumours;
- cardiovascular diseases;
- eye diseases;
- disability.

Medical treatment costs related to illnesses are partly covered by FISDE not only for its members (associated employees), but also for their families and dependents.

	Education and Training	Counselling	Risk prevention	Treatment
Beneficiaries				
Employees	Yes	Yes	Yes	Yes
Families of employees	No	Yes	No	Yes

LA10

Average hours of training per year per employee by employee category

Boundary: Group

Italy

	2008	2007	2006
Executives	34	25	22
Middle Managers	34	38	31
Office Staff	55	37	35
Workers	65	56	38
Total hours per head	**53**	**43**	**35**

Trends in the average number of training hours have displayed a general increase in the last two years, particularly for technical workers and also in relation to various training programmes aimed at safety in the workplace (earthing, working at high elevations, safe off-road driving, updating on new Law requirements).

The increase indicates a return to normal training management following the acquisition of the grid operator activities at the end of 2005: this has led to the company rethinking its training and development systems so as to adapt them to the growing variety and complexity of existing technical skills.

Brazil

The recording of training hours per head for the employees in the subsidiary Terna Participações started in 2008. The number of employees represents about 5% of the Group total.

	2008
Executives	
Middle Managers	111
Office Staff	88
Workers [(1)]	11
Total hours per head	**60**

(1) The figure does not include the training hours carried out at work.

LA13

Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity

Boundary: Group

The composition of the Board of Directors of the Parent Company, Terna SpA, is carefully displayed in the Report on Corporate Governance, in the Financial Statements for 2008 on p. 283 and following.
In brief, the distribution according to age and gender of its members as at December 31 is shown in the following table.

BREAKDOWN OF THE BOARD OF DIRECTORS OF TERNA SPA	2008	2007	2006
Men	100.0%	100.0%	100.0%
Women	0.0%	0.0%	0.0%
Under 30 years of age	0.0%	0.0%	0.0%
Between 30 and 50 years old	66.7%	40.0%	40.0%
Over 50 years old	33.3%	60.0%	60.0%

Within the organisational structure of Terna SpA as at December 31, 2008, the first line of executives and managers reporting to the CEO is made up of eleven people, 2 of whom are women (18.2%). No first line manager is aged under

thirty; 63.6% are aged between thirty and fifty and 36.4% are over 50.
As at December 31, 2008, there were no women in the top echelons of the Brazilian subsidiary Terna Participações, consisting of the General Director and those reporting directly to him (7 people).

When considering personnel coming from the protected categories (e.g. the disabled), the figures referring to Italy as at December 31, 2008 stood at 120 (109 in 2007, 108 in 2006 and 111 in 2005). These figures comply with the law provisions that apply to Terna (in particular Ministerial Decree dated March 21, 1996 and Ministerial Decree dated May 15, 2000) which stipulate a gradual increase in the share from the protected categories (calculated according to criteria that exclude some employee groups, such as senior managers, who numbered 3.4% as at December 31, 2008), up to 7% (general law obligation) with a greater incidence of those from protected categories joining the company staff.

The table below provides the breakdown of the Group's total employees.

BREAKDOWN OF GROUP EMPLOYEES ACCORDING TO GENDER AND AGE

	Percentage incidence of women		
	2008	2007	2006
Group	**10.5**	**10.2**	**9.7**
Italy	**10.2**	**9.8**	**9.3**
of which:			
- Executives	15.4	14.7	13.0
- Middle Managers	15.0	13.1	12.0
- Office Staff	14.5	14.4	14.0
- Workers	0.0	0.0	0.0
Brazil	**14.8**	**20.6**	**26.3**
of which:			
- Executives (1)	0.0	100.0	100.0
- Middle Managers (1)	15.4	10.0	25.0
- Office Staff (1)	24.4	27.8	25.3
- Workers (1)	0.0	0.0	0.0

	Percentage breakdown by age bracket		
	2008	2007	2006
Group			
under 30 years of age	12.7	10.4	8.0
between 30 and 50 years old	46.2	48.3	50.7
over 50 years old	41.1	41.3	41.3
Italy			
under 30 years of age	11.6	9.8	7.6
between 30 and 50 years old	45.7	48.1	50.6
over 50 years old	42.7	42.1	41.8
Brazil			
under 30 years of age	30.0	29.9	25.0
between 30 and 50 years old	55.7	53.3	53.7
over 50 years old	14.3	16.8	21.3

(1) As regards senior managers, the change between 2007 and 2008 was due to the only woman senior manager leaving. In 2007 she was the only senior manager in Terna Participações. The figures for 2007 cannot be properly compared with those from previous years due to the new classification of personnel in categories similar to Italian categories. In the years prior to 2007, the highest category was represented by Executives, followed by Directors and a residual category with the rest of the personnel.

LA14

Ratio of basic salary of men to women by employee category

Boundary: Group

RATIO BETWEEN BASIC SALARIES OF MEN AND WOMEN ACCORDING TO CATEGORY (1)

	Italy			Brazil		
	2008	2007	2006	2008	2007	2006
Executives	1.40	1.31	1.44	n.s.	n.s.	n.s.
Middle Managers	1.10	1.10	1.10	n.s.	n.s.	n.s.
Office Staff	1.07	1.06	1.06	1.56	1.23	1.14
Workers	n.s.	n.s.	n.s.	n.s.	-	-

(1) The ratio is not significant when referring to workers in Italy and in Brazil (they are all men) and for senior and middle managers in Brazil (only two women). In the years prior to 2008 in Brazil, the office-staff category included those employees who were classed as middle managers in 2008. The Brazilian figures cannot, therefore, be considered as completely comparable over the period. It was not considered important to calculate figures for the Group.
n.s.: not significant.

Human Rights

HR6

Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour

Boundary: Group

Compliance with the laws and with Terna's Code of Ethics is given considerable importance in relations with suppliers. In particular, the Code of Ethics stipulates that "with suppliers from countries defined as 'at risk' by recognised organisations, contractual clauses must be included that provide for the following: self-certification from the supplier declaring his compliance with specific social obligations (e.g. measures that guarantee workers respect of their fundamental rights, principles of equal treatment and non-discrimination, protection of child labour) and the possibility of carrying out checks at the suppliers' production units or operating headquarters".
With regard to Brazilian activities, child labour is not considered a specific risk that needs monitoring when considering personnel directly employed by the Company. During 2008 all the engineering and line maintenance activities which used to be outsourced to contract companies were almost totally brought in-house with a view towards rationalising costs and improving efficiency. The technical and specialist nature of the other activities which used to be outsourced, and the direct control over them performed by Terna Participações meant that the idea of using child labour was totally excluded. During 2008, as part of the work to extend the 231 Organisational Model to its subsidiary Terna Participações, the Parent Company's Audit Department conducted a Self Risk Assessment analysis for mapping potential risks present in each company department that also took into consideration the violation of human rights with reference to child labour. Intense activity is also underway in the Brazilian Procurement Department in order to ensure even closer compliance with the procurement procedures and selection of suppliers in accordance with the principles of the Code of Ethics and the standards adopted by the Parent Company Terna SpA. A commitment not to use child labour is also expressly required of Terna Participações as a condition for taking part in bids for building new lines.

HR9

Total number of incidents of violations involving rights of indigenous people and actions taken

Boundary: Group

Italy
Indicator not applicable.

Brazil
Corporate conduct is subject to monitoring by FUNAI (*Fundação Nacional do Índio*), the government body entrusted with establishing and implementing Brazilian policies regarding their native peoples. No violations of the rights of the indigenous peoples have ever been recorded.

Society

SO2

Percentage and total number of business units analysed for risks related to corruption

Boundary: Group

In the period from 2006 to 2008, the Terna Group (100% of central departments and subsidiary companies) was examined by the Audit Department with regard to all areas of corporate risks, including those relating to corruption.
The findings were included in the following reports:
- specific Audit Reports on Terna SpA and its subsidiaries;
- risk assessment of Terna SpA:
  - for the purposes of the 231 Organisational Model (see Glossary); updated in 2004 so as to allow listing on the stock

exchange; in 2005, in view of integrating the business of the former GRTN (now GSE); in 2006 for the new post-integration organisational structure and for changes in legislation and in 2007 (completion at the start of 2008) in view of additional changes in legislation;
  - corporate risk assessment (updated annually since 2004, the year it was listed);
- annual control report on Terna SpA as laid down in the 231 Organisational Model for the purpose of preventing corporate offences and preventing the corruption of public officials.

During 2007 and the first half of 2008, a mapping procedure was performed on all processes potentially at risk of corruption, within all the departments of RTL and Terna Participações. This was decided with a view to implementing the 231 Organisational Model in line with the decision to extend the 231 Organisational Model to subsidiaries whose head offices are in Italy or abroad.

SO4

Actions taken in response to incidents of corruption

Boundary: Group

Just as in the previous two years, in 2008:
- no cases of litigation concerning corruption were concluded;
- there were no disciplinary sanctions arising from incidents of corruption;
- there were no verified reports of breaches to the Code of Ethics with regard to corruption.

As at December 31, 2008, there were no pending cases of litigation concerning corruption.
In addition since 2008, the audit activities in Brazil have been supported by an auditor inside Terna Participações who checks on their progress in relation to compliance with the 231 Organisational Model and the Quality Management System, with a view towards the ISO 9001 certification.

SO6

Total value of financial and in-kind contributions to political parties, politicians and related institutions by country

Boundary: Group

The Code of Ethics in force in Terna and its Brazilian subsidiaries expressly forbids grants to political parties or their members. Accordingly, no political parties or their members have been given financial contributions or support of a non-financial nature.

SO7

Total number of legal actions for anti-competitive behaviour, antitrust, and monopoly practices and their outcomes

Boundary: Group

Terna is not involved in any actions brought against Group companies in Italy or in Brazil with regard to unfair competition, antitrust issues and monopolistic practices. There are no cases of pending litigation and, during the years from 2005 to 2008, no legal proceedings were concluded.

SO8

Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Boundary: Group

During the period from 2005 to 2008, no administrative or definitive judicial fines or sanctions were recorded for non-compliance with laws or regulations. In the "Table of indicators" section you can find further details about litigation with employees (p. 154).

Additional information

Development and management of human resources

Terna's human resource development and management system centres on performance as an indicator for steering growth. The definition of objectives and the expected approach, the evaluation of results, feedback and development and training actions are all fundamental elements in the model. A number of tools that have already been in the Company for a while are part of this framework, such as Balanced Scorecards and the MBO (Management By Objectives), but the heart of the system is the Global Performance System (GPS), which was designed in 2008 and is coming into use in 2009 with the training campaign aimed at all the personnel involved.

The GPS aims to steer the individual towards achieving the company's objectives; it measures the contribution each person makes as well as the development of this contribution through the enhancement of their professional skills. In this phase, the application of the GPS involves a wide range of employees with managerial and professional responsibilities: all senior managers, all middle managers and a section of the office staff. The GPS is based on a definition of performance that includes two aspects: the first is the effective achievement of established objectives, the second concerns the organisational approaches that are set up in order to achieve them. A specifically-developed IT system, that is accessible individually to each person involved, contains the objectives to be achieved and the expected approaches; the same instrument acknowledges the outcome of the evaluation and ensures that they remain traceable over time. The evaluation carried out by the line manager and validated by his superior, includes a feedback session, a fundamental feature for directing approaches and highlighting strengths and areas for improvement and triggering development actions, such as a training programme. Repeating this assessment process on people's performance on an annual basis makes it possible to monitor and guide their growth.

The measuring of performance is also assigned to other tools. Terna set up a strategic control system some years ago based on the Balanced Scorecard model. It uses this to monitor the progress of strategic objectives, from an economic and management point of view, including the principal environmental and social performance objectives.

The measurement of performance is also linked to the payment of variable salary bonuses. In particular, Terna's top management are the beneficiaries of a Stock Option Plan which was established in December 2005 (initially intended to finish in 2010 but then extended to 2013). The adoption of this Plan allowed the Company, among other things, to provide itself with an important tool for building the loyalty of those senior managers in the most important positions in the Company with a view to achieving its strategic objectives.
The "cash" Long-term Incentive plans (LTIs) provide a response to the same ends. The Plan relating to the three-year period 2005-2007 actually closed in 2008. This plan concerned those top managers who were not involved in the Stock Option Plan. The 2008-2010 Plan, linked to company objectives, has been launched for the Top Management who hold key positions in the Company.
Performance objectives with an annual perspective provide the basis of other schemes with variable salary bonuses. The MBOs (Management By Objectives), reserved for the top echelons of the company management, links individual bonuses to the level of achievement of company and individual objectives. Company objectives, including those relating to environmental and social performance are formulated to tie in with the Balanced Scorecard model.

Recognising the importance of fully involving its personnel in the fulfilment of its productivity and quality programmes and projects, Terna signed an agreement with the trade unions which created a company profit bonus as a productivity incentive.

The bonus is part of variable salary package and is structured around two items:
- "corporate profitability" linked to the company's general trend and is paid to all personnel, except senior management;
- "productivity/quality incentive" linked to the achievement of specific productivity and quality objectives directly connected to the employees' working activity and is paid to workers and office staff.

The development of management systems also takes its cue from the results of the internal climate survey called "People Satisfaction", which has now become an annual event. In particular, the survey has highlighted certain areas of improvement in the field of supervisor-assistant relationships, information about the assessment criteria and on how the bonus system works. Initiatives such as the the launch of the GPS, the training programmes devoted to managerial development (see the related paragraph on p. 139-140) and the improvement in internal communications are going in the right direction and provide a response to employees' recommendations.

Lastly, as regards its recruiting policies, Terna continues to invest in order to retain well-qualified resources as well as to attract new ones from outside when necessary. In particular, the Company is committed towards improving its own capacity to attract new staff through contacts with universities, taking part in job meetings and creating a specific area on the website where candidates interested in working for Terna can make an open application.

Terna – one of the best companies in the first Italian edition of the CRF Top Employers

In 2009, Terna was included among the twenty-eight best companies to work for in Italy, on the basis of a ranking system prepared by the Dutch agency CRF and used for the first time in Italy.
CRF, together with Accenture, developed a method accredited by the Dutch Ministry of the Economy, which they have been using since 1991 to analyse and certify Top Employers in ten countries and three continents. In each country CRF publishes an annual report on companies which can be considered as excellent in their management of human resources and become the only ones eligible to exhibit the "Top Employers" brand label.
The method used to find out information was highly innovative: an economic journalist was sent to each certified company and interviewed the Human Resources Director, a middle manager and a professional, who each described company life in short press reports which supplemented the general profile and evaluation of each company.
The assessment criteria included the corporate culture, working conditions, social commitment, talent development and investing in innovation: the last three criteria, in particular, was where Terna came out particularly well. A book was also written about the research, called "CRF – Top Employers Italy 2009" published by Franco Angeli and sponsored by AIDP (Associazione Italiana per la Direzione del Personale) and the LUISS Business School. Contributions to the publication, which contains all the press reports performed inside the companies, were provided by Mario D'Ambrosio (AIDP), Franco Fontana (LUISS), Luca Solari (Università di Milano) and Andrea Pontiggia (SDA Bocconi).

Safety in the workplace: a commitment towards on-going improvements

Terna's commitment towards safety should be seen within the **context of existing legislative provisions**. Italian legislation regarding safety has always been quite strict but since the Legislative Decree no. 81/2008 ("Consolidated Act regarding health and safety in the workplace") came into force on May 15, 2008, it has become one of the most stringent series of measures in Europe. Companies have obligations on various fronts: training, risk analyses, the identification of the chain of responsibility from the employer downwards, safety procedures and equipment, supervision of activities, including activities that are contracted or subcontracted out. One of the most important aspects of the new Decree concerns the requirement to carry out an analytical assessment of health and safety risks for workers. This assessment must look at the specific risks of each individual activity and in particular at those where there may be interference with work done by contracting and subcontracting companies, and must concern all the operations that make up the work process on construction sites. This risk analysis must be performed by an expert. The costs relating to the elimination or mitigation of interference risks are excluded from any discounting processes applied in contract bids and in the assignment of tender contracts.

Within this context, Terna's attention towards safety is centred on the following aspects:

- clear **policies on safety**. The importance of ensuring the physical safety of persons is referred to in Terna's Code of Ethics, which identifies the fundamental principles to which everyone, at each level of the organisation, must adhere to, because policies, procedures, technologies and knowledge contribute towards risk awareness and prevention. The policy on safety in the workplace, which is an integral part of the integrated Quality-Environment-Safety Management System, indicates the policy-guidelines within the Code of Ethics, drawing attention in particular to the importance of continuous training and collaboration with the competent entities to achieve on-going improvement. There ia also a clearly-stated commitment to promote accident prevention for all employees, including those from contract companies;
- **Safety & Security portal**, within the company's intranet, containing complete and up-to-date **archives on legislation** relating to safety in the workplace (regional and national provisions, technical standards issued by the competent authorities). Through this portal it is also possible to gain access to an online advisory support service to help interpret the standards and check on application procedures, and an archive of test programmes and their relative results;
- an **organisational structure in charge of safety** which has a central office (Company Security Department), local supervisors in the various territorial offices (TOA Supervisors, Safety, Prevention and Safeguard Managers and RSPPs) and on work-sites; the structure also carries out on-the-spot inspections in the workplace and on work-sites. In line with

legislation, employers (and this includes supervisors in charge of the TOAs) have unlimited powers for expenses relating to safety in the workplace;

- a **management system** which obtained the **OHSAS 18001 certification** in 2007. The system is integrated with the quality and environment systems and is based on a careful **mapping of risks**: the Risk Assessment Document, drawn up by the employer and the Safety, Prevention and Safeguard Manager, and verified by the competent physician, highlights the gravity and likelihood of specific risk events occurring for each single role and activity undertaken by Terna employees. The management system consists of an organic and detailed collection of **procedures and operational instructions** on all the activities relating to safety (safety training, work methods, use of personal safety equipment), with more in-depth details relating to activities with electrical risks (provisions regarding the prevention of electrical risks) or risks of working above ground level (methods for climbing support structures). The collection of management system documents is also available through the company's intranet. Constant **supervision** on the correct and thorough application of procedures is provided by the employers as well as by **inspections** conducted by the RSPPs (twice a year in each TOA) and also **internal audits** on the compliance of all transmission operational areas. In addition, the **external audits** required to reconfirm certification status and the elected group of worker representatives (whose task it is to verify that the standards are applied – see indicator LA6 - Workers' Safety Representatives) all make their contribution towards raising awareness about compliance with the rules and about topics on safety. Last but not least, **performance objectives on safety in the workplace** have been included among the system of indicators linked to the variable salary bonuses for the Departments in question (Company Security, Human Resources and Organisation, Plant Maintenance). The management system aims to achieve on-going improvements, with annual objectives to be reached, based, among other things, on **monitoring** accidents: cause analysis is one aspect included in training programmes aimed at corrective measures;
- an intense and continuing **activity of information and training**. All personnel is made aware of the main notions and changes regarding safety, using various channels including the company's intranet and the organisation of informative meetings. The annual training programme always includes courses based on risk analyses throughout the Company and with specific supplementary content at a local level. The courses cover all safety topics, including the latest legislative provisions and operational instructions for all hazardous activities (e.g. working above ground level, use of personal safety equipment). In particular, certain equipment used at the **Viverone Training Centre** (Turin TOA) allow safe training sessions to be held on jobs which include climbing pylons (by using life-size pylon-gyms) and on jobs which include working with voltage (by using a controlled environment);
- **applied research**: a specific organisation unit within the Engineering Department carries out experimental tests on materials and safety equipment, testing their reliability using resistance checks in extreme conditions.

During 2008:

- the OHSAS 18001 certification was reconfirmed;
- in line with legal obligations, about 120 inspections were carried out by the RSPPs and the TOA Managers as well as about 100 visits in the workplace by the competent physician;
- eight locally-based internal audits were carried out; each one involved three auditors over three days;
- periodic, precautionary medical visits were carried out, which also involved atypical workers, as laid down by Legislative Decree no. 81/08;
- there were 70,469 hours of safety training provided (2007: 46,416; 2006: 27,441).

TRAINING HOURS RELATING TO WORKERS' HEALTH AND SAFETY	2008	2007	2006
Executives	207	143	13
Middle Managers	3,122	2,084	1,808
Office Staff	28,265	14,622	13,536
Workers	38,875	29,567	12,084
Total	**70,469**	**46,416**	**27,441**

Considerable attention is also given to safety in the workplace along the chain of supply, with particular reference to **contracting companies** which carry out jobs on work-sites on behalf of Terna. In addition to the measures on safety protection introduced or enhanced by Legislative Decree no. 81/08, all workers working on sites where overhead cables are being prepared (and this probably includes all core business contracts) must hold attendance certificates for specific training courses on technical and safety matters and on respect for the environment. The courses must last 32 hours and be held by selected training institutes with SINCERT certification, using a syllabus laid down by Terna.

When giving qualified status to companies, Terna shows a higher level of severity than indicated in the provisions laid down by the law, as it also requires evidence that the relative requirements on workers' health and safety have been implemented and that there is a management system and system of procedures in line with the prescriptions of the OHSAS 18001 standard.

Training

In 2008, Terna invested 1,083,247.84 euro on training, which was slightly down on the 2007 figure. This decrease is due to the fact that certain training activities on order were transferred to 2009 and that there is a considerable increase in the use of internal staff providing instruction. Overall there was a total of 186,654 hours of training, with an increase of 27% compared to 2007. The hours per head grew by 10% and during the year 96% of staff attended at least one course. In general the growth trend between 2006 and 2008 is confirmed, with an overall increase of 18 hours per head and of over 50% on the number of hours provided.

The Terna training programme underwent a process of renewal in 2008 with the aim of structuring and enhancing training in the development of soft and technical/professional skills. This process was branded "***Campus - Esperienze in Rete***" (Campus - Experience in the Network).
With the "*Esperienze in Rete*" pay-off, the idea was to underline that the specific nature of Terna's renewed training programme lies in the activation of self-perpetuating benefits, where knowledge is shared. By drawing on the willingness of the most experienced resources within the Company to perform the role of designers/lecturers in the Campus Faculty (about 200 managers, professionals, experts in specific content areas), Terna ensures that the specialist know-how, of which it is "owner", is kept, transferred and shared within the Company and, at the same time, that the sense of belonging and integration inside the Company continues to develop.
The numerous collaborative projects with universities, business schools and external centres of excellence provide opportunities for exchanging knowledge with the outside world.
Campus will also have specific premises inside the Marcigliana Electricity Station in Rome. Choosing a place where a station already exists was done deliberately to highlight how the knowledge, which the Campus Project intends to encourage, is already deep-rooted within the business.

Three training macro-areas already exist in Terna: **Education, Context and Business Model** and **Training**. These areas take employees under their wing as soon as they enter the Company and guide them in their development throughout their professional career. The introduction of Campus, however, has added a new format called "***Percorsi***" (Routes), which cut across the three subject macro-areas. These are training modules devoted to specific segments of the corporate population. The year 2008 saw the creation of "***Master Terna***" degrees inside the "***Percorsi***" programme, which represent a fundamental part of the courses of study aimed at newly-hired graduates and which are run by the Terna Faculty, consisting of colleague lecturers. The new ***Percorsi*** section clocked up 12,184 hours of training in 2008. A second initiative which got underway but whose major component will be developed in 2009 is the "*Percorso per turnisti del Tempo Reale*" (Course for Real Time Shiftworkers), which clocked up 2,235 hours.
The Master Terna courses are designed and provided by the in-house Faculty and are enriched by targeted, external contributions: 82 people were involved and 9,942 hours of training were provided – 120 hours per head. The Master programme will finish in 2009 and the overall *Percorso* will continue in the future.

As regards the other three more traditional areas, the results for 2008 were as follows.

Education - This is the area of training activities whose objective is to facilitate managerial and personal development. In 2008, this area grew by 23%, thanks also to the course content taught in the "*Master Terna*" programme, such as Economics, Communication Skills and Project Management, and reached a total of 12,610 hours.
The evolution that has occurred over time in the Education area is a result of the findings that emerged from the "People Satisfaction" survey and were summarised in the "Terna People Care" action plan. In particular, it included a training programme in 2008, called "T-People - Terna People Management", which involved all the company management. The main components were: conferences, where international experts met top management to share new approaches in leadership, communication and performance management development; a workshop on managerial skills, also aimed at Top management.
Middle managers, on the other hand, took part in an outdoor activity focussed on leadership, while the team leaders took a close look at their role in the Company, using indoor methodology.
The middle managers took part in the second edition of the Terna Business Challenge, a competitive team game where colleagues from all departments challenge each other in creating value for the electricity business, by paying particular attention to international development.
The Development Centre is another aspect of the Education tradition. This is a method which combines training and development objectives, by putting acquired skills into practice and encouraging the participants to take responsibility in their own plan for development. The Development Centre is aimed at graduate office staff who perform professional activities.
At the start of 2009, a training module dedicated to the new GPS (Global Performance System) model was implemented within the Education field. This module aimed to improve the way assistants are managed and to facilitate their development; about 500 employees took part including senior managers, middle managers and a selected group of new graduates.

Context&Business Model - This area of training is aimed at providing knowledge on the internal/external business context in which Terna operates, thereby facilitating in particular the development of Corporate Identity. In 2008, it was the area which recorded the most significant increase (39%) over the previous year, clocking up a total of 38,408 training hours. The online campaign devoted to Privacy was particularly important.
In detail, 74% of the hours concerned Company Presentation activities and the remaining 26% focused on the online campaign regarding new legislation on Privacy. The refresher course on the 231 Organisational Model is one of the training activities that were postponed to 2009.

Training - This is the area of training activities which groups together courses whose objectives are specific professional development.
In 2008, this area achieved a total of 133,949 hours, including those within the "*Percorsi*" programme, displaying an increase over the previous year of 25%. 56% of training activities in this area are devoted to Safety with an increase of 52% compared to 2007. One area particularly worth mentioning is the Terna's Provisions for Electricity Risk Prevention area, with over 70,000 hours of training.
The year 2009 will be the consolidation year for Campus and will provide new components to enrich the training programmes on offer. In addition, work will continue on the creation of the new training site inside the Marcigliana electricity station which is due to be completed at the end of 2009 or at the beginning of 2010.

Taking part in training while protecting the environment

A "sustainable outdoor activity", organised by Legambiente, aimed at combining training and a commitment towards nature. The activity took place from May 22 to 24 in the Parco dell'Uccellina in Tuscany and involved graduate office staff (originally employed in professional roles in the two-year period from 2003 to 2005) in an original teamworking and diversity management session. This training module was organised to be included in the Legambiente's "Spiagge e Fondali Puliti" Campaign ("Clean Beaches and Seabeds"). It allowed the participants to lend muscle power and enthusiasm to the thousands of volunteers, who every year take part in this event in various localities, armed with sacks, gloves and rakes in order to collect rubbish left on the beach or, even worse, abandoned in the sea.
The training event follows the "Development Centre" programme which was already underway. The choice of this environmentally-sustainable outdoor activity is a novelty for Terna and aims to unite its training objectives with an effective testimony of its sensitivity towards environmental issues and, more in general, issues on sustainability which is a feature of its corporate culture. The experiences of those who took part were extremely positive, in terms of the innovative nature of the training approach, its originality and the effectiveness of the event as a life experience.

Initiatives in the Community

The year 2008 marked Terna's greater commitment to supporting initiatives in social, cultural, and humanitarian settings – another way to return value to civil society and local communities, in consideration of our electricity grid maintenance and development activities and our consequent presence on the territory.

The Company's commitment may be summarised in a few significant figures: more than 1 million euro in sponsoring, and as much in philantropy efforts. The two corporate giving categories are defined as follows:
- sponsoring: expenses for third-party initiatives in areas other than the core business, for purposes of image and communication, contractually involving a return in terms of visibility;
- philantropy: payments to non-profit associations or organisations with no contractual return.

2008 CORPORATE GIVING EXPENSES - TERNA SPA

euro	Sponsoring	Philantropy	Total
Supported causes			
Energy	305,742	20,000	325,742
Environment	150,000	0	150,000
Art and culture	351,660	887,500	1,239,160
Social unrest, solidarity	105,000	164,100	269,100
Other	26,500	39,000	65,500
Total	**938,902**	**1,110,600**	**2,049,502**

Assessment of the giving expenses published for the first time with reference to 2008 should bear in mind that they include an exceptional component: the allocation to a fund to meet, over a two/three-year period, the commitments derived from the Protocol of Understanding signed with the Ministry of Cultural Assets and Activities. Consequently, in coming years, the total expenses for generosity efforts made over the course of the year may record a decline.

In 2008, the Brazilian subsidiary Terna Participações recorded social expenses for 2.2 million reais, equal to about 694,000 euro (average exchange rate for December 2008).

The most important events held in 2008 and the early months of 2009 were the following.

Italy

Energy - Economy

- Rome was host to the **International Energy Forum** in April 2008, which gathered together a number of prominent international personalities to discuss world energy policies and their development. As sponsor of the intitiative, Terna's aim was to highlight the importance of dialogue and cooperation to facilitate a more effective approach towards the correct use of energy sources;
- the 2008 edition of the ***Convegno dei Giovani Imprenditori di Confindustria*** (Young Industrialists Convention) concentrated this year on issues relating to energy, environment and sustainability in the development of the country. In particular, the discussion centred on the role of enterprises as bearers of growth and competitiveness in this field, a policy direction which Terna shares deeply and which led Terna to show its support for this important discussion forum;
- in supporting the ***Festival dell'Economia in Trento***, Terna contributed towards the debate on "*Mercato e Democrazia*", the theme of the 2008 edition.

Environment

- The ***Premio Pimby*** (Please In My Backyard), thought up by the association with the same name, presents an award to an entity which has built infrastructures with a spirit of innovation, respecting the participation of stakeholders and the protection of the territory. Terna supports the *Premio Pimby* in order to encourage a culture which protects the environment in accord with a sustainable development of the country system;
- within the scope of the Fair called "***Dal Dire al Fare***" ("From Words to Actions") dedicated to sustainability, Terna presented a discussion "Workshop" on the subject of "Energy, infrastructures and the territory: an open dialogue", during which Terna introduced to the audience the consultation model for the development of the electricity grid based on SEA (Strategic Environmental Assessment);
- the partnership with the ornithological association called Ornis Italica continued. Through the **Birdcam Project**, the reproduction of hawks and kestrels was monitored, many of them choosing the nestboxes positioned on pylons to make their nests. Enthusiasts can watch the birds on the website www.birdcam.it which was created with support from Terna (see box on p. 98).

Culture - Art

- Opening up a window to give visibility to young Italian artists: this is the reason behind the creation of the ***Premio Terna01***, which enjoyed the patronage of the Italian Ministry of Culture. Six months of work and a commitment which continues into 2009 with the second edition of the Award and an American exhibition of selected works from Terna 01 (see box on p. 143). The *Premio Terna01* award was the first of a number of initiatives laid down in a Draft Agreement signed by Terna and the Italian Ministry of Culture. The Agreement, which lasts for three years, is directed towards the promotion and enhancement of Italian Contemporary Art. One of the proposed activities involves support for the *Museo Nazionale delle Arti del XXI secolo* (National Museum of 21st Century Art), known as MAXXI. It is in preparation and was given the first *Premio Terna01* award in the category of famous artists (100 thousand euro), which shall be used to create the Documentation Centre;
- 50 private galleries and public museums open until late at night: this is the ***Art Weekend Roma*** supported by the Company, in line with its commitment through the *Premio Terna01* award, and is a means of increasing the awareness of Contemporary Art among the people of Rome;
- companies involved in the development of Art: this topic was discussed at the **Art Business Forum** in Milan and at the **Art Lab in Turin**. Terna illustrated the experience of the Contemporary Art Award Premio Terna01.

In 2008 the Company also decided to make a few **donations** towards non-profit associations, linked to specific projects: 10,000 euro were donated to **Ai.Bi.**, ***Associazione Amici dei Bambini***, thanks to the CreativInTerna project where Terna put up a sum for each employee taking part.

In addition, a deliberately-reduced version of the annual **We:Me** Convention allowed Terna to devolve a sum of 80,000 euro to non-profit associations in Italy for the support of situations of social unease. The initiatives that were chosen favoured associations where company employees help out as volunteers (see box on p. 142).

Brazil

- ***Schermi in classe* (Screens in Class)**. Terna produced 300 kits containing ten films taking part in the International Festival of Films for Children and helped the secretarial offices in state schools near electricity lines to distribute the kits, which each included a topic sheet with a series of educational proposals based on the films. The project also included eight seminars for the preparation of teachers with the aim of improving teaching techniques.
- ***Progetto Douradinho***. The *Douradinho* Project aims to develop interest in reading and creativity. The book called "Amiga lata, Amigo Rio" (Tin-can Friend, River Friend), written by Thiago Cascabulho, addresses issues such as environmental conservation through the eyes of small children. 10,000 copies were produced and distributed in over 26 municipalities including Bahia, Maranhão, Tocatins, Goiàs and the States of the Federal District.
- ***Progetto Orchestra Sinfonica Giovanile***. In 2008, Terna Participações supported the youth orchestra called the *Orchestra Sinfonica Giovanile del Conservatorio di Pernambuco* (OSJ-CPM). The Orchestra has played in several regional capitals in the North-west of Brazil, performing to audiences of over 15,000 people.
- **10th Edition of the Project "*Fondazione per un libro per l'Infanzia e l'Adolescenza*"**. At the end of May 2008, the Museum of Modern Art in Rio de Janeiro played host to the tenth edition of the Children and Adolescents' Book Fair. The event included the participation of over 66 publishers and was acknowledged as an important vehicle for the dissemination of new books aimed at young readers.
- **Project for the Brazilian rivers**. In 2008, the publishing project "**Rivers in Brazil**" produced 4,000 copies of a volume in Portuguese and English, with pictures and information about the River São Francisco and a thorough description of the municipality called Bom Jesus de Lapa, where Terna has an electricity station. This volume received authorisation from the National Programme Supporting Culture called PRONAC. Terna paid for nearly half of the investment for a total of 195,695.77 reais.
- **Refuge home in Foz do Iguaçu**. It took less than a year to build a home to house young mothers and their new-born babes, and to enhance the spaces dedicated to crafts and sewing, in a project whose aim is to facilitate their self-sufficiency and reintroduction into the social fabric of the country. This is the project for a house dedicated to young street-girls created by *AGAPE Onlus* in Rome (Association of Adoptive Parents for Countries Abroad) in favour of the "Comunidade Dos Pequenos Trabalhadores" association in Foz do Iguaçu in Brazil, which Terna Participações decided to support. AGAPE coordinated the entire project from its conception to the negotiations with the interested companies and the purchase of all the materials and the building work itself. The house was opened on April 13, 2009: 250 m^2 with rooms, study and working areas, a laundry, a water tank and an outdoor area for events.

A company convention with a mark of solidarity

The annual We:Me Convention, which in December 2008 brought together all the Terna managers for the third consecutive year to share their results and objectives, included a very special feature. The programme was deliberately shorter and more sober, given the difficult economic situation at the time, but this allowed a few resources (totalling 80,000 euro) to be freed up and donated to a good cause. Every Terna territorial area was asked to put forward the names of associations that deserved a contribution from the Company for their activities in support of situations of need or difficulty within their area. A number of candidates were put forward and out of these, 11 associations were chosen by an in-house committee, each characterised by the fact that one or more colleagues did voluntary work there. Each association received 5,000 euro in support of their activities such as helping the needy and disabled, helping the elderly, rehabilitating drug addicts and supporting poor or sick children. In order to ensure greater territorial coverage, a further contribution of 25,000 euro was made to the Caritas branches in Turin, Genoa, Padua, Bari and Reggio Calabria. The initiative encouraged the creation of an internal network among colleagues to organise the donations and was the subject of discussion on the company's intranet and the houseorgan, "Terna News" with comments from employees doing voluntary work in the beneficiary associations.

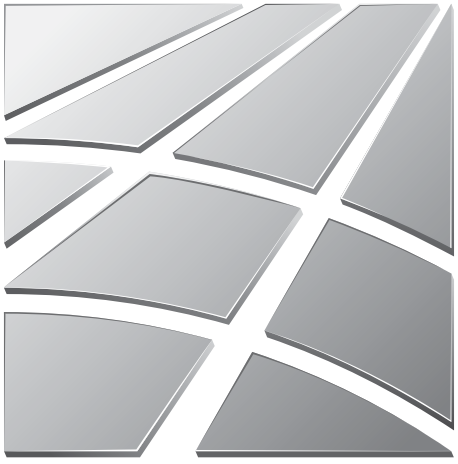
Contemporary Art Award Terna01: let's transmit energy to art

Supporting and developing Contemporary Art in Italy as a way of returning value to the community: this is the objective behind the creation of *Premio Terna01*. Many features make it something unique: the partnership with the Italian Ministry of Culture and the patronage of the Ministers for Youth and Economic Development, the Municipality and Province of Rome; free and open entry to the competition for emerging artists of all ages; a category for famous artists; the introduction of a theme "Transmitting Energy, a Contemporary Metaphor" which re-establishes a strong interconnection between Art and Enterprises; the creation of two original surveys on the perception of Contemporary Art through the eyes of Italians and artists, conducted by the ISPO Research Institute; a website (**www.premioterna.it**) for the management of the competition and information for the public at large; a panel of judges with personalities from the world of Culture, Art, Design, Economy and the Cinema to have varied judgements; the creation of an online art gallery and online vote to make a special award for a piece chosen by the public.
The Honorary Committee for the *Premio Terna* was chaired by the Minister of Culture, Sandro Bondi and consisted of illustrious representatives from the establishment, culture and enterprise world: Domenico De Masi, University Lecturer and Chairman of the Fondazione Ravello; Massimiliano Fuksas, famous architect; Emma Marcegaglia, Chairwoman of Confindustria; Fernanda Pivano, internationally-famous writer and essayist.
In addition Terna signed a Draft Agreement with the Italian Ministry of Culture lasting three years for the promotion and enhancement of Italian Contemporary Art. One of the proposed activities involves support for the *Museo Nazionale delle Arti del XXI secolo* (National Museum of 21st Century Art), known as MAXXI. It is in preparation and was given first prize in the category of famous artists (100 thousand euro), to be used to create the Documentation Centre.
The Contemporary Art Award Terna01 received a medal from the President of the Republic.
Some of the important results achieved:

- 3,158 works entered; the most representative sector of artists was that between thirty-two and thirty-five years of age;
- about 3 million pages were viewed on the **www.premioterna.it** website in 4 months;
- 39 works exhibited (winners and famous artists) at the end of November at the *Palazzo delle Esposizioni* in Rome;
- the finalist works were projected on the facades of buildings in Rome from December 23 to January 1 within the scope of the "*Roma Città Natale*" project, which was enjoyed by the over four million inhabitants in the city and the tourists staying there for the Chritmas period;
- 10,000 Christmas cards sent to stakeholders included a free ticket for two people to one of the AMACI museums (*Associazione dei Musei di Arte Contemporanea Italiani*) in order to contribute towards an increased understanding of Contemporary Art through experience: a total of 20,000 people were invited to visit a museum for free.

Premio Terna 01 Award Ceremony, November 25, 2008. From left to right: Luigi Roth, Terna Chairman; Francesco Maria Giro, Undersecretary of the Ministry of Culture; Sandro Bondi, Minister of Culture; Flavio Cattaneo, Terna CEO.

2008



Tables of indicators

Terna

The following tables list the indicators – added to those provided for by the G3 "Sustainability Reporting Guidelines" – which Terna deems important to publish in order to illustrate its performance in the field of corporate social responsibility. In some cases, for the sake of completeness, data already presented in the Report text are included.

The indicators are broken down into five areas corresponding to the Report's structure, divided into thematic sections in accordance with the following scheme:

Area	Section
1. Terna's profile	Corporate Governance Ethical Auditing
2. Responsibility for the electricity service	Grid
3. Economic responsibility	Shareholders Financers Suppliers Customers - Regulated market Customer litigation
4. Environmental responsibility	Environmental performance
5. Social responsibility	Number and composition of personnel Personnel satisfaction and development Equal opportunity Safety Trade union relations

The following variations from the table published in the 2007 Sustainability Report are specified:

Users of dispatching service: distributors directly connected to the National Transmission Grid	The figure for 2007 was corrected (from 160 to 1,200) because the one published last year referred not to December 31, 2007 but to a later period. It was therefore affected by the process, begun on January 1, 2008, that led the majority of small plants to be included under the contract with GSE, which has relations with Terna.

For each indicator, the tables report:
- the unit of measurement;
- the data for 2008, 2007, 2006 and 2005;
- if significant, the absolute variation occurring between 2007 and 2008;
- if significant, the percentage variation occurring between 2007 and 2008.

Italian activities are the boundary of reference.
Measurements are normally calculated as of December 31, and refer to the entire financial year in the case of flow indicators.
For an easier reading of the indicators, the following table defines the units of measurement with which they are expressed. See also the table of acronyms and the glossary after the indicators.

Key: units of measurement

#	Affiliation
%	Percentage
€	euro
€/000	Thousands of euro
€/Mln	Millions of euro
GWh/year	Gigawatt hours per year
h	Hours
kg	Kilograms
km	Kilometres
min	Minutes
MW	Megawatt
MWh	Megawatt hours
no.	Number
tons	Tons
y	Years

Terna's profile

Corporate Governance

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Board of Directors							
Total Members BoD	no.	9	10	10	10	-1	-
Independent Members on the BoD	no.	4	4	7	7	0	-
Directors expressed by minority shareholders	no.	3	3	3	3	0	-
Women on BoD	no.	0	0	0	0	0	-
BoD meetings	no.	13	12	14	9	1	-
Meetings of the Remuneration Committee	no.	3	6	3	6	-3	-
Meetings of the Internal Control Committee	no.	10	8	7	7	2	-

Ethical Auditing

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Implementation of the Code of Ethics							
Total reports received	no.	3	3	2	3	0	-
Total of verified breaches of the Code of Ethics	no.	0	0	0	0	0	-

Responsibility for the electricity service

Grid

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Electricity stations							
380 kV							
stations	no.	135	133	132	126	2	1.5%
power of installed transformation	MW	86,220	85,870	83,420	81,630	350	0.4%
220 kV							
stations	no.	143	143	139	107	0	0.0%
power of installed transformation	MW	29,452	28,779	27,934	25,516	673	2.3%
Lower voltages							
stations	no.	93	90	86	69	3	3.3%
power of installed transformation	MW	2,868	2,895	2,791	2,822	-27	-0.9%
Total							
stations	no.	371	366	357	302	5	1.4%
power of installed transformation	MW	118,539	117,543	114,145	109,968	996	0.8%
Electricity lines							
Extent of electricity lines:							
380 kV							
length of the triads	km	10,727	10,717	10,492	10,447	10	0.1%
length of the lines	km	9,821	9,812	9,587	9,538	9	0.1%
220 kV							
length of the triads	km	12,113	12,142	12,117	9,893	-29	-0.2%
length of the lines	km	9,771	9,771	9,753	8,053	0	0.0%
Lower voltages							
length of the triads	km	21,332	21,342	21,169	18,636	-10	0.0%
length of the lines	km	19,864	19,863	19,716	17,538	1	0.0%
Total							
length of the triads	km	44,172	44,201	43,777	38,976	-29	-0.1%
of which:							
in underground cables	*km*	*465*	*445*	*422*	*302*	*20*	*4.5%*
in submarine cables	*km*	*434*	*434*	*434*	*426*	*0*	*0.0%*
in 400 cc and 200 kV	*km*	*1,068*	*1,068*	*1,068*	-	*0*	-
length of the lines	km	39,456	39,446	39,056	35,129	10	0.0%
of which:							
in underground cables	*km*	*465*	*445*	*422*	*302*	*20*	*4.5%*
in submarine cables	*km*	*434*	*434*	*434*	*426*	*0*	*0.0%*
in 400 cc and 200 kV	*km*	*749*	*749*	*749*	-	*0*	-
Incidence of continuous current connections							
length of the triads	%	2.4	2.4	2.4	2.70	0	0.0%
length of the lines	%	1.7	1.9	1.9	2.10	0	-10.5%
Grid efficiency							
Energy managed	GWh/year	337,600	340,000	337,000	329,441	-2,400	-0.7%
of which:							
own energy consumption	*GWh/year*	*150*	*150*	*150*	*150*	*0*	*0.0%*
Loss of electricity energy on the National Transmission Grid (NTG) (1)	%	1.32	1.32	1.32	-	-	-
Technical Quality							
Indices of service continuity:							
ASA (Average System Availability) (2)	%	99.15	99.28	99.21	99.26	0	-
SAIFI+MAIFI (Average Interruption Frequency Index)	no.	0.22	0.23	0.21	0.18	0	-
AIT (Average Interruption Time) (3)	min	0.66	0.99	0.56	0.68	0	-
ENS (Energy Not Supplied) (4)	MWh	815	644	358	424	171	-

(1) Estimated figure (loss on the lines due to proportional crown effect on the voltage and due to the proportional joule effect on the current, loss on the transformers).
(2) The indicator is ASA Overall % (used in international benchmarks), calculated with reference to the single TOA, i.e. for the entire national area taking into account: Programmed Downtime; Occasional Downtime; Downtime due to Breakdown; Downtime due to External Causes; Downtime for Development Work.
(3) Average time of interruption in supply of the electricity system (NTG) in a year. This is calculated as the ratio between the Energy Not Supplied in a certain period (ENS figure) and the average power absorbed by the electricity system in the considered period.
(4) Energy Not Supplied due to non-supplies on the NTG in the period. Important incidents are excluded from the ENS calculation. Up to December 31, 2007, in compliance with the provisions of the AEEG Resolution no. 250/04, an Important Incident means a non-supply with Energy Not Supplied of over 150 MWh with a duration of over 30 minutes. From January 1, 2008 when the 2008-2011 regulatory period came into force and with Resolution no. 341/07 and 333/07 regarding the Regulation of the Service Quality, an Important Incident means any non-supply with Energy Not Supplied of over 250 MWh. The 2008 figure was calculated according to this last definition.

Economic responsibility

Shareholders

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Breakdown of shareholder base [1]							
Institutional Investors	%	59.7	59.7	41.3	38.1	-	-
Cassa Depositi e Prestiti SpA	%	29.99	29.99	29.99	29.99	-	-
Retail	%	5.2	5.2	23.6	26.8	-	-
Enel SpA	%	5.1	5.1	5.1	5.1	-	-
Socially Responsible Investors (SRIs) [2]							
SRI funds among the shareholders	no.	38	46	38	25	-8	-17.4%
Quota of Terna shares held by SRI funds	%	10	12.2	13.49	3.27	-2	-
Weight of SRIs in Institutional Funds	%	31.3	38.1	32.6	12.0	-7	-
Share performance							
Financial performance of the share [3]	%	-15.34	6.08	22.97	-1.93	-21	-
Dividend yield [4]	%	6.93	5.50	5.46	6.25	1	-
Terna in the MIB30 and in the worldwide share-market indices:							
Mibtel	%	1.22	0.73	0.65	0.63	0	-
MIB30	%	1.64	1.01	0.95	0.87	1	-
S&P/MIB30	%	1.58	0.99	0.89	0.82	1	-
Dow Jones STOXX 600 Utilities	%	1	0.697	0.71	0.71	0	-
Sustainability indices in which Terna is found:							
FTSE4GOOD	#	yes	yes	yes	yes	-	-
ECPI Ethical Index €uro	#	yes	yes	yes	-	-	-
Shareholder return							
Earnings per Share (EPS)	€	0.168	0.203	0.178	0.134	0	-17.2%
Dividend per Share (DPS)	€	0.16	0.15	0.14	0.13	0	5.3%
Total Shareholder Return (TSR):							
- since IPO	%	*76.65*	*96.92*	*73.81*	*32.86*	*-20*	-
- since start of the year	%	*-10.3*	*11.99*	*30.45*	-	*-22*	-
Communications to shareholders							
Meetings/conference calls with investors (“buy-side”)	no.	157	107	207	90	50	-
Meetings/conference calls with financial analysts (“sell-side”)	no.	248	266	172	212	-18	-
Meetings with targeted investors and/or with space for CSR themes	no.	5	3	5	9	2	-
Requests for information from retail shareholders [6]	no.	27	17	62	107	10	-
Economic performance [7]							
Revenues	€/Mln	1,196.1	1,121.4	1,110.2	910.3	75	6.7%
EBITDA	€/Mln	850.7	795.2	740.9	587.5	56	7.0%
EBIT	€/Mln	597.2	586.6	550.8	430.5	11	1.8%
EBT	€/Mln	509.9	553.7	566.9	419.8	-44	-7.9%
Net profit	€/Mln	335.3	406.7	355.8	265.6	-71	-17.6%
ROACE	%	12.0	14.0	14.0	11.8	-2.0	-

(1) During 2005, Enel SpA reduced its shareholding in Terna by selling 13.86 % of the share capital to Italian and foreign Institutional Investors through an accelerated bookbuilding operation and 29.99% to the Cassa Depositi e Prestiti SpA.
(2) Investiments made, on the basis of traditional criteria and also on the basis of ethical criteria.
(3) The 2005 performance was calculated by comparing the share price as at December 30, 2005 (2.084 euro) with that as at January 3, 2005 (2.185 euro). The 2006 performance, on the other hand, was calculated by comparing the share price as at December 29, 2006 (2.57 euro) with that as at January 2, 2006 (2.09 euro). The 2007 performance was calculated by comparing the share price as at December 28, 2007 (2.758 euro) with that as at January 2, 2007 (2.60 euro). The 2008 result was obtained by comparing the share price as at December 31, 2008 (2.335 euro) with that as at January 2, 2008 (2.80 euro) per share.
(4) The value was calculated as the ratio between the dividend on the accrual basis for the year in question and the average reference price for the month of December.
(5) As regards the 2005 value, 0.05 euro was distributed as an advance payment on November 24, 2005 and 0.08 euro was paid on June 22, 2006. For 2006, 0.53 euro was distributed in advance on October 20, 2006 and paid on October 23, 2006 and 0.087 euro was distributed on June 18, 2007 and paid on June 21, 2007. Similarly for 2007, of the 0.151 euro, the sum of 0.056 euro was distributed on account on November 19, 2007 and paid on November 22, 2007 and 0.095 euro was distributed as the balance on 23.06.2008 and paid on June 26, 2008. In 2008 a dividend of 15.8 eurocents per share was distributed for the entire year of 2008, of which 5.92 eurocents were paid on account in November 2008 and 9.88 eurocents as the balance payment in June 2009.
(6) The figure does not take into account the requests made to the specific telephone points – only those that arrived via email.
(7) Since 2006 Terna has used the IFRS accounting standards, and the figures relating to 2005 were recalculated according to these standards.

Financers

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Payables [1]							
Financial borrowing	€/Mln	2,954.1	2,308.7	2,005.7	1,865.0	645	28.0%
Equity	€/Mln	2,028.0	2,026.0	1,901.7	1,797.0	2	0.1%
Debt to Equity	%	145.7	113.9	105.5	103.8	32	27.9%
EIB Loans [1]							
Residual debt relating to EIB loans	€/Mln	811.4	540.9	570.5	400.0	270.5	50.0%
Rating [2]							
S&P (since Sep. 2, 2004)							
Outlook	index	negative	stable	stable	stable	-	-
M/L Term	index	AA-	AA-	AA-	AA-	-	-
Short Term	index	A-1+	A-1+	A-1+	A-1+	-	-
Moody's (since Sep. 2, 2004)							
Outlook	index	stable	stable	stable	stable	-	-
M/L Term	index	A1	Aa3	Aa3	Aa3	-	-
Short Term	index	P-1	P-1	P-1	P-1	-	-
Fitch (since May 4, 2006)							
Outlook (Issuer)	index	stable	negative	negative	-	-	-
M/L Term (Issuer)	index	A+	AA-	AA-	-	-	-
Short Term (Issuer)	index	F1	F1+	F1+	-	-	-
FitchSeniorUnsecured Debt	index	AA-	AA	AA	-	-	-

Payables

EIB Loans
(1) Since 2006 Terna has used the IFRS accounting standards, and the figures relating to 2005 were recalculated according to these standards.

Rating
(2) These refer to the last evaluations assigned to Terna in the financial year.

Suppliers

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Number of Suppliers							
Number of Suppliers under contract	no.	1,841	1,828	1,696	1,582	13	0.7%
Procurement of materials and services							
Supplies	€/Mln	341.7	298.5	755.4	135.3	43	14.5%
Works	€/Mln	188.5	99.4	125.2	79.9	89	89.7%
Services	€/Mln	120.3	96.6	72.2	35.7	24	24.6%
Management Tools							
Companies suited to Supplier List	no.	303	265	238	229	38	14.3%
Qualified sectors at the end of the year	no.	36	35	35	36	1	2.9%
Online tender bids (percentage of total orders in the year)	%	10	30	11	64	-20	-66.7%
Legal cases with Suppliers							
Pending cases	no.	16	17	21	23	-1	-
Litigation filed during the period	no.	3	0	0	6	3	-
Litigation defined during the period	no.	4	4	4	2	0	-

Customers - Regulated market

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Customer portfolio							
Users of transmission service:							
Distributors directly connected to the National Transmission Grid	no.	21	21	21	21	0	0.0%
Owners of production facilities (1)	no.	75	1,200	1,007	260	-1,125	-93.8%
Users of dispatching service:							
Input dispatching users (Producers and Traders, including the GSE)	no.	75	74	70	54	1	1.4%
Withdrawal dispatching users (Traders and end customers including the Single Buyer)	no.	102	98	97	90	4	4.1%

Customer portfolio

Owners of production facilities:
(1) The 2006 increase was due to about 200 small facilities coming on line and the completion of the census of facilities with less than 10 MVA of power. Since January 2008, the vast majority of small production facilities have come under the ownership of the GSE, which maintains dealings with Terna.

Customer litigation

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Legal cases with customers							
Pending cases	no.	7	3	1	0	4	-
Litigation filed during the period	no.	4	2	1	0	2	-
Litigation defined during the period	no.	0	0	0	0	0	-

Environmental responsibility

Environmental data

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Emissions							
Percentage incidence of the losses in consistency of SF_6 (1)	%	1.07	0.69	0.58	0.59	0.38	55.2%
SF_6 greenhouse gas emissions	kg	3,410.0	2,099.4	1,569.0	1,533.3	1,310.6	62.4%
SF_6 consistency	kg	318,694.3	304,424.1	270,690.8	261,143.5	14,270.2	4.7%
- on equipment in service	*kg*	*288,628.6*	*272,899.8*	*245,405.2*	*233,876.9*	*15,728.8*	*5.8%*
- on equipment not in service	*kg*	*0.0*	*1,926.7*	*4,243.7*	-	-	-
- in gas cylinders	*kg*	*30,065.8*	*29,597.6*	*21,041.9*	*21,063.1*	*468.2*	*1.6%*
Waste Management (2)							
Waste products	tons	8,010.7	4,562.9	8,282.6	7,291.6	3,562.7	78.1%
Waste recycling	%	90.8	86.8	92.7	89.2	2.5	2.9%
Special non-hazardous waste:							
Machinery, equipment, supports, conductors, cables							
- product quantity	*tons*	*1,866.7*	*2,019.7*	*3,934.8*	*2,621.4*	*-153.0*	*-7.6%*
- quantity delivered for recycling	*tons*	*1,763.3*	*1,990.8*	*3,939.1*	*2,454.4*	*-227.5*	*-11.4%*
Packaging							
- product quantity	*tons*	*131.9*	*287.8*	*433.2*	*207.6*	*-155.9*	*-54.2%*
- quantity delivered for recycling	*tons*	*107.1*	*265.3*	*424.5*	*215.0*	*-158.2*	*-59.6%*
Others (3)							
- product quantity	*tons*	*2,002.6*	*462.4*	*526.7*	*811.2*	*1,540.2*	*333.1%*
- quantity delivered for recycling	*tons*	*1,783.4*	*144.1*	*185.8*	*338.6*	*1,639.3*	*1,137.5%*
Total special non-hazardous waste:							
- product quantity	*tons*	*4,001.2*	*2,769.9*	*4,894.8*	*3,640.2*	*1,231.3*	*44.5%*
- quantity delivered for recycling	*tons*	*3,653.8*	*2,400.2*	*4,549.4*	*3,008.0*	*1,253.6*	*52.2%*
Special hazardous waste:							
Machinery, equipment, supports, conductors, cables							
- product quantity	*tons*	*2,914.7*	*934.4*	*2,513.5*	*2,707.4*	*1,980.3*	*211.9%*
- quantity delivered for recycling	*tons*	*2,808.2*	*912.9*	*2,463.5*	*2,625.0*	*1,895.3*	*207.6%*
Waste oil with PCBs > 25ppm							
- product quantity	*tons*	*26.6*	*27.1*	*49.3*	*2.0*	*-0.5*	*-1.8%*
- quantity delivered for recycling	*tons*	*25.7*	*17.5*	*44.2*	*0.0*	*8.2*	*47.1%*
Waste oil without PCBs or with PCBs ≤ 25ppm							
- product quantity	*tons*	*966.2*	*460.5*	*487.3*	*851.5*	*505.7*	*109.8%*
- quantity delivered for recycling	*tons*	*682.0*	*455.1*	*484.3*	*804.9*	*226.9*	*49.9%*
Lead batteries							
- product quantity	*tons*	*73.0*	*93.6*	*90.3*	*49.1*	*-20.6*	*-22.0%*
- quantity delivered for recycling	*tons*	*72.1*	*84.8*	*90.3*	*49.0*	*-12.7*	*-14.9%*
Waste consisting of materials containing asbestos							
- product quantity	*tons*	*31.1*	*63.8*	*10.0*	*4.0*	*-32.7*	*-51.2%*
- quantity delivered for recycling	*tons*	*0.0*	*0.0*	*5.9*	*3.3*	-	-
Others							
- product quantity	*tons*	*112.8*	*213.7*	*237.4*	*37.4*	*-100.9*	*-47.2%*
- quantity delivered for recycling	*tons*	*12.6*	*90.4*	*40.2*	*15.0*	*-77.8*	*-86.1%*
Total special hazardous waste:							
- product quantity	*tons*	*4,009.6*	*1,793.0*	*3,387.8*	*3,651.4*	*2,331.4*	*130.0%*
- quantity delivered for recycling	*tons*	*3,616.8*	*1,560.6*	*3,128.4*	*3,497.1*	*2,040.0*	*130.7%*
Litigation regarding the environment							
Pending cases	no.	180	172	158	152	8	-
Litigation filed during the period	no.	31	25	19	17	6	-
Litigation defined during the period	no.	23	11	11	26	12	-

(1) The percentage losses in 2008 includes 1,100 kg of losses recorded during the incident that occurred in Tavarnuzze. If these losses are not taken into account, the percentage stands at 0.73% in line with the percentage losses in the previous years.
(2) Only waste from the production process is included, excluding, therefore, waste produced from service activities (e.g. offices). Waste belonging to the "Excavation earth and rocks" category, which is exceptional in nature and would make the series of figures disparate. The inclusion of the item "Excavation earth and rocks" would have given the following results for 2008:
- total waste produced 77,034.1 tons;
- special non-hazardous waste produced (quantity produced) 72,565.4 tons;
- special non-hazardous waste produced (quantity delivered for recycling) 9,130.0 tons.
(3) The item "Others" mainly includes waste from construction and demolition activities.

Social responsibility

Employee numbers and breakdown

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Numbers							
Employees	no.	3,524	3,495	3,475	3,388	29	0.8%
Employees joining the Company during the year [1]	no.	155	280	254	672	-125	-44.6%
Employees leaving the Company during the year	no.	126	152	169	155	-26	-17.1%
Breakdown							
Professional qualification							
Executives	%	1.8	2.0	2.2	2.2	-0.1	-
Middle Managers	%	13.8	13.3	12.6	11.9	0.5	-
Office Staff	%	54.1	53.7	53.4	53.5	0.5	-
Workers	%	30.3	31.1	31.8	32.4	-0.8	-
Education							
University degrees and diplomas	%	17.0	15.8	15.0	13.2	1.2	-
High School Diploma	%	45.0	44.0	43.0	42.4	1.0	-
Vocational Qualification	%	17.0	17.2	18.0	18.1	-0.2	-
Primary and Middle school diploma	%	21.0	23.0	24.0	26.3	-2.0	-
Average age	y	46.1	46.2	46.0	46.6	-0.1	-
Average years of service in the company	y	21.3	21.5	21.8	-	-0.2	-
Contracts and flexible working procedures							
Training contracts in progress at the end of the year [2]	no.	166	132	39	87	34	25.8%
Training contracts expired and converted into permanent contracts during the year	no.	56	6	109	36	50	833.3%
Interns and trainees collaborating with Terna	no.	13	24	25	15	-11	-45.8%
Use of part-time	%	0.8	0.9	1.0	0.6	0	-
Use of overtime	%	5.5	4.9	4.4	4.2	1	-

Personnel Numbers

(1) The 2005 figure also includes the staff transferred to Terna following the purchase of Acea Trasmissione and the TSO branch of the Company from GRTN.
(2) The figures include Training Contracts (Contratti Formazione Lavoro) and one fixed-term contract.

Employee satisfaction and development

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Compensation							
Average cost per employee [1]	€	70,500	67,500	64,429	57,860	3,000	4.4%
Incidence of variable salary bonuses over fixed salary [2]	%	8.0	5.4	5.1	5.9	2.6	48.1%
Executives with stock option [3]	no.	15	16	17	17	-1	-6.3%
Executives in the Long Term Incentive (LTI) plan during the year	no.	44	45	52	58	-1	-2.2%
Training							
Training hours per employee	h	53	43	35	42	10	23.3%
Employees involved in training activities (Coverage)	%	96.0	98.0	87.0	97.0	-2.0	-2.0%
Training costs per employee [4]	€	300	447	282	442	-147	-32.9%
Incidence of Distance Learning over total number of training hours	%	8.0	2.6	5.4	6.1	5.4	207.7%
Company climate							
Total of spontaneous resignations	no.	28	16	13	3	12	75.0%
Absences per head [5]	h	112.0	115.6	125.7	126.0	-4	-3.1%
Litigation with employees [6]							
Pending cases	no.	51	69	104	149	-18	-26.1%
Litigation filed during the period	no.	13	12	9	15	1	8.3%
Litigation defined during the period	no.	31	47	47	16	-16	-34.0%

(1) Employee here means anyone employed by the Company, including senior management. The increase in 2006 is mainly due to the inclusion of personnel with senior and middle management and office staff status, following the acquisition of the TSO company branch from GRTN; the figures do not include overtime, fringe benefits and flat-rate payments for transfers.
(2) The figures refer to incentives paid to all company employees, including senior management; fringe benefits are excluded.
(3) There is only one Stock Option in force, which was passed by resolution on December 21, 2005 and expires on March 31, 2010.
(4) The training costs do not include the cost of staff away from their normal duties during training hours nor the hourly cost of in-house teachers.
(5) These refer to non-contractual absences recorded during the year (illness, injuries and strikes).
(6) Litigation mainly relates to judgments regarding the calculation of Employee Severance Indemnity and, therefore, mainly concerns ex-employees.

Equal opportunities

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Equal opportunities for women staff							
Women staff on the payroll	**no.**	**359**	**341**	**324**	**306**	**18**	**5.3%**
Executives	no.	10	10	10	8	0	0.0%
Middle Managers	no.	73	61	54	49	12	19.7%
Office Staff	no.	276	270	260	249	6	2.2%
Workers	no.	0	0	0	0	0	-
Incidence of women staff	%	10.2	9.8	9.3	9.0	0.4	-
Incidence of women staff in managerial roles	%	15.1	13.3	12.5	12.0	1.8	-
Salary paid to women staff in managerial roles [1]	%	13.6	12.0	10.7	10.7	1.7	-
Incidence of women staff in other roles	%	9.3	9.1	8.7	8.6	0.2	-
Salary paid to women staff in other roles [2]	%	9.2	9.1	9.0	8.6	0.1	-

(1) This means the total gross annual salary quota for middle and senior management paid to women staff holding managerial posts of responsibility.
(2) This means the total gross annual salary quota for office staff and workers paid to women staff holding non-managerial posts.

Safety

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Injuries at work to employees							
Injuries in the workplace	no.	50	40	56	53	10	25.0%
of which: fatalities	*no.*	*1*	*0*	*1*	*1*	*1*	-
serious injuries	*no.*	*1*	*0*	*0*	*1*	*1*	-
Injury Rate [1]	%	1.72	1.45	2.14	2.14	0.27	-
Lost Day Rate [2]	%	329.00	51.23	361.50	378.00	277.77	-
Safety costs per employee [3]	€	1,043	552	580	355	491	88.9%
Periodical medical examinations	no.	2,049	2,502	1,547	2,052	-453	-18.1%
Injuries at work - Contract company workers							
Injuries at work - Contract company workers (serious and fatal)	no.	2	0	1	1	2	-

(1) This is the number of injuries involving at least one day's abstention from work divided by the hours worked in the year, multiplied by 200,000 (equal to 50 working weeks multiplied by 40 hours, multiplied by 100 employees). The formula complies with the criteria of the Global Reporting Initiative. This indicator is also calculated in accordance with the UNI 7249:2007 standard using the following formula: N/H*1,000,000, where N is the number of injuries involving at least one day's abstention from work during the year and H is the number of hours worked in the same period. According to this method of calculation, the Injury Rate would be 10.7 in 2006, 7.3 in 2007, and 8.6 in 2008.
(2) This is the ratio between days lost due to injury and the hours worked in the year, multiplied by 200,000. The days are calendar days and are counted from the time when the injury occurred. The formula complies with the criteria of the Global Reporting Initiative.
This indicator is also calculated in accordance with the UNI 7249:2007 standard using the following formula: G/H*1,000 where G is the number of days of actual inability to work during the year and H is the number of hours worked in the same period. According to this method of calculation, the Lost Day Rate would be 1.8 in 2006, 0.3 in 2007, and 1.7 in 2008.
(3) The figures refer to costs incurred in purchasing Personal Safety Equipment and clothing.

Relations with trade unions

Indicator	UM	2008	2007	2006	2005	Var 07-08	Var 07-08%
Unionisation of personnel							
Unionisation rate	%	64.0	66.5	68.8	70.3	-2.5	-

Acronyms

ACEA	Azienda Comunale Energia e Ambiente (Municipal Energy and Environment Company)
AEEG	Autorità dell'Energia Elettrica e del Gas (Italian Authority for Electricity and Gas)
AGC	Autorità Garante della Concorrenza e del Mercato (Italian Antitrust Authority)
AIT	Average Interruption Time
ASA	Average System Availability
AU	Acquirente Unico (Italian Single Buyer)
BoD	Board of Directors
CdP	Cassa Depositi e Prestiti
CEI	Comitato Elettrotecnico Italiano (Italian Electrotechnical Committee)
CESI	Centro Elettrotecnico Sperimentale Italiano (Italian Electrotechnical Testing Centre)
CIGRE	Conseil International des Grands Réseaux Electriques à Haute Tension
CONSOB	Commissione Nazionale per le Società e la Borsa (National Commission for Companies and the Stock Exchange)
CSR	Corporate Social Responsibility
DAEM	Day Ahead Energy Market
DP	Development Plan of the national transmission electricity grid
DPS	Dividend Per Share
DT	Distance Training
EBIT	Earnings Before Interest and Taxes
EIA	Environmental Impact Assessment
EMO	Energy Market Operator
EMS	Energy Management System
ENS	Energy Not Supplied
EPS	Earnings Per Share
EPSES	Emergency Plan for the Security of the Electricity System
ERA	Exclusion, Repulsion, Attraction
ETSO	European Transmission System Operators
GAAP	Generally Accepted Accounting Principles
GIS	Geographic Information System
GRI	Global Reporting Initiative
GRTN	Gestore della Rete di Trasmissione Nazionale (National Transmission Grid Operator)
GSE	Gestore Servizi Elettrici (Electric Services Management)
HV	High Voltage

IEA	International Energy Agency
IPD	Individual Protection Device
IPO	Initial Public Offering
ISPRA	Istituto Superiore per la Protezione e la Ricerca Ambientale
ISTAT	Italian National Statistics Institute
MBI	Maintenance and Business Intelligence
MBO	Management By Objectives
MDS	Market for Dispatching Services
MED	Ministry of Economic Development
MEF	Ministry of Economy and Finance
MELC	Ministry for the Environment and Land Conservation
MPA	Ministry for Productive Activities (now the Ministry for Economic Development MED)
N.A.	Not Available
NCC	National Control Centre
NTG	National Transmission Grid
OECD	Organisation for Economic Cooperation and Development
PCB	Polychlorinated biphenyls
PCT	Polychlorinated terphenyls
ROACE	Returns on Average Capital Employed
S&P	Standard & Poor's
SCADA	Supervisory Control And Data Acquisition
SEA	Strategic Environmental Assessment
SETSO	South European Transmission System Operators
SISTAN	National Statistical System
SRI	Socially Responsible Investment
TFR	Trattamento di Fine Rapporto (Staff Severance Indemnity)
TOA	Transmission Operational Area
TSO	Transmission System Operator
TSR	Total Shareholder Return
UCTE	Union for the Coordination of Transmission of Electricity
VHV	Very High Voltage
ZPS	Special Protection Area

Glossary

231 Organisational Model
231 Organisational Model takes its name from Legislative Decree no. 231, 2001. This decree imposes a company liability in case of specific crimes perpetrated by managers, employees or partners in the interest or advantage of the company itself (e.g. public managers bribery, company frauds, crimes against private person, market abuse). The model is a set of guidelines, procedures, training commitment and control mechanisms that aim to prevent the risk of committing such crimes. 231 Organisational Model thus represents an integrated system to avoid specific risks; when defined according to law instructions, this system ("231 Organisational Model") can also avoid sanctions to the company – or reduce their extent – in case the crimes are actually perpetrated.

Accident frequency index
This is calculated using the following formula: N/H*1,000,000, where N is the number of accidents with at least one day's absence from work during the year, and H is the number of hours worked during the same period.

Accident seriousness index
This is calculated using the following formula: G/H*1,000, where G is the number of effective days of unavailability during the year, and H is the number of hours worked during the same period.

AIT (Average Interruption Time)
Average duration of interruption of supply to the electrical system during the year.

ASA (Average System Availability)
Average real availability of all elements of the National Transmission Grid during the period.

Availability of a grid element
State in which a grid element may be used for transmission activities under the conditions provided under operational consistency as set forth in Attachment 1 of the Operator/Owner Standard Agreement.

Average number of outages per grid user (N)
The average number of outages per grid user directly connected to the NTG is defined by the following formula:

$$\frac{\sum_{i=1}^{n} Ui}{Utot}$$

Where the sum includes all n outages that occurred in the period and/or calendar year and area, and where:
- Ui is the number of users involved in the n^{th} considered outage;
- Utot is the total number of users directly connected to the NTG during the calendar year.

Balancing Services Market (BM)
The market provided and regulated within the Market for Dispatching Services (MDS) for the procurement of the resources necessary for balancing.

Bay
Group of power plants and accessory plants serving a power line or a transformer which connect the Grid elements to the bar system of a power station.

Bersani Decree
Legislative Decree no. 79 of March 16, 1999, which was issued to implement EC Directive no. 96/92/EC, regarding shared standards for the domestic electricity market and the liberalisation thereof.

Bilateral contract
An energy supply contract between two market operators.

Code of Ethics
It is often called a "business charter", as it represents the foundation of the company's culture and explicitly sets forth the rights and duties and areas of responsibility that the business undertakes to respect in dealing with its stakeholders. It is an official document, signed by the BoD, which requires the compliance of all personnel.

Congestion Resolution Market (CRM)
The market provided and regulated within the Market for Dispatching Services (MDS) for the procurement of the resources necessary for resolving congestion.

Connection
The group of grid elements forming the transmission line, and the bays at the borders of the same, including the related circuitry isolating apparata. Connections are classified by voltage level with reference to rated voltage. The length of the connection is generally the length of the line which forms the connection itself.

Connection line
Any power line that links the power distribution plant with the user's plant, or the power distribution plant with the connection station.

Connection station
Power station which is part of the NTG, whose supply plant is connected to one or more power lines.

Control area
Electricity system able to regulate its own production by maintaining exchanges of power with other interconnected systems at planned levels, and to contribute to the regulation of the interconnection frequency.

Control Centre
A group of plants used for the control and operation of the NTG or a User's electricity system (different from a Production System).

Control System
A group of calculation systems, data transmission lines and apparata which enables the secure and economic control of the entire electricity system.

Controlled electricity system
The group including the National Transmission Grid and directly connected users' plants, including the associated devices for ancillary services.

Corporate governance
The form of governance of the company, meaning the system of relations between managers, directors, shareholders and other stakeholders of the company.

Corporate Social Responsibility (CSR)
"The integration, by the firms, of social and ecological concerns in their commercial operations and their relations with parties involved. Being socially responsible means not only completely fulfilling applicable legal obligations, but going beyond, to invest in human capital, the environment and in other relations with parties involved" (Green Book of the European Commission, July 18, 2001).

Customers
Businesses or distribution companies, wholesalers and the final buyers of electrical energy.

Data privacy
Data is considered confidential if, when transferred from one telecommunications and/or processing system, the data content is not to be read by unauthorised persons. This is a data and information treatment condition of direct commercial importance.

Day Ahead Energy Market (DAEM)
The trading of bids for the purchase and supply of electrical energy for each hour of the next operating day following that of trading. This market deals with the energy units which define the production and withdrawal plan for the following day (preliminary cumulative programs).

Defence plans
The control activities – automatic and/or manual – set forth by Terna and carried out through single systems and/or plants designed to maintain or to return an electricity system to a normal condition, also passing through a reinstatement stage, once such a stage has already begun, or emergency conditions are already present.

Development
Works on the electricity grid which lead to the adjustment or upgrading of the transport, transformation, connection and interconnection capacity, or an increase in operating flexibility of the grid, or the removal of grid elements.

Direct connection to the NTG
Connection of all plants with existing circuit continuity at least in one point, without the interposition of ancillary power plants, to the NTG.

Dispatching
The activity aimed at issuing provisions for the coordinated use and operation of production plants, the National Transmission Grid, the grids connected to the same, and ancillary services of the electricity system.

Distribution
The transport and transformation of electrical energy on high-, medium- and low-voltage distribution grids for supply to the final customers.

Dividend Yield
Calculated as the ratio of the last dividend distributed by a company and the current price of its shares. It indicates the immediate profitability of a share.

DPS (Dividend per Share)
Dividend per Share: calculated as the total amount of dividends distributed by a company divided by its total number of ordinary shares.

EBIT (Earnings Before Interest and Taxes)
One of the key profitability indicators for typical company management. It measures company profits before taxes, financial income/charges and extraordinary components; it is also called operating profit or operating income.

EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortisation)
Profit before taxes, financial income/charges, write-downs, amortisation and extraordinary components. It is similar to the term GOP (Gross Operating Profit), which measures operating profits gross of amortisation and allocations to provisions.

EBT (Earnings Before Taxes)
A company's profits (losses) before tax.

Electricity Grid
A group of plants, lines and stations for transferring electrical energy and supplying the necessary ancillary services.

Electricity market
The system of wholesale selling of electricity, which determines which power generation systems or plants will be used to meet the demand at any moment, and determines the price of energy at that specific moment.

Electricity markets
Intended as the combination of the Energy Market and the Market for Dispatching Services (MDS).

Electrocution
Phenomenon known as an electric "shock", caused by contact between a body and electrical current. This can have damaging and/or lethal effects on an organism depending on the intensity of the current and the duration of exposure.

Eligible customer
The natural or legal person who is free to stipulate supply contracts with any producer, distributor or wholesaler, both in Italy and abroad. Starting from May 1, 2003, eligible customers are defined as those consuming more than 100,000 kWh per year.

Emergency condition of an electricity system
Operational situation of an electrical grid which results in exceeding operating limits of grid elements and/or outages of load portions, due to faults or disturbances.

Emergency intervention
Group of operations executed following anomalies or faults on plants, to ensure the recovery of efficiency of such plants in as short a time as possible and/or enable, in emergency conditions, the local running of the plants.

Emergency Plan
Group of automatic and manual procedures implemented during critical operating period, in order to avoid or limit the going offline of the electricity system itself or part of it.

Emergency Plan for the Security of the Electricity System (EPSES)
In case of critical events, EPSES sets forth the methods for selectively suspending the supply of electrical energy to domestic and industrial users, with different levels of severity.

Energy market
Intended as the combination of the Day Ahead Energy Market (DAEM) and the Real Time Energy Market (RTEM).

Energy Not Supplied (ENS)
Energy Not Supplied due to outage, defined by the following formula:

$$\sum_{i=1}^{n}\sum_{j=1}^{m}(P_{i,j} * T_{i,j})$$

where the sum includes all outages that occurred in the period and/or calendar year and area and, for each of these, all direct and indirect users affected by the same outage, where:
n is the number of outages in the period under observation;
m is the number of users affected by the i^{th} outage;
Ti,j and Pi,j are, respectively, the duration (in hours) of the outage and interrupted power (MW) for the j^{th} user affected during the i^{th} outage;
Pi,j is the average constant value of the first 15 minutes if the duration of the interruption is less than or equal to 15 minutes; if the length exceeds 15 minutes, this is estimated based on the forecast and/or historic capacity power diagram.

EPS (Earnings Per Share)
Calculated as the ratio of net profit to the number of a company's outstanding ordinary shares.

Equity
Term used to indicate the shareholders' equity of a company; in the context of asset management, it is used to refer to the stock segment.

Ethical Auditing
Consists in verifying the application of and compliance with the Code of Ethics. The company management assigned this task must ascertain and promote continuous improvement in ethics with the company through analysis and evaluation of the ethical risk control processes.

Extraordinary maintenance
Performed for the recovery and extension of the useful life of a plant, without modifying the functional consistency or technical characteristics, as specified in Attachments 1, 2a and 2b of the Operator-Owner Standard Agreement.

Fault
The yielding of an electric component or a condition of danger to persons or things, which results in a grid element being immediately taken offline. The fault can be:
- transient, when it is eliminated through the automatic sequences of immediate opening and reclosure of the circuit breakers;
- permanent, in all other cases.

Final customer
The natural or legal person who purchases electrical energy exclusively for their own use.

Free market
Market where producers and wholesalers of electrical energy, both Italian and foreign, compete freely to provide electrical energy to eligible customers.

Frequency
The number of oscillations per second, in which the value of the alternating current, such as voltage, varies from positive polarity to negative polarity. It is measured in Hertz (Hz).

Fringe Benefit
Compensation in kind, meaning benefits which do not consist in the payment of money, but the use of a service or an object: such as the company canteen, lunch vouchers, company car or mobile telephone.

FTSE4Good
Financial Times index which groups the best companies meeting specific sustainability requirements. These companies are identified by the EIRIS, through specific questionnaires.

Gestore Mercato Elettrico (Energy Market Operator – GME)
Joint stock company created in 2000 by GRTN, which is in charge of the economic management of the electricity market according to conditions of transparency and objectivity, in order to promote competition between producers, ensuring the availability of a suitable level of power reserves.

Gigawatt (GW)
Unit of measurement equal to one billion watts (1,000 megawatts).

GRI (Global Reporting Initiative)
An independent international association with the aim of the development and global diffusion of the Sustainability Reporting Framework, in order to support companies which voluntarily decide to publish data regarding their economic, social and environmental performance.

Grid Code (Code for transmission, dispatching, development and security of the grid)
The document that governs the procedures regarding the activities of connection, management, planning, development and maintenance of the National Transmission Grid, as well as dispatching and measurement of electrical energy. More specifically, the Grid Code sets forth transparent, non-discriminatory regulations for:
- access to the Grid and its technical regulation;
- development, management, and maintenance of the Grid;
- the performance of dispatching services;
- the supply of services of measurement and the aggregation of measurements;
- the settlement of financial charges connected to the various services;
- security of the national electricity system.

Grid Diagram
Circuit infrastructure of the grid, represented in a single line diagram at a sufficient level of detail to illustrate the elements of the Grid, as well as the components making up such elements.

Grid management
The activities and procedures which determine the operations and the operations forecast, under any conditions, of a power grid. Said activities and procedures include the management of electric power flows, interconnection devices and necessary ancillary services, as well as the decisions to perform maintenance and development works.

Grid operator
The natural or legal person who manages a power grid, also without owning said grid.

Grid user
The natural or legal person who supplies or is supplied by a transmission or distribution grid.

High voltage (HV)
Rated voltage greater than 35 kV and lower than or equal to 220 kV.

Indirect connection to the NTG
Connection of all plants relevant in terms of the operations of transmission and dispatching, with existing circuit continuity at a minimum of one point, with the interposition of ancillary power plant, to the NTG.

Interconnection line
High-voltage power line in alternating current (AC) or direct current (DC) which links to different electrical transmission or distribution grids or even two generation plants.

Interconnection of electricity grid
Connection between electricity grids required for the transfer of electricity.

Internal Dealing
Governs transparency obligations in relation to the market, for operations in financial instruments of a company or its subsidiaries, performed by persons in possession of significant company decision-taking powers, and which have access to price-sensitive information ("significant persons").

Interruption
Condition in which the voltage of the terminals delivering electrical energy for a user is lower than 1% of the rated voltage.

Interruption with notice
Interruption generally due to the execution of planned intervention and manoeuvres on the grid, preceded by notice to users involved of the duration of the interruption, using suitable means and with advance notice of no less than one day.

Interruption without notice
All cases of interruption where users are not notified in advance through suitable means and with advance notice of no less than one day. An interruption without notice may be classified as:
- long-term interruption, if it has a duration of more than three minutes;
- short-term interruption, if it has a duration of more than one second but no more than three minutes;
- transient interruption if it has a duration of no more than one second.

IPD (Individual Protection Device)
Any equipment designed to be worn or held by the worker, for the purpose of protecting him against one or more risks likely to threaten his safety or health in the workplace, as well as any complement or accessory designed for such purpose. IPDs must comply with Directive EEC 686/89 and subsequent modifications, with the EN 345 regulations, as well as Legislative Decree no. 475 of December 4, 1992.

IPO (Initial Public Offering)
Indicates an initial offer of shares of a company being listed. It is a synonym of "Public Offer for Sale", "Public subscription of shares" and "New listing".

Italian Authority for Electricity and Gas (AEEG)
Independent authority created by Law no. 481 of November 14, 1995, which is charged with regulating and controlling the electrical energy and gas sectors.

Kilowatthour (kWh)
Unit of measurement that expresses the quantity of electricity equal to 1,000 Watts provided or requested in one hour.

kV
(kilovolt=1,000 Volts) unit of measurement of voltage.

kW
(kilowatt) unit of measurement of power (1 kW=1,000 J/sec), which expresses the amount of energy per unit of time.

kWh
(kilowatthour) and its multiples MWh (Megawatthour, 1,000 kWhs), GWh (Gigawatthour, 1,000,000 kWhs) and TWh (Terawatthour, 1,000,000,000 kWhs) measure electrical energy. They are equal to an amount of kWs (and multiples) over one hour.

Load curve
Diagram which shows the power demand on an electricity grid over time.

Maintenance
Operations and works for the maintenance or recovery of efficiency, and smooth operation of the electric plants, taking into account any decrease in performance.

Market for Dispatching Services (MDS)
The market for the negotiation of the procurement of several resources required for the dispatching service. In general, it is required to be composed of several markets: Congestion Resolution Market (CRM), Reserves Market (RM), Balancing Services Market (BM).

Medium voltage
Rated voltage greater than 1 kV and lower than or equal to 35 kV.

Megawatt (MW)
Unit of measurement equal to one million watts (1,000 kilowatts).

Monitoring
All the actions through which the current operational status of an electricity system is ascertained.

National electricity system
The national electricity system comprises the total of production plants, transmission and distribution grids, auxiliary services and interconnection and dispatching devices located in the Italian territory.

National Transmission Grid (NTG)
Electricity grid for national transmission as set forth by the Minister of Industry Decree dated June 25, 1999 and subsequent amendments and additions.

Normal alarm condition of an electricity system
Situation in which the total load demand is satisfied, in stable regime there are no violations of operating limits of system components, but the required security criteria are not met.

Normal condition of an electricity system
Situation in which the total load demand is satisfied, in stable regime there are no violations of operating limits of system components, and the required security criteria are met (criterion n-1).

Operation
The methodical use of power plants and accessories according to procedures codified in the implementation of the decisions regarding the operation of the Grid. Operation includes:
- the running of the plants in order to carry out Terna's orders and autonomous deliveries;
- emergency assistance following fault or anomalies;
- operations for going offline and for the security of the plants;
- the monitoring of the status of the plants;
- plant inspections.

Operations planning
Preparation of plans and schedules for the operation of the electricity system.

Partial availability of a grid element
State in which a grid element may be used under conditions different to those provided under operational consistency as set forth in Attachment 1 of the Operator/Owner Standard Agreement.

Permanent disturbance
Disturbance in which, following the automatic opening of the circuit breakers as a result of operation of the protection systems, irrespective of execution of the automatic rapid reclosure or slow reclosure (automatic or manual) of the circuit breakers, repair works are required on grid elements or plant components.

Planned maintenance
Maintenance, not of an urgent nature, which lasts more than or equal to 5 total days, scheduled in the annual unavailability plan, or subsequently agreed.

Planning
Definition of the usage plans, for a specific period of time, for the available means of production and transmission, in order to satisfy the energy requirements with respect to quality and continuity of service.

Power recovery
The activities coordinated by Terna in order to restore an electricity system after a black-out.

Power restart plan
Group of automatic and manual procedures which enable reinstatement of the electricity system to normal operational conditions, following the going offline of the electricity system itself or part of it.

Power station
The part of a grid which is concentrated and closed in a specified site, and used for switching electrical energy among the lines of a grid, for transferring the electrical energy between grids with different levels of voltage, and for transforming the electrical energy to the lowest voltage usable by the user.

Power supply quality
Continuity and regularity over time of the voltage and frequency values of the electrical energy supplied.

Production
Generation of electrical energy, in any way.

Rated voltage of the system
Value of the voltage used to designate or identify the system.

Rating
Letter symbol which expresses the level of risk of securities representing a specific debt. This is one of the most significant tools for forecasting and controlling the risk of insolvency in modern securities markets. Ratings are published by specialised rating agencies. The most well-known, on the global level, are Moody's and Standard & Poor's. Ratings are announced at the moment of issuing the security, but may be subsequently modified (uprating or downrating), which will positively or negatively influence the image of the company and a significant part of trading. The highest rating is indicated starting from the symbol "AAA", "AA+", to arrive at the worst rating, indicated by "D".

Real Time Energy Market (RTM)
The site of trading of bids for the purchase and supply of electrical energy in order to adjust the programmes of energy input and withdrawal defined on the Day Ahead Energy Market (DAEM).

Reinstatement condition of an electricity system
Situation in which, following total or partial load disconnection, the actions required to return the system to normal conditions are carried out.

Reliability
The fulfilment of two conditions:
- availability: capability to respond, statically and in every moment, to the customers' global demand for power and electrical energy at the connection points, taking into account planned and forced going offline of the components of the electricity system;
- security: capability to respond to sudden disturbances such as short-circuits or forced loss of components of the electricity system. Thus, this aspect specifically considers transition effects which are not covered by the first criterion.

Remote control and telemetry system
Group of remote data transmission devices which allows for the management of plants and the control and measurement of the supply to the client.

Remote control equipment (with reference to the registration of the interruptions in the distribution of electrical energy)
The system used to remotely manage and supervise the high- and medium-voltage distribution grid. This system also registers, automatically and continuously, the events of opening and closure of circuit breakers and other command devices (caused both by remote commands and interventions of protection or by automatic equipment), and events of black-out in the interconnection points with the National Transmission Grid or with other operators.

Requirement
Demand for electrical energy to be satisfied by the national electricity system. It shows a variable trend throughout the day, month and year.

Reserves Market (RM)
The market provided and regulated within the Market for Dispatching Services (MDS) for the procurement of the secondary and tertiary reserves.

ROACE (Returns on Average Capital Employed)
Index of return on invested capital; it is calculated as the ratio of the EBIT and net average capital employed by a company.

Routine maintenance
Activity carried out on plants or parts of plants for maintenance or recovery of efficiency and correct functioning, in relation to a fall in performance, without any modification of the number or function of the plants involved. Routine maintenance is defined as:
- periodic or cyclical if the activity regards regularly scheduled interventions independent of external causes;
- conditional or predictive if the activity follows the verification or monitoring of plant functionality;
- occasional if the activity follows upon the existence of anomalies.

Occasional routine maintenance is divided into:
- deferrable maintenance, if the execution of the activity may be delayed by at least one week from the moment that Terna is notified of the anomaly;
- non-deferrable if the execution of the activity, based on the owner's evaluation must be performed immediately and no more than one week from the notification of the anomaly to Terna, in order to avoid danger to persons or things, or the existence of a fault;
- on the fault, if the activity follows upon the existence of anomalies.

Secondary power reserve
Share of power in the generation pool which must cover the imbalance between production and load, due to random variations in requirements, errors in the forecast of requirements, unexpected unavailability of generation (for example, due to breakdowns) and unexpected variations in the programmes of exchange with foreign countries.
Generally, based on the operational status of the groups which can make the reserve available, it can be classified into two categories: rotating reserves and cold reserves.

Service quality of electrical energy supply
Quality of the technical/commercial services provided to users, and the quality of the electric parameters of the energy supplied.

Single Buyer
A stock company established in 2000 by the National Transmission Grid Operator (GRTN) to guarantee Captive Customers the supply of electrical energy under conditions of continuity, security and efficiency of the service. The Single Buyer guarantees the application of a single national tariff to these customers.

SRI (Socially Responsible Investment)
Investments which take into account not only economic performance, but also social, environmental and ethical criteria. The choice of shares is guided by negative criteria (exclusion) or positive criteria (inclusion): the first type excludes specific types of companies (e.g. tobacco producers, arms manufacturers etc.) or countries which do not respect human rights or workers' rights, while the second type socially responsible companies are chosen for investment (i.e., those with CSR policies).

Stakeholder
Everyone (individuals, groups, organisations, institutions) interested in the company, especially if directly affected by company's activities in economic terms – such as shareholders, employees, customers and suppliers – but also when only indirectly affected, such as the general public bearing an interest in the protection of the environment.

Static power meter
Energy meter in which the current and voltage, when applied to an electronic measurement element, produce frequency pulses in proportion to the power.

Supervisory Control and Data Acquisition System (SCADA)
Computerised system for controlling production and transmission, with data acquisition functions and human-machine interface, for presenting data to operators in the control centers.

Telecommunications system
Infrastructure composed of a physical means and hardware/software devices required by the Primary Acquisition System in order to acquire the measurement data from the measurement devices.

Transformer
Electrical machine used for the connection and transfer of energy between grids at different voltage levels.

Transforming station
Part of a grid composed of a group of apparata used for transferring electrical energy between grids with different levels of voltage.

Transmission
Electricity transport and transformation activities along the interconnected high- and very-high-voltage grid for the purposes of delivery to customers, distributors, and recipients of self-produced energy.

Transmission activities
The activity of transporting and transforming electrical energy on the grid. Transmission activities include:
- the unified management of the Grid and the parts of electrical stations not included in said grid, but connected and functional to transmission activities pursuant to art. 3, comma 5, of the Decree of the Minister of Industry, Commerce and Crafts dated June 25, 1999;
- the planning and identification of development activities;
- annual authorisation of maintenance works.

Transmission line
High- and very-high-voltage power line, overhead or cable, used for the transport of electricity from the production plants to the distribution grids or to users.

Transmission plants
Infrastructures dedicated to the transmission of electrical energy, belonging to the NTG, such as lines and switching stations and transforming stations.

Triad
Group of three conductors (or groups of conductors), each prepared for the transport of one of the phases of the three-phase electric field used on the grid in alternating current.

TSR (Total Shareholder Return)
This is the most complete measurement of value created by a company for its shareholders. It is calculated using the following formula: (Share price at end of period - Share price at beginning of period + Dividends)/Share price at beginning of period. The calculation of TSR provides the annual rate of return for an investor who purchased a security on date X and sold it on date Y. This calculation considers all paid dividends reinvested in the security at the coupon payment date.

Unavailability of a grid element
Situation in which an element of the Grid is not usable by the operator for transmission activities. Unavailability may be:
- planned, if it is included in the annual unavailability plan or in the quarterly unavailability plan, and has a duration of less than five days;
- occasional, if not included in the annual plan, but included in the quarterly unavailability plan and has a duration greater than or equal to five days; or it is not included in the quarterly plan but in the monthly plan.

Occasional unavailability may be:
- deferrable, if it involves occasional maintenance which can be deferred;
- non-deferrable, if it involves occasional maintenance which cannot be deferred;
- due to fault, if the result of the existence of a fault;

- due to external causes, if the result of the needs of third parties or events which cannot be attributed to the owner, such as: works or tests requested by operators/owners of bordering grids or other operators, natural disaster, or requirements of public authorities.

Unified Grid management
Coordinated management of all portions of the NTG.

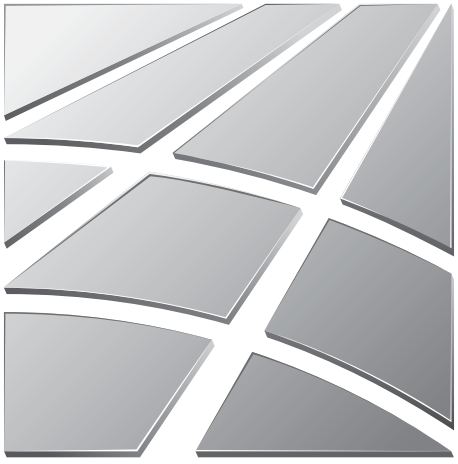
Very high voltage (VHV)
Rated voltage with a value higher than 220 kV.

Volt
Unit of measurement of voltage.

Watt
Unit of measurement of electric power.

Wholesale customer
The natural or legal person which purchases electrical energy without carrying out production, transmission, or distribution activities in the countries of the European Community.

2008



Report

Terna

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(Translation from the Italian original which remains the definitive version)

Report of the auditors on the review of the sustainability report

To the board of directors of
Terna S.p.A.

1 We have carried out the review of the sustainability report of the Terna Group (the "Group") at 31 December 2008, prepared in compliance with the "Sustainability Reporting Guidelines" established in 2006 by GRI - Global Reporting Initiative, as set out in the "Introduction" section. The parent's directors are responsible for the preparation of the sustainability report in accordance with the above-mentioned guidelines. Our responsibility is to issue this report based on our review.

2 We carried out our work in accordance with the criteria established for review engagements by "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board (IAASB), carrying out the following procedures:

- verifying that the financial data and information in the "G3 economic performance indicators" paragraph of the sustainability report are consistent with those included in the group's consolidated financial statements as at and for the year ended 31 December 2008, upon which we issued our report dated 31 March 2009 with reference to article 156 of Legislative decree no. 58 of 24 February 1998;
- analysing how the processes underlying the generation, recording and management of quantitative data included in the sustainability report operate. In particular, we have performed the following procedures:
  - interviews and discussions with management delegates of Terna S.p.A. to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the sustainability report;
  - sample-based analysis of documentation supporting the preparation of the sustainability report to confirm the effectiveness of processes and their adequacy in relation to the objectives described, and that the internal control system correctly manages data and information;

- analysing the completeness of the qualitative information included in the sustainability report and its consistency throughout;
- verifying the stakeholders' involvement process, in terms of methods used and completeness of persons involved, and analysis of the minutes of the meetings or of any other information available, with regard to the salient features identified;
- obtaining the representation letter signed by the legal representative of Terna S.p.A., on the compliance of the sustainability report with the guidelines indicated in paragraph 1 and on the reliability and completeness of the information and data contained therein.

A review is less in scope than an audit carried out in accordance with ISAE 3000, and, therefore, it offers a lower level of assurance that we have become aware of all significant events that might be identified during an audit. Accordingly we do not express an audit opinion.

3 Reference should be made to our report dated 6 November 2008 on the prior year sustainability report, the figures and information of which are presented for comparative purposes as required by the guidelines referred to in paragraph 1.

4 Based on our review, nothing has come to our attention that causes us to believe that the Terna group's sustainability report at 31 December 2008 is not in conformity, in all material respect, with the guidelines referred to in paragraph 1.

Rome, 1 July 2009

KPMG S.p.A.

(signed on the original)

Marco Maffei
Director of Audit

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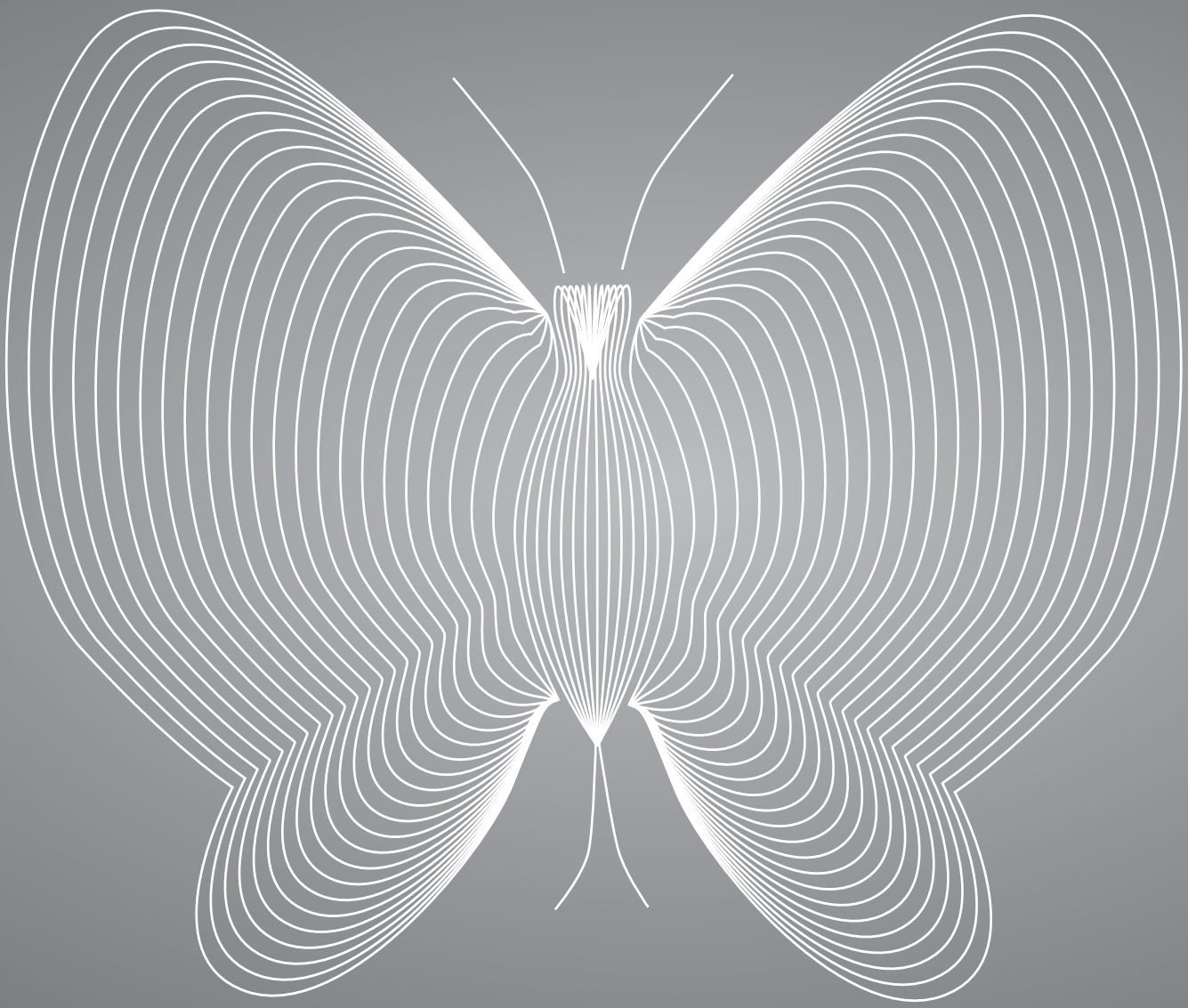
INTERNO OTTO ROMA

WE WORK FOR A **GRID** THAT'S **LIGHT** FOR THE ENVIRONMENT



WORKING FOR SUSTAINABLE DEVELOPMENT
ALSO MEANS TRANSMITTING ENERGY RESPONSIBLY.
THIS IS TERNA'S JOB.

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