

CORPORATE
RESPONSIBILITY
REPORT
2016

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REPORT
2016

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Message by the Management

Dear friends,

We are happy to share with you the 2016 TERNA ENERGY Corporate Responsibility Report. Our goal is to present the vision, strategy, commitments and values that define our corporate identity and permeate our business activities. In this report, we include all the data that, with a view to business excellence, assess our performance and efficiency and guide our choices regarding new goals that ensure a future with prospects.

With a vision towards Sustainable development, we promote green energy and contribute to creating a sustainable energy future, increasing the use of Renewable Energy Sources (RES). We conduct business ethically and invest in quality, innovation, high technology and employee expertise so as to create added value in all projects we are involved in. Our strategic priorities regarding sustainable development are clear:

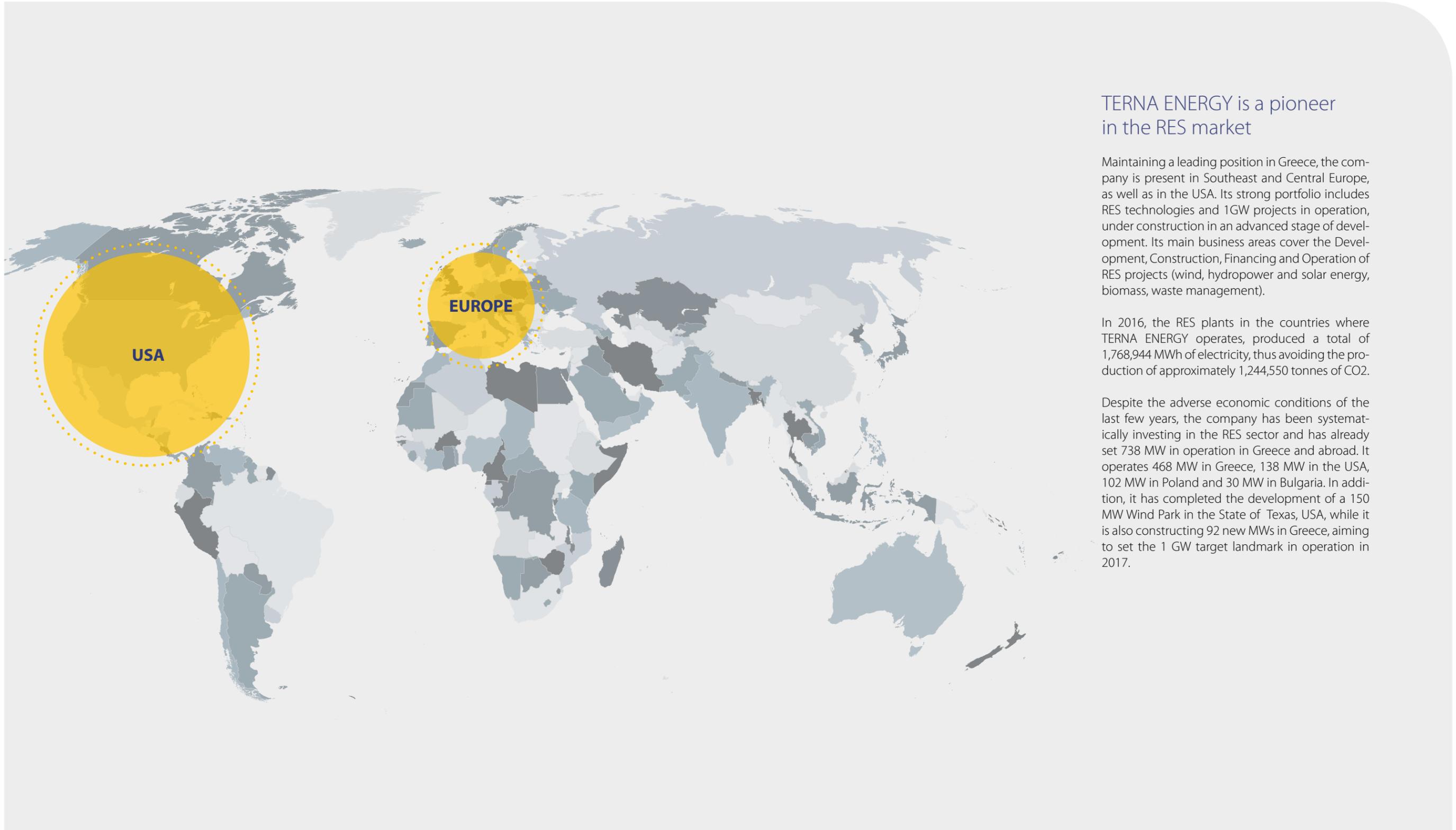
- Promoting sustainable development and increasing the installed capacity from RES projects
- Protecting the environment and raising awareness regarding green power
- Caring for our employees
- Ensuring the optimal benefits for everyone that affects and is affected by our business activities
- Supporting the local communities and local economies we operate in
- Maintaining substantial and ongoing communication with all stakeholders
- Implementing ambitious programs and actions that contribute to growth, social prosperity and social cohesion

Our company is a pioneer in the RES market development in Europe. It has a strong portfolio of technologies and projects in Europe and the USA, having in operation, under construction or at an advanced stage of development approximately 1 GW of projects worldwide. However, we aspire to further strengthen our leadership position in Greece and to establish our presence internationally. We systematically work to extend our business activities to hydroelectric projects, waste management and biomass, while investing in our expertise in developing innovative solutions.

Despite the adverse business climate and the prolonged uncertainty, we completed and put into operation a great project with multiple energy and environmental benefits, the 73.2 MW Wind Park on the "Aghios Georgios" islet, in 2016. At the same time, we continued the implementation of our investment plan, as designed, both in Greece and in the USA. Furthermore, in 2016 new investments came to maturity, both as regards licensing and financing and they will commence construction shortly. It is worth noting that the RES facilities of TERNA ENERGY generated electricity of approximately 1,768,944 MWh in 2016, and thus the production and emission of approximately 1,244,550 tones CO₂ was avoided, proving that the development of RES is utmost importance for tackling climate change and a key driver of economic growth.

Since 1987, we pursue business excellence with dedication and we do business leading with ethics and principles that promote human values and responsible practices. With a clear vision, strategy and goals, we promote green power and substantially contribute to ensuring a sustainable energy future with promising development prospects for everyone. Today, despite the challenges of our times, we are committed to continuing our hard work, leveraging every opportunity in order to create value in all the areas we operate.

Emmanouel Maragoudakis
Chief Executive Officer



TERNA ENERGY is a pioneer in the RES market

Maintaining a leading position in Greece, the company is present in Southeast and Central Europe, as well as in the USA. Its strong portfolio includes RES technologies and 1GW projects in operation, under construction in an advanced stage of development. Its main business areas cover the Development, Construction, Financing and Operation of RES projects (wind, hydropower and solar energy, biomass, waste management).

In 2016, the RES plants in the countries where TERNA ENERGY operates, produced a total of 1,768,944 MWh of electricity, thus avoiding the production of approximately 1,244,550 tonnes of CO₂.

Despite the adverse economic conditions of the last few years, the company has been systematically investing in the RES sector and has already set 738 MW in operation in Greece and abroad. It operates 468 MW in Greece, 138 MW in the USA, 102 MW in Poland and 30 MW in Bulgaria. In addition, it has completed the development of a 150 MW Wind Park in the State of Texas, USA, while it is also constructing 92 new MWs in Greece, aiming to set the 1 GW target landmark in operation in 2017.

AT A GLANCE



236
EMPLOYEES



1,395
SUPPLIERS



225.6million
TURNOVER



OPERATIONS IN **7** countries



738MW
INSTALLED CAPACITY
WORLDWIDE



468MW
INSTALLED CAPACITY
IN GREECE



1,768.44MW
NET ENERGY PRODUCTION



1,049
GREEK SUPPLIERS



€ 242million
TOTAL EXPENDITURE
TO GREEK SUPPLIERS



52
BUSINESS UNITS WITH
PROJECTS IN OPERATION



€ 97,000
SOCIAL CONTRIBUTION



€ 231,700
OFFSETS AND LOCAL COMMUNITY BENEFITS

BRIEF HISTORY

TERNA ENERGY SA (TERNA ENERGY), a subsidiary of GEK TERNA Group, was established in 1997 with the vision of contributing actively to creating a sustainable future through the development of Renewable Energy Sources (RES). Today, the company goal is to achieve business excellence, and maintain high levels of expertise, know-how, innovation and excellent quality. The aforementioned objectives make the company a pioneer in RES, both in Greece and abroad.

1997

Establishment of TERNA SA as a subsidiary of GEK TERNA Group

2000

Operation of the first wind park in Euboiá, with a total capacity of 11.12 MW

2004

Expansion into RES outside Greece, mainly in the markets of Southeastern Europe

2005

Expansion of wind parks in Central European markets

2006

Construction of the first two hydroelectric plants in Eleousa and Dafnozónara

2007

Share capital increase and listing of the company's shares in the Athens Stock Exchange

2011

Wind Parks in Poland, Bulgaria and the USA launched commercial operation

2013

Expansion of operations in the field of waste management in the private and public sectors in Greece and abroad

2016

Completion of the construction of the 73.2 MW of Aghios Georgios.

01 TERNA ENERGY

1. TERNA ENERGY

1.1 Business Operations

TERNA ENERGY operates in the sectors of energy and construction. As a vertically integrated entity that develops, manufactures, finances and operates RES projects, it undertakes public and private technical projects in the capacity of either the main contractor, subcontractor or joint venture partner.

With a view towards sustainable development, the company specialises in Wind Power, Hydropower Projects, Solar Energy, Management of - and Energy Recovery from - Scrap, Waste and Biomass. The company undertakes a full range of project tasks and operations, from expanding capacity, to planning, licensing and construction, through to the maintenance and commercial operation of the units it develops.

More specifically, TERNA ENERGY's individual operations include:

- **constructions** in the framework of technical project contracts
- **production** of electricity from renewable energy sources (wind parks, photovoltaic parks and hydropower projects)
- **trade** of electricity power
- **concessions** with the construction and operation of public interest infrastructure in exchange for their long-term management

In the field of electricity production from RES, TERNA ENERGY:

- Invests in the development of power generation plants
- Develops new plants, utilising specialised personnel and equipment, for wind measurements, energy capacity planning assessments, licensing and construction
- Operates, services and commercially exploits the units it develops

Always striving for business excellence, the company operates in a financially, socially and environmentally responsible manner. This allows the company to create opportunities, while ensuring a better future for the next generations.

 **738 MW**
IN OPERATION
IN GREECE
AND ABROAD

 **DEVELOPMENT
OF A WIND PARK**
150 MW
IN TEXAS, USA

 **468 MW**
INSTALLED
IN GREECE

138 MW
IN THE USA
102 MW
IN POLAND

30 MW
IN BULGARIA

1.2 Major Developments in 2016

Wind Park on the islet of Aghios Georgios - A milestone project

The Wind Park on the islet of "Aghios Georgios", an important project with multiple energy and environmental benefits, was completed and commissioned in June 2016.

The € 150 million investment, is the largest investment in electricity generation from renewable energy sources in Greece. The wind park was built on the islet and operates as an independent power plant. With a 73.2 MW capacity, its operation covers the energy needs of more than 40,000 households per year. Its operation will contribute to saving over 60,000 tons of oil and prevent the emission of over 180,000 tons of pollutants annually.

The wind park embodies a number of technologies, and includes the submarine interconnection of the islet with the mainland system. This is the first on-shore wind park with features of an offshore wind park exploiting the high wind potential of the Aegean Sea, to such a large scale.

Three new wind farms in Dervenochoria

TERNA ENERGY continues its investment plan with the development of new RES facilities in Greece. With the support of the European Bank for Reconstruction and Development (EBRD) and Piraeus Bank, the company proceeds to the development, construction and operation of 3 wind farms with a capacity of 48 MW in central Greece, in the area of Dervenochoria.



**DEVELOPMENT, CONSTRUCTION AND OPERATION
of 3 wind farms with a capacity of 48MW at Dervenochoria**

Expansion of activities in the USA

In 2016, new investments progressed to the construction stage. The company's agreement with the investment fund Copenhagen Infrastructure Partners (CIP) opened the way for financing part of its investment plan in the US RES market.

More specifically, the first phase of the agreement concerns a \$61 million investment for the development of the new 155.4 MW Fluvanna 1 wind park, currently implemented by the company in Scurry County, Texas, expected to be commissioned in late 2017.

The total investment, amounting to \$250 million, is covered in part by HSBC, NordLB, Morgan Stanley and Rabobank, while Goldman Sachs will participate (subject to certain prerequisites) in the share capital of the holding company following the commencement of the project's commercial operation. TERNA ENERGY pursues additional investments in the US renewable market.



Projects installed / in operation in 2016

Abroad

TECHNOLOGY	COUNTRY	AREA	FACILITY	INSTALLED CAPACITY (MW)	PRODUCTION 2016 (MWH)		
WIND POWER	POLAND	LODZKIE	CZARNOZYLY	16	32,119		
			GORZKOWICE	12	24,513		
			KRZYZANOW	20	45,670		
			SIERADZ	8	16,487		
			SZADEK	8	16,826		
		MAZOWIECKIE	MAKOW	12	35,562		
			NASIELSK	10	19,091		
			TORUN	CHELMZA	16	11,770	
		CHOJNICE		16,875			
		TUCHOLA		14,629			
		TOTAL PRODUCTION					233,542
		USA	IDAHO	COLD SPRINGS	138	53,617	
				DESERT MEADOW		61,815	
				HAMMET HILL		60,624	
	MAINLINE			58,640			
	RYE GRASS			56,948			
	TWO PONDS			62,172			
	TOTAL PRODUCTION					353,815	
	BULGARIA	VARNA	KARAPELITE	12	27,765		
			VRANINO	18	47,977		
	TOTAL PRODUCTION					75,742	
TOTAL PRODUCTION ABROAD					663,099		

Greece

TECHNOLOGY	AREA	FACILITY	INSTALLED CAPACITY (MW)	PRODUCTION 2016 (MWH)		
WIND POWER	AGHIOS GEORGIOS	AGHIOS GEORGIOS	73.2	77,529		
	ALIVERI	PROFITIS ILIAS	11.22	33,471		
		PYRGARI	5.4	14,886		
		TSILIKOKA	10.2	32,672		
		TSOUKA	12	37,603		
	ARGOLIDA	LOGGARAKIA	18	35,002		
	VIOTIA	GURI MELES	32.2	96,354		
		KREKEZA	30	84,125		
		MAVROVOUNI	19.55	43,217		
		MAVROVOUNI 2	10	32,620		
		RACHOULA	30	65,902		
		RACHOULA 2	8	20,389		
		THRACE	DERVENI	24	61,497	
	DIDIMOS LOFOS		26	62,945		
	MYTOULA		34.2	85,062		
	XIROVOUNI		6.3	16,200		
	CHILOS		11.7	28,933		
	CRETE		PERDIKOKORYFI	14.45	37,100	
		CHONOS	4.5	16,384		
	NAFPAKTOS	LOUZES	24	51,587		
		FYROM	20	28,720		
	RHODES	STAVROTI	17.85	44,762		
	WIND POWER TOTAL					1,006,959
	HYDROPOWER	AETOLOAKARNANIA	DAFNOZONARA	8.5	46,456	
		THESSALONIKI	ELEOUSA	6.6	36,397	
	HYDROPOWER TOTAL					82,853
	SOLAR ENERGY	VIOTIA	VATHYCHORI 1	5.99	9,516	
			VATHYCHORI 2	1.5	2,304	
NAFPAKTOS		LOUZES PV	1.05	1,446		
SOLAR POWER TOTAL					13,266	
BIOMASS	THESSALONIKI	ADENDRO	1	2,767		
BIOMASS TOTAL					2,767	
GREEK PRODUCTION TOTAL					1,105,845	

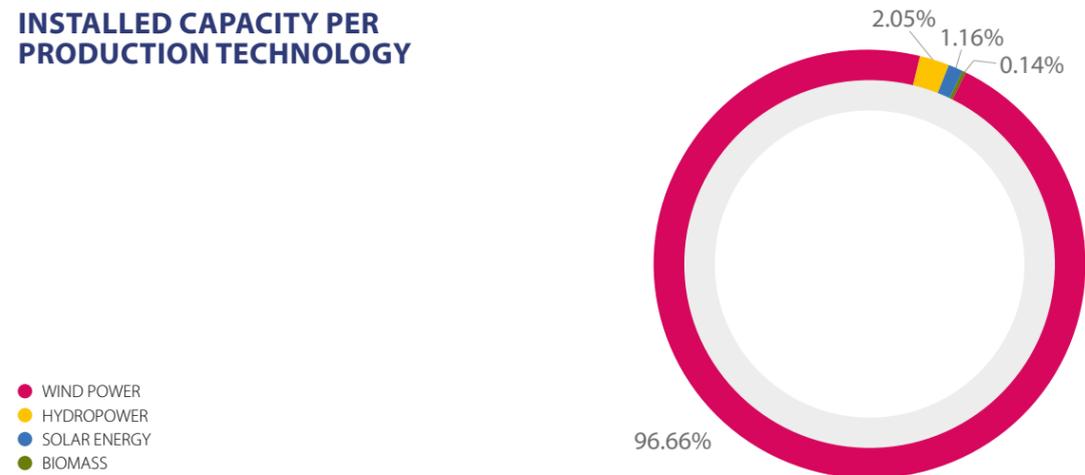


**CONSTRUCTION OF
92 NEW MW
IN GREECE**

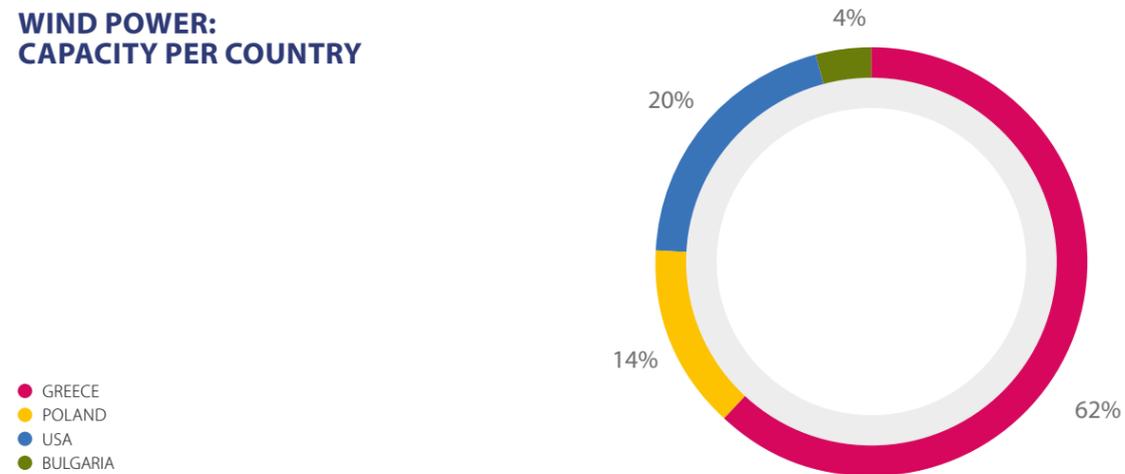


**GOAL/LANDMARK:
1 GW
IN OPERATION
IN 2017**

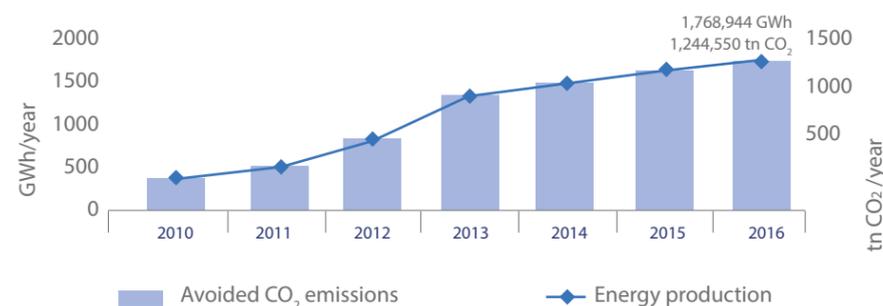
INSTALLED CAPACITY PER PRODUCTION TECHNOLOGY



WIND POWER: CAPACITY PER COUNTRY



GWh PRODUCED AND CO2 EMISSIONS AVOIDED



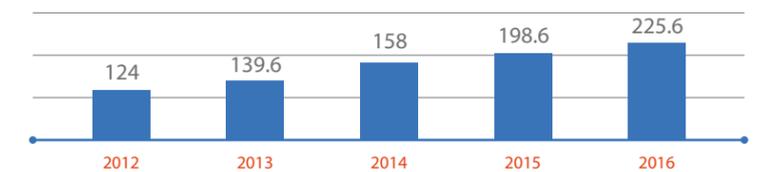
1.3 Financial Performance

The cautious selection of the investments TERN A ENERGY undertakes to implement, is the outcome of a precise strategy, aimed at expanding the investment portfolio and spreading business risk. In the long-term, this ensures a balance between the company's growth and safeguarding the interests of its shareholders.

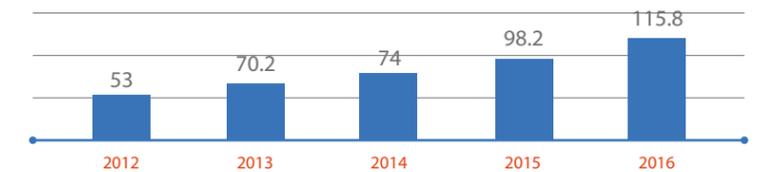
In 2016, its consolidated sales across its operations reached € 225.6 million versus € 198.6 million in 2015, marking a significant 13.6% improvement, mainly due to increased revenue from the construction sector and from energy sales. Earnings before Interest, Tax Depreciation and Amortisation (EBITDA) amounted to € 115.8 million versus € 99.3 million

in the previous year, rose by 16.6%, mainly due to the increased power capacity of the Group's operating plants. Pre-Tax Profits stood at € 36.3 million - increased by 19.8% versus 2015 - while net profit after tax and minority interests stood at € 20.6 million, up by 21.9%.

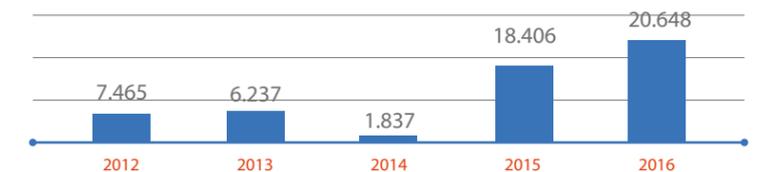
TURNOVER (MILLION EURO)



EBITDA (MILLION EURO)



NET PROFIT (MILLION EURO)



KEY FINANCIAL INFORMATION (IN EUR THOUSAND)	2014	2015	2016
Net sales/ income	158,251	198,608	225,560
Total capitalisation	201,029	261,568	289,795
Total liabilities	802,029	875,507	1,082,381
Total equity	338,245	346,781	355,294
Total assets	1,140,274	1,222,288	1,437,611

The recession in the Greek economy continued in 2016. However, despite the widespread crisis, the company continued to implement its investment plan, with new RES facilities in Greece and the U.S. While restrictions on capital and the further reduction of liquidity were a barrier to business growth and economic recovery in 2016, the company believes that RES transfers a leading investment sector at the national, European and international level.

ECONOMIC VALUE DISTRIBUTED (IN EUR THOUSAND)	2014	2015	2016
Operating costs	124,016	145,068	164,779
Employee wages and benefits	4,720	4,014	8,423
Dividends paid	-	315	8,697
Interest and related expenses paid	23,800	37,111	34,479
Income taxes paid	7,054	7,722	9,437
Grants / donations / charity	106	58	97
ECONOMIC VALUE DISTRIBUTED	159,696	194,288	225,912

Over the last five years, TERNA ENERGY has made investments reaching an average of € 110 million per year.

The company is listed on the Athens Stock Exchange. The parent company GEK TERNA SA, which holds 39.686% of TERNA ENERGY's share capital, is also listed on the Athens Stock Exchange.

1.4 Participation in Membership Bodies and Organisations

TERNA ENERGY actively supports and participates in bodies, organisations and business associations in order to exchange views and ideas on the promotion and effective management of sectoral matters as well as issues concerning the market and the economy. The company invests in two-way dialogue and systematically strengthens the communication channel with them:

- HELLAS RES (Greek Association of Renewable Energy Sources Electricity Producers) - is a reliable interlocutor for RES issues in Greece with institutional interventions, information and awareness initiatives
- ELETAEEN (Hellenic Wind Energy Association) - seeks to promote science and research in wind power and to effectively express the interests of the industry and the market, acting as a means of pressure and participation
- IENE (Institute of Energy for South East Europe) - a non-profit organisation that studies energy issues and informs industry professionals and society as a whole
- EREF (European Renewable Energies Federation) - aims to facilitate national and international policies and initiatives that support the development of European and international wind power markets, infrastructure and technology
- Wind Europe (European Wind Energy Association) - promotes and informs on the benefits of Wind Power
- WISE Power - promotes social acceptance for the development of wind parks, strengthens the involvement and participation of local communities and promotes models and tools for economic cooperation

02

SUSTAINABLE DEVELOPMENT, RESPONSIBLE MANAGEMENT AND GOVERNANCE

2. SUSTAINABLE DEVELOPMENT, RESPONSIBLE MANAGEMENT AND GOVERNANCE

With a vision focused on Sustainable Development, TERNA ENERGY gives priority to ensuring a sustainable energy future through the use of clean energy and RES. It seeks to expand its leading position in the domestic market and to enhance its business reputation and presence in international markets. Based on business excellence, it aspires to become the partner of choice for the development, construction, financing and operation of RES projects.

2.1 Our Vision: Investing for the Future

The company recognises that climate change, increased dependence on oil and other fossil fuels, increased imports and the rising cost of energy make societies and economies vulnerable. The RES industry is the only way forward for drastically reducing greenhouse gas emissions, environmental pollution and the degradation of quality of life. Investments in the use of local and decentralised energy sources enhance the economy and growth, both nationally and internationally. RES are associated with a rapid growth in heat, electricity and fuel production and are directly linked to multiple benefits:

ENVIRONMENTAL BENEFITS

- They constitute (together with energy conservation) the most ecologically sound solution for the effective reduction of carbon dioxide emissions and the combating of the greenhouse effect. In addition, by replacing energy generation plants which use conventional fuel resources, they lead to a reduction in the emissions of other pollutants as well, such as sulphuroxides which cause acid rain, nitrogen oxides which cause photochemical smog, airborne particulates, etc.
- They contribute to reducing air pollution due to particles, soot and gaseous pollutants, such as sulphur dioxide and nitrogen oxides
- They are practically inexhaustible sources of energy (sun, wind, rivers, organic matter, etc.) and contribute to reducing the dependence on depletable conventional energy resources, such as oil, natural gas, coal, etc.
- They effectively replace the use of exhaustible natural resources that degrade the environment, while reducing the risk of major environmental accidents and the impacts thereof

ENERGY BENEFITS

- They are domestic sources of energy and contribute to strengthening the energy independence and security of supply at the national level
- They provide opportunities for the rational use of energy sources, because they cover a wide range of users' energy needs (i.e. solar energy for low temperature heat, wind energy for electricity production, etc.)
- They reduce the needs for investment in new fossil fuel power plants

ECONOMIC BENEFITS

- They are geographically dispersed, leading to the decentralisation of the energy system, making it possible for energy needs to be met at the regional and local level, thus relieving the pressure on infrastructure systems (electricity grids, roads, etc.) and reducing the losses from energy transmission
- They are usually designed to meet the specific energy needs of users/consumers, both at large or at small scale, and they have relatively short materialisation times, thus allowing quick response of energy supply to energy demand
- They usually have low operating costs, which are not influenced by fluctuations in the international markets and especially in the prices of conventional fuels (crude oil, natural gas, coal)
- They substantially improve the trade balance of the country, as they help reduce fossil fuel imports
- They increase the Gross National Product because of the energy produced from RES

SOCIAL BENEFITS

- They are friendly to the environment and humans and ensure a sustainable future with innovative prospects
- They create new jobs for the construction, operation and maintenance of power and energy production plants, substantially boosting employment at local, regional and national level
- They are essential for revitalising economically and socially deteriorated areas and attract local development initiatives by promoting investments therein

TECHNOLOGICAL BENEFITS

- They reinforce scientific research in Sustainable Development
- They promote innovation and the development of new - pioneering technologies in the energy sector
- They upgrade the national production capacity with the development of technologically modern installations for energy production from RES

NATIONAL BENEFITS

- They help meet European targets and in particular the increase of energy consumption from renewable sources in Greece from 15.4% to 18% by 2020
- They contribute to achieving the United Nations Sustainable Development Goals as well as international commitments such as the Paris Agreement

2.2 Clear Strategy and Goals

The vision of sustainable development is the company's driving force for ethical business and for investing in quality, innovation, high technology and know-how, to provide added value across the entire chain of the RES projects it covers.

This vision guides the corporate strategy and is fully integrated into the business operation and set goals. Specifically, the company aims to:

- Significantly increase the installed capacity
- Strengthen its leading position in Greece and enhance its international presence
- To hold a portfolio of technologies maintaining a leading position in wind power and expanding chain to hydro-power projects, solar energy and biomass
- To exploit the Group's competencies in the RES value chain by gaining experience in the construction of submarine electricity transmission cables and in energy storage by pumped storage hydropower and batteries

TERNA ENERGY seeks long-term, balanced growth and works systematically to this end, in close alliance with employee, society, economy, environment and market representatives. Its priorities are to:

- Achieve business excellence based on transparency and ethics
- Strengthen sustainable development and to cultivate a green power culture
- Ensure optimal benefit for all parties affected by and affecting its business activity
- Maintain high quality in its business activities
- Innovation development, know-how and scientific research
- Enhance efficiency resulting from best practices and sustainable initiatives
- Ensure the Health and Safety of its employees and associates
- Develop its human resources
- Maintain a meaningful and ongoing dialogue with all its stakeholders
- Implement aspiring programs and actions that contribute to social prosperity and promote social cohesion

2.3 Carefully Designed Business Plan

In planning its strategy, the company takes into account a number of factors that can influence its growth.

2.3.1 Opportunities

A number of factors make the production of electricity from RES particularly important and bring it in the focus of the global economy. First, it is imperative that the current production capacity from RES increases in order to achieve the objectives set by the Kyoto Protocol and the recent Paris Agreement. Moreover, there is a large potential of renewable energy sources (wind, hydropower, solar, biomass, etc.) to be exploited, which allows the effective

substitution of conventional energy resources (lignite, oil, gas), which are gradually depleted. The RES sector provides reliable and commercially mature technological solutions for the economic exploitation of the vast RES resources in an environmentally friendly way. Finally, the gradual development of new technologies and extensive know-how lead to a gradual and significant reduction of the economic costs of RES.

2.3.2 Risks and Uncertainties

The economic downturn and the capital controls may have a negative impact on the market's operation and delay the implementation of TERNA ENERGY's investment plan in Greece. By expanding its operations abroad, the company's management aims to spread the relevant risks and balance any impacts on the company's financials. In this context, it systematically monitors developments in the Greek economy, it discusses and cooperates with financial players and specialised analysts of the international markets and applies measures to address any potential risk, in order to minimise negative impacts.

2.3.3 Prospects and Progress

By recognising and systematically assessing opportunities and risks, the company has managed to maintain sufficient capital adequacy, profitability and liquidity. It fully meets its obligations to suppliers, public authorities, insurance agencies and other creditors, successfully pursuing its ambitious investment plan, while it also distributes dividends to its shareholders.

The prospects for TERNA ENERGY Group for 2017 remain positive, since:

- the investment of the "Aghios Georgios" Wind Park will be fully operational in 2017
- the FLUVANNA 1 wind park in the USA will be commissioned and progress is made with the new FLUVANNA 2 investment

- the construction of two new investments in Greece continues with one to be completed and put in operation in 2017
- the procedural and financing matters of the two waste management projects that have been awarded to the company as final contractor, are maturing.

2.4 Responsible Corporate Governance

TERNA ENERGY is managed by Board of Directors (BoD), consisting of nine members with a five-year term. As the company's supreme management body, the BoD decides on all corporate affairs, except for those that are the responsibility of the General Meeting. It shapes the company's strategic plan and ensures its effective implementation, in order to safeguard the long-term interests of all its shareholders, to promote "responsible business" principles, to protect all parties linked to or transacting with the company and to serve the broader socio-economic environment.

Composition

The BoD consists of six executive members, a non-executive member and two independent non-executive members. Top company executives responsible for managing and implementing corporate objectives are appointed as executive members, while persons with the experience and objective judgement to promote and ensure transparency and good corporate governance are appointed as non-executive and independent non-executive members.

In 2016, the BoD line-up changed; the meeting of 21/4/2016 elected - in replacement of a deceased BoD member - as a new member Mr. Vasileios Delikaterinis, for the remaining term of the BoD, namely up to 30 June 2017 at the latest.

BOARD OF DIRECTORS LINE-UP

(31.12.2016)

Chairman of the BoD:

Georgios Peristeris, Executive Member

Vice-Chairman of the BoD:

Georgios Perdikaris, Executive Member

Managing Director:

Emmanuel Maragoudakis, Executive Member

Members:

Georgios Spyrou, Executive Member

Michael Gourzis, Executive Member

Vasileios Delikaterinis, Executive Member

Theodoros Tangas, Non-executive Member

Aristeidis Ntasis, Independent non-executive member

Nicolaos Kalamaras, Independent non-executive member

During the reporting period, all BoD members were Greek nationals.

In exercising their duties, in 2016, BoD members effectively managed the company with integrity, responsibility and honesty, avoiding actions that could jeopardise the company and its interests. Moreover, they successfully safeguarded the confidentiality of proprietary information and ensured timely and simultaneous disclosure to all shareholders and interested investors.

Strict Selection Criteria

The Line-up of the Board of Directors is of the utmost importance for the company's operation. The high performance and efficiency required in the performance of their duties has made it necessary to lay down specific criteria for their selection. In particular, the Board members must:

- have management experience and administrative skills
- have thorough knowledge of corporate affairs
- work systematically to achieve the corporate strategic plan
- substantially contribute to the company's growth prospects
- safeguard the corporate vision and the image of the company and
- act with absolute integrity and corporate loyalty

Board Committees

The BoD is supported by advisory committees, which play an important role in decision-making. The committees are:

- **Nomination and Remuneration Committee:** A three-member committee whose main duty is to investigate and highlight the appropriate candidates for election to the company's Board of Directors. The committee also proposes policies and systems for determining remuneration at all company levels.
- **Investment Committee:** A five-member committee, consisting of three members of the BoD of the company and the parent company and two executives or consultants of the company, depending on the subject under consideration. The committee contributes greatly to shaping the investment policy, submitting the relevant proposals to

the BoD, which is the body responsible for preparing and implementing the company's investment policy

- **Audit Committee:** It consists of at least three non-executive BoD members, one of which is independent. It is noted that at least one of the three members is required to have sufficient knowledge and experience in accounting and auditing. The committee supports the BoD to ensure compliance with the requirements of the legal, institutional and regulatory framework and with the principles of Corporate Governance that concern its operation. At the same time, it also ensures the smooth operation of all company audit mechanisms

Internal Audit and Risk Management

The company has taken preventive and repressive measures to protect itself from risks that may affect its strategic planning, its operation and financial performance. Based on transparency and effective management of operational risks, the BoD performs regular internal audits, which it systematically monitors, and takes immediate action when additional and/or corrective measures are required.

BOARD OF DIRECTORS	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Men	-	1	8	9
Women	-	-	-	0

2.4.1 Corporate Governance Code

TERNA ENERGY has adopted rules and practices that ensure and safeguard the principles of transparency, professional ethics and sound management of resources at every level of its operation, to the benefit of all stakeholders. The Corporate Governance Code (CGC) is a prerequisite for the implementation of a Corporate Governance system that evolves and continuously adapts to changing economic, social and business conditions. The CGC is posted on the company's website www.terna-energy.com.

2.5 Responsible Business

TERNA ENERGY is committed to the principles of responsible development and pursues business excellence. Based on creating value, the company works towards financial stability and social prosperity and always considers the environments where it operates, a priority. Guided by the principles of responsible entrepreneurship, it supports the Greek economy and continues to develop dynamically, contributing to green growth and financial stability.

The development and operation of wind parks and hydropower projects - which represent the company's main activity - offer positive, direct and multiple benefits. They equally reduce the demand for electricity from thermal sources, the emissions of pollutants generated and of those generated from the transfer of thermal fuel from their place of production.

For the company, compliance with laws and regulations that define responsible business is a non-negotiable principle. In 2016, no significant fine or relevant penalties were imposed on the company for non-compliance with the legislation and regulations for its operation. Accordingly, there were no violations concerning unfair competition, trust and/or monopoly practices.

2.5.1 Implementation of Management Systems and International Standards

In 2016, TERNA ENERGY continued its investment plan, implementing new RES facilities in Greece and the USA, based on certified systems that guarantee the company's capacity and security.

TERNA ENERGY implements and has incorporated into its operations management systems and international standards for effectively enhancing its business operation. The applied standards and management systems are certified by independent certification bodies, and their level of adequacy is checked internally on a regular basis.

- ISO 9001: Certified Quality Management System since 2003
- ISO 14001: Certified Environmental Management System
- OHSAS 18001: Certified Occupational Health and Safety Management System

INVESTMENTS IN QUALITY (IN €)

Audit costs	1,368.5
Certification costs	900

QUALITY AUDITS

Internal Audits	25	7 in the Construction Sector 18 in the Energy Sector
Audits by external Certification Body	2	1 Audit for ISO 9001 1 Audit according to ELOT EN ISO 17025



03
**THE IMPORTANCE
OF STAKEHOLDERS**

3. THE IMPORTANCE OF STAKEHOLDERS

Since the very first years of its operation, TERNA ENERGY has recognised the role of stakeholders in its current success. Systematic and meaningful consultation is the key to success for expanding activities to new prefectures and regions, in Greece and abroad.

3.1 Stakeholder Identification

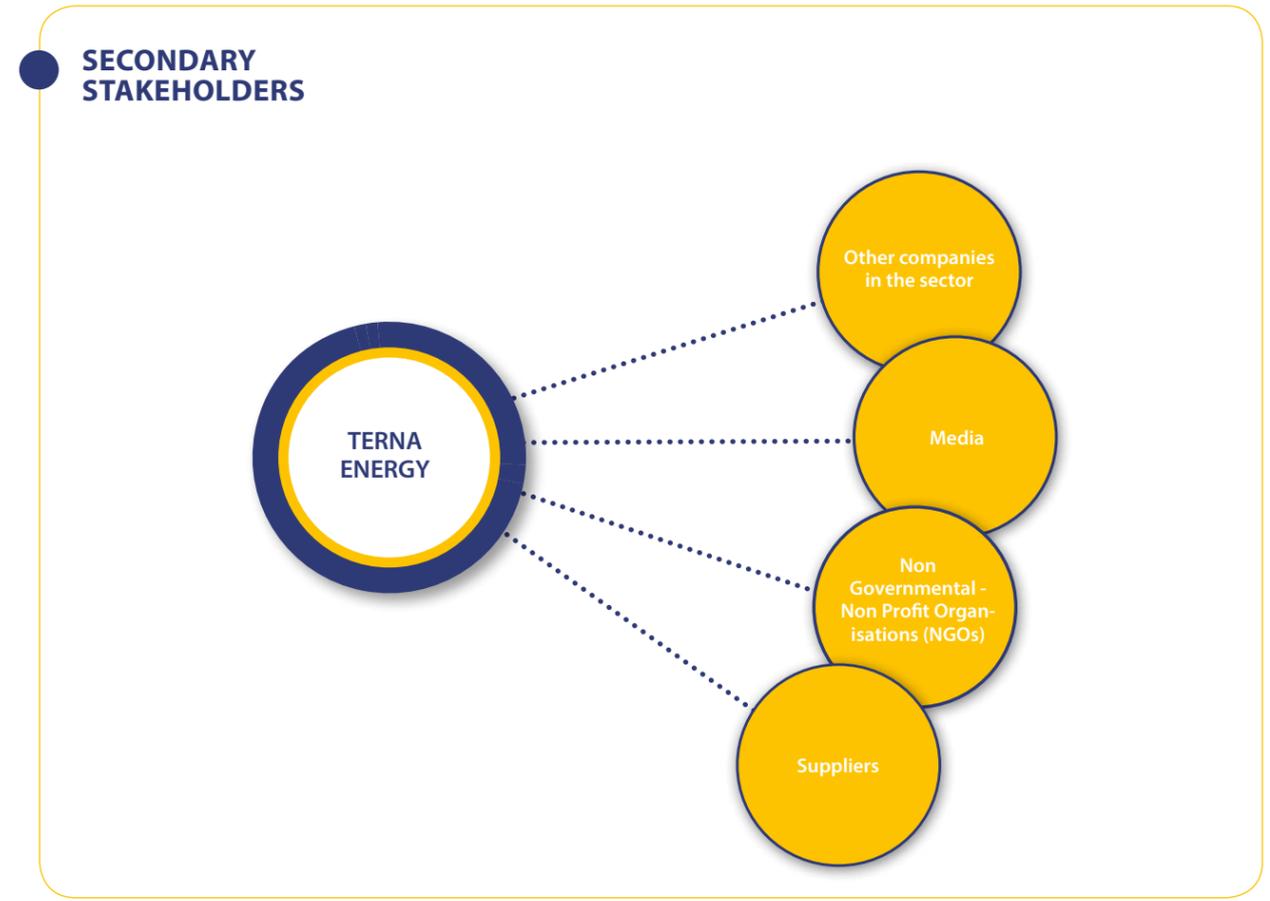
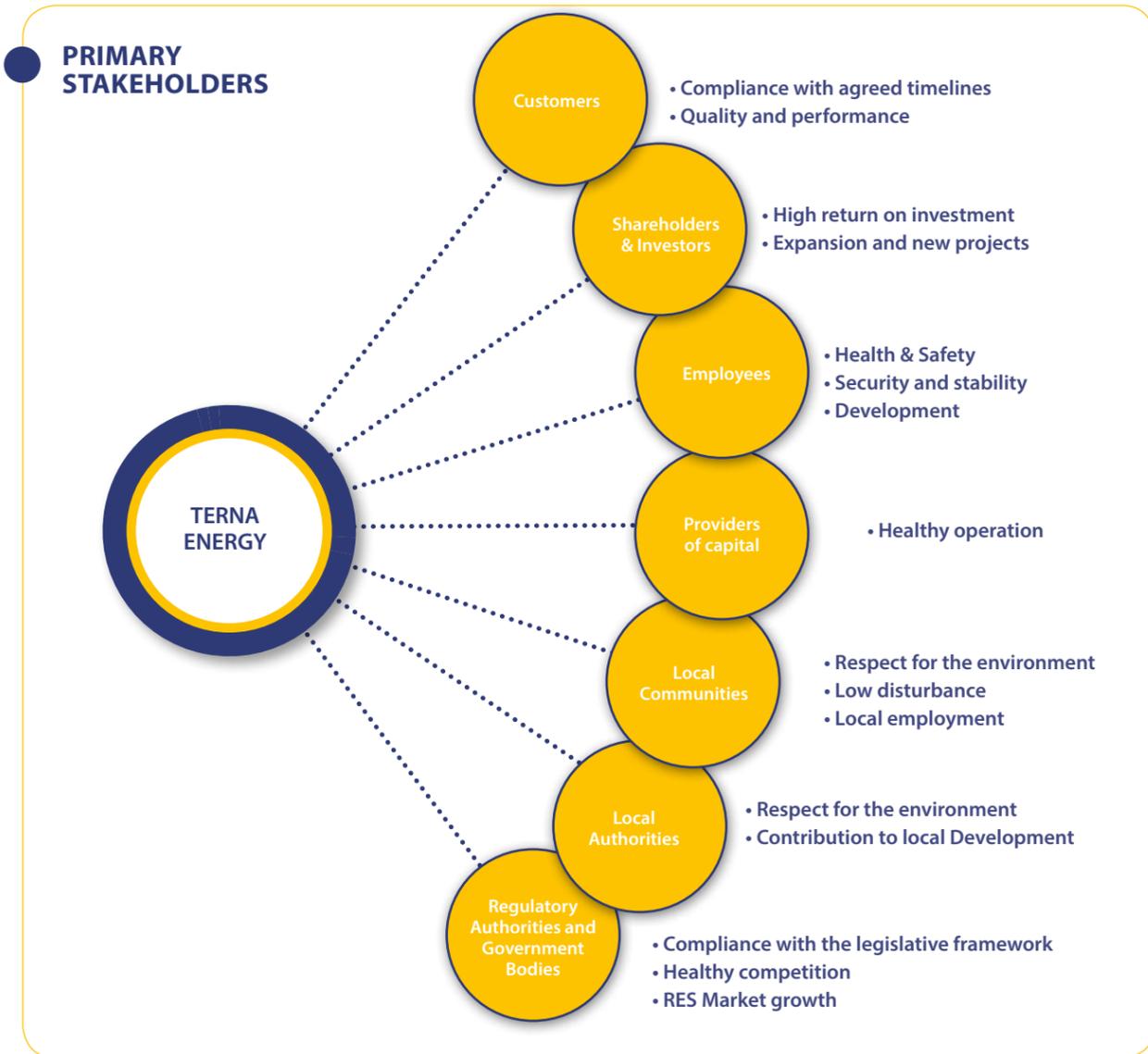
Identifying and defining stakeholders is a key step for developing the necessary engagement procedure and a framework of effective dialogue with all interested parties.

TERNA ENERGY has at first identified and classified its stakeholders into primary and secondary. The stakeholder groups are classified based on two criteria, the impact the company decisions have on stakeholders and on the impact the stakeholder actions have on the company. The greater the impact, the more important the group of stakeholders.

As stakeholders may be different for each project and may therefore have different needs and expectations, it is important that the identification and mapping process takes place at the design phase of each project and at regular intervals (e.g. annually) throughout the implementation and application process as well as in exceptional cases.

Identifying and then mapping stakeholders is a process of particular importance for the company, as it greatly determines its successful operation in local communities and is directly linked to its strategy. This process aims to:

- provide information to local communities
- provide information about the Corporate Responsibility strategy
- ensure joint synergies
- select the most effective local actions
- anticipate risks and opportunities
- promote the company's image
- efficiently manage business risks
- ensure the understanding of business issues
- optimally manage essential issues relating to Sustainability



3.2 Communication with Stakeholders

In order to reliably identify all possible issues that may arise with the groups of stakeholders, TERNA ENERGY has established systematic communication with them as an integral part of its strategic methodology. TERNA ENERGY uses communication channels including:

- Corporate website
- Personal interaction, phone and electronic communication through executives in relevant departments (communication, investors, supplies etc.)
- Personal communication with local authorities and bodies
- Participation in conferences, business organisations and associations
- Participation in clubs and unions
- Participation in social and environmental activities
- Open dialogue and consultation events
- Studies and reports
- Financial Report
- Corporate Responsibility Report

Most of the contents of the Corporate Responsibility Report are based on the results of consultations with stakeholders. Its topics cover issues, concerns and expectations that have been identified and communicated in a targeted and systematic manner, through the platform provided by the Report. TERNA ENERGY has incorporated the Corporate Responsibility Report into the tools that are necessary for its official and systematic response to the expectations of stakeholders.

04

CORPORATE RESPONSIBILITY STRATEGIC APPROACH

4. CORPORATE RESPONSIBILITY STRATEGIC APPROACH

TERNA ENERGY has recognised the need for a strategic framework which will help improve the prioritisation of Corporate Responsibility issues. This framework is used to implement consultations with stakeholders and to set the pillars that guide its strategy.

4.1 Identification of Material Aspects

Developing the framework of its strategy, the company follows the guidelines of the International "GRI Standards" for the Preparation of Sustainability Reports. The analysis and identification of material aspects allows the company to prioritise and invest in aspects of high significance that are related to business risks and opportunities.

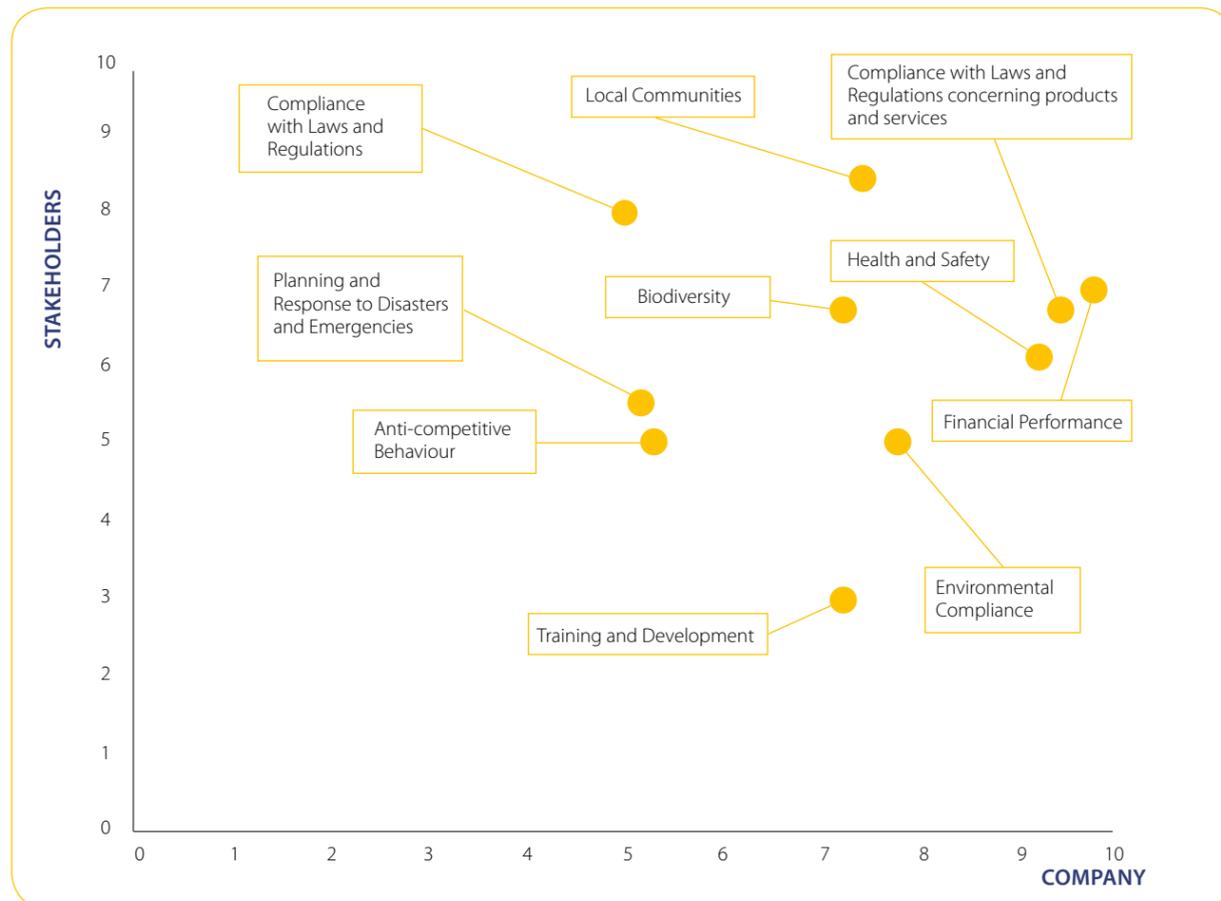
The content of the Report is based on the results of the materiality analysis, which reflect the views of both the company and its stakeholders. The procedure followed was based on the following steps:

- Research and Analysis of similar companies in Greece and abroad. Analysis of sectoral issues. Assessment of different standards and guidelines.
- Analysis of possible material aspects. Investigation of the views of the company and stakeholders (internal and external environment). Assessment of the impact of the aspects on the three areas: Society-Environment-Economy.
- Procedure completion upon finalisation and prioritisation of the identified aspects.

The main aspects identified were the following:

- Financial performance
- Biodiversity
- Environmental compliance
- Occupational Health and Safety
- Training and development
- Local communities (impact assessment and cooperation)
- Anti-competitive behaviour
- Incidents of non-compliance with laws and regulations
- Planning and response to disasters and emergencies
- Compliance with laws and regulations concerning products and services

These aspects are placed on a matrix that helps identify how they are interrelated and provides an accurate picture of the priority and importance of specific issues for the company and its stakeholders.



4.2 Corporate Responsibility Strategy

The corporate responsibility strategy implemented by TERNA ENERGY aims to systematically manage the impacts that arise from its operation and improve its performance in terms of sustainability and corporate social responsibility. To implement its strategy, the company correlates the main corporate responsibility pillars with aspects identified as material, in line with international principles, in order to respond both to its business scope and to the expectations of stakeholders.

Sustainability pillars

CORPORATE GOVERNANCE				
COMPLIANCE WITH LAWS AND REGULATIONS CONCERNING PRODUCTS AND SERVICES • INCIDENTS OF NON-COMPLIANCE WITH LAWS AND REGULATIONS • ANTI-COMPETITIVE BEHAVIOUR ANTI-COMPETITIVE BEHAVIOUR				
Local communities	Environment	Health and Safety	Employees	Operation and Market
Local communities (impact assessment and cooperation)	Environmental compliance Biodiversity	Occupational Health and Safety	Training and developemnt	Financial performance Planning and response to disasters and emergencies

4.3 Management of Corporate Responsibility Material Issues

Corporate Responsibility issues cover all the company's business operations. As their effective management requires specialised knowledge, experience and skills, a dedicated Corporate Responsibility Team has been set up with executives from all main company departments. The team is coordinated by the Department of Communications and Corporate Social Responsibility.

The team's responsibilities include:

- collecting information and data to issue the annual Corporate Responsibility Report
- cross-checking and confirming the correctness and completeness of the data
- briefing employees and partners about initiatives related to Corporate Responsibility
- briefing Senior Management about material aspects and the actions implemented
- setting out the procedures required to increase the effectiveness of Corporate Responsibility actions
- coordinating actions focused on: Environment, Society, Human Resources, Health and Safety, Suppliers, Corporate Governance

4.4 Achieving the Sustainable Development Goals



	<p>Goal 7: Affordable and clean energy</p> <p>The 7th goal is primarily linked to ensuring universal access to affordable, reliable and modern energy services, and to substantially increasing the share of renewable energy sources in the global energy mix. Through its business scope, TERNA ENERGY supports the global goal of improving energy efficiency, while expanding infrastructure and upgrading technologies to provide modern and sustainable energy services.</p>
	<p>Goal 13: Action to combat climate change</p> <p>The risks and natural disasters resulting from climate change affect all aspects of human life and decisions taken at local, national and international level. TERNA ENERGY has taken measures and initiatives, in the context of the developed countries' actions, to address climate change at national level. In 2016, the company's total energy production from RES was 1,768,944 MW, which helped avoid the generation of about 1,244,550 tonnes of CO2.</p>



05
STRATEGY FOCUSED ON EMPLOYEES

5. STRATEGY FOCUSED ON EMPLOYEES

TERNA ENERGY's most important asset are its people. They are the driving force that ensures the effectiveness of its operations. Their commitment and dedication are undoubtedly key factors for its success. The company recognises their contribution and creates appropriate employment conditions, offering equal opportunities without discrimination, ensuring their skills are cultivated, allowing them to grow, create and stand out in a safe working environment.

5.1 Human Resources

In 2016, the company employed a total of 236 employees, most of them (215) in Greece. Despite the adverse conditions, it continued to contribute to employment, the national economy and to local communities. The company strictly follows the legislation and all its employees are covered by the applicable collective labour agreements and the relevant regulatory framework for social security.

HUMAN RESOURCES BY COUNTRY	TERNA ENERGY
Greece	215
Bulgaria	8
Poland	3
United States of America	10
Total staff	236

HUMAN RESOURCES BY TYPE OF EMPLOY- MENT AND GENDER (GREECE)	2013			2014			2015			2016		
	EMPLOYEES	FREELANCERS	TOTAL									
Men	196	71	267	192	64	256	140	84	224	86	80	166
Women	42	11	53	39	14	53	36	13	49	30	19	49
Total	238	82	320	231	78	309	176	97	273	116	99	215

All salaried employees (100%) are covered by collective labour agreements. One hundred nine (109) employees (94% of the total) are employed under open-ended employment contracts, 3 under fixed-term employment contracts and 4 are part-time employees.

EMPLOYEE BREAKDOWN BY REGION AND GENDER (GREECE)	MEN	WOMEN	TOTAL
Central Greece	145	45	190
Ionian Islands/ the Ionian	1	1	2
Epirus	3	-	3
Thrace	3	-	3
Peloponnese	7	2	9
Crete	4	1	5
Macedonia	2	-	2
Thessaly	1	-	1
Total	166	49	215

The majority of the company's employees are men. TERNA ENERGY employs 166 men and 49 women. This increased ratio of men is due to the nature of the business and the requirements arising from it. However, in any case, the company encourages efforts to include more women in its business operations.

EMPLOYEES BY GENDER (GREECE)	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Men	11	60	15	86
Women	6	22	2	30
Total	17	82	17	116

BREAKDOWN OF EMPLOYEES BY LEVEL AND GENDER (GREECE)	2013			2014			2015			2016		
	MEN	WOMEN	TOTAL									
Directors	7	1	8	7	1	8	7	1	8	40	-	40
Senior Executives	24	10	34	24	10	34	21	10	31	12	-	12
Administrative staff	28	36	64	25	34	59	22	32	54	17	23	40
Technicians	87	4	91	83	5	88	72	4	76	58	26	84
Workers	121	2	123	120	-	120	102	2	104	39	-	39
Total	267	53	320	259	50	309	224	49	273	166	49	215

EMPLOYEE HIRES BY REGION AND AGE (GREECE)	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Central Greece	5	41	6	52
Peloponnese	0	0	2	2
Ionian Islands	0	2	0	2
Total	5	43	8	56

EMPLOYEE HIRES BY GENDER AND AGE (GREECE)	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Men	2	35	7	44
Women	3	8	1	12
Total	5	43	8	56

EMPLOYEE TURNOVER BY GENDER AND AGE (GREECE)	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Men	2	31	11	44
Women	1	11	1	13
Total	3	42	12	57

EMPLOYEE TURNOVER BY REGION AND AGE (GREECE)	TERNA ENERGY			
	<30	30-50	>50	TOTAL
Central Greece	3	42	12	57
Total	3	42	12	57

5.2 Ongoing Training and Development

TERNA ENERGY places special emphasis in retraining its employees and systematically invests in their education and training. To enhance their performance and competence, the company provides programs that can improve their abilities, upgrade their knowledge and enhance their skills. The annual employee learning and growth plan includes a series of training programs based on the recorded needs and on the work position.

TRAINING PER EMPLOYEE RANK (GREECE)	TOTAL TRAINING HOURS			AVERAGE HOURS OF TRAINING PER RANK		
	MEN	WOMEN	TOTAL	MEN	WOMEN	TOTAL
Administrative staff	12	56	68	0.70	2.43	1.7

* Average hours of training per employee rank: Total hours of training per rank/ Total number of employees in each rank

TRAINING HOURS BY SUBJECT (GREECE)	TERNA ENERGY
Quality	167
Management / Administration	16
Health and Safety	517
Environment	10
Legislation, Foreign Languages, etc.	12
Total	722

NUMBER OF PARTICIPANTS PER SUBJECT (GREECE)	TERNA ENERGY
Quality	40
Management / Administration	1
Health and Safety	295
Environment	27
Legislation, Foreign Languages, etc.	3

The company focuses on specific modules on Health and Safety and Environmental Management. These modules are enriched annually or on a case-by-case basis and are aimed at informing, educating, and actively engaging employees.

5.3 Equal Opportunities and Benefit Policy

TERNA ENERGY has created a working environment that promotes equal opportunities without discrimination. It ensures that every employee is treated with meritocratic criteria that take into account their abilities, skills and performance based on specific goals. The company's commitment to equal opportunities for all employees is fully integrated into all aspects of its human resource management.

At the same time, the company's remuneration and benefit policy follows strict criteria, based on merit, measurable indicators that are not affected by diversity parameters and include: position, level of responsibility, skills, experience and performance. This policy applies to all human resources

and at all levels of the company's organisational structure. The company offers benefits to full-time employees, such as mobile phone connections, while 10 employees use corporate cars.



06

HEALTH AND SAFETY IS A PRIORITY

6. HEALTH AND SAFETY IS A PRIORITY

Protecting occupational Health and Safety is a top priority for TERNA ENERGY and is fully integrated into business operations. The company constantly ensures the highest level of Health and Safety at work issues, aiming at eliminating accidents and cultivate a corporate culture of responsibility.

6.1 Commitment to Continuously Improve Health and Safety

Committed to continuously improving occupational Health and Safety, the Company's management systematically invests and provides all resources required for the protection of employees, subcontractors and third parties. In its joint effort to prevent and avoid accidents, the company emphasises on the necessity of a Health and Safety culture so that each stakeholder can assume their share of responsibility.

The company's Health and Safety Policy is a commitment which guides the Management, employees as well as third parties involved in the operations. The company, dedicated to the principle of safeguarding human life, ensures

not only the Health and Safety of its employees, but of all persons involved in its projects and activities and ensures that all parties comply with its Health and Safety policy and principles.

6.2 Health and Safety Strategy

TERNA ENERGY systematically implements a strategic plan for Health and Safety, while applying the OHSAS 18001:2007 Certified Occupational Health and Safety Management System to identify and minimize risks associated with its business operation.

The company's Health and Safety policy, through specific guidelines, applies to all shareholders and operations. TERNA ENERGY is committed to:

- Full compliance with legal and other national, European and international requirements applicable to its operations
- Providing appropriate, adequate Health and Safety training to all employees
- Effective identification and assessment of occupational hazards related to its operation, in order to design an action plan to address them
- Prevention of injuries, diseases and adverse Health and Safety incidents resulting from its operation

- Immediate investigation of any accident and/or incident, to identify the aggravating factors, with a view to taking the necessary measures to avoid such incidents in the future
- Implementation of advanced technologies and integration of procedures and best practices for preventing and protecting both employees and other parties involved (subcontractors and third parties) associated with its business operation

The company has communicated its commitment and goals to promote Health and Safety to all those involved including employees, suppliers, subcontractors, customers and public services.

6.2.1 Health and Safety System

Aiming at implementing every possible measure for identifying and minimising risks related to Occupational Health and Safety, TERNA ENERGY applies a Certified Management System based on the requirements of the International Standard OHSAS 18001. The company reviews, assesses and audits the system adequacy regularly, to continuously improve it, whenever necessary.

6.2.2 Health and Safety Audits

In compliance with the rules and implementation of the necessary measures for protecting Health and Safety at work, the company conducts internal Health and Safety audits annually and at regular intervals.

These audits check the level of compliance with the laws and the company's policies and procedures, in line with the requirements of the International Standard, as well as the ability of the system to protect all stakeholders from the said risks. These audits are carried out by the relevant Department and by an external body.

This audits ensure the desired level of compliance and identify all points that require enhancement and/or improvement. The audits results are communicated to the Management. It is noted that a total of 8 internal audits were carried out in 2016.

HEALTH AND SAFETY AUDITS	TERNA ENERGY
Internal audits	8

6.3 Health and Safety in Operation

Protecting its people is a non-negotiable principle for TERNA ENERGY and this is why the company places great emphasis on prevention and protection measures for minimising accidents and occupational diseases. .

Occupational Risk Assessment Studies have been prepared for all business operations of the company; these studies, using scientifically sound methodologies, have identified all sources of risk and their impact, per job role/level. At the same time, they have identified all preventive and protective measures required to safeguard employees. The company's consistent policy is to periodically review the adequacy of Occupational Risk Assessment Studies and keep them up to date.

The company, focusing on prevention and protection against occupational risks, works with Occupational Physicians, who systematically monitor the health of employees. In particular, they clinically examine employees, provide opinion on health issues, advise them and monitor their health, updating their Medical Records.

6.3.1. Health and Safety Training

The company recognises that active employee participation is a prerequisite for the full integration and effective implementation of Health and Safety programs. To increase employee commitment and keep employees motivated and alert in terms of Health and Safety, the company systematically invests in the education and training of all its Human Resources.

Each year, it implements a Health and Safety training program in topics relevant to the Management system or to other more specific needs. It is worth noting that the company, emphasising on Health and Safety aspects and taking into account the nature of its activities, has also adopted on-the-job training techniques.

In 2016, as part of the broader training, information and awareness raising of executives and employees on these issues, reference was made to the three main causes of adverse incidents: technical equipment, work environment and man.

Training, depending on type, is carried out by the Relevant Department as well as by specialized external associates.

TERNA ENERGY TRAININGS 2016 HEALTH AND SAFETY		HOURS	PARTICIPATIONS
1.	First Aid	85	48
2.	Lifting Equipment	12	30
3.	Manual Load Handling	8	25
4.	HS Training	80	14
5.	Transformer Maintenance Procedure	10	20
6.	Fire safety	20	10
7.	Avanti Lifts	9	26
8.	Power Climber	42	21
9.	Zarges	36	14
10.	High Access (Rescue & Evacuation)	24	11
11.	Linesmen (Rescue & Evacuation)	8	3
12.	Rescue at Sea	16	2
13.	Climbing - Rescue	24	8
14.	LOTO	6	6
15.	Winch Maintenance	11	10
16.	Maintenance of Electric Motors/Gear Reducers	2	7
17.	Use of PPE	6	15
18.	Active Point	8	2
19.	Use of Tools	7	12
20.	Blade	88	1
21.	Hailo	8	5
22.	Health and Safety File (HSF) - Written Occupational Risk Assessment (WORA)	3	5
23.	First Aid - Fire safety	4	7
Total		517	302

Systematic Training in Emergency Management

TERNA ENERGY has developed a detailed emergency response plan to protect people and facilities. Emergencies may relate to accidental events, human errors or malicious actions.

The company has identified dangerous situations that require immediate response, such as: fire, explosion, heat wave, flood, earthquake, terrorist act, serious injuries and general harm to the health of individuals. The company has developed a management plan to directly respond and address such incidents.

Specifically, the following have been determined:

- The resources required in terms of human resources and equipment
- The roles and responsibilities of teams (fire protection- fire

safety team / First aid team)

- The emergency instructions for all employees
- The successive order of emergency response actions
- The communication actions required

The company systematically trains its employees, emphasising on preparation for effective emergency management. It annually carries out an evacuation drill per facility with the participation of all employees, while every two years it carries out an evacuation drill from wind turbines. The effectiveness and adequacy of planning in rescue/escape issues and the readiness of the company are controlled and assessed during these drills.

6.3.2 Performance in Health and Safety

TERNA ENERGY systematically monitors and records its Health and Safety performance. With the aim of continual improvement, it annually sets goals that promote and reinforce its strategic plan for occupational Health and Safety.

HEALTH AND SAFETY INDICATORS				
	2013	2014	2015	2016
Total accidents	1	1	1	8
Fatalities	0	0	0	0
Near misses	0	2	3	2
Number of occupational diseases	0	0	0	0
Absence days	1	15	3	53
Total Man-Hours worked	377,881	258,887	313,082	409,228

(*1) The count of absence days starts from the next day. All incidents are recorded as provided in the Health and Safety Management System which covers all company activities.

(*2) Total accidents refer to employees in Greece.

TERNA ENERGY	
Total Lost Workdays	53
Subcontractors' Lost Workdays	46

6.4 Investments in Health and Safety

INVESTMENT CATEGORIES (IN €)	TERNA ENERGY
Application - Upgrading of Personal Protective Equipment	38,163
Certification for Lifting and Other Machinery	9,732
Safety marking (cones, fencing mesh, flashing lights, worksite signs)	391
Reorganisation/ Maintenance of the Fire Prevention System	6,425
Expenses of OHS Management (education, OHS system certification, etc.)	1,450
Occupational Physician/Safety Technician (EXYPP)	57,000
Health, Safety and Environment (HSE) trainings	34,950
Construction of rock traps	100,000
Total	258,111

07

RESPONSIBLE PARTNERSHIPS AND PROCUREMENT

7. RESPONSIBLE PARTNERSHIPS AND PROCUREMENT

Given its multifaceted activity, TERNAL ENERGY has a long list of diverse suppliers that is updated in order to maintain a sustainable supply chain, adapted to its strategy, principles and values.

The company assesses all its supply chain and sets the following as essential requirements for any cooperation:

- Strict observance of the relevant labour and insurance legislation by the suppliers and partners
- Their full compliance with the regulatory framework relating to occupational Health and Safety
- Their commitment to TERNAL ENERGY's Policies, Procedures, Standards and Management Systems

In 2016, the company worked with 1,395 different suppliers, both in Greece and abroad, who covered its needs in all areas of its business. TERNAL ENERGY's supply chain trades in the following areas: construction materials, mechanical and electrical materials, equipment - systems, subcontracting, services.

SUPPLIER DISTRIBUTION BY COUNTRY OF ORIGIN	TERNAL ENERGY	
	VALUE OF SUPPLIES (€ THOUSAND)	NUMBER OF SUPPLIERS
Greece	242,357	1,049
Poland	4,915	122
U.S.A.	44,785	104
Bulgaria	5,863	37
Germany	614	11
Russia	10,620	9
FYROM	6,271	9
Denmark	65	9
Great Britain	88	8
Cyprus	74	7
Italy	125	5
Belgium	201	4
Netherlands	150	4
Slovakia	9,985	3
Spain	308	3
France	34	3
Ireland	22	2
Romania	6	2
Austria	939	1
Slovenia	671	1
United Arab Emirates	7	1
Turkey	1	1
Total	328,101	1,395

7.1 Evaluation and Selection Process

For the procurement of any material and/or service, the company receives and evaluates offers from interested parties. If deemed necessary - or the specifications or requirements it has set are not met with - it initiates a market research process.

For large investments in particular, procurement committees are set up to select the appropriate supplier, while evaluation criteria include the quality of materials, prior relationship and compliance with the requirements set by the company. As a responsible corporate citizen, the company respects the internationally agreed principles on the protection of human rights and seeks to implement them throughout its operations. Compliance with these principles and with specific certified systems, where necessary, is a condition for all its collaborations.

7.1.1. Health and Safety in the Supply Chain

TERNA ENERGY ensures Health and Safety both for its employees and for the employees of its subcontractors and/or third parties.

For this reason, its contracts include clauses concerning the mandatory observance of the labour legislation and compliance with the regulatory framework for occupational Health and Safety. Health and Safety. Incidents are recorded in detail and investigated immediately in order to identify the reasons that have caused them and to take all necessary actions so as to avoid similar incidents in the future.

All third-party staff employed in the company's activities are required to participate in training courses concerning preventive and protective measures for occupational

7.1.2 Environmental Criteria in the Supply Chain

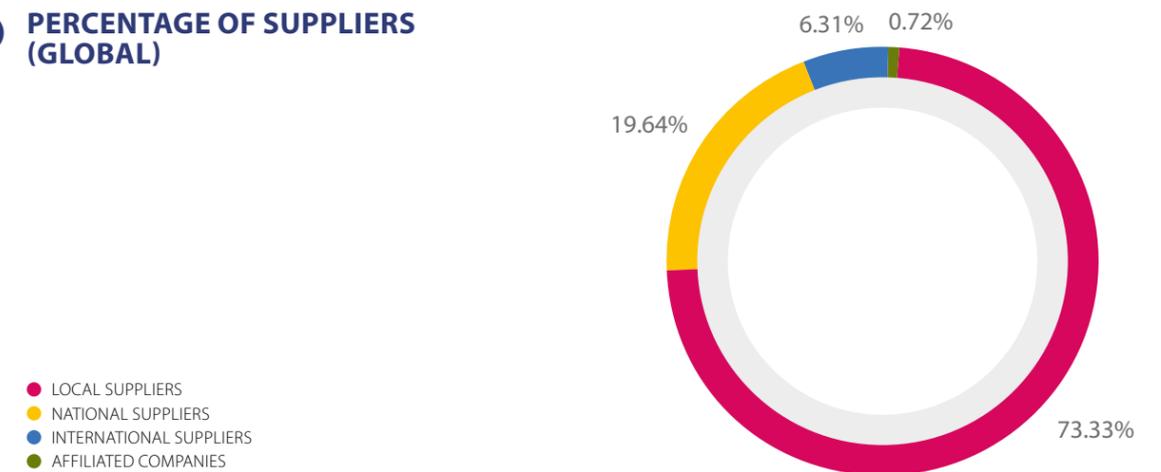
Minimising the impact of its activity on the natural environment is a strategic choice for TERNA ENERGY. Therefore, when evaluating and selecting suppliers and associates, compliance with certified Environmental Management Systems is important and positively evaluated. Indeed, in special cases - such as in the case of waste management companies - compliance with a certified Environmental Management System is set as a prerequisite.

7.2 Creating Value in the Supply Chain

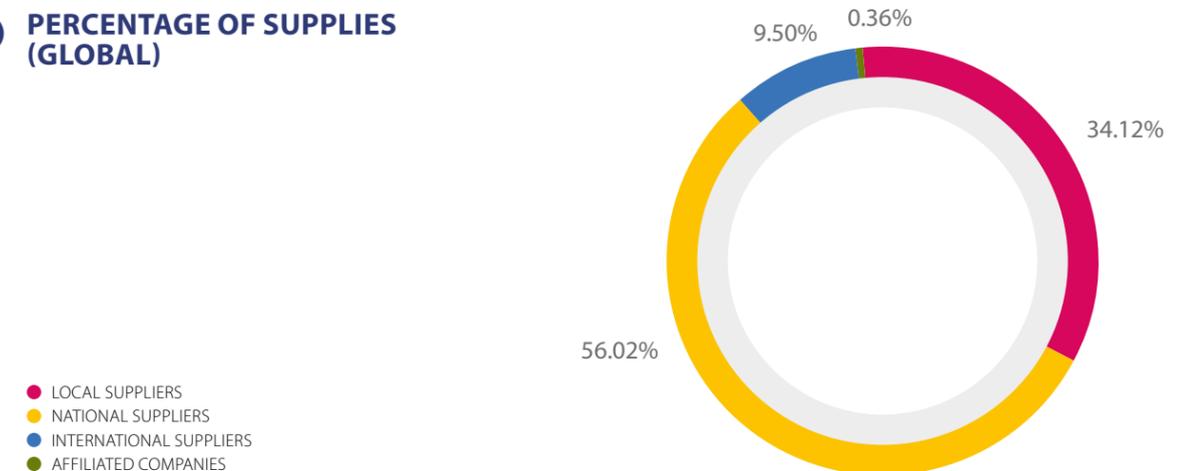
INTERNATIONAL ACTIVITIES SUPPLIERS BY GEOGRAPHIC AREA	TERNA ENERGY	
	VALUE OF SUPPLIES (€ THOUSAND)	NUMBER OF SUPPLIERS
Local suppliers	111,961	1,023
National suppliers	183,793	274
International suppliers	31,163	88
Affiliated companies	1,184	10
Total	328,101	1,395

*Affiliated companies for GEK TERNA Group are its joint ventures and associated companies consolidated using the equity method.

PERCENTAGE OF SUPPLIERS (GLOBAL)

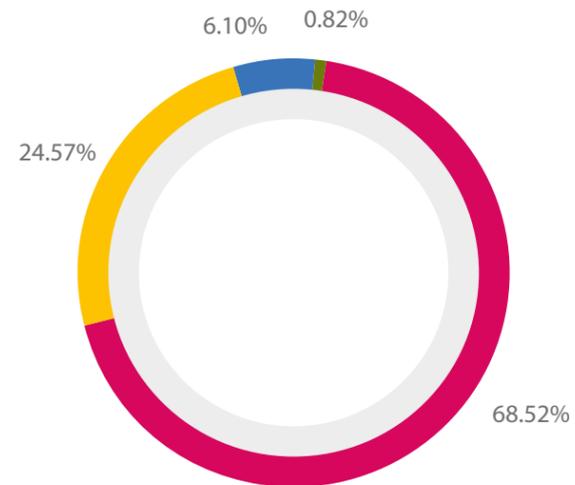


PERCENTAGE OF SUPPLIES (GLOBAL)



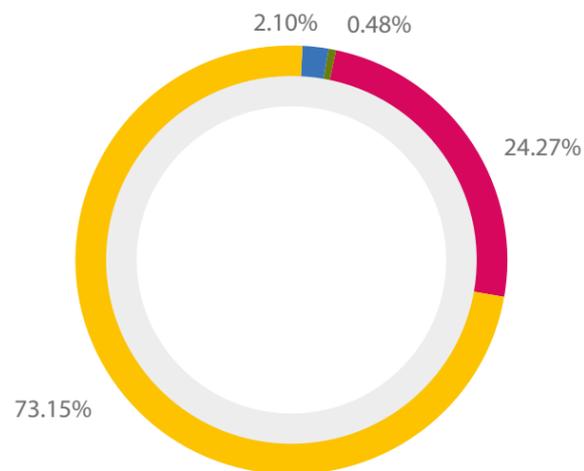
GREEK ACTIVITIES SUPPLIERS BY GEOGRAPHIC AREA	TERNA ENERGY	
	VALUE OF SUPPLIES (€ THOUSAND)	NUMBER OF SUPPLIERS
Local suppliers	59,334	753
National suppliers	178,839	270
International suppliers	5,130	67
Affiliated companies	1,179	9
Total	244,482	1,099

**PERCENTAGE OF SUPPLIERS
(GREECE)**



- LOCAL SUPPLIERS
- NATIONAL SUPPLIERS
- INTERNATIONAL SUPPLIERS
- AFFILIATED COMPANIES

**PERCENTAGE OF SUPPLIES
(GREECE)**



- LOCAL SUPPLIERS
- NATIONAL SUPPLIERS
- INTERNATIONAL SUPPLIERS
- AFFILIATED COMPANIES

7.3 Compliance and Quality

TERNA ENERGY fully complies with national and European legislation as well as international protocols for the design and manufacture of its products/services. It sets strict specifications that assure the superiority of all purchased materials while internally, it applies the ISO 9001 Quality Management System to all services and/or projects, thus ensuring that the quality characteristics are met at each stage of the production process.

7.4 Responsible Communication and Marketing

Transparent and systematic information of all parties involved in its operations, activities, products and services is a strategic choice of TERNA ENERGY. The company designs and implements communication and marketing plans that respect responsible business and applies strict ethical rules to all communication or promotional actions, ensuring reliability, legality and ethics. To date, there has been no incident of non-compliance or code of conduct violation to call into question the corporate strategy regarding communication and marketing.



8. ENVIRONMENTAL PROTECTION

TERNA ENERGY's main activity substantially contributes to raising public awareness regarding green power, the creation of a business and production model based on clean energy and, ultimately, the use of a modern Sustainable Development model.

8.1 Green Energy Power: The Driving Force of our Business

TERNA ENERGY's activity is an environmental friendly activity, as clean energy is produced from the RES plants, with a very small environmental footprint and significant environmental, economic and social benefits.

In 2016, the company's RES plants in the countries where it operates produced a total of 1,768,944 MWh of electricity, thus preventing the generation of about 1,244,550 tonnes of CO₂, which would have been released in the air if the energy consumed was not from renewable energy sources.

Environmental legislation and directly incorporates new facts and provisions into its operation. As a result, in 2016 no fine was imposed and there were no incidents of non-compliance with the applicable environmental legislation or other regulations regarding its business operation.

The company fully complies with regulatory and other requirements on environmental protection issues. It systematically monitors all developments concerning envir-

TECHNOLOGY	ENERGY PRODUCTION (MWh)
Wind Power	1,670,058.228
Hydropower	82,852.706
Solar Energy	13,265.89
From Biomass	2,767.01

8.2 Environmental Protection Strategy

TERNA ENERGY, with the aim of protecting the environment, seeks to continuously improve its environmental behaviour and performance. In this context, the company has designed and implements a specific strategy for environmental protection, while it also applies a Certified Environmental Management System.

With this in mind, the company sets optimal environmental management as one of its primary objectives and works systematically and in a coordinated manner to achieve:

- Full compliance with any legal, regulatory or other requirements related to environmental protection
- Identification and assessment of the environmental impacts associated with its operation
- Appropriate training of its employees on environmental issues
- Effective management of hazardous waste
- Saving natural resources through material reuse and recycling
- Responsible use of energy in all its activities
- Safeguarding its employees, the society, and the environ-

ment where it operates, through the integration of safe procedures, innovative technologies and best practices in its operation

- Commitment and active engagement of all its stakeholders in environmental issues
- Ecosystem protection, through environmentally friendly methods and technologies
- Systematic cooperation with environmental agencies and services for environmental protection
- Continuous improvement of its performance in environmental issues, based on the Environmental Management System it applies

8.2.1 Environmental Management System

TERNA ENERGY, with the aim of minimising negative environmental impacts and maximising positive ones, implements a Certified Environmental Management System, based on the requirements of International Standard ISO 14001.

The company has fully incorporated the ISO 14001 Environmental Management System into its operation, which is systematically audited and improved in order to enhance corporate performance on environmental protection

issues. It is noted that in 2016 the company adapted the Environmental Management System to the requirements of the new version of the standard - ISO 14001: 2015.

8.2.2 Environmental Protection Audits

Annually, as well as at regular intervals during the year, the company conducts environmental audits to check compliance with legislation, the planned arrangements for environmental management - including the requirements of International Standard ISO 14001 - and the adequacy of their implementation. Environmental audits are carried out by the company's competent Environmental Department, as well as by an external body.

This assessment process ensures the desired level of compliance and identifies all points that require enhancement and improvement. The audit results are communicated immediately to the Company's Management. In 2016, in total 8 internal environmental inspections were carried out.

ENVIRONMENTAL AUDITS	TERNA ENERGY
Internal Environmental Audits	8

8.2.3 Systematic Training on Environmental Protection

TERNA ENERGY implements environmental training programs for all its employees and/or associates, on an annual basis. These programs aim at assuring sufficient training, increased awareness and mobilisation on environmental issues. At the same time, help identify innovative solutions to reduce the company's environmental footprint.

ENVIRONMENTAL TRAINING	TERNA ENERGY
Total Participants	27
Total Training Hours	10

8.3 Management of Materials and Supplies

TERNA ENERGY's commitment to environmental protection implies rational management of the materials and supplies it uses to meet the needs of its entire business operation.

The company manages the raw materials it requires in the most efficient way and systematically increases the recycling volume of materials and supplies, ensuring re-use of materials, whenever possible. As expected, the company has assigned the management of hazardous and non-hazardous waste to duly licensed companies.

central to the Group's policy in order to avoid the resource depletion and ensure economic benefit.

TERNA ENERGY's policy on waste management has a clear goal of reducing and properly disposing the amount of waste produced in order to minimise negative impacts. The quantities recorded are provided by licensed waste management and recycling partners.

TERNA ENERGY uses a wide range of raw materials and supplies. Their efficient use and re-use, whenever possible, are

HAZARDOUS WASTE 2016		
WASTE CATEGORY	TYPE OF WASTE	QUANTITY
Oil Filters (Kg)	Solid	2,930
Contaminated Absorbent Materials (Kg)	Solid	6,235
Used Lubricants (Kg)	Liquid	10,292
Batteries (Kg)	Solid	970
Grease Waste (Kg)	Solid	590
Empty Contaminated Packaging (Kg)	Solid	1,484

NON-HAZARDOUS WASTE 2016		
WASTE CATEGORY	TYPE OF WASTE	QUANTITY
Mixed /Waste (Kg)	Solid	2,897
Paper (Kg)	Solid	1,600
Toners (pieces)	Solid	168

ENERGY CONSUMPTION	KWh
Electrical Energy	2,619,337.26

WATER CONSUMPTION	LITRES
Bottles of Drinking Water	39,822.30

8.4 Protecting Biodiversity

TERNA ENERGY places special emphasis on safeguarding natural ecosystems and takes all necessary measures to protect biodiversity in the areas where it operates. An Environmental Impact Assessment is prepared for every project and there is strict compliance with the Environmental Terms in force, to ensure compatibility with the biodiversity objectives of the EU and the National Environmental Policy.

It is noted that for the company's activities that are carried out in sensitive and protected areas (Natura 2000), the potential impacts of the construction and operation of the project are monitored and increased protection and remediation measures are in place to ensure maintenance of natural habitats.

The company has prepared all the necessary Environmental Impact Assessments and site suitability checks for the projects, strictly applying all Environmental Terms. The goal is to ensure clean energy production with the lowest disturbance possible. It should be noted that rehabilitation studies for the disturbed areas as well as reforestation studies for claimed forest areas are developed and implemented.

8.4.1 Management of Impacts on Avifauna

In collaboration with specialised researchers and bodies, TERNA ENERGY systematically monitors and evaluates the possible impact of its operation, including the impact on avifauna, in order to minimise it.

As regards the impact of wind parks on birds, the company takes into account a complete set of factors including the construction specifications, the area topography, the components of the specific habitat that is adjacent to the construction site and the analysis of avifauna species. Material issues are related to the reduction of bird disturbance, the reduction of bird and bat mortality and the loss of habitats.

For each project implemented, the company examines its potential negative impacts and the effect of wind turbines in wildlife. In any case, a multidimensional approach is followed, seeking consultations with the local community and close cooperation with Non-Governmental Organisations specialising in avifauna.

8.4.2 Ensuring Minimisation of Cumulative Effects

At the various development stages of its projects, the company ensures the assessment and management of cumulative effects that may arise from other similar projects, such as energy production from RES. The company's objective is to minimise said effects. This requires a realistic and integrated approach to Sustainable Development through RES.

To optimally manage these cumulative effects, the relevant environmental studies are conducted and a management plan is designed. They take into account the specific

environmental conditions, the assessment of significant impacts and provide insights for the effective implementation of appropriate practices on a case-by-case basis.

Investments for the Environment

INVESTMENT TYPES	INVESTMENT CATEGORY	AMOUNT (IN €)
Waste disposal costs, emission treatment and restoration	Waste Management and Disposal	7,329.62
	Insurance for Environmental Responsibility	1,102,691 Investments jointly with TERNA SA
Prevention and environmental management	Environmental Education and Training	1,070 Investments jointly with TERNA SA
	External Certification of Management Systems	900



09
SUPPORTING LOCAL COMMUNITIES

9. SUPPORTING LOCAL COMMUNITIES

TERNA ENERGY seeks to achieve business excellence and works systematically to create a positive impact in all areas where it operates. It actively contributes to local communities and substantially supports their economic viability and growth. It works closely with local communities, creates jobs, supports local suppliers, helps institutions and associations and takes initiatives that promote responsible growth.

9.1 Contributing to Local Development

TERNA ENERGY's activities are based on the interaction and cooperation with local communities, local authorities and municipalities. In local communities, it has established long-lasting relationships of trust based on honesty, ethics, two-way dialogue and open and ongoing communication.

The company is committed to responsible business operations and seeks full cooperation and consent with local communities, with a view to mutual benefit and creation of value. The nature of its activity has significant positive effects on the environment, the economy and society, and decisively contributes to the creation of a sustainable energy future.

For any project implementation, the company prepares the necessary Environmental Impact Assessments and strictly applies the Environmental Terms in force. In this manner, it ensures the production of clean energy with the lowest disturbance possible at local level. For each one of its investments, the company seeks open consultations with local communities and authorities.

9.1.1 Supporting Employment

TERNA ENERGY contributes to employment in the areas where it is present. During the construction of each project new jobs are created which are covered, to a large extent, by local communities. At the same time, its activities indirectly enhance local economies and communities.

In 2016, 8 students completed their internship at TERNA ENERGY and 1 of them remained with the company.

9.1.2 Supporting Local Suppliers

TERNA ENERGY supports local communities and substantially contributes to their economy and growth. In this context and for the needs of each project, a significant part of its supplies comes from local suppliers.

IN 2016, THE COMPANY COOPERATED



1,049
GREEK SUPPLIERS

(OUT OF A TOTAL OF 1,395 SUPPLIERS)

...WITH TRANSACTIONS AMOUNTING TO



€ 242.357 million

(OUT OF A TOTAL OF € 328.101 MILLION)

9.1.3 Offset Benefits

The development and operation of RES projects in the regions of Greece create significant economic and social benefits for stakeholders: local communities, local authorities. In this context, in 2016 the company attributed offset benefits amounting to a total of € 231,700 to local communities.

9.2 Continuous and Targeted Social Contribution

As a responsible corporate citizen, TERNA ENERGY seeks to be an active member of the local and wider society where it operates, promoting solidarity and social cohesion. It actively supports social groups with particular needs and develops initiatives and programs that substantially contribute to the growth of local communities and create added value.

The policy of the company focuses on targeted social contribution. In particular, it ensures:

- initiatives that improve the quality of life of locals in the areas where it operates
- support for vulnerable social groups
- support to the local communities and the promotion of their cultural heritage
- support of educational programs that enable young people to grow and gain a comparative advantage
- enhancement of scientific research that are pioneer and promote innovation
- immediate intervention and support in emergencies (e.g. natural disasters)

The company contributes to society in a continuous and meaningful way: both with in-kind contributions and with sponsorship programs. In 2016, TERNA ENERGY invested a total of € 97,000 to the benefit of society.

The amounts were invested in the pillars that the company had strategically chosen to focus and support, and specifically in:

- Sports and Culture
- Schools, youth clubs and associations
- Municipalities, social structures and institutions

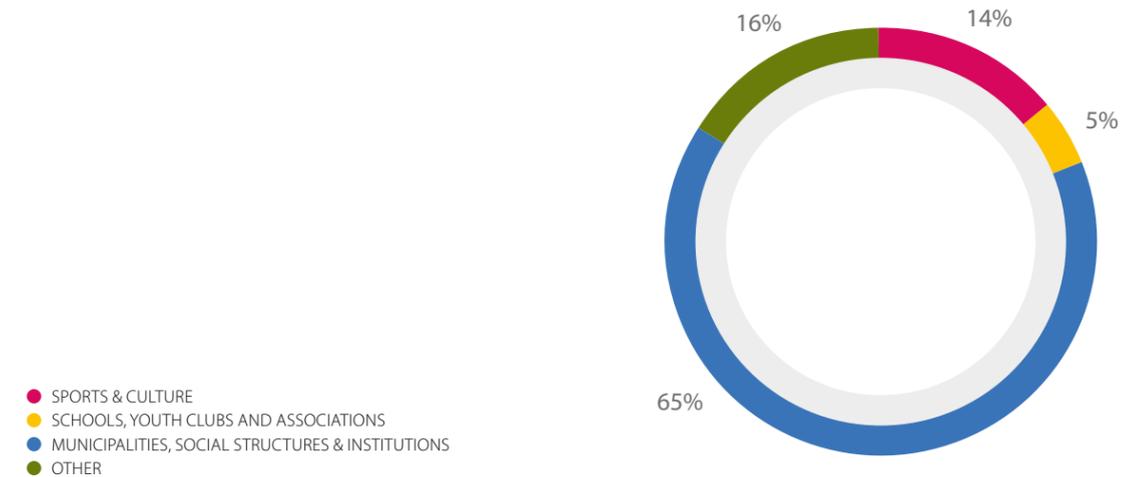
Program for school meals

In the framework of its sponsorship programs, TERNA ENERGY chose to highlight the Act4Greece initiative, providing hot school lunches at schools in West Attica. The company recognises that the poverty rate in Greece has increased by 27.8% in recent years and seeks to actively contribute to addressing the problem. The program, which runs under the auspices of the Ministry of Labour, Social Security and Social Solidarity and the Ministry of Education, Research and Religious Affairs, aims to cover the catering needs of 2,808 students from 17 schools in West Attica with 134,541 hot meals for the 2015-2016 school year.

IN 2016, THE SOCIAL CONTRIBUTION OF TERNA ENERGY REACHED

▶ **€ 97,000** 

SOCIAL CONTRIBUTION PER PILLAR



10. BOUNDARIES OF MATERIAL ISSUES

Material Issues of TERN A ENERGY	Boundaries		Limitations	Stakeholders																	
	Inside	Outside		Shareholders & Investors, Providers of capital	Employees	Customers	Suppliers	Local Communities, Authorities	Media	Regulatory Authorities and Government Bodies	Non Governmental - Non Profit Organisations (NGOs)	Other companies in the sector									
Economic performance	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Biodiversity	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Environmental compliance	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Occupational Health and Safety	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Training and development	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Local communities (impact assessment and cooperation)	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Anti-competitive behavior	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Compliance with laws and regulations	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Disaster / emergency planning and response	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Compliance (with laws and regulations concerning products and services)	•	•		•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•	•

- Shareholders & Investors, Providers of capital
- Employees
- Customers
- Suppliers
- Local Communities, Authorities
- Media
- Regulatory Authorities and Government Bodies
- Non Governmental - Non Profit Organisations (NGOs)
- Other companies in the sector

About the Report

The Corporate Responsibility Report for 2016 is the 2nd TERN A ENERGY report.

The purpose of the Report is to cover the activities of TERN A ENERGY, to present the strategy, policies, procedures and methods of management organization as well as the achievements of 2016. The annual Corporate Responsibility Report is an important tool for improvement for TERN A ENERGY and communication with the stakeholders. It is also a proof that demonstrates the adoption and application of Sustainable Development principles and practices. The Report focuses on key issues related to the environment, the market, society, employees and health and safety, and analyzes the risks and opportunities, as well as the impacts of TERN A ENERGY's business decisions and actions.

The report concerns the year 2016, from 1/1/2016 - 31/12/2016. It has been developed in accordance with the guidelines of the Global Reporting Initiative, "The GRI Standards", and meets the criteria of the "in accordance" core option. The consolidated figures of TERN A ENERGY refer to the legal entities of as per the 2016 Annual Financial Report (<http://www.terna-energy.com/el/investor-relations/financial-statements/>)

Clarifications for the 2015 Report: The number of suppliers mentioned in the Corporate Responsibility Report 2015 (p.36) referred to the entire GEK TERN A Group. In Section 7 of this Report we present data only for TERN A ENERGY. In 2016, no significant changes have occurred with regard to corporate structure, supply chain, business relations or employee relations.

For the 2016 Report, the Group has not externally verified the content.

Project Team

The development of the Report requires the ongoing support of TERN A ENERGY's executives to effectively cover all issues related to Corporate Responsibility. A dedicated team of executives from all Divisions - Departments of the Group has undertaken the responsibility to collect and assess the quality of necessary data for the content of the annual Responsibility Report, communication with employees and top management, efficient management of Corporate Responsibility issues, the establishment of procedures for the effective management of environmental, social, labour and necessary actions.

- Corporate Communication & CSR Coordinators: Konstantinos Lamprou, Danae Kalantidi
- Department/function representatives: Panayiotis Avgoustinos, Georgia Mastoraki, Filippos Tepaskoualos, Andreas Tsaprazis

Support

The development of the Corporate Responsibility Report was supported by Sustainability Knowledge Group (www.sustainabilityknowledgegroup.com)

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GRI content Index

The 2016 Corporate Responsibility Report of TERNAL ENERGY is developed according to the guidelines of Global Reporting Initiative (GRI) "The GRI Standards" and meets the requirements of the "In Accordance" - Core Option.

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	201-4 Financial assistance received from government	http://www.terna-energy.com/el/investor-relations/financial-statements/	

GRI Standard	Disclosure	Page number(s) and/or URL(s)	Omission
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	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	44-49	
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	103-3 Evaluation of the management approach	45-49	
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Goals for 2017

PILLARS	Objectives for 2017
Corporate governance	<ul style="list-style-type: none"> • Improve the Sustainability Report, by further reporting and covering more indicators. • Development of Code of Conduct and Ethics
Local Communities	<ul style="list-style-type: none"> • Educational information campaign in local communities and schools on the benefits of RES
Environment	<ul style="list-style-type: none"> • Training to address emergencies • Conduct of at least one environmental audit per project • Corrective actions for all possible environmental non-compliance by external bodies • Ensure that no serious environmental incident occurs
Health and Safety	<ul style="list-style-type: none"> • No fatal accident occurs throughout the year • No incidents of non-compliance with Health and Safety legislation by external bodies (zero non-compliance) • Maintain and expand the occupational Health and Safety training for employees, executives and security technicians of the company
Employees	<ul style="list-style-type: none"> • Perform medical check-up for all employees at the company's projects and issue of doctor's certificate
Quality, Operation and suppliers	<ul style="list-style-type: none"> • Inform supplier groups on sustainability issues • Adaptation of the Environmental Management System to the requirements of the new version of standard ISO 9001:2015

Terminology

RES types

Wind Power: the kinetic energy generated by the power of wind and transformed by wind turbines into exploitable mechanical power and/or electricity.

Hydropower: the power derived from falling water, used by small hydropower plants (up to 15 MW of electric capacity) for the production of electricity and/or its transformation into exploitable mechanical power.

Biomass: the biodegradable fraction of products, waste and residues derived either from agricultural activities, including plant and animal matter, or from forestry and related industrial activities, as well as the biodegradable fraction of industrial and urban waste water and rubbish.

Biogas: combustible gas produced from biomass or from the biodegradable fraction of industrial and urban waste (landfills, wastewater treatment plants, etc.) that can be cleaned and upgraded to natural gas quality, for use as biofuel.

Solar Power, which includes the following:

- **Active Solar Systems:** they convert sunlight into heat.
- **Bioclimatic and passive solar design:** they concern architectural solutions and the use of appropriate building materials to maximise the direct use of solar energy for heating, air conditioning or indoor lighting.
- **Photovoltaic Solar Systems:** they convert solar power directly into electricity.

Geothermal Energy: the heat energy coming from the core of the earth and contained in natural vapours, in surface or underground hot water and hot dry rocks.

Wave Energy: The energy that is being transported by wind-generated water waves.

Tidal Energy: The energy that is contained in tides. Different types of tidal turbines are used to convert tidal energy to other forms of power, mainly electricity.



CORPORATE
RESPONSIBILITY
REPORT
2016



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