



LG058

Global Compliance Programme

19/12/2025

GUIDELINES



Approved

Giuseppina Di Foggia
(Chief Executive Officer)

Revision history

Rev. 04 of 18/12/2025	<i>Fifth issue that provided for: the expansion of the scope of the Global Compliance Programme in order to meet sustainability reporting obligations; the updating of the rules for the dissemination of Terna's internal control system to the Group's Non Italian Companies; the revision of processes and risk areas with the introduction of new areas which are relevant in terms of sustainability; the updating of the Compliance Governance and the elimination of the COB; the revision of the rules for the engagement of the Compliance Officer in cases of Whistleblowing reports; the review of the rules for training on the Global Compliance Programme; the creation of a new Appendix C and the updating of the flows in Appendix B.</i>
Rev. 03 of 14/12/2023	<i>Fourth issue that provided for the revision of the Global Compliance Programme to bring it in line with the changes introduced by LG054 Whistleblowing on reporting and changes in the composition of the Compliance Officer Bureau (COB)</i>
Rev. 02 of 02/09/2022	<i>Third issue that provided for the revision of the structure of the Global Compliance Programme to bring it in line with the main and most recent best practices and regulations applicable to compliance programmes, identified by way of example in section 3.2. of the Global Compliance Programme. Adaptation of the document following the so-called "process approach", identifying and regulating the relevant corporate macro-processes at Group level, which emerged from the risk assessments in the area of corporate liability (previously, the GCP was structured by categories of crimes abstractly relevant to the Group), in order to make the GCP more consistent with the aforementioned best practices and with the compliance models recently adopted by the Group (i.e. Organizational, Management and Control Models pursuant to Italian Legislative Decree 231/2001) and to better reflect the organisation of the Group companies, as well as to facilitate the understanding of the GCP by the Recipients.</i>
Rev. 01 of 18/12/2019	<i>Second issue</i>
Rev. 00 of 10/11/2017	<i>First issue</i>



Reference Management systems and/or Organisational Models

Certified/accredited Management Systems		Organisational Models	
<input checked="" type="checkbox"/>	QMS (Quality)	<input type="checkbox"/>	BCM (Business Continuity Model)
<input type="checkbox"/>	EMS (Environment)	<input type="checkbox"/>	TCM (Tax Compliance Model)
<input type="checkbox"/>	OHSMS (Occupational Health and Safety Management System)	<input type="checkbox"/>	PRV (Privacy Model)
<input type="checkbox"/>	MAPMS (Major Accident Prevention – Seveso Directive)	<input type="checkbox"/>	M262 (Model 262)
<input type="checkbox"/>	ISMS (Information Security Management)	<input type="checkbox"/>	M231 (Model 231)
<input type="checkbox"/>	EMS (Energy Consumed for Own Use)	<input type="checkbox"/>	IMPM (Impartiality Model)
<input type="checkbox"/>	LLW QMS (LLW Laboratory)	<input type="checkbox"/>	ICSSR (Control System for Sustainability Reporting)
<input type="checkbox"/>	CAL QMS (Calibration Centre)		
<input checked="" type="checkbox"/>	ACMS (Anti-Corruption)		
<input type="checkbox"/>	AMS (Asset Management)		
<input type="checkbox"/>	IPCMS (Infection Prevention and Control – Biosafety)		
<input checked="" type="checkbox"/>	CMS (Compliance)		
<input type="checkbox"/>	GEMS (Gender Equality)		
<input type="checkbox"/>	AAPMS (Administrative and Accounting Processes)		

(For more on the certified/accredited Management Systems, click [here](#))



Index

1. Outline.....	6
2. Purpose of the document	6
3. External References.....	7
4. Glossary	8
5. Top-Level Commitment	12
6. Structure of the Global Compliance Programme	13
6.1 Adoption of the GCP, implementation and subsequent updates	14
7. Risk Assessment.....	14
8. Compliance Governance	15
8.1 Compliance Officer	16
8.2 Local Compliance Assistant	17
8.3 CMP-PCR Structure	17
9. Training and raising awareness	18
10. Whistleblowing System	19
10.1 Reporting system (Whistleblowing).....	19
10.2 Investigation	22
11. Monitoring and continuous improvement.....	22
12. Sanctions system	22
13. The GCP and general control standards	23
13.1 The GCP and TERNA control references	23
13.2 General Control Standards.....	25
13.3 Third-Party Relationship Management Standards and Due Diligence	25
13.4 Crimes to be prevented	27
14. Relations with public bodies and public officials	29
15. Communication (Corporate Giving and Promotions)	32
16. Commercial management	34
17. Finance and M&A.....	36
18. Procurement.....	38
19. Human Resources.....	40
20. Administration, Budget and Taxation.....	42
21. Management of confidential and privileged information	44
22. Health, Safety and Environment (“HSE”).....	46



23. Information & Communications Technology (“ICT”)49

24. Annexes53



1. Outline

Parent Company TERNA - Rete Elettrica Nazionale Società per Azioni ("**TERNA**") is the Italian company which conducts electricity transmission and dispatching over the high voltage and extra-high voltage grid throughout Italy. Its shares are listed on the Italian Stock Exchange organised and managed by Borsa Italiana S.p.A., Mercato Telematico Azionario (MTA) segment, which includes medium and large capitalisation companies and is aligned with international best practices and belongs to the Financial Times Stock Exchange - Milan Index (FTSE MIB). TERNA is also among the large Italian listed issuers present in the MIB 40 ESG index, the first blue-chip index for Italy dedicated to environmental, social and governance (ESG) best practices that combines economic performance measurement with ESG assessments in line with the principles of the UN Global Compact.

TERNA is the holding of a multinational group operating in a complex and highly regulated business sector and in different economic, political, social and cultural environments (the "**Terna Group**").

2. Purpose of the document

In many of the foreign countries in which Terna Group operates, a criminal or quasi-criminal corporate liability regime has been established which enables courts to sanction corporate entities for criminal behaviours by their representatives, employees or third parties acting on their behalf.

Most of these regulations encourage companies to adopt corporate governance structures and risk mitigation systems to make efforts to prevent these individuals from committing crimes, also providing for an exemption or mitigation of applicable penalties in the event of the adoption and effective implementation of adequate preventing measures.

Moreover, the transnational nature of certain offences may also result in specific profiles of potential risk for the Parent Company in relation to offences committed in its interest or to its advantage by Non Italian Companies.

The Global Compliance Programme which Terna has adopted since 10 November 2017, with subsequent updates, constitutes a safeguard aimed at harmonising the efforts of the Non Italian Companies to prevent corporate criminal liability, providing them with a shared, consistent and standardised approach against potential unlawful conduct. It is guided by the main international regulations and best practices in relation to corporate liability.

In this context, the GCP aims to (i) define the General Control Standards and Principles of Conduct that apply to employees, directors and other members of the management and control bodies of the NICs ("Company Representatives"), as well as to Third Parties and Other Recipients, where applicable, in order to prevent the commission of relevant offences; and (ii) to ensure that Terna's guidelines are disclosed to the Non Italian Companies and their implementation monitored, partly in view of the accountability required by European regulations regarding sustainability.

The GCP constitutes a guideline from TERNA, on par with the regulations in Appendix C - a03LG058, which applies to the Non Italian Companies required to transpose it. Where appropriate or required by the applicable local regulations, each Non Italian Company shall also define and adopt its own



Local Compliance Programmes and procedures determined at local level, in compliance with the aforementioned regulations and in line with the provisions of this GCP. Such programmes are then reported in the Country Annex approved by each Non Italian Company.

Therefore, in these contexts, the Country Annex supplements the GCP — transposed by the NICs as specified in para. 6.1 — with any rules provided for by the Local Compliance Programmes.

The Italian parent companies which control the Non Italian Companies shall adopt the GCP with the aim of giving these subsidiaries guidance from the majority shareholder, providing them with a common guideline to combat corporate crime more effectively.

3. External References

The GCP has been guided by the most significant regulations and best practices, including at international level. Merely by way of example, these include (but are not limited to):

- (i) Italian Legislative Decree no. 231 of 8 June 2001 (**Decreto 231**) and subsequent updates, which disciplines a regime of administrative liability (akin to a criminal liability) of legal entities as a result of certain crimes committed on behalf or for the benefit of such entities;
- (ii) the Corporate Governance Code of listed companies promoted by Borsa Italiana S.p.A.;
- (iii) the Federal Sentencing Guidelines Manual & Supplement, adopted by the United States Sentencing Commission on November 1, 2010;
- (iv) Foreign Corruption Practice Act (**FCPA**) of 1977 and subsequent updates;
- (v) the “Resource Guide to the U.S. Foreign Corrupt Practices Act” issued by the Criminal Division of the U.S. Department of Justice (**DOJ**) and the Enforcement Division of the U.S. Securities and Exchange Commission of 2012 and subsequent updates;
- (vi) UK Bribery Act of 2010 and subsequent updates;
- (vii) the Sapin II Law, introduced by French Law No. 2016-1691, on transparency, anti-corruption and economic modernisation, published on 9 December 2016;
- (viii) the Good Practice Guidance on Internal Controls, Ethics, and Compliance adopted by the OECD Council on 18 February 2010;
- (ix) the “Resource Guide to the U.S. Foreign Corrupt Practices Act” issued by the Criminal Division of the U.S. Department of Justice (**DOJ**) and the Enforcement Division of the U.S. Securities and Exchange Commission of 2012 and subsequent updates;
- (x) the ICC Rules on Combating Corruption, published by the International Chamber of Commerce (ICC), 2023 edition;



- (xi) *the OECD's 2021 Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions, from November 2021;*
- (xii) the DOJ "Evaluation of Corporate Compliance Programs" of 2017 and subsequent updates;
- (xiii) the Anti-Corruption Ethics and Compliance Programme for Business: the Practical Guide adopted by the United Nations Office on Drugs and Crime (UNODC) in September 2013;
- (xiv) the recommendations adopted by the Financial Action Task Force - Gruppo d'Azione Finanziaria Internazionale (**FATF-GAFI** or **GAFI**) on money laundering and terrorist financing of 2012 and subsequent updates;
- (xv) European regulations on money laundering, search, seizure and confiscation of the proceeds of crime and on the financing of terrorism (including Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 and Delegated Regulation (EU) 2016/1675 and subsequent updates);
- (xvi) Italian Legislative Decree No. 24 of 10 March 2023, implementing Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law and on provisions concerning the protection of persons who report breaches of national laws;
- (xvii) Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law.

4. Glossary

Action Plan: plan of actions aimed at improving the control system identified taking into account the outcomes of the Risk Assessment and the Risk Management strategy defined for the Risk (avoid, reduce, accept and monitor and transfer).

Administrative Body: Board of directors or corresponding body or function of Non Italian Companies.

AGLS-ASCO: the Corporate Affairs structure within the scope of Terna S.p.A.'s Corporate Affairs and Corporate Governance.

Anti-Corruption Guidelines or **LG059:** the Anti-Corruption guidelines adopted by the TERNA Board of Directors set out keeping into consideration the main international conventions, EU legislation, the FCPA and the Bribery Act regarding the prevention and fight against corruption. These guidelines contain principles and rules of conduct for all Company Representatives (of all Group companies as well as any third party acting in the name and/or on behalf of TERNA or the Terna Group, such as suppliers, agents, consultants, business partners or any other counterparty).

Bribery Act: the UK Bribery Act of 2010.



CMP-PCR: the Corporate Liability and Compliance Risk structure within the scope of Terna S.p.A.'s Compliance.

Code of Ethics: the Code of Ethics adopted within the Terna Group and approved by TERNA's Board of Directors on May 21, 2002 and relative updates, aimed at defining the ethical-behavioural principles with which Directors, Employees and all those who work in the name and on behalf of TERNA or Terna Group companies must comply.

Company Representatives: employees, directors and other members of the management and control bodies of Non Italian Companies.

Compliance Officer or CO: a person identified within each Non Italian Company, by resolution of the company's Administrative Body, charged with implementing and executing the guidelines of the Parent Company pursuant to the GCP in relation to Compliance. The Compliance Officer is also tasked with implementing any Local Compliance Programmes that may be required by individual regulations which apply in relation to Corporate Liability, acting as the Non Italian Company's point of reference for Compliance.

Country Annex: the document drawn up within each Non Italian Company that transposes the provisions of the GCP and describes the Local Compliance Programmes and the procedures adopted by the company at local level.

Crimes: certain types of unlawful conduct that qualify as crimes in different jurisdictions and that could potentially be committed by a Company Representative or a third party and whose prevention in the Group must be considered a priority in order to manage its business with honesty and integrity. The list of Crimes is set out in para. 13.4 of the Global Compliance Programme and detailed in Appendix A - a01LG058.

Decree 231: the Italian Legislative Decree no. 231 of 8 June 2001, containing "Rules of corporate liability for legal persons, companies and associations, including those without legal personality, in accordance with art. 11 of Italian Law no. 300 of 29 September 2000" as amended.

DOJ: the U.S. Department of Justice.

Due Diligence: the organised process, carried out by various competent departments, of collecting and analysing detailed information of varying kinds on Third Parties in relation to establishing, maintaining and concluding contractual/commercial relationships with them, or in relation to a specific operation aimed at verifying compliance with the ethical, anti-corruption and anti-money laundering principles established by Terna.

Facilitation Payments: means payments made for the purpose of expediting or securing the performance of an activity in the exercise of a public function considered routine (e.g. granting of a residence permit, granting of a police protection service, organisation of an inspection activity, granting of a business licence, formalities connected with the loading and unloading of goods).



FATF-GAFI or **GAFI**: Financial Action Task Force - International Financial Action Group¹ (body coordinating the fight against money laundering and terrorist financing).

FCPA: Foreign Corruption Practice Act of the United States of 1977 and subsequent updates.

General Control Standards: general control standards identified and regulated by the GCP that each Non Italian Company must adopt in line with the SCIGR adopted by the Terna Group aimed at allowing, through an adequate process of identification, measurement, management and monitoring of the main risks, a healthy, correct and coherent management of the company in line with the set objectives.

Global Compliance Program or GCP: this Global Compliance Program, a document adopted by TERNA on 10 November 2017 and by the Non Italian Companies and its subsequent amendments.

HR: the Human Resources Department of Terna S.p.A.

HSEQ-DOC: the Document Management structure within the scope of Terna S.p.A.'s HSE Quality and Risk.

Internal Control and Risk Management System or **SCIGR**: the set of corporate culture, capabilities, rules, procedures and practices, as well as organisational structures, aimed at defining an accountability system for the identification, measurement, management, mitigation and control of the main risks at Group level, thus maintaining a high level of stakeholder confidence in the governance and control of the Group.

Lists: Lists are defined as

- i. lists of countries at risk of corruption (e.g. Transparency International's corruption perception index);
- ii. list of subjects (natural and/or legal persons) prepared by the European Union, by each individual member state of the European Union, by the United Kingdom, by the United States of America, by the United Nations and by any other jurisdiction, and relevant - under the terms of the Italian legislation or as a result of the contractual provisions, as from time to time updated, supplemented, amended and effective - for Terna S.p.A. and the Terna Group companies, that contain the elements of identification of the subjects (natural and/or legal persons) and activities with which, or in relation to which, it is prohibited to perform, directly or indirectly, Transactions, as they are subject to Restrictive Measures;
- iii. list of countries at risk of money laundering and terrorist financing drawn up by the EU, "black list"/"grey list" lists (indicated by FATF², EU, etc.), UN lists of financial sanctions applied to individuals and entities linked to terrorist organisations.

¹The Financial Action Task Force (FATF) is an international body whose objective is to develop and promote strategies to combat money laundering and the financing of terrorism and the proliferation of weapons of mass destruction. (see http://www.dt.mef.gov.it/attivita_istituzionali/rapporti_finanziari_internazionali/organismi_internazionali/gafi/)

²<https://www.bancaditalia.it/compiti/supervisione-normativa-antiriciclaggio/comunicazioni/liste-gafi/?dotcache=refresh>



Local Compliance Assistant: a person who may be appointed within an individual Non Italian Company, by resolution of the Non Italian Company's Administrative Body and with the agreement of its CO, charged with assisting the latter in the performance of his/her duties as a local supervisor, and with gathering information, reporting any critical issues and interfacing with the CO and the CMP-PCR structure.

Local Compliance Programmes: compliance programmes aimed at preventing corporate liability adopted by Non Italian Companies in accordance with the local regulations applicable in the country of reference and in line with the General Control Standards and Principles of Conduct provided by the Global Compliance Programme.

Local Management: the chief executive officer or executive director or member of the Administrative Body with operational powers or corresponding function.

Manager: the person(s), identified by the company, competent for the management of Whistleblowing reports.

Non-Italian Company(ies) or NIC: non-Italian company(ies) of the Terna Group.

OHP-ORG: the Organisation, Processes and Policy structure within Terna S.p.A.'s HRIS & Policy Organisation.

Potential Risk: the possibility that a future, uncertain event in a specific business area/process will constitute a Risk.

Principles of Conduct: the minimum standards of conduct related to the Risk Areas.

Processes: the relevant macro-processes, identified by GCP, within which the Risk Areas are identified.

Public Administration or P.A. or Public body: each of the bodies or apparatuses concurring in the exercise of the legislative, administrative or judicial functions of an individual state, including governmental bodies.

Public Official: (a) any elected or appointed official exercising a legislative, administrative or judicial public function; (b) any person exercising public functions in any branch of national, regional or municipal government or exercising a public function for any public agency or public enterprise, such as officials exercising public functions in state enterprises.
Red Flag: one or more anomaly indicators/Potential Risk factors (in terms of corruption, money laundering or other relevant crimes) to be checked as part of Due Diligence.

Recipients: Company Representatives and Other Recipients.

Residual Risk: the Risk of Crimes related to a specific business area/process mitigated by the existence and effectiveness of the internal controls adopted.



Restrictive Measures: commercial and financial restrictions adopted by the European Union, by each individual Member State of the European Union, by the United Kingdom, by the United States of America, by the United Nations and by any other jurisdiction, and relevant — under the terms of the applicable regulations or as a result of the contractual provisions, as updated, supplemented, amended and effective from time to time — for TERNA and the Terna Group companies in relation to third countries and/or subjects (natural and/or legal persons) and/or goods and services (including software, technologies, engineering and technical assistance) and activities.

Risk: any future event that within the company, alone or in conjunction with other internal or external events, may adversely affect the achievement of the objectives set out in the relevant regulations of the individual country.

Risk Areas: activity areas more at risk when it comes to the commission of Crimes.

Risk Assessment: the analysis of corporate processes aimed at identifying and assessing the potential risks of commission of the relevant Crimes and the relevant existing safeguards.

TERNA: the Parent Company TERNA - Rete Elettrica Nazionale Società per Azioni (in abbreviated form Terna S.p.A.).

Terna Group: TERNA S.p.A. and its subsidiaries according to the terms established in Article 93 of the Italian Legislative Decree no. 58 of 24 June 1998, (the so called Consolidated Law on Finance).

Third Parties or Other Recipients: any third party acting in the name and/or on behalf of an NIc, such as suppliers, agents, consultants, business partners or any other counterparty.

Whistleblowing Guidelines or LG054: TERNA's whistleblowing Guidelines.

5. Top-Level Commitment

The Terna Group conducts its business in accordance with the criteria of loyalty, legality, fairness, integrity and transparency, in compliance with the regulations applicable in Italy and abroad on the subject of Criminal Corporate Liability.

The Terna Group promotes and disseminates a culture of ethics and compliance. The commitment is mainly made by all the Terna Group's top management (Top-Level Commitment) who work to spread this message at all levels.

To this end, the top management of individual Terna Group companies define and disseminate guidelines, procedures and internal policies aimed at regulating and formalising such commitment in order to prevent the commission of unlawful activities.

In particular, the administrative bodies of the Non Italian Companies also express, and are called upon to clearly disseminate, a message of absolute observance of the Terna Group's principles of ethics, integrity and legality.



6. Structure of the Global Compliance Programme

This document, in addition to making explicit top management's commitment to promoting and defining a culture of ethics and compliance (the so-called top-level commitment), as well as the methods to be implemented for adopting, implementing and subsequently updating the GCP, including in each Non Italian Company, also identifies and regulates³:

- the **Risk Assessment** methods described in para. 7 which are necessary for evaluating exposure to the risk of the Crimes identified within this GCP being committed, forming the basis for the preparation of the Country Annex and the Local Compliance Programmes;
- **General Control Standards**, described in section 13.2, which each Non Italian Company must adopt in line with the Internal Control and Risk Management System referred to in section 13.1, aimed at enabling, through an adequate process of identification, measurement, management and monitoring of the main risks, a sound, correct and consistent management of the company with its objectives;
- the **roles** of the **Compliance Officer and the PCR**, as described in para. 8 and thereafter, identified as figures appointed to ensure that knowledge of the Global Compliance Programme and of the Country Annex of reference is disseminated and their operation facilitated, as well as those of any additional Local Compliance Programmes;
- the relevant **Processes and Risk Areas** in the context of which there could, in theory, be a potential risk of the Crimes identified by the GCP being committed by a Company Representative or a Third Party, the prevention of which within the Group must be considered a priority in order for its business to be managed with honesty and integrity. For each macro-process, minimum standards of conduct related to Risk Areas are identified (the "Principles of Conduct"). The Processes described constitute the reference basis for each Non Italian Company for drafting, through specific Risk Assessment activities, the respective Country Annex. The Principles of Conduct set out in para. 14 are to be understood as applying across the board to all Processes and Risk Areas regulated in the Global Compliance Programme;
- the **training** of Company Representatives and provision of information to Recipients in relation to the GCP, in order to ensure the effective application of the safeguards established, as indicated in para. 9;
- the **whistleblowing system** for handling reports of unlawful conduct or irregularities and internal reporting, set out in section 10;
- the safeguards for the **continuous monitoring and improvement** of the GCP, regulated in para. 11;
- the **system of sanctions** which applies in the event of a breach of the provisions identified in the GCP, which must be taken into account by the Non Italian Companies as part of their Local Compliance Programmes, regulated in para. 12.

³ The structure of the GCP is based on the main best practices and applicable regulations in relation to compliance programmes. The macro-processes and macro-risk areas relevant at Terna Group level were taken into consideration in the identification of Processes and Risk Areas.



6.1 Adoption of the GCP, implementation and subsequent updates

The GCP, which has been approved by TERNA's Board of Directors⁴, expresses the principles that form part of the Terna Group's fundamental values and inspire its organisation and activities, including the implementation of the shared principles of the Code of Ethics upon Non Italian Companies. Any subsequent amendments to the GCP shall be approved by TERNA's Chief Executive Officer by virtue of the proxy conferred by the Board of Directors when approving the GCP⁵.

TERNA therefore promotes the adoption of the GCP by each directly controlled Non Italian Company, including through its subsidiaries under Italian law⁶. The Non Italian Companies are in turn required to transpose and approve the GCP (and any updates thereto) through resolutions from their own Administrative Body or Chief Executive Officer (where the relevant proxy has been conferred). In addition, these Non Italian Companies are required to promote the transposition of the GCP by their own subsidiaries.

The Administrative Body of each Non Italian Company, in compliance with their own autonomy and independence:

- adopts the most appropriate measures for the implementation and monitoring of the GCP implementation, taking into account the company's organization, complexity of business, specific risk profile and regulatory framework;
- is responsible for the adoption, implementation and monitoring, where required by national regulations, of their own Local Compliance Programmes, which are also referred to in the relevant Country Annex;
- is responsible for the proper identification of any additional Process, Risk Area or Principle of Conduct on top of those identified within the GCP, to be implemented through Local Compliance Programmes, guidelines, procedures, local internal policies, etc.

7. Risk Assessment

Any compliance programme adopted by a Non Italian Company to implement the GCP must be based on the analysis of company processes, aimed at identifying and assessing the potential risks of the relevant Crimes being committed and the relevant safeguards in existence (the **Risk Assessment**).

The **steps** that make up the Risk Assessment are as follows:

- (i) **mapping of Risk Areas**, i.e. identifying and mapping, within the framework of individual company processes, the areas and related activities that are potentially exposed to the risk of commission of Crimes;

⁴ By virtue of the Resolution dated 10 November 2017.

⁵ Under the power of sub-delegation granted to Terna's Chief Executive Officer, and in consideration of the provisions of LG001 "Company Standards System", Appendices A a01LG058, B a02LG058 and C a03LG058 may be updated by Terna S.p.A.'s Executive Vice President for Strategy, Digital and Sustainability.

⁶ In any case, the Italian parent companies are equipped with a Compliance Programme in line with Italian regulations, i.e. the Organisation, Management and Control Model pursuant to Italian Legislative Decree no. 231/2001 in line with the Terna Group's LG032 "Implementation and Management of Organisational Models Pursuant to Legislative Decree no. 231/2001 in the Terna Group".



- (ii) **assessment of the degree of Potential Risk**, carried out in the light of possible factors likely to generate the Risk. **Risk** means any future event within the company that, alone or in conjunction with other internal or external events, may adversely affect the achievement of the objectives set out in the relevant regulations of the individual country. The possibility of a future, uncertain event in a specific business area/process creating a Risk constitutes a **Potential Risk**;
- (iii) **assessing the adequacy of internal protocols**, in order to identify all procedures and controls suitable to mitigate potential risks, as well as any need to adapt these controls. The system of preventive controls must be such as to ensure that the Risks of commission of Crimes, according to the methods identified and documented in the previous phase, are reduced to an acceptable level;
- (iv) **calculation of residual risk (the Residual Risk)**, understood as the Risk of Crimes associated with a specific corporate area/process mitigated by the existence and effectiveness of the internal controls adopted.

An **Action Plan** of interventions to improve the control system must be implemented, taking into consideration the outcomes of the Risk Assessment and the Risk Management strategy identified to avoid, reduce, accept, monitor and transfer risk.

The Risk Assessment in relation to the GCP is carried out by each NIC (based on the methodology identified and made available by Terna) using input from the CMP-PCR structure — as a rule — on an annual basis and, in any case, whenever necessary due to an update to the Global Compliance Programme. Non Italian Companies must provide the CMP-PCR structure with evidence of the results of the Risk Assessment through their Compliance Officer, as well as of any Action Plans defined to mitigate risks.

The Risk Assessment must first consider the Processes and Risk Areas indicated in the GCP in relation to the potential commission of the Crimes identified in para. 13.4.

This Risk Assessment, therefore, does not exempt the Non Italian Companies from: (a) carrying out their own additional assessment of the risk of non-compliance in relation to the applicable local regulations, as well as to the specifics of their business and organisational structure; or (b) defining, where appropriate, their own control standards and Principles of Conduct in addition to those contained in this GCP.

Individual Non Italian Companies constantly update their own Risk assessments.

8. Compliance Governance

Governance of the GCP consists of the following figures:

- Compliance Officer;
- Local Compliance Assistant;
- Terna's CMP-PCR structure.



8.1 Compliance Officer

A **Compliance Officer** (or **CO**) is appointed in each Non Italian Company, by resolution of its Administrative Body.

The CO must possess:

- appropriate legal or corporate risk control and management skills, to be assessed in the light of their CV and previous professional experience;
- requirements of integrity, to be assessed taking into account past conduct and compliance with the ethical principles that govern the Terna Group's operations.

The CO is responsible for ensuring that the NIC complies with the GCP, for promoting the spread of the GCP and raising awareness thereof, and for facilitating its operation through training/information activities and via the flows of information referred to in Appendix B (a02LG058).

The Compliance Officer is also responsible for ensuring compliance with the individual regulations which apply in relation to Corporate Liability in the countries in which the Non Italian Company operates, by adopting any Local Compliance Programmes.

The CO must:

- promote the spread of the Global Compliance Programme and raise awareness thereof, as well as of the Local Compliance Programmes adopted as provided for in the relevant Country Annex and of the Parent Company's guidelines, through the necessary training activities;
- monitor conduct within the NIC and carry out checks to investigate suspected breaches of the provisions of the Global Compliance Programme, as supplemented by the relevant Country Annex;
- coordinate with the NIC Local Management for the monitoring of activities in Risk Areas;
- monitor the effective implementation of all necessary disciplinary measures imposed by the competent structures of the NIC, in order to punish any improper deviation from the established rules of conduct;
- periodically inform the Administrative Body of the Non Italian Company of any relevant initiative taken concerning the Global Compliance Programme and the Local Compliance Programmes adopted in the specific companies listed in the Country Annex;
- promptly inform the Administrative Body of the Non Italian Company and the CMP-PCR structure of any relevant confirmed breaches of: (i) the Global Compliance Programme; (ii) the relevant Country Annex, including the Local Compliance Programmes adopted as specific local safeguards; (iii) the procedures and Guidelines valid for the Terna Group; and (iv) the related disciplinary measures adopted;
- perform the duties referred to in the section on Whistleblowing.

For the proper performance of these activities, the CO is guaranteed adequate autonomy and independence, also with respect to the Local Management. The CO must have effective powers of inspection and control, as well as access to relevant company information.



In any case, the Non Italian Company makes available to its CO any resource deemed necessary or appropriate for an effective performance of supervisory functions, including the support of any external professionals identified by the CO himself/herself for particularly complex technical assessments. For these reasons, the Non Italian Company shall allocate sufficient financial and personnel resources to the CO for the performance of his/her activities, to ensure the effective implementation of the GCP and the Local Compliance Programmes.

The CO is tasked with keeping Terna's CMP-PCR structure periodically informed through the specific information flows identified in Appendix B (a02LG058) of the GCP. This identification may be further detailed within each Country Annex, due to the organisational peculiarities and activity of the company itself.

8.2 Local Compliance Assistant

For Non Italian Companies which are themselves subholdings⁷ of the Terna Group, the CO may be supported in the performance of his/her duties by a Local Assistant, appointed by resolution of the NIC's Administrative Body and with the agreement of the aforesaid CO.

This person may be identified within a corporate function of the same NIC in which a CO has already been appointed.

The Local Compliance Assistant is responsible for supporting the CO in the following activities:

- implementing the GCP and the local legislation on Corporate Liability within the NIC;
- managing flows of information concerning the Non Italian Company;
- monitoring training courses at local level;
- managing information activities;
- drawing up the Risk Assessment for the individual NIC;
- any other activities that may be necessary to support the CO.

8.3 CMP-PCR Structure

The CMP-PCR structure handles updates to the Global Compliance Programme; verifies and monitors the implementation of the General Control Standards and Principles of Conduct established to limit the risk of Crimes being committed, spreads awareness of the GCP and facilitates its functioning through:

- the activities of training/informing the COs and Directors of the NICs, as further detailed in para. 9;
- planning and reporting to the Administrative Bodies of Non Italian Companies on the activities of monitoring and verifying the GCP, and the results of these verifications;

⁷ As of the date on which the GCP is approved, the following are deemed to be Subholdings of the Terna Group: (i) Brugg Cable Service AG, a company under Swiss law operating in the cable industry, which in turn operates through subsidiaries and Business Units in the following countries: Switzerland; Germany; China; the USA; India; the UAE; Saudi Arabia; (ii) Tamini Trasformatori S.r.l, an Italian company active in the production of transformers, which in turn controls the companies Tamini Transformers USA LLC and Tamini Trasformatori India Private Limited.



- reporting periodically — on at least an annual basis — to the Supervisory Body of Terna S.p.A. as the Parent Company and to the Supervisory Bodies of the Italian Companies that directly or indirectly control the NICs, regarding any initiative undertaken concerning the Global Compliance Programme;
- implementing appropriate flows of information to and from the Non Italian Companies through the COs. These flows, set out in Appendix B (a02LG058), must be received by the CMP-PCR structure on a periodic basis, for the purpose of monitoring the proper functioning of the GCP within the Group's Non Italian Companies;
- monitoring the effective implementation of the GCP.

The CMP-PCR structure organises one or more specific annual meetings with the Compliance Officers of the NICs to ensure coordination in the management of GCP compliance issues.

9. Training and raising awareness

Terna S.p.A. promotes awareness of the Global Compliance Programme and the dissemination of its contents. The CMP-PCR structure periodically organises mandatory training sessions on the Global Compliance Programme through TERNA's Human Resources structure, for all Directors of Non Italian Companies as well as the COs.

To further disseminate the contents of the GCP to other Company Representatives, the CMP-PCR structure is responsible for updating the material intended to support their GCP training and for transmitting it to the COs, so that the latter can in turn disseminate the training to the entire corporate population of the NIC.

Information and training activities must be documented, monitored and evaluated in terms of adequacy and effectiveness.

Therefore, each Non Italian Company shall monitor training activities on the contents of the GCP — and those of any additional Compliance Programmes which may be in place to address the specific risks identified locally — and monitors the actual involvement of all personnel concerned in the planned training. In this way, Company Representatives will be put in a position to clearly understand and be aware of the different crimes, the risks, the related personal and corporate responsibilities and the actions to be taken to prevent the commission of unlawful activities.

Each Non Italian Company is therefore responsible for ensuring an adequate level of participation by Company Representatives in training, and for adequately informing Recipients of the Global Compliance Programme and of their Local Compliance Programmes and local procedures.

The NIC shall ensure that the corporate ethics and compliance documentation, including the GCP, is made available to Company Representatives by means of publication on the corporate intranet or portals of the parent company or by e-mail or other means of sharing corporate documents, and that



each new employee is given (or indicated and made available in the manner identified above) the compliance documentation relevant for the NIC.

Newly recruited staff will be made to sign a declaration of acknowledgement and commitment to the principles contained in the ethics and compliance documentation.

The principles and contents of the GCP that are applicable to Third Parties shall be made known through contractual documentation, which shall include clauses aimed at ensuring compliance by the Third Party with the Principles of Conduct identified by the GCP that are directly applicable to them. Where the NIC has adopted its own Local Compliance Programme, the contractual clauses shall also provide for compliance with the aforementioned programmes and applicable regulations.

10. Whistleblowing System

10.1 Reporting system (Whistleblowing)

Anyone can report unlawful acts and/or conduct, whether committed or omitted, that constitute breaches - or even suspected breaches - of the Principles of Conduct referred to in the GCP and in the Local Compliance Programmes of the principles sanctioned in the Code of Ethics, of internal regulations represented by all the provisions, procedures, guidelines or operating instructions of the company receiving the report, as well as breaches of policies, company rules that could result in criminal crimes or, in any case, that could result in damage to the Group or individual Group companies.

Company Representatives have a duty to report any breach or alleged breach of the Code of Ethics, the Principles of Conduct set out in the GCP, or the Local Compliance Programmes adopted in the specific NIC, as indicated in the relevant Country Annex.

Reports of confirmed breaches of the GCP and the Local Compliance Programmes and their implementing acts adopted in the specific NIC reported in the relevant Country Annex must always be brought to the attention of the CO.

In addition, the CO shall be promptly informed of the outcome of investigations into reports related in any way to breaches of the GCP or of the Local Compliance Programmes, so that he/she can monitor actions to improve the control measures.

Non Italian Companies must set up a system for reporting breaches and indicate a manager for the system, taking local regulations on whistleblowing into account (where such exist and are applicable). They must explain the whistleblowing system; guarantee confidentiality regarding the whistleblower's identity and the contents of the report, unless otherwise prescribed by Law; safeguard those making reports in good faith and in a spirit of company loyalty against retaliation or negative effects on their professional positions; collect the reports; assess them in accordance with the procedures provided for; and, in the event of a confirmed breach, define any penalties in proportion to the severity of the breach.



The whistleblowing rules set out in the Global Compliance Programme provide for reporting channels and protections for the whistleblower and the reported person. This also applies to Non Italian Companies, in accordance with local legislation.

The methods for reporting and managing Whistleblowing reports, which are regulated in LG054, also apply to Non Italian Companies which have adhered — in compliance with local legislation — to the management system set up by TERNAL as described in the same LG054. This activity is adequately regulated through intra-group agreements while data processing is conducted in compliance with applicable law.

If, instead, an NIC is unable to adopt the whistleblowing regulation with internal reporting channels as described in LG054, the NIC shall arrange for procedures to report information on breaches, as well as for appropriate flows of information to the CO and to TERNAL regarding the safeguards which have been or will be put in place, and regarding the reports, as described below.

a) Whistleblowing according to LG054

If, following careful assessment of the applicable regulations, the NIC adheres to the reporting system set out in LG054, the internal reporting channels provided for are:

1. **IT portal**, accessible at: <https://whistleblowing.terna.it/Segnalazioni/InvioSegnalazione> (ITA/ENG).
2. **Ordinary Mail to**: Audit Manager c/o TERNAL S.p.A., Viale Egidio Galbani, 70 – 00156 Rome, using the following wording “whistleblowing report, confidential – do not open”.
3. **Face-to-face meeting**: the Whistleblower has the option of requesting a meeting with the Audit Manager to inform him/her directly of the subject of the report. This meeting is arranged by means of a request sent by the whistleblower via the Portal (<https://whistleblowing.terna.it/Segnalazioni/InvioSegnalazione>) or by e-mail to whistleblowing@terna.it, specifying the name of the Terna Group company that is the subject of the report.

The applicable provisions of LG054 shall be those indicated for ordinary reports, i.e. those which do not fall within the scope of Italian Legislative Decree 24/2023⁸, as the specific Italian legislation on the subject does not apply.

The processing of personal data in accordance with the applicable regulations must be guaranteed, as well as the general prohibition on retaliation contemplated in the Code of Ethics, which expressly protects Reports made in good faith and in a spirit of loyalty to the company.

With regard to roles and responsibilities, the Compliance Officer appointed by the company involved and/or external consultants may be asked to provide support with the handling of reports, which falls under the responsibility of the Manager. The involvement of the CO at this stage is limited to the acquisition of information in furtherance of the investigation.

⁸ See LG054 Whistleblowing, page 6 para. 2



At the end of the investigation, the Manager shall inform the CO of any confirmed breaches of the GCP or the Local Compliance Programmes, and/or of the improvement actions necessary to strengthen the internal control measures.

b) Non Italian Company Whistleblowing

If an NIC is unable to adhere to the whistleblowing management methods defined in LG054 it shall arrange for procedures to report information on breaches, in line with local regulations and in accordance with the protections provided for whistleblowers in the Code of Ethics. It shall also:

- notify Terna S.p.A., potentially via the CO, of the safeguards which have been or will be put in place, and which may entail the involvement of the CO appointed pursuant to the Global Compliance Programme;
- ensure that adequate information is available regarding the reporting system for Information on breaches, the user procedures and protection system put in place.

In addition, the NIC must implement a suitable monitoring system for the preparation of an annual report to Terna S.p.A., also via the CO, concerning the reports received, featuring the following information:

- the number of reports received;
- the number of reports investigated;
- brief description of the area of reference of the report (e.g. Privacy; Cyber security; Corporate Governance; Health and safety; Human Resources; Sustainability; Tax; Procurement; Security), with specific evidence of the number of cases when discrimination or harassment has taken place (also for sustainability accounting purposes);
- the number of reports filed as “groundless”;
- the number of grounded reports “with follow-up and action”; for which the type of activities undertaken must be indicated;
- the number of grounded reports “with follow-up, but without action”; for which the type of activities undertaken must be indicated.

In no case must the object and/or content of the reports received be shared with Terna S.p.A. The report shall be addressed, in addition to the CEO/AU/Executive Director and CO, also to the Chief Risk Officer, the Internal Audit Manager and the Ethics Committee appointed by Terna.

The NIC must also identify the manager of the reporting channel in compliance of the applicable rules on the processing of personal data and the person analysing and promoting the most appropriate measures based on the investigative findings as well as identify the management controls with its own provision/procedure, also updating the reminders in the local Compliance Programme and on the website where available.



10.2 Investigation

Whenever a report is received, a procedure is activated to manage the report and monitor its prompt resolution. Such procedure is implemented and tracked by the subjects formally identified to manage the reports.

Following the report, Company Representatives are required to cooperate with the relevant investigation where involved.

Failure to cooperate and provide honest, truthful information could result in disciplinary action.

On the basis of the findings, the most appropriate actions will be taken against the reporter, the reported person, as well as the most appropriate corrective actions with reference to the Processes concerned by the report.

11. Monitoring and continuous improvement

The CMP-PCR structure monitors the effective implementation of the GCP.

In particular, periodic auditing and testing activities are envisaged aimed at:

- ensuring the effectiveness of the GCP;
- intercepting possible breaches;
- identifying any improvement or corrective actions at an organizational level or within individual Processes, with a view to strengthening the Internal Control and Risk Management System.

Furthermore, the CO monitors the effective local implementation of the GCP, as supplemented by the Non Italian Company by means of the relevant Country Annex.

In the event of any doubts as to the interpretation, implementation or applicability of any Risk Area, the General Control Standards or the Principles of Conduct, each Company Representatives must first consult the CMP-PCR structure through his or her CO.

12. Sanctions system

Breaches of laws on criminal or quasi-criminal liabilities of corporate entities can cause criminal, civil and regulatory penalties, including sanctions (fines and disqualification measures) and jail, as well as a damage to the Terna Group reputation.

The full effectiveness of the GCP and/or a related local policy, procedure or instruction or any other applicable Terna Group procedure, as well as of the Local Compliance Programmes, is guaranteed through the application of appropriate sanctions in the event of breaches of the principles contained in the aforementioned documents.

In the event of breaches committed by Company Representatives, the relevant disciplinary sanctions shall be imposed by the Non Italian Companies, in accordance with the applicable local regulations on the matter, as well as on the basis of the Local Compliance Programmes.



In addition, Non Italian Companies shall adopt appropriate sanctions in the event of (i) breaches of local corporate liability regulations (where applicable); (ii) direct or indirect retaliatory or discriminatory acts against whistleblowers for reasons related to whistleblowing; (iii) breaches of whistleblower protection measures and malicious or grossly negligent reporting that proves to be unfounded.

The applicable sanctions may include termination of employment and compensation for damages. Sanctions shall be applied despite the results of any possible criminal procedure carried out by the relevant judicial authority.

In the event of breaches by Third Parties, each Non Italian Company shall take appropriate measures, including but not limited to termination of the contract.

13. The GCP and general control standards

13.1 The GCP and TERNA control references

The dictates of the GCP are generally inspired by the set of corporate culture, capabilities, rules, procedures and practices, as well as organisational structures, aimed at defining an accountability system for the identification, measurement, management, mitigation and control of the main risks at Group level, thus maintaining a high level of stakeholder confidence in the governance and control of the Group as a whole, defined as the Internal Control and Risk Management System or SCIGR.

The Principles of Conduct defined within the GCP are supplemented by the guidelines set forth in the Policies, Guidelines, Operating Instructions, and the rest of the Parent Company's procedures, as applicable to the Non Italian Companies.

To ensure the effectiveness of the SCIGR in relation to the GCP, the documents referred to in Appendix C (a03LG058) are taken into consideration.

The Subsidiary Corporate Affairs structure (hereinafter referred to as **AGLS-ASCO**) shall directly or indirectly ensure the dissemination of the regulations that form an integral part of the Internal Control System to the Non Italian Companies, as well as the subsequent formal transposition thereof by the latter.

Therefore, following the publication of a new Policy, Guideline, Operating Instruction or other document referable to the GCP, or in the event of an update to any such regulation already in existence, the **AGLS-ASCO** structure shall handle sending the document to the Non Italian Companies affected, based on the scope of application defined by the structure which is the document owner and subject to input/information from the structures responsible for overseeing Terna's document system (HSEQ-DOC or OHP-ORG). Where necessary, in the case of subholdings, a mandate shall be given to proceed with widespread dissemination to all Non Italian Companies which they control. To this end, the document owner identified within the Guidelines and Operating Instructions determines the document's scope of application and arranges its translation, as provided for by Terna's document system regulations.



If the **AGLS-ASCO** structure requires clarification in this respect, or greater details than those indicated by the owner, the HSEQ-DOC or OHP-ORG structure shall be responsible for requesting the additional information from the owner structure and communicating it to the **AGLS-ASCO** structure.

When sending the document to Non Italian Companies, the CMP-PCR structure must be copied in, as must the structure which is the document owner.

Where, following careful assessment, there is a need for an exemption from this regulation and/or it is partially inapplicable, or where any clarifications are necessary, the Non Italian Company must share these assessments with the structure which is the document owner, possibly through its Compliance Officer and also potentially availing itself of the support of the **AGLS-ASCO** and CMP-PCR structures.

Exemptions, which must be exceptional in nature, must be adequately justified and substantiated.

Non Italian Companies are required to keep evidence of the assessments justifying any potential non-applicability of the contents of the GCP and the regulatory part of the SCIGR, if they conflict with local regulations.

Evidence of the Non Italian Company's transposition of the Internal Control System must be compiled in the relevant Country Annex.

At least once a year, the CMP-PCR structure shall verify the status of the transposition and application of the Internal Control System by the Non Italian Companies, coordinating with **AGLS-ASCO** and arranging any corrective actions. This activity is part of the broader control framework aimed at ensuring the alignment of Non Italian Companies with applicable corporate and regulatory standards.

Whenever a new Non Italian Company is established, or when an existing Non Italian Company is affected by structural and organisational changes (e.g. extraordinary transactions such as mergers, acquisitions or the sale of a business branch), the Non Italian Company shall set up its own Internal Control System in accordance with the provisions of the Global Compliance Programme. For these purposes, the **AGLS-ASCO** structure will disseminate the guidelines that form an integral part of the SCIGR to the Non Italian Companies, while also informing CMP-PCR.

In addition to the above, each Non Italian Company shall supplement the provisions of the GCP with the rules set out in the specific Country Annex adopted by each NIC, including:

- i. Local Compliance Programmes;
- ii. the corporate governance provisions adopted by the NICs themselves, in accordance with the applicable legislation and international best practises;
- iii. the internal control and risk management system adopted in each Non Italian Company (e.g. local procedures and policies, principles of conduct, etc.).



If local laws and regulations, or policies and corporate procedures adopted by the single Non Italian Companies contain mandatory requirements that exceed the requirements of this GCP, such requirements will prevail.

13.2 General Control Standards

Each Non-Italian Company, in assessing the advisability of adopting local procedures — taking into account the specific activity performed and the related associated risks, as identified based on the Risk Assessment pursuant to paragraph 7 — shall, in any event:

- provide for the General Control Standards identified hereafter;
- detail internal controls;
- provide for the application of disciplinary sanctions in the event of a breach of the procedures;
- provide for decision-making processes based on objective and impartial criteria.

To this end, any time a Company Representative finds themselves with a (potential or confirmed) conflict between their personal interests and those of the company, they must disclose it in order to ensure the proper management of the conflict.

The General Control Standards are as follows:

- **segregation of duties:** the assignment of roles, tasks and responsibilities within each company shall be made in compliance with segregation of duties according to which no individual may autonomously perform an entire process (i.e. in accordance with this principle, no individual can be autonomously in charge of performing an action, authorizing it and subsequently check it). Adequate segregation of roles can also be ensured by using IT systems that allow only identified and authorised persons to carry out certain operations;
- **authorization and signatory powers:** every company must issue formal provisions in relation to the exercise of authorization and signatory powers, which must be consistent with the allocated organizational and managerial responsibilities;
- **transparency and traceability of processes:** the identification and traceability of sources, information and controls carried out in relation to the formation and implementation of the decisions of the Non Italian Company and the management of financial resources must be guaranteed; it is also appropriate to ensure the correct recording of the relevant data and information, in electronic and/or paper format;
- **proper management of relations with Third Parties and Due Diligence** (see section 13.3).

13.3 Third-Party Relationship Management Standards and Due Diligence

TERNA and Terna Group companies pay special attention to the selection of Third Parties. To this end, whenever a company is engaged in business activities with a Third Party or intends to approach a Third Party in connection with any business, the competent structures must investigate the Third Party with the aim of identifying its chain of control; its possession of the honour, professional and financial requisites; its credibility on the market; and its compliance with the Anti-Corruption Laws in force, or with any similar laws established by the country in which it operates or will operate, including on behalf of any Terna Group company.



Due Diligence should be proportionate to the real or perceived risk in relation to the third party and/or the transaction (risk based).

Due Diligence is conducted based on the criteria identified by the Parent Company, which may include, among other things: (i) searches concerning companies, shareholders and representatives via public and other available sources (e.g. business contacts, local chambers of commerce, business associations, web searches or specialised companies, entries in Lists), in order to find any potentially relevant negative information on them; or (ii) in-depth investigations carried out by third-party consultants.

Due Diligence is governed by the Group's Guidelines as per the Appendix (a03LG058), as well as by the local procedures adopted by the NICs, if any.

In any case, the Due Diligence conducted should highlight potential Red Flags.

Listed below are some examples of Red Flags that may be taken into account when performing Due Diligence, such as potential risk factors or indicators of the possible commission of Crimes:

- the potential Counterparty is not economically or financially sound, or is experiencing negative economic-financial circumstances;
- the potential Counterparty is under investigation or has been accused or convicted of one or more crimes;
- if the Third party or, in the case of a company, its shareholders, is resident or has its registered office or carries on its activities in a country listed in the so-called international anti-money laundering blacklist/greylist (e.g. published by the FATF and the European Union) or in a country identified as a country that provides support to terrorist activities or in whose territory terrorist organisations operate or in those countries considered as tax havens as identified by recognised national and/or international bodies (e.g. Revenue Agency, OECD) or in a country with a high risk of corruption (see e.g. Transparency International rankings) or subject to international sanctions;
- difficulty in identifying the ultimate beneficiary of the potential Counterparty due to insufficient, false or inconsistent facts or information, or due to the laws of the country in which the Counterparty has its registered office/residence, which does not require registration;
- if the third party engages in activities/business that are inconsistent or not in line with the contractual performance required or if the third party or one of its representatives has a conflict of interest;
- in case of transactions or requests which are inconsistent with the activities carried out by the Third Party, such as requests for payments in a high-risk country which has no connection to the Third Party (for example, a Country with very protectionist laws on bank secrecy, with weak money laundering controls or where criminality/corruption is widespread). To this end, high-risk countries must be assessed taking into consideration international indexes such as the Transparency International Corruption Perceptions Index;
- if there is a request to structure a transaction in a way such to evade normal accounting and reporting regulations or such to not demonstrate any legitimate commercial interest, such as increasing the prices or making part of the payment "below the radar" through the drafting of a side letter;



- in case of relations with consultants or other Third Parties who have close links with a government or political party, or which have been specifically chosen by a public official or a client;
- if there are requests for the payment of commissions, fees or other forms of irregular remuneration or requests for payments in cash;
- if the third party is apparently lacking the skills, experience or resources required for the type of activity or has no corporate organisational structure or inadequate assets;
- if the Third Party, with respect to the transaction, refuses to enter into a contract;
- if the Third Party refuses to undertake to abide by or comply with these Guidelines and/or further internal compliance procedures adopted by the NIC and/or applicable to the Group and has not adopted any code of conduct or similar compliance instrument designed to prevent the commission of crimes.

The presence of one or more Red Flags requires a more in-depth examination that may include additional controls and/or appropriate authorisation levels.

For high-risk transactions or particularly complex situations, the analyses may be supplemented with opinions and investigations on specific questions entrusted to providers or consultants specialised in the subjects of reference.

Monitoring throughout the contractual relationship is necessary to ensure that the third party maintains the identified and approved requirements, if necessary by periodically updating the Due Diligence. In the event that a Third Party loses these requirements or a Red Flag emerges during the term of the contractual relationship, appropriate measures to be applied shall be defined.

Third parties shall be adequately informed of the contents of the GCP and, where they exist, of the Local Compliance Programmes and shall undertake to comply with the Principles of Conduct contained in the aforesaid documents by signing appropriate contractual clauses.

13.4 Crimes to be prevented

The General Control Standards and Principles of Conduct associated with each process and the related risk area, as set out in paragraphs 11 et seq., refer to the following Crimes:

- A. Crimes of corruption;
- B. Other crimes against Public Entities;
- C. Accounting fraud;
- D. Tax crimes;
- E. Market Abuse;
- F. Organised crime offences;
- G. Money laundering and terrorist financing;
- H. Crimes against individuals (eg. Violations of workers' fundamental rights);
- I. Crimes concerning health and safety;
- J. Environmental crimes;
- K. Cybercrimes.



Appendix A (a01LG058) describes, merely by way of example, the main types of conduct which could potentially qualify as Crimes in the various jurisdictions in which the Terna Group operates.



14. Relations with public bodies and public officials

The Principles of Conduct referred to in this paragraph, relating to relations with public bodies and public officials, are one of the main pillars referred to by the DOJ, given the relevance in the international context of corruption of public officials, the cornerstone of major legislation (such as the FCPA and the UK Bribery Act).

These Principles of Conduct are to be understood as applicable in all dealings with such parties, as well as to all other Processes regulated in the GCP across the board.

Public body or Public Administration (P.A. or public body) means each of the bodies or apparatuses that contribute to the exercise of the legislative, administrative or judicial functions of an individual state, including governmental bodies.

For the purposes of this document, public official (**Public Official**) means (a) any elected or appointed official exercising a legislative, administrative or judicial public function; (b) any person performing public functions in any branch of the national, regional or municipal government or exercising a public function for any public agency or public enterprise, such as officials exercising public functions in state enterprises.

For each Non Italian Company, the foregoing definitions must be used taking into account the applicable local legislation, as well as the Crimes that may be abstractly configured.

POSSIBLE RISK AREAS

- (i) Negotiation and management of contracts entered into with the Public Administration and public bodies;
- (ii) Participation in public tenders;
- (iii) Management of dealings other than contractual relations with public bodies;
- (iv) Participation in inspections, investigations, accesses and checks carried out by Public Officials;
- (v) Management of the received public funding, grants or guarantees obtained;
- (vi) Management of disputes (lawsuits, arbitration, out-of-court proceedings);
- (vii) Selection of partners, intermediaries and consultants and negotiation and execution of the related contracts;
- (viii) Management of cash flows;
- (ix) Sending information flows to the Public Administration;
- (x) Management of non-profit initiatives, corporate giving (including donations and sponsorships);
- (xi) Management of gifts, entertainments and hospitality expenses;
- (xii) Staff selection and recruitment;
- (xiii) Reimbursement of expenses incurred by employees;
- (xiv) Definition of NIC management incentive criteria.



PRINCIPLES OF CONDUCT

When conducting any business which involves interactions with Public Administrations and/or Public Officials, Recipients must act with integrity and honesty, complying with all applicable laws and regulations.

To consult the obligations incumbent upon Recipients (pursuant to specific contractual agreements) to prevent the commission of corruption-related crimes, please refer to LG059 “Anti-Corruption”.

Recipients and Third Parties (pursuant to specific contractual terms) are **prohibited from**:

- making donations of cash or of any other kind to Public Officials and/or Public Administration Representatives, on their own initiative or in response to solicitation, in order to obtain an advantage for the company or for a third party;
- offering gifts or entertainment expenses beyond those permitted by local regulations and the rules set out in LG024 “Corporate Giving and Membership”;
- using cash as a means of payment outside the cases permitted by legislation (e.g. petty cash);
- submitting documentation containing untrue information or data and/or omitting information or data in order to facilitate the obtaining of authorisations/securities in favour of the company;
- incurring promotional or sponsorship expenses beyond those permitted by LG024 “Corporate Giving and Membership”, and by Terna’s additional regulations as mapped out in Appendix C (a03LG058).

Non Italian Companies **must guarantee**:

- the **traceability of any relation**, communication and relevant relationship (e.g. administrative proceedings aiming at obtaining an authorization, a license or similar act, joint ventures with public entities) entered with the Public Administration;
- the **involvement of at least two authorised persons** in the management of relations with the Public Administration;
- that the **hiring of personnel** takes place exclusively on the basis of real and demonstrable corporate needs, using a selection process that involves at least two functions and is based on criteria of objectivity, competence and professionalism, avoiding any favouritism or conflict of interest or any action that takes the form of favouritism, nepotism or forms of patronage that could influence the independence of a Public Official or induce him/her to ensure any advantage for the Non Italian Company or the Terna Group;
- that the **management incentive plans** are adopted in such a way that the targets set do not lead to abusive behaviour, but are instead focused on a result that is achievable, specific, measurable and reasonable in relation to the time required to achieve it;
- the formalisation of any agreements with Public Officials and P.A. (in written form or digital contracts);
- that **all statements made to Public Administrations**, whether national or international, (e.g. for the purpose of obtaining funds, grants or loans) contain only true information and are signed by authorised signatories; and that any funds, grants or loans obtained are appropriately accounted for;



- request, management and reporting phases in relation to public proceedings for the purpose of obtaining public funds, grants or loans **are managed by different** Company Representatives within the organization;
- the **involvement** of the relevant functions in the activities of collecting and analysing the information needed for reporting purposes;
- the documentation and the subsequent reporting to be submitted in relation to the request of subsidies, grants, loans and guarantees are **approved** by adequate hierarchical levels.

Moreover, the Recipients, in their relations with the Public Administration, **must not** in any way:

- a) submit false or altered documents, either fully or in part, during the participation to public calls for tenders;
- b) carry out cheating behaviours against the Public Administration which may induce the latter to make a wrongful assessment during the examination of requests for authorizations, licenses, clearances, concessions, etc.;
- c) omit due information in order to direct in the favour of one of the Terna Group companies a Public Authorities' decisions in relation to any of the circumstances described at let. a) and b) above;
- d) carry out behaviours aimed at obtaining from a Public Administration any type of grant, public funding, facilitated loan or other disbursements of the same type, by means of altered or falsified statements and/or documents, or the omission of necessary information or, more in general, by means of artifice or deception, aimed at leading the grantee institution into error;
- e) use sums received from Public Administration as funds, contributions or loans for purposes other than those for which they were granted.

In addition, NICs shall pay particular attention to so-called **facilitation payments**, i.e. payments made for the purpose of expediting or securing an activity considered routine in the exercise of a public function (e.g. organising an inspection activity, granting a business licence, formalities connected with the loading and unloading of goods) and to political contributions.

Therefore, NICs **guarantee**:

- that any kind of Facilitating Payment by Company Representatives and Other Recipients is prohibited;
- that any type of political contribution to parties or any form of support for political campaigns on behalf of the Non Italian Company or any Terna Group company is prohibited. Such political contributions or support may include, for example: a) money; b) assets other than money (such as, for example, loaned or donated equipment, free technological services, the provision of human resources); and/or c) the use of corporate resources (such as, for example, facilities, email and offices).

However, this rule does not prohibit the Company Representative from exercising his/her right to participate in political activities on an unequivocally personal level.

With reference to any other Risk Areas not identified in this paragraph, reference should be made to the Principles of Conduct identified in the Processes indicated below and in LG059 "Anti-Corruption".



15. Communication (Corporate Giving and Promotions)

The Principles of Conduct referred to in this paragraph relate to the Communication process and, more specifically, to activities with an impact on Corporate Giving and Promotions, including the organisation of events.

POSSIBLE RISK AREAS

- (i) Management of corporate giving activities (sponsorships and donations) and promotions (for example, gifts, entertainment and hospitality expenses, etc.);
- (ii) Organisation of events.

PRINCIPLES OF CONDUCT

When it comes to “**Corporate Giving**” activities and “**Promotions**”, Recipients are **prohibited from** distributing and/or receiving gifts and presents or other advantages of any nature, beyond those provided for by the corporate policies referred to in Appendix C (a03LG058).

Merely by way of non-exhaustive example, all “promotional” activities — whether carried out on one’s own initiative or in response to solicitation — are forbidden. Such activities should be understood as gifts, hospitality and entertainment expenses in favour of Public Officials or Public Administration Representatives and their family members, both local and foreign (even in countries where gift-giving is common practice), or of associations or bodies on whose management bodies such persons sit, and which may influence the independence of their judgement or induce them to procure any advantage for the company.

Examples of gifts and entertainment activities which are permitted include, but are not limited to: (i) lunches, dinners of modest value and occasional nature; (ii) gifts of low nominal value such as pens, calendars or other promotional items.

Examples of gifts and expenses which are not permitted include, but are not limited to: travel; gifts or expenses for external entertainment events involving persons with whom the NIC is currently engaged or intends to engage. Both gifts offered and gifts received must be appropriately documented in accordance with the provisions of the company procedures set out in Appendix C (a03LG058) and any further local NIC procedures.

Sponsorships and donations must be made in accordance with the principles and methods defined in the relevant regulations applicable to the Terna Group.

In addition, corporate giving activities **must**:

- be carried out in accordance with the principles of the Code of Ethics and the applicable company procedures on the topic, and within the limits of the approved budget;
- be carried out only in favour of trustworthy bodies/subjects known for their integrity and professional correctness; to this end, Company Representatives must carry out prior checks on the good repute of the beneficiaries of Corporate Giving activities;



- be approved according to appropriate authorisation levels, with the relevant applications including: (a) an adequate description of the nature and purpose of the individual contribution/sponsorship; (b) Due Diligence on the beneficiary; and (c) verification of the legality of the contribution or sponsorship, according to the applicable laws;
- be formalised in specific written agreements/letters that (i) clearly define the purpose and scope for which the contribution may be used; (ii) provide, where applicable, for controls on the use of the contribution granted in accordance with the terms of the agreement; and (iii) contain appropriate provisions to ensure compliance with applicable laws.

Company Representatives **are required** to:

- maintain the traceability of corporate giving authorisation processes, guaranteeing the collective character of related decisions;
- make payments to the beneficiary exclusively to an account in the beneficiary's name;
- verify that the funds paid have been used for the intended purposes;
- verify ex post the effectiveness of the consideration concerning sponsorship activities;
- inform the CO and CMP-PCR at least once a year on the Corporate Giving activities and promotions carried out during the period of reference.

With reference to the “**Organisation of events**” area, Company Representatives are obliged to:

- ensure that the purposes of the event and/or similar initiatives are clearly identified, legitimate and consistent with the Group's strategic guidelines and brand identity;
- keep a record of the authorisation processes for the organisation of events;
- ensure that all costs are justified, recorded and consistent with the planned and approved budget;
- undertake to ensure that the organisation of corporate events dedicated to the media is regulated in such a way as to avoid the offer of gifts or forms of entertainment that may affect the objectivity and independence of the media taking part.

Moreover, Recipients are **prohibited from**:

- granting undue advantages of any kind;
- favouring third parties with whom they have personal relationships or who present situations of a potential conflict of interest;
- acquiring or using products that are protected by copyright in violation of the contractual protections provided for the intellectual property rights of others.



16. Commercial management

The Principles of Conduct referred to in this paragraph relate to commercial management activities.

POSSIBLE RISK AREAS

- (i) Negotiation and management of contracts with any entity (public or private);
- (ii) Participation in tender procedures organised by public and private bodies;
- (iii) Relations with business partners (including joint venture partners, agents and intermediaries) and management of partnership relations;
- (iv) Financial or commercial transactions involving Terna Group companies concluded with natural and legal persons resident (or with companies directly or indirectly controlled by them) in risk countries identified in Lists of Countries and/or in Lists of natural or legal persons also indicated by the FATF-GAFI which coordinates the fight against money laundering and terrorist financing;
- (v) Management of customs requirements.

PRINCIPLES OF CONDUCT

Relations with customers or potential customers as well as with business partners must be managed in a fair, transparent, equitable and cooperative manner.

In each NIC, the Recipients are **prohibited from**:

- making cash donations to Public Officials and/or Public Administration Representatives, on their own initiative or in response to solicitation, in order to obtain an advantage for the company or for a third party;
- submitting documentation containing untrue information or data and/or omitting relevant information or data in order to obtain the awarding of a tender/order to the company;
- entrusting works, services and supplies and arranging the related payments without complying with the form and traceability requirements of the current regulations on public contracts and the traceability of financial flows, where applicable;
- making payments or recognising compensation in favour of third parties, without adequate contractual justification or in any case not adequately documented, justified and authorised.

Non Italian Companies **must guarantee** compliance with the procedures adopted by the Terna Group which apply to the commercial process, such as the guidelines and/or instructions issued for the Terna Group and the local policies adopted individually by each Non Italian Company or its parent, where applicable, for the management of export control activities (LG061 "Trade Compliance").

Furthermore, as part of this process, **it is obligatory to**:

- conduct Due Diligence against the counterparty in line with the provisions of section 13.3;
- base all relations with the counterparties on the principles of transparency and integrity and envisage performances and compensations in line with market practices, making sure that there are no aspects that may favour the commission of Crimes in Italy or abroad;



- in the event that parties involved in commercial transactions are found to be on the Lists, or are known to be controlled by parties found to be on the Lists, during due diligence or the subsequent monitoring of the business relationship, ensure compliance with the provisions of LG070 “Third-Party Due Diligence” and LG061 “Trade Compliance”;
- verify that the documentation and formal communications produced during the tender procedure/or allocation of the order are managed and signed only by subjects previously identified and authorised by the NIC;
- ensure the traceability of decision-making and levels of authorization so that they can always be reconstructed using the internal records and documentation;
- define all partnerships and sales activities through contractual relationships, signed on the basis of the system of powers and delegations in force in the company and including compliance clauses (corporate liability or GCP, Code of Ethics, Trade Compliance and export control procedures, anti-corruption);
- with particular reference to contracts with agents and intermediaries, provide that they must also (i) clearly describe the services to be provided; (ii) define the nature of the commissions/fees (fixed, variable, success fees, etc.) and their amount in line with market standards (iii) establish the targets to be achieved;
- archive all documentation supporting individual activities.

The principles of the free market are among Terna’s fundamental values and inspire its organisation and activities. Therefore, conduct is adopted in accordance with the rules of fair competition.



17. Finance and M&A

The Principles of Conduct referred to in this paragraph relate to the Finance and M&A process, and thus to the management of financial flows and extraordinary transactions (M&A, transfers, etc.).

POSSIBLE RISK AREAS

- (i) **Management of cash flows**, by which is meant all those activities or relationships involving a payment or collection to or from the NIC, including so-called intra-group relationships.
- (ii) **Carrying out extraordinary transactions** (acquisitions and transfers of company shareholdings, mergers, demergers, acquisitions, transfers and leases of business branches, etc.)

PRINCIPLES OF CONDUCT

(i) Cash Flow Management

The management of payments and collections must comply with the following minimum standards:

- payments are to be made/received only in accordance with the legislation applicable from time to time, the contractual provisions from which they originate, and the applicable cash flow accounting principles;
- all payments must be authorized in compliance with the proxies and powers of attorney issued;
- as far as possible, it is necessary to ensure the segregation of roles and responsibilities of the parties involved in the payment process (e.g. management of supplier master data, payment receipt, material execution of payment, etc.);
- in any case, the NICs will not accept or make payments:
 - to/from any party other than the contract counterpart; or
 - to/from any current accounts other than those indicated in the contract; or
 - to/from any country other than that of the parties or in which the contract is executed, without adequate contractual justification or unless otherwise adequately documented, justified and authorised;
 - from/to numbered accounts or cash or similar instruments⁹;
 - in the event that a third party is indicated/delegated/appointed as payer, documentation must be requested as to the formal identification of that party as payer and the underlying reasons for such interposition or triangulation¹⁰;
- it is prohibited to make payments or collect money to/from countries included in International lists without suitable documentation proving a real and specific need;
- particular attention must always be paid to and appropriate checks must be carried out in relation to (i) the registered office of the counterparty company (e.g. tax havens, countries at risk of money

⁹Transactions are managed in compliance with the prohibition to use cash or any other bearer financial instrument, for any operation of collection, payment, transfer of funds, use or other use of financial resources; as well as in compliance with the prohibition to use current accounts or passbooks in anonymous form or with a fictitious heading. Any exceptions to the use of cash or other bearer financial instruments must be expressly provided for in the applicable Company or Terna Group procedures, and the limits on the use of cash provided for by the relevant regulations must be scrupulously observed.

¹⁰ By way of example, the following may be requested: (i) a certificate from the chamber of commerce relating to the paying entity; (ii) an identity document of its legal representative; (iii) a power of attorney attesting to the power of payment conferred on that paying entity; (iv) any document giving the reason for such payment made by the paying entity.



laundering or terrorist financing, etc.) and any company and trust structures used for extraordinary transactions or operations; (ii) transactions to/from current accounts opened in countries at risk of money laundering or terrorist financing (as set out in the GAFI/FATF lists, for example);

- checks on payments must also include consistency checks and the correspondence between the entitlement of the contractual relationship (i.e. the creditor of the payment) and the heading of the account on which the transaction is to be carried out;
- all payment/collection transactions must be carried out with licensed financial operators that have adopted safeguards to prevent money laundering;
- in any case, no payments may be made to persons who are not clearly identifiable;
- during the execution of contracts from which cash flows are derived, constant monitoring of financial transactions made/received is envisaged. With particular reference to intra-group transactions, it must be ensured that services rendered from/to Terna Group companies are at market conditions and regulated by specific contracts.

(ii) Extraordinary transactions

Given that NICs which intend to carry out extraordinary transactions are acting by virtue of inter-company contracts through Terna S.p.A., the Principles of Conduct to be observed in carrying out M&A transactions are summarised below:

- conduct a Due Diligence on the target company (including the target company's existing contractual relationships) and potential counterparties, taking into particular consideration its ethical and reputational profile and, in the case of companies, the company's business history and background;
- perform checks on the tax implications deriving from the operations to be carried out;
- formalise transactions in written contracts by including the necessary clauses to ensure compliance with applicable laws and the procedures adopted (corporate liability or GCP, Code of Ethics, Trade Compliance and export control procedures, anti-corruption) by the Terna Group;
- correct valuation, accounting of acquisitions and/or corporate transactions;
- once a company has been acquired, actions will have to be taken to:
 - adopt the GCP and, therefore, also carry out the transposition and any necessary adaptation of the procedures in force and applicable in the Terna Group;
 - have them adopt control measures as closely aligned as possible with those of the General Control Standards referred to in para. 13 et seq. of this GCP;
 - train and/or inform the relevant personnel for integration.

These Principles of Conduct are to be understood as applying to all receipts and payments, as well as to all Processes regulated by the GCP across the board.



18. Procurement

The Principles of Conduct referred to in this paragraph relate to the procurement process.

POSSIBLE RISK AREAS

- (i) Management of tender/purchasing procedures;
- (ii) Appointment of professional and consultancy roles;
- (iii) Procurement and supply chain.

PRINCIPLES OF CONDUCT

NICs **must ensure**:

- that all relations with suppliers are characterised by the principles of transparency and integrity and the absence of conflicts of interest;
- that all relations with suppliers provide for services and fees in line with market practices, ensuring the absence of terms and conditions conducive to the commission of crimes;
- Due Diligence on suppliers, taking into account their commercial, reputational and professional reliability;
- that, as part of the contracts entered into with suppliers, they and their subcontractors (if any) are required to comply with applicable local and international legislation on forced labour, child and female labour, and sanitary conditions;
- that relations with suppliers are formalised in written contracts that identify, among other aspects:
 - o the object of the assignment/performance and the persons who will perform the assignment/performance;
 - o the agreed amount/compensation and its currency;
 - o the current account to which/from which payment will be made as well as the terms for invoicing (or the method of collection/payment) and the terms of payment;
 - o an undertaking by the supplier/consultant to comply with the applicable national laws of the NIC and the procedures of the Non Italian Company;
 - o a clause according to which suppliers commit to the performance of activities, to respecting the principles of the Code of Ethics also when it comes to the commitment not to make donations that exceed a modest value and that could be interpreted as exceeding the normal commercial or courtesy practices, or anyway aimed at acquiring preferential treatment in conducting activities;
 - o in the agreements with the Third Parties where the NIC's liability under environmental law may arise, specific and enforceable contractual penalties in case of breach, by a contractor or any of its subcontractors, of any applicable international or local legislation addressing the issues in question;
- during the execution of the contract:
 - o the following control measures are envisaged: (i) periodic updates of the Due Diligence at a frequency to be determined according to the counterparty's level of risk and/or in the event of revision/amendment/renewal of the contract; (ii) monitoring of the proper performance of the contract;



- refusal of requests by the counterparty for unjustified fee increases or discounts, for matters not related to changes in contractual conditions, advances not provided for in the contract;
- consideration shall be paid only upon verification of the correspondence between the service received and the contractual provisions;
- the results of selection activities, due diligence, accounting documentation and documentation relating to contractual agreements with the supplier must be recorded and archived;
- the validity of the payments is verified by checking that the person receiving or paying amounts is the person named in the contractual documentation.



19. Human Resources

The Principles of Conduct referred to in this paragraph relate to the Human Resources process.

POSSIBLE RISK AREAS

- (i) Selection and recruitment of staff;
- (ii) Staff incentives and salary review;
- (iii) Staff administration;
- (iv) Expense report management;
- (v) Protection of labour and workers' rights;
- (vi) Definition of NIC management incentive criteria.

PRINCIPLES OF CONDUCT

Within the NIC, the respect for and observance of all local laws and regulations and the procedures of the NIC concerning the recruitment and management of human resources must be ensured.

In particular, the following is provided for in each NIC:

- the prohibition to recruit or make promises to **recruit personnel** unless based on real and demonstrable business needs, using a process of **personnel selection** which involves at least two functions and is based on criteria of objectivity, competence and professionalism, avoiding any favouritism or conflict of interest, or any action that takes the form of favouritism, nepotism or forms of patronage suitable to influence the independence of a Public Official or induce him/her to ensure any advantage for the Non Italian Company or for the Terna Group;
- the **formalisation** and **preservation** in the company files of the candidates' evaluations;
- the clear **segregation** of the functions involved in personnel selection and recruitment activities;
- the prohibition to **encourage** certain employees through promotions, money or other prizes not based on criteria of objectivity, competence and professionalism;
- grant that **management incentive plans** are adopted in a way to ensure that the objectives set thereto are such as not to lead to abusive behaviour and are focused on a well determined and measurable outcome;
- decisions regarding staff **salary review**, **career advancement** and **salary increase**, based on merit, skills, professionalism and experience;
- planning and provision of training, differentiated according to the levels and tasks carried out by individual employees;
- that the **company's documentation on ethics and compliance**, including the GCP, is made available to Company Representatives by means of publication on the company intranet or Parent Company portals, or by distribution via email or other another means of sharing company documents, and that each new employee is given the documentation on ethics and compliance (or that it is indicated and made available to them in the manners described above) and required to sign a declaration of acknowledgement;
- with reference to **staff administration**, the proper preparation, recording and archiving of all documentation relating to the administrative management of the contractual relationship as well



as the social security, insurance and tax treatment of personnel, in order to allow the reconstruction of the different stages of the process;

- with reference to the **protection of labour and workers' rights**, that controls are in place on working hours in order to prevent and correct excessive working hours; that rest and a work-life balance are guaranteed; that adequate wages commensurate with employees' experience and professional roles are guaranteed, in compliance with the minimum requirements set by law; and that further mechanisms are in place to ensure gender equality and equal pay, the employment and inclusion of persons with disabilities, measures against violence and harassment in the workplace, and the prevention of child labour and forced labour;
- in relation to **reimbursement of expenses**, proper documentation, including original receipts supporting the payment of the expenses or incurring the cost, needs to be submitted to the appropriate accounting department before payment. These reimbursements must then be accurately reported in the accounting records of the Non Italian Companies;
- employees are required to **report** any situation that indicates or suggests a potential conflict of interest in their activities and any potential breach of the above policies and procedures;



20. Administration, Budget and Taxation

The Principles of Conduct referred to in this paragraph relate to the Administration, Budget and Taxation process.

POSSIBLE RISK AREAS

- (i) Preparation of accounting documents;
- (ii) Management of relationships with the external auditors;
- (iii) Management of keep books, records and accounts (assets and liabilities);
- (iv) Management of intra-group relations, with specific reference to the management of inter-company contracts;
- (v) Management of tax requirements.

PRINCIPLES OF CONDUCT

Non Italian Companies are required to properly keep books, records and accounts, in a duly and accurate manner.

Personnel which have been assigned to **keep books, records and accounts** are required to properly act to **ensure that**:

- a) the data and information used for the preparation of periodic financial reporting by the NICs, and of the data to be provided to Terna S.p.A., including those related to European regulations on sustainability information, are accurate and diligently verified;
- b) all balance items, whose determination and quantification entail discretionary valuations, are objective and supported by appropriate documentation;
- c) checks are envisaged, aimed at ascertaining the correct closure of economic/financial documents and, if anomalies are found in the accounting activities performed, provide for the obligation to report them to the competent units;
- d) transactions are executed in accordance with the management's general or specific authorizations;
- e) invoices and other relevant documentation related to the transactions are properly vetted, recorded and stored;
- f) transactions are recorded as necessary to permit the preparation of financial statements in conformity with the applicable accounting principles or any other criteria applicable;
- g) access to such transactions records is allowed only in accordance with management's general or specific authorizations.

Furthermore, the Non Italian Companies are prevented to perform any conduct which impedes or obstructs the checking, supervisory and auditing activities by the external auditors through the concealment of documentation or the use of other fraudulent means.



In each NIC, it is **forbidden** to:

- manage **taxation** in breach of the legislation in force;
- state, send for processing or include in **communications** false, artificial or incomplete data, or in any case data which does not correspond to the truth, regarding assets or the economic or financial position;
- enter into the **accounts** - or transmit for the processing and entering into financial statements, reports and prospectuses or other social communications - false or incomplete data or anyway data that do not correspond to the truth concerning assets or the economic and financial position;
- record in the accounts transactions with values that are incorrect with respect to the reference documentation, or with respect to transactions that do not exist in whole or in part, or without adequate supporting documentation to allow, firstly, a correct accounting entry and, subsequently, an accurate reconstruction.

Finally, Non Italian Companies are required to make all communications towards any public financial authority (as provided for by the local applicable law) in a correct, complete, proper and expeditious manner, not preventing them, in any way, from performing their duties, even in the context of any inspection.

In relation to intra-group relations, activities must be governed by formalised service contracts. In addition, transactions with Terna Group companies must be assessed to ensure (a) the technical and economic convenience of the transaction, (b) that the economic amount of the services is measured at actual market value, and (c) that the contractual relationship is substantially consistent with the business transactions actually carried out and their accounting representation.



21. Management of confidential and privileged information

The Principles of Conduct referred to in this paragraph relate to the Confidential and Privileged Information Management process.

POSSIBLE RISK AREAS

- (i) Management of relations with investors, with financial analysts, the media and public information management in general;
- (ii) Management of corporate content published on the company website and social media and organising events;
- (iii) Management of company information concerning the NIC or other Terna Group companies, including Privileged Information, which is not in the public domain and which, due to its subject matter or other characteristics, is of a confidential nature with respect to parties not bound by confidentiality obligations pursuant to current law or contractual agreements (“Confidential Information”), as identified by LG005 “Procedure for managing, processing, and communicating corporate information of Terna S.p.A. and its subsidiaries”;
- (iv) Management of information classifiable as Privileged Information concerning Terna and its financial instruments, as identified by LG005 “Procedure for managing, processing, and communicating corporate information of Terna S.p.A. and its subsidiaries”;
- (v) Any kind of transaction relating to listed financial instruments in the Terna Group’s portfolio.

PRINCIPLES OF CONDUCT

Management of Confidential Information and/or Privileged Information is guaranteed in compliance with the procedures applicable to the Terna Group regarding market abuse (ref. LG005 and LG008) as well as in compliance with relevant EU and local regulations.

The Company Representatives of the NIC **undertake**:

- not to express opinions, make statements or provide information to the media on behalf of the NIC or Terna Group companies outside the channels and methods established within the company, adopting all necessary caution so that the relative circulation within the company context can take place without prejudice to the confidential/privileged/potentially privileged nature of the information itself and according to the principle of the need to know and taking into account the guidelines as per LG005;
- to make sure that the organisation of corporate events dedicated to the media is regulated in such a way so as to avoid the offer of gifts or forms of entertainment that may affect the objectivity and independence of the media taking part;
- to make sure the relationships between rating agencies and certification companies are limited to the exchange of information deemed necessary, based on the contractual provisions agreed, to perform the assignment, avoiding any conduct that could potentially affect their independence.



Company Representatives of the NIC are **prohibited from**:

- using privileged Information to carry out, either directly or indirectly, negotiation of financial instruments in order to obtain personal advantage or favour Third Parties or a Terna Group company;
- recommending or inducing anybody, on the basis of Inside Information, to perform transactions on financial instruments;
- disclosing Confidential Information, Privileged Information or potentially privileged information to Third Parties, except when required by a Public Authority or in specific contracts according to which the counterpart is obliged to use the information solely for the intended purpose and to maintain its confidentiality;
- spreading false or misleading information (whether about the NIC or any other Terna Group company) through the media, the Internet or otherwise, in order to alter the market price of financial instruments;
- taking part in any conduct or transaction on financial instruments which goes against the market abuse regulations provided for by the applicable laws and set out in LG005 and LG008;
- abusively accessing the company's computer or telematic system in order to alter and/or delete data or information;
- sending through a company computer system falsified or, in any way, altered information or data.



22. Health, Safety and Environment (“HSE”)

The Principles of Conduct in this paragraph refer to the Health, Safety and Environment (“HSE”) process.

POSSIBLE RISK AREAS

- (i) Management of requirements related to health, safety and the environment;
- (ii) Management of situations involving the potential contamination of soil, subsoil, surface water and groundwater;
- (iii) Management and disposal of waste;
- (iv) Emissions into the atmosphere;
- (v) Water discharges;
- (vi) Management of accidents and occupational illnesses;
- (vii) Management of worksites;
- (viii) Third-party selection and relationship management in the area of activities concerning health, safety and the environment.

PRINCIPLES OF CONDUCT

A) Health and Safety in the Workplace

Regardless of the wideness of local legislation addressing health and safety in the workplace, the NIC shall promote a strong culture of workplace safety protection, increasing awareness regarding risks and responsibilities of individual behaviours. In fact, the promotion of health and safety in the workplace is not only a regulatory obligation, but represents a fundamental ethical and social value for the organisation, which translates into a concrete commitment to ensuring safe and healthy working conditions for all workers.

NICs shall always take into account the safety of workers, throughout any phase of the activity and shall commit to adopting all the measures which are deemed to be necessary to protect their workers’ physical and moral integrity.

In particular, an NIC **must**:

- a) consider the compliance to the provisions of law governing the health and safety of workers in the workplace as a priority and allocate the necessary economic resources to this purpose;
- b) make the company organisation responsible in order to avoid prevention activities being considered the exclusive responsibility of certain individuals;
- c) correctly identify health and safety requirements in the workplace from local laws and regulations;
- d) as far as possible and allowed by the best techniques’ evolution, evaluate the risks for workers with the aim of protection, also by adopting the most adequate and safe materials and equipment, in order to reduce the risk at the source;
- e) commit to continuous improvement and prevention, correctly assessing those risks that cannot be avoided and mitigating them adequately through the implementation of appropriate individual



and collective safety measures (e.g.: provide personal protective equipment appropriate to the tasks performed; equip the work area with a first aid kit);

- f) ensure adequate health surveillance as an essential tool for the protection of the long-term health of workers;
- g) disseminate information regarding health and safety in the workplace, up to date and specific with reference to the activity performed, ensuring that workers are properly instructed and trained;
- h) ensure that workers receive periodic and specific training and updating on occupational health and safety issues, and carry out appropriate monitoring activities to manage, rectify and curtail behaviour contrary to the rules;
- i) grant that management incentive plans are adopted in a way to ensure that the objectives set thereto are such as not to lead to abusive behaviour and are focused on a well determined and measurable outcome;
- j) timely consider and analyse any non-compliance or improvement area emerged during the working activity or during inspections;
- k) promote, where possible, initiatives in support of the mental and physical well-being of workers, with a view to prevention and social sustainability;
- l) approach health and safety as an integral part of the company's social responsibility, structuring working activities in such a way as to protect the well-being of workers, Third Parties and the community within which the NIC operates.

Furthermore, with particular reference to the selection of Third Parties involved in managing workplace health and safety, the NIC **must ensure**:

- the verification of the Third Party's technical and professional suitability and its compliance with applicable health and safety regulations;
- the integration of sustainability and social responsibility criteria into the Third-Party selection and evaluation process, favouring safe and ethical work practices;
- the stipulation of contracts which include specific clauses regarding regulatory compliance, while also providing for specific penalties in the event that suppliers or their subcontractors breach any applicable international or local regulations on health and safety in the workplace;
- the management of security and risk analysis issues.

In order to keep a proper monitoring of the Risk Areas, each NIC assigns organizational, instrumental and economic resources to ensure, on the one hand, full compliance with the current provisions of law on accident prevention in the workplace and, on the other hand, the continuous improvement of health and safety in the workplace, also by means of implementing and updating the relevant preventive measures.

Company Representatives must cooperate in order to grant the full respect of the provisions of law, corporate procedures and of any other internal regulation aimed at protecting the safety and health of workers in the workplace.

B) Environment



The NIC shall consider the respect and protection of the environment as a priority and, in particular, it shall:

- a) disseminate within the company information regarding environmental protection with reference to the activities performed, promoting awareness to such issue and ensuring that the activities are performed in compliance with relevant applicable legislation;
- b) correctly identify the environmental requirements of local laws and regulations and assess the environmental risks associated with the main activities carried out, as well as those inherently connected to its systems;
- c) adopt appropriate tools in order to prevent its corporate activities from causing any form of damage or harm to the ecosystem (e.g. due to incorrect management of the waste produced, pollution by dangerous and environmentally harmful substances or failure to respect protected habitats), as well as introducing measures to prevent environmental damage and safeguards to mitigate it;
- d) carry out appropriate monitoring activities to manage, rectify and curtail behaviour contrary to the rules;
- e) grant that management incentive plans are adopted in a way to ensure that the objectives set thereto are such as not to lead to abusive behaviour and are focused on a well determined and measurable outcome;
- f) work towards waste management aimed at the recovery, re-use and recycling of materials, in order to guarantee a higher level of protection for environmental health and, therefore, for human health as well; while more generally promoting a circular economy strategy which aims to perform well in terms of the environment.

When selecting Third Parties involved in the management of environmental aspects, the NIC **must ensure**:

- the verification of the technical-professional suitability of the Third party;
- the stipulation of contracts which also provide for specific penalties applicable in the event that suppliers or their subcontractors breach any international or local regulations, as well as any further rules set by Terna and shared with the Third Parties through contracts, which apply in relation to the environment;
- the management of problems related to environmental issues.



23. Information & Communications Technology (“ICT”)

The Principles of Conduct in this paragraph refer to the Information & Communications Technology (“ICT”) process.

POSSIBLE RISK AREAS

- i. Management of company computer systems to ensure their operation and maintenance, the evolution of the technological and applicative IT platform, as well as information, physical and logical security; including:
 - a. management of the maintenance of the existing systems and management of data processing activities;
 - b. any company activity performed by using Intranet, Internet, the mail system or any other IT instruments;
 - c. management and protection of workstations, laptops, mobiles and storage devices;
 - d. planning of the measures to be adopted on transmission systems as well as security, classification and processing of information and data.

KEY STANDARDS OF BEHAVIOUR

All Company Representatives **shall refrain** from the following conduct:

- the tampering or alteration of the NIC’s computer system and/or IT documents;
- the illicit access of Third Parties to the computer systems;
- an improper use of IT credentials;
- the unlawful interference in any way with data, information or computer programmes;
- the unauthorised sharing of business information outside the company and the use of personal or unauthorised devices to transmit or store company information or data (e.g.: disclosing, handing over or sharing one’s own access credentials to the company’s or third parties’ systems and corporate network; unauthorised access to third parties’ computer systems);
- the exploitation of any flaws in the security measures of corporate IT system to gain access to the information without proper authorization;
- the installation of or changes to the software or databases or hardware without prior authorization;
- the use of unauthorized software or hardware that could be used to compromise the security of IT systems (such as software to identify the credentials, decrypt encrypted files, etc.);
- hide, render anonymous, or substitute one’s own identity and send of e-mails reporting false information or intentionally send e-mails containing viruses or other programs that can damage or wiretap data;
- illegally access the NIC’s website in order to illegally tamper with or alter any data contained therein or enter multimedia data or content (images, infographics, videos, etc.) in violation of copyright laws and applicable company procedures;
- leave computer equipment such as personal computers or smartphones unattended or unlocked when not in use;



- open suspicious e-mails or attachments received by e-mail or other means of communication. In that case, any suspicious communications should be reported to the relevant cybersecurity structure.

NICs shall ensure the prevention of the conduct described above through the implementation of appropriate organisational, technical and physical measures, including: (a) secure management of computer systems; and (b) effective management of the lifecycle of all business applications.

A) Secure management of computer systems

In order to guarantee adequate IT security safeguards, NICs shall ensure compliance with the NIST Framework and, in particular, the areas defined by CSF 2.0.

Under this framework, NICs shall ensure the following measures in each function:

➤ GOVERN:

- the presence of a security governance model that covers cyber-security risks;
- the identification of roles, responsibilities and related powers relating to IT security;
- continuous checks and reviews on the implementation of activities related to cyber-security risk management;
- the inclusion of supply-chain cyber-security risks within the organisation's risks;

➤ IDENTIFY:

- the identification and recording of the company's IT assets through special inventories;
- the assessment and treatment of cyber-security risks to which the company's computer systems are exposed, as well as the management of the remediation plans drawn up;
- the identification, recording and resolution of technological vulnerabilities in the company's computer systems;
- the evaluation of the performances and continuous improvement of processes, procedures and activities for management of the organisation's cyber-security risk;

➤ PROTECT:

- the restriction of access to the organisation's physical and logical assets to authorised users only;
- the dissemination and promotion of cyber-security skills and knowledge, through specific staff training and awareness-raising initiatives;
- the protection of the confidentiality, integrity and availability of data, while at rest, in transit and in use, including by arranging for backup copies of the computer data on company systems;
- the configuration and maintenance of hardware, software and services for physical and virtual platforms, in accordance with security principles;
- the installation and use of hardware and software tools approved by figures within the organisation;
- the adoption of secure software-development practices;
- the use of technical and operational strategies to ensure the resilience of systems under normal and adverse conditions;
- the security of IT networks;

➤ DETECT:



- the continuous monitoring and analysis of anomalies and potentially adverse cyber-security events;
- **RESPOND:**
 - the management of cyber-security incidents through a structured process that includes the stages of identification, analysis and response;
- **RECOVER:**
 - the operational availability of systems and services affected by cyber-security incidents, by performing recovery activities and integrity tests on backup copies.

B) Principles of code and application development

Software Development Life Cycle (SDLC) management consists of a structured set of processes, activities and tools aimed at ensuring that software solutions are designed, developed, tested, released and maintained in an effective, secure and scalable manner.

Application development must follow principles that guarantee security, traceability, quality and interoperability.

It is therefore essential to adopt a methodological approach that ensures consistency between functional and technical requirements, the traceability of changes, code quality and operational governance, with a focus on the design of all tools supporting application management as much as on the design of the applications themselves. Each phase of the cycle — from initial analysis to post-release monitoring — must be supported by integrated tools and processes (such as a CMDB, observability solutions, IT Service Management platforms, CI/CD pipelines, and testing and reporting systems). This approach reduces risks, improves the quality of releases, optimises delivery times and ensures the continuity of IT services.

Effective application lifecycle management is therefore a key element in digital evolution and for the resilience of the company's application platforms.

According to these principles, the following activities must be carried out for every application development initiative:

- **Impact analysis and risk assessment:** Prior to the start of the project, it is essential to analyse the impact on the existing systems and to assess technical, operational and security risks. This allows activities to be planned correctly and potential critical issues to be mitigated.
- **Definition and traceability of functional requirements:** Functional requirements must be drawn up in a structured and traceable manner, ensuring alignment with business objectives and facilitating verification and validation throughout the life cycle.
- **Determination of technical requirements:** The technical requirements necessary to define architecture, components, interfaces and dependencies are deduced from the functional requirements. This phase ensures that the solution is scalable, secure and integrable. Architectures and integration patterns must be analysed and validated to ensure robustness and maximise reuse.
- **Configuration management and versioning control:** The use of version control systems (e.g. Git) and segregated environments makes it possible to securely manage code, configurations and dependencies, guaranteeing traceability and the possibility of rollbacks.



- **Application and testing development:** Development must follow coding standards and include test design from the earliest stages. Tests (unit, integration, functional) must be automated and versioned to guarantee quality and repeatability. Wherever possible, it is preferable to write scriptable test routines.
- **Continuous Integration / Continuous Delivery (CI/CD):** CI/CD pipelines automate building, testing and release, reducing human error and accelerating time-to-market. They must be integrated with quality control and security systems.
- **Testing:** Tests must be performed in controlled environments, with documented evidence and defined acceptance criteria. Passing the tests is a prerequisite for release into production.
- **Management of operational release:** Release into production must be governed by release management processes, with plans for deployment, rollback and communication. Coordination between IT teams and the business is crucial to ensure a smooth transition.
- **Configuration of systems to support application management and maintenance post-release:** The CMDB, ITSM, monitoring, logging and reporting tools must be updated to coincide with the release time. These systems ensure visibility, traceability and early intervention capability in the post-release phases.
- **Post-release monitoring and metrics management:** During production, the application must be constantly monitored to detect anomalies and degradations. Operational metrics (e.g. uptime, error rate, performance) support the execution of evolutionary and corrective maintenance processes at infrastructure and application level.
- **Management of changes and the evolutionary cycle:** Evolutions in applications must be managed through Change Management processes, with impact analyses, approvals and document updates. This ensures continuity and control.

In addition to the good SDLC practices, it must be possible for the SW solutions developed to be integrated with Terna's processes and solutions. Therefore, it is imperative to assess the possibility of automatic data-sharing and process interoperability between each NIC and Terna right from the stage of planning and designing each SW solution. In order to ensure uniformity of conduct, Terna will decide when integration must take place within the context of executing the business process, as well as the tracked record and the standard methods of interfacing with each of the subsidiaries. After the data-transmission channel and interface have been tested and certified, the responsibility for the data remains with the company in charge of producing them.



24. Annexes

- a01LG058 Appendix A - Crimes
- a02LG058 Appendix B - Information flows
- a03LG058 Appendix C - Internal control system