

## **Sustainability policy**

Approved by

Board of Directors





### Management systems and/or organisational models of reference:

X	Quality Management System
X	Environmental Management System
X	Occupational Health and Safety Management System
	Major Accident Management System - Seveso
	Information Security Management System
X	Energy Consumed for Own Use Management System
	LLW Laboratory Management System
	Calibration Centre Management System
X	Anti-Bribery Management System
	Asset Management System
	Business Continuity Management
X	Privacy Model
X	262 Model
X	231 Model

(Place an "X" in the left-hand column with reference to the line in question)

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## 1. GENERAL INFORMATION

The Terna Group (hereinafter also referred to as "Terna" or "Group" or "Company") considers it consistent with its mission, the values of its Code of Ethics and its commitment to sustainable development to adopt and integrate sustainability objectives into its strategy.

For the Terna Group, sustainability is an intrinsic part of the business around which current and future activities are planned, aimed at accelerating investments on the Italian National Transmission Grid (hereinafter "NTG"), enabling a sustainable ecological transition and favouring the creation of shared value for all stakeholders. With the growing importance of renewable sources, some of which are non-programmable, Terna is responsible for the continuity of the service provided on the transmission grid throughout the country, maintaining high standards of quality and safety. Terna's Sustainability Policy is part of a broader framework, representative of the reference sustainability context, in particular:

- **United Nations Sustainable Development Goals (SDGs):** The United Nations set the roadmap of global goals in its 2030 Agenda based on the achievement of 17 goals (the SDGs) that aim to end poverty, protect the planet, and abolish inequality through a sustainable development model. These goals are a fundamental basis from which to establish collective efforts for institutions, businesses and communities. The reference SDGs for Terna's business are numbers 7 (Affordable and clean energy), 9 (Industry, innovation and infrastructure), 13 (Climate action) and 17 (Partnerships for the goals).
- **Italy's Integrated National Energy and Climate Plan (INECP) and the European Green Deal:** European and Italian public policies have put the achievement of climate neutrality in 2050 by organisations at the centre of their planning. In synergy with the ecological transition objective, Terna is committed to meeting the targets set, lowering its CO<sub>2</sub> and other gas emissions into the atmosphere. The objective set is to lower emissions by 55% by 2030 and to reach zero emissions by 2050, as envisaged by the European Green Deal.

## 2. PURPOSE

This Policy establishes the Company's formal and public commitment to adopt sustainable behaviour and actions in relation to the above-mentioned elements and to the ESG (Environmental, Social, Governance) issues considered relevant for the Group, in line with the Integrated Management System Policy and the results of the Materiality Analysis, an activity updated annually by Terna to identify the sustainability issues that are most relevant for the Company and its stakeholders.

The materiality analysis provides input for defining the Sustainability Objectives that flow into industrial planning, which also contribute to identifying the commitments of this Policy towards which Terna intends to communicate its commitment.

The commitments defined in this Policy support the management and mitigation of ESG risks, i.e. risks — with potential repercussions also in terms of reputation — associated with environmental, social and governance factors, to which the Terna Group is exposed. For these risks, the Group puts in place dedicated organisational measures, processes, controls and tools, with the aim of lowering them and minimising their possible impacts.

In short, the Sustainability Policy:

- defines Terna's sustainability commitments;
- identifies how to define the Group's sustainability strategies;
- increases awareness of key issues and expected outcomes;
- spreads the culture of sustainability inside and outside the Group.

### **3. SCOPE OF APPLICATION**

These Guidelines apply to all Companies of the Terna Group, including companies located abroad. The Terna Group is committed to promoting awareness of this Policy among its employees and to publicly disclose it to all stakeholders involved through tools such as its Sustainability Report and the website of the Parent Company Terna SpA

### **4. REGULATORY REFERENCES**

Below are the (internal and external) regulatory references and standards considered in defining the Group's Sustainability Policy.

#### **4.1 External regulations**

- United Nations Global Compact (UNGC);
- ILO (International Labour Organisation) Conventions;
- UN Universal Declaration of Human Rights;
- UN Guiding Principles on Business and Human Rights ("Ruggie Report");
- OECD Guidelines for Multinational Enterprises;
- United Nations Sustainable Development Goals (SDGs);
- World Climate Summit in Paris (COP21);
- European Green Deal;
- Task Force on Climate-related Financial Disclosures (TCFD);
- Italian Integrated National Energy and Climate Plan (INECP);
- Science Based Targets Initiative (SBTi);
- GHG Protocol;
- GRI Sustainability Reporting Standards;
- ICMA (International Capital Market Association) Principles.

#### **4.2 Internal regulations**

- Code of Ethics;
- TERNA S.p.A. Articles of Association;
- Terna Group Integrated Policy (IMSM - Chap. 5.2 of the Integrated Management System Manual);
- Commitment to Biodiversity;
- Principles of Supplier Conduct;
- LG<sup>1</sup>007 Organisation of occupational safety within the Terna Group;
- LG009 Terna Regulation on procurement;
- LG014 Ethics Committee Regulation;
- LG029 Recommendation for the energy efficiency of TERNA buildings;

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<sup>1</sup> Guidelines

- LG036 Environmental safety management on construction sites;
- LG050 TERN A Group companies' adoption of the Code of Ethics;
- LG051 Stakeholder management model;
- LG053 Safeguarding environmental and social aspects across the supply chain;
- LG054 Whistleblowing;
- LG055 Organisation of Occupational Health and Safety within Terna Group business abroad;
- LG057 Respect for Human Rights within the Terna Group
- LG058 Global Compliance Program;
- LG065 Antitrust Compliance;
- LG069 Diversity & Inclusion;
- IO300AL Protection and management of intellectual property;
- TERN A - Green Bond Framework;
- Quality Management System according to UNI EN ISO 9001:2015;
- Environmental Management System according to UNI EN ISO 14001:2015;
- Occupational Health and Safety Management System according to ISO 45001:2018;
- Energy Management System according to ISO 50001:2018;
- Anti-Bribery Management System according to ISO 37001:2016.

## **5. SUSTAINABILITY COMMITMENTS**

This Policy outlines the Terna Group's main commitments in the field of sustainability, in line with the issues that were found to be relevant in the Materiality Analysis and consequently selected from the Group's Sustainability Objectives, the degree of achievement of which is also a measurement parameter for calculating the variable remuneration of Terna's CEO and managers, having regard to the objectives assigned to them in their remuneration policies.

### **5.1 Enabling the ecological transition**

The strategic orientation towards the decarbonisation of the energy sector is expressed at international level in the United Nations Sustainable Development Goals (SDGs) and in European policies.

In Italy, the Integrated National Energy and Climate Plan (INECP) foresees the complete phase-out of coal by 2025 followed by the target of 55.4% coverage of gross electricity consumption by Renewable Energy Sources (RESs) by 2030.

Consistent with its role as an enabler and director of Italy's energy system and the ecological transition, the Terna Group is committed to achieving the objectives of the European Green Deal and the INECP through targeted investments on the Italian National Transmission Grid as part of its development strategy that identifies the implementation tools it needs to concretely achieve the ecological transition on the basis of the ten-year Development Plan, shared with institutions and regulatory authorities. The main drivers of the Group's development are increasing the share of energy from renewable sources to cover the country's energy needs, developing the grids to create better and digitised interconnections, bringing about a general increase in energy efficiency while at the same time guaranteeing the safety, quality, continuity, cost-effectiveness and adequacy of the service through measures aimed at increasing the resilience of the electricity system.

## 5.2 Integrity, responsibility and transparency

Integrity, responsibility and transparency are the general principles on which Terna's Code of Ethics and the conduct of its activities are based.

Terna is committed to operating in accordance with these principles, through models of governance and business conduct that are consistent with the relevant international and national conventions and best practices. To this end, the Company has procedures, monitoring tools and rules of conduct aimed at minimising any form of unethical conduct or corruption within the Group and putting in place preventive measures to counter any kind of illegal practice. Terna refuses any type of involvement with parties which engage in unlawful activities or which are financed with capital from unlawful sources.

Internationally, Terna recognises and undertakes to respect the ten Principles of the United Nations Global Compact in the areas of human and workers' rights, respect for the environment and the fight against corruption.

The Company is aware of its key role in the country and of the resulting responsibilities towards external stakeholders. To this end, while carrying out its activities, Terna undertakes to consider the consequences of its actions, paying attention to their impact on the community and the environment, promoting long-term sustainable growth. It is also committed to communicating its activities in a way that is clear, simple, understandable, truthful, transparent and easily accessible to all, in line with established procedures.

In this regard, Terna was the first company in Italy to certify its Anti-Bribery management system according to the international standard ISO 37001:2016.

## 5.3 Promoting dialogue with stakeholders

A sustainable approach to business is identified in the awareness of having to operate in the interest of all stakeholders and the community in general, as stated in the Group's Code of Ethics, and in line with the indications in the Corporate Governance Code — to which Terna subscribes — for listed companies, which defines "Sustainable Success" as the *"objective that guides the actions of the Board of Directors and that consists of creating long-term value for the benefit of shareholders, taking into account the interests of other stakeholders relevant to the company"*. This Code also assigns the Board of Directors, among others, the task of promoting *"dialogue with shareholders and other stakeholders which are relevant to the company, in the most appropriate way"*<sup>2</sup>.

In compliance with these indications, Terna's entire corporate governance system carries out its activities with a view to actively and structurally listening to institutional investors and other relevant stakeholders by defining specific programmes aimed at defining precise roles and processes within the activities of listening and dialogue.

In order to guarantee and maintain an open dialogue with the local communities in which it operates and with all the stakeholders with whom it interacts, Terna is committed to interacting with all stakeholders through a proactive approach, with the aim of creating shared value and implementing a culture of sustainability. To this end, Terna is committed to assessing the economic, environmental and social impacts generated by its activities in the communities in which it operates, promoting the growth and enhancement of the territory. The commitment is also aimed at establishing close cooperation with stakeholders, encouraging their participation in the Group's

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<sup>2</sup> [Corporate Governance Code, Art. 1 - Role of the Board of Directors, IV](#)

activities and making them aware of the results achieved with respect to the economic-financial objectives and social-environmental responsibility, in line with what is described in Terna's Code of Ethics. Involvement and communication of results also come through the annual publication of the Sustainability Report, which is prepared in accordance with the main international standards of ESG performance reporting and which also constitutes the Group's Consolidated Non-Financial Statement pursuant to Italian Legislative Decree 254/2016 and subsequent amendments and additions.

With this in mind, Terna has defined, in Guideline LG051 on the "Stakeholder Management Model", the approach and the specific engagement tools implemented with regard to the various categories of stakeholders, such as monitoring and verifying their expectations and opinions.

Additionally, in implementation of the aforementioned Corporate Governance Code, the Company continues to develop further mechanisms to strengthen forms of dialogue with Stakeholders, including the approval of a Board of Directors engagement policy.

#### **5.4 People enhancement**

People represent Terna's human capital, and as a central element of the company's activities, they are individuals to be valued with rights to be respected. Recent developments in the world of work have seen a systematisation of human development initiatives, which need to be made lean, fast and concentrated. The increased digitalisation of work processes, the re-evaluation of workplaces, the transformation of training into increasingly blended methods, in-person as well as online, and the encouragement of collective activities are fundamental elements for Terna as part of its vision of "new ways of working".

Terna is committed to fostering new models of collaboration and work that use digitalisation as an enabling factor to work in a more functional way, with benefits in terms of quality of life and work-life balance of people within the company.

Training at Terna is designed to accompany employees on an ongoing basis throughout their professional life. It is aimed at creating value for people, through the development and diversification of their skills, and the Company itself, through the development of human capital, in line with the mission and guidelines of the Industrial Plan. To this end, Terna has implemented programmes aimed at defining a more collaborative approach among workers, promoting their continuous learning and the development of a new mindset. One example is NexTerna, an internal Group programme developed to counteract the difficulties posed by the advent of the pandemic by redefining and innovating the way work and processes are carried out and adapting them to current needs (e.g. ensuring greater remote communication and collaboration).

Terna places the health and safety of its workers at the centre of its activities and is committed to protecting them at every stage of its process, developing targeted information and awareness campaigns among all employees and collaborators. The importance of protecting the physical integrity and well-being of people is referred to in Terna's Code of Ethics, while the Workplace Safety Policy specifies the guidelines, with an explicit commitment to promoting accident prevention for all employees, including those of contractors. In this respect, the Group is committed to carrying out its activities in accordance with the BS OHSAS 18001 and ISO 45001:2018 certifications relating to the occupational health and safety management system. Managing business operations in line with the aforementioned standards helps Terna to apply the mandatory provisions of the laws in reference to the prevention and protection of workers in the most effective



and efficient manner possible, and strive to continually improve its processes and results in terms of workers' health and safety.

### **5.5 Inclusion, diversity and protection of human rights**

An inclusive, fair and sustainable approach to managing people means prohibiting any form of discrimination while at the same time committing to ensuring respect for human rights, not only within the company workforce, but also in the supply chain and within business partnerships.

Terna is committed to ensuring inclusion, diversity and, more generally, the protection of the human rights of its people and workforce.

For this reason, as reiterated in the "Diversity & Inclusion" Guideline (LG069), Terna attributes decisive importance to people, committing itself to guaranteeing their management based on the general ethical principles of legality, honesty and responsibility and on their position within the company that identifies good management, respect, fairness and transparency as the reference behavioural principles. Terna recognises the value of people's diversity and specificity and enhances their uniqueness, creating an inclusive working environment that encourages people to collaborate and be creative, where each individual's potential can be fully developed.

In addition, Terna adopts employee recruitment, development and remuneration systems that recognise and reward merit. Any form of discrimination, starting from selection for employment in the Company, is explicitly prohibited by the Code of Ethics and subsequent Group Guidelines. To confirm the importance of this area, Terna adopted the Guideline (LG057) "Respect for Human Rights within the Terna Group", which outlines the Group's commitment to identifying the areas of company activity, including the supply chain and commercial partnerships, that are most at risk with regard to the respect for human rights, and to verifying the adequacy of the prevention measures already adopted in these areas through targeted due diligence.

### **5.6 Protection of the environment and ecosystems**

The construction, maintenance and presence of electricity infrastructure have an impact on the surrounding environment. For Terna, protecting the environment and ecosystems means the progressive integration of renewable sources, together with the commitment to minimise the visual and landscape impact of electricity infrastructure and the implementation of voluntary programmes to shrink its environmental footprint.

Commitments to lower greenhouse gas emissions into the atmosphere are reflected in a number of voluntary programmes developed by Terna that mainly concern limiting the incidence of SF<sub>6</sub> gas leaks, which account for the largest share of direct CO<sub>2</sub> emissions produced by the Company's activities.

In order to minimise the visual and landscape impacts caused by the physical presence of power lines and substations, Terna undertakes to physically remove existing lines, also with the aim of reducing land use. In addition, Terna's efforts are directed towards defining projects aimed at protecting biodiversity, including through alternative uses of its lines. In particular, Terna has signed specific cooperation agreements with some of the main environmental associations (WWF, LIPU, Legambiente, Greenpeace) aimed at considering the protection of biodiversity in the planning and maintenance of the electricity grid, and investments are planned to minimise the visual and landscape impact of electricity infrastructure.

Taking a responsible approach to climate change, Terna also monitors its greenhouse gas emissions, although they are modest given the nature of its business, which does not involve electricity production. A Science Based Target (SBT) with a time horizon of 2030 was adopted to decisively lower the Group's climate changing emissions. Terna's commitment to the environment is also reflected in the costs incurred for environmental reasons in terms of investments and operating expenses.

Terna's environmental activities are coordinated and guided by the Environmental Management System, which has been UNI EN ISO 14001 (updated in 2015) certified since 2007 and is part of the Integrated Management System. The certification regards all Terna's activities, those performed in existing plants as well as the planning and construction of new electricity transmission grid development investments.

Moreover, with regard to energy efficiency issues, Terna obtained certification of its Energy Management System in accordance with the ISO 50001 (updated in 2018) standard in 2015.

Terna undertakes to minimize its environmental impact also by issuing green bonds for financing or refinancing eligible green projects. These are projects with environmental benefits which meet the criteria (use of income from the issue, project selection and evaluation process, management of income from the issue, reporting) listed in the Green Bond Framework published by Terna, in compliance with the 2018 Green Bond Principles drawn up by ICMA. Terna's issuance of green bonds is part of a broader financial strategy that, through the use of various instruments, also aims to contribute to the achievement of sustainability objectives.

## **6. DISTRIBUTION, SKILLS AND UPDATING**

### **6.1 Distribution**

Terna promotes the adoption of these Guidelines by all the Group Companies and their distribution to all addressees, also through specific training and onboarding sessions which also involve the Board of Directors.

The Policy is communicated and made available to all stakeholders involved through appropriate communication channels as well as the corporate website, with a view to further spreading and promoting Terna's culture of sustainability.

### **6.2 Sustainability skills**

#### **6.2.1 The TERNA S.p.A. Board of Directors**

With reference to sustainability issues, the TERNA S.p.A. Board of Directors, *inter alia*, annually approves the Terna Group's Consolidated Non-Financial Statement, which reports on the Group's environmental, social and governance performance, as well as its compliance with the principles of the Code of Ethics and this Policy.

## **6.2.2 The Terna S.p.A. Audit and Risk, Corporate Governance and Sustainability Committee**

Pursuant to the recommendations of the Corporate Governance Code, the Committee may be composed only of non-executive directors, the majority of whom are independent, and chaired by an independent director. The Committee, *inter alia*, supports the Board of Directors in defining the guidelines of the Internal Control and Risk Management System, assesses the suitability of periodic financial and non-financial information and expresses opinions on specific aspects relating to the identification of the main corporate risks. Since 2016, the Committee's tasks also include supporting the Board of Directors on sustainability issues and, in particular, reviewing and assessing sustainability policies, defining sustainability guidelines and plans, as well as the materiality matrix and monitoring the Company's inclusion in sustainability indices.

## **6.2.3 External Relations, Institutional Affairs and Sustainability**

The External Relations, Institutional Affairs and Sustainability Department reports regularly to the Control and Risk, Corporate Governance and Sustainability Committee, helps define the Materiality Analysis, this Policy and the Group's Sustainability Objectives, and communicates them.

The Department interacts universally with all Terna Group companies, optimising the coordination of all the parties involved in monitoring quality, environmental performance and safety at work.

## **6.3 Responsibility for approving and updating the Policy**

This Policy, as well as any amendment and/or integration thereof, shall be approved by the TERNA S.p.A. Board of Directors, subject to review by the TERNA S.p.A. Control and Risk, Corporate Governance and Sustainability Committee.

The Policy is periodically updated according to regulatory requirements, interventions by regulatory authorities, business strategies or when changes in the internal context (business processes, reorganisations, changes in the materiality matrix) and external context (sustainability context, significant changes in the Group's business sectors) require it.

The TERNA S.p.A. Board of Directors, with the support of the TERNA S.p.A. Control and Risk, Corporate Governance and Sustainability Committee, monitors and evaluates the adequacy, consistency and compatibility of this Sustainability Policy with the best practices and principles in force from time to time, its effective implementation as well as the need to update it, taking into account activities, risks and stakeholders.

Notwithstanding the foregoing, this Policy may be amended by the Managing Director of TERNA S.p.A. when it is necessary to make changes of a formal and non-substantial nature, such as the change — in implementation of what has been established by TERNA S.p.A. at an organisational level — of the name of the departments and/or functions mentioned in the Policy. The Board of Directors shall be informed of these changes at the first meeting.

Approved by
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