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A culture focusing on safety, performance and innovation, but also company welfare and work-life balance initiatives. This is how Terna increases its human capital. >>

7

People

In brief



Our people have a key role to play in enabling the current energy transition.

Alongside our well-established, but constantly renewed, commitment to the issues around safety and accident prevention⁸⁵, 2019 saw Terna continued with the programmes, launched last year, with the aim of boosting digital skills within the workforce⁸⁶ and supporting the engagement of young graduates⁸⁷ in view of the current process of generational turnover.

Company welfare witnessed the expansion of the “Terna Welfare⁸⁸” project, launched on a trial basis in 2018. This initiative enables Terna Group staff to use a part of their performance-linked cash bonus to purchase welfare goods and services or to make supplementary pension contributions during the year. The Company also extended the “Smart Working” project to include a further 500 staff in Rome, Turin, Milan, Padua and Naples.

The percentage of women in the total workforce continues to grow, rising from 9.0% in 2005 to 13.9% at the end of 2019.

HIGHLIGHTS:

208 new hires
under 30 years of age

98%
of personnel
took part in at least one
training course

19.8%
of senior managers
are women ahead of the
percentage of women in the
total workforce (13.9%)

⁸⁵ See the paragraph “Health, safety and correct working practices” on page 185.

⁸⁶ See the paragraph “Terna 4.0 Go Digital” on page 179.

⁸⁷ See the paragraph “Onboarding Terna” on page 179.

⁸⁸ See the paragraph “Terna Welfare” on page 183.

Terna for its people

The Company’s human resources are, at the same time, a vital element in the business and people whose aspirations should be nurtured and rights respected. Terna’s commitment to its staff is characterised by:

- **attention to safety and accident prevention** (see page 185);
- **investment in training**, to ensure that the Company and its staff have the necessary technical skills and expertise (see page 178);
- the creation of management and development systems designed to **improve performance** and foster **opportunities for growth** (see page 181);
- **remuneration and welfare policies** that aim to align individual performance with business objectives and provide people with economic security (see page 182);
- **listening to employees** by using ways to gauge their opinions (see page 175);
- a complex and well-structured system of **industrial relations based on engagement with trade unions** (see page 177).

The Human Resources, Organisation and General Affairs department is responsible for devising and implementing staff policies, including aspects relating to occupational health and safety.

Overview of the workforce

The Group employs a total of 4,290 people (up 38 from 2018). This figure includes 351 Tamini Group personnel, 50 individuals employed under local contracts by overseas subsidiaries (25 in Brazil, 10 in Montenegro, 8 in Peru and 7 in Uruguay) and 17 people employed by Avvenia, a company acquired in 2018.

The tables below present Group data on a like-for-like basis compared with 2018, therefore excluding the Tamini Group, Avvenia and overseas subsidiaries, reporting a total of 3,872 personnel (see note on page 28).

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COMPOSITION OF THE WORKFORCE

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	2019	2018	2017
Total	3,872	3,843	3,508
- of whom men	3,334	3,326	3,076
- of whom women	538	517	432
<i>By category</i>			
Senior managers	61	57	61
Middle managers	597	614	550
Office staff	2,200	2,124	1,873
Blue-collar workers	1,014	1,048	1,024
<i>By type of contract</i>			
- permanent*	3,869	3,842	3,508
- of whom men	3,332	3,325	3,076
- of whom women	537	517	432
- fixed-term	3	1	0
- of whom men	2	1	0
- of whom women	1	0	0
<i>By type of employment</i>			
- full-time	3,854	3,822	3,478
- of whom men	3,329	3,320	3,065
- of whom women	525	502	413
- part-time	18	21	30
- of whom men	5	6	11
- of whom women	13	15	19
<i>By age</i>			
- below the age of 30	987	885	706
- between the ages of 30 and 50	1,733	1,681	1,553
- over the age of 50	1,152	1,277	1,249
<i>Average age (years)</i>			
Average age	40,8	41,8	42,6

* Permanent contracts also include apprenticeships.

The total turnover rate for incoming staff (7.5%) continues to reflect the policy of generational turnover launched in 2017, together with the growth outlooks included in the Strategic Plan.

287 people joined the Group in 2019, including 208 under the age of 30. The process of generational turnover has resulted in a gradual reduction in the average age and a constant increase in the level of education among the Group's workforce. In 2019, 95.8% of employees had a university degree or high-school diploma. The average length of service is 14.1 years.

The turnover rate for outgoing staff is 6.7%. This figure is linked primarily to retirements and, to a lesser extent, to voluntary resignations (43 in 2019).

At 31 December 2019, there were 11 active agency contracts (compared with 13 in 2018 and 51 in 2017).

WORKFORCE TRENDS

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	2019	2018	2017
Total employees	3,872	3,843	3,508
Employees recruited during the year	287	420	243
- men	240	326	202
- women	47	94	41
- below the age of 30	208	284	168
- between the ages of 30 and 50	73	130	64
- over the age of 50	6	6	11
<i>Rate of recruitment %*</i>			
Total	7.5	12.0	7.0
- men	6.2	9.3	5.8
- women	1.2	2.7	1.2
- below the age of 30	5.4	8.1	4.8
- between the ages of 30 and 50	1.9	3.7	1.8
- over the age of 50	0.2	0.2	0.3
Employees leaving during the year	258	85	203
- men	233	76	187
- women	25	9	16
- below the age of 30	21	16	6
- between the ages of 30 and 50	24	16	14
- over the age of 50	213	53	183
<i>Turnover rate %**</i>			
Total	6.7	2.4	5.9
- men	6.1	2.2	5.4
- women	0.7	0.3	0.5
- below the age of 30	0.5	0.5	0.2
- between the ages of 30 and 50	0.6	0.5	0.4
- over the age of 50	5.5	1.5	5.3

* The rate of recruitment shows the ratio of employees joining the Company to the number of employees at 31 December of the previous year.

** The turnover rate shows the ratio of employees leaving the Company to the number of employees at 31 December of the previous year.



EU15 > **Generational turnover**

Terna dedicates a host of initiatives to generational turnover which, since 2015, have been bolstered considerably due to the combination of a voluntary early retirement scheme for staff approaching retirement age and stepped-up recruitment.

The most important of these include the transmission of knowledge and experience, often one-of-a-kind, via in-house tutoring as part of training programmes and on-the-job experience.

In the five-year period between 2015 and 2019, incoming staff totalled 1,505 compared with 1,070 outgoing staff.

Below is an overview of personnel who could potentially qualify for retirement in the next 5 to 10 years (estimated on the basis of available data regarding ages and pension contributions):

a. As at 31 December 2019, 6.5% of the workforce in the next 5 years, of which:		b. As at 31 December 2019, 17.2% of the workforce in the next 10 years, of which:	
• Senior managers	0.1%	• Senior managers	0.4%
• Middle managers	1.6%	• Middle managers	4.4%
• Office staff	3.4%	• Office staff	8.9%
• Blue-collar workers	1.5%	• Blue-collar workers	3.4%

IMPACT OF GENERATIONAL TURNOVER IN THE PERIOD 2014-2019*

INDICATOR	UNIT	2019	2014
Average age	yrs	40.8	46.6
Average length of service	yrs	14.1	21.2
Percentage by composition of age: >50	%	29.8	45.3

* The period in question starts from 2014. The first generational turnover plan, involving the recruitment of 300 young people, took place in 2015 (see the 2015 Sustainability Report, page 126).

Employee engagement

As engagement tools, Terna uses direct or sample surveys, internal communication initiatives and focus groups honing in on specific topics.

In 2019, the Company conducted the “2019 Engagement Survey”, an internal climate survey involving the entire workforce. The response rate was 85% (up 5% on 2017).

Terna’s overall engagement score of 85 represents an increase compared with 2017, as well as a climb of three percentage points compared with the average across other companies in Italy that use this tool.

The survey measured the degree of people’s engagement based on three components - rational (understanding of corporate objectives and strategies), emotional (sense of belonging and pride) and motivational (availability and willingness to contribute). The results were then compared with those produced by other leading Italian companies through a weighted sample of over 135,000 employees working in Italy in 141 leading companies.

An improvement was shown in all of the priority areas compared with two years ago, thereby illustrating the effectiveness of the action plan drawn up based on the 2017 results.

Internal communication

Internal communication can make a major contribution to fostering a sense of belonging and pride among the workforce, essential in enabling an organisation to respond to challenges and achieve its goals.

It has a vital role to play in spreading the Company’s corporate culture and in its development, encouraging team work and achieving ever greater integration between central and local units and among the various teams through the comprehensive sharing of information and key messages. The main tools are the intranet, communication plans and events organised around the country.

With the aim of sharing and cementing Terna’s unique and distinctive values, in December 2018, the Company launched its first Identity and Values campaign. The table below describes the main tools used in internal communication.

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Publications



Type	Circulation / No. of news items
"Internamente" (company intranet) / headline news	68 news items published.
"Internamente" (company intranet) / other news	321 news items published.
"Internamente" (company intranet) / videos	54 videos published.
"Identity and Values" campaign	Videos and displays within the main offices.
Communication plans	Terna Welfare, Terna Smart Working, Terna Plastic Free, People4Performance, etc.
Office displays (panels, leaflets)	Strategic "Grids and Values" plan, Terna Welfare, Values, etc.

Events



Type	Target
The Terna Achievement Award (Premio Terna al Valore)	Personnel who have distinguished themselves for their courage, commitment, competence and sense of responsibility.
Open2Family Cultura - Evening cultural events	Personnel and their families.
Open2Family Games - Day-long events focusing on sports, games and entertainment	Personnel and their families.
End-of-year greetings from senior and middle management	All members of staff connected via streaming on the intranet.

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Industrial relations⁸⁹

Staff engagement is also achieved via structured dialogue with labour union representatives. All Terna employees are covered by the collective labour agreement adopted by companies in the electricity sector⁹⁰.

In 2019, the unionisation rate of Terna's workforce was 45%, with membership concentrated among the largest trade unions.

Relations between Terna and the trade unions are regulated, at Group level, by the "Industrial relations system protocol", which sets out the terms of bargaining, dialogue, consultation and prior and/or specific reporting. In line with current regulations, relations between trade unions and the entire Group's workforce are facilitated via provision of dedicated space and notice boards at each workplace.

The involvement of trade union organisations in the event of organisational changes, a central pillar of industrial relations, is governed by legislation, industry contracts and company agreements. In accordance with trade union agreements in force at Terna, in the event of significant organisational changes, preliminary discussions are held with trade unions.

In the three-year period 2017-2019, negotiations with trade unions led to the signing of 41 statements of agreement.

Finally, in 2019, meetings were held by both the Bilateral Training Committee (3 meetings) and the Bilateral Health, Safety and Environment Committee (2 meetings), in order to boost dialogue, discussion and participation in these areas.

Regulation of industrial action in the electricity service sector

In the event of industrial action, the essential services needed to ensure continuity of service are regulated by the National Labour Union Agreement signed in February 2013. As far as Terna is concerned, some shift workers who work in dispatching (real-time monitoring of the national electricity system; the remote operation of transmission plants; checks on production plans and the procurement of production resources; the monitoring, coordination and operation of IT systems; ancillary services and infrastructures used in dispatching) and staff from the Security Operations Centre are prohibited from taking part in industrial action.

Whilst entitled to suspend their normal duties during a strike, staff on call are obliged to ensure that they are contactable, even during the hours scheduled for a strike.

⁸⁹ The data reported in this section do not include Tamini Trasformatori S.r.l. neither Avvenia.

⁹⁰ Tamini Group employees are covered by the collective labour agreement for the engineering sector; Avvenia's employees by the collective labour agreement for trading companies.

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HR process

Recruitment and selection

Staff recruited on the external labour market are university graduates, especially engineers, and graduates from technical colleges, most of whom have specialised in electrical engineering. Once hired, new recruits acquire the specific knowledge and skills they need through specific training courses.

In 2019, selection focused on boosting talent acquisition by introducing new initiatives aimed at bolstering the recruitment of new personnel and enhancing the development of existing staff.

Next Energy, an excellence programme designed to insert new university graduates with an interest in innovation, reached its fourth edition in 2019. This and other initiatives involving start-ups with projects for staff recruitment and training are described in the section entitled “Open Innovation” on page 161.

In order to sustain a virtuous exchange process between the Company and the outside world and support the search for new resources, the Human Resources, Organisation and General Affairs department manages relations with schools, universities and job centres.

To this end, the third edition of **Alternanza Scuola Lavoro** work experience scheme took place in 2019. This project involved 15 vocational training institutes from all over Italy and approximately 750 4th and 5th year students and resulted in the recruitment of the first 4 twin-track apprentices⁹¹.

Finally, the Company’s continued its partnership with Luiss University to support engineering and economics students from South American countries with the second edition of the **International Training Program**, launched in July 2019. Two candidates were selected - one from Brazil and one from Peru - and in September they began the two-year specialist course in Business Administration at Luiss University.

Training



Training is ongoing and provided at Terna throughout employees’ working lives. The aim is to create value for people by increasing and diversifying their skills (employability) and to create value for the Company by developing human capital in line with its mission and business strategy.

⁹¹ A twin-track apprenticeship is a mixed-purpose contract providing for both continued instruction at the apprentice’s school and professional training at the Company.

The **“Terna 4.0 Go Digital”** project, launched in 2018 with the goal of bolstering digital aptitudes and an innovation-oriented mindset, continued in 2019.

The **Terna 4.0 Go Digital** project continued in 2019 via a comprehensive and well-structured training program. The Envisioning Academy got underway with training and blended sessions involving around 350 colleagues having outstanding digital skills and the launch of the Envisioning Community, a thematic web platform that allows users to share content.

A Hackstorm, two days of brainstorming aimed at finding innovative business solutions, was also carried out. The project will continue in 2020 with selected staff members being introduced to the Lean&Agile methodologies.

Terna 4.0 Go Digital

As in previous years, 2019 saw continuation of training initiatives to boost professional, technical and operational skills (e.g. the Multiskill project), transmit highly specialist know-how (live-line working techniques), ensure compliance with workplace health and safety regulations (page 185), privacy (page 89) and the 231 organisational model (page 86), as well as facilitate the insertion of newly hired staff.

“Onboarding Terna”, designed for employees who have joined the Company since 2015 and aimed at building awareness of Terna’s values and team-working skills, likewise continued.

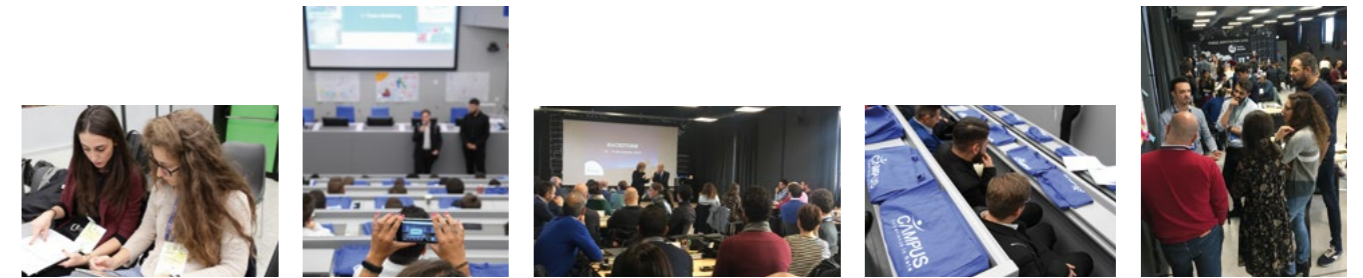
Launched at the end of 2018, the **“Onboarding Terna”** project continued with the aim of supporting engagement and strengthening a sense of belonging and inclusion on the part of new staff.

Thirty-six editions of the two-day course *“Noi siamo On Board-facciamo rete per crescere insieme”*, targeting staff under the age of 35 and employed by the Company since 2015, have been completed with the involvement of 827 people. The second part of the course was launched in mid-April and involved an additional 171 colleagues hired during the year. Other encounters to build on previously acquired skills and knowledge were also held in April.

Onboarding Terna

Mention should be made of the following **job swap initiatives for employees** of Terna:

- **Guest Auditor Program**, which enabled two internal staff members to join the Internal Audit team for a period of around 3 months;
- **TSO Erasmus Terna - RTE** (second edition), involving the selection of 2 employees from Terna and 2 employees from the French TSO, Réseau de Transport d’Électricité (RTE), to exchange jobs for 4 weeks;
- **Exchange Program Terna - Caiso**, which made it possible to host a senior manager from the California Independent System Operator (Caiso) for one month in the dispatching department. In 2020, a Terna employee will enjoy the same experience in California;
- **Visiting Scholar Stanford**, offering the chance to attend a semester of courses at this prestigious California university and take part in a strategic research project.



“DEVELOPING COMPETENCIES”

KPIS AND TARGETS IN THE STRATEGIC PLAN 2020-2024

KPI	2019		TARGET	
	TARGET	RESULT	2020	2021
DIGITAL SKILLS				
Number of people trained in digital skills (cumulative)	450	882	100%	100%
SAFETY CULTURE TRAINING VIA THE “ZERO ACCIDENTS” PROJECT (FROM 2019)				
Infrastructure and unit personnel who have received safety training (%)	50%	87%	100%	100%

In 2019:

- 183,193 hours of training were provided, of which 50% led by in-house trainers;
- 98% of staff members attended at least one training course;
- 47 hours of training were provided per capita, in line with the target of 45 hours per capita set for the two-year period 2018-2019, representing ongoing excellent performance compared with the average for Italian blue chips.

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TRAINING

	2019	2018	2017
<i>Average hours of training</i>			
- per employee*	47	55	50
<i>By category**</i>			
- senior managers	40	29	17
- middle managers	28	32	36
- office staff	43	59	43
- blue-collar workers	66	64	73
<i>By gender***</i>			
- men	47	53	50
- women	30	47	32

* Ratio of total hours of training to the average number of employees.

** Ratio of total hours of training by category to the average number of employees by category.

*** Ratio of total hours of training by gender to the total number of employees during the year (including those working for the Company for less than a year) by gender.

Further information on training indicators is provided in the “Key Indicator Tables” on page 270.

Development

In support of human resource development policies, Terna utilises the Professional System as its main tool for managing roles, skills and development paths within the organisation, enhancing competencies and crafts (“professional families”) identified on the basis of core business and corporate processes.

Notably, as regards human capital development initiatives, the People for Performance system was extended to around 2,600 staff in 2019. Launched in 2018, the system is used to define and communicate objectives, outcomes and expected organisational behaviours, as well as to promote a culture of appraisal and feedback between managers and members of their team.

The objective is to gradually cover the entire workforce starting from 2020.

In order to support achievement of its strategic objectives and performance, Terna has introduced variable incentive schemes differentiated by type of role:

- a Long-Term Incentive (LTI) plan, linked to long-term corporate objectives, including sustainability, for managers who perform key roles in attainment of the Company’s strategic objectives;
- MBO (Management By Objectives) for management, linking the amount of individual bonuses to:
 - the extent to which quantitative objectives are achieved, both at company and individual level, some of which relate to Terna’s social and environmental commitments (e.g. the occupational safety indicator);
 - the performance’ qualitative assessment, based on management behaviours.

The following table shows the percentage of employees who have taken part in the People for Performance appraisal process and in management incentive schemes:

“APPLICATION OF PERFORMANCE EVALUATION”

KPIS AND TARGETS IN THE STRATEGIC PLAN 2020-2024

KPI	2019		TARGET
	TARGET	RESULT	2020
Employees taking part in performance appraisals (%)	70%	75%	85%

To boost productivity, Terna has also signed an agreement with trade unions regarding a performance-related bonus for blue-collar workers and office staff, which takes into account the Company’s overall performance and specific objectives linked to employees’ operational performance.



Company welfare

Pay and conditions for Terna's staff (remuneration, working hours, holidays and other aspects of employment) are, as in other large companies in the electricity sector, substantially better than the Italian average.

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Benefits are provided for all employees, including those on part-time contracts and apprenticeships:

- supplementary healthcare;
- supplementary pension schemes (voluntary);
- insurance for non-occupational accidents;
- recreational associations;
- maternity leave that goes beyond legal requirements;
- soft loans for first-time homebuyers and to meet needs arising from serious family situations;
- canteen or food vouchers.

Terna's employees (excluding senior managers, who can participate in a different fund) are automatically enrolled into the Supplementary Healthcare Fund for Enel Group employees (FISDE).

Medical care for illnesses is partly covered by FISDE, for members (enrolled employees) as well as their dependents.

BENEFICIARIES	INFORMATION AND RISK PREVENTION	TREATMENT
Employees	Yes	Yes
Employee's dependents	No	Yes

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Terna offers its staff defined contribution supplementary pensions on a voluntary basis. Senior managers can join the FondeneI⁹² pension fund. Other employees (blue-collar workers, office staff, middle managers) can join the Fopen⁹³ pension fund.

During their working lives, all employees are contractually entitled to receive a "loyalty bonus" on reaching their 25th and 35th year of employment at the Company.

In 2018, Terna also launched 2 initiatives focusing on company welfare and smart working, both consolidated in 2019.

⁹² <http://fondeneI.previnet.it>

⁹³ www.fondopensioneIopen.it

Given the positive outcome in 2018 and following the stipulation of specific agreements with trade unions, **Terna Welfare** was confirmed and enhanced in 2019. This initiative enables Terna Group staff to use a part of their performance-linked cash bonus to purchase welfare goods and services or to make supplementary pension contributions.

The amount chosen is tax-exempt and topped-up by the Company by 15% (12% in 2018). In defining the plan, special attention was given to the "Family" aspect, especially as regards the portion of the bonus earmarked by employees to reimburse family-related expenditures pertaining to schooling and education, such as tuition, study holidays, books and fees.

To facilitate reconciling work and home life, the **Smart Working** trial was launched on 1 July 2018, involving around 100 employees who work at the Company's Rome offices.

In view of the positive outcome and favourable opinions, in 2019 smart working was extended to 500 employees in Rome and in other cities such as Turin, Milan, Padua and Naples. In line with Terna's wish to promote company agreements on these topics, as in 2018, the extension in 2019 was also the result of a specific agreement signed with trade unions.

Terna Welfare

Smart Working

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Care for children and other family members

Italian law regulates maternity leave and parental leave and provides general coverage. In comparison, Terna offers more favourable conditions, in application of the National Collective Labour Contract for the industry and company agreements. The most important measures include:

- five months' paid maternity leave, provided to the mother before and after birth. Terna guarantees full pay compared with the 80% provided for by law;
- an additional six months of parental leave may be taken on 30% pay. Terna has raised this amount to 45% and 40%, respectively, in the first and then in the second and third months of this period. Paternity leave may also be taken, up to a maximum of eleven months of total leave taken by both parents. If not used in the first six years of a child's life, the leave may be taken later up to when the child turns twelve, but in the form of unpaid leave;
- unpaid leave, with no restrictions on use, in the event of illness of children under the age of 3;
- three days per month, also in the form of hours, of paid leave to look after children or other family members with serious disabilities;
- special leave for two years in the event of a child or other close relation having a serious disability;
- paid leave to workers who are new fathers, with up to 5 days paid by the Company as well as 5 paid by the state (INPS);
- more flexible work hours for parents with children attending junior high school.

Health, safety and correct working practices

Under a specific union agreement signed in 2017, Terna has also introduced additional measures to improve the work-life balance and further support parenthood such as, by way of example, the possibility to take half a day's leave to accompany children on their first day of primary school (50 employees took advantage of this option in 2019). Moreover, the plan to set up a child-care centre at the Company's head office in Rome is currently being implemented, with the aim of maximising working parents' balance between their work and parental commitments.

The table below shows the number of employees who have taken at least 29 days' parental leave.

	2019	2018	2017
Total	18	16	26
- women	15	14	25
- men	3	2	1

Employees taking parental leave in the three-year period shown subsequently returned to work.

In 2019, 28 workers took compulsory maternity leave.

Finally, as regards collaboration with start-ups (see page 161), an initiative based on the MAAM (Maternity As A Master) approach has been planned for 2020, entailing the use of a training method that transforms life experience (parenthood/caregiving) into business and managerial skills, thereby creating a virtuous continuity between home and working lives.

Working safely, without putting their health at risk, is a fundamental right of employees, and Terna invests a great deal in order to guarantee this right for its people.

A safety culture is present across the Company, so that the supply chain actors who play a decisive role in operations can also be involved in the process of ensuring constant attention and improvement.

The involvement of employees in matters relating to health, safety and the environment is currently regulated by law and collective bargaining, which provide for the election by all employees of Staff Representatives for Safety and the Environment, who thus represent the entire workforce.

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The National Collective Labour Contract also provides for the establishment of a bilateral body - at electricity sector level - on "Health, safety and the environment", tasked with making proposals relating to the monitoring and coordination of training on environmental and safety issues.

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Protecting employees' safety

Terna's commitment to safety must be seen in the context of existing regulatory provisions. Italian safety legislation (Legislative Decree 81/2008 "Consolidated law on the protection of health and safety in the workplace") is one of the most stringent among any such laws in Europe and requires companies to carry out an analytical assessment of risks to employees' health and safety. At Terna, special attention is paid to analysing the risks deriving from interference caused by works being carried out by contractors and subcontractors, covering all the activities involved in work at a construction site. Terna's approach to occupational safety hinges on a system of tools that are applied to all corporate processes, including:

Clear safety policy guidelines

The importance of protecting people from physical harm is enshrined in Terna's Code of Ethics. The occupational safety policy sets out its guidelines with an explicit commitment to promoting accident prevention for all employees, including those employed by contractors.

BS OHSAS 18001:2007 certified management system

This system, which covers 100% of the Company's activities and is incorporated within the quality and environment system, is based on accurate risk assessment, with a particular focus on activities entailing electrical risk (Provisions for the Prevention of Electrical Risk).

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Organisational unit responsible for safety

This unit comprises a number of health and safety officers responsible for workers throughout Italy and for those employed by contractors, including the oversight of safety at construction sites.

This organisation is assisted by a central unit that sets policies and guidelines, carries out inspections at workplaces and construction sites and also constantly analyses and monitors the risks arising from the Company's activities.

Supervisory activities

The correct and complete application of procedures is subject to inspections by Prevention and Protection Service managers, internal compliance checks for all Terna Group companies and the external audits required for certification. Elected staff representatives, responsible for verifying the application of standards (staff and health and safety representatives), are also present.

As regards activities carried out by contractors, Terna conducts inspections of its own construction sites in order to verify the correct application of accident prevention regulations by the responsible health and safety officers and by contractors (see also page 190).

“Safety” section of the Document Centre on the Company's Intranet

An archive of health and safety legislation (national, regional and technical regulations issued by the competent bodies) is available on the Company's intranet.

Information and training activities

All staff have access to key information regarding health and safety and innovations through various channels, including the Company's intranet and information meetings.

In 2019, around 65,470 hours of training were dedicated to health and safety issues, of which over 50% was aimed at blue-collar workers (additional data about training may be found on page 270). The facilities and equipment at the Viverone Training Centre (BI) enable training to be carried out on safe working practices when climbing pylons (through the use of life-size pylons), and regarding live-line working in a controlled environment.

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Occupational safety performance targets

The system of indicators includes the “occupational safety indicator”, comprising the injury rate and lost day rate, to which the variable remuneration of personnel in the departments concerned is linked.

Applied research

A specific organisational unit in the Engineering department tests safety materials and devices, assessing their reliability by means of strength tests under extreme conditions.

The actions taken are designed to create an increasingly deep-rooted safety culture, based on a constant and continuous commitment, resulting also in new forms of initiative. This led to the development of a new structured and integrated project starting in 2018, called *Zero Infortuni* (“Zero Accidents”), which aims to promote a global approach to safety involving all the Company's staff, as well as people working at Terna's plants in various capacities.

Zero Accidents

The project consists of a series of different activities focusing on:

- operational safety (working methods, equipment, etc.);
- behavioural safety (training, etc.);
- the safety of personnel employed by external contractors.

In terms of operational safety, among other things, an effective internal prevention system has been created. This involves a new way of conducting site inspections, replacing the traditional onsite visits with a new approach centred around an assessment of the organisation and processes.

A training campaign inserted into the “Zero Accidents” project involving more than 1,500 colleagues got off the ground in March 2019. The project included a workshop for the heads and coordinators of Transmission Operations departments located throughout Italy and an experimental training initiative, comprising 60 courses designed for technicians and operational personnel.

As concerns external contractors, procedures have been put in place for close monitoring of the safety of personnel and for analysing any injuries that take place. Procedures have also been adopted in order to record the data needed to compute contractors' injury rates.

403-2 > Occupational injuries

As in previous years, there were no fatal workplace accidents among the Group's employees in 2019. Likewise, there were no serious injuries resulting in an initial prognosis of more than 40 days. The total number of injuries amounts to 34, including 5 with a prognosis of less than 3 days.

The injury rate reports a decrease compared with the previous year (further details regarding health and safety data and injury rates by gender are provided in the "Key indicator tables" on page 273).

OCCUPATIONAL INJURIES SUFFERED BY TERNA EMPLOYEES - GRI-ILO DEFINITIONS*

	2019	2018	2017
Injury rate	0.98	1.28	0.81
Lost day rate**	39.31	34.40	27.62
Absentee Rate***	6,378.6	6,937.4	6,239.9
Occupational Diseases Rate****	0	0	0
Number of injuries	34	40	24
- of which serious, where the initial prognosis is more than 40 days	0	0	1
- of which fatal	0	0	0

* As required by GRI protocols, the definitions adopted are those provided for by the International Labour Organisation. To aid comparison with other sources, the following notes show the figures for the same indicators calculated using alternative formulae.

Injury Rate. The number of injuries registered and reported to the competent social security office, divided by the number of hours worked during the year, multiplied by 200,000 (corresponding to 50 working weeks x 40 hours x 100 employees).

To aid comparison with other sources, the injury rate is also calculated in accordance with the UNI 7249:2007 Standard. This indicator has been calculated using a multiplication factor of 1,000,000 instead of 200,000 (thereby resulting in an injury rate 5 times the ILO injury rate). Based on this method of calculation, the injury rate is **4.9 in 2019, 6.4 in 2018 and 4.0 in 2017.**

Lost Day Rate. The ratio of days lost due to injury to the number of hours worked during the year, multiplied by 200,000. The days lost are calendar days and are counted from the day on which the injury occurs.

To aid comparison with other sources, the lost day rate is also calculated in accordance with the UNI 7249:2007 Standard. This indicator has been calculated using a multiplication factor of 1,000. Based on the method of calculation, the lost day rate is **0.20 in 2019, 0.17 in 2018 and 0.14 in 2017.**

Absentee Rate. The number of days of absence due to illness, strikes, injuries and leave out of the number of days worked in the same period, multiplied by 200,000.

To aid comparison with other sources, this indicator has been calculated as a percentage of days worked. Based on this method of calculation, the absentee rate is 3.1 in 2019, 3.5 in 2018 and 3.1 in 2017.

Occupational Diseases Rate. The total number of cases of occupational disease divided by the number of hours worked during the year, multiplied by 200,000.

** Calculation of the lost day rate took into account days of absence due to injuries occurring and any cases of absence due to injuries occurring in previous year, accounting for days of absence on an accruals basis.

*** The causes of absence taken into account do not include maternity leave, marriage leave, study leave, trade union activities, other forms of paid leave and suspensions.

**** In 2019, as in previous years, there were no cases of occupational disease among Terna's employees. Terna's operations do not entail the types of work - as defined by law - associated with the potential occurrence of occupational diseases. Terna's occupational disease rate therefore remains at zero.

As regards contractors' employees, one fatality was reported in 2018 and again one in 2019, with both taking place during the painting of support structures. The cause of death in both cases was "falling from height".

In addition to the information provided in the table, for the sake of completeness it should be noted that, in 2017, a contractor's employee was taken ill. The resulting fatality, even though occurring during working hours, was due to natural rather than occupational safety causes. Checks carried out also confirmed that the construction site was managed in full compliance with health and safety regulations. Contractors' health and safety protection measures are described on page 190.

OCCUPATIONAL INJURIES SUFFERED BY CONTRACTORS AND SUB-CONTRACTORS - GRI-ILO DEFINITIONS*

	2019	2018	2017
Occupational injuries suffered by contractors' employees	44	21	9
- of which serious	2	2	0
- of which fatal	1	1	0
Injury Rate	1.95	0.99	0.42

* It should be noted that the increase in the number of injuries posted for contractors in 2019 must be seen in conjunction with the model used to monitor and ensure the efficiency of the contractual provision described on page 191. The number reported corresponds to injuries entailing at least one day's absence from work, divided by the number of hours worked during the year, multiplied by 200,000 (corresponding to 50 working weeks x 40 hours x 100 employees).

To aid comparison with other sources, this indicator has been calculated using a multiplication factor of 1,000,000 instead of 200,000 (thereby resulting in an injury rate 5 times the ILO injury rate). Based on this method of calculation, the injury rate is **9.7 in 2019, 4.9 in 2018 and 2.1 in 2017.**

In 2019 the Group began monitoring construction sites and injuries to people employed by contractors and subcontractors carrying out work for Group subsidiaries overseas. The same year reported 30 injuries, none of which were serious, and one fatality occurring whilst the individual was driving. The overall injury rate was 2.3, in line with 2018, when 45 injuries were reported, none of which were fatal or serious, resulting in an injury rate of 2.0.

"HEALTH AND SAFETY" TARGET
KPIs AND TARGETS IN THE STRATEGIC PLAN 2020-2024

KPI	TARGET					
	2019	2020	2021	2022	2023	2024
Safety indicator*	< 1	1.17	< 1	< 1	< 1	< 1

* The Safety Indicator is the ratio between the weighted injury rate (weighting: 30%) and lost day weight (weighting: 70%) for the target year and that for the previous three-year period.



Safety, the environment and human rights at contractors' construction sites

The rise in the number of staff employed by contractors and subcontractors in 2019 is linked to the increase in the number of construction sites.

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EMPLOYEES OF CONTRACTORS AND SUBCONTRACTORS*

	2019	2018	2017
Number of days worked	594,949	559,247	561,348
Full-time equivalents	2,704	2,542	2,552

* The figures take into account the duration of contracts and the variable nature of the related workforce and pertain to the different types of contract awarded by Terna, ranging from major works to those for cutting back vegetation located under power lines. The number of working days and FTEs are estimated on the basis of average daily attendances at the largest sites and the value of the works contracted out at smaller sites. Further information about the types of contract used by contractors is not available.

Given the substantial use of external labour at Terna's construction sites, works contracts are subject to stricter rules, not only in terms of qualification but also regarding management, with particular reference to occupational safety, the requirements of which are excluded from any lowest price concerns during the award process.

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During the qualification process, Terna requires evidence of documented procedures to protect workers' health and safety. For companies from sectors deemed most significant from an environmental and safety point of view, an in-depth analysis of management practices is required.

Terna requires additional certification from qualified contractors, specifically regarding:

- their personnel's knowledge of Italian;
- adequate specific training for all construction site workers on the use of personal protective gear, on the risks set out in the Safety and Coordination Plan (PSC) and in the Operational Safety Plan (POS) and on the operating procedures and the environmental protection measures set forth in the specific operating procedure, "Management of environmental aspects during construction", appended to each individual contract;
- attendance at training courses for certain specific roles (e.g. workers involved in the assembly and maintenance of overhead power lines, workers cutting back vegetation, site managers, foremen and safety officers);
- appointment of a Prevention and Protection Service Manager (PPSM), a construction site safety representative, a crisis manager and a deputy and an appointed doctor;
- a requirement that the contracts entered into with contractors include the need to keep records of any injuries occurring during the year.

The actual implementation of training is verified via the "Qualified Company Personnel" online platform.

In order to minimise the risk of violations of human and labour rights to the detriment of contractors' employees, in addition to specific documentation on key contracts, Terna requires a copy of an insurance policy taken out to cover third-party liability, and damage to persons and property, including assets owned by the contractor, for the entire duration of the works and for an amount commensurate with the nature of the works. A copy of the contractor's records of social security and pension contribution payments is also required.

From 2019, all works and supply contracts involving work onsite contain a requirement to provide the information needed to, on the one hand, closely monitor and assess injuries to contractors' personnel and, on the other, acquire the data necessary to compute contractors' injury rates.

Terna has drawn up a preventative safety and environmental protection monitoring system for construction sites, broken down into two levels:

- First level: the contracting entity (primarily the Engineering and Asset Management department) is entrusted with monitoring, via checks, the work carried out by the Construction Safety Manager and the contractors (47 checks were carried out in 2019);
- Second level: Terna is responsible (Organization, Health, Safety & Environment department) for spot checks designed to monitor the entire management and control process at construction sites.

Regarding the environmental checks provided for in the second level, 22 construction sites were monitored in 2019 in connection with the following aspects:

- Site document management and record keeping;
- PPE, equipment and machinery;
- Waste management;
- Excavated soil and rocks;
- Site equipment storage management;
- Hazardous substances and accidental spills;
- Rainwater and supplies;
- Dust and sediment emissions;
- Noise;
- Site-specific characteristics and planning consent regulations.

None of the checks produced evidence of any critical issues.

Finally, together with leading Italian operators of networks and infrastructure, Terna participates in the "Inter-company Health, Safety and Environment Round Table", with the aim of sharing experiences and regulatory interpretations in order to achieve continuous improvements with regard to health, safety and environmental issues.

Moreover, it takes part in the "HSE Laboratory" project promoted by Sant'Anna School of Advanced Studies in Pisa, with the aim of defining good practices and efficient analytical tools to strengthen awareness of the importance of safety in the Company.

Diversity and equal opportunities

405-1 > Terna uses staff selection, development and compensation systems that recognise and reward merit. All forms of discrimination, starting with the selection and recruitment process, are explicitly prohibited by the Group's Code of Ethics and Guidelines (e.g. its Human Rights Policy).

405-2 >

The vast majority of employees are men, due to a traditional shortage of female labour for the more technical and operational roles. Nonetheless, the presence of women is increasing, partly reflecting general labour market trends, which show that female participation is on the rise.

The percentage of women in the total workforce in Italy was 9.0% at the end of 2005 (the year in which Terna became an independent company). This figure has grown steadily since then, registering 13.9% at the end of 2019. In the same year, 21.1% of hires, not taking into account blue-collar workers, were women (26.6% in 2018).

The main indicators chosen by Terna to monitor the equal treatment of men and women show that the management and development systems adopted do not disadvantage women. In particular, it should be noted that, also in 2019, the proportion of women managers in relation to the total number of managers (19.8%) was once again higher than the proportion of women in relation to the total number of employees, without taking into account blue-collar workers (18.8%). Remuneration data also show moderate pay gaps for office staff and middle managers, with wider gaps for senior managers, although the number of people considered is smaller and the pay gaps are consequently more influenced by the nature of the related roles and the fact that there are few incoming and outgoing staff.

EQUAL OPPORTUNITIES FOR MEN AND WOMEN (PERCENTAGES)

	2019	2018	2017
<i>Pay gap between men and women*</i>			
Senior managers	83.0	78.9	79.4
Middle managers	94.6	93.9	96.6
Office staff	99.4	97.7	97.3
<i>Remuneration gap between men and women**</i>			
Senior managers	81.4	74.3	72.1
Middle managers	95.1	95.0	99.0
Office staff	96.4	93.6	94.0

* The figure is based on the annual basic pay of women in the different categories as a percentage of the annual basic pay of men in the same categories. The figure has not been calculated for blue-collar workers as there are no women in this category.

** This figure is based on the total annual pay of women in the different categories as a percentage of the total annual pay of men in the same categories. In addition to basic pay, total pay also includes productivity bonuses, various forms of incentive and the value of benefits received during the year.

202-2 > Almost all employees are Italian citizens (only 31 employees have foreign citizenship). At 31 December 2019, Terna employed 142 people from legally protected categories (140 in 2018 and 144 in 2017), in line with the regulations applicable to the Company. Additional indicators regarding equal opportunities are available (see the tables on page 275).

