2024
Annual Report





Terna
Driving Energy



MISSION

“Terna is investing in Italy’s development”

We guarantee energy security and balance electricity supply and demand 24 hours a day, ensuring that the system is reliable, efficient and accessible to all.

We invest and innovate every day in the development of an electricity grid capable of integrating the energy produced from renewable sources, improving links between the different areas of the country and strengthening cross-border interconnections, applying a sustainable approach that takes into account the needs of the communities and people we work with.”

PURPOSE

“We are behind the energy you use every day”

We are responsible for guaranteeing the continuity of power supply, essential in making sure that electricity reaches Italian homes and businesses at all times.

We provide everyone with equal access to electricity and are working to provide clean energy for future generations.”



VISION

“We care about the future of energy”

We are committed to building a future powered by clean energy, enabling new forms of consumption and production increasingly based on renewable sources. This will allow us to achieve the goal of delivering an energy transition that is fair and inclusive, whilst also lowering costs.

Thanks to our overall vision of the electricity system and new digital technologies, we are leading the country’s drive to get to net zero by 2050, in line with European climate goals.”

Letter to stakeholders

Dear shareholders and stakeholders,

In 2024 the **macroeconomic environment** was characterised by greater stability compared to the previous year, lower inflation and less volatility in commodity prices, although tension in energy prices related to various factors including ongoing conflicts persisted. These trends led to a change in the **monetary policy** of the European Central Bank, which starting in June began a process of interest rate reductions for the first time since 2019.

In this scenario, Terna recorded an improvement in all **main economic-financial indicators** and maintained its commitment to the continuation of the energy and digital transition of the country's electricity system, guaranteeing investment in infrastructure and programmes related to these objectives.

In the update of the **2024-2028 Industrial Plan** – presented in March of this year – Terna forecast a significant growth in investments, the highest in the Group's history, which will total €17.7 billion over the period of the Plan for the energy transition, energy independence and the acceleration of the country's decarbonisation process. The dual transition - energy and digital concept is the foundation of the Industrial Plan, which has earmarked €2.4 billion for digitalisation and innovation to also ensure the reliability and security of the electricity system, because there is no energy transition without a concurrent digital transition to accompany and support it.

As a Company, we can achieve the ambitious objectives of the Plan, generate further shareholder value and contribute to the development of the country thanks to our most important capital – the **people** – their **excellence** and their constant work: **more than 6,400 employees** who, every day, take care with **passion** and **expertise** in **management**, **maintenance** and the **evolution of the national electricity grid**.

On the path to decarbonisation, in the year just ended we invested not only in people, but also in enabling and speeding up the integration of renewables into the national grid, including through digitalisation. We have allocated investments in technologies for the benefit of **energy security** and the **resilience of the Italian electricity system**, to improve its efficiency and reliability.

The **strong acceleration in the development of renewable sources** continues: in 2024 the capacity increase amounted to about 7.5 GW, 29% more than in 2023, corresponding to about 1.7 GW. The figure for new activations rose from 1 GW in 2021 to about 3 GW in 2022, reaching about 5.8 GW in 2023. Market interest remains high: as of 31 December 2024 Italy has 76.6 GW of installed capacity from renewable sources, mainly solar, hydro renewable, wind and biomass. And as of 31 December last year, Terna received **requests for connection to the National Transmission Grid (NTG)** for over 348 GW of new renewable capacity, of which 43.6% related to solar and 56.3% to wind (onshore and offshore).

To meet these demands and to advance the twin transitions – energy and digital – we need infrastructure and a short timeframe to achieve them. The constant collaboration between Terna and national and local institutions fosters effective cooperation: our company stands out as a best practice in this field at the European level. In 2024 we recorded **more than €2.3 billion of investments** authorised by the Ministry of the Environment and Energy Security (MASE) and the relevant regional/autonomous provinces: **25 projects for the development of the national electricity grid** that confirm Terna's crucial role in Italy's energy transition and underline the effective cooperation with institutions.

In 2024, among the most relevant projects **approved by the MASE** three major submarine links stand out: Elmed, the Italy-Tunisia power line built by Terna in cooperation with STEG, the Tunisian electricity and gas grid operator; the Adriatic Link, the link between Marche and Abruzzo; the Bolano-Annunziata power line, a 380 kV alternating current interconnection between Calabria and Sicily. The Ministry also gave the go-ahead for the construction of two new electricity connections in the city of Milan, as part of planned activities to increase the reliability of the power supply to the venues that will host the "Milan-Cortina 2026" Olympic and Paralympic Games.

Also in the executive design phase is the **Tyrrhenian Link**: the first phase of laying the submarine cable of the aestern link, which will connect Sicily and Campania and will reach a record depth of more than 2,000 metres below sea level, began in 2025 in Fiumetorto, in the municipality of Termini Imerese, in the province of Palermo. The project, which also includes the western link between Sicily and Sardinia, requires a total investment in the region of €3.7 billion.

These works will not only bring benefits from the point of view of the electrification of the country but also benefits of a social and local nature: in fact, **more than 560 km of new submarine or underground lines** will guarantee a significant reduction in impacts on the landscape and the environment. Moreover, thanks to these projects, about 100 supports will be removed and more than 70 hectares of land will be freed, with positive effects on local communities. As a company, we are convinced that the environmental and social dimensions are mutually supportive and that is why we put people at the centre, for an increasingly fair and inclusive just transition. A key objective of the **Terna Foundation**, which was established in July 2024 and started its activities in early 2025.

These elements confirm that the management of our business is focused on sustainable values and on respect for ESG principles (Environmental, Social, Governance), in keeping with the ten United Nations Global Compact principles, which our Company has applied since 2009. This ensures that we minimise any environment impacts, engage with local stakeholders and adhere to the principles of integrity, responsibility and transparency. Environmental sustainability and respect for biodiversity are also central to the design and construction phases of large-scale projects: for the Tyrrhenian Link, for example, in August 2024 Terna launched an experimental transplantation project at the Fiumetorto landfall of **Cymodocea nodosa**, a protected aquatic plant that is fundamental to the marine ecosystem. The same attention to environmental aspects was paid to the work on the Elmed power line, where more than 1,700 olive trees were uprooted and replanted in the municipality of Partanna, in the province of Trapani, to prepare the area where the converter substation will be built.

One of the Terna projects included in the REPowerEU programme is **SA.CO.I.3**, the 200 kV direct current electricity interconnection that will connect Sardinia, Corsica and Tuscany, contributing to the strengthening of the European electricity market and fostering the integration of renewable sources. Earthworks for the construction of this project started in 2025. The opening of the construction sites confirms the Company's commitment to the execution and completion of the electricity infrastructure, which is essential for the achievement of the objectives set by the National Integrated Energy and Climate Plan (PNIEC).

Moreover, in its **2025 Development Plan** Terna included an investment programme of **more than €23 billion** in the period 2025-2034, an increase of 10% compared to the previous Plan. It is expected that 2030 will see the completion of **strategic works** such as the Tyrrhenian Link, the Adriatic Link, the SA.CO.I.3 and the Elmed interconnection, among others. While by 2034 other reinforcements to the infrastructure will be completed, including the Milan-Montalto HVDC link, the Foggia-Forlì Adriatic Backbone and the Central Link (between Umbria

and Tuscany), the Montecorvino-Avellino-Benevento power line and GR.ITA. 2, the doubling of the Italy-Greece interconnection (first phase of the project). With these works, Terna aims to guarantee the **safety** and **quality** of service, the **efficiency** and **resilience** of the grid, the **sustainability** and the **integration** of production from **renewable sources**.

At the heart of the 2025 Development Plan is also the efficient spatial planning of the country's energy infrastructure. In this context, the Energy Decree (Decree-Law 181 of 9 December 2023, converted into Law 11 of 2 February 2024) entrusted Terna with the task of creating a new digital portal. It is the **TE.R.R.A. platform** (Territorio, Reti, Rinnovabili e Accumuli, or Territory, Networks, Renewables and Storage), online from June 2024, which integrates and makes available strategic and relevant information on existing and future energy infrastructure, connection requests and spatial constraints. It can be accessed by national and local administrators, legislators and proposing parties who, thanks to the maximum transparency and wealth of information on connection requests and their status, have a crucial tool for efficient management at their disposal. As of October 2024, **Terna's new Data Portal** is also online, an integrated digital platform containing all operating and statistical data on the national electricity system and market, and for the first time also those on storage systems.

The study of the most innovative and cutting-edge technologies for the energy transition is an essential tool to deal with new IoT (Internet of Things) and Artificial Intelligence solutions, to be flanked by Digital Twin models of the electricity grid, robotics and drones for asset monitoring. In fact, Terna has adopted an open innovation model, which also makes use of an antenna in Silicon Valley, the place with the highest density of innovative companies in the world. In order to support innovation and research initiatives, the first **Terna Innovation Zone** was opened last October at **San Francisco** with the aim of supporting the development of start-ups and innovative Italian small and medium-sized enterprises and facilitating their access to the US market. This first initiative was followed at the beginning of 2025 by the **Terna Innovation Zone Tunisia**, the first innovation hub in Africa managed by our Company, which strengthens the strategic partnership between Italy and Tunisia and promotes technological innovation, fostering the development of skills in the Tunisian energy sector.

A hub for technological, innovative and digital solutions in the energy and industrial sectors, Terna Energy Solutions S.r.l. (TES), the Group company that manages the **Non-regulated Activities** in competitive markets, was reorganised in March 2025 through the integration of diversified competencies along the entire energy value chain. Consistent with the business model linked to the update of the 2024-2028 Industrial Plan, the new corporate structure of TES envisages that the company Altenia, which handles all the system integrator activities for the energy transition, will join the Tamini Group, the Italian leader in the transformer sector, and the Brugg Cables Group, the leading company in the terrestrial cable sector.

In line with the Group's strategy, which combines investment and sustainability, Terna has strengthened its commitment to sustainable finance, a market segment in which the Company remains a leader. As confirmation of this strategy, in April 2024 it launched a **perpetual, subordinated, hybrid, non-convertible green bond issue**, with a fixed rate and a total nominal amount of €850 million. Also popular in the market, with requests for almost five times the offer, was the **new green bond** worth €750 million launched in February 2025 with a duration of seven years. During the year we also celebrated **20 years since the listing** on the Italian stock exchange. Over this period of time the share value quadrupled and the capitalisation is among the highest in the FTSE MIB.

Over the course of the period Terna confirmed its **leadership in the field of sustainability** with its inclusion in the STOXX "Global ESG Leaders" index, Dow Jones Sustainability, ESG FTSE4Good and Euronext Vigeo, among others. Sustainability is an integral part of the Group's 2024-2028 Industrial Plan. In fact, Terna's capital expenditure are considered 99% sustainable according to the eligibility criteria introduced by the European Taxonomy. As confirmation of its importance, the Sustainability Plan was integrated into the Industrial Plan for the first time in Terna's history.

For the fifth consecutive year, Terna took first place in Europe's leading survey assessing the transparency of the digital channels of the largest listed companies. Indeed, in the 2024-2025 edition the **Webranking by Comprend** awarded a score of 95.3 out of 100, an increase of 0.6 points compared to the previous year.

The development of corporate strategies and of the core projects of our Industrial Plan goes hand in hand with the focus on people. Their well-being, the development of skills and the promotion of excellence are an integral part of our people strategy that combines proactivity, inclusion and performance, encouraging an organisational culture focused on growth, change and merit, elements that are also found within the Terna Academy training centre. Terna's people strategy also includes the active and constant search for professionals and talent in keeping with the 2024-2028 Industrial Plan, which envisages an organic growth of 1,400 people. Also confirming the value of Terna's people strategy launched in 2024 is the certification **Top Employers 2025** received by Terna for excellence and its HR strategies. Closely related to the objectives of the Group's ESG Plan, with which the Company has committed to create a listening desk, promote inclusive language, raise awareness on the issue of disabilities, and further consolidate the training of those involved in personnel selection, for equal access opportunities, is the **Terna Ability** project. It is a vertical programme, divided into numerous projects, launched by Terna in 2024 with the objective of creating value for the Company and for the country. Last year, Terna also received certification for **gender equality**, which highlights its strong commitment to eliminating inequalities and creating an inclusive working environment that rewards merit.

Following the success of the first two editions, classes began for the third edition of the Master's programme entitled "Digitalisation of the electricity system for the energy transition" promoted by Terna in cooperation with the Universities of Cagliari, Palermo and Salerno as part of the **Tyrrhenian Lab** project. It is a winning model that invests in **continuous training of new skills**, with a high academic level training opportunity for the new generations that will join the Terna Group, and which we aim to extend to other locations in Italy and abroad.

Terna's commitment "to the future of energy" therefore involves not only **infrastructure** but also **people**, our most important and distinctive asset. We intend to develop this capital by working on sustainability, investments, solidarity and digitalisation to enable a **sustainable, just and inclusive energy and digital transition**.



Igor De Biasio
Chairman

Giuseppina Di Foggia
Chief Executive Officer and General Manager

Presentation of the Annual Report 2024

The Terna Group's 2024 Annual Report contains the Report on Operations, which by virtue of recent regulatory obligations in the area of reporting information of an ESG nature includes the Consolidated Sustainability Statement in a separate section, as well as the Consolidated Financial Statements, the Parent Company's separate financial statements, and aims to provide all stakeholders with a clear, complete and balanced account of the Group's business and its value creation process.

The Terna Group's value creation process represents the phases of wealth creation and financial and sustainable benefits generated by the Company over time, through a sustainable business model based on the interaction between tangible and intangible capital available to the organisation. It is for this reason that the Terna Group has chosen to describe its value creation model by capital, in line with the International Integrated Reporting Council (IIRC) framework, which represent the essential resources that the Terna Group has at its disposal to create and preserve value over time through their continuous combinations and interactions, in order to also provide the outputs and related outcomes generated, highlighting the benefits that its stakeholders obtain both from a financial point of view and from the point of view of the social-relational and environmental impacts produced.

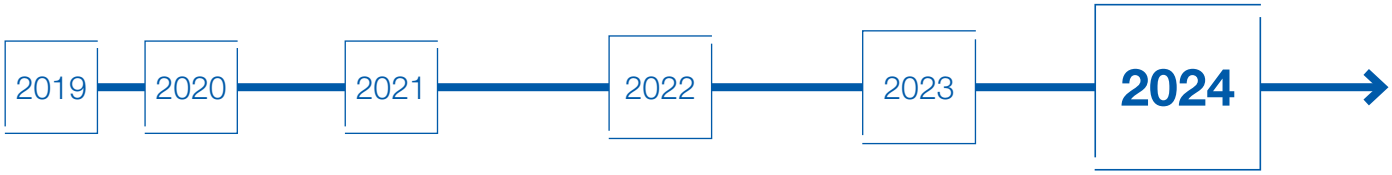
Starting from 2024 reporting year, the Terna Group is required to prepare the Consolidated Sustainability Statement 2024 pursuant to Legislative Decree no. 125 of 6 September 2024 (the "Decree"), which transposes the provisions of Directive (EU) 2022/2464 Corporate Sustainability Statement Directive ("CSRD") into national law, replacing the previous non-financial statement requirements (pursuant to Legislative Decree no. 254/2016). In 2023, the Terna Group prepared the Integrated Report, which coincided with the Report on Operations, the Sustainability Statement and the Consolidated Non-financial Statement.

As required by the CSRD, the Consolidated Sustainability Statement was prepared in accordance with the European Sustainability Reporting Standards (ESRS)[1] developed by EFRAG (European Financial Reporting Advisory Group), the main purpose of which is to provide stakeholders with a complete, transparent view of the Group's ESG performance, allowing for easy comparability with other companies on the European scene. These reporting standards are well identified within Report on Operations.

In order to ensure the comparability of the mandatory sustainability disclosure and full compliance with the regulations, the Terna Group has included the Consolidated Sustainability Statement in a specific section of the Report on Operations and defined a structure for it in line with the example in Appendix F (ESRS 1) and with the external recommendations (ESMA), providing for a few specific references – within the Report on Operations – with particular reference to Terna's business and to the Group's strategic description in order to ensure greater fluidity in reading these aspects and make it easier to find information. For more details on the structure of the Consolidated Sustainability Statement, see the section "Methodological note and reporting boundaries" in the "General disclosures" section.

[1] These standards apply for the first time with reference to 2024 and, therefore, a comparison with reference to 2023 is not envisaged.





Accordingly, any additional information in the ESG area that the Terna Group wishes to disclose will be included in complementary documents published on a voluntary basis or on the company website.

The contents of the 2024 Consolidated Sustainability Statement are based on the findings of the Double Materiality Assessment conducted in accordance with the requirements of the CSRD, ESRS and related Implementation Guidelines. This assessment identified the most relevant sustainability topics for the Terna Group, adopting an integrated approach that considered both impact materiality and financial materiality. Through the impact materiality, the Terna Group assessed the significant effects that its activities have generated at environmental, social and governance levels, considering both current and potential impacts, both positive and negative, and their repercussions on the entire value chain. Through financial materiality, on the other hand, the Group analysed how environmental, social and governance (ESG) issues have affected and could affect its financial performance in the future and assessed the risks and opportunities arising from them.

Moreover, the ESRS Standards incorporate and integrate the main characteristics of the TCFD (Task Force on Climate-Related Financial Disclosures) and TNFD (Taskforce on Nature-related Financial Disclosures) frameworks, which the Terna Group had also aligned with in its previous years' reports, and for which the relevant information can be found in the "Environmental information" section of the 2024 Consolidated Sustainability Statement.

The Report on Operations is an interactive document, including a number of hyperlinks providing additional information on certain topics and taking the reader directly to specific pages on Terna's website at www.terna.it.

In addition, the Annual Report contains information in line with the ESMA Priorities and the mandatory requirements under Article 8 of the EU Taxonomy and related delegated acts included in the "Environmental information" section.

This 2024 Annual Report was approved by Terna S.p.A.'s Board of Directors on 25 March 2025.

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DISCLAIMER
The Annual Report contains forward-looking statements based on plans, estimates, projections and current projects that by their nature involve risks and uncertainties and that are current only as of the date on which they are made. Various factors may mean that the actual results and provisions made by the Company differ substantially from those contained in any forward-looking statement. These factors may include, by way of example but not limited to trends in the Company's business, the Company's ability to implement planned cost efficiencies, changes in the regulatory framework, differing interpretations of laws and regulations, the ability to successfully diversify and the expected level of future investment.



REPORT ON OPERATIONS



Overview of 2024

ECONOMIC FINANCIAL

(€/million)

Revenue
3,680.2
+15.5% vs 2023

Profit attributable to owners of the Parent
1,061.9
+19.9% vs 2023

EBITDA
2,566.4
+18.3% vs 2023

Capital Expenditure
2,692.1
+17.6% vs 2023
of which 99% aligned with the EU Taxonomy

Net Debt
11,160.4

Dividend per share
0.3962€

Terna's shares
7.620 €/share
at 31.12.2024

The shares reached a yearly high of €8.216 on 18 October

OPERATIONAL

Electricity system

Demand
312* TWh
+2.2% vs 2023

Demand met from RES
41.2* %
+13.4% vs 2023

234* MWh
the actual annual level of energy not supplied through the NTG (**RENS indicator**), compared to an annual target set by ARERA of approximately 737 MWh

2.5 €/million service quality costs, a clear reduction compared to 2023 (-2.8 €/million)

** Provisional data.*

Infrastructure

Operational in the NTG 96 km of circuits and **2 new substations** and **built 114 bays** to expand substations

Authorised by the Ministry of the Environment and Energy Security and the relevant bodies **25 development projects** of the NTG, with a total value of **over €2.3 billion**

ENVIRONMENTAL

0.42% **Percentage of Group SF_6 losses**

91% **of the Group's waste recovered**

-26% **Scope 1 and Scope 2 emissions** in accordance with Group Science Based Target (compared to baseline)

First steps towards the certification of the **Science-based Target for Nature** completed

SOCIAL

31.0% **Women Top Managers** out of total Group Top Managers

6,420 **employees** (+8% vs 2023) in the Group

Over 49 **average hours of training** in the Group

100% **of workers** in Italy covered by the Health and Safety Management System 45001

GOVERNANCE

43% of **supply industries** where **ISO certifications are mandatory**

100% of **significant functions within the area** included in **anti-corruption training programmes**

0 **convictions** for **bribery** and **corruption**

Innovation and Digitalisation

67 **projects** in progress

73 **IP assets** in the patent portfolio (patents obtained and IP applications filed)

Main events of 2024

January

The **Adriatic Link**, Terna's submarine power line that will connect Marche and Abruzzo, **authorised** by the Ministry of the Environment and Energy Security (MASE).

Terna is included in the new **"LargeMidCap SDG Index"** launched by S&P Global.

Under the **Euro Medium Term Notes (EMTN) Programme, a fixed-rate, single-tranche bond issue** is launched for a total amount of **€850 million and a duration of seven years**.

February

The last €500 million tranche of the €1.9 billion loan for the **Tyrrhenian Link** (East and West link) is stipulated with the **European Investment Bank (EIB)**.

Signature of the five-year collaboration agreement between Terna and RSE – *Ricerca sul Sistema Energetico*, a leader in analysis and applied research in the energy sector, with the aim of developing and applying processed and technologies in the field of energy and the environment.

Terna is included in the new **"LargeMidCap Biodiversity Index"** launched by S&P Global.

Terna's project to build **two new electricity connections in the city of Milan authorised** by order of the MASE: an investment of about €17 million as part of the activities planned to increase the reliability of the power supply to the venues of the Milan-Cortina 2026 Olympic and Paralympic Games.

March

Unveiled the **2024-2028 Industrial Plan**: a total of **€16.5 billion in investments are planned, the most ever in the Group's history**.

As confirmation of Terna's commitment to reducing inequalities and creating an inclusive work environment, the Company obtains gender equality certification that attests to the **compliance of its Gender Equality Management System with the UNI/PdR 125:2022 standard**.

Terna Forward, a Terna Group company, enters the share capital of **Wesii S.r.l.**, the Italian market leader in inspection and remote sensing services in the energy sector, acquiring 33%.

Kick off of the new institutional campaign **"We've made a commitment to the future of energy"** that informs the public of the four strengths of the 2024-2028 Industrial Plan: the highest-ever **Investments**; **Sustainability**, for the first time integrated into the Industrial Plan; **Digitalisation** to innovate the network; **Solidarity**, for a transition that is fair for all.

Confirmed Terna's long-term ratings **one notch higher than those of the Italian Republic** following the presentation of the 2024-2028 Industrial Plan (BBB+ for Standard & Poor's and Baa2 for Moody's).

April

Launched **an issue of a perpetual, subordinated, hybrid, non-convertible, green, fixed rate bond for institutional investors**, with a total nominal amount of **€850 million**.

Signed an **agreement** to increase the amount of the **ESG-linked Revolving Credit Facility** stipulated last May 2023 to **€2.255 billion**.

Concluded the **third edition of Terna Ideas - Corporate Entrepreneurship**, the internal entrepreneurship programme that allows Terna people to contribute to innovation with their own ideas. The winning team developed a project for "DTS - Dynamic Targeting Synchronisation": an analysis software system that adopts a deterministic algorithm for better management of synchronous compensators to ensure greater efficiency and stability of the electricity system.

Terna is recognised in the "Large Companies" category of the **2024 Sustainability Report Award** promoted by Corriere della Sera in collaboration with NeXt - Nuova Economia per Tutti.

May

Terna's Ordinary Shareholders' Meeting **approves the 2023 financial statements and resolves on a dividend of 33.96 euro cents per share** for the entire 2023 financial year.

Subscribed an **ESG-linked Revolving Credit Facility** for a total amount of **€250 million** and a duration of **five years**.

The **Elmed project** is **authorised** by the Ministry of the Environment and Energy Security, for an electricity interconnection between Italy and Tunisia to be built by Terna and STEG, the Tunisian grid operator.

Terna adopted the **Self-Regulatory Code for Responsible Businesses** in support of shared parenting and maternity, promoted by the Equal Opportunities Department of the Presidency of the Council of Ministers.

A **call is published for applications for the third edition of the second level Master's programme "Digitalisation of the electricity system for the energy transition"** promoted by Terna in cooperation with the Universities of Cagliari, Palermo and Salerno as part of the Tyrrhenian Lab project.

Terna is included in the list of **240 leading Italian sustainability companies** published by "Il Sole 24 Ore".

Signed a **memorandum of understanding** with the **Calabria Region** and the **Lazio Region** to monitor requests for grid connections of renewable energy plants. The aim of the agreement is to optimise the information flow for the planning of new electricity infrastructure in the area.



Main events of 2024

June

Launch of the **TE.R.R.A. digital platform**, developed by Terna to enable and promote efficient regional planning of the country's energy infrastructure, available to national and local administrators, legislators, and proposing parties to consult strategic and relevant information on Territory, Networks, Renewables, and Storage.

On 23 June 2024 Terna celebrates **20 years since its listing** on the Italian stock exchange. In this period the **share value has quadrupled and the capitalisation is among the highest in the FTSE MIB**, with a constant and significant growth, also thanks to the appreciation of socially responsible investors.

Renewed the **Euro Medium Term Note Programme (EMTN)** bond issue programme. Increased its subscribable amount to **€12 billion**.

Terna's commitment to fighting climate change earns a **dual recognition from CDP (formerly the Carbon Disclosure Project)**, the global non-profit organisation specialising in environmental reporting and assessing the performance and climate strategies adopted by companies.

Terna is also included in TIME's list of the **500 most sustainable companies in the world** for 2024.

Signed a **memorandum of understanding** with the **Lombardy Region** to optimise the information flow for the planning of new electricity infrastructure in the region.

July

Subscribed **two ESG-linked Term Loans**, the first for a total of **€200 million**, the second for a total of **€400 million**, both with a term of five years.

Renewed the programme **"Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes"** and increased its maximum amount to **€2 billion**.

Signed a **memorandum of understanding** with the **Umbria Region** with the aim of optimising the information flow for the planning of new electricity infrastructure in the area.

The **Terna Foundation** is founded on 30 July, one of the main innovations of the Group's Sustainability Plan that promotes social sustainability, inclusion and the cultural development of the country for a just energy transition that leaves no one behind. This was followed, on 26 September, by the Foundation's entry into the Register of Legal Persons.

September

Concluded the "**Driving Energy Award 2024** – Contemporary Photography". This free competition — open to all professional and amateur photographers in Italy — aimed at promoting and developing culture in Italy and scouting new talent in the field. The theme for this year's award is **"The invisible way"**.

Signed a **memorandum of understanding** with the **Sicily Region** concerning the implementation of activities for the construction of Elmed, the electrical interconnection between Italy and Tunisia.

Concluded the **share buyback programme** to service the new **2024-2028 Performance Share Plan**, for a total outlay of approximately **€8 million** and the purchase of **998,428 own shares** (representing approximately 0.050% of the share capital).

October

Signed a **new €400 million loan contract with the European Investment Bank (EIB)** with a duration of around 22 years, aimed at boosting the efficiency and reliability of the national transmission grid.

Stipulated an **ESG-linked Term Loan** for a total amount of **€400 million** and a maximum term of **five years**.

Terna organises the **Innovation Zone Forum** in San Francisco, an event dedicated to showcasing the start-ups the Group collaborates with and to discussing the challenges and innovative technologies related to the future of the electricity system with European and US energy players and investors. The Innovation Zone Forum in San Francisco is the first major international initiative organised by Terna as part of its Innovation Zone in Silicon Valley.

Signed a **memorandum of understanding** with the **Piedmont Region** with the aim of optimising the information flow for the planning of new electricity infrastructure in the area.

On the first day of the month, published the new **2024 Scenarios Description Document**, produced by Terna together with SNAM with the aim of outlining the national medium- and long-term energy scenarios.

November

Signed an **agreement between Terna and Acea for the acquisition of part of the high-voltage grid in the Rome metropolitan area** which will allow greater continuity and security of the national transmission service, promoting the integration of high-voltage grids in central Italy.

Inauguration of the third edition of the "Digitalisation of the electricity system for energy transition" Master's programme, promoted by Terna in cooperation with the Universities of Cagliari, Palermo and Salerno as part of the Tyrrhenian Lab project, for which the company has planned a total investment of €100 million from 2022 to 2026.

Finalised the **third closing** for the sale to CDPQ, a global investment group, of the company **SPE Transmissora de Energia Linha Verde I S.A.**, selling approximately 150 km of power lines in Brazil for a value of approximately €79 million.

December

For the International Day of Persons with Disabilities, Terna presents **Terna Ability**, the vertical project for the inclusion of people with disabilities, with the objective of creating value for the company and for the country.

Terna confirmed among the world's sustainability leaders following its inclusion in the **"Dow Jones Sustainability Index"** of S&P Global for the 16th consecutive year.

For the fifth consecutive year Terna is at the top of the **"Webranking Europe 500"**, the leading international ranking on the quality and transparency of digital communications of the 500 largest European listed companies. Terna remains in first place thanks to excellent results in all areas of the protocol, distinguishing itself for its ability to explain a complex business in a language that is accessible to an increasingly broad and segmented audience.

Subscribed two **ESG-linked Term Loans**, the first for a total of **€150 million**, the second for a total of **€100 million**, both with a term of **five years**.

Standard Ethics raises **Terna's Corporate Rating to "EE+"** (corresponding to a "Very Strong" rating) from the previous "EE", confirming the company's inclusion in the "Sustainable" bracket, the best.

Terna's role in the just transition

The national electricity system is made up of several segments: production, transmission, distribution and the sale of electricity. Tasked with **transmission** and **dispatching**, Terna is responsible for the key transmission segment. This is a complex task, requiring an independent central coordinator capable of having an overall view of a high number of actors involved in both production and consumption.

In this scenario, Terna **is driving the complex transition** towards a new carbon-free model, aware of the fact that the task of meeting ambitious national and international targets over the coming years must be addressed by taking into account not only the environmental aspects, but also the social dimension, in order to deliver a **just transition** that is as fair and inclusive as possible. In this sense, it is of fundamental importance to involve all the players affected by the transition (including, for example, trade bodies, civil society and the authorities), through partnerships, public debate and engagement initiatives.

To be truly just, this transformation process must embrace not only **energy-related** and **digital** aspects, but also **social** considerations. This means achieving energy equality, under an approach that has the human dimension at its heart with a view to reducing inequalities and avoiding new forms of energy poverty. With this in mind, for the first time in the Group's history the 2024-2028 Sustainability Plan is fully integrated into the Industrial Plan presented in March 2024. Sustainability is inherent in Terna's very nature, precisely because of its crucial role in bringing about the energy transition ("Green by Nature"). But what most qualifies the Group as sustainable is the way it chooses to carry out its business ("Social by Purpose"). In order to pursue an inclusive transition, in support of this approach, one of the main new developments of the Sustainability Plan is the establishment of the Terna Foundation, which took place on 30 July 2024, which was followed on 26 September by its registration in the Register of Legal Persons. The foundation became operational in January 2025.

In managing the transmission grid and the system, new technologies and digitalisation thus play and will continue to play an ever more important role in enabling the energy transition. This will benefit the electricity system as a whole and further boost the security, resilience and flexibility of Italy's transmission infrastructure, supporting progressive decarbonisation and the growing integration of renewables.

The transition to a distributed production system based on green sources is, therefore, rapidly altering the electricity system, resulting in exponential growth in active resources connected to the grid. Managing requests for connection to the HV grid, coming from entities proposing renewable initiatives, enables Terna to have a systematic view of the current situation and future scenarios. As Transmission System Operator (TSO), Terna can **monitor the system's ability to meet demand for electricity** whilst satisfying **security** and **quality of service** requirements: in a word, ensuring the system's adequacy.

The actions included in Terna's 2025 Development Plan for the national transmission grid will make a significant contribution to achieving the targets set at European level in the Fit for 55 package of measures, by RepowerEU and in Italy by the 2024 National Integrated Energy and Climate Plan (PNIEC) which aims to **cut CO_2 emissions by at least 55% by 2030** compared with 1990 levels. In Italy, **energy from renewable sources will have to cover at least 65% of final consumption in the electricity sector by 2030 for a total of more than 70 GW**

of additional power (wind and solar) compared to 2021 (about 65 GW compared to 2023). These greenhouse gas emission reduction targets have recently been joined by the need to become independent of fossil fuels from Russia, as described in the **REPowerEU**[2] plan.

Market operators are responding to the challenge with major investment programmes: the level of renewable plant development projects being put forward by private investors is extremely encouraging. As at **31 December 2024** Terna received requests for connection to the National Transmission Grid (NTG) for **over 348 GW of new renewable capacity**, of which 43.6% related to solar and 56.3% to wind (onshore and offshore). It is possible to continuously monitor these initiatives through the new digital platform called **Econnextion**[3], launched by Terna in 2023 in collaboration with the Ministry of the Environment and Energy Security. the platform provides centralised information on requests for the connection of renewable energy sources to the HV grid in Italy. This dashboard has been enriched with additional data on **all green sources** and also with **information on storage systems**. An important new tool for the benefit of sector operators, with which Terna shares information on the **regional and local distribution** of renewable connection requests broken down by sources (solar, onshore wind, offshore wind, hydroelectric, geothermal, biomass) and storage systems (pure pumping, mixed pumping, standalone storage, integrated storage on solar plant, integrated storage on wind plant).

The data on **applications for the connection of new renewable energy plants to the electricity grid** reveal that we are one right track: it would be sufficient to complete 20% of the currently proposed initiatives to reach the targets set. According to Terna's findings – considering all renewable sources – the capacity increase in Italy was about 7.5 GW, which is about 1.7 GW higher than in 2023 (+29%). This points to an acceleration in the development of renewables, with new activations rising from 1 GW in 2021, approximately 3 GW in 2022 to around 5.8 GW in 2023. As at 31 December 2024, Italy had 76.6 GW of installed power from renewable sources, broken down by source as follows: solar 37.1 GW, hydro renewable 21.56 GW, wind 13 GW, biomass 3.97 GW and geothermal 0.95 GW[4]. In addition, according to the latest figures from Terna at 31 December 2024, 8 GW qualified for the Detailed Minimum Technical Solution as part of the process for connection to the national grid[5].

Differences in the geographical distribution and technology mix compared with earlier forecasts make this a very tough challenge: **from the point of view of transmission**, to achieve this fresh injection of renewable energy into the grid will require a major effort to plan, approve and carry out investment projects on a scale not seen in recent decades in Italy. In the **2025 Development Plan** Terna presented an investment programme of **more than €23 billion** for the period 2025-2034, with a total value beyond the 10-year horizon of **up to about €40 billion**. Actions are planned over the ten-year horizon 2025-2034 to ensure the **efficiency** and the **resilience** of the grid, the **sustainability**, the **security** and the **quality** of the service, as well as the **integration** of production from **renewable sources**. Also at the centre of the 2025 Development Plan is the **efficient regional planning** of the country's energy infrastructure as a new model to ensure efficiency in the realisation of grid works enabling

[2] Further information is provided "The market environment" in the section "Reference scenarios" in the document.
[3] https://www.terna.it/it/sistema-elettrico/rete/econnextion
[4] https://www.terna.it/it/sistema-elettrico/dispacciamento/fonti-rinnovabili
[5] https://www.terna.it/it/sistema-elettrico/rete/connessione-rete/procedura-connessione

the connection and integration of new resources, minimising costs for the system, as well as the impact of infrastructure on the local regions. Furthermore, a **total reduction in CO_2 emissions** of almost 2,000 kt/year is expected by 2030, which in the long term (by 2040) will tend to almost 12,100 kt/year.

The definitive text of the PNIEC for 2024 confirms the **decarbonisation targets** for the electricity system and the related steps needed, as set out in Terna's 2024 Scenario Description Document and in the Development Plans: to integrate growing volumes of non-programmable renewable energy production to replace generation using fossil fuels, it will be necessary to develop storage capacity and grid infrastructure, to be managed using increasingly digital and smart systems.

The energy transition path requires a common commitment at the national level to achieve the challenging decarbonisation objectives set out in Italy by the National Integrated Energy and Climate Plan: to this end, the Energy Decree entrusted Terna with the task of creating a new digital portal. The **TE.R.R.A. digital platform** was launched online on 7 June 2024, developed by Terna to enable and promote efficient regional planning of the country's energy infrastructure, available to national and local administrators, legislators, and proposing parties to consult strategic and relevant information on Territory, Networks, Renewables, and Storage. A cutting-edge institutional communication tool, designed to facilitate the full transparency of data and information, to encourage action for the rationalisation and optimisation of electrical infrastructure planning and, finally, to support the stakeholders involved through regular monitoring and progress reports from Terna on the grid and the electricity system. The platform contains a huge wealth of information on the status of connection requests (around 8,000 renewable plants, storage systems and consumer users with a connection solution accepted by the proposers), and on the geographical location of more than 43,000 VHV/HV and MV plants in operation, confirming constant work on data quality and the digitalisation of processes and systems. It is possible to navigate multilayer maps to observe necessary development work, planned development work and existing power lines, the registry of plants already in operation and the progress of new connection initiatives.

Terna has, and will increasingly have, a key role to play in enabling the electricity system's transition towards renewable sources and in centrally coordinating this major energy and digital transformation. **The electricity grid is in fact the main enabling factor** in achieving the **global goal of decarbonisation**.

What does this mean? Achieving the ambitious European and international goals will obviously require the participation of all members of society, but the energy sector must take the lead, given that it is by a long way the biggest producer of emissions at global level.

Under the European Green Deal, the net zero emissions target is to be achieved in two main ways: by increasing use of renewables and through growing electrification of consumption. In this sense, an essential role in all the various scenarios designed to arrive at carbon neutrality is played by the **key tool of energy efficiency**.

Introducing the "energy efficiency first" principle, the European Commission invited member states to take energy efficiency into account in all their policy, planning and investment decisions. In this way, in keeping with the EU's long-term strategy, final energy consumption in Europe is expected to fall by (at least) 35% by 2050 compared with 2019 levels.

The key consideration, in this sense, is represented by the fact that electricity will be the main energy carrier and the electricity grid will operate as the backbone for decarbonisation for all the other energy sectors. This reflects the carrier's intrinsic efficiency and the technological maturity of renewable energy sources (RES).



In its role as national electricity system operator, at the end of 2023, Terna launched a new corporate advertising campaign, "Let's think about the future of energy", inviting the public to reflect on the energy that plays such an important role in the daily life of every Italian. March 2024 saw the launch of Terna's new corporate institutional campaign "We've made a commitment to the future of energy" in the media to accompany the provisions of the new 2024-2028 Industrial Plan. In fact, the creative work of the campaign informed the public of the four strengths of the Plan: the highest investments ever; Sustainability, for the first time integrated in the Industrial Plan; Digitalisation to innovate the grid; Solidarity, for a fair transition for all.

Climate targets also play a key role in the **United Nations 2030 Agenda for Sustainable Development**, not only because SDG 13 - Climate Action focuses explicitly on the climate, but above all because dealing with the climate crisis and guaranteeing, therefore, a healthier planet for the future, is key to enabling the world to achieve all the other goals contained in the Agenda. This means delivering truly prosperous, long-lasting development as part of a just transition.

Awareness of the Company's key role in the current transition coincides with Terna's wish to further strengthen its environmental strategy. Adoption of a Science Based Target (SBT) with the aim of cutting its CO_2 emissions based on measurement of the existing situation and the planning of concrete actions, validated by a third-party entity, turns a good intention into a real, tangible contribution to containing the rise in the global temperature, in line with the Paris Climate Accords of 2015. Terna has thus committed to cutting its CO_2 emissions by 46% by 2030 compared with 2019, improving on the earlier target of a reduction in greenhouse gas emissions of approximately 30%. In addition, with the aim of positioning Terna among the companies most committed to the protection of ecosystems and biodiversity at global level, Terna has begun the preliminary activities involved in adopting a new Science Based Target for Nature.

Group milestones

1962 2005

DEVELOPMENT OF THE ITALIAN ELECTRICITY SYSTEM

From nationalisation to the reform of the Italian electricity system.

Terna's main activities are rooted in Italy's history: on 6 December 1962, Law 1943 paves the way for nationalisation of the electricity industry, handing ENEL (Ente Nazionale Energia Elettrica) responsibility for all the stages of the electricity supply chain (production, transmission and distribution), previously in private hands, in order to facilitate the country's electrification.

In the second half of the 1990s, the European Union embarks on a process of deregulation aimed at making grid management independent. In Italy, this leads to the issue of Legislative Decree 79/1999 (the so-called "Bersani Decree"), marking a starting point for reform of the Italian electricity market with the separation of ownership of the National Transmission Grid ("NTG") from management of the grid itself (transmission and dispatching) along the lines of the "Independent System Operator" ("ISO") model.

Terna is established in 1999. ENEL establishes of two distinct companies: Terna S.p.A., assigned ownership of over 90% of the NTG, and GRTN ("Gestore della Rete di Trasmissione Nazionale"), which at this time manages electricity transmission and dispatching and planning for the development of the NTG.

The Cabinet Office Decree of 11 May 2004, in application of Law 290/2003, establishes the electricity exchange and **brings back ownership and management of the transmission grid** under the control of one entity. This process is completed in 2005, with the transfer to Terna of the GRTN business unit relating to transmission and dispatching and the award of the **Concession** to carry out these activities throughout the country by the Ministry of Productive Activities: Terna thus becomes Italy's Transmission System Operator ("TSO").

On 23 June 2004, 50% of the Company's share capital is floated on the Italian Stock Exchange and, in September 2005, Cassa Depositi e Prestiti acquires a 29.99% stake, thereby becoming the relative majority shareholder.

2006 2016

DEVELOPMENT OF THE NATIONAL TRANSMISSION GRID AND NEW BUSINESS OPPORTUNITIES

"Utili per il Paese" ("Working for the country"), Terna's new role.

Having taken on the dual role of TSO and SO, Terna's role evolves as it becomes a provider of strategic infrastructure for the country, as expressed in the payoff, "Working for the country".

Following the acquisition of 18,600 km of high-voltage lines from ENEL in 2009, Terna owns 98.6% of the national grid and becomes the leading independent grid operator in Europe and the seventh largest in the world. **In 2015, Terna acquires the Ferrovie dello Stato group's high-voltage grid**, consolidating its leadership in Europe with approximately 72,600 km of grid managed.

At the same time, Terna plans and delivers major new 380kV connections to bring the transmission grid into line with the country's energy needs: the Chignolo Po-Maleo (Lombardy) and the SA.PE.I submarine connection (from Sardinia to the Italian mainland) enter service in 2011, whilst the Trino-Lacchiarella (Lombardy) and Villanova-Gissi (Abruzzo) lines and the submarine connection linking Sorgente and Rizziconi (Calabria-Sicily) enter service in 2014 and 2016, respectively.

In keeping with changes in the operating environment, the Group is restructured with the establishment of **two new operating companies in 2012: Terna Rete Italia S.p.A.** for Regulated Activities, and **Terna Plus S.r.l.** to drive the growth of services in the Non-regulated sector. Tamini, an Italian leader in the design, production, commercialisation and repair of power transformers for electricity transmission and distribution grids, of industrial transformers for the steel and metals industry and of special transformers for convertors used in electrochemical production and electrolysis, joins the Terna Group in 2014.

2017 2022

FROM ENABLING TO DRIVING THE ENERGY TRANSITION

With "Driving Energy", Terna's positioning evolves.

Terna plays an increasingly central role in the electricity system chain and opens a new phase in its history as the **director of the Italian electricity system**.

Work begins on **major electricity infrastructure projects**, such as SA.CO.I.3 (connecting Sardinia, Corsica and the Italian mainland) and the Italy-Austria interconnector. Work on the Italy-Montenegro interconnector is completed. It is the first electricity bridge between Italy and the Balkans, a key link enabling Italy to reinforce its role as a European and Mediterranean electricity transmission hub. In 2022, the green light is given to the east section (Campania to Sicily) of the undersea power line dubbed the Tyrrhenian Link. Terna is to invest a total of approximately €3.7 billion in the project. In 2021 Terna reached **99.9%** ownership of the NTG through the acquisition of portions of the grid from other operators.

In the update to the 2021-2025 Industrial Plan Driving Energy, presented in 2022, total investments of 10 billion Euro were planned.

In 2018 Terna launched new financial instruments, successfully placing the first green bond of all Italian utilities for a total amount of €750 million, and in 2022 it issued **the first hybrid green bond for €1 billion**.

On the corporate front, in the period in question, the subsidiary, Terna Energy Solutions, strengthens its industrial side by acquiring the Swiss company, **Brugg Kabel AG**, one of Europe's leading manufacturers of terrestrial cables, and acquires 75% of **LT S.r.l.**, creating the number one provider of Operation & Maintenance services for photovoltaic plants. **Terna Forward** is established with the aim of identifying the best technology opportunities and transferring them to other Group companies.

2023 2025

AT THE HEART OF THE TRANSFORMATION FOR A FAIRER TRANSITION

"A commitment to the future of energy".

Ensure the **efficiency** and the **resilience** of the grid, the **sustainability**, the **security** and the **quality** of the service, as well as the **integration** of production from **renewable sources**. These are the key factors of the **2025 Development Plan** of the NTG, published in March 2025 in continuity with the previous edition of the 2023 Plan, with a programme of **investments exceeding €23 billion** over the ten-year horizon 2025-2034.

Also in March, the Terna Group presented the **update of the 2024-2028 Industrial Plan**, which envisages total investments for **€17.7 billion**, through which Terna consolidates its commitment to serving the country for decarbonisation and energy independence, deploying a **twin transition** that can guarantee a fair, inclusive Just Transition for all stakeholders. **"We've made a commitment to the future of energy"** is the slogan of the 2024 Industrial Plan campaign, for a transition that is "more fast, more digital, more sustainable, fairer".

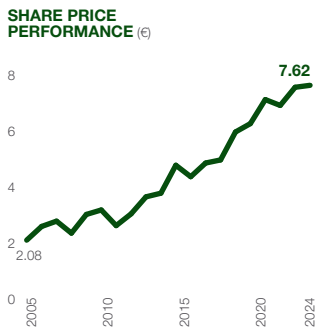
The commitment to developing the power grid can also be seen from the **projects authorised in 2024** for **over €2.3 billion** in investments. These include the green light of the **Ministry of the Environment and Energy Security** for the **Adriatic Link**, an submarine power line between Marche and Abruzzo, for the **"Bolano-Annunziata"** infrastructure, a 380 kV alternating current submarine power link between Sicily and Calabria, and for **Elmed**, an Italy-Tunisia submarine power line, built by Terna and Steg, a Tunisian electricity and gas company, for which the EU Commission has allocated €307 million out of a total investment of approximately €850 million. This is the first time that the European Union has funded a project in which one of the countries involved is not part of the EU. In early **2025** the **first phase for the laying** of the submarine cable of the **eastern** link (Sicily-Campania) of the **Tyrrhenian Link** began in Fiumetorto in the municipality of Termini Imerese (PA), the **Ministry of the Environment and Energy Security having authorised** the **western** link in 2023 (Sicily-Sardinia). The land works also began for the Sa.Co.I.3, an electrical interconnection project that will connect Sardinia, Corsica and Tuscany, also authorised by the Ministry in 2023. The undersea electricity connection between the **island of Elba** and **Piombino**, in which Terna invested €90 million, and the **Italy-Austria** interconnector, built at a cost of €80 million, also **enter service in 2023**, facilitating the development of renewable energy and boosting the security of the European electricity network.

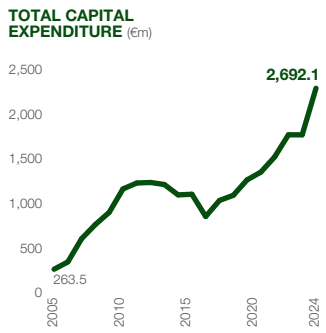
In 2023, Terna acquires a 100% stake in **Edyna Transmission S.r.l.**. The company owns two electricity substations and approximately 70 km of circuits in Alto Adige already part of the NTG. A strategic transaction that will unify Italy's electricity transmission infrastructure.

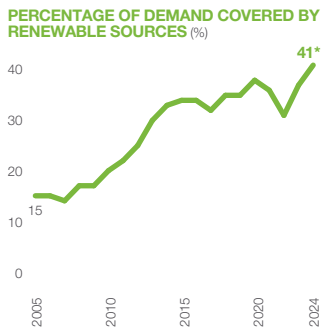
23 June 2024 marks **20 years since the listing** on the Italian stock exchange. In these two decades the share value has quadrupled, and the capitalisation is among the highest in the FTSE MIB. In 2025 the single-tranche **green bond issue** for €750 will close successfully, having been very well received by the market with a maximum demand of almost five times the offer.

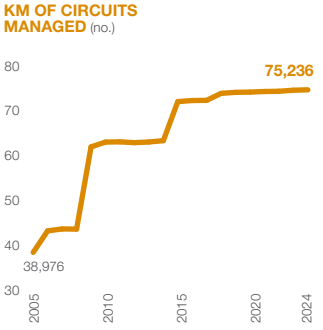
The **new structure of Terna Energy Solutions** (TES) was announced in March 2025, the Terna Group company that manages non-regulated activities in competitive markets. **Altenia**, LT's corporate evolution into which all system integrator operations related to the energy transition are merged, joined the **Tamini Group**, a leader in the transformer sector, and the **Brugg Cables Group**, a company that manufactures terrestrial cables.

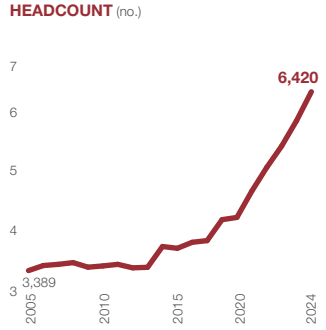
Terna's CEO and General Manager, Giuseppina Di Foggia, assumes the role of Vice President of **GO15**, the worldwide association of Very Large Power Grid Operators from June to December 2023. Since 30 July 2024 she has been the Honorary Chair of the **Terna Foundation** established in the same year.

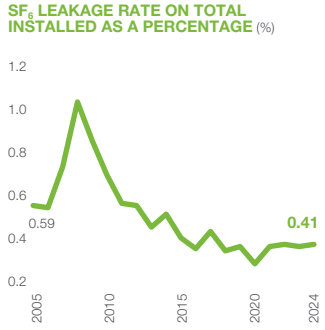














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1 The Terna Group

Corporate bodies

Composition of the corporate bodies at the date of approval of this document.

Board of Directors

Chairman
Igor De Biasio

Chief Executive Officer
Giuseppina Di Foggia

Directors
Marco Giorgino
Karina Audrey Litvack
Jean-Michel Aubertin
Anna Chiara Svelto
Francesco Renato Mele
Qinjing Shen
Regina Corradini D'Arienzo
Angelica Krystle Donati
Enrico Tommaso Cucchiani
Gian Luca Gregori
Simona Signoracci

Board of Statutory Auditors

Chairman
Mario Matteo Busso

Standing Auditors
Lorenzo Pozza
Antonella Tomei

Alternate Auditors
Lucrezia Iuliano
Antonello Lillo
Barbara Zanardi

Independent Auditors

Deloitte & Touche S.p.A.

Manager Responsible for Financial Reporting

Francesco Beccali

Board Committees

Audit and Risk Committee

Chairman
Marco Giorgino (independent)

Independent members
Enrico Tommaso Cucchiani
Karina Audrey Litvack
Jean-Michel Aubertin

Non-independent members
Francesco Renato Mele

Sustainability, Governance and Scenarios Committee

Chairman
Igor De Biasio (independent)

Independent members
Jean-Michel Aubertin
Simona Signoracci
Anna Chiara Svelto

Non-independent members
Quinjing Shen

Remuneration and Nominations Committee

Chairman
Enrico Tommaso Cucchiani (independent)

Independent members
Gian Luca Gregori
Karina Audrey Litvack
Simona Signoracci

Non-independent members
Regina Corradini D'Arienzo

Related Party Transactions Committee

Chairwoman
Anna Chiara Svelto (independent)

Independent members
Angelica Krystle Donati
Marco Giorgino
Gian Luca Gregori
Simona Signoracci (as from 8 May 2024)

For more information about the corporate bodies, their tasks and responsibilities, see the section "Corporate governance and sustainable success" in the Consolidated Sustainability Statement.

Further information, not disclosed in the Report on Operations, regarding Terna's corporate governance may be found in the "Report on Corporate Governance and Ownership Structures", approved by the Board of Directors on 25 March 2025 and available in the "System of Corporate Governance – Governance Report" section of Terna's website, and in the "Remuneration Report", also available on Terna's website.

BOARD OF DIRECTORS IN OFFICE



IGOR DE BIASIO
Chairman

Non-Executive
Independent



GIUSEPPINA DI FOGGIA
Chief Executive Officer

Executive
Non-Independent



FRANCESCO RENATO MELE
Director

Non-Executive
Non-Independent



REGINA CORRADINI D'ARIENZO
Director

Non-Executive
Non-Independent



ANGELICA KRYSTLE DONATI
Director

Non-Executive
Independent



MARCO GIORGINO
Director

Non-Executive
Independent



QINJING SHEN
Director

Non-Executive
Non-Independent



ENRICO TOMMASO CUCCHIANI
Director

Non-Executive
Independent



GIAN LUCA GREGORI
Director

Non-Executive
Independent



SIMONA SIGNORACCI
Director

Non-Executive
Independent



KARINA AUDREY LITVACK
Director

Non-Executive
Independent



ANNA CHIARA SVELTO
Director

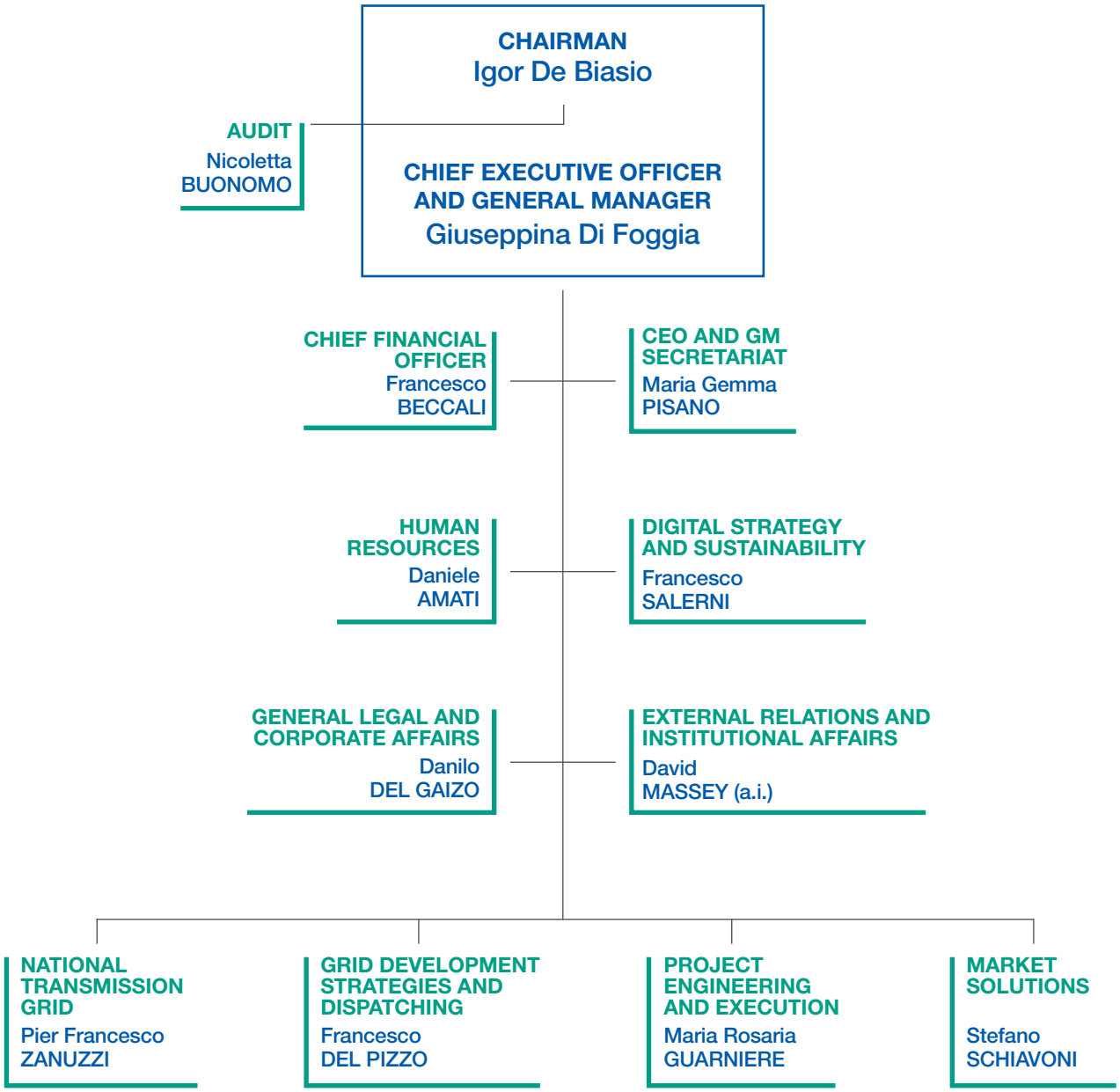
Non-Executive
Independent



JEAN-MICHEL AUBERTIN
Director

Non-Executive
Independent

The structure of Terna's management team at 25 March 2025 is as follows:



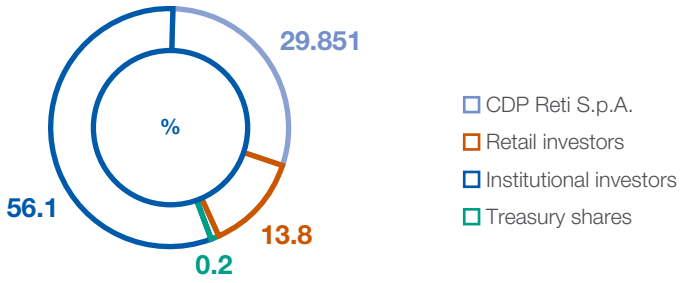
Ownership structure

At the date of preparation of this report, **Terna's share capital amounts to €442,198,240**, comprising 2,009,992,000 fully paid-up ordinary shares with a par value of €0.22 each.

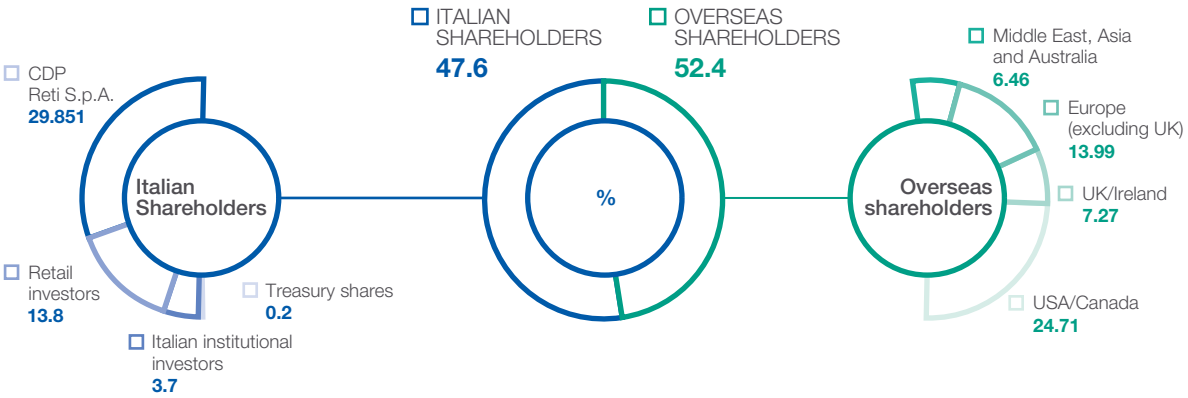
Based on periodic surveys carried out by the Company, it is estimated that 47.6% of Terna's shares are held by Italian shareholders, with the remaining 52.4% held by overseas institutional investors, primarily from Europe (not UK) and the USA.

Based on information from the shareholder register and other data collected in February 2025, Terna's shareholder structure breaks down as follows.

Shareholders by category



Shareholders by geographic area and category



The Parent Company's buyback of **998,428 own shares** (equal to 0.050% of the share capital) was completed in September at a cost of €7,999,999.09. The shares will be used to service the new 2024-2028 Performance Share Plan.

Major shareholders[6]

CDP RETI S.p.A.[7] **29.851%**

(a company controlled by Cassa Depositi e Prestiti S.p.A.)

SRI investors

At the end of 2024, 176 Socially Responsible Investors (SRIs) had invested in Terna's shares using an approach that takes into account ESG (Environmental, Social, Governance) aspects (178 in 2023 and 173 in 2022). Overall, at the end of 2024, SRIs represented 24.9% of Terna's free float (24.2% in 2023 and 20.4% in 2022) and 31.1% of the capital held by identifiable institutional investors (30.1% at the end of 2023 and 26.1% in 2022).

Terna has adopted a policy that provides for the payment of dividends twice a year.

The interim dividend for 2024 amounted to 11.92 eurocents (payable from 20 November 2024), whilst the Board of Directors will propose payment of a final dividend of 27.70 eurocents at the Annual General Meeting to be held on 21 May 2025. Further information on the dividend history is available on the website at www.terna.it.

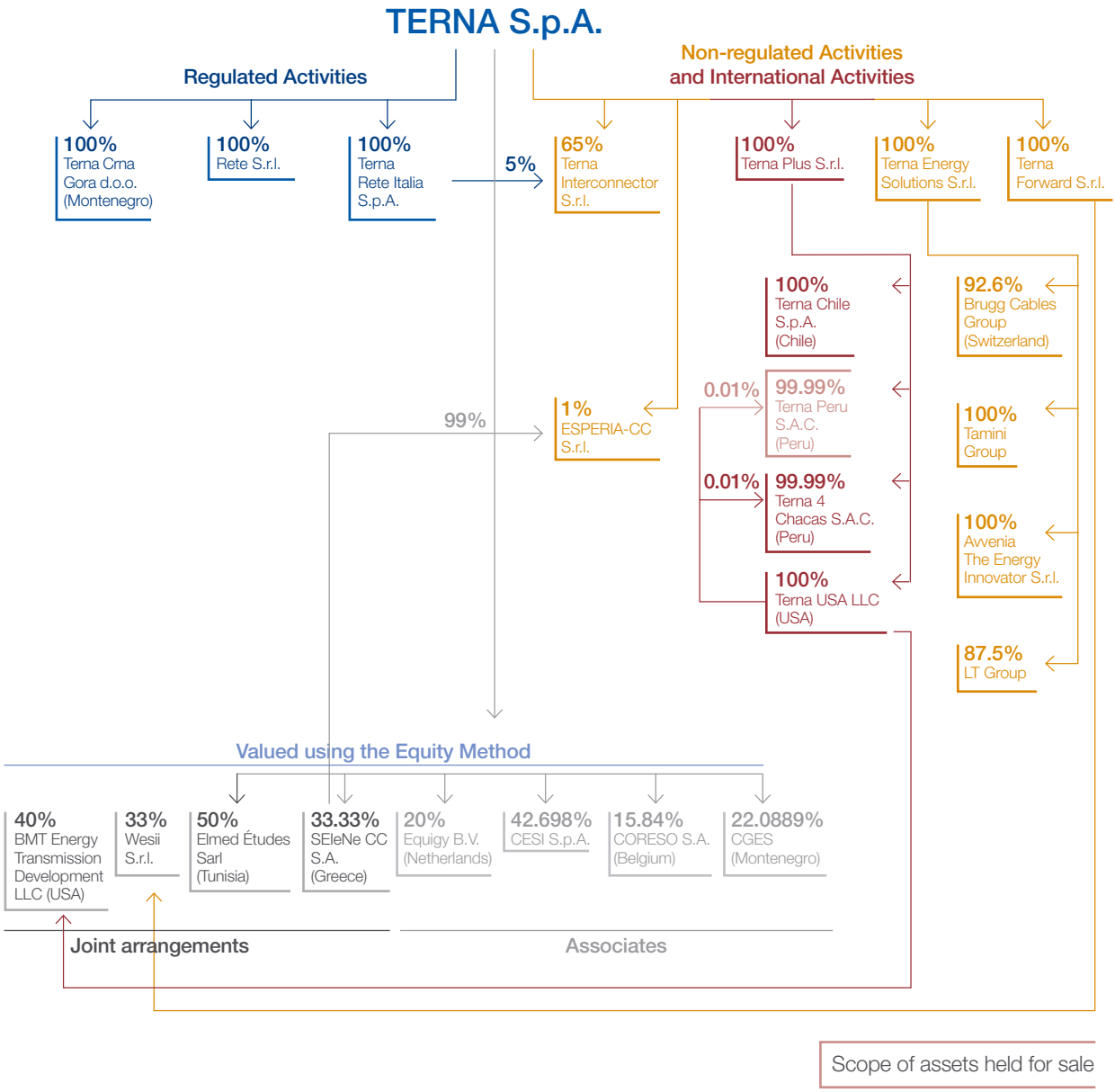
Information on the ownership structure, restrictions on the transfer of shares, securities that grant special rights, and restrictions on voting rights, as well as on shareholder agreements, is provided in the "Report on Corporate Governance and Ownership Structures" for 2024. This is published together with the Annual Report of the Terna Group and is available in the "Corporate Governance System - Governance Report" section of Terna's website.

[6] Shareholders who, based on the available information and notifications received from the CONSOB, own interests in Terna S.p.A. that are above the notifiable threshold established by CONSOB Resolution no. 11971/99 and Legislative Decree 58/98, as amended.

[7] On 27 November 2014 a shareholders' agreement was entered into between Cassa Depositi e Prestiti S.p.A. (CDP), on the one hand, and State Grid Europe Limited (SGEL) and State Grid International Development Limited (SGID), on the other, in relation to CDP Reti S.p.A., SNAM S.p.A. and Terna S.p.A.. This was later amended and supplemented to extend the scope of the agreement to include Italgas S.p.A.

Structure of the Group

In line with the role and the objectives of enabler of the current energy and digital transition, below is the Group's corporate structure as of 31 December 2024.



Compared with 31 December 2023:

- on **7 March 2024**, Terna's subsidiary Terna Forward S.r.l. finalised the acquisition of a 33% share in the share capital of Wesii S.r.l., an Italian company and market leader in inspection and remote sensing services in the renewable energy sector with registered office in Chiavari (Genoa);
- on **18 November 2024**, the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ was finalised. As of that date, the company is no longer part of the Terna Group. It should also be noted that on 7 February 2024, the subsidiary Terna Plus S.r.l. completed the acquisition of the remaining 25% minority interest in the company, fully controlling it;
- on **4 December 2024**, Terna Chile S.p.A. sold to Terna USA LLC its equity investments in the two subsidiaries Terna Peru S.A.C. and Terna 4 Chacas S.A.C., both accounting for 0.01% of the share capital. Following the transaction, Terna Peru S.A.C. and Terna 4 Chacas S.A.C. are therefore 99.9% controlled by Terna Plus S.r.l. and 0.01% by Terna USA LLC;
- on **20 December 2024**, the subsidiary Terna Energy Solutions S.r.l. finalised the purchase of a share (12.5%) of the minority interest held by the shareholder Solaris S.r.l. in LT S.r.l.. The Company's stake has thus increased from 75% to 87.5%.

It should also be noted that, on **December 17, 2024**, the liquidation process of the company Terna Chile S.p.A. was formally initiated. This procedure is expected to be completed during the course of 2025.





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The value creation process 64



2 The value creation strategy

Reference scenarios

Macroeconomic environment

In 2024 the macroeconomic environment was characterised by a further retreat of inflationary indices, which started to stabilise from 2023 onwards after reaching record levels in 2022 due to a number of concurrent factors, including the energy crisis, geopolitical tensions such as the war between Russia and Ukraine and the post-pandemic economic recovery.

According to the International Monetary Fund (IMF), the global battle against inflation has been largely won thanks to global monetary tightening, and pre-crisis levels are expected to be reached by 2025 in most countries. However, significant divergences between regions persist, with emerging economies facing more pronounced difficulties than advanced countries.

In emerging and developing economies, inflation declined from 8.1% in 2023 to 7.9% in 2024[8]. The International monetary Fund (IMF) expects inflation to continue to fall in these economies, coming down to 5.9% in 2025. In advanced economies, on the other hand, inflation went from 4.6% in 2023 to 2.6% (provisional data) in 2024, and forecasts for 2025 indicate 2.0%.

In 2024 global GDP grew 3.2%, remaining almost stable compared to 2023, when the increase was 3.3%. These values are lower than in the pre-crisis period: between 2010 and 2019 the average annual increase in GDP in real terms was 3.8%. IMF projections for 2025 predict stable growth of 3.2%.

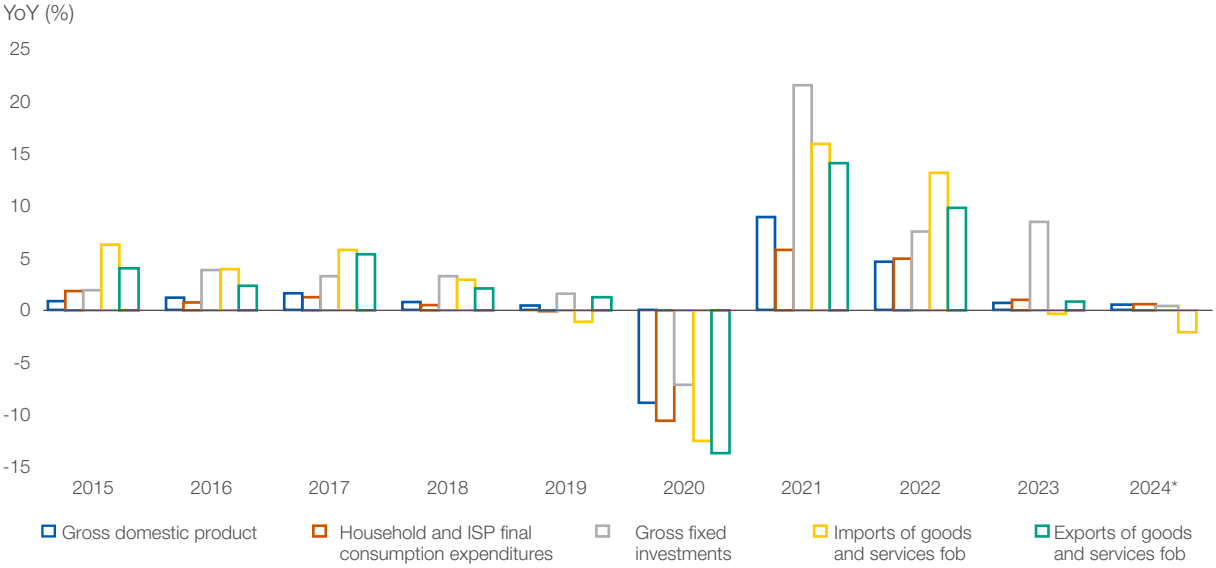
The macroeconomic environment in 2024 also improved in Europe compared to 2023. Financial conditions tightened in 2022, with the European Central Bank (ECB) gradually raising interest rates. The deposit rate peaked at 4% in December 2023, and was then gradually reduced to 3% in December 2024, but remained well above the near to 0% levels previously recorded for almost a decade. Note that in 2025 (until 6 March) the ECB cut interest rates by a further 50 bps, reducing the rate on deposits to 2.50%.

Eurozone inflation was 2.4% in 2024, an improvement from 5.5% in 2023. The IMF forecasts 2.0% in 2025 and 2026.

Eurozone GDP rose from 0.4% in 2023 to 0.9% in 2024, and forecasts indicate 1.2% in 2025.

[8] Provisional data; International Monetary Fund, World Economic Outlook, October 2024.

Summary of Italian macroeconomic indexes



Source: Terna based on ISTAT data. Chain-weighted.
Data from 2015 to 2023: ISTAT Data https://esploradati.istat.it/databrowser/#/it
** Provisional data for 2024: Prospects for the Italian economy in 2024-2025, December 2024.*

Like Europe, **Italy** also **saw a reduction in inflation**, driven mainly by a gradual fall in the prices of energy goods (housing, water, electricity and fuels) and transport, from 6% in 2023 to **1.1% in 2024**[9].

Italian GDP grew by 0.7% in 2024[10], in line with the values recorded in 2023. GDP growth to 2025 is expected to be 0.8%[11].

[9] Source: ISTAT. IPCA Index. Provisional data, January 2025.
[10] Source: ISTAT. Note on Italian economic trends - January-February 2025, March 2025.
[11] Ibid.

Commodity cost developments and repercussions on energy prices

Over the past two years, gas prices have stabilised at around 40-50 €/MWh, a significant reduction compared to the sharp price increase in 2022[12], with an average of 123 €/MWh and peaks of over 300 €/MWh in August. However, both prices and relative volatility remain at higher levels than pre-crisis values (€10-15 per MWh), indicating that the market is in a fragile equilibrium. The gas market remains highly influenced by geopolitical tensions, fears of possible supply risks and short-term climatic dynamics (winter temperatures, "Dunkelflaute" events[13]).

Historical TTF gas price trends

(€/MWh)



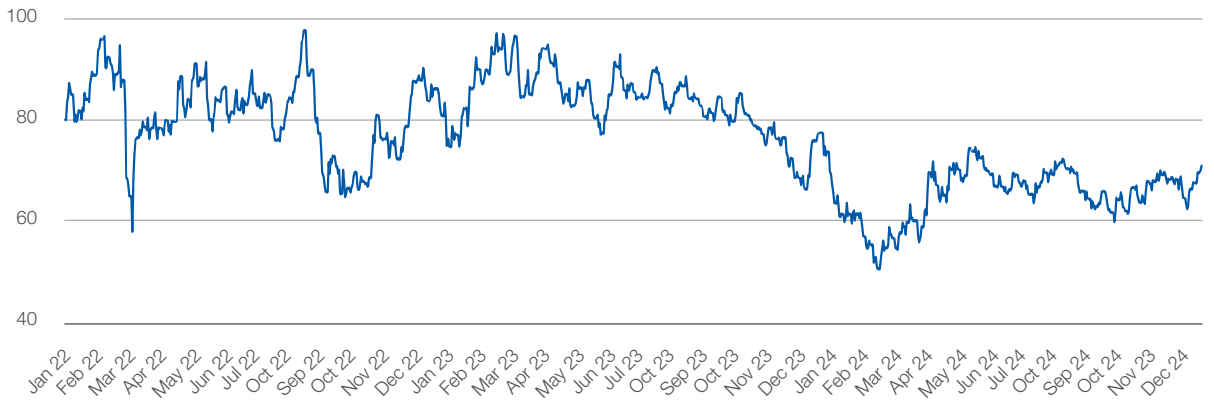
Today's European gas market is characterised by an increasing volume imported via Liquefied Natural Gas (LNG) compared to quantities imported by pipeline. In this context, the low liquidity of the global LNG market entails high risks of volatility in European gas prices. In fact, small changes in the market equilibrium are sufficient to produce large impacts on prices, because LNG supply is relatively rigid and gas demand inflexible (especially for thermoelectric and heating).

In 2024, natural gas consumption in Italy amounting to 652 TWh[14] **decreased by 2.5% compared to 2023**, recording the lowest value in more than 15 years.

The price of CO_2, after peaking at almost €100 per tonne in August 2022, **stabilised at around €60-70 per tonne during 2024**, which is still higher than in the pre-crisis period (€20-30 per tonne).

Historical CO_2 price trends

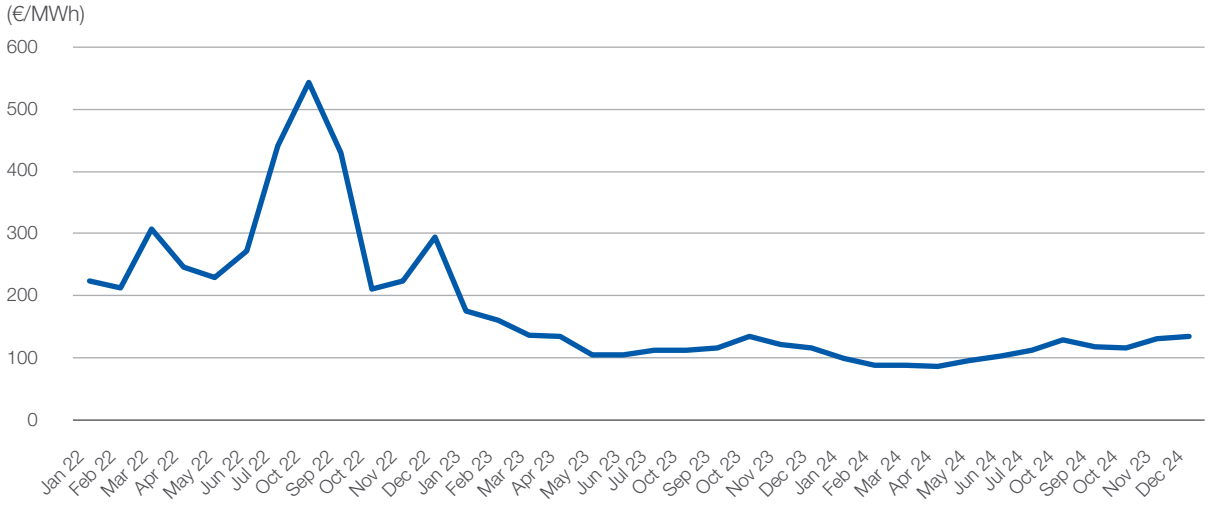
(€/t)



[12] TTF Gas prices (Title Transfer Facility).
[13] Period of several consecutive days of low production from wind and solar sources and high energy demand.
[14] GME, Newsletter no. 118, January 2025.

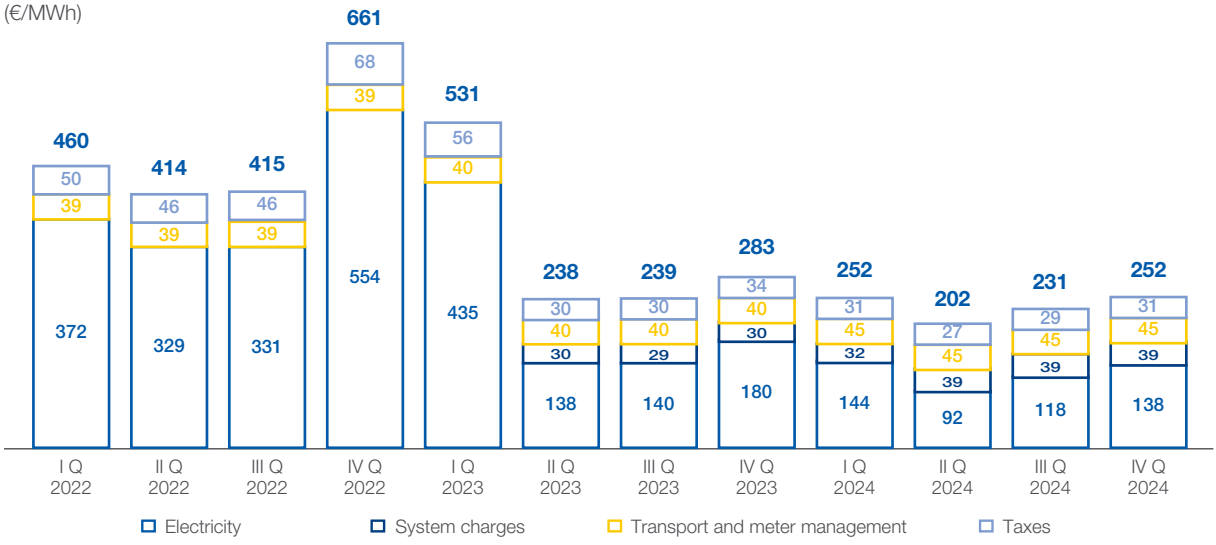
As a consequence of high prices for CO_2 and above all gas, SNP values are also higher than in the pre-crisis period. The performance of fossil fuel prices, above all the price of gas, has a major impact on the electricity market due to the system marginal price, based on all the offer prices accepted at the system marginal price (normally determined by gas-powered plants). As a result, the SNP is also higher than pre-crisis levels. **In 2023 and 2024 the average SNP was respectively 127 €/MWh and 109 €/MWh**, down from 304 €/MWh in 2022, but still well above the 52 €/MWh recorded in 2019.

Monthly SNP trend



The high SNP values have increased the electricity expenditure of end customers. The energy price for the typical domestic consumer[15] in the regulated market for 2023 and 2024 was on average 279 €/MWh, which is still lower than the peaks recorded during 2022, but more than double the values of 2019.

Electricity price per typical consumer in the regulated market



The use of natural gas as an energy carrier exposes Italy to procurement risks of a geopolitical and economic nature, with the country highly vulnerable to commodity price movements linked to tensions on international markets. Energy price pressures could, moreover, last for several years given the above factors at play, leaving Italy exposed to the risk that the resulting inflation will impact consumption. There is also an issue of energy security, given that almost all the gas consumed in Italy is imported from third countries.

[15] Account with 3 kW of committed power and 2,700 kWh of annual consumption.

The market environment

Climate change and its impact on the electricity sector

Climate change represents an urgent, potentially irreversible challenge for society and the planet. Warming linked to human activity has reached the level of approximately 1°C compared with pre-industrial levels. **Each of the last four decades has been warmer than the previous one**: the average surface temperature on earth **has risen by 1.1°C in the period 2011-2020 compared with the period 1850-1900**.

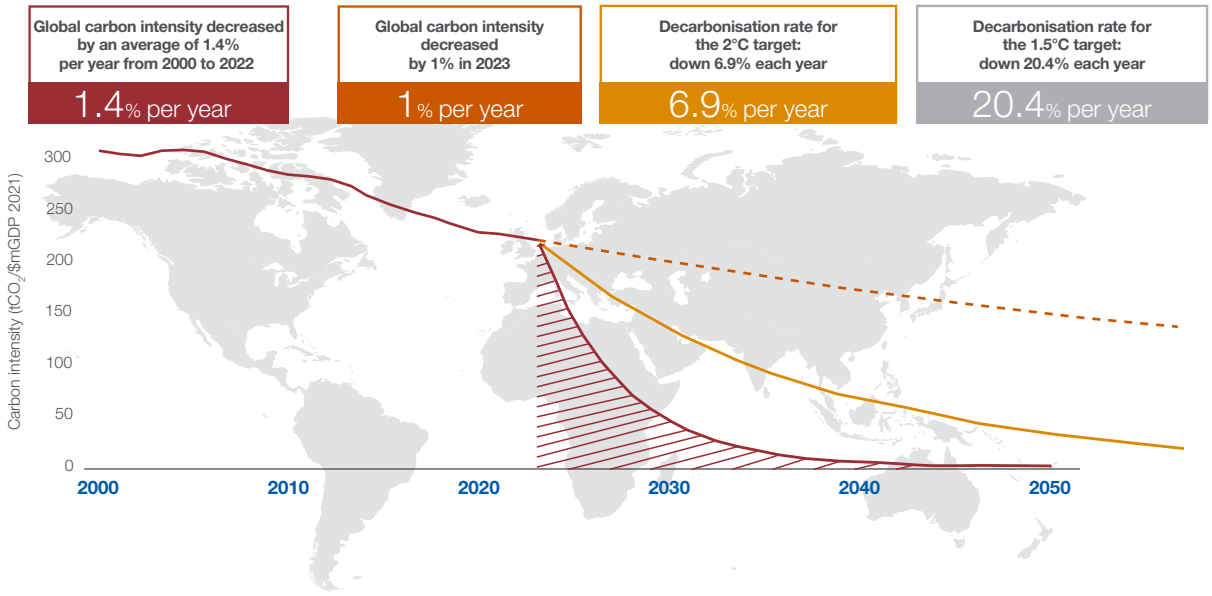
This warming has led to an increase in the frequency and intensity of extreme weather events, in terms of both temperature extremes (hot and cold) and violent and unpredictable precipitation events. The over 18,000 major natural events recorded globally by the NatCatSERVICE-Munich Re since 1980 show that such events have tripled in 40 years. The effects of climate change also have a negative impact on the energy sector.

Extreme weather events in Europe are becoming increasingly frequent. Such events not only cause huge economic and infrastructural damage, but can also lead to hundreds of deaths, as in the case of the Valencia flood of 2024. In Italy, in 2024, a total of 350 extreme weather events were recorded, around six times the number recorded in 2015, Emilia-Romagna was among the regions hardest hit by extreme events, having had to deal with four floods in 2023 and 2024. These events once again demonstrate the need for stronger action to combat climate change and prevent the risks associated with extreme events.

This target will only be achieved through an ongoing commitment to decarbonisation. Despite this, in 2023, the **global rate of decarbonisation[16] was just 1%[17]**, well below the annual global decarbonisation rate of 20.4% needed to limit global warming to 1.5°C compared to pre-industrial levels. Even containing global warming to within 2°C, the minimum level sought in the Paris Agreement, requires significant acceleration, with an estimated annual decarbonisation rate of 6.9%.

[16] The reduction in carbon intensity or CO_2 emissions in the energy sector per dollar of GDP.
[17] PWC - Net Zero Economy Index 2023.

Net Zero Economy Index 2024



Source: Net Zero Economy Index 2024, Pwc.

Looking at the energy sector, according to analyses by ENEA[18], the Eurozone experienced a marginal drop in primary energy consumption in 2024 compared to 2023, estimated at around half a percentage point. In more detail, coal consumption fell sharply by 14%, while oil consumption contracted by 1.5%. In contrast, the drop in gas consumption came to a halt, with values remaining unchanged. Electricity production from renewable sources and nuclear power increased by 5%. This change in the energy mix led to a reduction in CO_2 emissions of around 3.5% in 2024, although achieving the decarbonisation targets in 2030 would require an average annual reduction of more than 7%.

In Italy, Enea[19] reports that primary energy consumption has marginally declined (about -0.5%), while final energy consumption increased by more than 1%. Energy consumption is mainly being driven by transport (+3%), supported by growth in road and air travel. The civil sector has also seen a significant increase (+2.5%), with an upswing in gas consumption for heating and electricity demand in services (+4%). In contrast, industrial energy consumption continued to decline (-3%), in line with the drop in industrial production. As far as CO_2 emissions are concerned[20], in 2024 emissions were estimated to decrease by just below 3% compared to 2023. The reduction in emissions was led by the electricity sector, thanks to a marked decrease in the fossil component.

In fact, Terna data[21] for 2024 report that consumption in the electricity sector increased by 2.2% compared to 2023, reaching 312.3 TWh. **Renewables contributed significantly, covering 41.2% of electricity demand**, the highest value ever recorded, up from 37.1% in 2023. This result was mainly driven by growth in hydroelectric and photovoltaic production.

According to the IEA[22], **the energy sector is largely responsible for the greater part of emissions** produced by human activity and its decarbonization is thus key to avoiding the potential effects of climate change. Under the net-zero pathway developed by the IEA, by 2030 the global economy will have grown by 40%, but must use 7% less energy than today. **Energy efficiency and the electrification of final consumption** (given that, as an energy carrier, electricity is intrinsically efficient) will be the key drivers of decarbonisation. The real enabler of this transformation is **electricity as an energy carrier**, given the high level of intrinsic efficiency of final uses based on this carrier (resulting from thermodynamic laws and thus independent of any effective technological development): an electric vehicle is from 3 to 5 times more efficient than any technology based on the use of liquid or gaseous fuels, whilst a heat pump is 5-6 times more efficient than any fuel-based alternative.

[18] ENEA, Quarterly analysis of the Italian energy system - 2024.
[19] ENEA, Quarterly analysis of the Italian energy system - 2024.
[20] ENEA, Quarterly analysis of the Italian energy system - 2024.
[21] Terna, Monthly Electricity System Report, December 2024.
[22] IEA: International Energy Agency. "Net Zero by 2050" report.

The European and Italian response

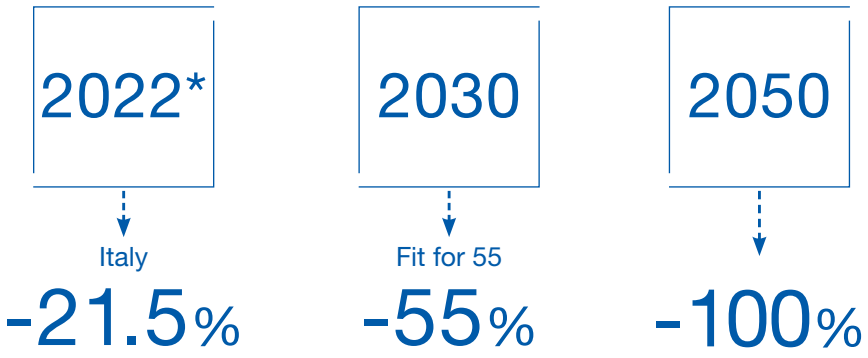
At the end of 2019 the European Green Deal was published, which aims to transform the European Union into a net-zero economy by 2050 and achieve an intermediate goal of cutting greenhouse gas emissions (GHG) by at least 55% by 2030 compared with 1990 levels. A key part of the Green Deal is the European Climate Law (Regulation (EU) 2021/1119), formally adopted by the Council of the European Union on 28 June 2021 and that came into effect on 29 July 2021.

In July 2021, the European Commission also presented a package of legislative proposals named **Fit for 55 (FF55)**, setting out how Europe intends to achieve the EU's decarbonisation targets, cutting greenhouse gas emissions by 55% by 2030 compared with 1990 levels and achieving climate neutrality by 2050.

All the legislative proposals contained in the FF55 package – with the sole exception of the energy taxation directive – have now been definitively approved. Of particular relevance to the energy sector are the Renewable Energy Directive, which came into force on 20 November 2023, and the EU Energy Efficiency Directive, which came into force on 10 October 2023. Indeed, the first stipulates that the share of energy from renewable sources in the EU's gross final energy consumption by 2030 must be at least 42.5%, while the second requires a reduction in energy consumption of 11.7% by 2030[23].

In addition, the European Commission allocated "effort sharing" quotas between EU Member States. For Italy, the emission reduction target for the residential and transport sector (so-called non-ETS[24]) in 2030 compared to 2005 is 43.7%. For ETS sectors (mainly industry and thermoelectric power), the target remains exclusively European, leaving it up to the ETS market to decide in which country and to what extent to reduce emissions associated with these activities.

Total CO_{2eq} emission reduction compared to 1990 levels



** Actual reduction of total emissions (UNFCCC) of all greenhouse gas emissions by 2022 (latest available data for Italy) vs 1990.*
Source: European Environment Agency.

At the national level, in order to reflect the new objectives defined at the European level, in July 2024 the Ministry of the Environment and Energy Security (MASE) published and transmitted to the European Commission **the National Integrated Energy and Climate Plan (PNIEC)**, which offers a fundamental orientation on the development policies of the National Energy System. The PNIEC sets out the national targets through to 2030 for energy efficiency, the use of renewable sources, cuts in CO_2 emissions, energy security, interconnections, the single energy market, competition, and the development of sustainability of mobility.

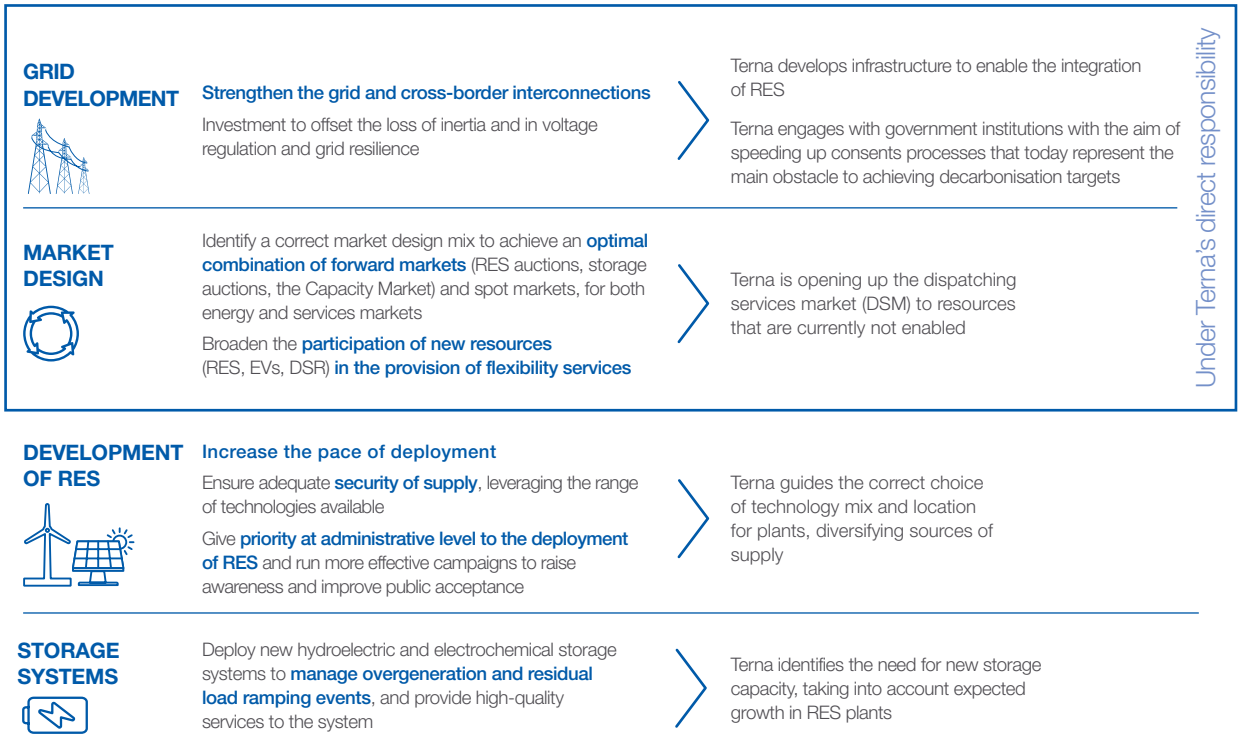
Enabling factors for the energy transition

Delivery of the infrastructure necessary to achieve the energy policy goals within the set timetable inevitably requires a significant acceleration of investment in the energy sector and, even more so, in the electricity sector. This investment must, to a large extent, be directed towards the development of new renewable energy capacity, storage systems and transmission and distribution networks, to be carried out in a coordinated manner to make the system more efficient as a whole.

[23] According to Article 1 of Directive EU 2023/1791, Member States shall collectively ensure a reduction in energy consumption of at least 11.7% in 2030 compared to the projections of the EU 2020 reference scenario, so that the final energy consumption of the Union does not exceed 763 Mtoe.
[24] ETS: Emissions Trading System.

The energy transition is needed not only to combat climate change and boost environmental sustainability, but also to reduce the country's energy dependence, limit energy price pressures due to commodity costs (gas and CO_2), and to drive the country's economic growth and technological research and innovation.

What is needed



Source: Terna data.

The effort to be made is challenging and will take time. It will require a **coordinated approach to timing and geographical location to channel the massive investment being undertaken by operators in a way that is in keeping with the related plans**. Work is currently taking place on finalising the steps needed to guarantee the development of RES and of storage capacity. As far as RES are concerned, the Ministerial Decree on Suitable Areas was signed in June 2024, which defines the distribution among regions and autonomous provinces of the national 2030 target for additional power from renewable sources and establishes criteria for identifying suitable areas. In addition, the draft **RES X decree[25] envisages financing 67.15 GW of new RES capacity by 2030**, of which 57.15 GW through competitive procedures and 10 GW with direct access to the incentive for plants below 1 MW. Pending its final approval, in December 2024 the European Commission approved the Transitional RES X Decree to support the construction of 17.65 GW of new renewable capacity by 31 December 2025[26]. With regard to storage, with Ministerial Decree 346 of 10 October 2024 the Ministry of the Environment and Energy Security officially approved the **MACSE** (Mechanism for the Provisioning of Electric Storage Capacity) which **will allow the system to acquire new electric storage capacity**. The auctions held to procure this capacity will be carried out by Terna, as required by Legislative Decree 210/2021. The first auction is scheduled for 30 September 2025, with delivery in 2028.

This transformation is a major opportunity to boost Italy's competitiveness: the country's lack of energy resources has historically meant that energy costs were higher than the European average and that the country is highly dependent on imported energy. In this new scenario, Italy will see a reduction in its energy dependence.

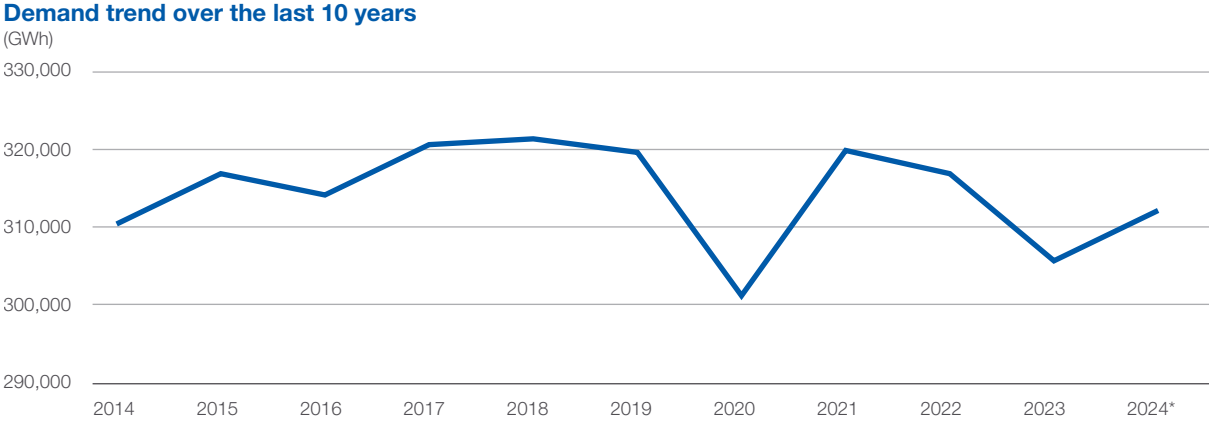
The investment planned for the coming years will determine Italy's strategic position in the global economic system of the future. The commitment of Terna within the decarbonisation of the Italian system also takes the shape of efforts to promote ever **closer strategic cooperation with other players in the sector**, including through the membership of various European bodies (e.g., ENTSO-E) and partnerships with other European TSOs (e.g., the Equigy initiative, whose partners, in addition to Terna, include the TSOs TenneT, TransnetBW, Swissgrid and APG).

[25] Source: Ministry of the Environment and Energy Security.
[26] Source: Ministry of the Environment and Energy Security. https://www.mase.gov.it/comunicati/energia-pichetto-ok-commissione-europea-fer-x-transitorio-passo-verso-innovazione-e

Electricity demand and production in Italy in 2024

Terna monitors domestic demand trends and takes appropriate actions, in full implementation of EU directives.

Demand trend over the last 10 years



** Provisional data.*

Demand for electricity in Italy

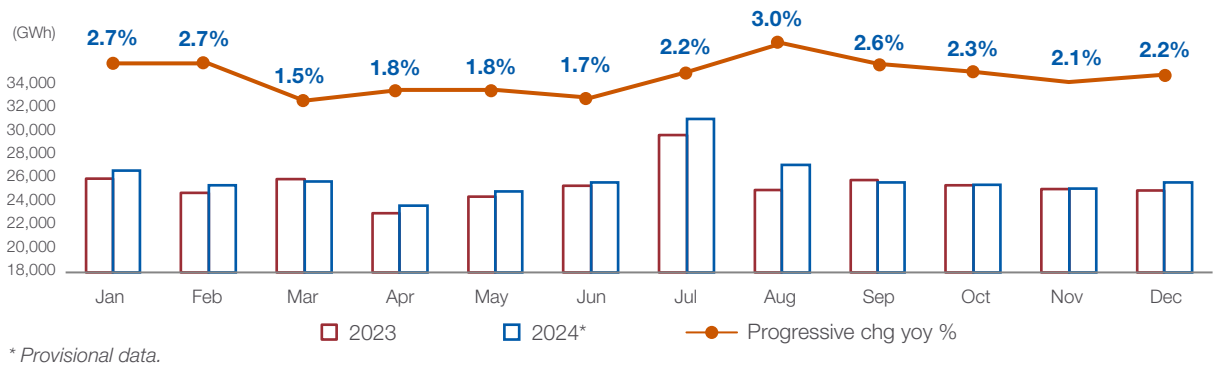
Demand for electricity in Italy amounted to 312,285 GWh in 2024 (provisional data), marking an **increase of 2.2% compared with 2023**, which recorded a decrease of 2.8% compared with the previous year.

ELECTRICITY BALANCE IN ITALY (GWH)*	2024**	2023	CHANGE	% CHANGE
Net production	263,500	256,562	6,938	2.7%
From overseas suppliers (imports)	55,904	54,568	1,336	2.4%
Sold to overseas customers	(4,905)	(3,317)	(1,588)	47.9%
For use in pumping***	(2,073)	(2,186)	113	(5.2%)
Standalone storage intake****	(141)	(12)	(129)	1,075%
Total demand in Italy	**312,285**	**305,615**	**6,670**	**2.2%**

* *Does not include demand for energy for ancillary services related to electricity production.*
** *Provisional data.*
*** *Electricity used for pumping water for subsequent use in the production of electricity or as a way of immediately balancing overproduction.*
**** *Electrical energy absorbed by standalone storage (electrochemical storage systems not integrated into production plants) for the purpose of being used at a later date for the production of electricity or to immediately balance excessive production. This activity was included in the total demand figure from 2024, so the 2023 figure has therefore been restated.*

The increase in electricity demand is the result of positive variations throughout most of the year compared to the previous year, particularly in July and August, which were characterised by temperatures above the ten-year average.

Monthly demand for electricity



** Provisional data.*

Meeting demand and energy production

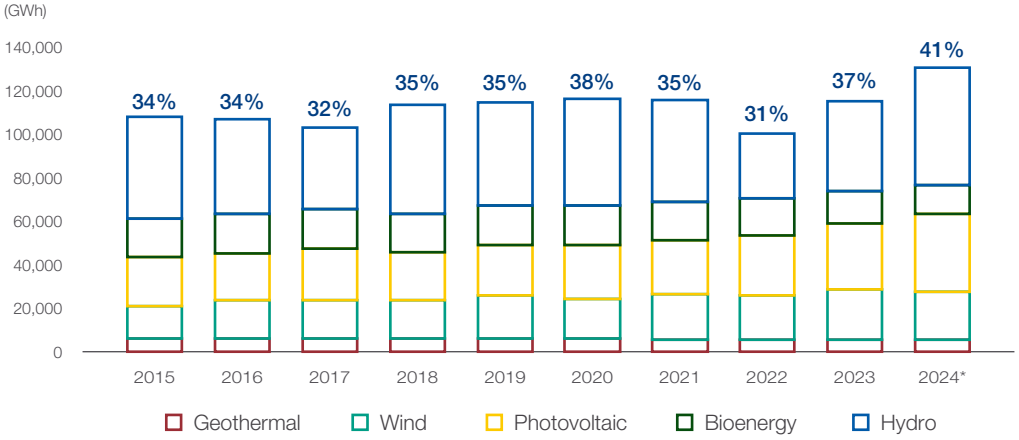
In 2024 (provisional data) approximately **41.2% of total energy demand was met from renewable energy sources**. The value of production from renewable sources rose 13.4% compared with the previous year.

In terms of the performance of the various renewable sources, there was an increase in hydro (up 30.4%) and solar production (up 19.3%) and a reduction in bioenergy (down 9.5%) and wind production (down 5.6%).

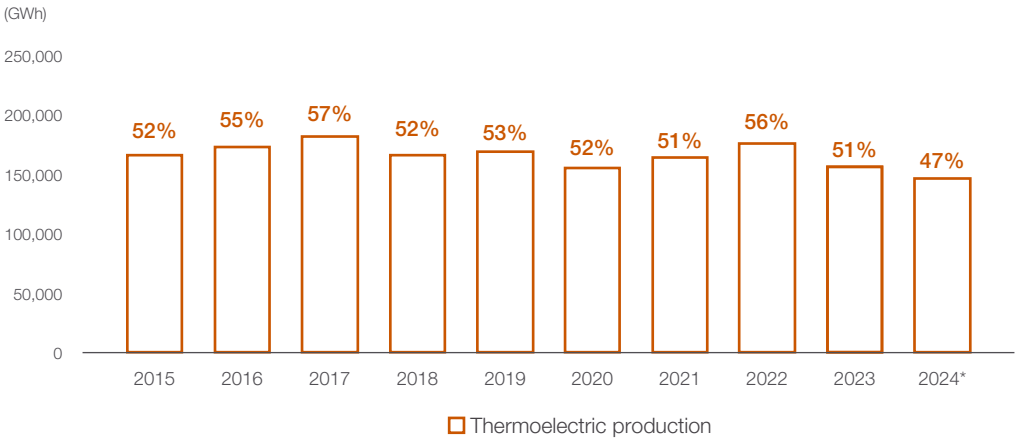
In this context, with the European drive towards decarbonisation and the strong penetration of renewables, high-voltage grids play a key role in enabling the growth in renewable generation capacity. The robustness of grid infrastructure and Terna's actions in managing the system enabled it to securely handle intermittent production, amounting to 36.1 TWh from photovoltaic and 22.1 TWh from wind.

Performance of production sources as a proportion of demand[27]

Renewable sources



Traditional sources



The two charts on the left compare the performance of renewable production in Italy in recent years with the performance of thermoelectric production over the same period.

** Provisional data.*

[27] The percentages shown in the two charts compared refer to the share of demand met from renewable sources and thermoelectric sources (a traditional source).

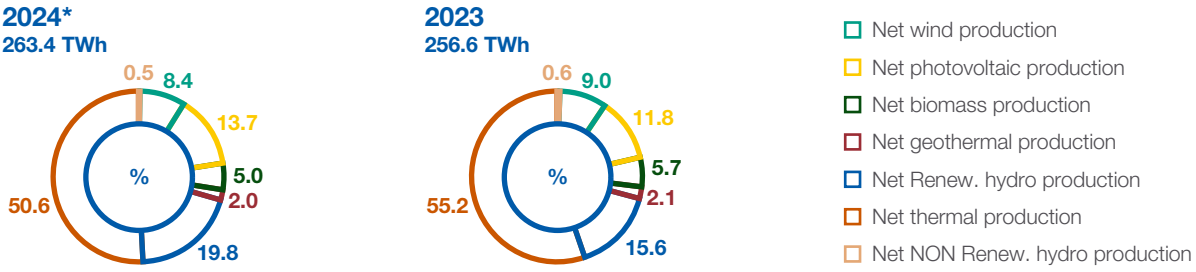
Number of hours in the year* in which the volume of demand met from renewable sources exceeded the relevant thresholds

	>30%	>40%	>50%
2022	3,948	1,433	421
2023	6,021	3,287	1,392
2024**	**6,920**	**4,193**	**2,131**

* *An ordinary year consists of 8,760 hours, while a leap year (2024) consists of 8,784 hours.*
** *Provisional data.*

In 2024 there was an increase in the number of hours in which the coverage of demand from renewable energy sources exceeded the thresholds of 30%, 40% and 50% compared to the pre-2023 values.

Net electricity production by source



* *Provisional data.*

Electricity production in 2024 increased by 2.7% compared to 2023, mainly due to renewable sources. Note that during the year production from renewable sources (up 13.4% compared to 2023) substantially caught up with production from fossil sources (down 5.9%).

Regulatory framework

Terna operates as a natural monopoly and within a market regulated by the **Regulatory Authority for Energy, Networks and the Environment (ARERA, or the Autorità di Regolazione per Energia Reti e Ambiente)**, which determines the level of regulated revenue for transmission and dispatching activities, currently representing approximately 84.1% of the Group's total revenue.

In Resolution no. 615/2023/R/eel, ARERA established the criteria for setting tariffs for the transmission and dispatching service for the fourth regulatory period (2024-2027). The new regime reflects the application of the new totex/output-based regulation for the period 2024-2031 and introduced in Resolutions no. 163/2023/R/com and no. 497/2023/R/com, which envisage the gradual switch to an approach based on the recognition of costs based on total expenditure incurred (operating and capital expenditure) and that focuses more on outputs and the levels of service provided.

For the sixth period, the principles of capital cost recognition (rate of return) and operating cost recognition (price cap and profit sharing) already in force in the four-year period of 2020-2023 will remain substantially unchanged. The most significant difference relate to:

- the treatment of fixed assets in progress for which, unlike in the previous period, the revaluation for the purposes of calculating the related remuneration based on constant rates of remuneration, no longer differentiated on the basis of how long ago the expenditure was incurred (equal to a WACC calculated with a D/E ratio of 4), and extending the period of remuneration from 4 to 6 years for major projects (where expenditure exceeds €1 billion and construction times estimated ex ante of over four years);
- the introduction of a correction factor (the z-factor) for recognising, during the regulatory period, incremental operating costs linked to investment relating to the energy transition or to changes in the scope of the activities carried out in providing regulated services;

- recognition, starting from new infrastructure entering service in 2024 and with effect from 2025, of depreciation from the year immediately following the entry into service, bringing forward the start by one year with respect to the current timing;
- the standard allocation of total expenditure (operating and capital costs) incurred from 2024 to the slow money component (increasing the regulatory asset base) and the fast money component (immediately recovered through the tariff) through the application of a standard rate – the capitalisation rate – determined ex-ante by ARERA based on historical data and projections aimed at ensuring that the investment plan is fully funded;
- the introduction of suitable correction mechanisms for effective revenue with respect to the level admitted ex-ante (tariff decoupling) with the aim of adjusting for new cost recognition components (such as, for example, slow and fast money) linked to completed expenditure;
- a reduction in the delay in updating the inflation index for revaluing recognised operating costs (the national consumer price inflation rate for households, excluding tobacco products) and the cost of capital (ISTAT data on the change in the deflator for gross fixed investment) with a positive one-off correction to make up for earlier changes in the deflator for gross fixed investment recorded by ISTAT.

In Resolution no. 614/2021/R/com, ARERA set out the procedures valid for the years 2022-2027 for determining and revising the **Weighted Average Cost of Capital (WACC)** for the various regulated infrastructure services in the electricity and gas sectors, setting a WACC of 5.0% for the transmission service in 2022. In this Resolution, ARERA confirmed the adoption of a mechanism for revising key macroeconomic parameters at the end of the first three years (2022-2024) and also envisaged the possibility of a further annual revision if the change observed in the key market parameters used in the calculation formula were to result in a change in WACC of at least 50 bps. In Resolution no. 654/2022/R/com, ARERA confirmed the levels of WACC for electricity and gas infrastructure services applied in 2022 for 2023. Resolution no. 556/2023/R/com, on the other hand, updated the WACC for 2024 for the transmission service of 5.8% due to the activation of the trigger mechanism.
Finally, with Resolution no. 513/2024/R/com, ARERA updated the WACC recognised for electricity and gas infrastructure services for the second three-year period of 2025-2027, setting a WACC value of 5.5% for the Transmission service and confirmed the application of the trigger mechanism also for the new three-year period, reducing the trigger threshold from 50 bps to 30 bps.

A number of key aspects of regulation in the sixth regulatory period are described below, with regard to the remuneration for transmission and dispatching services.

Transmission revenue makes up the most significant portion of regulated revenue and is generated from application of the related transmission charge **(TC)**, billed by Terna to distributors connected to the National Transmission Grid. This charge remunerates transmission services and is divided into two components: a capacity component (equal to 93% of revenue, expressed in euro cents/kW/year) and an energy component (7% of revenue, expressed in euro cents/kWh).

Transmission revenue makes up the most significant portion of regulated revenue

The **dispatching service charge (DSC)** aims to recompense Terna for carrying out the activities relating to the dispatching service and is billed by Terna to users of the dispatching service in proportion to the quantity of energy dispatched.

The recognised costs can be broken down into the main categories summarised below.

The main recognised cost items and output-based incentive mechanisms

1. Return on capital (RAB)

Determined on the basis of the Regulated Asset Base (RAB) and the Weighted Average Cost of Capital (WACC). The RAB represents net invested capital for regulatory purposes. It is revalued annually on the basis of data from ISTAT (Italy's Office of National Statistics) on the change in the deflator applied to gross fixed investment and revised on the basis of the performance of investment and disposals. The WACC represents the weighted average cost of equity and debt.

The methods of determining and revising the WACC are established by the regulator.

2. Depreciation

Allowed depreciation (calculated on the basis of an asset's useful life for regulatory purposes) is revalued annually based on the change in the deflator applied to gross fixed investment.

3. Operating costs

The recognised operating costs are determined by the Authority at the beginning of each regulatory period on the basis of the operating costs recorded in the year in question, adjusted if necessary on the basis of the z-factor (to cover costs related to the development of new investments for the energy transition or changes in the scope of activities) and y-factor (to cover costs arising from unforeseeable and exceptional events and changes in the regulatory framework).

The recognised costs are revalued annually to take account of inflation (Italy's rate of consumer inflation for blue and white collar households, excluding tobacco products) and reduced by a percentage factor designed to pass on to end users part of the extra efficiencies also realised during the previous regulatory period.

4. Output-based incentives

In addition to the above items, a portion of the remuneration of transmission and dispatching services derives from regulatory incentives linked to the achievement of specific objectives, as described below:

- incentive system for the development of projects aimed at increasing inter-zonal transport capacity: it provides for bonuses proportional to the ratio between realised capacity and a target capacity, with the addition of other bonuses in the case of the development of capacity with efficient solutions, including capital light. This mechanism, initially envisaged for the five-year period 2019-2023 (Resolution no. 567/2019/R/eel), was extended until 2024 by Resolution no. 55/2024/R/eel, which raised the cap to €180 million from the previous €150 million. The clause of possible reduction was confirmed in cases where the ratio between the average transmission capacity made available for the day-ahead market and winter peak transmission capacity is significantly below historical levels of this ratio, in one or more of the three years following the entry into service of the investment that made available the additional transmission capacity.
  Resolution no. 55/2024/R/eel also provides for an update of the main parameters for determining the incentive for the development of incremental capacity for the period 2025-2027 by setting the maximum value of the bonus at €90 million.
  With regard to the bonuses linked to the efficiency of projects for the construction of new capacity, the ARERA measure extended the current incentive mechanism for the two years of 2024 and 2025, setting a cap of €60 million.
  In addition to the bonus of €143.6 million recognised by ARERA with Resolution no. 23/2022/R/eel for incremental capacity developed in 2020 and the bonus recognised with Resolution no. 473/2023/R/eel in the amount of €36.5 million for projects put into operation in 2022, Resolution no. 445/2024/R/eel awarded Terna a further bonus totalling €21.6 million for projects carried out in 2023. This premium, paid by CSEA in November 2024 out of the "Quality of electricity services" account, refers for €14.4 million to the development of additional inter-zonal transmission capacity, and for €7.2 million to the efficiency in investment costs of the same projects;

- an incentive mechanism, with a three-year duration (2022-2024), aimed at rewarding the efficiency of dispatching activities and, as a result, reducing DSM costs and the cost relating to the shortfall in wind production and essential plants (Resolution no. 597/2021/R/eel and Resolution no. 132/2022/R/eel). Terna's performance is assessed by comparing effective dispatching costs in the incentive year with costs in the year in question, suitably adjusted to take into account commodity price movements and other corrective factors. For each year of the relevant period, the incentive is calculated based on the performance achieved and, on a three-year basis, the reward due to Terna amounts to 12% of the total savings made in the three years. Rewards (penalties), calculated on an annual basis, are included in the uplift payment defined in article 44 of Annex A to Resolution no. 111/06 and paid from 2024 according to the procedure described in Resolution no. 132/2022. In addition to the premium of €795.6 million recognised with Resolution no. 367/2023/R/eel (to be recovered through the Uplift fee in equal instalments over three years and on a quarterly basis starting from 2024) for activities carried out during 2022 for the purpose of reducing dispatching costs, with Resolution no. 327/2024/R/eel, ARERA awarded Terna an additional bonus of €117.7 million for activities carried out in 2023 to be recovered through the Uplift fee in equal instalments over two years and on a quarterly basis starting in 2025. With Resolution no. 326/2024/R/eel, ARERA confirmed this mechanism even for the three-year periods of 2025-2027 and 2028-2030, for each year of the 2025-2030 period providing for the payment to Terna of an annual bonus equal to 12% of the reduction in the costs of the DSM with respect to the expenditures incurred in the relevant year of the three-year period in question, or the payment of a penalty of 6% in the event of an increase in costs with respect to the same year;
- improvements in quality of service in the 2016-2023 period through an incentive mechanism based on rewards/penalties calculated on the basis of the difference between the effective annual level of energy not supplied through the NTG (the NTG RENS indicator) and the target level set by ARERA, with the annual reward capped at €30 million and the annual penalty at €12 million (Resolution no. 653/2015/R/eel). Resolution no. 55/2024/R/eel extended the current mechanism for the 2024-2025 period with certain changes to provide for an annual bonus of up to €20 million and a penalty of up to €8 million and a reduction of the parameter for the calculation of the bonuses/penalties. With regard to 2023, in Resolution no. 444/2024/R/eel ARERA awarded Terna a bonus of €15.3 million, recognised by CSEA at the end of November 2024 and payable from the "Quality of electricity services" account.

Terna's scenarios

At the national level, in July 2024 the Ministry of the Environment and Energy Security (MASE) published the National Integrated Energy and Climate Plan (PNIEC), which translates the 2030 targets of the European Fit for 55 legislative package into the Italian context. The PNIEC plays a crucial role in outlining possible development trajectories of the national energy system, providing a strategic basis for planning investments and infrastructure necessary for the energy transition.

Working with Snam, the gas transmission network operator, every two years Terna submits the **Scenario Description Document**[28] (SDD) with the aim of outlining medium- and long-term national energy scenarios. This document is preparatory to the network development plans of both sectors. Collaboration between Terna and Snam in drawing up the SDD enables the two operators to combine their specific expertise, in the knowledge that interaction between the electricity and gas scenarios is an extremely complex element at both national and EU level.

The latest SDD, published on 1st October 2024, forms the basis for the definition of Terna's 2025 Development Plan and is aligned with the policy scenario in the PNIEC.

Consistent with ARERA's indications and the PNIEC and ENTSO scenarios[29], Terna and Snam have developed:

- Scenarios achieving policy targets:
  - to 2030 a PNIEC Policy scenario (consistent with the 2024 PNIEC);
  - for 2035 and 2040 two scenarios, Global Ambition Italy (GA-IT) and Distributed Energy Italy (DE-IT), in line with those developed at European level by the ENTSOs.
- Contrasting scenarios (developed in order to assess the impact of planned infrastructure on different scenarios as required by current regulation):
  - to 2030, 2035 and 2040 a PNIEC Slow scenario, representing a slower transition (compared to policy scenarios) towards decarbonisation targets.

The GA-IT and DE-IT scenarios are to be considered development scenarios both aligned with the storylines in the scenarios drawn up by the ENTSOs, Global Ambition and Distributed Energy, which set out alternative paths consistent with the goal of achieving a net zero system by 2050.

The PNIEC policy scenario has a particular role to play, not only because it delivers on the policy goals for 2030, but above all because it assumes an efficient mix of investments in grid infrastructure, renewable sources, storage and new digital technologies compatible the main technical, economic and administrative restrictions that could otherwise compromise its feasibility in such a tight time frame. The scenario indicates the need:

- **develop 107 GW of new wind and solar capacity by 2030** compared to the 50 GW installed in 2024. This capacity will make it possible to reach **63% penetration of the share of RES's** in the electricity demand in 2030, in line with what was envisaged in the 2024 PNIEC;
- create **almost 50 GWh of new utility-scale storage by 2030**, as well as develop adequate transport capacity, to guarantee the full integration of the electricity produced from renewable sources within Italy's electricity system.

[28] This document is available at the following link: https://www.terna.it/it/sistema-elettrico/rete/piano-sviluppo-rete/scenari.
[29] ENTSOs (European Network of Transmission System Operators) are the organisations grouping the operators of energy transmission systems in Europe, respectively for electricity (ENTSO-E) and gas (ENTSO-G).

In this context, Terna is involved in the energy transition process on several fronts, first and foremost in the development of the electricity grid (Terna's 2024-2028 Industrial Plan Update approved in March 2025 envisages total investments of €17.7 billion to accelerate the country's commitment to the energy transition, energy independence and decarbonisation). Moreover, Terna also drew up the **MACSE** (Mechanism for the Provisioning of Electric Storage Capacity), **the financial instrument that will enable the system to acquire new electricity storage capacity**, thus ensuring the integration of increasingly large shares of renewable energy into the electricity system. Both the grid and storage facilities will play a key part not only in achieving decarbonisation targets, but also in improving security of supply.

At the same time, from the point of view of market design, it is necessary to continue decisively along the path already initiated by Italy of progressively supporting spot markets with market instruments based on futures contracts. Specifically, Contracts for Difference (CfDs), envisaged in the RES-X decree to promote the construction of new renewable plants, will make it possible to hedge the commercial risk of gas, which has significantly impacted household and business bills over the past three years.

2025 Development Plan

The 2025 Development Plan was submitted to the Ministry of the Environment and Energy Security on 27 January 2025, following its approval by Terna's Board of Directors on 21 January, in line with the requirements of Legislative Decree 93/11, as amended by Law 120/2020[30].

The new 2025 Plan, following on from the previous 2023 edition, for which ARERA expressed a favourable opinion in Opinion 4/2025/I/eel of 14 January 2025, consolidates Terna's role at the service of the country for a **decarbonised and sustainable future**.

In fact, Terna plays a central role in the energy transition process, both as an enabler of a system increasingly based on renewable sources and as a strategic leader in this great process. In fact, to achieve the global goal of decarbonisation the electricity grid is the main enabling factor, to which are also added a number of fundamental issues linked precisely to the complexity of the current context.

To this end essential measures are planned for the **pursuit of the national and European objectives of energy transition, independence, resilience and efficiency of the electricity system**, in continuity with the previous edition of the 2023 Plan.

The Plan is consistent with the **2024 PNIEC**, with the updated Terna-Snam scenarios (**2024 Scenario Description Document**) and with the decarbonisation objectives, which impose new challenges on the electricity sector in line with the forecast of trends in energy needs and demand to be met.

Installed solar and wind power capacity is expected to increase by more than **65 GW** by 2030 compared to installed capacity in 2023, and more than **94 GW** by 2035.

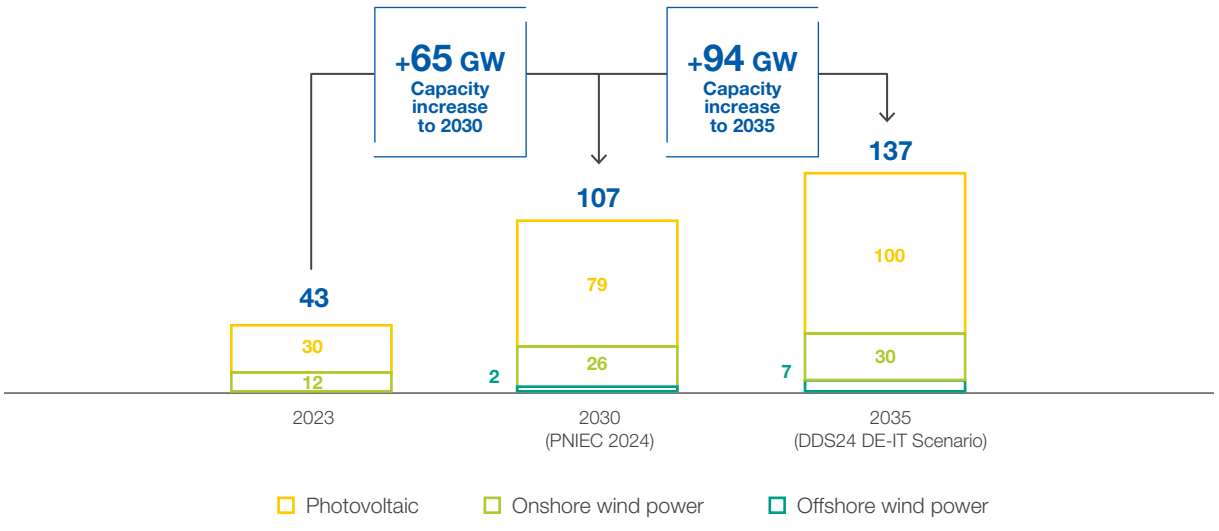
Given the complex and challenging electrical environment, the most useful and urgent works were planned according to an electrical priority, while seeking innovative low-capital-intensive solutions to reduce costs and maximise investment effectiveness.

[30] Art. 36.c.12 of Legislative Decree 93/11, as amended by Law 120/2020, requires Terna to prepare a ten-year Development Plan for the national transmission grid every two years, submitting it for approval by the Ministry of the Environment and Energy Security, after consulting with the affected regional authorities and taking into account the views expressed by the regulator (ARERA).

2025 Development Plan Dossier

Annexes to the 2025 Development Plan

The 2025 Development Plan envisages an **investment programme of more than €23 billion over the ten-year horizon covering the years 2025-2034** (up 10% compared to the previous ten-year Plan), with an overall value beyond the 10 year horizon of up to approximately €40 billion, with the aim of enabling the energy transition and achieving the environmental objectives outlined by EU regulations in both the medium and long term.



Development goals and strategy

Given the challenges faced by the electricity system as a result of the trends identified in the projected energy scenarios and ongoing climate change, planning the development of the transmission grid must meet the following **electricity system objectives**:

INTEGRATE RES, STORAGE, SUBSTATIONS and CONSUMPTION USERS

New enabling and functional development works for the **integration of new renewable capacity and consumer users**

INCREASE TRANSPORT CAPACITY and SOLVE SYSTEM CONGESTIONS

Increase transport capacity between market zones from the **current 16 GW to over 35 GW**

DEVELOP INTERCONNECTIONS WITH FOREIGN COUNTRIES

In line with earlier plans, the aim is to continue guarantee **greater security** through the availability of mutual assistance between the interconnected systems.

IMPROVE the QUALITY and RESILIENCE of the ELECTRICITY SYSTEM to ENSURE CONSTANT COVERAGE of ELECTRICITY DEMAND and SERVICE CONTINUITY

Activities related to the reinforcement of the grid but also to the construction of new supply routes

ENSURE THAT the GRID is ROBUST AND DAMPEN LOW-FREQUENCY INTERSYSTEM OSCILLATIONS

Work on making the **electricity system increasingly stable** and able to withstand or control the formation of voltage wave following a fault or disturbance

Below are the **main figures of the 2025 Development Plan** and the **expected benefits** from the achievement of these objectives:

INVESTMENT PLAN
over €23 billion
in the decade 2025-2034 and more than €40 billion considering the lifetime value of the projects
(+10% v 23 DP)

GREATER RES INTEGRATION
at least **+65 GW by 2030**
+94 GW by 2035[1]
(In line with PNIEC and SDD 24)

REDUCTION OF CO_2 EMISSIONS
up to around **2,000 kt/year** by **2030**
and almost **12,100 kt/year** by **2040**
(+2.5% v 23 DP)

INCREASED TRANSPORT CAPACITY
from the current 16 GW to about **39 GW**
(+22% v 23 DP)

INCREASE IN TRANSPORT CAPACITY WITH FOREIGN COUNTRIES
by about **40%**
compared to current values[2]

LOSSES AVOIDED
of around
0.4 - 1 TWh/year

[1] *Of which +43 GW to be connected on the HV grid.*
[2] *Considering all the works included in the Development Plan even beyond the 10-year horizon.*

System needs and the main actions planned

The 2025 Development Plan responds to the country's infrastructure needs, seeking to define development priorities, i.e. those **projects that offer the greatest value for the system**, facilitating the **investments required for the energy transition**. The investments envisaged in the 2025 Development Plan to enable the achievement of system benefits are grouped into the following main categories: NON-RES Connections, RES Connections, Large HVDC and Hypergrid Projects, Interconnections, VHV projects.



These projects serve four main purposes:

- **Develop enabling and innovative infrastructure** to achieve the efficient target capacity to increase transit limits between market sections and maximise energy exchange;
- **Resolve local congestion**, ensuring safe operation within market areas through intra-zonal planning;
- **Ensure the security of electricity systems and the integration of markets through interconnections**, which allow flexible and balanced management of energy resources, facilitating exchanges between national grids;
- **Manage the huge demand for connecting renewables through innovative solutions** such as the definition of a new model – **Efficient Regional Planning** – with the aim of ensuring efficiency in the implementation of grid works enabling the integration of new resources.

With regard to the last need illustrated above, the handling of a large number of connection requests, which have increased more and more in recent years, has caused administrative congestion and authorisation difficulties, as well as higher infrastructure costs due to the potential redundancy of grid works. The magnitude of the phenomenon calls for new variables to be considered in grid management in view of Terna's regulatory obligation to connect all those who so request to the National Transmission Grid (NTG).

This was the reason for the introduction of the aforementioned new model of **Efficient Regional Planning**, adopted by Terna to ensure efficiency in the construction of works enabling the connection of new resources, minimising costs for the system and the impact of infrastructure on the local region.

Terna has defined a new process for **integrated territorial and environmental planning and efficient grid infrastructure planning**. This approach will bring benefits in terms of speeding up the authorisation of works and accelerating the commissioning of new plants, taking into account the smaller grid developments required. This will also lead to a reduction in complexity due to the simplification of the dynamics of the technical meetings, a reduction in overall system costs and a lower local impact of grid works.

2024-2028 Industrial Plan Update

Faced with the growing complexity of the energy system, which in recent years has posed new and important challenges to all operators in the chain, the Terna Group strengthened its role in the transition process by updating its 2024-2028 Industrial Plan - Empowering Tomorrow. While keeping the basic strategic lines unchanged, the update to the **Industrial Plan**, approved by the Board of Directors on 25 March 2025, reinforces the **Dual Transition - Energy and Digital** concept, deemed crucial for ensuring a fair and inclusive Just Transition for all stakeholders.

The **update of the 2024-2028 Industrial Plan** provides for **total Capital expenditure of €17.7 billion**, through which Terna will accelerate its commitment to the country's energy transition, energy independence and decarbonisation, in keeping with the challenging objectives set in the National Integrated Energy and Climate Plan (PNIEC) and the targets in the EU's Green Deal, which aim to cut greenhouse gas emissions by at least 55% by 2030, compared with 1990 levels.

At the heart of the 2024-2028 Industrial Plan update is the **sustainability of investments**, which is essential for the creation of value for the Company and the system as a whole. Terna's capital expenditure, classified as **entirely sustainable** based on the **EU Taxonomy**, targets the development of renewable sources. The transmission backbones that transport energy from points of production, which are increasingly located in Italy's southern regions, to where demand is highest in the north of the country, will be boosted by resolving existing issues caused by grid congestion and further development of cross-border interconnections. This will allow Italy to solidify its **role as the electricity hub of Europe and the Mediterranean area**.

The Terna Group's development initiatives will continue to focus on two strategic areas: **Regulated Activities in Italy** and **Non-regulated Activities**.

The **Regulated Activities in Italy** will be the Terna Group's core business, which with a total Capital expenditure of **€16.6 billion** intends to pursue the development and strengthening of the National Electricity Transmission Grid. The aforementioned target represents the largest Investment Plan ever, an increase of 7% compared to the previous 2024-2028 Industrial Plan, mainly due to increased investment in system security equipment, enhanced cyber security initiatives and the digitalisation of assets and processes. The high coverage both in terms of authorisations, where about 90% of the investments have already been authorised, and in terms of procurement, where about 80% of the requirements have already been covered by contract, ensures the overall sustainability of the Investment Plan.

As a result of the planned investment, the **value of the RAB** will reach about **€32 billion in 2028**, with a CAGR of 9% over the life of the Plan.

In the update of the 2024-2028 Industrial Plan, Terna confirmed the **investments for the development of the National Transmission Grid** for a total of **€10.8 billion**, mainly related to the construction of high-voltage direct current lines – to resolve grid congestion, increase transport capacity between different market zones, fully integrate renewable sources, and improve service quality – and the construction of submarine cable connections. The most important project is the Tyrrhenian Link, the power line that will connect Sardinia, Sicily and Campania and that will contribute to the development of renewable energy production and the phase-out of the most polluting coal and oil-fired power substations.

The other projects include: the Adriatic Link (the submarine connection between the Marche and Abruzzo regions), Sa.Co.I.3 (the interconnector linking Sardinia with Corsica and Tuscany), Elmed (the Italy-Tunisia interconnector), and the 380 kV Chiaramonte Gulfi-Ciminna power line in Sicily.

With regard to ordinary investments primarily aimed at **asset renewal and efficiency** to rationalise existing infrastructure and replace obsolete components, Terna expects an increase in Capital expenditure that will total **€3.6 billion**, compared to the approximately €2.9 billion foreseen in the previous Plan.

Finally, an increase in investment is also planned for the **Security Plan** aimed at strengthening and boosting the technical and technological capabilities of the electricity system, where the Group will dedicate a total of **€2.3 billion** over the period of the Plan, compared to the approximately €1.7 billion foreseen in the previous Plan.

The **Non-regulated Activities** will continue to generate new business opportunities through the development of innovative and digital technology solutions consistent with Terna's institutional role.

The markets of reference are undergoing rapid expansion, driven for the most part by trends linked to the energy transition: increased demand for renewable generation plants, the renewal of grids and the growth of new industrial sub-sectors such as data centres and large power consumers.

The Group's Non-regulated Activities include:

- Equipment: businesses focused on guaranteeing supplies of essential components for development of the grid, such as transformers (Tamini Group) and cables (Brugg Cables Group);
- Energy services: market activities complementary and adjacent to the core business. These include all system integrator activities with specialised and diversified expertise in the design, construction, maintenance and efficiency of medium- and high-voltage electrical systems, renewables and storage systems (Altenia);
- Connectivity: connectivity offerings for telecommunications providers through the supply of dark fibre and housing services;
- Interconnectors: the installation and operation of interconnecting lines.

The Plan includes a series of initiatives designed to fully exploit the portfolio of businesses, introducing optimisation measures to strengthen financial performance and consolidate market leadership. These actions are aimed at keeping the business competitive with its competitors in the Equipment sector and further strengthening its leadership in Energy Services, considering that **Non-regulated Activities** will account for about **€730 million** in terms of cumulated **EBITDA** over the Plan period, in return for limited investment and risk exposure.

For Terna, **digitalisation and innovation** remain fundamental pillars for the achievement of national energy transition goals. In line with this orientation, the 2024-2028 Industrial Plan update plans to spend **€2.4 billion** for digital technology, amounting to approximately 15% of capital expenditures (capex) in Regulated Activities in Italy, in line with international forecasts and the ambitions of major European competitors.

The digital plan aims to further consolidate the importance of digitalisation in supporting the Development Plan, with a series of ambitious initiatives throughout the value chain. These include:

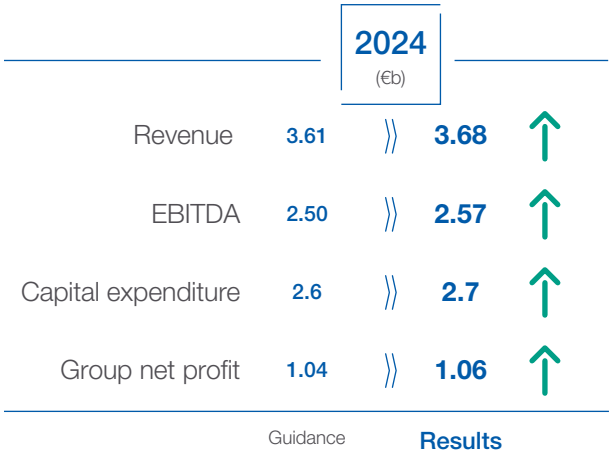
- engineering will introduce software to digitalise the planning of worksites (Building Information Modelling) and optimise the management of contracts, ensuring the on-time delivery of projects;
- dispatching will renew substation ICT architecture through the adoption of Substation Automation System (SAS) solutions and develop advanced network forecasting and optimisation models for the safe and economical operation of the National Electricity System;
- asset management will maintain current quality standards by digitising the O&M process using technologies such as digital twin, Internet of Things (IoT) and predictive tools.

In conclusion, advanced digital solutions will be used to constantly guarantee safety, drive innovation and improve worker efficiency.

Terna's people, with their world-leading technical expertise, are a key asset in enabling the Group to achieve the challenging goals the Group has set itself. The people strategy is based on three key pillars: empowerment, experience and excellence. The Group aims to be people-centric, promoting the development and wellbeing of employees by giving them greater responsibility and through mutual engagement benefitting all parties. Working life will be improved by anticipating change, investing in emerging skills and enabling more effective ways of working, in part by harnessing technology. Furthermore, rewards will be provided for merit to accelerate the organisation's growth and achieve excellent results. The Terna Group's focus on people is confirmed by the important acceleration in job creation, the update of the 2024-2028 Industrial Plan confirming the estimates of the previous Plan that forecast an increase of more than 7,000 employees.

Furthermore, maintaining a solid capital structure supported by robust cash generation will continue to ensure an attractive dividend policy.

Finally, the Terna Group's ongoing commitment to implementing the Industrial Plan and achieving the related financial targets has enabled the Group to meet and improve on the guidance communicated to the financial markets for 2024, which constitutes a solid starting point for the achievement of the new targets envisaged in the update of the 2024-2028 Industrial Plan.



Identification and assessment of Industrial Plan risks

To evaluate the solidity and reliability of Terna's Industrial Plan and respond to the needs of the Company's key stakeholders, the Terna Group has adopted a methodology that integrates risk assessment and quantification into the business planning process.

To conduct this activity, the Administration, Finance and Control department uses a tool that assesses the degree to which the Group's risk profile is compatible with its strategic goals. The identification and quantification of risks and opportunities (uncertainties) is applied to the Terna Group as a whole and requires the direct involvement of all the relevant departments in the form of specific interviews under a bottom-up approach.

The process requires that, once uncertainties have been identified and quantified, they are aggregated using a proprietary Monte Carlo simulation model that, starting from the data collected, generates a large number of alternative scenarios based on likely developments in the variables underlying the Industrial Plan. The methodology thus enables the Company to estimate the overall volatility of the financial targets deriving from the occurrence of key risk events and opportunities and to assess the resilience of the Industrial Plan.

Innovation strategy

The **Twin Transition**, or the **dual transition** involving both **digital and energy**, is at the heart of Terna's strategy to build an increasingly sustainable, efficient, reliable and affordable electricity system. This is an ambitious and complex goal that requires a **constant commitment to innovation and cutting-edge technology**.

To meet this challenge, it is not enough simply to adopt new solutions: we need a clear vision of the future, a future where **digitalisation** and **decarbonisation** are the **pillars of a "future-proof" energy system**. Precisely for this reason, **Terna is investing** in the **most advanced technologies** and **collaborating** with various **players in the innovation ecosystem** (universities, research centres, large industrial companies, start-ups and small and medium-sized enterprises).

The company strongly believes in the **value of innovative ideas** and therefore supports start-ups capable of transforming ambitious insights into concrete models and technological tools that can improve the management of the national electricity grid. A grid that, with the increasing integration of renewables, needs increasingly intelligent solutions to ensure stability and efficiency.

For this process, the synergy between digital and energy becomes the key to meeting the challenges of the future and to driving the **transition to a more sustainable and innovative electricity system**.

These are the **directions of technological development** underpinning the 2025-2028 Innovation Plan, the **four ambitions** that guide every corporate innovation initiative aiming to have an increasing impact on the business through the adoption of Open Innovation approaches:



MANAGE UNCERTAINTY in a decarbonised electricity system, ensuring security at a minimum cost

New flexible resources: enable the flexibility of new energy resources in the ancillary services market resources.

System stability: maintain stability in an electricity system dominated by inverter-based energy resources.

Digitise System Operations: make system operator activities more efficient through AI-based automation and the development of the «co-pilot» concept.



EVOLVE towards an increasingly «robust», resilient and integrated infrastructure

System resilience: increase system resilience to deal with extreme weather and climate events.

Optimise RES integration: aimed at improving asset design and construction.

Optimise design and construction: solutions aimed at improving asset design and construction.

Grid digitalisation and Sustainability: solutions for digitising the grid and improving the sustainability of Terna's assets.



MAXIMISE THE RELIABILITY of existing assets and O&M efficiency while reducing risks

Operational improvement: new equipment, methods and instrumentation to increase operational efficiency and safety during inspections, maintenance and renewal operations.

Asset optimization: new equipment, methods and instrumentation to increase operational efficiency and safety during inspections, maintenance and renewal operations.

Robotic automation: innovative working methods through the use of advanced robots and drones, in order to automate O&M activities on lines and plants, also in a collaborative perspective.



FACILITATE and MAKE the processes and work of our People SAFER

Staff process digitalisation: development of innovative solutions in the fields of AI, RPA, intelligent platforms that digitise and automate company processes.

New ways of learning: new engaging tools in the metaverse and VR to support learning and training.

Stakeholder engagement: new solutions to engage stakeholders on key issues of the twin transition.

Terna's **Open Innovation** model breaks down barriers between sectors and territories, facilitating the exchange of knowledge, ideas and resources with an entire community of innovators according to a **concrete, open, inclusive and distributed approach**, responding to identified innovation needs with the aim of **developing, protecting and promoting the company's skills and intellectual property**.

Serving Terna's Open Innovation strategy is the **Terna Ideas platform**[31], the virtual space that represents a **meeting point between the company's internal creativity and the external talent of start-ups, researchers, innovative companies and solvers** from all over the world. Tackling challenges dedicated to the energy transition, the most promising ideas are transformed into operational solutions, testifying to Terna's willingness to integrate the best available skills and develop human capital.

Terna is also looking beyond Italy and strengthening its presence at the international level with the aim of exploring new models and innovative approaches, creating a **global network capable of accelerating the transformation of the energy sector**. To this end it has created **Terna Innovation Zones**, points of reference located in the world's most advanced innovation ecosystems.

The first step in this direction was the opening of an Innovation Zone in **Silicon Valley**, in San Francisco, which was inaugurated during the Innovation Zone Forum held in October and organised by Terna with the support of the Italian Innovation and Culture Hub (INNOVIT), the Consulate General of Italy in San Francisco, and partner Mind the Bridge. Here, Terna has initiated an ongoing dialogue with start-ups, investors and researchers to identify cutting-edge solutions that can revolutionise the electricity system. Terna's Innovation Zone in San Francisco is not just a technological outpost, but a catalyst for synergies, where Italian excellence meets the best international minds to tackle the challenges of the Twin Transition together. Note also that on 29 January 2025 the Terna Innovation Zone in Tunis was inaugurated, the first innovation hub in Africa that strengthens the strategic partnership between Italy and Tunisia.

In addition to consolidating the innovation model, at the end of 2022 the Terna Group created a further important tool to help it fulfil its ambitions. In November 2022 **Terna Forward** was established, the **Corporate Venture Capital** vehicle of the Terna Group.

With the aim of supporting the most innovative Italian companies and accelerating high-impact solutions for the energy transition, **Terna Forward supports promising start-ups through strategic investments**, fostering the development of technologies that can improve the efficiency and resilience of electricity infrastructure. With an approach based on Open Innovation, Terna Forward not only finances the most disruptive initiatives, but also makes its expertise available to accompany them in their growth, contributing concretely to the transformation of the energy system. During 2024, Terna Forward, in addition to the investments made indirectly through its membership and active participation in CdP Venture Capital's Corporate Partner I fund, completed four direct investment transactions in start-ups: Wesii S.r.l., a leading Italian company in inspection and remote sensing services in the energy sector, for a 33% stake, Melaworks, D-orbit and Unusuals World.

Terna's journey in the Twin Transition shows how **innovation** can become a **driver of sustainability**. Through these initiatives, the company actively engages in **driving change** with vision and determination.

Key results achieved in 2024 include:

- 67 projects in progress;
- 73 IP assets in the patent portfolio (patents obtained and IP applications filed);
- 14 Scouting initiatives and 8 Workshops.

[31] ternaideas.terna.it

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2024-2028 Sustainability Plan Update

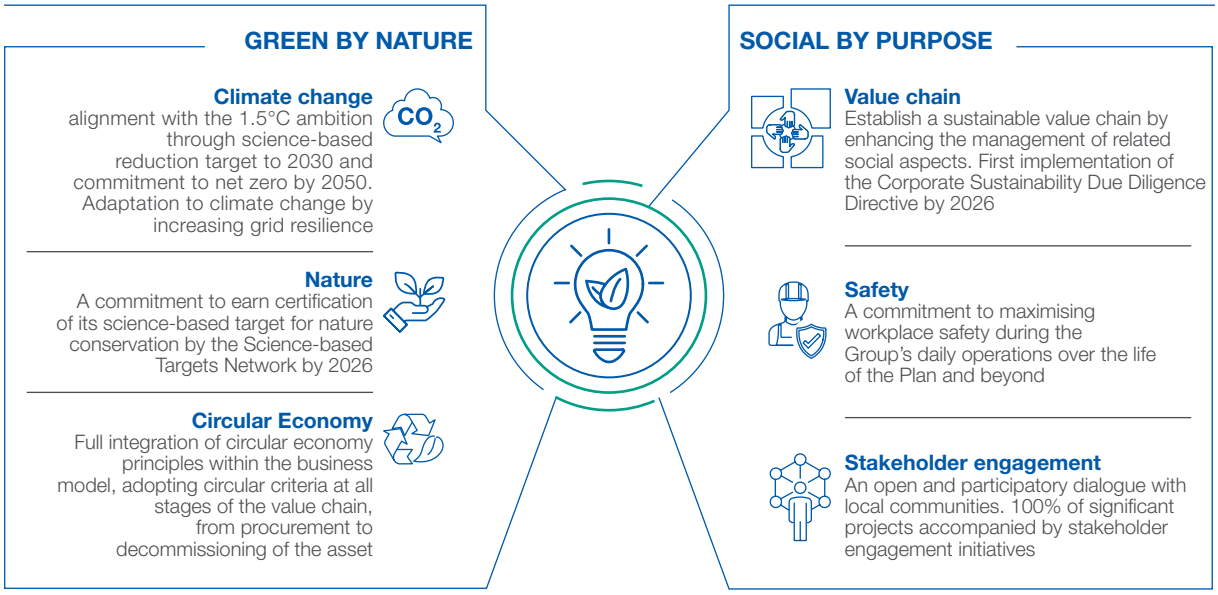
The Terna Group's strategy for the five-year period from 2024 to 2028, updated in 2025, is based on a unified vision of its role in serving the country and means that the new Industrial Plan is fully integrated with the Sustainability Plan, with ESG objectives being given the same priority as industrial and financial objectives.

The structure of the Sustainability Plan, unchanged by the update, promotes all ESG objectives in line with the goals of the Industrial Plan.

The two common threads running through both the Sustainability Plan and the Industrial Plan are linked to environmental and social considerations, shaped by the Group's material topics. These concepts express two of Terna's key characteristics: on the one hand, given its role as a TSO with a vital part to play in delivering the energy transition, thus leaving future generations with a carbon-free environment, sustainability is inherent in the very nature of Terna, making it "**Green by Nature**". On the other hand, Terna's business activities are carried out within the framework of a solid structure of protections and safeguards aimed at the maximum protection of its stakeholders' rights and demands, with a constant commitment to listening to local communities. As a result, the Group is sustainable by choice and therefore "**Social by Purpose**". The elements that make up the two threads - Green by Nature and Social by Purpose – thus indicate that, in delivering on its priority goal of achieving a combined energy and digital transition (the **Twin Transition**), the Company must also take into account the social impacts, raising the Group's ambition and delivering a **Just Transition**.

Achieving an energy and digital transition that is both fair and inclusive is thus, at the same time, the priority goal of the 2024-2028 Sustainability Plan and the Plan's contribution to the Industrial Plan, providing further impetus towards the objective of delivering long-term value and sustainable success.

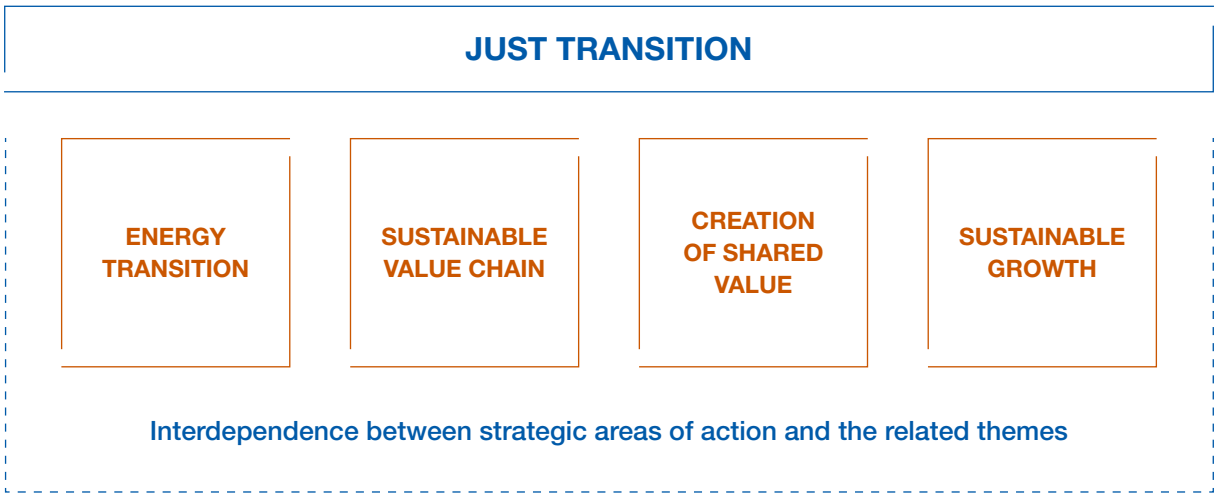
Green by nature, social by purpose



The architecture of the Sustainability Plan, which also takes into account the results of the Double Materiality Assessment (see page 182), the guidance provided by science and developments in the regulatory framework, organises the content into:

- pillars;
- strategic areas;
- topics;
- areas of action;
- key activities.

2024-2028 Sustainability Plan: pillars and strategic areas



The Plan is based on four pillars, all defined with a view to delivering the priority goal of a Just Transition and whose content is firmly anchored to the Company's Purpose and the way in which Terna intends to fulfil its role in leading the country's fair and inclusive energy transition. The pillars are as follows:

- **Energy transition**: this pillar focuses on the delivery of a transition to a new, more sustainable energy paradigm, based on the use of energy from renewable sources. In addition to a progressive reduction in the carbon footprint and in the related CO_2 emissions – needed to limit global warming – this pillar also involves concerns regarding the security and resilience of the National Electricity System and, therefore, the country's productive and social system;
- **Sustainable value chain**: this pillar aims to establish a new, increasingly inclusive and sustainable value chain through the adoption of new development models that promote sustainable supply chain management, internal stakeholder value creation, transparency in customer relations and the development of circularity in business practices;
- **Creation of share value**: the aim is to strengthen the business model in terms of sustainability, achieving a balance between profit, safeguards for natural capital and the social licence, based around engagement with and support for the communities affected by Terna's presence and activities;
- **Sustainable growth**: this pillar aims to guarantee sustainable long-term growth. This involves innovation and digitalisation focused on the energy transition, the development of an ecosystem and new businesses to support growth and a commitment to financing for a just transition.

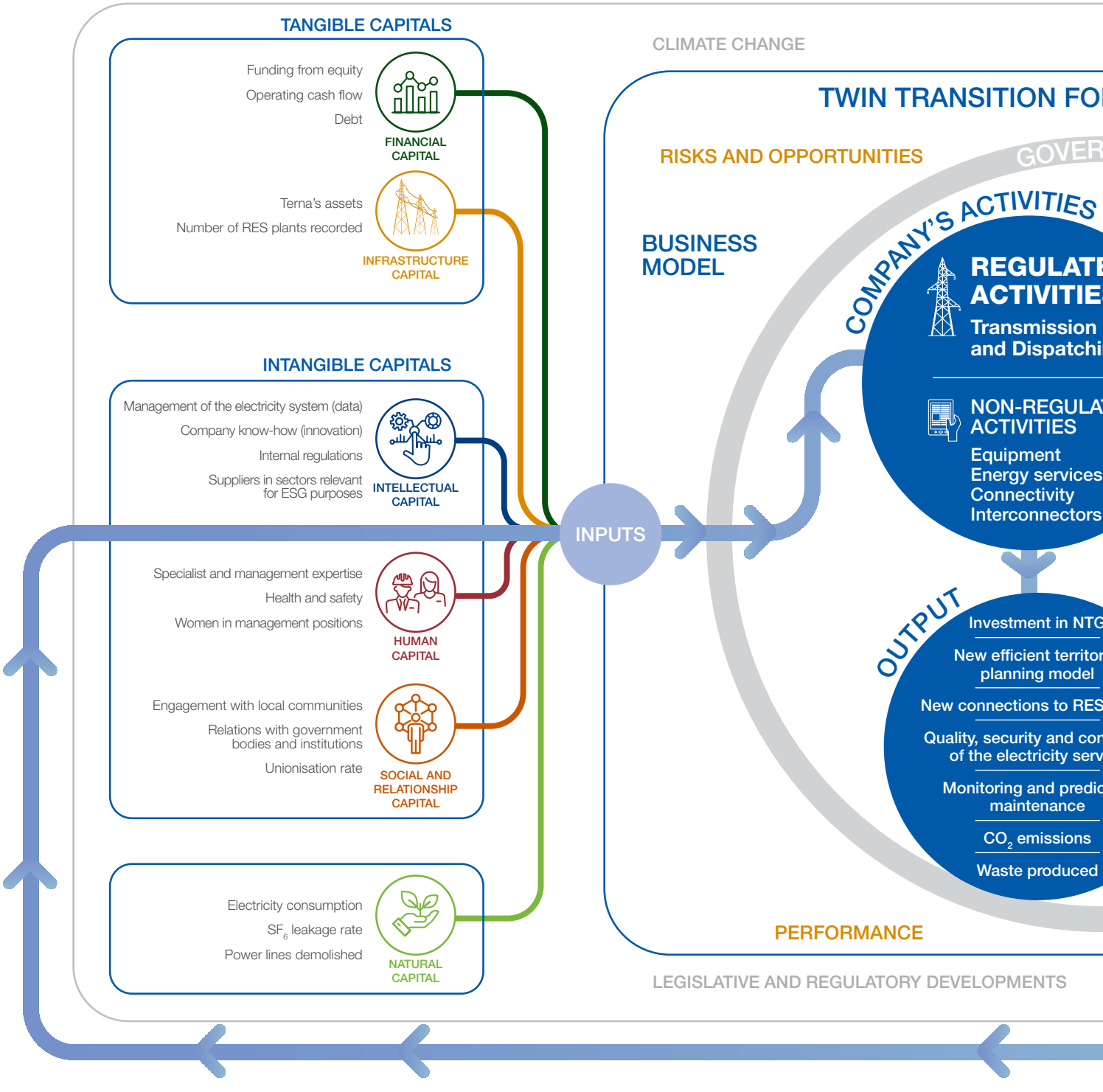
The process for defining the Sustainability Plan involves all company departments, which each year are called upon not only to report on the past year's performance, but also to evaluate new goals for the future based on input from the external context and business developments. In this regard, note that the latest update of the Plan took into account the requirements of the Corporate Sustainability Reporting Directive, expanding the scope of the targets to the entire Group in line with the consolidated scope required by the legislation, and including the issues that emerged as relevant from the new European Sustainability Reporting Standards (ESRS). The update also included objectives related to the Corporate Sustainability Due Diligence Directive, ensuring an increasingly transparent and structured approach to reporting and managing sustainability impacts along the value chain. The mechanism for reviewing and updating the Plan includes, after the Sustainability function's discussion with the various company departments, sharing it with the Board of Directors' "Sustainability, Governance and Scenarios" Committee.

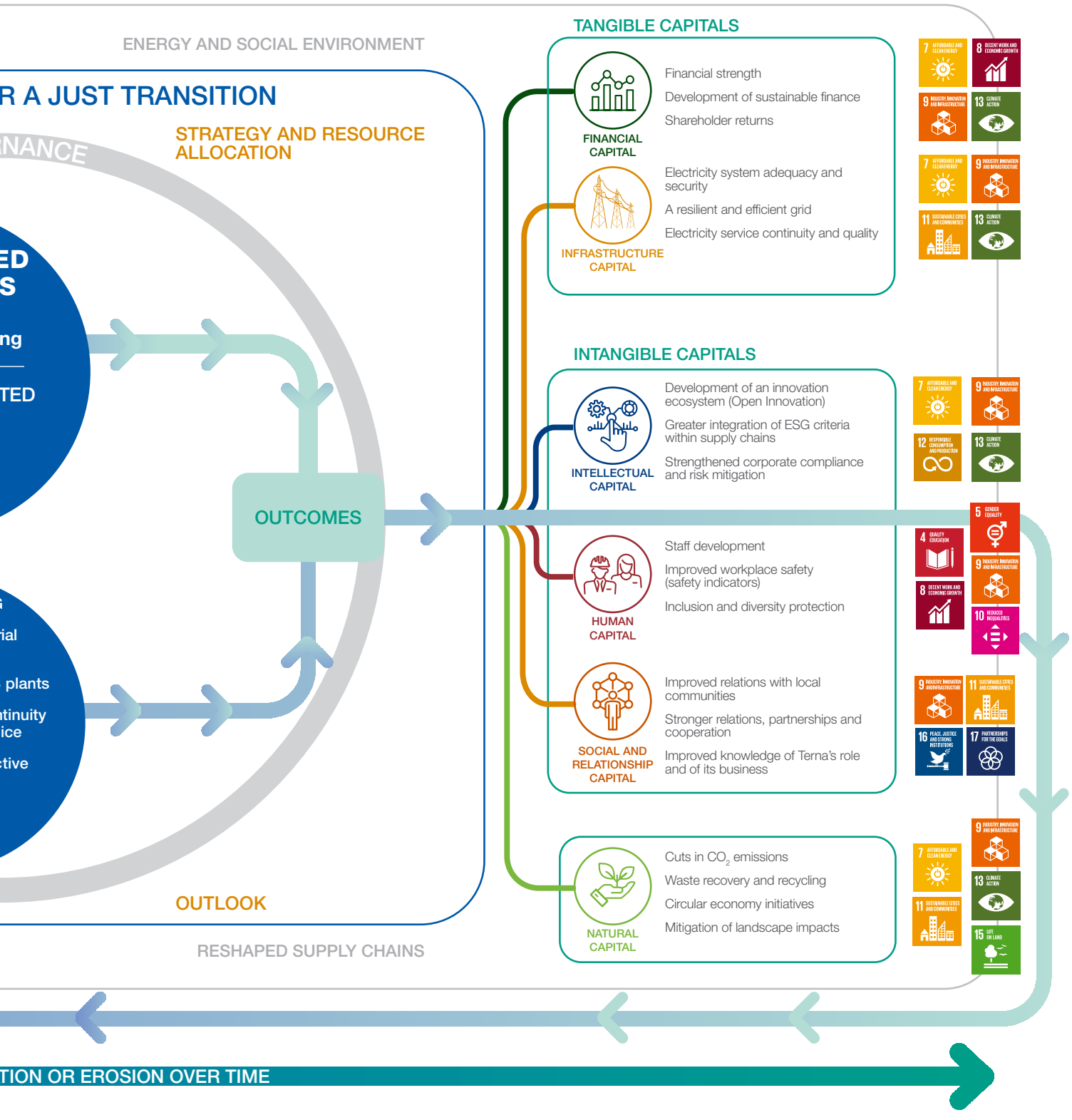
For the monitoring of the Plan, which is crucial to ensure the achievement of its objectives, a special system of procedures and controls was adopted. In fact, an interdepartmental coordination group responsible for monitoring the Plan was set up, which, for the first time in the Group's history, monitors progress against the Sustainability targets on a quarterly basis. The Coordination Group maintains a continuous exchange of information with the corporate structures that own the KPIs and Plan targets, thus ensuring constant updating and effective management of the various activities. The main KPIs set out in the Plan are then reported to the board committees on a periodic basis. In the last quarter of 2024, with a view to continuous improvement, a "light assessment" by a third party was also planned in order to evaluate the quarterly monitoring model envisaged for the Plan and to gather insights for improvement to be implemented in the 2025 monitoring period.

In this document some of the main objectives set out in the Sustainability Plan are recalled for the various sections.



The value creation process




ENERGY AND SOCIAL ENVIRONMENT
R A JUST TRANSITION
STRATEGY AND RESOURCE ALLOCATION
NANCE
ED
S
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TED
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plants
tinuity
ice
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OUTCOMES
OUTLOOK
RESHAPED SUPPLY CHAINS
TANGIBLE CAPITALS
FINANCIAL CAPITAL
Financial strength
Development of sustainable finance
Shareholder returns
INFRASTRUCTURE CAPITAL
Electricity system adequacy and security
A resilient and efficient grid
Electricity service continuity and quality
INTANGIBLE CAPITALS
INTELLECTUAL CAPITAL
Development of an innovation ecosystem (Open Innovation)
Greater integration of ESG criteria within supply chains
Strengthened corporate compliance and risk mitigation
HUMAN CAPITAL
Staff development
Improved workplace safety (safety indicators)
Inclusion and diversity protection
SOCIAL AND RELATIONSHIP CAPITAL
Improved relations with local communities
Stronger relations, partnerships and cooperation
Improved knowledge of Terna's role and of its business
NATURAL CAPITAL
Cuts in CO_2 emissions
Waste recovery and recycling
Circular economy initiatives
Mitigation of landscape impacts
TION OR EROSION OVER TIME

Terna's value creation

The 2024 Report on Operations illustrates the Terna Group's ability to create value over time through a **Sustainable business model** based on the interaction between tangible and intangible capital available to the organisation. Its proper functioning is constantly monitored, metered and reported through specific financial, operational, social and environmental indicators.

The Terna Group's process for creating value over time[32] is guided by a **Governance** oriented towards sustainable success that aims to define and implement a clear medium- and long-term **strategy**. Based on the guidelines contained within the **2025 Development Plan** and the **2024-2028 Industrial Plan** Update, this strategy aims to foster and realise an energy and digital transition that also takes into account social impacts (a so-called **just transition**). Crucial to the achievement of this strategic objective is the correct **allocation of resources**, undertaking investments that aim to enhance and improve the efficiency and resilience of the National Transmission Grid (NTG) while ensuring an adequate assessment and management of economic and financial **risks**, including those of an ESG nature connected to the business, and of the possible **opportunities** related to them. In presenting its business model and any updates, among other things the Terna Group takes into account the impacts, risks and opportunities associated with significant areas of activity that could potentially occur in its own operations or those related to the value chain, in order to make it more resilient and adaptable to changes in the external context.

SBM-1 >

In line with the enabling factors of the 2024-2028 Industrial Plan Update, the Terna Group's business model is structured into two main distinct areas of activity (Regulated Activities and Non-regulated Activities) that correspond to the core business (Electricity Transmission and Dispatching) and the complementary strand that operates in the free market, with a new structure for the Terna Group's market subsidiary that integrates diversified skills along the entire energy value chain for the design, engineering, operation and maintenance of solutions for the energy market (Non-regulated Activities). For an understanding of the Group's business model in the year 2024 and the related costs and revenues associated with the business segments, please refer to Note C "Operating Segments" of the Consolidated Financial Statements.

The **capitals** represent the essential resources at the Terna Group's disposal to create and preserve value over time through their continual combination and interaction, both within the Company and with the outside world, including in the latter the legitimate needs and expectations of stakeholders. Capital plays a fundamental role within the value creation process since it is an **input** of the process, measurable from one year to the next (on the left side of the infographic), an **output**, to be understood as the set of products, services, by-products and waste of an organisation[33] (in the central part of the infographic), and an **outcome**, to be understood as the process's ability to increase new resources and ensure their transformation in line with the objectives set by the Terna Group (on the right). As mentioned above, the capital that the Terna Group considers to create value and achieve its corporate objectives is both tangible – specifically, financial capital and infrastructure capital, represented by all of Terna's assets – and intangible – specifically, intellectual capital, human capital and social-relational capital.

Indeed, of all the intangibles intellectual capital is the most versatile, in fact its quality and robustness – and thus its capacity to create value – intersects with human capital, social capital and relational capital. To drive the Energy Transition, a continuous analysis and proper management of big data are essential, with their integrity safeguarded by robust cyber security processes and a reliable electricity system. Its operation is further ensured by innovation and digitalisation processes, enabling the ability to tackle the challenges and uncertainties of an increasingly complex external environment. For more information on this see the "Value creation strategy - Innovation strategy" section of the Report on Operations, the "Governance information" section of the Consolidated Sustainability Statement and Note 15 - Intangible Assets of the Consolidated Financial Statements.

[32] Terna has adopted the principle-based framework proposed by the International Integrated Reporting Council (IIRC), the guiding principles of which are: (1) Strategic focus and future orientation, (2) Connectivity of information, (3) Stakeholder relationships, (4) Materiality, (5) Conciseness, (6) Reliability and completeness, and (7) Consistency and comparability. Their almost total coincidence with the guiding principles in the GRI standard 101 – Foundation setting out the content of quality ESG reporting further strengthens the structure of this Report.

[33] https://www.integratedreporting.org/wp-content/uploads/2021/09/IRFRAMEWORK_ITALIANO.pdf

With regard to human capital, its quality is crucial for the company's growth, and consequently for fuelling the creation of value over time. People, with their basic education, skills developed and consolidated over time, managerial skills, motivation, loyalty and sense of belonging, are a central element of all company activities, and it is necessary to guarantee respect for their rights. For more information on this, see the "Social information" section of the Consolidated Sustainability Statement.

Finally, with regard to social-relational social capital, its quality is dependent on the Group's ability to listen to its stakeholders, considering their interests and analysing their compatibility with its business objectives. For more details on this, see the "Sustainability Context" section of the Consolidated Sustainability Statement.

The representation of the business model by capital allows the Terna Group to emphasise the outputs and related outcomes generated, highlighting the benefits that its stakeholders enjoy both from a financial point of view, in terms of economic returns linked to the investments made, and from the point of view of the social-relational and environmental impacts produced. In this regard, and more generally in making strategic and operational decisions, the Terna Group uses knowledge and data such as: < SBM-1

- market data, such as analyses of demand and industry trends;
- legislative requirements and industry standards;
- internal company performance reports/operational KPIs.

The Terna Group's value chain

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In order to provide as exhaustive a representation of the Group's business model as possible, a mapping of the value chain was carried out in 2024 considering three macro-phases relating to upstream activities, operations carried out directly by the Group and those carried out downstream. The mapping also takes into account the main actors in each of these phases.

Specifically, the **activities upstream in the value chain** take into account the procurement of materials and finished products required for the production processes of the Subsidiaries and for the Group's activities in general, and the procurement of labour from third-party companies (through labour and service contracts). The main actors in this phase therefore include suppliers of materials and finished products and contractors. Given the specificity of the Group's business, which is characterised by the need to perform maintenance in a short timeframe while guaranteeing the safety of the electricity system, among the supply contracts there is a prevalence of purchases of works (as opposed to supplies and services) and of national operators. The use of local suppliers also reduces the costs of transporting bulky and heavy materials and contributes to the reduction of its environmental impact[34].

The phase relating to **own operations** is in turn subdivided into:

- **Planning**: identification of the structural modifications necessary for the transmission system to optimally fulfil its function of safely and economically transporting the energy produced from the production areas to the distribution and load centres. Also included are activities related to the design of photovoltaic systems based on customer requirements;
- **Development**: grid development activities, and on the other hand the production of finished products required for grid development, such as transformers and high-voltage power cables and the construction and implementation of photovoltaic plants;
- **Maintenance**: preventive and corrective maintenance of electrical lines and substations through regular inspections and repair work to prevent and solve malfunctions, and maintenance of photovoltaic installations through the repair and regeneration of photovoltaic inverters;

[34] For more details on the management of relations with suppliers, see the specific section within the chapter "Governance information".

- **Provision of products and services**: energy dispatching aimed at ensuring that the demand for electricity is always balanced by the energy produced by power plants through the coordination of production plants and the management of emergencies for the proper functioning of the electricity system. Also included in this sub-phase are consulting and the sale of finished products to customers, the installation and connection of photovoltaic systems to the electricity grid, and ordinary staff activities preparatory to the Group's activities.

The main actors in this phase include the Group's workers. In addition to these, for the performance of its so-called "Regulated Activities" the Group has business relations with various categories of operators. These include **dispatching users**, i.e. manufacturers, wholesalers and customers. Another significant group consists of the distribution companies and private grid operators involved in the transmission and aggregation of measures required for the regulation of the dispatching service.

Other business relations concern the **parties requesting the connection** of their plants to the National Transmission Grid, whether manufacturers or consumers, as well as so-called interruptible customers, i.e. those who, against payment of a fee, agree to temporarily interrupt their electricity supply to contribute to the security of the system. To these the Group offers specific contracts for the interruptibility service, aimed at mitigating the risk of widespread power blackouts and ensuring the stability of the electricity system.

For the so-called "Non-regulated Activities", the Group's business relations involve **corporate customers** of numerous companies belonging to a variety of sectors. For the design, manufacture, marketing and repair of transformers the Group serves players in the steel, metallurgical and electrochemical industries. The Group also works to ensure fast and reliable digital connections by supporting its partners in the development of smart solutions. This also includes the business of licensing the right to use optical fibre, within the scope of which the



Group has contracts with several customers, mainly in the telecommunications sector. Finally, Terna develops energy solutions for companies that want to evaluate and integrate renewable energy plants, storage systems, and cogeneration solutions within their production process, also offering revamping/repowering solutions for photovoltaic plants.

Finally, the **activities carried out downstream in the value chain** focus on:

- **Transport and logistics**: activities related to the transport and logistics of finished products from production sites to end customers that are entrusted to specialised external partners able to guarantee product traceability;
- **Waste disposal and end-of-life products**: waste transport and disposal, also relating to end-of-life management of assets and works.

The main actors in this phase include third-party disposal companies.

For more information on the method the Group has adopted to map its value chain, see the "Double Materiality" section in the Consolidated Sustainability Statement.
Furthermore, again with regard to the value chain, the Group pays great attention to measuring and evaluating results in terms of the current or expected benefits of the parties it deals with. In keeping with the approach applied to the business model, the outcomes generated are assessed as benefits that stakeholders gain both from a financial perspective and in terms of social-relational and environmental impacts. As a result, Terna's business model not only generates positive impacts for the Group but also helps to create the conditions for the generation of positive results for the players in the value chain.



Benchmark SDGs

For Terna, the United Nations' Sustainable Development Goals (SDGs), forming the heart of the 2030 Agenda, provide a series of benchmark values, with SDGs 7 (Affordable and clean energy), 9 (Industry, innovation and infrastructure) and 13 (Climate action) fully aligned with the Company's mission and strategic objective of achieving a just transition. SDG 17 (Partnership for the goals), meanwhile, provides further impetus for accelerating delivery of this objective.

The SDGs also summarise the coherency of Terna's value creation process with the aim of delivering sustainable success, the operating results of which are measured through specific indicators referred to throughout the Report.

Terna's benchmark SDGs



Ensure access to affordable, reliable, sustainable and modern energy for all.



Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.



Take urgent action to combat climate change and its impacts.



Strengthen the means of implementation and revitalise the global partnership for sustainable development.

The changed socioeconomic environment, in recent years heavily impacted at global level by the effects of a series of events such as the high inflation and energy crisis caused by the conflicts in Ukraine and the Middle East, has, on the one hand, made it even more urgent to fully deliver the energy transition – also in terms of making Italy fully energy independent and secure – and, on the other, redefined it scope by including considerations relating to social equity and inclusion.

In other words, it is necessary for the path to decarbonisation to coincide with a restart of economies based around inclusive and resilient models. This must also take into account social aspects, with priority given to the need to combat the progressive erosion of social cohesion and, more generally, respect for human rights.



Taken as a whole, the SDGs are also a clear benchmark from an operational standpoint to which Terna refers in carrying out its activities. The SDG's steer Terna towards achieving environmental objectives (e.g., efficient use of natural resources, respect for the environment, life under water, reduction of CO_2 emissions, the reduction and recycling of waste), social objectives (quality education, respect of human rights and gender equality) and good governance objectives (fighting corruption and transparent reporting).

In this sense, Terna also strives to achieve SDGs 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 10 (Reduced inequalities), 11 (Sustainable cities and communities), 12 (Responsible consumption and production), 14 (Life under water), 15 (Life on land) and 16 (Peace, justice and strong institutions).

Benchmark SDGs for the management of Terna's activities



Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.



Reduce inequity within and among countries.



Conserve and sustainably use the oceans, seas and marine resources for sustainable development.



Achieve gender equality and empower all women and girls.



Make cities and human settlements inclusive, safe, resilient and sustainable.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Ensure sustainable consumption and production patterns.



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

The SDGs undoubtedly represent a cornerstone for Terna, being an integral part of the orientation of the company's activities and cutting across various strategic areas within the Group's Policies.

In fact, the SDGs are referred to in the Terna Group's Integrated Management System Policy as well as the Sustainability Policy, through which the Group's main sustainability commitments are outlined.

Another policy that refers to the SDGs is the Corporate Giving Policy, whose guidelines and priorities are established in implementation of corporate strategies, sustainability goals, any new information from stakeholders, the positioning of the company, and the evaluation of activities and plans already implemented and the results achieved. Specifically, the Terna Group is primarily focused on issues related to the pursuit of Goals 4, 9 and 11.

Finally, note that the Terna Group's Audit Plan also takes into consideration issues related to the SDGs, which therefore permeate the governance model and internal control system in keeping with the Group's mission and objectives.



Regulated Activities 74

Non-regulated Activities 107

International Activities 115

The Terna Group's financial resources 117



3 The Terna Group's business

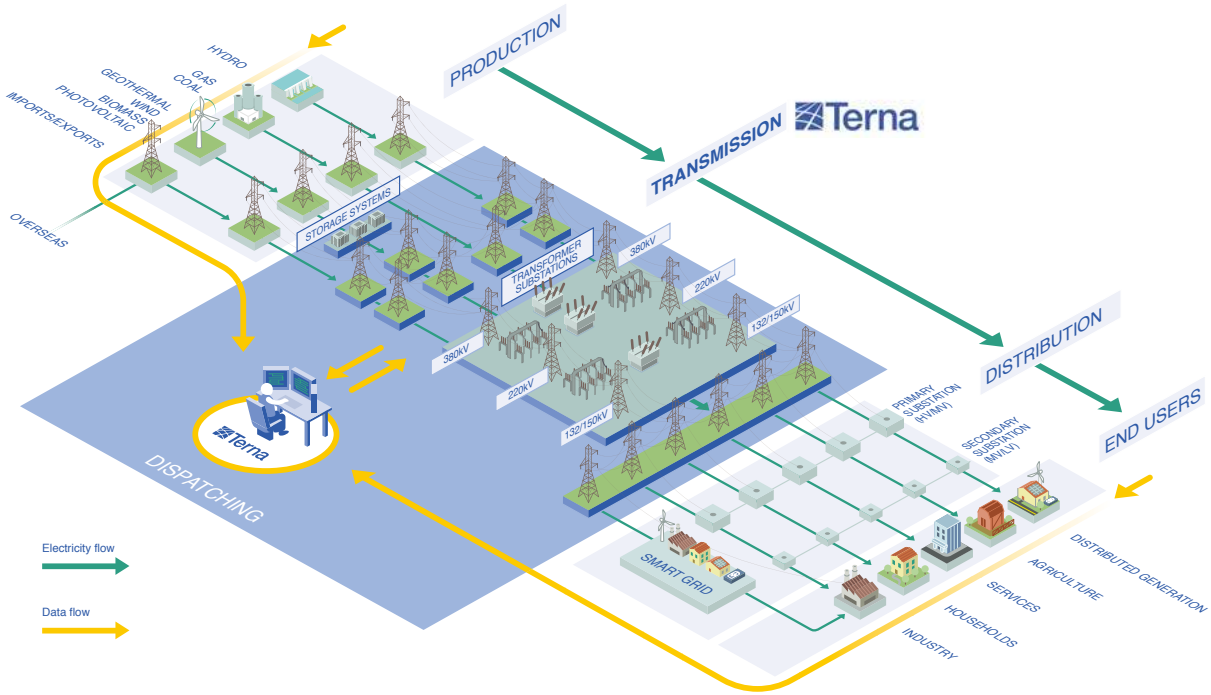
The Terna Group's business model for 2024 is divided into three areas of business. The main area is Regulated Activities, which coincides with the obligations deriving from the government concession, together with Non-regulated Activities and International Activities.

Regulated Activities

Electricity transmission: Terna's role for the country

The Italian electricity supply chain consists of four segments: production, transmission, distribution and the sale of electricity. With its transmission and dispatching activities, Terna occupies the key transmission segment.

The national electricity system supply chain



As a **Transmission System Operator (TSO)**, Terna not only has to design a grid capable of dealing with the progressive decarbonisation and the ever-growing integration of renewable sources (transmission operator), but also ensure that, moment by moment, consumer demand for energy is constantly balanced with production, through **dispatching** (system operator). Terna has the key and delicate role of guaranteeing this balance through a high-technology system, using a specific market (the dispatching services market or "MSD"), in which it makes daily purchases of the "services" necessary to constantly ensure the continuity and security of electricity supply.

In addition to strengthening the domestic grid, Terna is required to develop **interconnection capacity with other countries' electricity systems**. Indeed, Italy is electrically interconnected with France, Switzerland, Austria, Slovenia, Montenegro and Greece via 30 interconnectors.

National Transmission Grid

Terna **operates** Italy's high and very-high-voltage national transmission grid ("NTG"), one of the most modern and technologically advanced in Europe. Planning for development of the NTG, the performance of construction services and the maintenance of electricity infrastructure are the three areas of responsibility included in the regulated electricity transmission business.

The Group adopts a **sustainable approach** throughout every stage of the process. This takes the form of transparency in managing the Group's social and relationship capital through engagement with the stakeholders directly affected by the Group's development initiatives, with a view to building awareness of the importance of delivering the planned new electricity infrastructure.

Terna's infrastructure*

915 electricity substations	75,236 km of circuits	68,374 km of lines 94% overhead	no. 4 control centres
781 transformers	5 storage sites	7,329 bays	236,707 line spans

** Figures updated to 31 December 2024, except for the figure for line spans, which is updated to early 2025.*

Connecting new plants

Terna has an obligation to connect all potential users requesting connection to the grid, identifying connection solutions in terms of criteria that guarantee the continuity and secure operation of the grid to which an applicant's new plant will be connected. Terna is responsible for high and very high voltage connections to the NTG of plants with a capacity of 10 MW or more.

Terna is handling around 9,000 applications for connection to the grid in relation to future or existing initiatives. More than 5,300 applications for connection using the general minimum technical solution, relating to the connection of plants using renewable energy sources (RES) to the NTG and representing total capacity of 305 GW, are currently in progress.

New projects at the development stage primarily regard wind and solar power plants.

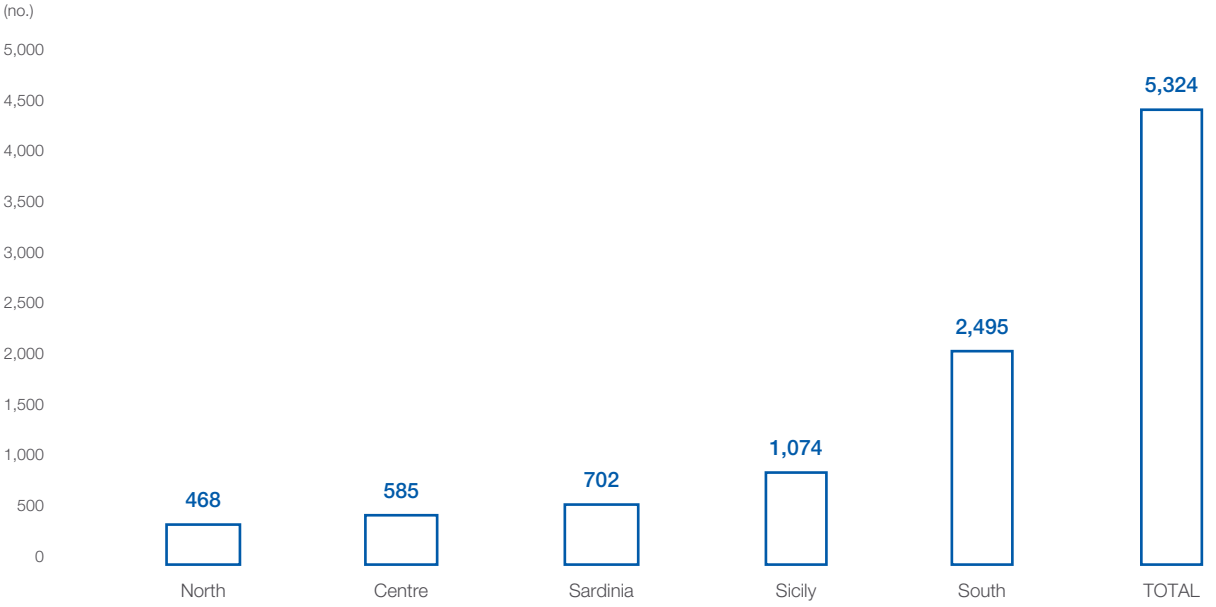
Information on renewable energy plant connection requests is provided in the **Econnextion**[35] dashboard.

The data shows that:

- 80% of the applications received are from southern Italy and the islands representing capacity equivalent to over 82% of the total;
- a sharp increase was registered in applications for the connection of new distribution plants and for upgrades to existing plants by local distributors, with the aim of harnessing production from renewable sources;
- **33 connection contracts were signed** in 2024 (representing total **capacity of approximately 1,120 MW**), relating to the construction of new RES plants.

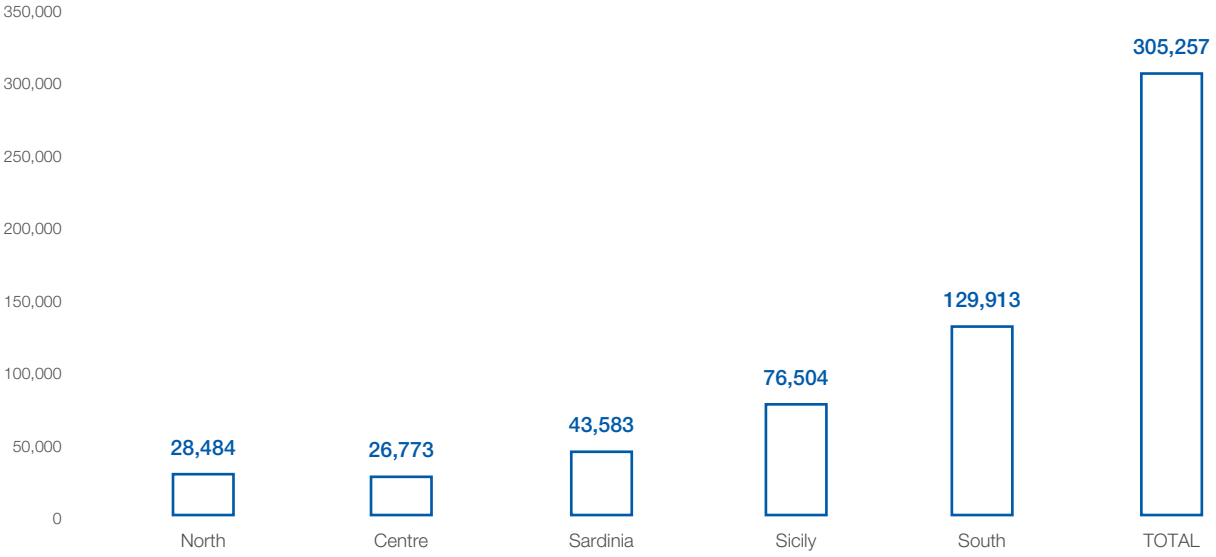
[35] https://www.terna.it/it/sistema-elettrico/rete/econnextion

Number of applications[36]



Data at 31 December 2024.

Capacity

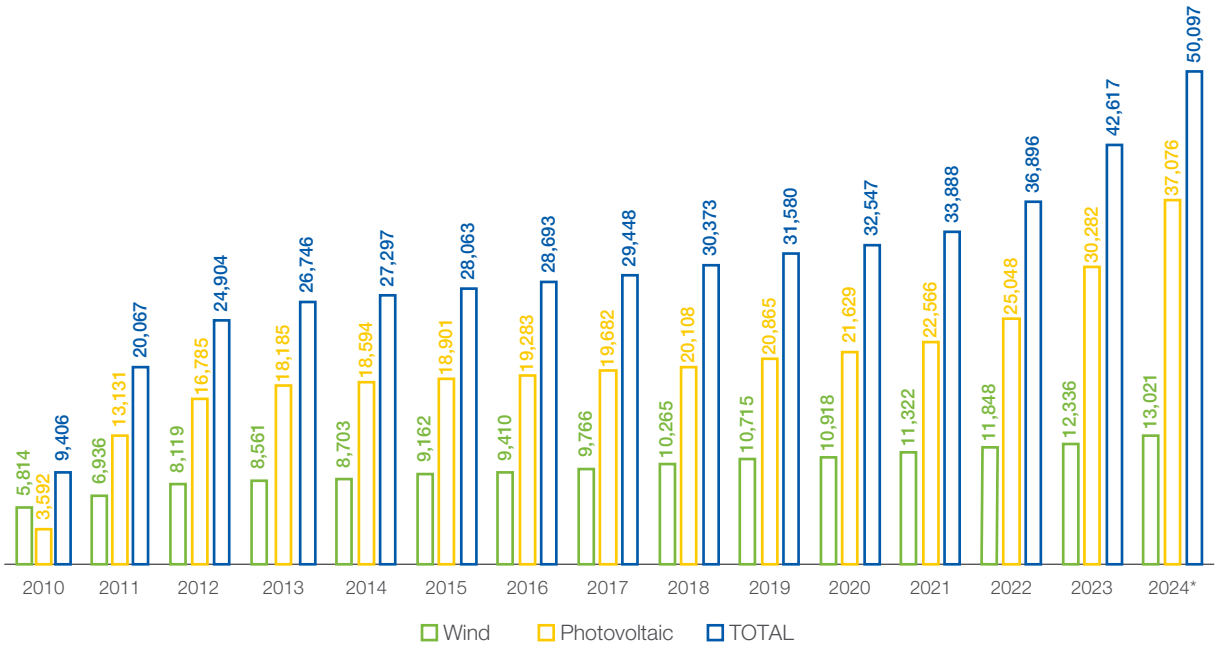


Data at 31 December 2024.

[36] The different areas of the country include the following regions:
North: Val d'Aosta, Piedmont, Liguria, Lombardy, Veneto, Trentino-Alto Adige, Friuli-Venezia Giulia, Emilia-Romagna, Tuscany.
Centre: Marche, Umbria, Lazio, Abruzzo, Molise.
South: Campania, Puglia, Basilicata, Calabria.

Installed photovoltaic and wind capacity 2010-2024

(Mw)

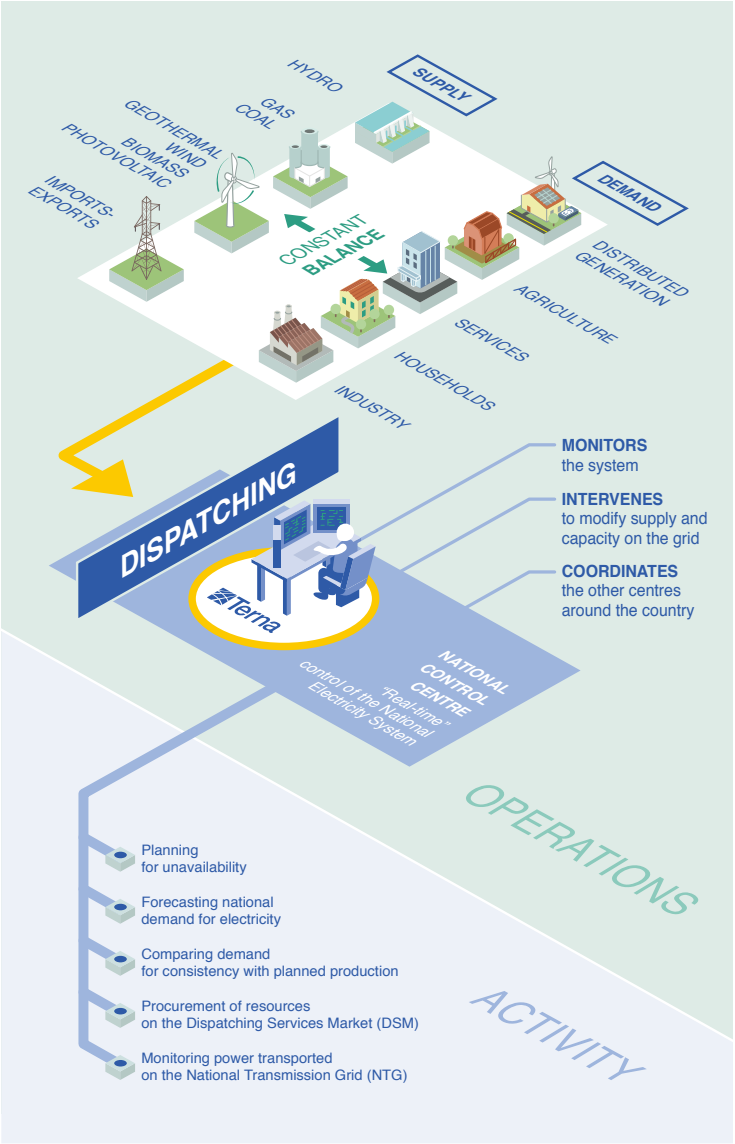


** Provisional data.*



Dispatching of electricity

Except in specific and limited circumstances, electricity cannot be stored. Therefore, it is necessary to produce - moment by moment - the amount of energy required by all consumers (households and companies) and to manage its transmission so that supply and demand are always balanced, thus guaranteeing the continuity and security of the electricity supply. Terna manages these energy flows through the grid via dispatching activities.



Dispatching includes planning for the unavailability of the grid and of production plants over different timescales, forecasting national demand for electricity, comparing demand for consistency with planned production in the free energy market (the Power Exchange and over-the-counter contracts), the acquisition of resources for dispatching and monitoring power transfers for all the power lines that make up the grid.

This area of operation also includes management of the **Dispatching Services Market (DSM)**, through which the resources for dispatching services are procured.

In fact, real-time control of the National Electricity System is ensured by the **National Control Centre**, the nerve centre of the Italian National Electricity System, which was renovated in 2024, more than 60 years after its establishment (1963). The National Control Centre coordinates the other centres around the country, monitors the system and dispatches electricity. The Centre intervenes, by issuing instructions to producers and Remote Management Centres, in order to modify supply and capacity on the grid. To avoid the risk of prolonged power outages, it may also intervene in an emergency to reduce demand.

Key dispatching events in 2024

Despite particularly challenging operating conditions, in 2024 Terna again **guaranteed the continuity and security of the electricity service to the country**. The grid experienced record levels of production from renewable sources and was subject to changes in the consumption patterns, with highly volatile weather conditions. Nevertheless, Terna ensured a secure operation thanks to grid development works and by optimising operating processes to support planning and real-time management. Terna is still committed to maximising the withdrawal of renewable energy.

Dispatched Renewable Sources (Peak production)

Renewable energy production set record values in 2024, covering 41.2% of the entire 2024 demand, the latter increasing compared to 2023 (up 2.2%), with high peaks in the summer months (as in previous years).

Indeed, in 2024 the coverage with wind power was down by down 5.6% compared to 2023 due to long periods of low wind. Despite the decrease, the maximum national hourly energy production figure was 8.4 GWh. On 20 December from 1 to 2 pm, in line with the record figure of 2023, wind power production covered around 21% of Italy's electricity needs.

Photovoltaic production continued to beat historic records in 2024 also thanks to growth in the installed base, reaching 19.55 MWh (provisional figure subject to revision) of production at 12 noon to 1 pm on 10 May 2024. In this instance, photovoltaic production covered approximately 49% of Italian electricity demand.

Expanding the perimeter and considering the coverage of Italy's electricity requirements from RES – thus including energy from hydroelectric, photovoltaic, geothermal and biomass sources – an hourly energy maximum of 33.62 GWh (provisional data subject to recalculation) was recorded in 2024 on 22 June from 1 to 2 pm, with an hourly coverage of 89.5% of national requirements (37.6 GWh). The highest load was recorded in July with a peak of 57.5 GW on 18 July from 3 to 4 pm.

2024 was marked by high availability of hydropower, with energy production reaching 53.5 TWh, a 30% increase compared to the previous year. The increased rainfall and snowfall in 2024 contributed to this surge.

Terna remains committed to maximising the withdrawal of energy produced from renewable sources through low-cost projects (so-called capital light) both between market zones to increase transit limits and within the same zones. These actions include, for example, the removal of limiting elements from the high-voltage bays of electricity substations belonging to the relevant grid (Terna's or third parties') and the expansion of the Dynamic Thermal Rating (DTR) perimeter. A particularly significant aspect was also the in-depth review of the dynamic monitoring standards for transmission limits and the upgrade of the Defence System. In addition, the continuous commitment also involves optimising the use of assets in real time to ensure the secure maximum possible withdrawal of wind energy.

Black start simulations

In 2024 two real tests of blackout recovery were carried out, necessary to verify the operating conditions of the electricity system and to improve its efficiency by ensuring a rapid resumption of service in the event of a blackout.

At the end of September, a new repowering line in Sicily was tested. The test involved part of the 220 kV grid between the Sorgente electricity substation and the Termini Imerese power substation, synchronising the new unit of the same power substation with the transmission network.

In October, the test of a new reset unit was carried out in Veneto. The test involved the Soverzene electricity substation, the new Auronzo electricity substation, part of the 220 kV grid, the Pelos power substation, and re-powering the 132 kV loads of the Alto Bellunese and Cortina D'Ampezzo.

Electrochemical storage (Fast Reserve and Capacity Market)

The progressive reduction of an electricity system's inertia usually results in an increase in frequency variations. These must be contained with extremely rapid response timeframes, not always compatible with the current contribution of the traditional power generator's primary regulation, above all during the phase-out of coal-powered plants that are characterised by particularly fast response times when resolving initial frequency issues.

To support grid management, Terna has activated the Fast Reserve pilot project, approved by ARERA with Resolution no. 200/2020 as part of the pilot projects defined in Resolution no. 300/2017, which envisages an experiment to improve the dynamic response of the system in the first instances of frequency transients through the use of electrochemical storage (BESS). This new service was procured through an auction with five-year contracts: approximately 160 MW will be in operation by the end of 2024.

The assets taking part in the project are able to provide voltage solutions with activation times no longer than one second, which can be triggered by appropriate automatic local logistics and through remote controlling by operators at the National Control Centre.

In order to meet the challenges of the new generation scenarios with increasing penetration of renewables and to provide a broad spectrum of services for the system, additional procurement of electrochemical storage capacity (BESS) was also introduced through Capacity Market auctions for a total of about 1850 MW of contracted power, of which 950 MW will be in operation by the end of 2024. In addition to supporting the adequacy of the electricity system by storing energy during the hours of high availability of renewable sources and then returning it to the system when it is most useful, these plants also have a very fast power response that makes them fundamental in the process of managing the phase-out of conventional generation, as they are able to supply/absorb active/reactive power from the grid in a very short time, contributing in a timely manner to efficiently support the various grid adjustments.
These plants are used for power frequency containment reserves (FCR), frequency restoration reserves (FRR) and replacement reserves (RR). Specifically, at the end of December 2024 around 150 MW of half-band were enabled by the national frequency/power regulator.

Due to their flexibility, BESS are also used for non-frequency ancillary services (e.g. voltage regulation and extraordinary modulation).

Compensation methods

As part of the Plan to Improve the Defence System for the Security of the National Electricity System (Security Plan), in order to contain high-voltage levels, Terna has drawn up an important plan to install devices regulating reactive power levels.

By 2024, 12 reactors had been installed, located mainly in central and southern Italy and the islands.

Finally, the 16 machines from the installation plan are confirmed for 2024, which will contribute to the regulation of voltages in the installation areas, as well as provide the system with a contribution in terms of inertia and short-circuit power, traditionally provided by conventional systems based on synchronous generators, which will see a reduction in the number of hours in service and/or decommissioning in the coming years.

ENTSO-E (European Network of Transmission System Operators for Energy)

During 2024 the Synchronisation Roadmap for Baltic TSOs with the Continental Europe Synchronisation Area (CESA) was implemented. The Synchronisation Roadmap had been approved in November 2023 by the Regional Group Continental Europe (RGCE) ENTSO-E.

The agreement for the synchronisation of the Baltic electricity systems with CESA initially came into force in 2019, but the synchronisation process was accelerated following the invasion of Ukraine in February 2022.

As part of the Synchronisation Roadmap, in June 2024 the Baltic TSOs' compliance analyses were validated against the technical and operational framework requirements established within ENTSO-E through the Catalogue of Measures (CoM). These analyses were approved by the Regional Group Continental Europe (RGCE) within the ENTSO-E System Operations Committee (SOC).

On 16 July 2024 the TSOs of Latvia (AST), Estonia (Elering) and Lithuania (Litgrid) notified the operators of Russia and Belarus of their intention not to renew the interconnection agreement between the Baltic electricity systems and the Russian and Belarusian systems, an agreement known as the BRELL Agreement (Belarus, Russia, Estonia, Latvia and Lithuania Agreement).

In October 2024, the Baltic Power System Island Operation Test programme was revised in the RGCE, while in November the overall framework for the Baltic Power System Island Operation Test "Framework for BSPS island operation test preparation and performance" was approved.

The test synchronisation between Baltic TSOs and Continental Europe was carried out in February 2025.

Overseas exchange

2024 ended with record figures in terms of volumes exchanged with other countries paired in the Market Coupling (up 8% compared to 2023). Volumes traded via SDAC (Single Day-Ahead Coupling) and SIDC (Single Intra-Day Coupling) in 2024 account for about 54% of the total volumes traded abroad.

The 2024 overseas exchange figure amounted to a total 51.0 TWh of electricity imported, in line with 2023. This net increase reflects a sharp increase in export volumes (up 47.9%) and an increase in imports (up 2.4%) compared with 2023. Interconnections played a key role in this increase, being an efficient and secure tool for the electricity system.

Prevention and management of electricity system emergencies

As noted by Legambiente[37], in 2024 Italy was struck by more than 350 extreme weather events, in line with the previous year's figures. There was a significant increase in flooding from heavy rain (up 12%) and river overflows (up 24%), which were particularly significant in Emilia-Romagna between September and October. Furthermore, there was abundant snow in Piedmont in March, high temperatures and forest fires in the summer in Central and Southern Italy, and violent cloudbursts with strong winds that swept across the entire peninsula in November.

In this challenging environment, Terna ensured a high level of resilience of the National Transmission Grid by adopting operational strategies and measures for the rapid restoration of electricity service. This constant commitment has minimised the impact on the supply of electricity to users, ensuring high standards of service quality even under critical conditions.

This result is the fruit of a systematic approach to risk prevention and management for the electricity system, as witnessed by Terna's participation in the national "Exe Flegrei" exercise organised in October by the Civil Protection Department and the Campania Region. This same approach ensured the continuity and security of the transmission service during the 24 G7 events hosted by Italy during the year.

[37] Source: City Climate Observatory Legambiente – 2024 Financial Statements

Integrated Electricity Dispatching Act (*Testo Integrato del Dispacciamento Elettrico* - TIDE)

With Resolution no. 499/2024, the Authority approved the proposed amendments to the Grid Code proposed by Terna last 15 November, aimed at transposing the Integrated Electricity Dispatching Act (TIDE).

With its previous Resolution no. 304/2024, ARERA had also set out a phased implementation of TIDE, providing for a transitional phase (from 1 January 2025 to 31 January 2026), a consolidation phase (from 1 February 2026) and a subsequent final phase during which TIDE would be fully implemented.

The start of the transitional phase on 1 January 2025 required significant changes to Dispatching systems and procedures during 2024. The 1 January Go-Live saw the following main changes with an impact on Terna's processes:

- the introduction of the 15-minute time unit for billing imbalances (ISP);
- the separation between appointments for scheduling purposes and the commercial position of individual units as a result of the Energy Markets;
- the option for Balancing Service Providers (BSPs) to submit bids on the Market for Balancing and Redispatching (MBR) referring to zonal aggregates, as governed by the UVA Regulation valid for TIDE's transitional phase.

The preparatory activities for the consolidation and final phases will continue throughout 2025.



Main projects in the Development Plan

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The projects of the Development Plan 2025 pursue the objective of **creating synergy with the development works already planned** (in the 2023 Development Plan and earlier) **and with the existing infrastructure**, in order to ensure maximum safety and flexibility of operation, as described in the section "Value creation strategy".

The grid architecture as at 2034 and post-2034 takes into account the synergy between the Hypergrid project and the VHV grid projects already planned, with **planned investments of more than €23 billion over the ten-year horizon of 2025-2034**.

Following are the main development projects planned for the years 2030, 2034 and post-2034.

It is a very challenging Development Plan but at the same time characterised by **solid elements**:

- the projects planned for 2030 have already been authorised and some of them are already under construction;
- projects for 2034 have already started authorisation processes;
- those planned for after 2034 are in the works budget conciliation phase.

Confirming the benefits of projects that contribute most to achieving decarbonisation targets and the energy transition, **the cost-benefit analysis also demonstrated their full sustainability** through robust system utility indices (SUI) notwithstanding a challenging environment of rising costs.

In the 2025 Development Plan for the National Transmission Grid, Terna aims to extract more value from existing assets through **capital-light** projects based on innovative, low-capital-intensive instruments and solutions, which flank traditional infrastructure initiatives, making it possible to pursue benefits for the grid in terms of:

- increased transit limits between Market Zones;
- mitigation of intra-zonal congestion;
- maximisation of RES production and reduction of curtailment;
- maximisation and anticipation of the benefits expected from the entry into service of the individual works of the Development projects, including during the intermediate phases.

The Hypergrid project, together with all the projects planned for the VHV grid and the Capital-Light works included in the 2025 Development Plan, in continuity with the 2023 Development Plan, will make it possible to achieve the EU decarbonisation targets, favouring the connection of the expected renewable plants.

Progress of the main projects

INTERCONNECTORS AND LINES	STATUS	PURPOSE
Italy-France interconnection	●	◯ CO2 ⚡ ❄
Italy-Austria interconnection	●	◯ CO2 ❄
Elba-Mainland 132 kV power line ✓	●	◯ ⚡ ❄
Sardinia-Corsica-Italy interconnector (SA.CO.I.3)	○	◯ CO2 ⚡ ❄
HVDC Centre South - Centre North	○	◯ CO2 ⚡ ❄
HVDC Italy-Tunisia	○	◯ CO2 ⚡ ❄
HVDC Mainland-Sicily-Sardinia (West Link/East Link)	○	◯ CO2 ⚡ ❄
Chiaramonte-Gulfi-Ciminna 380 kV power line	○	◯ CO2 ⚡ ❄
Colunga-Calenzano 380 kV power line ✓	○	◯ CO2 ⚡ ❄
Cassano-Chiari (380 kV power line between Milan and Brescia)	○	◯ ⚡
Paternò-Pantano-Priolo 380 kV power line	○	◯ CO2 ⚡ ❄
Italy-Slovenia interconnection	○	◯ CO2 ❄
Upgrade in the Mid Piave Valley	○	CO2 ⚡ ❄
Gissi-Foggia (power line Foggia-Villanova 380 kV)	○	◯ CO2 ⚡ ❄
North-Calabria Grid reorganisation	○	◯ CO2 ⚡ ❄
HVDC Milan-Montalto	●	◯ CO2
Central Link	●	◯ CO2
HVDC Fiumesanto - Montalto (Sapei 2) and Sardinian Link	●	◯ CO2
HVDC Priolo-Rossano-Montecorvino-Latina e HVDC Ionian	●	◯ CO2
HVDC Foggia-Villanova-Fano-Forlì	●	◯ CO2
Restructuring metropolitan areas[38]	● ○ ○	⚡ ❄
Italy-Switzerland Interconnector	○	◯ CO2 ⚡ ❄
SUBSTATIONS		
Vizzini substation	●	CO2 ⚡ ❄
Pantano substation	●	◯ CO2 ⚡ ❄
Agnosine substation	○	CO2 ⚡ ❄
Cerignola substation	○	
Ariano Irpino substation	○	◯ CO2 ⚡ ❄
Torremaggiore substation	●	

Legenda Resiliece and Status

✓ Resilience plan ● Completed ○ Under construction ○ Awaiting consents ○ Study ⊙ Consultation ● Under design ● Planned

Legenda Driver

CO2 De-carbonisation ◯ Market efficiency ⚡ Security of supply ❄ Systemic sustainability

[38] The overall project refers to projects 6-P, 10-P, 115-P, 317-P, 326-P, 404-P, 514-P of the 2025 Development Plan.

Security and Resilience Plan

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The National Electricity System Security Protection Plan, also known as the Security Plan, is a four-year programme of interventions to protect the security of the electricity system. Prepared by Terna pursuant to Law 290 of 27 October 2003, the Plan is submitted to the Ministry of the Environment and Energy Security for approval by 31 May of each year.

The **2024 Security Plan** is the 21st edition and updates the initiatives to protect the security of the electricity system envisaged for the four-year period 2024-2027, with capital expenditure of over €1.3 billion.

The **2024 Security Plan** strengthens its investments and initiatives to enable the energy transition of the national electricity system along the following three strategic vectors:

- **technology and innovation to support the system's security**, essential to deal with the evolution of the energy sector (increase in renewables, decommissioning of thermoelectric plants) with an increasingly complex and delicate management of the electricity system, while maintaining its high standards of safety, efficiency and reliability. In particular, the adoption of innovative technological solutions is a key tool to enable the infrastructure to self-regulate and improve stability, optimising operation and flexibility;
- **digitalisation to improve grid operation**, i.e. a digital transformation of the electricity system that involves every area of its management, from supervision to control and defence of the grid to impacting its infrastructure and assets. The introduction of new digital technologies brings great benefits but also inevitable cyber risks, for which solutions must be adopted to prevent and mitigate cyber-attacks by increasing the digital resilience of the electricity grid;
- **increasing the resilience of infrastructures with respect to severe weather events** by addressing a climatic transformation characterised by conflicting and increasingly intense and frequent weather events, both by building a robust and resilient grid and by harnessing the potential offered by infrastructure digitalisation to ensure safe, efficient operation of the electricity system following severe weather events.

The Security Plan also includes initiatives designed to upgrade management, control and defence systems for the grid, innovating operating logistics, digitising its infrastructure, installing system control devices and implementing solutions for the physical and cyber security of the grid assets.

Attached to the Security Plan is the **Resilience Plan**, a cross-cutting plan that establishes all the initiatives required to prevent and/or reduce damage to the electricity grid caused by increasingly severe and frequent weather events. The plan includes infrastructure protection, renewal and monitoring work, assessed using **Resilience Methodology** for snow and wind, but also capital-light initiatives to mitigate the effects and/or reduce outages following a severe weather event.

The 2024 edition of the Resilience Plan also presents the progress of work on developing and refining Resilience Methodology for modelling weather and climate-related events linked to hydrogeological instability.

PROJECTS	STATUS	DRIVER			
Digitalisation of grid infrastructure	○	◎		⚡	✳
Work on withstanding snow, wind and other weather events ✓	○		CO₂	⚡	✳
Voltage regulation and dynamic stability devices	○	◎	CO₂	⚡	✳
Cyber Security	○			⚡	✳
Dispatching, control and protection of the NTG	○	◎	CO₂	⚡	✳

Legend Resiliece and Status

✓ Resilience plan | ● Completed | ○ Under construction | ○ Awaiting consents | ○ Study | ⊙ Consultation | ● Under design | ● Planned

Legend Driver

CO₂ De-carbonisation | ◎ Market efficiency | ⚡ Security of supply | ✳ Systemic sustainability

FOCUS

Grid resilience and Resilience Methodology

Climate change is evolving faster and faster, with impacts on every aspect of human life and the environment, although the **climate change strategies** adopted by both the Paris Agreement to contain global warming within the 1.5°C threshold and the Fit for 55 and RepowerEU proposals are defining the path towards **decarbonisation** and **climate neutrality**.

In this context, and even more so in future scenarios, **energy** is a **key element** in driving the **energy transition** and addressing the **climate crisis**.

Having a **sustainable electricity infrastructure** capable of integrating and utilising "clean" energy sources and **resilient to climate** and the possible damage caused by the increasing intensity and severity of extreme weather events is one of the **enabling factors** for responding to **climate change**.

In addition to **developing a robust and resilient grid**, at the same time it is also crucial to be able to exploit the potential offered by the **digitalisation of infrastructure** in order to best meet this challenge and to be able to ensure the safe and efficient operation of the electricity system following severe weather events.

As part of the **climate assessment**, starting in 2020 Terna equipped itself with a tool, the **Resilience Methodology**, whose **forward-looking nature** to discern the evolution and impact of the climate in the coming decades, as well as the **probabilistic** nature necessary to assess multiple failures and contingencies and the consequent risk of energy not being supplied on the grid following the occurrence of severe weather events, allow for the implementation of **effective and efficient planning of projects to increase grid resilience**.

Over the course of these years, the Resilience Methodology has undergone continuous evolution and refinement, also continuing the analysis of meteoclimatic phenomena related to hydrogeological instability with the aim of identifying the type of events potentially most impacting the National Transmission Grid (NTG) and introducing their modelling within the Resilience Methodology.

In addition to its prospective and probabilistic nature, the topic of resilience is also taking on a digital character, supported by the measures defined at the European level with REpowerEU, through which grants of €140 million were approved in 2024. Included in this area is the initiative for the use of IoT techniques aimed at the widespread collection of information from Terna's assets, pertaining to the cluster of NTG digitalisation with the aim of also increasing resilience to severe weather events. This funding is in addition to the €150 million from the NRRP, already approved for Terna and aimed at increasing the resilience of 1,500 km of NTG lines.

Infrastructure maintenance

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The maintenance of NTG plants is an essential activity to guarantee the quality of service, the safety of managed assets (electrical lines and substations) and the maintenance of their performance during their life cycle and is carried out continuously during and throughout the years and follows a mainly condition-based approach. However, a number of projects are under way to move a portion of activities towards a predictive and risk-based maintenance model. **The IT and digital tools used today to support maintenance activities** primarily include:

- the **MBI (Monitoring and Business Intelligence)** decision-support system, which suggests maintenance activities to be carried out and indicates whether or not they can be postponed;
- the **WFM (Work Force Management)** software, which manages the workforce by planning and scheduling MBI maintenance activities.

At the same time, in a context of great change and digital transformation, a new platform is being developed – **Enterprise Asset Management (EAM)** – that will optimise the management of an organisation's assets throughout their entire life by optimising the management of asset data, the management of asset catalogues, anomalies, policies (including diagnostic and eligibility index calculation models[39]) and the catalogue of working methods in line with Asset Management (AM) processes. And finally the planning and technical-economic reporting of the Asset Management Plan and AM Programmes.

In addition, Terna has participated for many years in international benchmarking activities aimed at sharing O&M and renewal best practices, consistently ranking among the best TSOs in terms of asset management process efficiency and optimal service provision quality[40].

Monitoring the grid

Monitoring initiatives, which take place periodically throughout the year, are designed to assess the condition of a specific high-voltage power line or substation component during its life cycle, by measuring, observing or testing its functionality. For overhead and cable lines, monitoring is carried out by means of visual inspections from the ground and from a helicopter (visual, using IR[41] and Lidar[42]). Similarly, substations are subject to periodic surveillance checks, technical checks of entire functional units and Command and Control Protection Systems, thermo-visual technical checks of substation equipment and checks of auxiliary services[43].

Routine maintenance

Repairs are carried out during the year when signs of deterioration are identified as a result of the on-site monitoring process or through the analysis of on-line sensor data. These indications and any problems identified are processed by the asset engineering models included in MBI (Monitoring and Business Intelligence) and developed by the Asset Management department in agreement with other departments within the Company. The outcome of the engineering models is used to draw up the maintenance plan designed to ensure that assets continue to be fit for purpose over time.

[39] Parameters through which asset work timeframes are established.
[40] As certified by the ITAMS 2022 report, Terna was confirmed among the top performers in Asset Management processes and operational performance.
[41] Infrared light.
[42] Lidar is a remote sensing technology that allows the user to determine the distance between trees and overhead lines.
[43] Ancillary services are the group of electrical components that distribute electricity to electrical equipment at substations (relay, motors, electronic components) in the primary system and the Command & Control Protection System (SPCC). Ancillary services include batteries.

Renewal Plan

The Renewal Plan (RMP), developed on a five-year basis and referring to the years 2024-2028, is based on an analytical method that, starting from consistent, objective technical criteria, identifies and evaluates **extraordinary maintenance works** (renewal), assessing the state of repair and technical status of line components and substation equipment, compared with the effective operating conditions they have to deal with and prioritising components and infrastructure of greater importance for operation of the electricity grid.

The objective of the condition-based plant renewal process is to focus only on those parts of the plant that actually require attention, to maximise plant use at a minimum cost (keeping each individual component in service and efficient for as long as possible), and to implement a long-term plan based on the priority of the works needed.

The Renewal Plan is divided into the following categories of benefit, which include the "Renewal Objectives":

- **Sustainability:**
  - **Environmental quality:** the introduction of more environmentally friendly and sustainable assets, such as vegetable oil transformers, fluid oil cables and certain types of cable terminals, or the technical adaptation of lines/underground cables and the replacement of current and voltage transformers;
  - **Service quality:** implementation of solutions to improve the reliability of assets, based on asset management analysis (designed to assess the asset's technical conditions). By improving their reliability, the works reduce the Health Index score and the risk of outages. These include, for example, investment in the renewal of lines, the RIGEL (Reduction of Power Line Failures) programme and substation renewal (equipment and machinery).
- **Innovation and digitalisation:**
  - **O&M process quality:** introduction of new solutions and technologies to improve the effectiveness of the operation and maintenance process, such as investments in the new digital substation control system, online diagnostics of substation equipment, cable monitoring and functional separations.
- **Resilience:**
  - Strengthening the grid's ability to withstand the effects of the snow risk, the exposure of lines to hydrogeological risk and substation exposure to seismic risk. This family includes, for example, investments in increasing the resilience of lines and substations in the event of snow, and the installation of hydrogeological monitoring devices and seismic dampers.

Asset digitalisation programmes

In order to improve and digitalise the Asset Management process (power lines and substations), the following digitalisation programmes were implemented some time ago:

- **DIgiS (substation digitalisation):** aims to upgrade the functions provided by the Substation Automation Systems (SAS or SPCC), facilitating Terna's process of transitioning towards an increasingly efficient, innovative and smart digital asset management approach. These activities are designed to optimise the performance of the Substation Automation Systems for the safety and reliability of the grid, and provide a monitoring system that is increasingly focused on the state of function/disrepair of the systems, equipment and substation machinery;
- **DIgiC (Digitalisation of cables):** initiated in 2018, the plan includes the installation of monitoring systems on existing connections already in operation. In addition, the plan requires for all new cable connections to be planned and installed with an integrated monitoring system. The data collected, regarding the cable's technical condition, will be used to implement a predictive, preventive maintenance system, designed to establish the time remaining before a fault occurs and subsequently take preventive action;
- **DIgiL (power line digitalisation):** the plan aims to create an integrated system to measure, collect and process data in real time, with regard to the operating parameters of overhead power lines. The spans involved in these initiatives are appropriately identified between the critical high-voltage lines, in order to optimise their operation;
- **Private mobile network:** the initiative promoted by Terna in collaboration with WindTre and launched in 2023 made it possible to develop a **monitoring platform** for the national grid, a private network infrastructure with radiofrequency, which allows Terna to improve the operating efficiency and increase the effectiveness of its infrastructure management

through asset digitalisation. In particular, Terna benefits from increased data from the sensors spready across its power lines, developing an increasingly digital, efficient and proactive management model. WindTre developed mobile access solutions tailored to Terna's specific needs with 4G and 5G networks and provided the most advanced mobile technology to remotely and promptly manage a growing number of assets, collecting and processing data to support grid management and maintenance. Terna will continue to develop its own radio-frequency grid infrastructure with the aim of integrating further solutions capable of ensuring optimal management and monitoring of the NTG, taking advantage of the most advanced and modern technologies available on the market.

Maintenance operations

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Below is a summary of the main data related to the maintenance operations of the NTG plants carried out in 2024, collected through specific reports for the monitoring and quantification thereof.

INFRASTRUCTURE MONITORING AND CONTROL

~44,500
substation inspections at a range of voltage levels

~3.2
average number of inspections per year per overhead line

~230,000 km
ground and helicopter inspections of overhead lines

~112,600 km
inspections of underground cable lines

~186,000 km
helicopter inspections of overhead lines

~44
average number of inspections per year per underground cable

ROUTINE MAINTENANCE

~19,000 km
of power lines on which vegetation was cut back to ensure their correct and safe operation

~1,100
monitoring checks and maintenance work carried out using live-line working

EXTRAORDINARY MAINTENANCE

Lines

~1,100 km
of conductors replaced

~2,550 km
of ground wires replaced

204
pylons replaced

Substations

16
static machines replaced

130
circuit breakers replaced

174
disconnectors replaced

410
current transformers replaced

705
voltage transformers replaced

The Group's capital expenditure

The Terna Group's **total capital expenditure** in 2024 amounts to **€2,692.1 million**, an increase compared with €2,290.0 million in the previous year **(up 17.6%)**.

(€m)

	2024	2023	CHANGE	% CHANGE
Development Plan	1,534.1	1,217.0	317.1	26.1%
Security Plan	291.5	275.7	15.8	5.7%
Projects to renew electricity assets	526.6	489.5	37.1	7.6%
Other capital expenditure	217.2	201.9	15.3	7.6%
Total Regulated Assets	**2,569.4**	**2,184.1**	**385.3**	**17.6%**
Non-regulated Assets[1]	**48.5**	**57.6**	**(9.1)**	**(15.8%)**
Capitalised financial expenses	**74.2**	**48.3**	**25.9**	**53.6%**
Total Capital expenditure	**2,692.1**	**2,290.0**	**402.1**	**17.6%**

[1] *Capital expenditure in non-regulated assets primarily regard the re-routing of power lines for third parties and non-core business companies of the Group.*



Main regulated works carried out during the year

> DEVELOPMENT PLAN – €1,534.1 million

East Link

Cable connections: land-sea drilling in Sicily and Campania completed, production of pole 1 marine cable completed and preparations for marine laying under way. Completed 50% of the terrestrial cable ducts in Sicily and Campania and started laying the terrestrial cables.

Converter Substation: production of the first transformer under way; prefabrication of the control buildings at Eboli and Termini Imerese, and the valve and DC building of pole 1 at Eboli completed. The foundations of the other buildings in Eboli and Termini Imerese are under construction.

West Link

Cable connections: land-sea drilling in Sicily completed; production of the first piece of marine cable in pole 1 completed and marine and land survey completed. Validation of the executive design in Sicily completed. Executive design in Sardinia under way. Construction of civil works in Sicily is starting.

Converter Substation: delimitation of the Selargius site area completed, and the contractor has begun site preparation. In Sicily, relocation of the Cornelio Aqueduct completed, and the areas have been handed over to start the substation building site in Termini Imerese where work on the remaining archaeological sites is under way.

Tyrrhenian Link *(€633.0 million)*

Following the transposition of the regional agreements, the authorisation decree was issued in January. In February, the contract for the supply and construction of converter substation was signed.

Cable connections: the civil works of the terrestrial cable in the Marche region have begun. The first 110 km of marine cable was produced and qualification tests are in progress.

Converter Substation: the preliminary geognostic activities in both areas of Cepagatti and Fano are under way, and design activities and procurement of the main supplies have begun.

Adriatic Link *(€113.4 million)*

Primary Substation Livigno: excavation and laying have been respectively completed for about 80% and 33% of the total 19.8 km of connection; execution of the joints with the completion of about 25% of the total 70 joints/terminals.

Primary Substation Laion-Primary Substation Corvara: excavation is being completed and laying is in progress for approximately 97% and 65%, respectively, of the total 22.9 km of pipeline; the execution of joints has begun with the completion of approximately 37% of the total 35 joints/terminals.

Primary Substation Brunico- Substation Vandoies: excavation and laying of around 60% and 20%, respectively, of the total 21.5 km of pipeline is in progress, and assembly of the first joints has started.

Substation Moena-Primary Substation Campitello: excavation and laying are under way for approximately 80% and 56%, respectively, of the total 19.5 km of pipeline; the execution of joints has begun with the completion of approximately 38% of the total 26 joints/terminals.

Olympics Projects *(€96.3 million)*

The contract for the supply of converter substations was signed by Terna on 28 March 2024.

Cable connections: detailed marine surveys in Italy and Corsica completed, land surveys, executive design and land cable production under way.

Converter Substation: executive design and preliminary investigations continue at the Suvereto and Codrongianos sites, and the production of electrical equipment is under way.

Overhead line: surveys and track preparation continue, construction sites started.

Sa.Co.I.3 *(€78.1 million)*

Colunga-Calenzano power line *(€37.5 million)*	**380 kV Colunga-Calenzano power line:** completed approximately 47% of the foundations and started the assembly of the first supports and stringing of the cables of the first sections, downstream of the reactivation of the construction sites after positive ARPAT (Regional Agency for Environmental Protection of Tuscany) final opinion for lot 3 of the 380 kV power line. **Cable variants:** the Calenzano-Vaiano and Calenzano-Barberino cable variants impacting the new 380 kV power line came into operation.
Bolano-Annunziata *(€29.9 million)*	**380 kV Bolano-Annunziata and Substation Annunziata cable variant:** construction under way, excavation performed for around 81% of the total 3.4 km of connection; awarded the tender for the civil works of the Annunziata substation and started the construction of the substation floor. **380 kV Bolano-Annunziata doubling:** the connection was authorised on 23 September 2024 by the Ministry of the Environment and Energy Security. The cable tender for the supply and construction of the marine part of the link was awarded last June. The executive design is under way.
Cassano-Chiari power line *(€26.3 million)*	**380 kV Cassano-Chiari power line:** completed the construction of approximately 54% of the foundations and the erection of approximately 54% of the supports out of a total of 69; completed the stringing of approximately 50% of the cables on a total of 35.3 km of connection. **132 kV variant West Brescia-Chiari receiver line:** the variant on the impacting 132 kV power line came into operation.
Paternò-Pantano-Priolo *(€22.1 million)*	**380 kV Pantano-Priolo power line:** completed the construction of approximately 83% of the foundations and approximately 81% assembly of the supports out of a total of 116, completed the stringing of approximately 50% of the cable over a total of approximately 45 km of connection. **Pantano 380/220/150 kV substation:** the remaining 150 kV section came into operation, following the 380 kV section, the 220 kV section and its transformer came into operation in December 2023.



> SECURITY PLAN[1] – €291.5 million

Sandrigo reactor: production of the machinery completed.

Nogarole reactor: production of the machinery is completed, civil works are nearing completion, and electromechanical and control system assembly has started.

Chiari reactor: completed the construction of the reactor foundation and delivered the machine to site.

Reactors *(€25.1 million)*

Aurelia compensator: following the completion of the construction of the main foundations and the prefabricated building and the production of the main supplies with the factory testing of the compensator, transported the main machinery and assembled it on site, commissioning activities started.

Synchronous compensators *(€21.0 million)*

This project aims to boost the availability of data on the grid in order to make it easier to monitor and manage the security of the electricity system, by increasing and expanding the fibre optic network.

In 2024, 16 substations were connected via proprietary fibre, adding to a total of 571 remotely operated substations.

Fiber for the Grid *(€9.4 million)*

Rizziconi: the step-up transformer and its bay came into operation, commissioning of the converter system is at an advanced stage.

Scandale: final design completed and civil works started after construction site opening.

Other sites (Feroleto, Melilli, Brindisi): design and production of major supplies under way.

Stabilising resistors[2] *(€5.2 million)*

> PROJECTS TO RENEW ELECTRICITY ASSETS – €526.6 million

Fulfilment of the commitment to carry out works to renew electricity assets to improve the reliability and resilience of the NTG has continued.

After the overhead line and substation machinery renewal, around 1,124 km of circuits and 16 machines (6 transformers, 7 autotransformers and 3 reactors) were replaced as at 31 December 2024.

Renewal of electricity assets

(1) Synchronous compensators devices and reactors are grid components that carry out reactive compensation.
(2) Stabilising resistors are devices that provide dynamic stability and damping of grid oscillations and can be used in restart strategies to mitigate disturbances from renewable sources.

** The figures shown also include the works completed to replace eventual disposals/demolition. The length of the lines is shown in km of circuits.*

Research and development

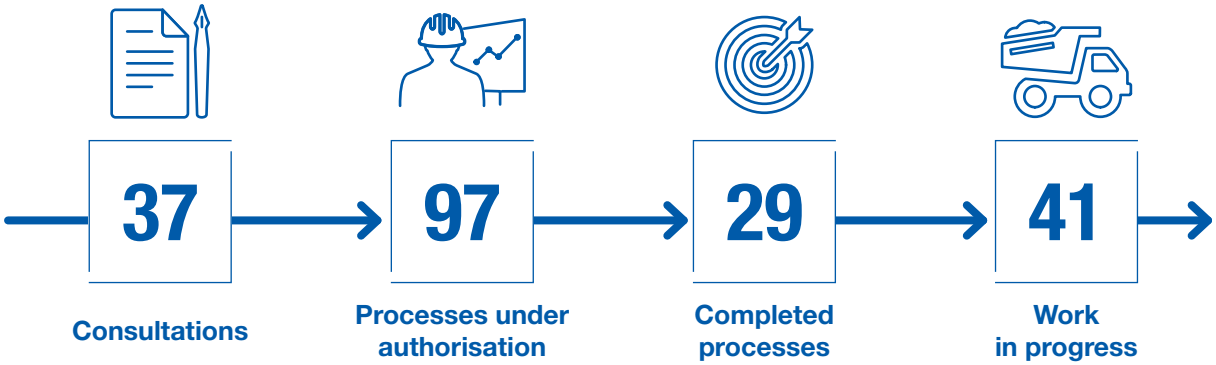
In 2024 the Terna Group invested approximately €8.9 million in research and development and incurred costs of approximately €9.2 million.

Consents processes

In the course of 2024, the Ministry of the Environment and Energy Security and the relevant regional councillors authorised 25 projects for the development of Terna's national electricity grid, with a **total value of more than €2.3 billion**, which confirm the company's crucial role in Italy's energy transition and underline its effective collaboration with institutions. A further four projects were signed in December but published by the Ministry of the Environment and Energy Security in January 2025.

Among these, the most important in terms of investment are the Adriatic Link, the submarine electricity link that will unite Marche and Abruzzo, Elmed, the power line between Italy and Tunisia that will connect the electricity systems of Europe and North Africa, and the Bolano-Annunziata power line that will unite Sicily and Calabria.

The authorised works will bring significant environmental, social and economic benefits: over **560 km of new submarine or underground lines** will ensure a marked reduction in landscape and environmental impacts. Moreover, thanks to these projects, about **100 supports** will be removed and more than **70 hectares of land** will be freed, with positive effects on local communities.





FOCUS

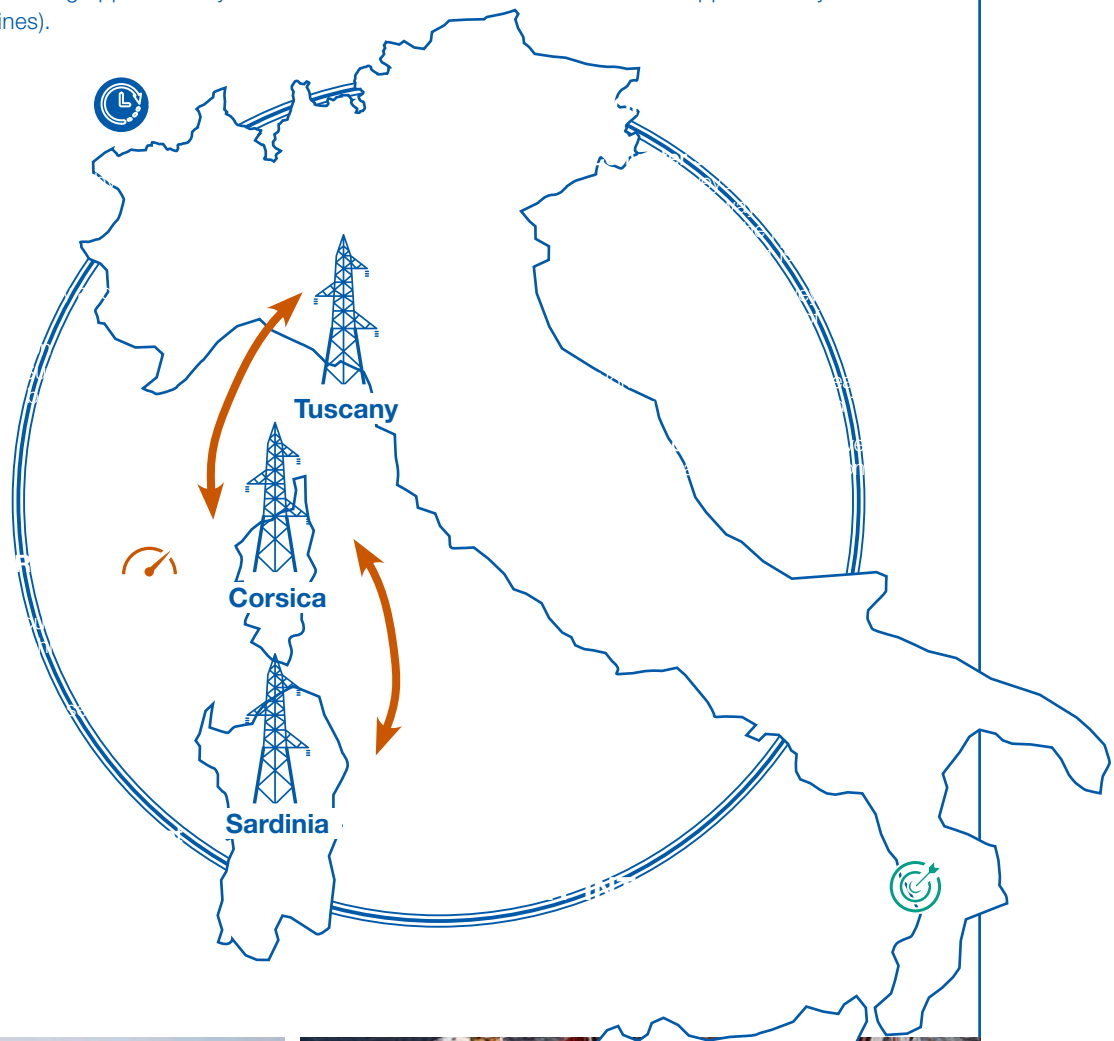
Major Projects

HVDC connection

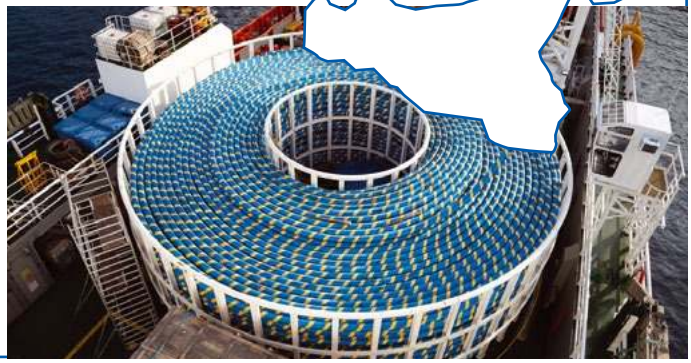
Sardinia - Corsica - Italian mainland (SA.CO.I.3)

The new tri-terminal high-voltage direct current (HVDC) connection consists of **renovation** and **modernisation** of the existing electricity connection between Sardinia, Corsica and the Italian mainland. It will enable the use of total transport capacity of up to **400 MW**.

The connection between Tuscany, Corsica and Sardinia will have a length of approximately **380 km** per pole (including approximately 140 km of marine and terrestrial cables and approximately 240 km of overhead lines).





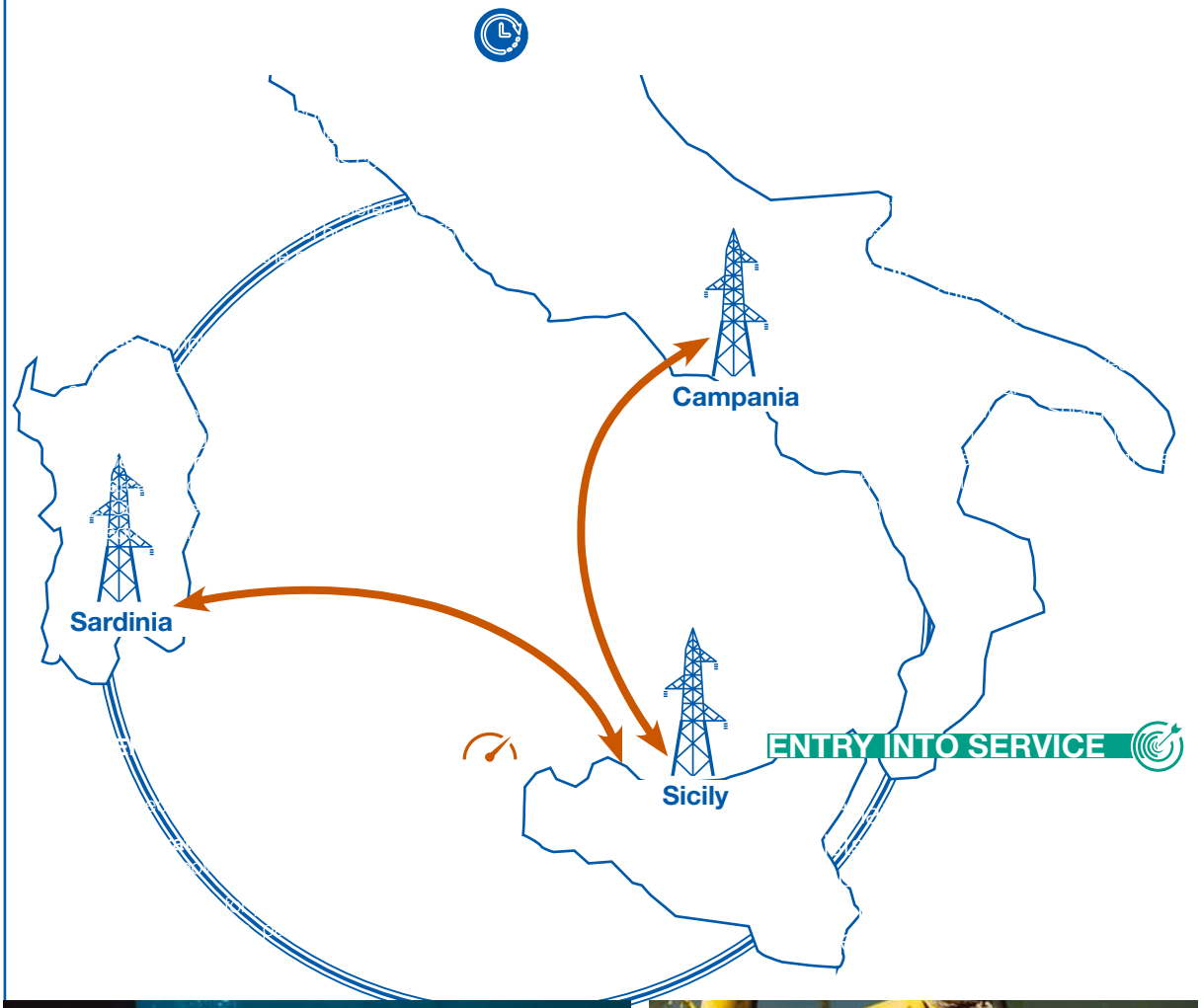


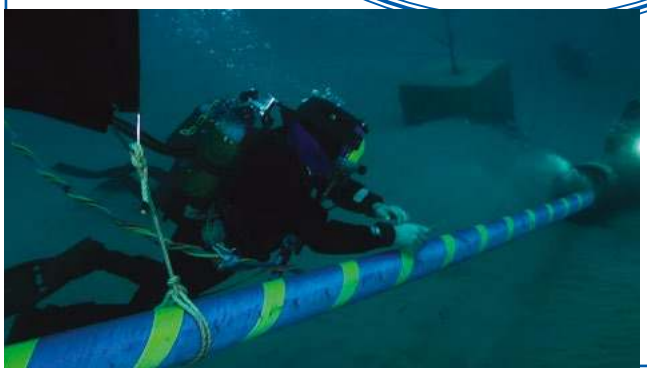
>> *continued* **MAJOR PROJECTS FOCUS**

HVDC connection

Mainland–Sicilia–Sardinia (Tyrrhenian Link)

The new submarine interconnection is a state-of-the-art project that will connect **Campania - Sicily - Sardinia** via two submarine, **1,000 MW,** direct current power lines. The project has been subdivided into an East Link (Campania – Sicily) and a West Link (Sicily – Sardinia). The connection has a **submarine section** that is approximately **1,000 km long**, including in very deep waters, which means it is one of the new global benchmarks for this type of highly complex infrastructure.





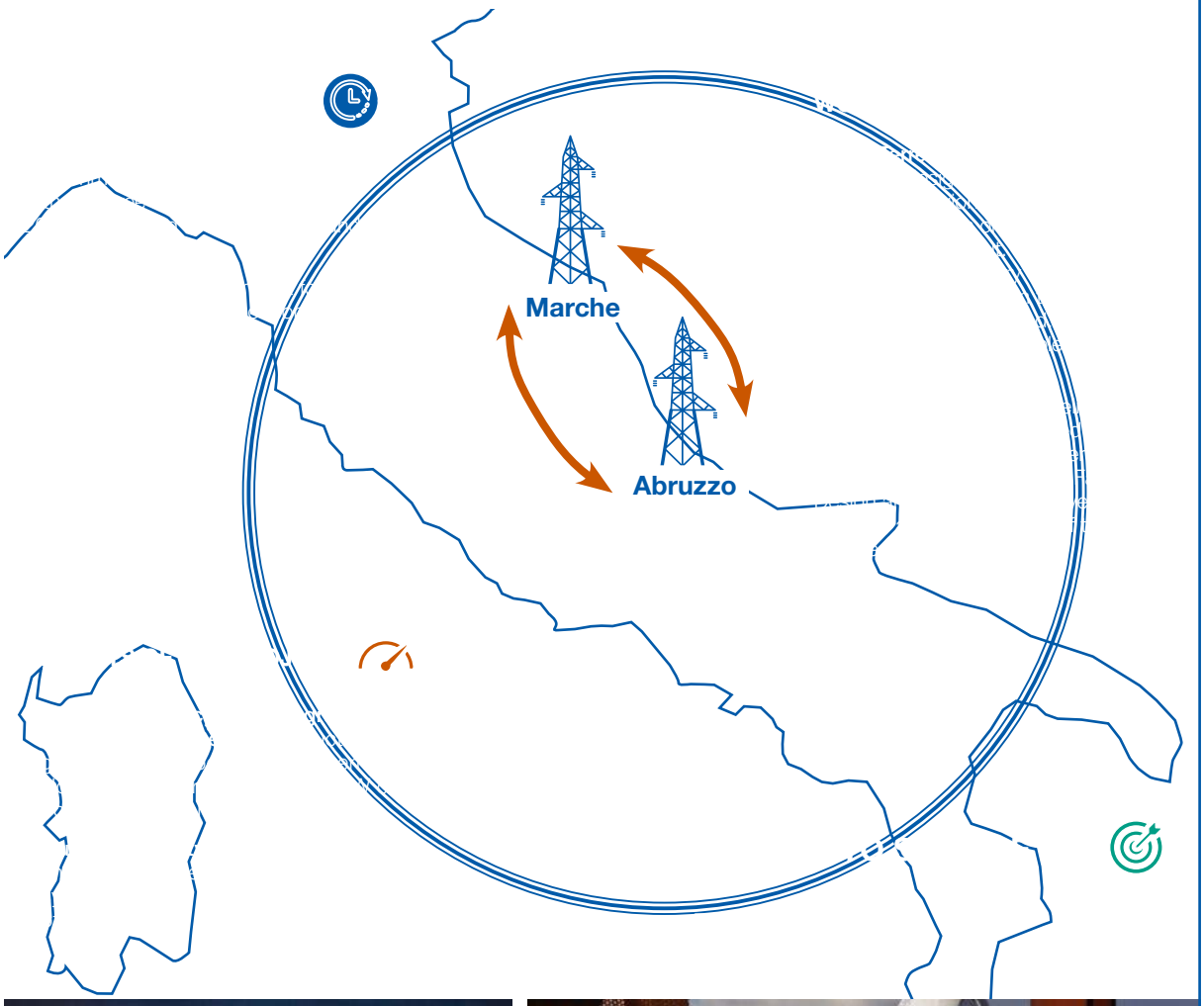


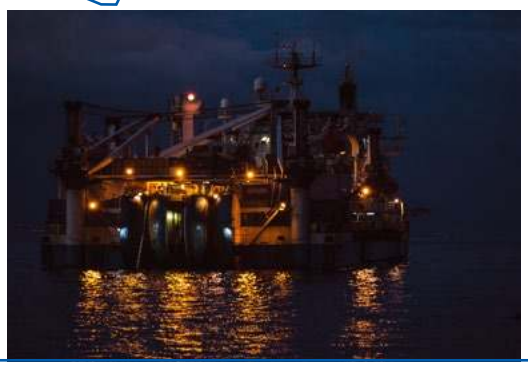
>> *continued* **MAJOR PROJECTS FOCUS**

HVDC link

Centre South - Centre North (Adriatic Link)

The **Adriatic Link** is the new **1,000 MW** marine connection that will connect the regions of **Marche** and **Abruzzo**. The project will strengthen energy exchange in central Italy, responding to the need for security and flexibility of the national electricity system and the goal of increasing renewable energy use. The project is part of the NTG Development Plan and is included in the works provided for in the PNIEC (National Integrated Energy and Climate Plan), which aims to decarbonise the energy system by 2030.





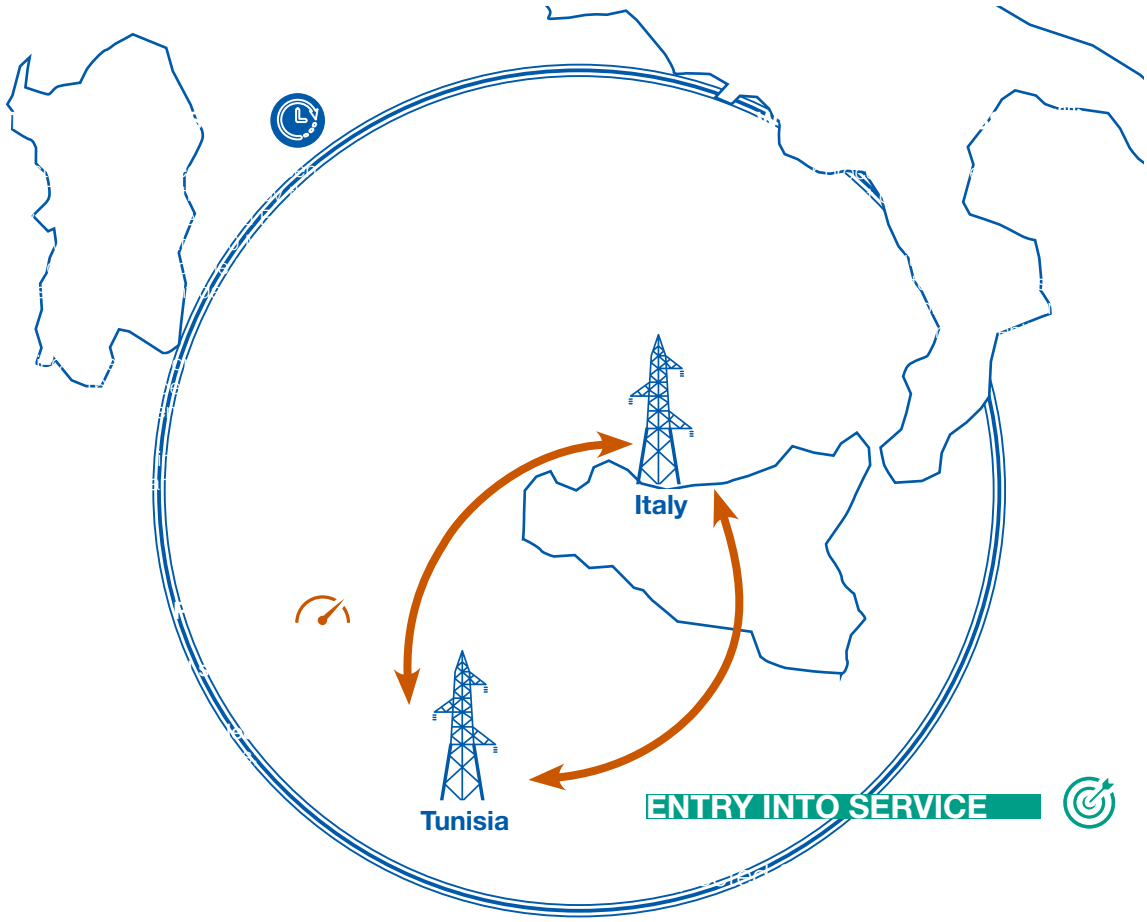


>> *continued* **MAJOR PROJECTS FOCUS**

HVDC Connection

Italy - Tunisia (ELMED PROJECT)

The new 500kV direct current connection (HVDC) **will connect Sicily with the Capo Bon peninsula in Tunisia**, enabling the exchange of up to 600 MW of power. The project will be approximately 224km long (of which 200km in marine cable).





Electricity market and cost trends

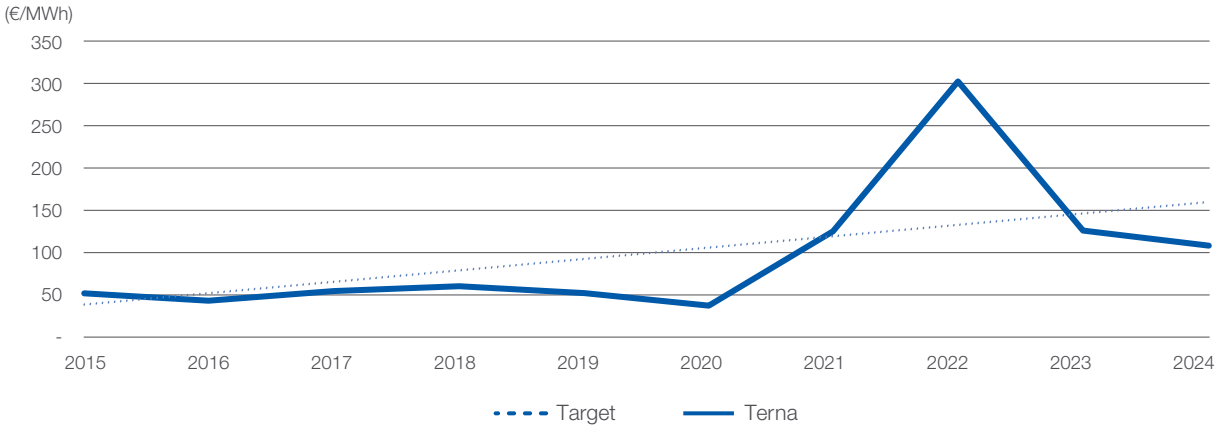
Electricity prices

The average hourly price on the Italian Power Exchange (IPEX /SNP[44] – Single National Price) for 2024 is €109 per MWh, down 14% compared with 2023. This reduction reflects the drop in commodity prices, especially gas prices.

The Day Ahead Market, which sets the SNP[45], is based on supply and demand, although Italy must, by necessity, also take account of its particular geography, with the physical nature of the electricity grid, the widespread nature of its infrastructure and the location of consumption, and the resulting grid congestion. This means that there are a number of "bottlenecks" on the transmission grid, which have made it necessary to identify "market zones" and set transmission limits. Eliminating these bottlenecks is one of Terna's tasks, above all through development of the grid.

The following chart shows the performance of the SNP in the last 10 years, from 2015 to 2024, highlighting **a declining trend until 2020. This trend radically reversed due to sharp increases in 2021 and 2022 and then fell back to 2021 levels**, thereby cancelling out the record increases recorded last year. This is due to the reduction in commodity prices, especially gas, which also returned substantially to 2021 levels.

Performance of the Single National Price (SNP) since 2015



Over the years, prices in the principal zones that make up the Italian electricity market and the Single National Price (SNP) have fallen into line

[44] IPEX: Italian Power Exchange; SNP: Single National Price.
[45] Note that 2024 is the last year of validity of the Single National Price, which was superseded on 1 January 2025 and temporarily replaced by the GME SNP Index (a reference index calculated as a continuation of the SNP, albeit on a final basis).

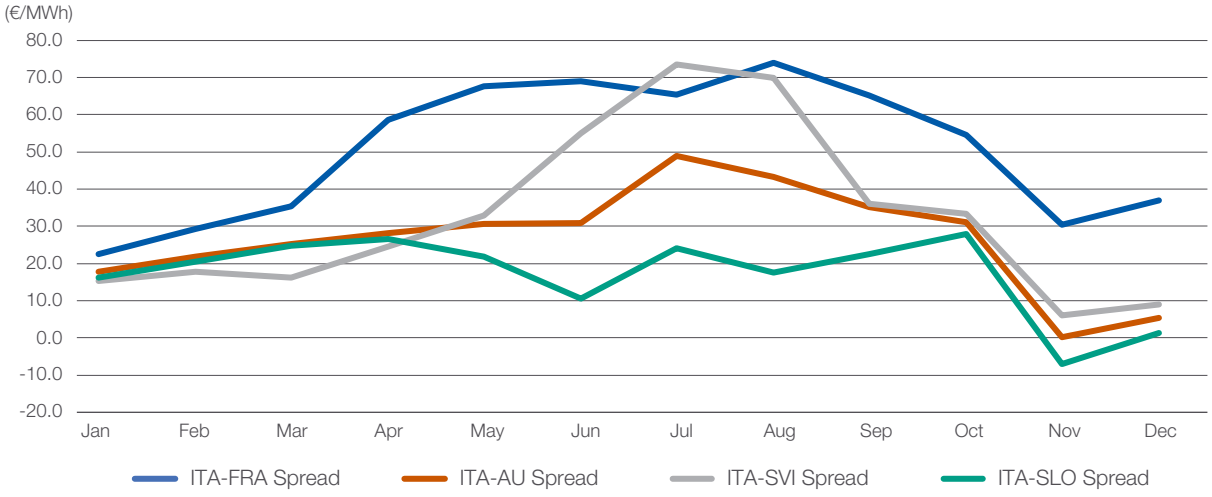
Cross-border exchanges

Trade with other countries across the northern border, equal to approximately 49 TWh in 2024, saw a slight increase from the figure of 48 TWh recorded in 2023.

Prices on the French (PNX), Austrian (EEX), Swiss (EPEX Spot) and Slovenian (BSP SouthPool) exchanges in 2024 fell compared with the previous year, in line with the increase in commodity prices (especially the price of gas).

The increasing variability of energy prices is a direct consequence of the changing electricity mix, which is increasingly dominated by intermittent sources such as wind and solar. In the past, the European mix was characterised by programmable sources such as nuclear, coal and gas, with countries such as Germany and France offering lower prices thanks to coal and nuclear power plants, exporting energy to Italy. Today, the spread of renewables and the transition towards decarbonisation are leading to more frequent price fluctuations and market conditions that may reverse traditional energy cost balances. This trend explains why in the following chart a negative monthly energy price spread is observed between Italy and Slovenia in November and December, and close to zero between Italy and Austria and between Italy and Switzerland.

Monthly spread for energy price compared to France (PNX9), Austria (EEX), Switzerland (EPEX Spot) and Slovenia (BSP SouthPool)



The prices of France, Austria, Slovenia and Switzerland in 2024 also fell substantially. The pillars are as follows:

- The French Powernext average annual price was €58 per MWh (down €38.9 per MWh or down 40% compared with the previous year);
- The Austrian price (EEX) registered the same trend as the French price. The average annual price was €81 per MWh (down €20.9 per MWh or down 0% compared with the previous year);
- BSP SouthPool (Slovenian price): price differentials with Italy show a smaller trend than with France and Switzerland. The average annual price was €76 per MWh (down €13.41 per MWh or down 13% compared with the previous year);
- EPEX SPOT (Swiss price): the annual average price was €91.2 per MWh (down €31.83 per MWh or down 30% compared to the previous year).

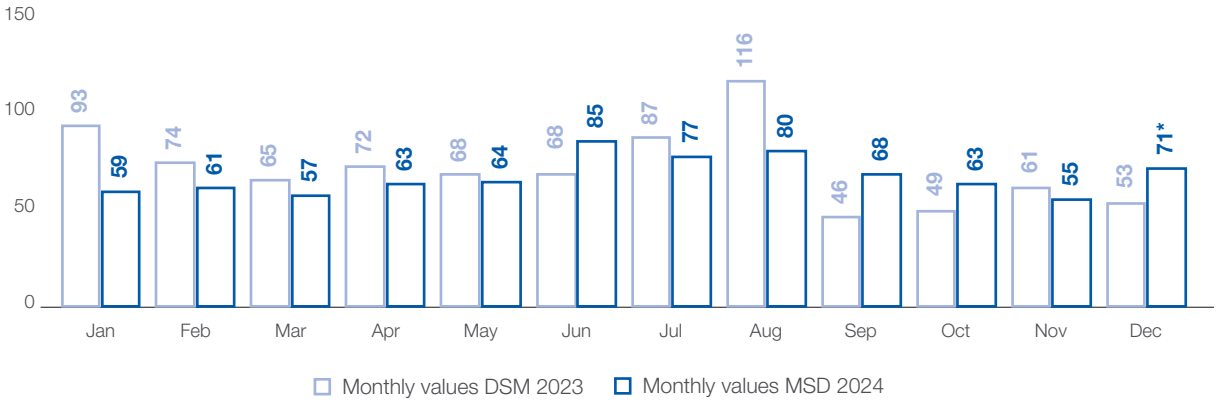
Dispatching Services Market (DSM)

Terna procures dispatching resources on the Dispatching Services Market (DSM) to manage and control the system (freeing up intra-zonal congestion, creation of power reserves, real-time balancing) in order to ensure the security and adequacy of the electricity system.

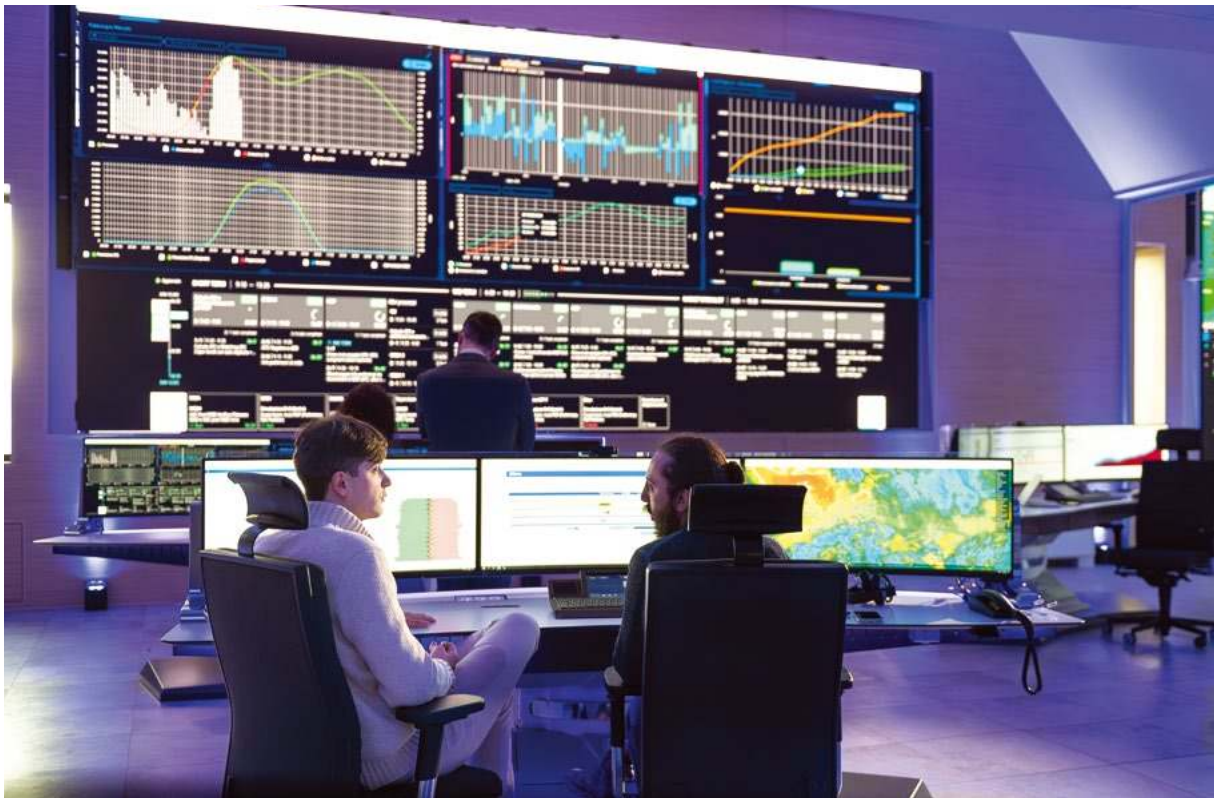
The net charge for using the DSM was €803 million in 2024 (provisional data), down 6% compared to 2023 (approximately €852 million).

This reduction is mainly due to the decrease in costs on the Dispatching Services Market due to both a volume effect caused by a reduction in selections, and a price effect caused by a reduction in the differential.

Monthly DSM costs
(€m)



** Provisional data.*



Cost of procuring resources on the Dispatching Services Market (Uplift)

Uplift payments are the tool used by the system to recover the net costs deriving from energy-related items from the end user, including the supply of services and energy to cover system imbalances in the DSM, imbalance costs[46], congestion revenue[47] and the related coverage (CCT, CCC, CCP and DCT[48]) and the cost of the virtual interconnection[49] (the Interconnector).

ARERA Resolution no. 111/06 (Title 4) regulates charges for dispatching services and the connected guarantees. Dispatching charges include the cost of procuring resources on the Dispatching Services Market (known as the Uplift), pursuant to article 44, as amended.

The charge is invoiced pro-rata to dispatching users based on energy withdrawn, to cover the expected accrued monthly cost and any prior differences.

In 2024, the uplift cost totalled approximately at €445 million (provisional data), showing a slight increase compared to on the previous year (€401 million).

This increase is due to a reduction in revenue generated by congestion revenue within the Italian and foreign market zones[50], an increase in the countervalue associated with the cost of Start-up Fees and Set-up Change fees[51] partly offset by the reduction in the cost for the Dispatching Services Market and the cost for the virtual interconnection service.

[46] The imbalance charge paid/received, under Resolution no. 111/06, from all users based on the lower/higher volume of energy injected/withdrawn compared with the related plan.
[47] Congestion income is revenue and is generated when different equilibrium prices are formed in different market zones in Energy Markets.
[48] CCT - Fees for Assignment of Rights of Use of Transmission Capacity.
CCC - Contract Covering the Risk of Volatility of the Fee for Assignment of Rights of Use of Transmission Capacity (between zones).
CCP - Contract Covering the Risk of Volatility of the Fee for Assignment of Rights of Use of Transmission Capacity (between industrial centres).
DCT - Contract Covering the Fee for Assignment of Rights of Use of Transmission Capacity on Foreign Interconnections.
[49] Virtual interconnection is a net cost: Terna plans, builds and operates new overseas interconnection infrastructure, the cost of which is partly covered by revenue from auctions in which third party finance providers take part and who will then have access to the available transport capacity.
[50] Congestion income is revenue and is generated when different equilibrium prices are formed in different market zones in Energy Markets.
[51] Start-up Fees and Set-up Change Fees are payments made to production plants who have the right to receive them when Terna requests them to fire up the plant or change their structure.

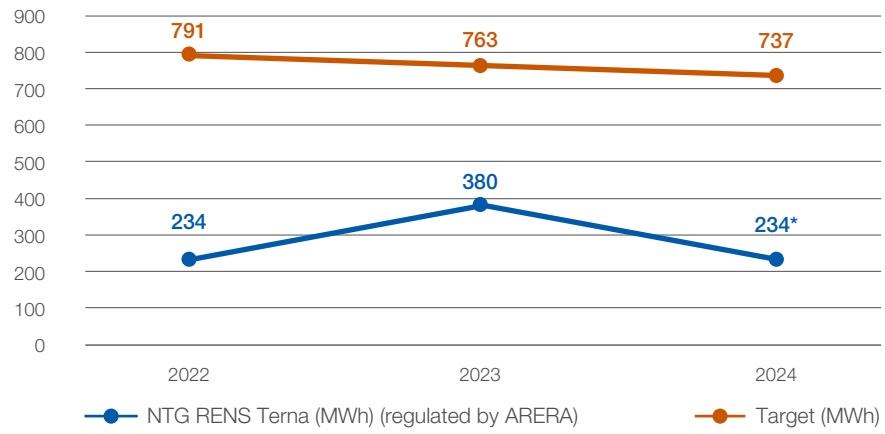
Continuity and quality of service

Each segment of the electricity system – generation, transmission and distribution – plays a role in ensuring the availability of electricity in Italy, guaranteeing adequate quality standards and keeping the number of outages below pre-set thresholds.

Terna monitors service continuity through various indicators defined by ARERA (Resolution no. 55/24) and in Terna's Grid Code.

These continuity indicators are significant for the system, as they monitor the frequency and impact of events that have occurred on the electricity grid as a result of faults or due to external factors, such as weather events. In all cases, the period of observation is three years, a period in which there have been no significant changes, testifying to the high quality of service achieved.

NTG RENS Index[52]



** Provisional data.*

The **NTG RENS** indicator, based on preliminary **NTG RENS** data for the period from January to December 2024, amounts to 234 MWh (provisional data, compared with an annual target of approximately 737 MWh set by ARERA).

Continuity indicators used

RENS*

What it measures
Energy not supplied following events affecting the relevant grid**.

How it is calculated
The sum of the energy not supplied to users connected to the NTG (following events affecting the relevant grid, as defined in the ARERA regulations governing quality of service).

* *Regulated Energy Not Supplied.*
** *The "relevant grid" refers to all of the high-voltage and very high-voltage network.*

ASA***

What it measures
Availability of the service provided by the NTG.

How it is calculated
Based on the ratio of the sum of energy not supplied to users connected to the NTG (ENS) and energy fed into the grid.

**** Average Service Availability.*

As regards the **ASA** indicator, availability was 99.99989% (provisional data) in 2024, compared with 99.99960% in the previous year. The operating performance shows that ASA has remained stable at a high level over the years (the higher the indicator, the better the performance). This indicator shows that the energy not supplied following a fault on the owned grid represents a minimal part of the total quantity of energy supplied to users of the grid.

Existing regulations (set out in Resolution no. 55/2024/R/eel) envisage a series of mechanisms designed to regulate and encourage improvements in the quality of service provided by Terna. The overall economic effects of these mechanisms are accounted for at year end (including RENS).

[52] The targets of reference for the years 2024-2025 (set forth in ARERA Resolution no. 55/2024/R/eel) were defined in continuity with the targets of the 2016-2023 regulatory period, i.e. with an improvement of 3.5% required for each year over the previous one. Since 2016, NTG RENS also includes the performance of the grid operated by Terna Rete Italia S.r.l. (merged with Terna S.p.A. on 31 March 2017).

With regard to costs, which are determined periodically on the basis of occurring events, Terna registered a balance of €2.5 million in 2024, compared to €5.3 million in 2023. The overall economic effects of the bonus/penalty mechanisms related to quality of service for 2024, compared with 2023, are shown below. It is specified that this information is in line with what is disclosed in the Consolidated Financial Statements, in note 1. Revenue from sales and services, and in note 7. Other operating costs. MDR-M

(€m)

QUALITY OF SERVICE	2024	2023	CHANGE
RENS Bonuses/(Penalties)	20.5	11.2	9.3
Revenue	**20.5**	**11.2**	**9.3**
Mitigation and sharing mechanisms	4.0	2.8	1.2
Contributions to the Fund for Exceptional Events	-	2.8	(2.8)
Compensation mechanisms for High Voltage users	-	0.4	(0.4)
Contingent assets	(1.5)	(0.7)	(0.8)
Costs	**2.5**	**5.3**	**(2.8)**
TOTAL	**18.0**	**5.9**	**12.1**

Operating results of Regulated Activities

The following table shows a breakdown of the results from the Terna Group's Regulated Activities in 2024 and 2023[53]. Note that this information is in line with what is disclosed in the Consolidated Financial Statements and in accordance with the provisions of IFRS 8, in note "C. Operating segments".

(€m)

	2024	2023	CHANGE
Total revenue from Regulated Activities	**3,096.2**	**2,669.8**	**426.4**
Tariff revenue and incentives	2,923.5	2,538.5	385.0
- Transmission revenue	*2,423.8*	*2,107.6*	*316.2*
- Dispatching, metering and other revenue	*499.7*	*430.9*	*68.8*
Other regulated revenue	59.8	50.7	9.1
Revenue from construction services performed under concession in Italy	112.9	80.6	32.3
Total cost of Regulated Activities	**634.7**	**584.2**	**50.5**
Personnel expenses	295.2	285.2	10.0
External resources	193.1	187.2	5.9
Other costs	33.5	31.2	2.3
Cost construction services performed under concession in Italy	112.9	80.6	32.3
EBITDA from Regulated Activities	**2,461.5**	**2,085.6**	**375.9**

EBITDA related to Regulated Activities stood at €2,461.5 million, showing an increase of €375.9 million compared to the previous year's figure, mainly due to the impact on tariff revenue and incentives (up €385.0 million) from the WACC re-estimation recognised for 2024 and the expansion of the Regulated Asset Base (RAB).

[53] The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.

After excluding revenue from construction services performed under concession (up €32.3 million), **revenue from Regulated Activities** is up €394.1 million, primarily reflecting:

- the impact on the Transmission Fee of the increase in the WACC recognised for 2024 (pursuant to Resolution no. 556/2023, up from 5% in 2023 to 5.8% in 2024), the expansion of the Regulated Asset Base (RAB) and the depreciation and amortisation recognised, considering the new 2024-2027 Tariff Regulation criteria introduced by ARERA Resolution no. 615/2023 (up €383.0 million);
- higher dispatching fee revenues (up €26.7 million), mainly due to higher costs recognised in the DIS tariff;
- lower output-based incentives (down €24.7 million) essentially due to lower incentives related to the increase in transport capacity between market zones envisaged by Resolution no. 567/2019, amounting to down €66.8 million, net of higher revenues related to the incentive system for the reduction of costs in the dispatching services market (Resolution no. 597/2021 and Resolution no. 132/2022), amounting to up 42.1 million;
- higher revenues related to the service quality incentive mechanism - RENS (up €9.3 million), due to the 2024 performance (€6.8 million) and contingencies recognised for the requalification of certain events that occurred in the 2023 financial year (€2.5 million);
- smaller gains on the sale of assets (down €9.0 million, essentially scrap, transformers and motor vehicles);
- higher revenues from increased requests and fees for connection to the NTG (up €5.1 million).

After excluding the cost of construction services performed under concession (up €32.3 million), the **cost of Regulated Activities** is up €18.2 million, primarily reflecting:

- the impact on personnel expenses (up €10.0 million) of the increase in average headcount and non-recurring incentives paid in 2024, partly offset by higher provisions for incentives in the first half of 2023 and higher capitalisation;
- an increase in costs for external resources (up €5.9 million), due to increased activity and new initiatives carried out by the Group;
- lower charges related to service quality (down €2.8 million), mainly attributable to higher charges incurred for outages that occurred in the first half of 2023;
- the adjustment of provisions for risks and charges (up €7.0 million), due to the provision for charges for the crossing of power lines and cable ducts, partially offset by the release of certain disputes for the period.

Non-regulated Activities

Non-regulated Activities are designed to support the energetic transition, in keeping with the core business. Terna uses its know-how in the design, engineering, operation and maintenance of complex solutions, including the integration of telecommunications networks, and proprietary systems and RES expertise in the production of cables and transformers. The aim is to serve commercial and industrial customers with the Group's expertise and experience across a wide range of solutions.

The main areas in which these activities were developed in 2024 are:

- **Equipment**
- **Connectivity**
- **Energy services**
- **Private interconnectors pursuant to Law 99/2009**

Equipment

Via two leading companies in their fields, Terna is able to oversee expertise and supplies in two key areas for grid development:

- **Transformers - Tamini Group:** a world leader in the production of industrial transformers and in after-sales service;
- **Terrestrial cables - Brugg Cables Group:** a centre of excellence for research, development and testing in the field of terrestrial cables, the Brugg Group is based in Switzerland and has several overseas subsidiaries.



Transformers – Tamini Group

Tamini operates in the electromechanical sector and is a leader in the design, production, commercialisation and repair of power transformers for electricity transmission and distribution grids, of industrial transformers for the steel and metals industry and of special transformers for convertors used in electrochemical production. With over a hundred years of experience, Tamini has a well-established name in Italy and overseas, thanks to its technological and engineering capabilities, combined with the degree of customisation and production flexibility it can offer.

Order book

Orders for acquired transformers amounted to approximately €315 million, an increase of 6% compared with the previous year.

Specifically, in the Power segment, orders totalled about €236 million, up from the previous year (about €230 million), while in the Industrial segment orders amounted to about €80 million, up from 2023 (up 19%).

Orders for Services in 2024 amounted to approximately €19 million, an increase of 12% compared with 2023.

The value of factory backlogs, is significantly up compared with the end of 2023 at approximately €422 million (up 38%).

Results

Revenues in 2024 are up sharply from 2023 (up 23%), mainly due to the higher value of transformer production.

For the Power segment, the testing of some very important machines such as:

- one 400 MVA Phase-Shifting Transformer for a major TSO in Northern Europe;
- one 440 MVA power transformer to power a major power plant in Italy;
- two 290 MVA Step up transformers for connecting a synchronous compensator to the National Electricity Grid;
- five power transformers (1 of 200 MVA, 2 of 170 MVA and 2 of 40 MVA) to power 3 data centres in Italy;
- three 160 MVA autotransformers for a major TSO in Northern Europe.

For the Industrial segment, the following were tested:

- five 122.6 MVA rectifying transformers for a major steel mill in the US;
- one 240 MVA furnace transformer for a major metallurgical company in Europe;
- one 112 MVA rectifier transformer for a major player in the aluminium sector in Northern Europe.

Vegetable oil transformers

In recent years the Tamini Group has been specialised in planning and producing high-voltage green transformers, offering major advantages, such as:

- a significant increase in capacity at equal loads;
- extended life expectancy;
- reduced flammability;
- eco-compatibility.

Tamini continued to be committed to the production of vegetable oil transformers for the Power sector in 2024. In 2024, a 400 MVA/400 kV autotransformer was tested in Italy and a 50 MVA/118 kV transformer for a wind farm in Finland.

Terrestrial cables – Brugg Cables Group

The Brugg Cables Group operates in the terrestrial cable sector, producing low through to very high voltage products and specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high and very high-voltage cables.

Order book

New orders in 2024 amount to approximately CHF 293 million, an increase of 4% compared to 2023. A significant contribution came from the High Voltage System segment, which totalled approximately CHF 201 million. The Low Medium Voltage segment also made a significant contribution of around CHF 42 million, while the High Voltage Accessories segment contributed around CHF 49 million.

Production of high-voltage cables decreased by 16% compared to 2023, attributable to the greater complexity of the cables manufactured; consequently, production of low- and medium-voltage cables also decreased by 10% due to the priority given to the production of high-voltage cables.

Results

Revenues of approximately CHF 239 million in 2024 are substantially in line with 2023 (around down 1%). Margins improved significantly compared to the previous year thanks to significant actions aimed at cost efficiency, rigorous order selection and refined pricing strategies.

Operating activities

The High Voltage Accessories segment recorded a very positive performance in 2024, with an increase in orders, volumes and margins, which was a clear improvement on the previous year.

For high and extra-high voltage systems, 2024 saw a positive and growing trend in order intake, with increased margins compared to previous years and a particularly favourable development in the European market.

In the low- and medium-voltage segment, the renegotiation of framework agreements initiated in 2023 was successful, leading to a stabilisation of the margin. The focus remains on the high quality demanded by the market and the consolidation of the strong position in the Swiss local market.

Connectivity

The fibre optic infrastructure, widespread throughout the territory, is made available to meet the ever-increasing need for fast and reliable digital connections. Partners are supported in developing smart connectivity solutions via optical fibre use rights, pylon rental, housing and facilities (installation of telecommunications equipment within Terna's already operational facilities).

Via optical fibre use rights, Terna enables customers to acquire new infrastructure, which performs better than underground cable standards, in terms of reliability (far fewer faults per year per km) and quality (low attenuation), with significant savings in terms of length compared to terrestrial connections (>20% over a long distance).

Since 2017, indefeasible right of use (IRU) has been granted for a total of approximately 42,700 km of fibre, for which Terna provides maintenance and housing servicing for regeneration. By 2024 a total of approximately 6,205 km of fibre pairs will have been delivered.

Energy Services

Terna provides engineering, procurement and construction (EPC), operation and maintenance (O&M) and digital services. These services include the following.

Smart grid

The offer of turnkey solutions to islands and companies that want to evaluate, design and integrate renewable energy plants (photovoltaic or wind power), storage systems (batteries) and cogeneration/trigeneration solutions into their production cycle. Complex systems are developed for generation, storage, active demand behind the meter, utility scale and advanced monitoring of plants, able to optimise their operation.

Renewables – LT Group

The LT Group provides O&M services for photovoltaic plants, designs and implements revamping and repowering projects for existing plants and builds new photovoltaic plants for third parties. The revenue realised in 2024, amounting to approximately €119.5 million, is in line with what was planned. Compared to the close of the 2023 financial year, there was an increase in revenue of about €12.5 million, mainly attributable to EPC activities, which grew by more than 20%, and a substantial confirmation of revenue related to O&M and revamping and repowering projects.

Other projects

In 2024, following the commissioning of the Storage plant on the island of Pantelleria, fine-tuning was carried out under real operating conditions.

With regard to contracts for the revamping/repowering of photovoltaic plants, activities on sites in the regions of Emilia-Romagna, Apulia and Sicily are ongoing or nearing completion. Furthermore, inverter revamping is under way at several national sites of one customer.

High voltage

Operations continued in 2024 for the construction of two electricity substations, one in Lazio and the other in Sardinia, for the connection of Utility Scale photovoltaic plants. As far as the Lazio plant is concerned, the mechanical completion stage has been reached.

For the Utility Scale photovoltaic plant in Sicily, the first phase (provisional connection solution - electricity substation built using a SCRI module) was completed, and the second phase (final connection solution) began.

The activities related to the framework agreement with Rete Ferroviaria Italiana (RFI) relating to the "Design, supply, installation, certification and commissioning of metering equipment", are in progress. As at 31 December 2024, 41 installations had been completed, with a total of 101 systems installed, in line with existing application contracts.

A turnkey construction project is under way for an NTG connection (electricity substation and HV cable[54]) for a major client operating in the data centre sector in the province of Milan.

In 2024 site works were also completed on two revamping projects related to the electricity substations of two major industrial customers in the automotive and chemical/plastics sectors in Emilia-Romagna.

Activities were also initiated on some recently contracted projects, such as a revamping of a HV plant in Sicily, a partial revamping of a plant (MV section and SPCC[55]) in Tuscany, and a further revamping in San Marino.

In 2024 a contract was also acquired for revamping 220 kV and 132 kV metering groups in Valle d'Aosta, and a contract for revamping a 132 kV transformation bay in Lombardy, for a customer operating in the industrial production sector, for which the procurement process for materials and project performance was started.

Two activities were also acquired and completed relating to non-programmable projects for the replacement of obsolete HV components at industrial customers in the Triveneto region.

Activities were completed for the supply and laying of the HV cable and respective terminals at the ends at the primary distribution plant in the Palermo metropolitan area and for the installation and commissioning of a HV/MV transformer[56] for a customer managing the public drinking water infrastructure in the region of Apulia and some municipalities in Campania.

31 December 2024 saw the conclusion of the revamping of a 132 kV substation that powers the steel mill of a customer in the province of Arezzo.

As part of a multi-year O&M contract, work is under way to upgrade a 14 MW BESS[57] plant in Assemini (CA), in accordance with Annex A79 of the Grid Code.

There was also an increase in the revamping of HV electricity substations, the main contracts concerning customers in the oil & gas, shipbuilding and industrial production sectors.

[54] High voltage.
[55] Command and Control Protection System.
[56] Medium voltage.
[57] Battery Energy Storage System.

Private interconnectors pursuant to Law 99/2009

In order to develop a single electricity market by expanding cross-border interconnection capacity, EU legislation has set out guidelines for the creation of interconnections with other countries by entities other than grid operators.

The European guidelines have been introduced into Italian legislation by **Law 99/2009**, which assigned Terna responsibility for selecting undertakings (the "selected undertakings"), on the basis of public tenders, willing to finance specific interconnectors in exchange for the benefits resulting from a decree granting a third-party access exemption with regard to the transmission capacity provided by the new infrastructure.

The law states that these private backers, in exchange for a commitment to finance such projects, are required to commission Terna to build and operate the interconnectors.

Within the legislative framework defined by Law no. 99/2009, Terna manages the maintenance (scheduled and unscheduled) and operation of the interconnectors that have been built and commissioned. The pillars are as follows:

Italy–Montenegro interconnector project

The project was completed on 28 December 2019 and is owned by Monita Interconnector S.r.l., which was sold to the private backers on 17 December 2019.

Italy–France interconnector project

The project was completed on 7 November 2022 and is owned by Piemonte Savoia S.r.l., which was sold to the private backers on 4 July 2017.

Italy–Austria interconnector project

The project, which entered into operation on 15 December 2023, is owned by Resia Interconnector S.r.l., which was sold by the Terna Group to private backers on 15 September 2021.

Two further interconnectors are also being developed, with Switzerland and Slovenia:

Italy–Switzerland interconnector project

The project involves the development of new transmission lines between Italy and Switzerland, with the aim of increasing interconnection capacity between Italy and Switzerland. The project is currently under study.

Italy–Slovenia interconnector project

The creation of a direct current line is planned, partly in undersea cable, between the substations of Salgareda (IT) and Divaça/Beričevo (SL), together with work on upgrading the domestic grids in Italy and in Slovenia. The project is currently awaiting the necessary consents on the Italian side. The expected increase in cross-border capacity of approximately 1 GW will raise the interconnection capacity to more than double the current level.

FOCUS

Reorganisation of Non-regulated Activities

Consistent with the strategy to support the twin transition set forth in the 2024-2028 Industrial Plan, in August 2024 a new "Market Solutions" Department was established for the operational coordination of the Group's activities in competitive markets, carried out in particular by Terna Energy Solutions S.r.l. (hereinafter also referred to as "TES") and its subsidiaries, i.e. LT S.r.l., Avvenia S.r.l., Tamini Trasformatori S.r.l. and Brugg Kables Services AG and their subsidiaries, with the aim of excelling in the markets driven by the energy and digital transition, strongly leveraging specialised skills.

The new Department consists of four business divisions: i) services, to provide the market with design, construction and maintenance services for electrical installations; ii) equipment, for the supply of plant components such as transformers; iii) for the supply of plant components such as cables; and (iv) connectivity, for the provision of an fibre-optic infrastructure for the development of fast digital connections.

With particular regard to the services division, in order to better focus on markets driven by the energy transition, the new company Altenia S.r.l. (previously known as LT S.r.l., which changed its company name in March 2025 as a result of the aforementioned reorganisation), as of April 1, 2025, has taken over the management of the Energy Services business - previously carried out by TES and LT - through a business unit transfer. This includes the design, construction, and maintenance of high-voltage electrical systems and renewable energy plants, particularly photovoltaic systems, as well as energy efficiency solutions. As a result of this operation, the shareholding in Altenia S.r.l. has increased from 87.5% to 89%.

With the aim of further expanding Altenia's expertise and geographic footprint, a preliminary agreement was entered into for the acquisition of 100% of STE Energy, a company that has gained 30 years of experience in the design, construction and maintenance of renewable energy plants and electrical infrastructure.



Operating results of Non-regulated Activities

The following table shows a breakdown of the results from the Terna Group's results from its Non-regulated Activities for 2024 and 2023[58]. Note that this information is in line with what is disclosed in the Consolidated Financial Statements and in accordance with the provisions of IFRS 8, in Note "C. Operating segments".

(€m)

	2024	2023	CHANGE
Total Revenue from Non-regulated Activities	**584.0**	**516.8**	**67.2**
Equipment	340.4	306.7	33.7
- Brugg Cables Group	*174.3*	*167.6*	*6.7*
- Tamini Group	*166.1*	*139.1*	*27.0*
Connectivity	43.6	40.2	3.4
Energy Services	175.2	147.2	28.0
- High voltage	*50.9*	*33.9*	*17.0*
- Smart Grids	*124.3*	*113.3*	*11.0*
Private interconnector	20.5	19.1	1.4
Other	4.3	3.6	0.7
Total Cost of Non-regulated Activities	**476.2**	**429.9**	**46.3**
Operating costs	162.3	131.1	31.2
Brugg Cables Group	164.6	167.0	(2.4)
Tamini Group	149.3	131.8	17.5
EBITDA from Non-regulated Activities	**107.8**	**86.9**	**20.9**

EBITDA from Non-regulated Activities in 2024 totalled €107.8 million, showing an increase of €20.9 million compared to the previous year. This primarily reflects the increased contribution from Equipment (up €9.1 million from the Brugg Cables Group which benefited from the drop in raw material prices, and up €9.5 million from the Tamini Group, which benefited from the overall expansion of its sector), and Connectivity (up €2.1 million).

[58] The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.

International activities

Growing demand for electricity and the need to integrate renewable sources are behind an increase in investment in the electricity transmission sector in overseas markets, in which the Terna Group can leverage the expertise developed in Italy in the role as a TSO.

The Terna Group's scouting of overseas opportunities focuses on countries with a stable political situation, a regulatory system that allows external operators to access the market and with performances on a par with the Italian market.

The following activities were implemented in 2024:

South America – sale of Latin American assets

As part of overseas initiatives, the plan to extract value from activities in South America continued. Launched in the last part of 2021, the plan involves the **sale of up to 100% of the Group's Latin American assets**.

Transaction closing, due to take part in stages, for the most part took place in November and December 2022, with the sale to CDPQ (the Caisse de dépôt et placement du Québec global investment group) of SPE Santa Maria Transmissora de Energia S.A., SPE Santa Lucia Transmissora de Energia S.A., SPE Transmissora de Energia Linha Verde II S.A. and Difebal S.A..

In January 2024, in Brazil, the 500 kV Governador Valadares-Mutum electrical infrastructure went into commercial operation, approximately 150 km long and located in the State of Minas Gerais, relating to the company **SPE Transmissora de Energia Linha Verde I S.A.**, sold on 18 November 2024 to CDPQ.

In **Peru**, the operation and maintenance of the 132 km 138 kV power line between Aguaytìa and Pucallpa continued, following the line's entry into commercial service on 16 May 2021.

It should also be noted that, on **December 17, 2024**, the liquidation process of the company Terna Chile S.p.A. was formally initiated. This procedure is expected to be completed during the course of 2025.

North America

Monitoring of the US market continued with regard to electrical transmission infrastructure projects through the companies **Terna USA LLC** (wholly owned by Terna Plus S.r.l.) and **BMT Energy Transmission Development LLC**, a joint venture owned 40% by Terna USA LLC and 60% by Meridian (an independent investment company).

Operating results of International Activities

The following table shows a breakdown of the results from the Terna Group's International Activities in 2024 and 2023[59]. Note that this information is in line with what is disclosed in the Consolidated Financial Statements and in accordance with the provisions of IFRS 8, in Note "C. Operating segments".

EBITDA from International Activities for 2024 and 2023 does not include the results generated by the Latin American initiatives involved in the above sale process. As required by IFRS 5, these initiatives are classified under "Profit/(Loss) for the year from discontinued operations and assets held for sale" in the reclassified income statement in the paragraph entitled "The Terna Group's financial review for 2024".

EBITDA from International Activities in 2024 (amounted to -€2.9 milion) chiefly relates to costs incurred by the central departments to support international endeavours. This figure is in line with the same period of the previous year.

The profit/(loss) from discontinued operations and assets held for sale amounted to €11.6 million, showing an increase of €9.1 million compared to the previous year. The rise was mainly due to the capital gain from the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ, which was finalised in November 2024.

Further information is provided in the related paragraph in note 11 in the consolidated financial statements.



[59] The Terna Group's operating segments are consistent with the internal control system adopted by the Parent Company, in line with the 2024-2028 Industrial Plan.

The Terna Group's financial resources

The Company's financial management is based on an approach that aims to maximise efficiency, achieve and maintain a solid financial structure and embed the concept of sustainability in its financial strategy, whilst adopting a highly prudent stance towards mitigation of the potential risks.

The key aspects of the resulting financial strategy are:

- **diversification** of the sources of financing, raising funds on both the capital markets and in the form of borrowings from major banks and supranational financial institutions;
- a **balance** between short and medium-term instruments, in keeping with the composition of assets;
- the **proactive management** of debt in order to take advantage of the opportunities offered by the capital markets;
- a commitment to maintaining **high credit ratings**, based on a strong financial position;
- **active management of the financial risks** to which the Company is exposed, as set out in more detail in the section, "Risk management".

Sustainable finance

Fully in line with Terna's strategy, which aims to combine investment and sustainability to drive growth and value creation, it is Terna's ambition to play a leading role in the sustainable finance market. This strategy was also followed in 2024.

At 31 December 2024, the **senior green bonds issued by Terna** under its €12,000,000,000 Euro Medium Term Notes (EMTN) programme, and yet to reach maturity, amount to **€2.25 billion**, in addition to the **two perpetual, subordinated green bonds** issued in February 2022 and April 2024 on a standalone basis **for a total €1.85 billion**.

With regard to green bond debt, on 4 April 2024, Terna successfully launched a second issue of **perpetual, subordinated, hybrid, non-convertible, green, fixed-rate bond** for a total nominal amount of **€850 million**. The bond is non-callable for six years. The issue price was 99.745%, with a spread of 214.2 basis points over the midswap rate. The issue will pay an annual coupon of 4.750% until the first reset date scheduled on 11 April 2030 and will have an effective rate equal to 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the five-year Euro Mid-Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

In addition, on 10 February 2025 Terna launched a **new single-tranche green bond issue**, again as part of the EMTN programme. The issue has a **total nominal value of €750 million, a term of 7 years** and matures on 17 February 2032. The bond was issued at a price of 99.975%, with a spread of 90 basis points above the midswap rate and has an annual coupon interest of 3.125%.

These green issues are used to finance or refinance **Eligible Green Projects**. These are projects producing environmental benefits that meet certain criteria listed in the **Green Bond Framework** published by Terna in compliance with the 2021 "Green Bond Principles" drawn up by the ICMA (International Capital Market Association) and the EU Taxonomy. Terna's Green Bond Framework is assessed by a **"Second-Party Opinion" provider, Moody's Investors Service**, which in October 2023 assigned an opinion of **"SQS1 Sustainability Quality Score (Excellent)"**, the highest possible rating.

Specifically, the net proceeds from the issues are used to finance:

- projects that aim to increase renewable energy production – for example, infrastructure enabling renewable energy plants to be connected to the national grid or that allow for a larger volume of renewable energy to be injected into the grid;
- projects designed to cut CO_2 emissions by reducing grid losses – for example, infrastructure designed to boost the efficiency of the electricity transmission grid;
- projects designed to ensure the quality, security and resilience of grid infrastructure;
- projects that aim to reduce land use and protect biodiversity.

The **senior green bonds issued by Terna** are also listed on the **ExtraMOT PRO segment of Borsa Italiana** (in addition to the listing on the regulated Luxembourg Stock Exchange), created to offer institutional and retail investors the opportunity to identify instruments whose proceeds are intended to finance projects with specific environmental and social benefits or impacts. Furthermore, the latest €750 million green bond, issued on 10 February 2025, was also listed on the electronic bond market (MOT) managed by Borsa Italiana.

As of 31 December 2024, Terna can also rely on several **ESG-linked Term Loans** for a total of **€1.25 billion, three ESG-linked Revolving Credit Facilities** linked to sustainability indicators for a total of about **€4.2 billion** and a **Euro Commercial Paper (ECP) programme of €2 billion** for the issuance of short-term conventional or "ESG notes".

In fact, with regard to **ESG-linked Revolving Credit Facilities** note that on 15 April 2024 an **amendment and restatement agreement was entered into to increase the amount of a Revolving Credit Facility to €2.255 billion** (initially stipulated in May 2023 for €1.8 billion), and on 29 May 2024 a new **ESG-linked Revolving Credit Facility** was entered into with Intesa Sanpaolo for a total amount of **€250 million** and a term of five years. It should also be noted that, on 21 March 2025, Terna signed an **ESG-linked Revolving Credit Facility** for a total amount of **€1.8 billion**, aimed at refinancing the ESG Revolving Credit Facility signed on 17 December 2021, for a total amount of €1.65 billion.

Regarding **ESG-linked Term Loans**, an **ESG-linked Credit Facility Agreement** was signed with Unicredit on 4 July 2024 for a total of **€200 million** and a maximum term of five years. Subsequently, on 31 July 2024 an **ESG-linked Credit Facility Agreement** was signed with Banca Nazionale del Lavoro and CaixaBank for a total of **€400 million** and a duration of five years. Moreover, on 4 October 2024 an **ESG-linked Credit Facility Agreement** was signed with Intesa Sanpaolo for a total of **€400 million** and a duration of five years. Lastly, on December 18, 2024, two other **ESG-linked Credit Facility Agreements** were signed for a total of **€250 million** and a duration of five years, respectively with Banco BPM for €150 million and with Mediobanca - Banca di Credito finanziario S.p.A. for €100 million.

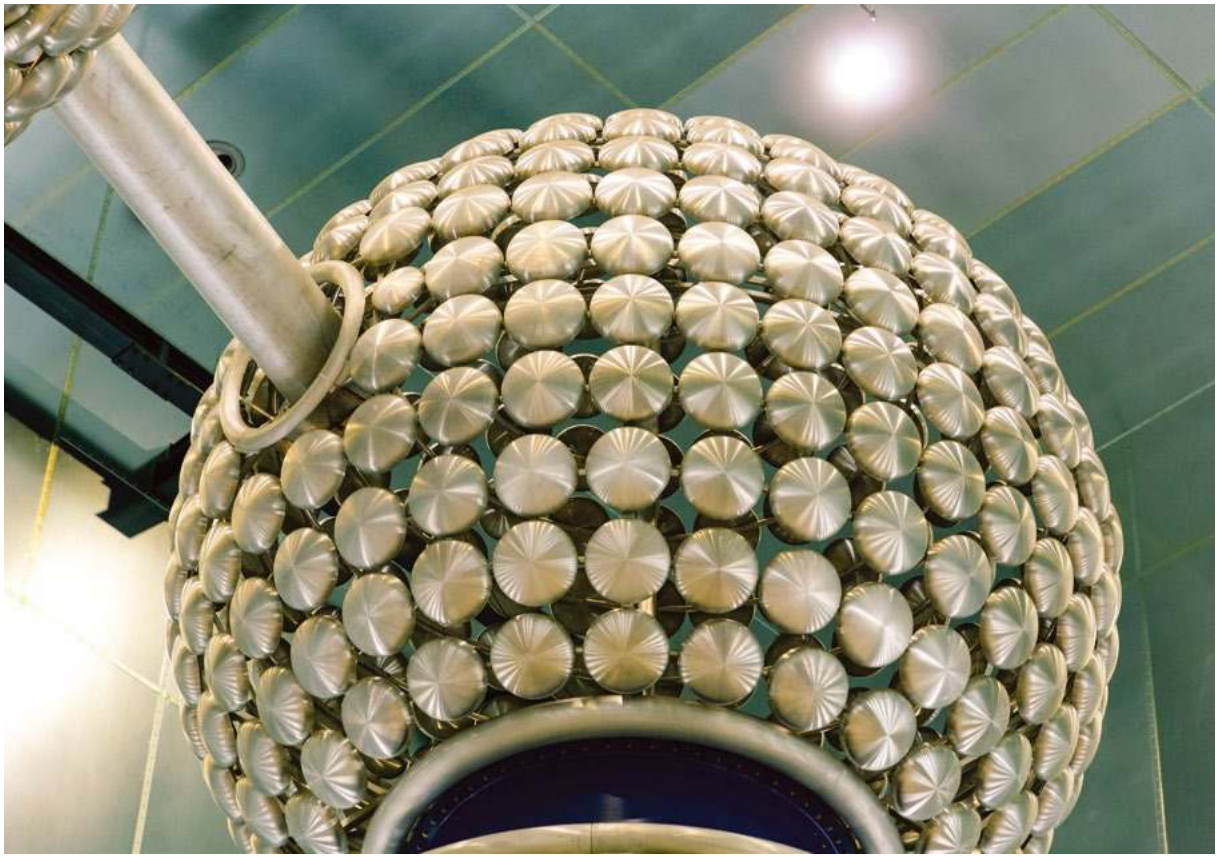
In line with Terna's commitment to sustainability and social and environmental responsibility, the **Share buyback programme** to service the 2024-2028 Performance Share Plan was concluded in September, with a total outlay of about €8 million and the purchase of 998,428 own shares (representing about 0.050% of the share capital). The Programme provides a mechanism linked to the achievement of specific ESG targets by the Company.

Terna's leadership in sustainable finance is widely recognised in the market which, since 2018, has shown a strong appetite for the green bonds issued. In addition to its inclusion in the main ESG indices, from January 2021, Terna is the first Italian electric utility to join the **Nasdaq Sustainable Bond Network**, the sustainable finance platform operated by Nasdaq that brings together investors, issuers, investment banks and specialist organisations.

Terna continues to be a member of the **CFO Coalition for the SDGs**, which is building on the work of the **CFO Taskforce for the SDGs**, the initiative launched by the UN Global Compact at the end of 2019 to develop sustainable finance and of which Terna was one of the founding members. The Coalition aims to continue to promote sustainability, scale up its global community and follow the example set by the CFOs that founded the Taskforce.

Further confirmation of the commitment to playing an active role in developing sustainable finance, Terna is taking part in the **Corporate Forum for Sustainable Finance**, a network of major European businesses committed to the development of sustainable finance as a means to promote a more sustainable and responsible society.

Finally, Terna, both individually and as a member of the above Corporate Forum on Sustainable Finance, will continuously monitor developments in European legislation, with particular regard to the impact on sustainable finance.



Further financial resources

With regard to **bank debt**, as regards the **Tyrrhenian Link** project, Terna has obtained financing for the project from the European Investment Bank (EIB), amounting to €1.9 billion. The contract for the **last tranche to finance the aforementioned project** amounting to **€500 million**, was signed on 7 February 2024.

This last tranche, together with the first €500 million tranche signed on 8 November 2022, and the second and third tranches of financing signed on 30 March 2023 for a total of €900 million, are intended to support the construction and commissioning of the East and West Link of the Tyrrhenian Link.

In addition, on 24 October 2024 Terna signed a new **loan agreement with the EIB** for **€400 million** aimed at boosting the efficiency and reliability of the national transmission grid. The agreement further consolidates the partnership between the EIB and Terna, a collaboration that is crucial to achieving REPowerEU's objectives and promoting the energy transition and security in Europe.

The above four loans have terms of approximately 22 years from the date of disbursement, have durations that are longer and more competitive costs than those available in the market and form part of the policy for optimising Terna's financial structure.

With regard to bond debt, note that on 10 January 2024, as part of the Euro Medium Term Notes (EMTN) Programme, Terna successfully launched **a single-tranche, fixed-rate bond issue** with a total nominal value of **€850 million and a duration of seven years** and maturity date on 17 January 2031. The bond, issued at a price of 99.385%, with a spread of 100 basis points above the midswap rate, has an annual coupon interest of 3.50%.

In addition, on 7 June 2024 Terna **renewed its Euro Medium Term Note Programme (EMTN), also increasing the maximum amount that can be subscribed to €12 billion**. IMI - Intesa Sanpaolo and UniCredit acted as joint arrangers of the programme.

Debt of the Terna Group as at 31 December 2024 is described in detail in the section, "The Terna Group's financial review for 2024".

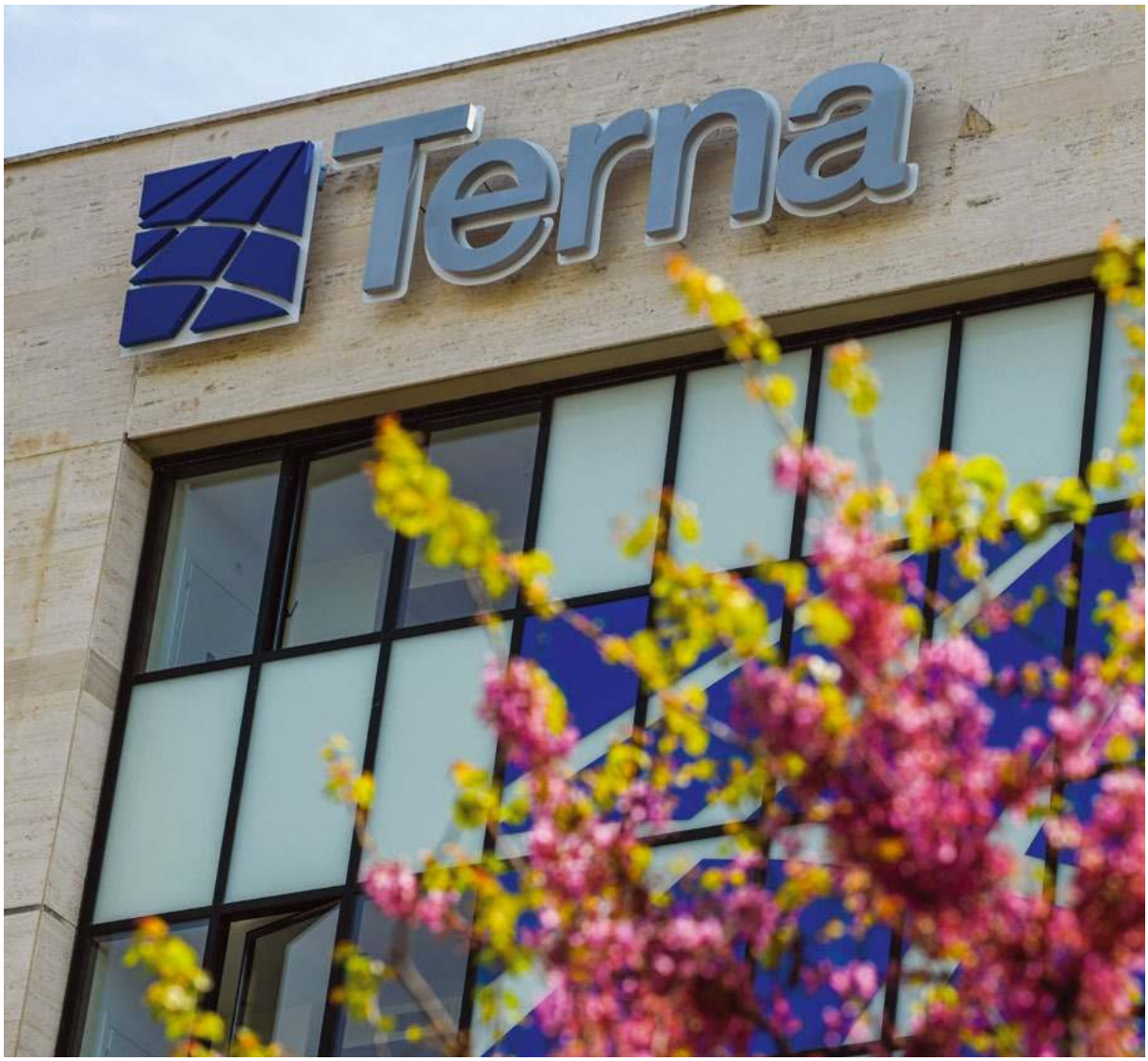
Terna adopts a dynamic approach to managing the various forms of **financial risk**, including **market risk** (interest rate, exchange rate and inflation risk), **liquidity risk** and **credit risk**. This approach includes constant monitoring of the financial markets, in order to carry out planned hedging operations under favourable market conditions, but also to take advantage of opportunities to improve existing hedges, when changes in market conditions make previous hedges unsuitable or excessively costly. Further details on this are provided in the notes to the consolidated financial statements and to the Parent Company's separate financial statements.

Ratings

	SHORT-TERM	MEDIUM/LONG-TERM	OUTLOOK
Terna S.p.A.			
Standard & Poor's	A-2	BBB+	Stable
Moody's	Prime-2	Baa2	Stable
Italian state			
Standard & Poor's	A-2	BBB	Stable
Moody's	Prime-3	Baa3	Stable

In March, following the presentation of the 2024-2028 Industrial Plan, with the highest investments ever recorded in Terna's history, the rating agencies (Standard & Poor's and Moody's) confirmed the Company's ratings.

Terna's long-term ratings remain one notch above Italy's sovereign rating.





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4 Remarks on the results and other information

The Terna Group's financial review for 2024

Introduction

The Annual Report for 2024 has been prepared in accordance with the requirements of art. 154-ter of Legislative Decree 58/98 introduced by Legislative Decree 195 of 6 November 2007 (the "Transparency Decree"), as amended by Legislative Decree 27 of 27 January 2010.

As required by Legislative Decree 38 of 28 February 2005 and EEC Regulation 1606/2002, the financial statements of the parent company Terna S.p.A. and the consolidated financial statements of the Terna Group for the year ended 31 December 2024 were prepared in compliance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and endorsed by the European Commission (hereinafter "IFRS").

In compliance with the provisions of art. 2364 of the Italian Civil Code and art. 9.2 of the Company's Articles of Association, the Board of Directors has decided to call an Annual General Meeting of shareholders within 180 days of the end of the annual reporting period, given that Terna S.p.A. is a company required to prepare Consolidated financial statements.

Basis of presentation

The measurement and recognition criteria applied in this Annual Report are consistent with those adopted in the Consolidated and Separate financial statements for the year ended 31 December 2023.

In order to present the performance of the Terna Group and Terna S.p.A. and to analyse the financial positions, separate reclassified statements have been prepared. These differ from the statements required by the EU-IFRS adopted and described in the consolidated and separate financial statements for the year ended 31 December 2024.

These reclassified statements contain alternative performance indicators, which differ from those resulting directly from the Consolidated and Separate financial statements. Management considers these indicators to be useful in assessing the performances of the Group and of Terna S.p.A. and representative of the business's operating results and financial position.

In line with the guidance provided by ESMA/2015/1415, the criteria used in constructing these indicators are described in specific notes, reconciling them with the amounts presented in the consolidated and separate financial statements. The notes are contained in an annex to this Report on operations.

Given that the requirements of IFRS 5 have been met, the overall results for 2024 and 2023 attributable to the South American subsidiaries included in the planned sale of assets have been classified in the item "Profit/(Loss) for the year from discontinued operations and assets held for sale" in the Group's reclassified income statement. Likewise, the attributable assets and liabilities at 31 December 2024 and 31 December 2023 have been reclassified to the item "Discontinued operations and net assets held for sale" in the Group's reclassified statement of financial position.

Scope of consolidation

The following changes in the structure of the Group have taken place with respect to 31 December 2023:

1. on 7 March 2024, Terna's subsidiary Terna Forward S.r.l. finalised the acquisition of a 33% share in the share capital of Wesii S.r.l., an Italian company and market leader in inspection and remote sensing services in the renewable energy sector with registered office in Chiavari (Genoa);
2. on 18 November 2024, the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ was finalised. As of that date, the company is no longer part of the Terna Group. It should also be noted that on 7 February 2024, the subsidiary Terna Plus S.r.l. completed the acquisition of the remaining 25% minority interest in the company, fully controlling it;
3. on 4 December 2024, Terna Chile S.p.A. sold to Terna USA LLC its equity investments in the two subsidiaries Terna Peru S.A.C. and Terna 4 Chacas S.A.C., both accounting for 0.01% of the share capital. Following the transaction, Terna Peru S.A.C. and Terna 4 Chacas S.A.C. are therefore 99.9% controlled by Terna Plus S.r.l. and 0.01% by Terna USA LLC;
4. on 20 December 2024, the subsidiary Terna Energy Solutions S.r.l. finalised the purchase of a share (12.5%) of the minority interest held by the shareholder Solaris S.r.l. in LT S.r.l. The Company's stake has thus increased from 75% to 87.5%.

It should also be noted that, on **December 17, 2024**, the liquidation process of the company Terna Chile S.p.A. was formally initiated. This procedure is expected to be completed during the course of 2025.



The Group's reclassified income statement

The Terna Group's operating results for the year 2024, compared with those for the previous year, are summarised in the following reclassified income statement, obtained by reclassifying amounts in the statutory consolidated income statement.

(€m)

	2024	2023	CHANGE	% CHANGE
TOTAL REVENUE	**3,680.2**	**3,186.7**	**493.5**	**15.5%**
- Revenue from Regulated Activities	3,096.2	2,669.8	426.4	16.0%
of which Revenue from construction services performed under concession	*112.9*	*80.6*	*32.3*	*40.1%*
- Revenue from Non-regulated Activities	584.0	516.8	67.2	13.0%
- Revenue from International Activities	-	0.1	(0.1)	(100.0%)
TOTAL OPERATING COSTS	**1,113.8**	**1,018.1**	**95.7**	**9.4%**
- Personnel expenses	393.3	368.0	25.3	6.9%
- Cost of services, leases and rentals	299.3	249.8	49.5	19.8%
- Materials	263.3	276.1	(12.8)	(4.6%)
- Other costs	42.5	38.3	4.2	11.0%
- Quality of service	2.5	5.3	(2.8)	(52.8%)
- Cost of construction services performed under concession	112.9	80.6	32.3	40.1%
GROSS OPERATING PROFIT (EBITDA)	**2,566.4**	**2,168.6**	**397.8**	**18.3%**
- Amortisation, depreciation and impairment losses	889.0	806.3	82.7	10.3%
OPERATING PROFIT/(LOSS) (EBIT)	**1,677.4**	**1,362.3**	**315.1**	**23.1%**
- Net financial income/(expenses)	(171.5)	(117.7)	(53.8)	45.7%
PROFIT/(LOSS) BEFORE TAX	**1,505.9**	**1,244.6**	**261.3**	**21.0%**
- Income tax expense for the year	455.0	364.3	90.7	24.9%
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**1,050.9**	**880.3**	**170.6**	**19.4%**
- Profit/(Loss) for the year from discontinued operations and assets held for sale	11.6	2.5	9.1	(364.0%)
PROFIT FOR THE YEAR	**1,062.5**	**882.8**	**179.7**	**20.4%**
- Profit/(Loss) for the year attributable to non-controlling interests	0.6	(2.6)	3.2	(123.1%)
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,061.9**	**885.4**	**176.5**	**19.9%**

(€m)

EBITDA BY OPERATING SEGMENT	2024	2023	CHANGE
Regulated Activities	2,461.5	2,085.6	375.9
Non-regulated Activities	107.8	86.9	20.9
International Activities	(2.9)	(3.9)	1.0
EBITDA	**2,566.4**	**2,168.6**	**397.8**

Gross operating profit (EBITDA) for the year amounts to **€2,566.4 million**, up €397.8 million compared with the €2,168.6 million of 2023. This reflects the improved result from Regulated Activities.

Revenue

(€m)

REGULATED ACTIVITIES	2024	2023	CHANGE
Tariff revenue and incentives	2,923.5	2,538.5	385.0
Other regulated revenue	59.8	50.7	9.1
Revenue from construction services performed under concession in Italy	112.9	80.6	32.3
TOTAL	**3,096.2**	**2,669.8**	**426.4**

After excluding revenue from construction services performed under concession (up €32.3 million), revenue from **Regulated Activities** is up €394.1 million. This primarily reflects the increase in the regulated asset base during the period and the update of the WACC recognised in 2024, after the effect of output-based incentive mechanisms.

(€m)

NON-REGULATED ACTIVITIES	2024	2023	CHANGE
Equipment (Brugg Cables Group and Tamini Group)	340.4	306.7	33.7
Services for third parties (Connectivity, Energy Services, other)	223.1	191.0	32.1
Private interconnectors	20.5	19.1	1.4
TOTAL	**584.0**	**516.8**	**67.2**

The increase in revenue from **Non-regulated Activities** in the amount of €67.2 million mainly reflects the increase in revenues in the Equipment segment of the Tamini Group (up €27.0 million) and the Brugg Cables Group (up €6.7 million), in the Energy Services segment of the LT Group (up €17.7 million) and in third-party orders in the smart grid segment (up €11.0 million).

Revenue from **International Activities** is classified in the "Profit/(Loss) for the year from discontinued operations and assets held for sale", in application of IFRS 5.

Costs

The **operating costs**, net of construction costs for concession activities (up €32.3 million), increased by €63.4 million compared with the previous year, essentially related to higher costs for services connected with the development of activities in the regulated area (with reference to increased maintenance) and in the Energy Services and Connectivity area (up €23.1 million for the LT Group and up €8.1 million for Terna Energy Solutions S.r.l.). There were also higher personnel costs (up €25.3 million), mainly due to the increase in the average headcount and non-recurring incentives paid in 2024, partly offset by higher provisions for incentives in the first half of 2023 and higher capitalisation. On the other hand, material costs for Energy Services declined (down €9.4 million for the LT Group and down €10.3 million for the Brugg Cables Group, net of up €10.9 million for the Tamini Group), mainly due to order trends and a decrease in supply costs.

Amortisation, depreciation and impairment losses for the year amount to €889.0 million, an increase of €82.7 million compared with 2023, primarily due to the entry into service of new infrastructure and higher write-downs.

Operating profit (**EBIT**), after amortisation, depreciation and impairment losses, amounts to **€1,677.4 million**, compared with €1,362.3 million for 2023 (up 23.1%).

The **net financial expenses** for the year, which amounted to €171.5 million, mainly attributable to the Parent Company (€131.2 million), recorded an increase of €53.8 million compared to €117.7 million in 2023, mainly due to new loans disbursed during 2024 at higher interest rates than the average of existing loans, the adjustment of the liability for the potential acquisition of the minority share of LT S.r.l. and the increase in discounting charges. The higher charges are partially offset by higher income on cash and cash equivalents and other financial assets, lower charges associated

with the inflation-linked bond maturing in September 2023, lower charges related to the uplift mechanism, and higher capitalised financial expenses.

After net financial expenses, **profit before tax** amounts to **€1,505.9 million**, an increase of €261.3 million compared with the previous year (up 21.0%).

Income tax expense for the year totals €455.0 million, showing an increase of €90.7 million (up 24.9%) on the previous year, essentially due to the increase in pre-tax profit and higher non-deductible costs recognised during the year. The tax rate stands at 30.2%, up from 29.3% in 2023, mainly due to the abolition of Economic Growth Assistance (ACE) from 2024.

The **profit for the year from continuing operations** amounts to **€1,050.9 million**, an increase of €170.6 million compared with the €880.3 million of 2023.

The **profit for the year from discontinued operations and assets held for sale amounted to €11.6 million**, showing an increase of €9.1 million compared to the previous year. The rise was mainly due to the capital gain from the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ, which was finalised in November 2024.

The **profit for the year** amounts to **€1,062.5 million**, compared with €882.8 million for 2023 (up 20.4%).

The **profit for the year attributable to owners of the Parent** (so excluding the share attributable to non-controlling interests) amounts to **€1,061.9 million**, up €176.5 million (19.9%) compared with the €885.4 million of 2023.

Cash flow

Operating cash flow and the total change in net debt covered the cash needs linked to capital expenditure and to the payment of dividends to shareholders.

(€m)

	CASH FLOW 2024	CASH FLOW 2023
- Profit for the year	1,062.5	882.8
- Amortisation, depreciation and impairment losses	889.0	806.3
- Net change in provisions	(43.3)	(35.3)
- Net losses/(gains) on sale of assets	(12.6)	(18.0)
Operating cash flow	**1,895.6**	**1,635.8**
- Change in net working capital	(154.2)	(558.8)
- Other changes in property, plant and equipment and intangible assets	65.1	15.1
- Change in investments	(6.5)	(2.9)
- Change in financial assets	22.6	10.7
Cash flow from operating activities	**1,822.6**	**1,099.9**
- Total capital expenditure	(2,692.1)	(2,290.0)
Free cash flow	**(869.5)**	**(1,190.1)**
Net assets held for sale	**65.2**	**(19.3)**
- Dividends paid to the Parent Company's shareholders	(691.9)	(649.0)
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	829.8	(54.0)
Other movements in equity attributable to non-controlling interests	0.3	(5.6)
Change in net debt	**(666.1)**	**(1,918.0)**

The Group's reclassified statement of financial position

The Terna Group's financial position at 31 December 2024 and 31 December 2023 is summarised below in the reclassified statement of financial position, obtained by reclassifying amounts in the statutory consolidated statement of financial position.

(€m)

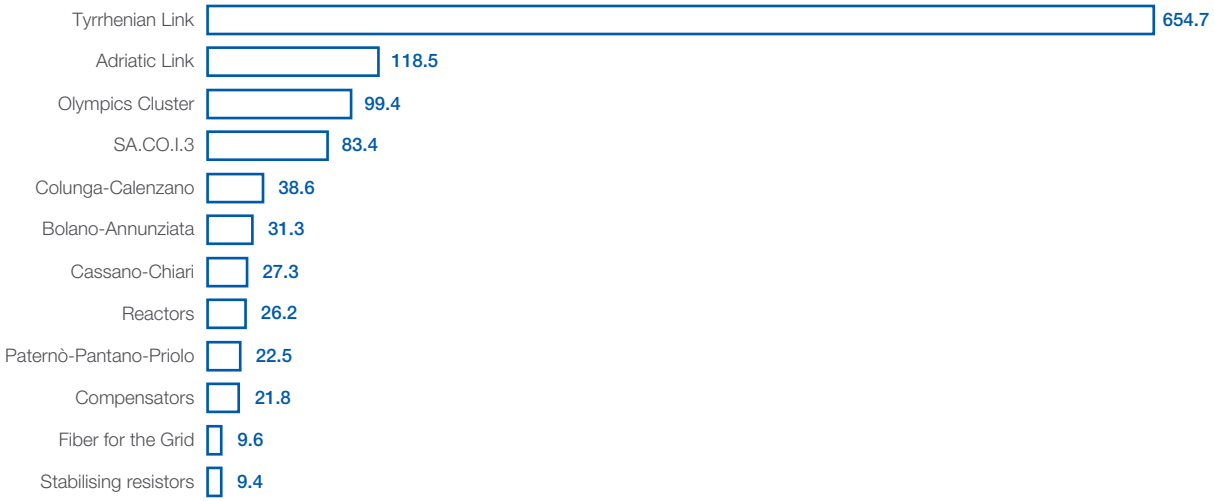
	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE
Total net non-current assets	**20,704.0**	**18,964.7**	**1,739.3**
- Intangible assets and goodwill	982.2	867.2	115.0
- Property, plant and equipment	19,237.1	17,596.7	1,640.4
- Financial assets	484.7	500.8	(16.1)
Total net working capital	**(2,025.2)**	**(2,174.6)**	**149.4**
- Net energy-related pass-through payables	(624.4)	(912.0)	287.6
- Net receivables resulting from regulated activities	1,324.2	1,107.6	216.6
- Net trade payables	(1,072.7)	(937.1)	(135.6)
- Net tax liabilities	(74.5)	25.7	(100.2)
- Other net liabilities	(1,577.8)	(1,458.8)	(119.0)
Gross invested capital	**18,678.8**	**16,790.1**	**1,888.7**
Sundry provisions	10.4	(32.9)	43.3
Net invested capital	**18,689.2**	**16,757.2**	**1,932.0**
Net assets held for sale	**15.2**	**80.4**	**(65.2)**
TOTAL NET INVESTED CAPITAL	**18,704.4**	**16,837.6**	**1,866.8**
Equity attributable to owners of the Parent	**7,524.2**	**6,324.4**	**1,199.8**
Equity attributable to non-controlling interests	**19.8**	**18.9**	**0.9**
Net debt	**11,160.4**	**10,494.3**	**666.1**
TOTAL	**18,704.4**	**16,837.6**	**1,866.8**

The €1,739.3 million increase in **net non-current assets** compared with 31 December 2023 primarily reflects a combination of the following:

- total capital expenditure of €2,692.1 million, as described in detail in the section on "Regulated Activities";
- amortisation and depreciation for the period, totalling €869.5 million;
- other movements during the year in "Property, plant and equipment" and "Intangible assets", which fell €45.5 million reflecting grants related to assets (down €50.8 million, primarily for the re-routing of power lines at the request of third parties and projects financed by the Ministry of the Environment and Energy Security and the EU) and disposals and impairment losses resulting in a reduction of €19.7 million;
- lower financial assets in the amount of €16.1 million, essentially due to the reclassification to short-term, as part of financial debt, of the value of Italian BTPs (down €119.1 million with maturity in May 2025 and a rate of 1.4%), net of the increase in security deposits received from operators participating in the capacity market pursuant to Resolution no. 98/2011/R/eel and subsequent amendments and additions (up €68.3 million), the Interconnector Guarantee Fund set up for the construction of interconnection works pursuant to Article 32 of Law 99/09 (up €19.1 million) and the activity in support of the Brugg Cables Group's employee benefits plan (up €7 million). Also worth mentioning is the acquisition in March 2024 by the subsidiary Terna Forward S.r.l. of a 33% interest in Wesii S.r.l., a joint venture (up €2.9 million), the investment during the period (a total of up €1.6 million) in three start-ups, Melaworks, D-Orbit and Unusuals World (other equity investments), and the increase in the investment (up €2.8 million) in the Infra Tech and Energy Tech segments of CDP's Corporate Partner I fund.

The Terna Group's **total capital expenditure** during 2024, amounting to **€2,692.1 million**, is up **17.6%** compared with the €2,090.0 million of 2023.

Main capital expenditure in the NTG* (€m)



** Amounts including financial expenses.*

Net working capital of -€2,025.2 million resulted in a cash outflow of €149.4 million compared with 31 December 2023. This reflects the combined effect of:

Cash outflows

Decrease in **net energy-related pass-through payables** for €287.6 million, mainly due to the combined effect of:

- a decrease in net payables related to cost and revenue items arising from the provision of dispatching service (€637.7 million): Terna's debt position at the end of 2023, mainly attributable to streamlining and cost reduction in the DSM area, was reduced to zero in 2024 with the transfer of the related benefit through the Uplift component billed to users;
- decrease in debt exposure related to the Capacity Market (€68.6 million) due to higher receivables related to hedging fees outstanding at the end of 2024 compared to the reference cost for the period;

partially offset by:

- higher net liabilities related to the units essential for the security of the electricity system – UESS (€352.1 million) arising from the collection items net of payments made during 2024 to the owners of the plants[60];
- adjustment of the allowance for doubtful accounts in the amount of €57.3 million as a result of the accrual during the year for the value of uncollectible receivables refunded by ARERA with Resolution no. 5/2024[61] (€73.6 million) net of uses and releases made during the year (€16.3 million).
- positive change in **net receivables resulting from regulated activities** of €216.6 million mainly attributable to the combined effect of:
  - increase in transmission charge receivables (€99.9 million) related to the tariff update pursuant to ARERA Resolution no. 632/2023;

[60] ARERA ordered payments to Essential Unit owners through Resolutions no. 32-44-65-166-293-308-399-440-460-461-469-470-471-485-486-487-502-503-519-520-537-541-542/2024.

[61] With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA Resolution no. 179/09).

- an increase in receivables (€58.8 million) arising from incentive mechanisms aimed at reducing dispatching costs (DSM incentive, Resolutions no. 597/2021 and no. 132/2022) as a result of the recognition of the bonus accruing in 2024 (€374.1 million) net of the collections for the year in accordance with the methods set forth in the applicable regulations (€315.3 million, of which €50 million referred to intra-zonal incentives pursuant to Resolution no. 699/2018);
- reduction in net payables (€32.2 million) due to charges from the Inter-TSO Compensation (ITC) mechanism[62];
- receivables recognised as a result of the compensation of stranded receivables resolved pursuant to ARERA Resolution no. 5/2024 (€36.3 million, net of collections for the period).

Cash inflows

- an increase of €135.6 million in **net trade payables**, largely due to the increase in capital expenditure towards the end of the year;
- increase in **net tax liabilities** in the amount of €100.2 million substantially attributable to higher net tax payables (up €108.4 million) due to the recognition of income taxes for the year net of the settlement of taxes for the previous year and advance payments made, offset by lower withholding taxes incurred (down €8.7 million);
- increase in **other net liabilities** in the amount of €119.0 million, mainly attributable to the increase in the Interconnector Guarantee Fund (up €18.9 million), higher plant subsidies received from third parties (up €66.1 million), and the increase in long-term liabilities following the commissioning of the Italy-France and Italy-Austria interconnections and the adjustment of the option for the potential purchase of the minority share of LT S.r.l. (up €77.4 million).

Gross invested capital thus amounts to €18,678.8 million, an increase of €1,888.7 million compared with 31 December 2023.

Sundry provisions are down €43.3 million, primarily due to:

- net provisions for net deferred tax assets of €59.6 million, primarily due to the effect on taxation of movements in derivative financial instruments held by the Group, amortisation and depreciation and changes in provisions for risks and charges;
- net allocations of provisions for early retirement payments (down €6.1 million), custody deposits (down €3.6 million) and crossing fees (down €7.5 million), net of uses of provisions for urban and environmental redevelopment projects (up €2.2 million).

The **Net assets held for sale** amounted to €15.2 million at 31 December 2024, a decrease of €65.2 million compared to 31 December 2023, mainly attributable to the third closing for the sale to CDPQ of SPE Transmissora de Energia Linha Verde I S.A., finalised in November 2024.

Total net invested capital, including assets held for sale, amounts to €18,704.4 million, marking an increase of €1,866.8 million compared with 31 December 2023. This is financed by equity attributable to owners of the Parent, totalling €7,524.2 million (compared with €6,324.4 million at 31 December 2023), equity attributable to non-controlling interests of €19.8 million (€18.9 million at 31 December 2023) and net debt of €11,160.4 million (up €666.1 million compared with the €10,494.3 million of 31 December 2023).

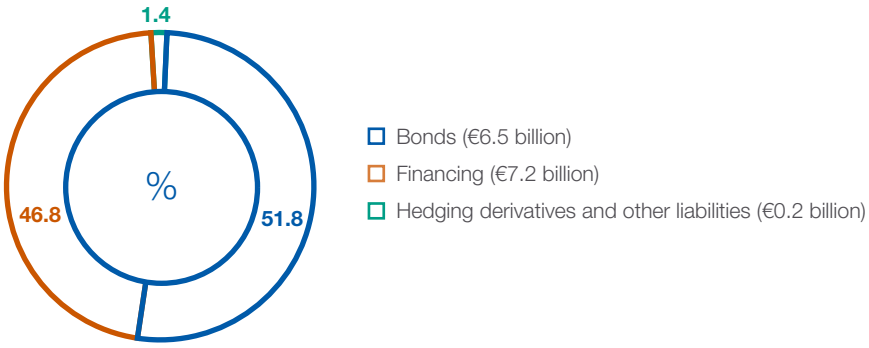
[62] Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows.

Debt

The Group's financial policy and gross debt

The Terna Group's financial management is based on an approach that aims to maximise efficiency and achieve and maintain a solid financial structure, whilst adopting a highly prudent stance towards mitigation of the potential financial risks. The key aspects of the Group's financial policy are diversification of the sources of funding, a balance between short- and medium/long-term forms of debt and the proactive management of debt.

Gross debt at 31 December 2024 amounts to approximately **€14 billion**, consisting of approximately €6.5 billion in the form of bond issues and €5.5 billion in medium/long-term bank loans and €1.7 billion in short-term borrowings. The average term to maturity of medium/long-term debt, 84% of which is fixed rate, is approximately 6 years.



The bond debt consists of both public issues and private placements, carried out as part of the EMTN Bond Issuance Programme, which was increased from €9 billion to €12 billion in June 2024 (with the participation of numerous domestic and foreign banks). Targeted at the specific segment of qualified investors and listed on the Luxembourg Stock Exchange, Terna's bonds have a significantly diversified investor base in terms of both sectors and geography.

With regard to bank debt, Terna's main lender is the European Investment Bank (EIB). The notional amount of outstanding debt as of 31 December 2024 is approximately €4.1 billion.

Thanks to the solidity of its credit profile, Terna is able to borrow on the financial market at extremely favourable conditions, as witnessed by the fixed-rate bond issue with a nominal value of €850 million launched in January 2024, the €850 million hybrid green perpetual issue carried out in April 2024, and the subscription of bank loans. In this regard, it is noted that €2.4 billion were disbursed in 2024, of which €900 million by the EIB. Terna can also rely on three committed revolving credit lines totalling about €4.2 billion, of which €3.9 billion is available, and a €2 billion Euro Commercial Paper (ECP) programme, of which €830 million is available.

Net debt

The Group's net debt at 31 December 2024 amounts to €11,160.4 million, marking an increase of €666.1 million compared with 31 December 2023.

(€m)

	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE
NET DEBT (BY TERM TO MATURITY)			
Total medium/long-term debt	**11,469.2**	**9,556.5**	**1,912.7**
- Bond issues	6,048.3	5,664.2	384.1
- Borrowings	5,362.1	3,745.0	1,617.1
- Derivative financial instruments	58.8	147.3	(88.5)
Total short-term debt/ (funds)	**(308.8)**	**937.8**	**(1,246.6)**
- Bond issues (current portions)	499.5	826.4	(326.9)
- Short-term borrowings	1,657.1	1,201.7	455.4
- Borrowings (current portions)	181.5	558.2	(376.7)
- Other financial liabilities net	109.0	106.4	2.6
- Derivative financial instruments	1.7	(0.3)	2.0
- Financial assets	(446.1)	(376.4)	(69.7)
- Cash and cash equivalents	(2.,311.5)	(1,378.2)	(933.3)
Total net debt	**11,160.4**	**10,494.3**	**666.1**
NET DEBT (BY TYPE OF INSTRUMENT)			
- Bond issues	6,547.8	6,490.6	57.2
- Borrowings	5,543.6	4,303.2	1,240.4
- Short-term borrowings	1,657.1	1,201.7	455.4
- Derivative financial instruments	60.5	147.0	(86.5)
- Other financial liabilities net	109.0	106.4	2.6
GROSS DEBT	**13,918.0**	**12,248.9**	**1,669.1**
- Financial assets	(446.1)	(376.4)	(69.7)
- Cash and cash equivalents	(2,311.5)	(1,378.2)	(933.3)
Total net debt	**11,160.4**	**10,494.3**	**666.1**
Net debt attributable to net assets held for sale	**(1.9)**	**(10.8)**	**8.9**

Changes in the Group's net debt are as follows:

- increase in bonds to the extent of €57.2 million, mainly as a result of the €850 million bond issue launched by Terna in January 2024 and the adjustment to fair value of the financial instruments, partially offset by the repayment of an €800 million bond issue in October 2024;
- increase in medium/long-term bank loans in the amount of €1,240.4 million, mainly as a result of new uses, totalling €2,400.0 million, net of repayments totalling €1,000.0 million and repayments falling due on existing EIB loans;
- increase in short-term borrowings (€455.4 million), essentially due to the use of short-term credit facilities and the issue of Commercial Paper by the Parent Company;
- decrease in the fair value of the portfolio of derivative financial instruments (down €86.5 million) due to the change in the portfolio and market interest rate curve;
- increase in other net financial liabilities (up €2.6 million) mainly due to the recognition of accrued interest on financial products;

- an increase in financial assets of €69.7 million, mainly due to the investment of the increased available liquidity in deposits, the reclassification of Italian government securities previously shown in non-current financial assets in the amount of €61.1 million, and changes in the Securities portfolio;
- increase in cash and cash equivalents of €933.3 million. Cash amounts to €2,311.5 million at 31 December 2024, including €2,090.2 million invested in short-term, readily convertible deposits and €221.3 million held in bank current accounts and in the form of cash in hand.

The **net financial debt of assets held for sale** amounting to -€1.9 million as of 31 December 2024 is represented by the value of Terna Peru S.A.C.'s cash and cash equivalents. The decrease of €8.9 million compared to 31 December 2023 was due to the finalisation of the sale of the assets of SPE Transmissora de Energia Linha Verde I S.A..

Reconciliation of the Group's profit for the year and equity with the corresponding amounts for the Parent Company

The reconciliation of consolidated equity and consolidated profit for 2024 and the corresponding amounts for the Parent Company is shown below.

(€m)

	NET PROFIT FY2024	EQUITY AT 31 DECEMBER 2024
Financial statements of Terna S.p.A.	**970.4**	**6,976.1**
Difference between equity in the financial statements, including profit/(loss) for the year, and the carrying amounts of investments in consolidated companies	118.5	1,969.4
Consolidation adjustments:		
- Intragroup dividends	(7.8)	(229.4)
- Elimination of unrealised intragroup profits net of the related taxation and other minor adjustments	(28.3)	(1,223.5)
- Foreign currency translation reserve	5.8	17.7
- Measurement of companies using the equity method	3.9	33.7
Total consolidated financial statements	**1,062.5**	**7,544.0**
Non-controlling interests	0.6	19.8
Terna Group's consolidated financial statements	**1,061.9**	**7,524.2**

Terna S.p.A.'s financial review for 2024

A review of the operating performance and financial position of the Parent Company, Terna S.p.A., is provided below.

As previously noted, given that the requirements of IFRS 5 have been met, gains and losses for 2023 on the investment in the Uruguayan subsidiary involved in the planned sale of assets has been classified in the item "Profit/(Loss) for the year from discontinued operations and assets held for sale" in the reclassified income statement.

Terna S.p.A.'s reclassified income statement

Terna S.p.A.'s operating results for the years 2024 and 2023 are summarised in the following reclassified income statement, obtained by reclassifying amounts in the statutory income statement.

(€m)

	2024	2023	CHANGE	% CHANGE
TOTAL REVENUE	**3,023.1**	**2,634.8**	**388.3**	**14.7%**
- Tariff revenue and incentives	2,741.9	2,386.5	355.4	14.9%
of which transmission revenue	*2,242.2*	*1,955.6*	*286.6*	*14.7%*
of which dispatching, metering and other revenue	*499.7*	*430.9*	*68.8*	*16.0%*
- Other operating income	168.3	167.7	0.6	0.4%
- Revenue from construction services performed under concession*	112.9	80.6	32.3	40.1%
TOTAL OPERATING COSTS	**709.7**	**654.6**	**55.1**	**8.4%**
- Personnel expenses	123.9	118.6	5.3	4.5%
- Cost of services, leases and rentals	443.4	422.7	20.7	4.9%
- Materials	1.8	2.6	(0.8)	(30.8%)
- Other costs	25.2	24.8	0.4	1.6%
- Quality of service	2.5	5.3	(2.8)	(52.8%)
- Cost of construction services performed under concession*	112.9	80.6	32.3	40.1%
GROSS OPERATING PROFIT/(LOSS) (EBITDA)	**2,313.4**	**1,980.2**	**333.2**	**16.8%**
- Amortisation, depreciation and impairment losses	795.0	719.3	75.7	10.5%
OPERATING PROFIT/LOSS (EBIT)	**1,518.4**	**1,260.9**	**257.5**	**20.4%**
- Net financial income/(expenses)	(131.2)	(90.8)	(40.4)	44.5%
PROFIT/(LOSS) BEFORE TAX	**1,387.2**	**1,170.1**	**217.1**	**18.6%**
- Income tax expense for the year	416.8	335.4	81.4	24.3%
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**970.4**	**834.7**	**135.7**	**16.3%**
Profit/(Loss) for the year from discontinued operations and assets held for sale	-	0.1	(0.1)	100.0%
PROFIT FOR THE YEAR	**970.4**	**834.8**	**135.6**	**16.2%**

** Recognised in application of interpretation "IFRIC 12 – Service Concession Arrangements".*

Gross operating profit (EBITDA) for the year amounted to **€2,313.4 million** and showed an increase of €333.2 million compared to €1,980.2 million in 2023, mainly due to the impact on tariff and incentive revenues (up €355.4 million) of the WACC update recognised for 2024 and the expansion of the Regulated Asset Base (RAB).

Revenue amounts to **€3,023.1 million** and, net of construction revenue under concession (up €32.3 million), increased €356.0 million compared with the previous year, mainly attributable to:

- the impact on the Transmission Fee of the increase in the WACC recognised for 2024 (pursuant to Resolution no. 556/2023, up from 5% in 2023 to 5.8% in 2024), the expansion of the Regulated Asset Base (RAB) and the depreciation and amortisation recognised, considering the new 2024-2027 Tariff Regulation criteria introduced by ARERA Resolution no. 615/2023 (up €353.4 million);
- higher dispatching fee revenue (up €26.6 million), mainly due to higher costs recognised in the DIS tariff;
- lower output-based incentives (down €24.6 million) essentially due to lower incentives related to the increase in transport capacity between market zones envisaged by Resolution no. 567/2019, amounting to -€66.8 million, net of higher revenues related to the incentive system for the reduction of costs in the dispatching services market (Resolution no. 597/2021 and Resolution no. 132/2022), amounting to up €42.2 million;
- higher revenues related to the service quality incentive mechanism - RENS (up €9.3 million), due to the 2024 performance (€6.8 million) and contingencies recognised for the requalification of certain events that occurred in the 2023 financial year (€2.5 million);
- smaller gains on the sale of assets (down €4.5 million, essentially scrap, transformers and motor vehicles).

Also of note are the lower revenue for the activities concluding the private Italy-Austria interconnector (down €7.7 million) and reimbursements for damages (down €2.3 million), partly compensated by the higher revenues deriving from the greater requests and higher payments for the connection services to the NTG (up €5.1 million).

After excluding the cost of construction services performed under concession (up €32.3 million), **operating costs** for the year, amounting to **€709.7 million**, are up €22.8 million compared with the previous year. This essentially reflects the following:

- higher personnel expenses (up €5.3 million) mainly due to the increase in the average number of staff and extraordinary incentives paid in 2024, net of higher provisions for incentives in the first half of 2023 and higher capitalisations;
- lower charges related to service quality (down €2.8 million), mainly attributable to higher charges incurred for outages that occurred in 2023;
- higher costs for crossing fees (up €4.8 million) and for Terna's investment in GRIT and CORESO (up €1.8 million), net of training costs (up €1.6 million);
- increase in amounts payable to the subsidiary Terna Rete Italia S.p.A., due to a reduction in operations and services provided for third-party infrastructure on behalf of the Company (€18.7 million).

Amortisation, depreciation and impairment losses for the year amount to **€795.0 million**, an increase of €75.7 million compared with 2023, primarily due to the entry into service of new infrastructure and higher write-downs.

EBIT (operating profit) of **€1,518.4 million** is up €257.5 million (up 20.4%) compared with 2023.

The **net financial expenses** for the year, amounting to €131.2 million, increased by €40.4 million compared to €90.8 million in 2023, mainly due to new loans disbursed in 2024 at higher interest rates than the average for existing loans, and to the non-distribution of dividends by subsidiaries. This increase is partially offset by higher income on cash and cash equivalents, by higher capitalised financial expenses, lower inflation related to the inflation-linked bond (maturing in September 2023), and lower expenses related to the uplift mechanism.

Income tax expense for the year totals €416.8 million, showing an increase of €81.4 million (up 24.3%) on the previous year, essentially due to the increase in pre-tax profit and higher non-deductible costs recognised during the year. The tax rate stands at 30.0% up from 28.7% in 2023 mainly due to the abolition of Economic Growth Assistance (ACE) from 2024.

The **profit for the year from continuing operations** amounts to **€970.4 million**, an increase of €135.7 million compared with the €834.7 million of 2023.

Profit/(loss) from discontinued operations and assets held for sale was nil, substantially in line with the previous year.

Profit for the year amounts to **€970.4 million**, an increase of €135.6 million compared with the €834.8 million of 2023.

Cash flow

Operating cash flow and the overall change in net debt covered the cash needs linked to capital expenditure and to the payment of dividends to shareholders.

(€m)

	CASH FLOW 2024	CASH FLOW 2023
- Profit for the year	970.4	834.8
- Amortisation, depreciation and impairment losses	795.0	719.3
- Net change in provisions	(31.3)	(31.1)
- Net losses/(gains) on sale of assets	(11.3)	(15.7)
Operating Cash Flow	**1,722.8**	**1,507.3**
- Change in net working capital	55.7	(549.2)
- Change in investments	3.9	(23.3)
- Other changes in property, plant and equipment and intangible assets	60.3	21.7
- Change in financial assets	32.0	14.3
Cash Flow from Operating Activities	**1,874.7**	**970.8**
- Total capital expenditure	(2,625.9)	(2,179.6)
Free Cash Flow	**(751.2)**	**(1,208.8)**
Net assets held for sale	**-**	**-**
- Dividends paid to shareholders	(691.9)	(649.0)
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent	826.6	(60.9)
Change in net debt	**(616.5)**	**(1,918.7)**

Terna S.p.A.'s reclassified statement of financial position

Terna S.p.A.'s financial position at 31 December 2024 and 2023 is summarised in the following statement, obtained by reclassifying amounts in the statutory statement of financial position.

(€m)

	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE
Total net non-current assets	**19,697.7**	**17,951.3**	**1,746.4**
- Intangible assets and goodwill	882.7	763.5	119.2
- Property, plant and equipment	17,275.6	15,612.5	1,663.1
- Financial assets	1,539.4	1,575.3	(35.9)
Total net working capital	**(1,765.0)**	**(1,708.9)**	**(56.1)**
- Net energy-related pass-through payables	(654.7)	(938.4)	283.7
- Net receivables resulting from regulated activities	1,324.2	1,107.6	216.6
- Net trade payables	(1,299.0)	(910.1)	(388.9)
- Net tax liabilities	(138.1)	(33.5)	(104.6)
- Other liabilities net	(997.4)	(934.5)	(62.9)
Gross invested capital	**17,932.7**	**16,242.4**	**1,690.3**
Sundry provisions	24.6	(6.7)	31.3
NET INVESTED CAPITAL	**17,957.3**	**16,235.7**	**1,721.6**
Equity	**6,976.1**	**5,871.0**	**1,105.1**
Net debt	**10,981.2**	**10,364.7**	**616.5**
TOTAL	**17,957.3**	**16,235.7**	**1,721.6**

The principal changes with respect to 31 December 2023 are described below.

Total net invested capital amounts to €17,957.3 million at 31 December 2024, marking an increase of €1,721.6 million due to the increases in **net non-current assets** (up €1,746.4 million), in cash from changes in **net working capital** (down €56.1 million) and a reduction in sundry provisions (up €31.3 million). This change is financed by equity of €6,976.1 million (up €1,105.1 million compared with the €5,871.0 million of 31 December 2023) and net debt of €10,981.2 million (up €616.5 million compared with the €10,364.7 million of 31 December 2023).

Net non-current assets are up €1,746.4 million, primarily due to the following:

- capital expenditure of the Company (€2,625.9 million, of which €2,598.3 million recognised to Regulated Activities) and the acquisition — from the subsidiary Rete S.r.l. on 10 October 2024 — of two 132 kV power lines "Roseto RT - Pescara Porta Nuova RT" and 6 kV "Avezzano RT - Carrito RT" for a consideration of €3.6 million;
- lower financial assets in the amount of €35.9 million, essentially due to the reclassification to short-term financial debt of the value of Italian BTPs (down €119.1 million with maturity in May 2025 and a rate of 1.4%) and the write-down of the equity investment in the subsidiary Terna Plus (down €3.9 million), net of the increase in security deposits received from operators participating in the capacity market under Resolution no. 98/2011/R/eel, as amended (up €68.3 million), and the Interconnector Guarantee Fund, established to fund investment in interconnections as under Article 32 of Law 99/09 (up €19.1 million);
- amortisation and depreciation for the year (€780.0 million);
- other movements during the year in "Property, plant and equipment" and "Intangible assets", which fell €67.2 million reflecting grants related to assets (down €48.5 million, primarily for the re-routing of power lines at the request of third parties and projects financed by the Ministry of the Environment and Energy Security and the EU) and disposals and impairment losses resulting in a reduction of €17.9 million.

The change in **Net Working Capital** equal to down €56.1 million is mainly attributable to the reduction in net trade payables, essentially related to energy items, net of net tax payables, security deposits received from electricity market operators, and the Interconnector Guarantee Fund set up by Terna S.p.A..

Sundry provisions are down €31.3 million, primarily due to:

- net provisions for net deferred tax assets of €43.3 million, primarily due to the effect on taxation of movements in derivative financial instruments held by the Group, amortisation and depreciation and changes in provisions for risks and charges;
- net allocations of provisions for early retirement payments (down €6.2 million), custody deposits (down €3.6 million) and crossing fees (down €7.5 million), net of uses of provisions for urban and environmental redevelopment projects (up €2.2 million).

Net debt of €10,981.2 million is up €616.5 million.

(€m)

	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE
Net debt (by type of instrument)			
- Bond issues	6,547.8	6,490.6	57.2
- Borrowings	5,495.6	4,247.6	1,248.0
- Short-term borrowings	1,631.2	1,190.4	440.8
- Other financial liabilities net	108.9	106.4	2.5
- Derivative financial instruments	58.8	147.3	(88.5)
Gross debt	**13,842.3**	**12,182.3**	**1,660.0**
- Financial assets	(445.8)	(361.3)	(84.5)
- Cash and cash equivalents (including the net balance on intercompany current accounts)	(2,415.3)	(1,456.3)	(959.0)
Total net debt	**10,981.2**	**10,364.7**	**616.5**

As previously commented in the context of the Group's indebtedness, the increase in gross financial debt of €1,660.0 million compared to 31 December 2023 is mainly attributable to the bond issue launched in January 2024, the drawing of loans with the EIB and other banks, the issuance of commercial paper and the fair value adjustment of financial instruments. The above is net of the repayment of a bond loan made in October 2024, the amortisation portions of outstanding EIB bank loans and the change in the fair value of derivative instruments.

Cash and cash equivalents of €2,415.3 million is up €959.0 million and consists of €2,013.0 million invested in short-term, readily convertible deposits, €142.4 million held in bank current accounts and in the form of cash in hand and €259.9 million corresponding with the net amount receivable on intercompany current accounts held by the Company on behalf of its subsidiaries.

Financial assets increased by €84.5 million, mainly due to additional deposits made during the period, the reclassification of Italian government securities previously shown under non-current financial assets, in the amount of €61.1 million, and changes in the Securities portfolio.

Proposed distribution of profit for the year

Terna S.p.A.'s Board of Directors proposes to pay a total dividend of €796,358,830.40 for 2024, equal to €0.3962 per share, of which €0.1192 per share was declared in the form of an interim dividend on 6 November 2024.

The Board of Directors thus proposes to appropriate Terna S.p.A.'s profit for 2024, amounting to €970,356,839.31, as follows:

- €239,591,046.40 to cover payment of the interim dividend payable from 20 November 2024 to the holders of each of the ordinary shares outstanding after adjusting for the treasury shares held at the record date of 19 November 2024 (with the relevant amount of €494,900.28 taken to retained earnings);
- €556,767,784.00 as settlement of the dividend to be distributed to the extent of €0.2770 in relation to each of the 2,009,992,000 ordinary shares representing the share capital as at the date of this Board Meeting to be paid on 25 June 2025 with "ex-dividend date" of coupon no. 42 falling on 23 June 2025 (record date pursuant to Article 83-terdecies of Legislative Decree No. 58 of 24 February 1998 "CLF" (Consolidated Law on Finance): 24 June 2025). The treasury shares held as of the above record date will not participate in the distribution. The final dividend for 2024 attributable to the treasury shares held by the Company at the record date will be taken to retained earnings;
- €173,998,008.91 to be taken to retained earnings.



Share price performance

Terna S.p.A. has been listed on Borsa Italiana's screen-based trading system (*Mercato Telematico Azionario*) since 23 June 2004. **From the date of floatation to the end of 2024, the share price has risen 348% (a capital gain)**, providing a Total Shareholder Return (TSR[63]) of 1,203%, ahead of both the Italian market (the FTSE MIB, up 162%) and the relevant European sector index (DJ Stoxx Utilities), which is up 357%.

The main European stock exchanges closed 2024 with positive performances, with the exception of Paris which dropped -2.2%. Milan gained 12.6%, Frankfurt and Madrid marked up 15.4% and up 14.8% respectively, and London closed at up 5.7%.

Terna's shares closed 2024 at a price of €7.620, marking an increase of 0.9% over the year, overperforming the relevant European sector index (DJ Stoxx Utilities), which shifted down 2.6%. The daily average volume traded during the year amounted to approximately 3.9 million. The shares reached a yearly high of €8.216 on 18 October. It should also be noted that the ex-dividend date for the interim dividend for 2024, amounting to 11.92 eurocents per share, was 18 November.

Key indicators per share

	2024	2023	2022	2021	2020	2019
Number of shares (in millions)*	2,010	2,010	2,010	2,010	2,010	2,010
Price at year end (€ per share)	7.62	7.55	6.90	7.11	6.25	5.95
Market capitalisation** (€m)	15,455	15,108	14,541	12,898	12,142	11,273
Average price for year (€ per share)	7.69	7.52	7.23	6.42	6.04	5.61
Earnings per share (€)	0.523	0.441	0.427	0.393	0.391	0.377
Dividend per share (€)	0.3962	0.3396	0.314	0.291	0.270	0.250
Payout ratio***	75.00%	77.09%	73.74%	74.12%	68.98%	66.22%
Dividend yield****	5.2%	4.5%	4.6%	4.1%	4.3%	4.2%
Total shareholder return	5.5%	14.1%	1.0%	18.8%	9.4%	25.1%

* *The total number of shares representing the share capital. The number of shares in circulation amount to 2,006 million, following the buyback of own shares to service the Performance Share Plan 2024-2028.*
** *Based on the average price for the year.*
*** *The ratio of the total dividend to profit attributable to owners of the Parent.*
**** *Dividend per share for the year as a percentage of the share price at year end.*

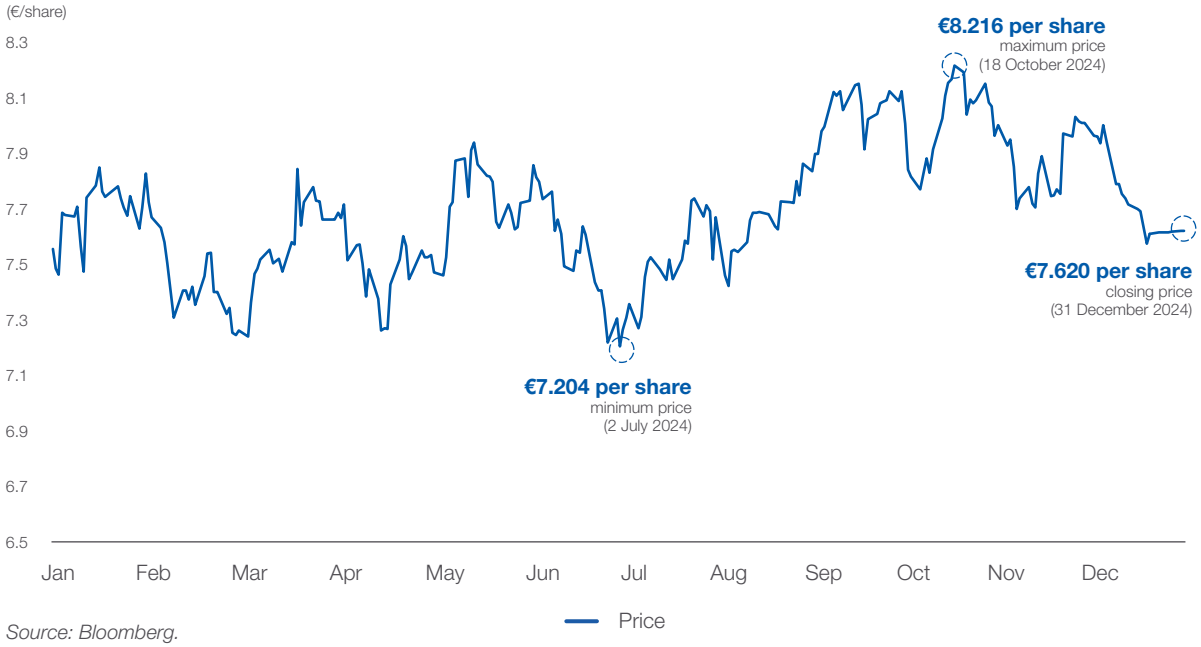
[63] Total Shareholder Return (TSR): total return on an equity investment, calculated as the sum of:
I. capital gain: the change in the share price (difference between the price at the end and at the beginning of the relevant period) as a percentage of the price at the beginning of the period;
II. reinvested dividends: the ratio between dividends per share paid out during the period and the share price at the beginning of the period. Dividends are assumed to have been reinvested in the shares.

Weighting of Terna's shares

	2024	2023
> on the FTSE MIB index	2.2%	2.3%

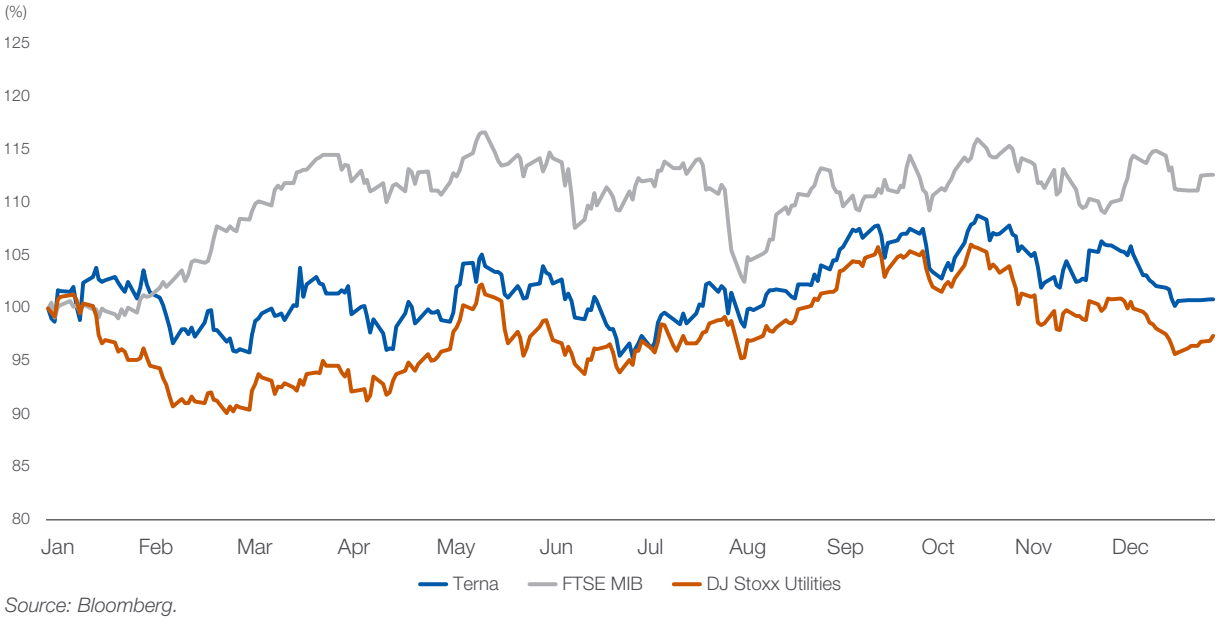
Source: Bloomberg

Performance of Terna's shares *(price trend from 1 January to 31 December 2024)*



Source: Bloomberg.

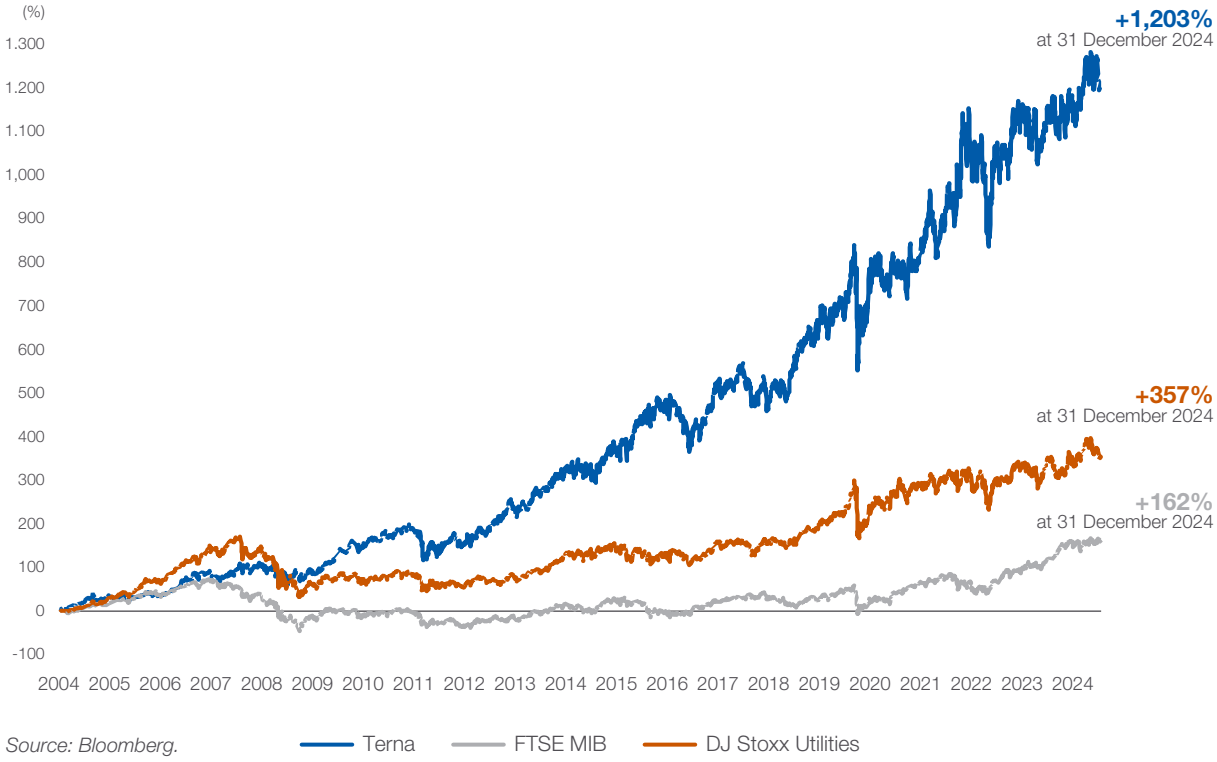
Terna's shares, the FTSE MIB and DJ Stoxx Utilities *(Price from 1 January to 31 December 2024)*



Source: Bloomberg.

Total Shareholder Return on Terna's shares and the FTSE MIB and DJ Stoxx Utilities

(from the flotation to the end of 31 December 2024)



Source: Bloomberg.



Main ratings and international ESG indices

Terna's commitment to measuring and improving its sustainability performance is reflected positively in its ESG (Environmental, Social and Governance) ratings and, as a result, in its presence in international stock exchange ESG indices.

ESG ratings

AGENCY	DESCRIPTION
S&P GLOBAL	Its **Corporate Sustainability Assessment (CSA)** is a periodic evaluation of companies' sustainability practices. The highest ranked companies are included in the Dow Jones Sustainability Index (Dow Jones Best-in-Class since 2025).
SUSTAINALYTICS	It periodically publishes an **ESG Risk Rating Report** on the Company. In 2024, Terna's "Negligible Risk" rating (the best possible) was reaffirmed.
MOODY'S ANALYTICS	It periodically measures companies' **ESG performance**. Its final opinion is based on four different levels of performance (Advanced; Robust; Weak; Limited). In October 2024, Terna's "Advanced" rating was reaffirmed with a score of 75/100.
MSCI	It periodically publishes an **ESG Ratings Report** in which is analyses and assesses companies on a scale from "AAA" (the highest rating) to "CCC". Terna has been assigned a rating of "AA".
CDP (CARBON DISCLOSURE PROJECT)	Its periodically produced **Climate Change** questionnaire focuses on issues linked to climate change. The questionnaire results in a rating expressed in letters on a scale from D to A. In 2025, Terna has confirmed the "A-" score obtained in 2024, corresponding to the "leadership" category
ISS ESG	It assesses the sustainability performances of companies based on approximately a hundred criteria. The highest ranked companies, such as Terna, are awarded **Prime** status.
FTSE RUSSELL	Its ESG ratings reflect the company's exposure to – and management of – **ESG issues** and constitute the main input for inclusion in the FTSE4Good indices.
STANDARD ETHICS	Standard Ethics issues a judgement on the **level of compliance** by companies with respect to sustainability and corporate governance based on documents and guidelines published by international bodies. In December 2024 Terna improved its rating to "EE+", on a scale from "EEE" (best) to "F" (worst), corresponding to the best bracket, "Sustainable".
GRESB	GRESB ("Global Real Estate Sustainability Benchmark") conducts assessments of the **level of disclosure**. In 2024, Terna's assignment of the highest possible rating of "A" was reaffirmed.

ESG indices

INDEX	DESCRIPTION
DOW JONES SUSTAINABILITY	The Dow Jones Sustainability indices (Dow Jones Best-in-Class since 2025) select the companies with the best sustainability performance among those with the highest capitalization. Terna has been included in the Dow Jones Sustainability World Index (DJSI World) since 2009.
FTSE4GOOD	The FTSE4Good indices are based on assessments carried out by FTSE Russel. Terna has been included in the index since 2005.
MSCI	Terna is a member of over a hundred of MSCI's general and sectoral ESG indices.
STOXX® GLOBAL ESG LEADERS	Launched in 2011, these indices are based on assessments made by the Sustainalytics rating agency and select the best shares based on ESG performance. Admission to the Global ESG Leaders Index, requires inclusion in at least one of the three specialist indices (Global Environmental Leaders, Global Social Leaders and Global Governance Leaders). Terna has been a member of all three indices since 2011.
EURONEXT VIGEO	Based on Moody's Analytics' assessment, these indices (named Euronext Sustainable starting since 2025) are based on a universe of undertakings listed on international markets. Terna has been a member of the World 120, Euro 120 and Europe 120 indices since 2012.
ECPI	ECPI has created sustainability indices and carries out research so as to provide additional non-financial information. Terna is, among others, one of the ECPI ESG Best in Class. Terna has been included since 2007.
SOLACTIVE EUROPE CORPORATE SOCIAL RESPONSIBILITY	This index has replaced the previous Ethibel Sustainability Index. It includes a basket of European shares selected by the Ethibel Forum. Terna has been included since 2009 (taking into account earlier membership of the Ethibel Sustainability Index).
MIB ESG	Launched in 2021, this is Italy's first blue-chip index focusing on ESG best practices. The index is based on the outcome of the periodic assessment conducted by Moody's Analytics (replaced by Sustainalytics as from 2025).
S&P Global 1200 ESG	This index rewards the best sustainability performances by global blue-chip companies – present in the underlying S&P Global 1200 index – based on data gathered by S&P Global CSA.
S&P GENDER EQUALITY & INCLUSION INDEX	Launched in 2021, this index measures the performances of listed companies with respect to gender equality and inclusion. The index includes companies that have received the highest S&P Global Gender Diversity Scores, calculated on the basis of the results obtained in the S&P Global CSA (Corporate Sustainability Assessment).
EURONEXT EQUILEAP GENDER EQUALITY EUROZONE 100 INDEX	Launched in 2022, it includes 100 Eurozone companies that have shown that they are playing a major role in promoting gender equality.
S&P GLOBAL LARGEMIDCAP BIODIVERSITY	Launched in February 2024, the biodiversity index measures the ability of companies in the S&P Global LargeMidCap to limit the impacts of business activities on ecosystems.
EURONEXT ESG EUROZONE BIODIVERSITY LEADERS PAB INDEX	The biodiversity index, launched in 2022, selects companies with the best Moody's Analytics ratings, the best performers with respect to an assessment of their "Corporate Biodiversity Footprint" conducted by Iceberg Data Lab.

Outlook

Weak global economic growth is expected in 2025, against an even more uncertain backdrop due to trade tensions between the world's major economies, exacerbated by the heightened risk of new protectionist measures that could trigger more inflation. Geopolitical tensions may well persist or even worsen, with regional conflicts, rivalry between states and global security challenges all potentially having a negative effect on political and economic stability.

In the aforementioned scenario, the Terna Group will be focused on implementing the provisions of the 2024-2028 Industrial Plan Update, presented to the financial community on 25 March 2025, which, with its total investments of €17.7 billion, confirms and reinforces Terna's contribution as an enabler of the energy and digital transition to support the achievement of decarbonisation targets and the progressive increase in the independence of the Italian electricity system.

Notably, with reference to **Regulated Activities**, a pick-up in investments was confirmed with a view to achieving the objectives of the European Fit-for-55 and RepowerEU packages, as set out in Italy's 2024 Integrated National Energy and Climate Plan (PNIEC). These investments will allow the integration of renewable sources, the development of interconnections with foreign countries, the improvement of the security and resilience of the electricity system, and the digitalisation of the grid.

With regard to the main investment projects underway, emphasis is placed on the milestones of the Tyrrhenian Link, in respect of which the submarine layings of the first pole in the East Link is expected to be completed. For the Western Link, however, it is planned to complete the supply of the marine cable of pole 1 and to continue the work in Sardinia and Sicily.

With regard to Sa.Co.I.3, work began on the landing points for the submarine cables in Sardinia and Tuscany and the executive design of the terrestrial cables and converter substations in Suvereto and Codrongianos got underway. With regard to cables and overhead lines in Corsica, execution continued following the opening of construction sites.

As to the Adriatic Link project, the civil works ahead of the laying of the terrestrial cable in the Marche region got underway, while the civil works for the terrestrial cables in Abruzzo was scheduled to start; in addition, work on the converter substations was planned to start during the course of the year.

With regard to the main infrastructure of the NTG, the "Pantano-Priolo" power line, the synchronous compensator in Aurelia and the Foiano and Ponte Caffaro substations were scheduled for commissioning.

Work to complete the new electricity grid for the "Milan-Cortina 2026" Olympic and Paralympic Games will continue in 2025, with the aim of increasing the reliability of energy supply in the locations hosting the event, with infrastructure having a reduced impact on the landscape. More specifically, the Livigno, Laion-Corvara and Moena-Campitello links were scheduled to come on stream in 2025.

Finally, the Group will continue to make progress towards meeting the requirements resulting from the output-based regulatory mechanisms introduced by ARERA, with regard to both reducing dispatching costs (Dispatching Services Market incentives (DSM), Resolution no. 554/2024/R/eel) and delivering additional interzonal transmission capacity (interzonal incentives, Resolution no. 55/2024/R/eel). The Group is committed to maintaining the performance levels achieved during the observation period.

With reference to **Non-regulated Activities**, the reorganisation process involving the subsidiaries of Terna Energy Solutions S.r.l. was completed. This is a company of the Terna Group that manages activities in competitive markets. It has integrated diversified expertise along the entire energy value chain through its network of subsidiaries, setting out to act as a blueprint for businesses seeking strategic expertise in energy and digital transition.

As a result, the Terna Group will gain a stronger foothold in the various segments of the energy transition value chain: Altenia (previously known as LT S.r.l., which changed its company name in March 2025 as a result of the aforementioned reorganisation), a system integrator with specialised and diversified expertise in the design, construction and maintenance of electrical and renewable energy plants; the Tamini Group, a leading transformer manufacturer; and the Brugg Cables Group, a company operating in the terrestrial cable sector. The latter two, which are also instrumental in the realisation of the Group's investments, will develop high value-added activities for businesses, offering customers technological, innovative and digital solutions in the energy and industrial sectors and seizing growth opportunities by both strengthening market leadership and increasing production capacity.

The Group will also continue to develop the Connectivity business based on activities related to the fibre optic network.

Regarding **International Activities**, the Group will continue the process of enhancing the asset portfolio in Latin America, taking all the actions that may be required to finalise the non-recurring transaction in Peru. In addition, monitoring of the foreign market will continue, with a special focus on the Mediterranean area, with a view to gaining insights into changes in the backdrop and context and seizing any opportunities involving a low risk profile and limited capital requirement.

During the year, the Group will intensify its focus on improving operational efficiency and management of the transmission grid through the adoption of innovative technologies and the digitalisation of grid assets, in part thanks to the implementation of IoT technologies. This will include, by way of example, implementation of the latest mobile network technologies, the upgrade of monitoring systems and the development of advanced predictive algorithms designed to optimise infrastructure maintenance and boost grid resilience.

Management of the Terna Group's business will continue to be based on a sustainable approach and respect for ESG aspects, ensuring that it is able to minimise the environmental impact, involve local stakeholders and meet the need for integrity, responsibility and transparency.

In 2025, the Terna Group's expected financial highlights include revenue of €4.03 billion, EBITDA of €2.70 billion and net profit at €1.08 billion. With specific reference to the Investment Plan, the Group has targeted capital expenditure of approximately €3.4 billion in 2025. The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation necessary to ensure a sound, balanced financial structure.

Main risks and uncertainties

Business objectives and risk management

The Risk Management System has the ultimate purpose of supporting decision-making processes and developing awareness across the organisation of the level of risk assumed and its compatibility with the Company's objectives. The System also aims to spread and reinforce the risk culture at all levels of the organisation.

With regard to coordinated risk management, carried out by management in the various areas, for some time the Terna Group's Risk Management Framework has provided for adoption of a common reference framework that sets out objectives to enable the creation and maintenance of Group value. The target framework was updated in 2024 in order to align it with changes in the internal environment and/or the objectives of the Industrial Plan.

The framework of **corporate objectives**, divided into **Strategic** (linked to the Industrial Plan) and **Recurring** (continuous risks linked to the activities carried out under concession, the corporate mission and the codes of conduct adopted), is used annually by management as the main reference for the **identification** of risk events, including emerging ones.



On the basis of the objectives framework, each identified risk event is **assessed** in terms of the combination between Impact (divided into four types: financial, reputational, operational and HSE-Sustainability) and Likelihood of occurrence over the life of the Plan. The assessment also takes into account the Level of Maturity of existing risk management systems. Based on the outcomes, risk **treatment** priorities and appropriate responses are chosen through the selection of mitigation or corrective actions.

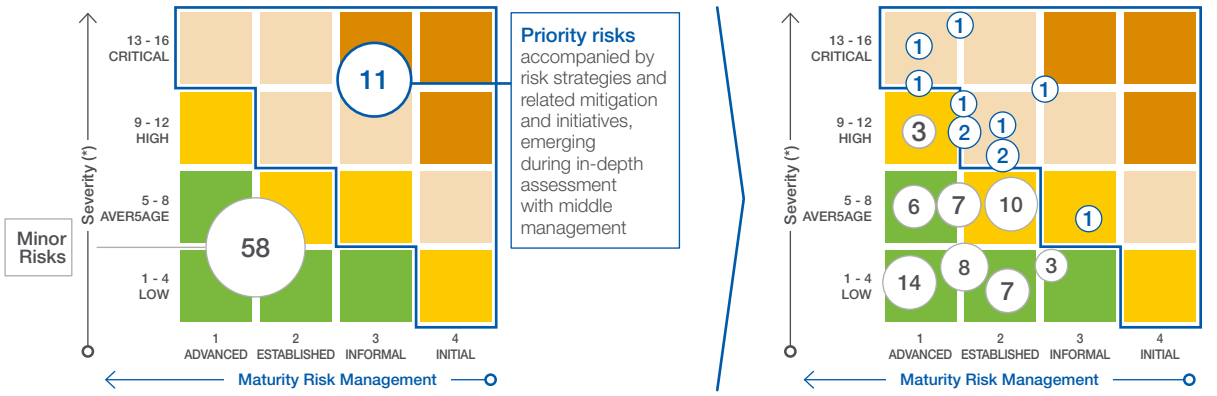
A business's risk profile is not static, but dynamic and may alter due to changes in the external environment and/or as a result of internal organisational and business decisions. Therefore, **monitoring** is carried out with the aim of verifying the evolution of the Group's risk profile, the exposure to the main risks, the trend of the defined risk indicators (KRIs), together with the progress of the mitigation actions defined.

The above phases of the risk management process are regularly repeated (at least once a year).

In particular, in November 2024 an update of the Risk Assessment was initiated, which, in line with previous years, was carried out according to a Top-Down approach and with the involvement of Middle and Top Management.

The analysis took into account the main changes in the external context (macroeconomic variables, geopolitical crises, etc.) and internal context (company organisation, processes, procedures, etc.). These variables – both exogenous and non-exogenous – contributed to a certain weighting of the risk events identified, allowing the Group's risk profile to be updated, as illustrated below:

(#) Number of risks per quadrant



(*) Severity: resulting from (Impact) x (Probability)

The risks emerging from the 2024-2025 Risk Assessment update are also related to the topics of the European Sustainability Reporting Standards (ESRS), in accordance with EU Directive no. 2022/2464 (Corporate Sustainability Reporting Directive - CSRD) and the related Italian transposition decree (Legislative Decree no. 125 of 6 September 2024).

For more details on the Double Materiality process and the details of the Terna Group's sustainability risks, see the section "Double Materiality" in the Terna Group Consolidated Sustainability Statement.

Each risk identified, in addition to being assessed, is also classified according to its type. In its ERM framework, Terna has identified six risk categories, as outlined below.

External / market risk

Terna operates in a regulatory context characterised by the government concession and the provisions of the Regulatory Authority for Energy, Networks and the Environment (ARERA).

Given the specific nature of the business and the environment it operates in, Terna is therefore exposed to risks arising from the regulatory and legislative framework, which can impact revenues from concession activities, especially during multi-year tariff reviews. In some cases, these are real challenges that require the need for careful risk management in order to properly assess their implications for the Group. For more details on the current regulatory dynamics, see the "Regulatory" section in Reference Scenarios, in addition to other contextual factors related to the economic and financial trends of the markets that Terna operates in. Among these, fluctuations in commodity prices, which have been influenced in recent years by international geopolitical tensions (wars in Ukraine and the Middle East), and in interest rates, both short- and long-term, are a major issue that could affect operating costs, investments and debt management. These elements, together with regulatory challenges, require a focused and flexible strategic approach to ensure long-term resilience and sustainability.

Operational risk

Sustainable investments in the national transmission grid, which are essential to support the energy transition and guarantee the efficiency and security of the electricity system, represent the Group's core business and directly involve the various regions through discussions with all the main stakeholders, local communities, authorities and institutions.

Terna is therefore exposed to operating risks connected with the execution of the works envisaged in the Development Plan, which on the one hand depend on the intrinsic engineering and technological characteristics of the construction projects, which are often very complex and innovative (such as the large HVDC projects and the innovative Hypergrid), and on the other on external issues that are not easily controllable (such as obtaining environmental and/or administrative authorisations or objections by local communities), with consequent impacts on the timing and integrity of the investment plan.

The management of Terna's plant construction sites also requires great attention to the safety of Terna's people and the contractors/subcontractors working there, so as not to incur risks related to the health and safety of workers.

Other aspects that expose the Group to operational risks concern the management of the national transmission grid (so-called Dispatching), aimed at ensuring the continuity and quality, safety, adequacy and cost-effectiveness of the electricity system. Extraordinary events, malfunctions and failures, but also the increasing complexity of managing the system itself, which is increasingly interconnected and integrated with renewable sources, lead to greater variability and uncertainty in the management of the electricity system's balancing and could test the system's ability to maintain quality and safety standards.

In a context where the performance of company operations is heavily reliant on the use of ICT technologies and digital tools, the careful operation of systems and technological infrastructure preserves the Group from malfunctions, failures or system stoppages, which could compromise continuity and cause operational inefficiencies.

Last, but not least, is the Group's ability to attract and retain people and talent with technical/specialised skills, which are not only in short supply but also highly sought after in the market.

Legal / contractual risk

Legal risks for Terna represent the potential negative consequences of not fulfilling contractual obligations in relation to the activities that the Group carries out. Such risks may manifest themselves through sanctions or legal disputes, for example with regard to issues such as non-compliance with contractual terms.

The occurrence of these risks could cause financial and non-financial and/or reputational damage to the Group.

Compliance risk

This category of risk refers to the possibility that there may be violations, in part or in full, of laws and regulations by Terna, resulting in criminal, civil, tax and/or administrative sanctions, as well as damage to assets and other property, business and/or reputation.

In order to effectively manage this type of risk, Terna sought to strengthen its governance controls, defining an effective Compliance Management System, to be placed alongside the company's existing Management Systems and other tools for overseeing compliance (including centralised management models such as the Organisational Model pursuant to Italian Legislative Decree no. 231/01, Trade Compliance, the Model under Law 262/05, Tax Control Framework, etc.) and thus have a further guarantee of managing compliance aspects relating to complex realities like that of the Group.

To this end, in 2022 Terna S.p.A. started an initial implementation of its Compliance Management System and adopted a dedicated Policy, on 4 February 2023 – first in Italy – earning the UNI ISO 37301:2021 certification of its Compliance Management System, extended to all relevant "compliance obligations". This certification, issued by the IMQ Certification Body, was also awarded on the same date to the main Terna Group companies (the subsidiaries Terna Rete Italia S.p.A., Terna Plus S.r.l. and Terna Energy Solutions S.r.l.).

Counterparty risk

The Group operates in a complex context characterised by simultaneous energy transition processes initiated in Europe, which are putting a strain on the production capacity of the main suppliers Terna works with. One of the main critical issues is a large increase in investments related to the energy transition of TSOs in Europe, which puts additional stress on suppliers' production capacity and imposes industrial choices based on market demand. This could result in a greater attractiveness of other countries compared to Italy, or choices to delocalise the production of Terna's key suppliers, already limited in number. Added to this is the possible difficulty of some suppliers to meet the Group's growing demand, in a context where the availability of specialised resources is limited and the production capacity of some sectors is saturated, as well as the failure of critical suppliers due to unfavourable economic conditions.

The possible consequence is delays/extra costs in the execution of works of planned projects.

This complex combination of factors therefore requires proactive risk management through careful planning, supplier diversification (where possible) and continuous monitoring of the market environment.

Natural / human-induced events

The intensification of extreme weather events (tornadoes, heavy snowfall, ice, floods) due to climate change poses a global threat to the decarbonisation process and the attainment of related targets. Such phenomena tend to be increasingly frequent and impactful, their intensity being directly proportional to the potential damage they can cause to the electricity infrastructure, compromising the continuity and quality of the service offered by Terna.

The Resilience Plan is a response to these events and consists of reinforcing the grid, to which substantial investments have been dedicated.

However, Terna is not only exposed to natural threats, but also to malicious events such as cyber-attacks (which are also affected by geopolitical instability with the conflicts in Ukraine and the Middle East), which could also cause loss of visibility and manoeuvrability of managed plants, temporary unavailability of critical systems, loss of data and/or extra costs for restoration, and, last but not least, reputational damage.

These are events to which Terna pays great attention and to which it is extremely sensitive given the extent of the possible consequences, thus putting in place technological, procedural and organisational safeguards that place risk containment measures at a maximum level.

Terna Group risk analysis and prevention with respect to the macroeconomic scenario

The Terna Group constantly monitors the possible risks linked to the continuing crisis involving Russia and Ukraine and the conflict in the Middle East, also considering the constantly evolving legislation regarding the international sanctions that have been in place and updated since the outbreak of war between the two countries.

To this end, the new sanctions regime is constantly monitored, and due diligence and ordinary controls have been strengthened. The main potential areas of concern to be monitored continuously by the task forces are **cybersecurity, economic and financial**, the **electricity system** and the impact on **procurement**.

The ongoing conflict between Russia and Ukraine and the crisis in the Middle East have led to an increase in **cyberattacks** on Italian government and corporate websites. These shows of force have not led to major upheaval or data breaches, with disruption being short-term in nature.

Thanks to the continuous sharing of information with government bodies and priority access to information from Cyber Threat Intelligence providers, a series of specific rules and policies have been implemented as part of Terna's cyber protection systems with the aim of preventing any malicious acts. Checks confirmed that Terna does not use any cybersecurity products or services for its IT infrastructure that are connected to the Russian Federation. Analysis was also carried out to determine the presence of Israeli (or related) technologies on Terna's digital infrastructure, especially in the field of cyber security, in order to monitor risk exposure and proactively deploy any necessary measures to reduce the impacts on Terna.

On the **financial front**, major movements in the macroeconomic parameters to which the Group was exposed (interest rates, inflation, the yield on Italian government bonds and European cost of debt indices) in 2022-2023 could lead to a 0.8% rise in the allowed cost of capital in 2024 that would offset the impact of movements in the variables themselves. Following the overall update of the values of the parameters used to calculate the WACC, pursuant to the resolution published at the end of 2024 by ARERA (Resolution no. 513/2024), the WACC for 2025 will be 5.5%. In this regard, the regulator confirmed a revision mechanism for the WACC in 2026-2027 if, following the update of certain parameters, the WACC rises or falls by more than 30 bps.

Moreover, during 2024 the more stable macroeconomic environment, characterised by lower inflation and lower commodity price volatility compared to the peaks observed in 2022 led to a change in the monetary policy pursued by the European Central Bank, which reduced deposit rates for the first time since 2019 (by a total of 100 basis points during the year). In general, the ECB's decisions will gradually be reflected in Terna's cost of debt over the next few years, given the average duration of existing debt and the high percentage of financing currently at a fixed rate (84%). The main risks that could potentially increase financial market volatility in the coming months include the trade policies of the new Trump administration and the global extension of tariffs and duties.

Based on Terna's current regulation, which provides for indexing of the operating costs recognised in the tariff and the RAB, no significant negative economic impact is expected from the increase in the price index. However, the regulatory recognition is fully reflected in the balance sheet with a time lag of about one year.

Finally, it should be noted that the Terna Group currently has access to funding represented by liquidity and committed lines of credit (thus immediately available). This, together with the ability to generate cash, will enable the Group to meet its funding requirements for the next 18-24 months and respond to any further capital market tensions.

For 2024, evidence to date shows no impact on the adequacy of the **electricity system** due to the mild temperatures and the path of diversification of natural gas import sources, already undertaken in 2023.

After the gas price spike in 2022 caused by the outbreak of war in Ukraine, gas prices gradually came back down, although values are still higher than pre-crisis levels. Indeed, the **price of gas recorded in 2024** in the Title Transfer Facility (TTF), one of Europe's largest natural gas wholesale markets, **stabilised at around 40-50 €/MWh**. However, both prices and relative volatility remain at higher levels than pre-crisis values (€10-15 per MWh), indicating that the market is in a fragile equilibrium. The gas market remains highly influenced by geopolitical tensions, fears of possible supply risks and short-term climatic dynamics (winter temperatures, "Dunkelflaute" events). Similar to the gas sector, wholesale electricity prices also decreased in 2024 compared to the same period in the previous year. Indeed, **in 2024 the SNP averaged a spot price of 109 €/MWh**, while in 2023 it had been 127 €/MWh. **Despite the diversification of supply sources, an energy security issue remains given that almost all the gas consumed in Italy is imported from third countries**.

In terms of **procurement**, all qualified suppliers are subject to due diligence with regard to international sanctions, and Terna no longer uses any Russian qualified suppliers.

Despite continuous disruptions on the supply side (component availability and price excursions, extended delivery times), the negative impacts are mitigated with active management of the demand-supply balance for key line and substation equipment supplies.

On the price variability front, the legislative provision making their revision mandatory is currently mitigated by the current regulatory framework.

With regard to large projects (e.g. Tyrrhenian Link, Adriatic Link, Sa.Co.I.3 and Elmed), whose substation supply contracts are subject to ongoing tenders or in execution, an impact resulting from possible changes in the economic balance of the suppliers cannot be excluded, which translates into requests for increases in the contractual fees or, in the case of their indexing, increases linked to predetermined formulas. These risks are mitigated by targeted management of contracts with suppliers.

Integrated Management System

The **Integrated Management System** is the tool that – via certified management systems – optimises coordination of all the units responsible for overseeing business processes. It is also an important risk management tool because it ensures the effectiveness and efficiency of systems and highlights potential risks in the areas under observation.

The Integrated Management System also plays a key role in stakeholder engagement, by monitoring and measuring issues of interest to stakeholders, and keeping a constant eye on improvement, thereby helping to boost transparency and trust in stakeholders' relations with the Group.

The Integrated Management System covers all the Italian and international activities of Terna S.p.A., and its subsidiaries (Terna Plus S.r.l., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Crna Gora d.o.o.).

During 2024 the Terna Group successfully carried out the activities necessary to maintain and renew all certifications/accreditations, at the same time making the transition to the new versions of the ISO/IEC 27001:2022 and UNI EN ISO 45001:2023 standards, as well as adapting the systems to European guidelines on combating climate change.

Terna receives gender equality certification

In March 2024 the Parent Company Terna S.p.A. and its subsidiaries Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. earned certification of the Management System for Gender Equality, which complies with UNI/PdR 125:2022.

The achievement of this goal underscores the Group's commitment to fairness and equal opportunities in hiring, growth, development and remuneration, with the aim of creating an inclusive work environment where the uniqueness of each person is valued. In line with the founding values of its Code of Ethics, Terna values and protects diversity, preventing all types of discrimination, encouraging respect, cooperation, talent and rewarding merit. Furthermore, numerous initiatives are in place at all levels in the company to raise awareness of gender stereotypes, inclusive language and harassment in the workplace. All forms of discrimination, starting with the selection and recruitment process, are explicitly prohibited by the Group's Code of Ethics and the Group's Diversity & Inclusion and Respecting Human Rights policies.

Inclusion is one of the values of Terna's leadership model: indeed, the Group promotes welfare policies and actions aimed at fostering work-life balance, protecting parents and sharing family and care responsibilities. In this sense, remote working and co-working have been implemented as an alternative to working in the company's offices. In Rome there is a daycare service, MiniWatt. In some locations services to facilitate work-life balance are integrated into the company's operations, such as for example a gym, an in-house supermarket and sustainable mobility. At the national level, framework agreements are in place that allow employees to take advantage of babysitting, caregiving and sports facilities. Since 2021, Terna has been supporting the Caravan of Prevention for Health of the Komen Italia Association, offering twice-yearly free screening at the company's headquarters.

Certification of Administration, Finance and Control processes

Terna remains committed to the excellence of its administrative and accounting processes in its second year since earning – first in Italy – **UNI Pdr 104 2021 certification** for the **management and internal control system of administrative and accounting processes** for the Parent Company Terna S.p.A. and its subsidiaries.

The UNI Pdr 104 2021 certification, valid for five years and issued by Intertek Italia, continues to spotlight the company's focus on perfecting its financial reporting procedures, while also attesting to a solid, transparent governance of all administrative, tax and related control processes.

Part of the path leading to certification involved the development and periodic updating of the Organisational, Administrative and Accounting Structure Report for each Group company, which allows the governing bodies to express an assessment of the adequacy of that structure pursuant to Article 2382, paragraph 5, of the Italian Civil Code and the Corporate Crisis Code.

The company has also adopted a specific Administrative and Accounting Policy that provides a framework for the key principles of a proper administrative and accounting structure, a prerequisite for obtaining certification and a guide for activities in the area of Administration, Finance and Control.

Terna Group certifications and accreditation

TYPE	SCOPE	YEAR OF 1ST ISSUE	YEAR OF RELEASE	YEAR OF EXPIRY
ISO 9001:2015	Terna Group (*)(**)	2001	2022	2025
ISO 14001:2015	Terna Group (*)(**)	2007	2022	2025
ISO 45001:2023	Terna Group (*)(**)	2019	2024	2025
UNI CEI EN ISO 50001:2018	Terna Group (*)(**)	2015	2024	2027
ISO 37001:2016	Terna Group (*)	2017	2022	2026
ISO 37301:2021	Terna Group (*)	2023	2023	2026
UNI PdR 125:2022	**Terna Group (*)**	**2024**	**2024**	**2027**
ISO 55001:2015	Terna S.p.A., Terna Rete Italia S.p.A.	2018	2024	2027
ISO 9001:2015	Tamini Group	1993	2024	2027
ISO 14001:2015	Tamini Group	2015	2024	2027
ISO 45001:2018	Tamini Group	2022	2022	2025
ISO 37001:2016	Tamini Group	2011	2024	2026
ISO 27001:2022	Terna S.p.A. only for Market Monitoring Code applications	2023	2023	2028
UNI PdR 104:2021	Terna S.p.A.	1995	2024	2027
ISO 9001:2015	Brugg Cables Group (Sites in Switzerland) Production plant and Sales Office	1998	2024	2027
ISO 14001:2015	Brugg Cables Group (Sites in Switzerland) Production plant and Sales Office	2021	2024	2027
ISO 45001:2018	Brugg Group Switzerland	2023	2023	2026
ISO 9001:2015	Brugg Italy	2023	2023	2026
ISO 14001:2015	Brugg Italy	2023	2023	2026
ISO 45001:2018	Brugg Italy	2015	2023	2026
ISO 9001:2015	Brugg Cables Group (Sites in China) Suzhou plant and sales office in Shanghai	2015	2023	2026
ISO 14001:2015	Brugg Cables Group (Sites in China) Suzhou plant and sales office in Shanghai	2020	2023	2026
ISO 45001:2018	Brugg Cables Group (Sites in China) Suzhou Factory and Office Sales in Shanghai	2014	2021	2026
ISO/IEC 17025:2018	Terna Rete Italia S.p.A. for multi-site test laboratories in Viverone (BI), Civitavecchia (RM) and Frattamaggiore (NA)	2017	2021	2025

(*) Applies to Terna S.p.A., Terna Plus S.r.l., Terna Rete Italia S.r.l. and Terna Energy Solutions S.r.l..
(**) Also applies to Terna Crna Gora D.o.o..
Terna Rete Italia S.p.A. has also implemented a "Management System for the Prevention of Major Accidents" in accordance with the provisions of Legislative Decree 105/15 (the "Seveso Directive").



Tax control framework

Terna S.p.A.'s tax risk management

With a view to strengthening its Internal Risk Control System, the Terna Group adopted the **Tax Control Framework** (TCF), an organisational model aimed at managing tax risk, which was a preparatory step to accessing the Cooperative Compliance regime governed by Legislative Decree no. 128 of 5 August 2015 and subsequent provisions to which Terna S.p.A. was admitted on 14 December 2023.

The Cooperative Compliance regime is a programme that aims to increase the level of certainty on important tax issues through constant and preventive discussions with the tax authority based on actual circumstances, aimed at a common assessment of situations likely to generate relevant risks. Terna S.p.A.'s admission to the Cooperative Compliance regime – an acknowledgement awarded after a positive assessment conducted by the Revenue Agency on the tax risk detection, management, control and mitigation system – substantially attests to the reliability of Terna S.p.A.'s procedures and control systems and qualifies the company as a "privileged" interlocutor in relations with the tax authorities.

With a resolution passed on 14 December 2022, the Terna S.p.A. Board of Directors approved the Group's **Tax Strategy**, defining the objectives and principles underlying the management of relations with tax authorities, with a



commitment to promoting a culture of tax compliance among employees. In keeping with the Code of Ethics, the Terna Group's Tax Strategy pursues the goal of ensuring tax compliance in accordance with the spirit and letter of the tax laws of the domestic system and of the countries where the Terna Group companies operate. Conduct characterised by cooperation and transparency towards the tax authorities and third parties is promoted within the Terna Group in order to minimise any substantial impact in terms of risk, be it fiscal or reputational, in order to protect and distribute value to all stakeholders in the medium-long term.

From an operational point of view, Terna S.p.A. has adopted its own tax risk management and control system called the "Tax Compliance Model", establishing a set of rules, procedures, organisational structures and controls aimed at enabling the detection, measurement, management, control and monitoring of tax risk.

The management of the overall tax risk detection, measurement, treatment and control process is entrusted to the **Tax Risk Manager**, who is operationally responsible for the design, implementation and updating of the Tax Control Framework Model.



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5 Consolidated Sustainability Statement 2024

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Methodological note and reporting boundaries

As from reporting year 2024, the Terna Group has prepared Consolidated Sustainability Statement 2024 pursuant to Legislative Decree no. 125 of 6 September 2024 (the "Decree"), which transposes the provisions of Directive (EU) 2022/2464 - the Corporate Sustainability Reporting Directive ("CSRD") - into national law, replacing the previous non-financial reporting requirements (pursuant to Legislative Decree no. 254/2016). In 2023, the Sustainability Report and the Consolidated Non-financial Statement of the Terna Group were included in the Integrated Report.

With its Consolidated Sustainability Statement, the Terna Group's objective is to provide all stakeholders with material information on ESG matters, in order to provide an understanding of the strategy adopted, the commitments made and the initiatives implemented in relation to 2024 (from 1 January 2024 to 31 December 2024) and the medium- and long-term forecasts, ensuring transparent and structured communication to allow stakeholders to understand the Group's activities, its performance, its results and the impacts generated on the environment and on people.

The Consolidated Sustainability Statement 2024, in line with the requirements of the CSRD, has been prepared in accordance with the European Sustainability Reporting Standards (ESRS[64]) issued by the European Financial Reporting Advisory Group (EFRAG) and, in the "Environmental information" section, includes the information required pursuant to Article 8 of the EU Taxonomy and its delegated acts.

Consolidation Perimeter

The Consolidated Sustainability Statement 2024 was prepared on a consolidated basis with the same consolidation perimeter applied in preparing the Terna Group's consolidated financial statements. In particular, the information refers to the Parent Company Terna S.p.A. and its subsidiaries consolidated on a full line-by-line basis in the consolidated financial statements as at 31 December 2024, that is, over which the Parent Company exercises control[65], as defined by IFRS 10, that do not include associates and joint ventures, which are therefore consolidated using the equity method. For more details on subsidiaries and the scope of consolidation, please refer to the information in the 'Notes' to the Consolidated Financial Statements.
All material ESRS topics are reported at Terna Group level, with any exceptions duly reported in the relevant paragraphs.

Document Structure

As mentioned above, Terna Group's Consolidated Sustainability Statement has been structured in compliance with the regulatory requirements established by the Corporate Sustainability Reporting Directive (CSRD) and the European Sustainability Reporting Standards (ESRS), with particular reference to Appendix D of Standard ESRS 1. This approach not only ensures transparency, consistency and comparability of the reported information, but is also in line with the recommendations of the European Securities and Markets Authority (ESMA), which emphasises the importance of a clear and consistent structure to facilitate stakeholder understanding and accessibility of sustainability information.

[64] These standards apply for the first time with reference to 2024 and, therefore, a comparison with reference to 2023 is not envisaged.
[65] Control exists when the Parent Company has the power or the ability to influence the relevant activities (having a substantial impact on the Parent Company's results), and is exposed to or has the right to variable returns from its involvement with the investee, and the ability to use its power over the subsidiaries to affect the amount of the investor's returns.

The Consolidated Sustainability Statement is therefore divided into four basic sections, each of which responds to the regulatory requirements and methodological guidelines defined by the ESRS:

- General disclosures: The first section provides an introductory overview of the Consolidated Sustainability Statement, describing the scope of application, the entities included and the methodological criteria adopted to prepare the report. The information required by ESRS 2 is also reported, including sustainability governance, the Terna Group's relationship with its stakeholers, and the remuneration system. It also details the Double Materiality Assessment process, the cornerstone of this type of reporting, which allows material environmental, social and governance issues to be identified in order to guide the reporting of the content.
- Environmental information: the second section focuses on the environmental aspects of sustainability, in accordance with ESRS category 'E' (Environmental). Information on the following material topics is reported:
  - EU Taxonomy;
  - Climate change (ESRS E1);
  - Biodiversity and ecosystems (ESRS E4);
  - Circular economy and resource use (ESRS E5);
  - Quality, security and continuity of the electricity service (Entity-specific topic).
- Social information: the third section deals with social issues, according to ESRS category 'S' (Social), and includes:
  - Workforce (ESRS S1);
  - Workers in the value chain (ESRS S2);
  - Local communities (ESRS S3);
  - Customers (ESRS S4).
- Governance information: the last section is dedicated to sustainability governance and business conduct, in line with ESRS category 'G' (Governance). The following material topics are covered:
  - Business conduct and supplier relationship management (ESRS G1);
  - Innovation and digitalisation (Entity-specific topic);
  - Cyber security (Entity-specific topic).

In order to make the document more user-friendly, each section of the document aimed at covering one or more ESRS disclosure requirements tagged at the beginning with the relevant code. Lastly, it is specified that, as regards the above sections, in line with the structure of the standards so as to best represent the information to be reported, the Terna Group has chosen to present the policies, targets and metrics adopted in relation to the relevant topic (e.g. climate change, own workforce, etc.); while the actions have been organised looking at the relevant sub-topic (e.g. adaptation to and mitigation of climate change, working conditions, etc.)[66]. Finally, the Consolidated Sustainability Statement includes information, provided on a voluntary basis, that does not meet specific disclosure requirements, but is however necessary in order to provide stakeholders with a clearer and more complete overview of the Terna Group's sustainability commitments. Accordingly, the information provided covers:

- summary information on the dialogue and communication channels adopted by the Group to strengthen the dialogue with stakeholders, reported in the "General disclosures" chapter, in the section "Relationship with Stakeholders" (pages 175-178);

[66] With respect to the information concerning the Actions and the Objectives, it should be noted that in some cases the so-called "electricity sector" is mentioned, referring to the companies Terna S.p.A., Rete S.r.l., Terna Rete Italia S.p.A., Terna Plus S.r.l., and Terna Energy Solutions S.r.l. Furthermore, it is noted that the actions that the Group has undertaken to manage material IROs and described in the thematic information, were carried out and completed during 2024, except for specific exceptions properly reported.

- information that delves into Terna Group's Corporate Governance system, reported in the "General disclosure" chapter, in the section "Corporate governance and sustainable success" (page 204);
- information that delves into the Group's decarbonisation process, the SF_6 gas management and the decarbonisation of Italy's energy mix, reported in the "Environmental information" chapter, in the "Climate change" section (pages 232, 239 and 240);
- information that delves into the cyber security actions that the Terna Group has undertaken, reported in the "Governance information" chapter, in the "Cyber security" section (page 356).

As part of the Consolidated Sustainability Statement 2024, the Terna Group has provided the current configuration of its value chain, describing the upstream and downstream players of which it consists and including, where possible, detailed information about them.

In this regard, it is specified that, in carrying out the double materiality assessment of impacts, risks and opportunities (IRO), any possible impact on the value chain was indicated (see "Disclosure Requirement SBM-3 – Material impacts, risks and opportunities and their interaction with strategy and business model").

With regard to policies, objectives and actions, should these involve actors in the value chain, this has been made explicit in the relevant sections.

With respect to metrics, the number of fatalities as a result of work-related injuries and work-related ill health for value chain workers, the calculation of Scope 3 greenhouse gas (GHG) emissions, the number of complaints submitted through the channels set up by the company and the cases of non-respect of the UN Guiding Principles on Business and Human Rights, also consider the value chain in the information collected.

In relation to the value chain, it should also be noted that the mapping, in terms of context analysis (carried out at the sector analysis level), considered not only direct suppliers but also sub-suppliers (tier 2). More specifically, regarding the availability of information, the content of the Consolidated Sustainability Statement 2024 refers to direct suppliers (tier 1). Also for the purpose of strengthening the monitoring of information relating to the Group's value chain, it should be noted that the update of the 2024-2028 Sustainability Plan envisages a set of actions concerning, on the one hand, the updating of the mapping of sectors also with a view to the progressive alignment to the Corporate Sustainability Due Diligence Directive and, on the other hand, the implementation of preparatory steps for the adoption of a Science-based target for nature (including the conclusion of the value chain assessment phase).

In the Consolidated Sustainability Statement 2024, the Terna Group has not availed itself of the option to omit specific information about patents, intellectual property, know-how or innovation results.

The Terna Group has not availed itself of the exemption to disclose information to the market regarding impending developments or matters in the course of negotiation that may affect the market or its shareholders, such as financial news, material changes or other matters that are being negotiated or developed and are in the process of being defined.

Time horizons

The Group's material impacts, risks and opportunities were assessed in the short-, medium- and long-term. These time horizons, while deviating from the provisions of ESRS 1 - 6.4 'Definition of short-, medium- and long-term for reporting purposes', align with Terna Group's strategic path, making it possible to assess the information reported by comparing it with the provisions of Terna's Update of the 2024-2028 Industrial Plan.

The time horizons are, therefore, defined as follows:

- short-term: 1 year;
- medium-term: from the end of the short-term reference period until the end of the 2024-2028 Industrial Plan reference period[67];
- long-term: beyond the time horizon of the Plan.

[67] Within the scope of the document, reference is made to the 2024-2028 Industrial Plan approved in March 2024 and its related update, approved in March 2025.

Financial resources shown and link to the Consolidated Financial Statements

The Terna Group discloses the amount of operating expenditure (OpEx) and capital expenditure (CapEx) attributable to 2024 within the subject areas that make up this document when they are available and significant, that is, only when they are above a certain materiality threshold in terms of the value of equity attributable to owners of the parent.
With respect to the use of future financial resources associated with said actions, these are aligned with the amounts set forth in the 2024-2028 Industrial Plan. Therefore, no further expenditure is disclosed in detail, taking into account, among other things, that the distribution of resources may change based on market dynamics, regulatory developments and the outcome of internal assessments, including the double materiality assessment.

Use of estimates

The Group used estimates for performance metrics in relation to metric E1-5 for indirect electricity consumption and metric E1-6 for Scope 2 emissions. For information about the sources of uncertainty and the assumptions made, reference should be made to the chapter "Environmental information", in particular the section on "Climate change – Metrics related to climate change". In addition, estimates were made for resource inflows and waste. For information about the sources of uncertainty and the assumptions made, reference should be made to the chapter "Environmental information", in particular the section on "Promoting the circular economy – Metrics related to the promotion of circular economy". Further specifications on this are appropriately covered in the relevant sections. Finally, with regard to the value chain, estimates were applied to determine certain Scope 3 categories.

In order to continuously improve the accuracy of representation, the Terna Group is committed to periodically updating the methodologies and data underlying the calculation of reported metrics.

Furthermore, the reporting of forward-looking information, such as targets and future objectives, may be subject to variations based on market and context dynamics, regulatory developments, and the outcomes of internal assessments.

Information incorporated by reference

In relation to information incorporated by reference, the Group provides appropriate evidence of the section of the Consolidated Sustainability Statement and/or Report on Operations to which reference is made. For further details, please see the "ESRS Content Index" table in the "General disclosures" section.

Transitional Provisions (phase-in)

The Group has decided to take advantage of the phase-in provisions listed in Appendix C of ESRS 1 that are applicable and those that are also envisaged in relation to the value chain, with the exception of the following related requirements, which it has considered including already from this year within the document: S1-7 'Characteristics of non-employees in the undertaking's own workforce'; S1-8 'Collective bargaining coverage and social dialogue for employees in non-EEA states'; S1-11 'Social protection'; S1-12 'Proportion of employees with disabilities'; S1-13 'Metrics related to training and skills development'; S1-14 'Cases of occupational illness and number of days lost'; S1-15 'Work-life balance'.

IRO-2 >

ESRS Content index

In relation to how the company has determined the information to be disclosed, regarding the impacts, risks and opportunities that it has assessed as material, please refer to the section 'Double Materiality'. References to the disclosure requirements of the ESRS are shown below in detail.

ESRS STANDARD	DISCLOSURE REQUIREMENT	PHASE-IN	INCORPORATION BY REFERENCE	PAGE
General disclosures				
ESRS 2	**Basis for preparation**			
	BP-1 General basis for preparation of sustainability statements			160
	BP-2 Disclosures in relation to specific circumstances			160
	Governance			
	GOV-1 The role of the administrative, management and supervisory bodies			204; 210
	GOV-2 Information provided to and sustainability matters addressed by the undertaking's administrative, management and supervisory bodies			204; 210
	GOV-3 Integration of sustainability-related performance in incentive schemes			216
	GOV-4 Statement on due diligence			215
	GOV-5 Risk management and internal controls over Consolidated Sustainability Statement			210
	Strategy			
	SBM-1 Strategy, business model and value chain	Par. 40 b) and c)	Rep. on oper. p. 61-62; 66-67	
	SBM-2 Interests and views of stakeholders			174
	SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			179
	Impact, risk and opportunity management			
	IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities			179
	ESRS Content Index and contents from other EU legislation			164-167; 168-173
	IRO-2 Disclosure Requirements in ESRS covered by the undertaking's sustainability statement			164
Environmental information				
EU Taxonomy				
E1 Climate Change	**Governance**			
	E1 GOV-3 Integration of sustainability-related performance in incentive schemes			216
	Strategy			
	E1-1 Transition plan for climate change mitigation			232
	E1 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			188
	Impact, risk and opportunity management			
	E1 IRO-1 Description of the processes to identify and assess climate-related material impacts, risks and opportunities			188
	MDR-P Minimum policy reporting requirement			234
	E1-2 Policies related to climate change mitigation and adaptation			234
	MDR-A Minimum action reporting requirement			238
	E1-3 Actions and resources in relation to climate change policies			238
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			241
	E1-4 Targets related to climate change mitigation and adaptation			241
	MDR-M Minimum disclosure requirement regarding metrics			244-245
	E1-5 Energy consumption and mix			244
	E1-6 Gross scopes 1, 2, 3 and total GHG emissions			245
	E1-9 Anticipated financial effects from material physical and transition-related risks and potential climate-related opportunities	Phase-in		
E2 Pollution	Not material. For further detail see paragraph "Double Materiality" with reference to ESRS 2 IRO-1			

ESRS STANDARD	DISCLOSURE REQUIREMENT	PHASE-IN	INCORPORATION BY REFERENCE	PAGE
E3 Water and marine ecosystems	Not material. For further detail see paragraph "Double Materiality" with reference to ESRS 2 IRO-1			
E4 Protecting biodiversity	**Strategy**			
	E4 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			196
	Impact, risk and opportunity management			
	E4 IRO-1 Description of processes to identify and assess material biodiversity- and ecosystem-related impacts, risks and opportunities			196
	MDR-P Minimum policy reporting requirement			247
	E4-2 Policies related to biodiversity and ecosystems			247
	MDR-A Minimum action reporting requirement			254
	E4-3 Actions and resources related to biodiversity and ecosystems			254
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			257
	E4-4 Targets related to biodiversity and ecosystems			257
	MDR-M Minimum disclosure requirement regarding metrics			259
	E4-5 Impact metrics related to biodiversity and ecosystems change			259
	E4-6 Anticipated financial effects from biodiversity- and ecosystem-related risks and opportunities	Phase-in		
E5 Resource use and circular economy	**Impact, risk and opportunity management**			
	E5 IRO-1 Description of the processes to identify and assess material resource use and circular economy-related impacts, risks and opportunities			198
	MDR-P Minimum policy reporting requirement			260
	E5-1 Policies related to resource use and circular economy			260
	MDR-A Minimum action reporting requirement			264
	E5-2 Actions and resources in relation to resource use and circular economy			264
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			268
	E5-3 Targets related to resource use and circular economy			268
	MDR-M Minimum disclosure requirement regarding metrics			269-270
	E5-4 Resource inflows			269
	E5-5 Resource outflows			270
	E5-6 Anticipated financial effects from resource use and circular economy-related risks and opportunities	Phase-in		

ESRS STANDARD	DISCLOSURE REQUIREMENT	PHASE-IN	INCORPORATION BY REFERENCE	PAGE
Social information				
S1 Own workforce	**Strategy**			
	S1 SBM-2 Interests and views of stakeholders			198
	S1 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			198
	Impact, risk and opportunity management			
	MDR-P Obbligo minimo di rendicontazione sulle politiche			275
	S1-1 Policies related to own workforce			275
	S1-2 Processes for engaging with own workforce and workers' representatives about impacts			284
	S1-3 Processes to remedy negative impacts and channels for own workers to raise concerns			285
	MDR-A Minimum action reporting requirement			287
	S1-4 Taking action on material impacts on own workforce, and approaches to managing material risks and pursuing material opportunities related to own workforce, and effectiveness of those actions			287
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			307
	S1-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities			307
	MDR-M Minimum disclosure requirement regarding metrics			308-312
	S1-6 Characteristics of the undertaking's employees			308
	S1-7 Characteristics of non-employee workers in the undertaking's own workforce			308
	S1-8 Collective bargaining coverage and social dialogue			309
	S1-9 Diversity metrics			309
	S1-10 Adequate wages			309
	S1-11 Social protection			309
	S1-12 Persons with disabilities			310
	S1-13 Training and skills development metrics			310
	S1-14 Health and safety metrics	Phase-in par. 88 (non-employee workers)		310
	S1-15 Work-life balance metrics			311
	S1-16 Remuneration metrics (pay gap and total remuneration)			311
	S1-17 Incidents, complaints and severe human rights impacts			312
S2 Workers in the value chain	**Strategy**			
	S2 SBM-2 Interests and views of stakeholders			200
	S2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			200
	Impact, risk and opportunity management			
	MDR-P Minimum policy reporting requirement			313
	S2-1 Policies related to value chain workers			313
	S2-2 Processes for engaging with value chain workers about impacts			315
	S2-3 Processes to remedy negative impacts and channels for value chain workers to raise concerns			285; 315
	MDR-A Minimum action reporting requirement			315
	S2-4 Taking action on material impacts on value chain workers, and approaches to managing material risks and pursuing material opportunities related to value chain workers, and effectiveness of those actions			315
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			317
	S2-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities			317

ESRS STANDARD	DISCLOSURE REQUIREMENT	PHASE-IN	INCORPORATION BY REFERENCE	PAGE
S3 Affected communities	**Strategy**			
	S3 SBM-2 Interests and views of stakeholders			202
	S3 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			202
	Impact, risk and opportunity management			
	MDR-P Minimum policy reporting requirement			318
	S3-1 Policies related to affected communities			318
	S3-2 Processes for engaging with affected communities about impacts			320
	S3-3 Processes to remediate negative impacts and channels for affected communities to raise concerns			285; 320
	MDR-A Minimum action reporting requirement			320
	S3-4 Taking action on material impacts on affected communities, and approaches to managing material risks and pursuing material opportunities related to affected communities, and effectiveness of those actions			320
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			322
	S3-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities			322
S4 Consumers and end users	**Strategy**			
	S4 SBM-2 Interests and views of stakeholders			203
	S4 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model			203
	Impact, risk and opportunity management			
	MDR-P Minimum policy reporting requirement			323
	S4-1 Policies related to consumers and end users			323
	S4-2 Processes for engaging with consumers and end users about impacts			324
	S4-3 Processes to remedy negative impacts and channels for consumers and end users to raise concerns			285; 325
	MDR-A Minimum action reporting requirement			325
	S4-4 Taking action on material impacts on consumers and end users, and approaches to managing material risks and pursuing material opportunities related to consumers and end users, and effectiveness of those actions			325
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			327
	S4-5 Targets related to managing material negative impacts, advancing positive impacts, and managing material risks and opportunities			327
Governance information				
G1 Business conduct	**Governance**			
	G1 GOV-1 The role of the administrative, management and supervisory bodies			206
	Impact, risk and opportunity management			
	G1 IRO-1 Description of the processes to identify and assess material impacts, risks and opportunities			203
	MDR-P Minimum policy reporting requirement			329; 339; 341
	G1-1 Corporate culture and business conduct policies			329
	MDR-A Minimum action reporting requirement			329; 339; 341
	G1-2 Management of relationships with suppliers			339
	G1-3 Prevention and detection of corruption and bribery			341
	Metrics and targets			
	MDR-T Minimum measurable target reporting requirement			347
	G1-4 Incidents of corruption or bribery			347
	G1-6 Payment practices			348

List of datapoints that derive from other EU legislation

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)	Indicator number 13 of Table #1 of Annex I		Commission Delegated Regulation (EU) 2020/1816 (5), Annex II		Material	204; 210
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)			Delegated Regulation (EU) 2020/1816, Annex II		Material	204; 210
ESRS 2 GOV-4 Statement on due diligence paragraph 30	Indicator number 10 of Table #3 of Annex I				Material	215
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i	Indicator number 4 of Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 (6)Table 1 – Qualitative information on environmental risk and Table 2	Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii	Indicator number 9 of Table #2 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii	Indicator number 14 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1818 (7) , Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv			Delegated Regulation (EU) 2020/1818, Article 12(1) Delegated Regulation (EU) 2020/1816, Annex II		Not material	
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				Regulation (EU) 2021/1119, Article 2(1)	Material	232
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)		Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 12.1 (d) to (g), and Article 12.2		Not material	
ESRS E1-4 GHG emission reduction targets paragraph 34	Indicator number 4 of Table #2 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change	Delegated Regulation (EU) 2020/1818, Article 6		Material	241

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38	Indicator number 5 of Table #1 and Indicator number 5 of Table #2 of Annex I				Material	244
ESRS E1-5 Energy consumption and energy mix, paragraph 37	Indicator number 5 of Table #1 of Annex I				Material	244
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43	Indicator number 6 of Table #1 of Annex I				Material	244
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44	Indicators number 1 and 2 of Table #1 of Annex I	Article 449a; Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 1: Banking book – Climate change transition risk: Credit quality of exposures by sector, emissions and residual maturity	Delegated Regulation (EU) 2020/1818, Article 5(1), 6 and 8(1)		Material	245
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55	Indicator number 3 of Table #1 of Annex I	Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 Template 3: Banking book – Climate change transition risk: alignment metrics	Delegated Regulation (EU) 2020/1818, Article 8(1)		Material	245
ESRS E1-7 GHG removals and carbon credits paragraph 56				Regulation (EU) 2021/1119, Article 2(1)	Not material	
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66			Delegated Regulation (EU) 2020/1818, Annex II Delegated Regulation (EU) 2020/1816, Annex II		Material	Phase-in
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraphs 46 and 47; Template 5: Banking book - Climate change physical risk: Exposures subject to physical risk.			Material	Phase-in

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c).		Article 449a Regulation (EU) No 575/2013; Commission Implementing Regulation (EU) 2022/2453 paragraph 34;Template 2:Banking book -Climate change transition risk: Loans collateralised by immovable property - Energy efficiency of the collateral			Material	Phase-in
ESRS E1-9 Degree of exposure of the portfolio to climate- related opportunities paragraph 69			Delegated Regulation (EU) 2020/1818, Annex II		Material	Phase-in
ESRS E2-4 Amount of each pollutant listed in Annex II of the E-PRTR Regulation (European Pollutant Release and Transfer Register) emitted to air, water and soil, paragraph 28	Indicator number 8 of Table #1 of Annex I; Indicator number 2 of Table #2 of Annex I; Indicator number 1 of Table #2 of Annex 1; Indicator number 3 of Table #2 of Annex I				Not material	
ESRS E3-1 Water and marine resources paragraph 9	Indicator number 7 of Table #2 of Annex I				Not material	
ESRS E3-1 Dedicated policy paragraph 13	Indicator number 8 of Table #2 of Annex I				Not material	
ESRS E3-1 Sustainable oceans and seas paragraph 14	Indicator number 12 of Table #2 of Annex I				Not material	
ESRS E3-4 Total water recycled and reused paragraph 28 (c)	Indicator number 6.2 of Table #2 of Annex I				Not material	
ESRS E3-4 Total water consumption in m3 per net revenue on own operations paragraph 29	Indicator number 6.1 of Table #2 of Annex I				Not material	
ESRS 2- IRO 1 - E4 paragraph 17 (a) i	Indicator number 7 of Table #1 of Annex I				Material	196
ESRS 2- IRO 1 - E4 paragraph 17 (b)	Indicator number 10 of Table #2 of Annex I				Material	196
ESRS 2- IRO 1 - E4 paragraph 17 (c)	Indicator number 14 of Table #2 of Annex I				Material	196
ESRS E4-2 Sustainable land / agriculture practices or policies paragraph 24 (b)	Indicator number 11 of Table #2 of Annex I				Material	247

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS E4-2 Sustainable oceans / seas practices or policies paragraph 24 (c)	Indicator number 12 of Table #2 of Annex I				Not material	
ESRS E4-2 Policies to address deforestation paragraph 24 (d)	Indicator number 15 of Table #2 of Annex I				Material	247
ESRS E5-5 Non-recycled waste paragraph 37 (d)	Indicator number 13 of Table #2 of Annex I				Material	270
ESRS E5-5 Hazardous waste and radioactive waste paragraph 39	Indicator number 9 of Table #1 of Annex I				Material	270
ESRS 2- SBM3 - S1 Risk of incidents of forced labour paragraph 14 (f)	Indicator number 13 of Table #3 of Annex I				Not material	
ESRS 2- SBM3 - S1 Risk of incidents of child labour paragraph 14 (g)	Indicator number 12 of Table #3 of Annex I				Not material	
ESRS S1-1 Human rights policy commitments paragraph 20	Indicator number 9 of Table #3 of Annex I and Indicator number 11 of Table #1 of Annex I				Material	275
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 21			Delegated Regulation (EU) 2020/1816, Annex II		Material	275
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22	Indicator number 11 of Table #3 of Annex I				Not material	
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23	Indicator number 1 of Table #3 of Annex I				Material	275
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)	Indicator number 5 of Table #3 of Annex I				Material	285
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)	Indicator number 2 of Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	310
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)	Indicator number 3 of Table #3 of Annex I				Material	310
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)	Indicator number 12 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	311

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)	Indicator number 8 of Table #3 of Annex I				Material	311
ESRS S1-17 Incidents of discrimination paragraph 103 (a)	Indicator number 7 of Table #3 of Annex I				Material	312
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD paragraph 104 (a)	Indicator number 10 of Table #1 of Annex I and Indicator n. 14 of Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II and Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	312
ESRS 2- SBM3 – S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)	Indicators number 12 and 13 of Table #3 of Annex I				Material	200
ESRS S2-1 Human rights policy commitments paragraph 17	Indicator number 9 of Table #3 of Annex I and Indicator number 11 of Table #1 of Annex I				Material	313
ESRS S2-1 Policies related to value chain workers paragraph 18	Indicator number 11 and 4 of Table #3 of Annex I				Material	313
ESRS S2-1 Non-respect of UNGPs on Business and Human Rights principles and OECD guidelines paragraph 19	Indicator number 10 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II and Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	313
ESRS S2-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8, paragraph 19			Delegated Regulation (EU) 2020/1816, Annex II		Material	313
ESRS S2-4 Human rights issues and incidents connected to its upstream and downstream value chain paragraph 36	Indicator number 14 of Table #3 of Annex I				Material	315
ESRS S3-1 Human rights policy commitments paragraph 16	Indicator number 9 of Table #3 of Annex I and Indicator number 11 of Table #1 of Annex I				Material	318
ESRS S3-1 Non-respect of UNGPs on Business and Human Rights, ILO principles or and OECD guidelines paragraph 17	Indicator number 10 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II and Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	318
ESRS S3-4 Human rights issues and incidents paragraph 36	Indicator number 14 of Table #3 of Annex I				Material	320

DISCLOSURE REQUIREMENT AND RELATED DATAPOINT	SFDR REFERENCE	PILLAR 3 REFERENCE	BENCHMARK REGULATION REFERENCE	EU CLIMATE LEGISLATION REFERENCE	MATERIAL/ NOT MATERIAL	PAGE NUMBER
ESRS S4-1 Policies related to consumers and end-users paragraph 16	Indicator number 9 of Table #3 of Annex I and Indicator number 11 of Table #1 of Annex I				Material	323
ESRS S4-1 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 17	Indicator number 10 of Table #1 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II and Delegated Regulation (EU) 2020/1818 Art 12 (1)		Material	323
ESRS S4-4 Human rights issues and incidents paragraph 35	Indicator number 14 of Table #3 of Annex I				Material	325
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)	Indicator number 15 of Table #3 of Annex I				Not material	
ESRS G1-1 Protection of whistle-blowers paragraph 10 (d)	Indicator number 6 of Table #3 of Annex I				Not material	
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)	Indicator number 17 of Table #3 of Annex I		Delegated Regulation (EU) 2020/1816, Annex II		Material	347
ESRS G1-4 Standards of anti- corruption and anti- bribery paragraph 24 (b)	Indicator number 16 of Table #3 of Annex I				Material	347



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Relationship with stakeholders

Group Stakeholders

Consistent with the values of integrity and transparency expressed in the Code of Ethics, the attention attributed by the Group to the requests and expectations of all those who, for various reasons, have a relationship with it (hereinafter referred to as stakeholders[68]), especially in terms of impacts associated with sustainability topics, is translated into an ongoing commitment to establish opportunities for **engagement and regular dialogue** and into ensuring **accessibility to channels** used for complaints and reports. This is also in order to facilitate the creation and consolidation of optimal relationships by considering the interests of its stakeholders and analysing their compatibility with business objectives.

To this end, the Group regularly updates the mapping of its stakeholders in the manner defined by a dedicated guideline, the 'Stakeholder Management Framework'.

Specifically, the various stakeholders, characterised according to the criteria of influence and dependence on the Group, are grouped into the following main stakeholder categories, indicating also the main engagement activities:

- **Regulators of concessions:** periodic consultations with the ARERA and with the Ministry of the Environment and Energy Security;
- **Shareholders:** constantly updated 'Investors' section of the website and availability of dialogue channels and e-mails;
- **Credit providers:** meetings with rating agencies during management meetings;
- **Business partners:** agreements and partnerships with major corporations, institutions, national and international research institutes and universities;
- **Customers:** active engagement of customers in the different stages of plant and/or product design. For additional information, reference should be made to the 'The customer engagement process' section;
- **Community:** support for community projects, sponsorships and donations;
- **Local communities:** engaging and listening to local communities at an institutional level and directly with citizens. For additional information, reference should be made to 'The local community involvement process' section;
- **Public decision-makers and authorities:** ongoing dialogue with the authorities to enhance Terna's expertise and active participation in the work of major national and international reference organisations;
- **Suppliers:** engagement and dialogue with Terna through various communication channels. For additional information, reference should be made to the 'Dialogue and communication channels' paragraph;
- **Media and opinion makers:** dialogue and communication channels, diversified by type of audience, language and purpose;
- **Electricity service operators:** constant dialogue initiatives with electricity service operators, for further details see paragraph "Dialogue and communications channels";
- **The organisation's people:** listening initiatives (online surveys, focus groups and internal communication initiatives), and awareness-raising initiatives (e.g. the 'Excellence in Safety' programme). For additional information, reference should be made to the 'Terna's workforce engagement process' paragraph.

Terna's stakeholder engagement activities are aimed at communicating the Group's ESG value, increasing confidence and ensuring transparent operations, in addition to improving service quality from an inclusive and sustainable perspective. The aim is to engage and empower personnel, encouraging merit, gender equality and talent development, in addition to integrating ESG principles in the supply chain. Furthermore, by communicating constantly with the authorities, Terna Group promotes social inclusion, energy transition and digitalisation, contributing to the well-being of communities and the sustainable development of the National Electricity System.

[68] Stakeholders are persons and/or organisations that can influence or be influenced by the undertaking's activities.

The above stakeholder engagement activities are also complemented by the regular discussions carried out in the context of the Double Materiality assessment and the updating of the Stakeholder Management Framework, with the aim of gathering opinions and interests through an engagement process aimed at identifying the most significant sustainability matters. This approach makes it possible to gather expectations at an early stage, also in relation to emerging trends and/or issues related to sustainability topics, providing the Group with the necessary information to properly manage its impacts, risks and opportunities. The outcomes of the Double Materiality Analysis process, therefore, guiding the integration of sustainability planning into industrial planning, influence the Group's strategic decisions and the management of activities. Overall, all the above stakeholder engagement activities show how the Group integrates the interests and expectations of its stakeholders into the definition of its strategy and business model, ensuring alignment with the most significant sustainability issues.

Also from a methodological point of view, the engagement of internal functions, experts, opinion leaders and stakeholder users of the reports supports the Group both in assessing the materiality of impacts, risks and opportunities, and in validating and ensuring the completeness of the assessments performed. The results of this activity contribute greatly to the Double Materiality Assessment[69].

Specifically, as part of the Double Materiality process conducted in 2024 in application of the first financial year in compliance with the requirements introduced by the Corporate Sustainability Reporting Directive, external involvement included a questionnaire to sustainability experts (including representatives of leading European TSOs). On the other hand, internal involvement included the Group's main functions to identify and assess sustainability matters, also as a proxy for the expectations/needs of the respective stakeholder categories represented.

The results of stakeholder engagement were considered in the context of impact materiality for the purpose of identifying material impacts for the Terna Group, providing key elements and useful evidence to guide strategic choices, formalised in the Sustainability Plan.

Dialogue and communication channels

As a first step towards boosting dialogue with all stakeholders, but also to provide information on the electricity system and to develop an energy culture, Terna has put in place a number of **dialogue and communication channels**. These are diversified by type of audience, language and purpose (e.g. requests for information, suggestions, observations and complaints).

The most direct channel for contacting Terna Group, and accessible through the website www.terna.it (and, in the case of internal matters, via the intranet) is via email, diversified by topic[70]. A list of **Contacts** is provided in the menu on the homepage of the website, which provides guidance to anyone wanting to communicate with the Company. This page also lists the certified email addresses to use for communications that must meet this requirement.

As mentioned earlier, for current and potential electricity operators and suppliers, Terna Group has several **separate portals** that may be accessed from the homepage of the Company's website. They are summarised below and broken down by portals with data and information on the electrical system and portals made available by the Group to its suppliers:

[69] As of the 2024 update, conducted in accordance with ESRS 2 IRO-1 standards.
[70] For example: azionisti.retail@terna.it; investor.relations@terna.it; sostenibilita@terna.it; ufficio.stampa@terna.it; etc.

Portals with data and information on the electrical system

- **GAUDI Portal:** available to producers, distributors, dispatching users, ARERA and GSE, this portal was designed to streamline information flows between the various actors in the power generation sector.
- **T.E.R.R.A.:** the integrated digital platform that has been online since June 2024 and that has been made available to national and local administrators, legislators and applicants providing access to strategic and relevant information on Territory, Grids, Renewables and Storage.
- **Data Portal:** an integrated digital platform with all operating and statistical data on the National Electricity System and market, and for the first time also those on storage systems.
- **MyTerna:** web portal dedicated to commercial contacts that allows direct interaction with Terna, offering, for example, the possibility to request connection to the NTG, contract management, and the updating and management of their own master data.

Suppliers' portals

- **Procurement Portal:** through which suppliers (potential or otherwise) may find information about business opportunities and the related calls for tenders and participate in online tenders.
- **Qualification Portal:** it is dedicated to all business operators who wish to complete the qualification procedure in order to be included in the list of approved suppliers.

OTHER PORTALS

Other portals can be accessed from the homepage on the website www.terna.it, including: **Transparent & open construction sites**, **Terna Developer**, **Whistleblowing**, **Lightbox** (the web magazine with which Terna reports on the transformation process of the energy system).

The Terna Group strengthens dialogue with its stakeholders through an integrated digital communication strategy, enhancing social channels, audio platforms and the corporate app. In 2024, the online community grew by 18%, with a significant increase in content views (up 52%) and user engagement (up 67%). In particular, videos on the TikTok profile have been viewed 84 million times and gained over 67,000 followers (up 23%), thus bringing together young people and STEM enthusiasts.

The Group has also expanded its presence on Spotify and Spreaker, with the second season of the Nora podcast, back to the future of energy, which describes the challenges posed by the twin transition with an innovative narrative style. Launched with an interactive campaign on Instagram and TikTok, the podcast engaged Generation Z, with Sofia Viscardi as narrator.

The Terna app, with more than 19,600 active users in 2024, offers real-time access to National Electricity System data, monitoring of CO_2 savings and the 2025 Development Plan, providing strategic information and multimedia documents.

Finally, thanks to innovative data sharing projects, such as Terna4Green, the Group promotes transparent disclosure on the evolution of the electricity system and Italy's decarbonisation path, strengthening its corporate identity and reputation.

Networking

Terna's relationships with stakeholders, especially those with industry operators, are also nurtured and strengthened via active participation in the work of the main national and international industry organisations the Group is associated with, in which it often plays a leading role.

Active participation in international associations

- **ENTSO-E (European Network of Transmission System Operators for Energy):** an association of 40 transmission system operators from 36 European countries. It focuses on the security of the interconnected electricity system, the development of the electricity market and the integration of renewables. Terna is a member of the board of the association.
- **RGI (Renewables Grid Initiative):** this association includes 13 European transmission grid operators and 13 environmental NGOs to promote the integration of renewable sources through the development of electricity grids. It encourages strategic and participatory planning in the construction of new electricity infrastructure.
- **CIGRE (Conseil International des Grands Réseaux Electriques):** an international non-profit association that conducts research regarding high-voltage grids. It has over 90 member countries, represented by 60 National Committees. Terna Group is the chair and deputy chair of the Italian committee.
- **GO15 (Grid Operator 15):** an international association bringing together the 14 leading grid operators worldwide in order to share best practices in the management of electricity transmission grids. Terna was on the Steering Board and the Governing Board of the association.
- **Med-TSO (Mediterranean Transmission System Operators):** this association brings together the TSOs from 20 Mediterranean countries, with the aim of promoting the standardisation of development plans and the coordinated management of grids. The association also works to facilitate the creation of a legislative and regulatory framework designed to drive the development of interconnection projects and promote the exchange of electricity between electricity systems in the Mediterranean area. Terna hosts the registered office and operational headquarters of the association in Rome and appoints its Secretary General.
- **RES4Africa Foundation (Renewable Energy Solutions for Africa):** this non-profit foundation promotes the use of renewable energy and the dissemination of energy efficiency measures, as well as supporting the creation of a favourable environment for renewable energy investment in countries in the southern and eastern Mediterranean area and in sub-Saharan Africa. The association has its headquarters in Rome.
- **WEC Italia (World Energy Council - Comitato Italia):** the Italian national committee of the WEC, an international organisation that brings together operators from over 90 countries, with the aim of promoting a sustainable energy system worldwide. Terna is a member of the Managing Board.

Terna's active participation in associations and joint working groups fostered the implementation of international initiatives, which are summarised below.

Main international initiatives during the year

The main initiatives carried out by Terna in 2024 include the following:

- Inclusion of the electricity interconnection between Italy and Tunisia among the pilot projects of the Mattei Plan;
- development of **Terna Innovation Zone Tunisia**;
- organisation of the **Innovation Zone Forum** in San Francisco (28/29 October 2024);
- continuation of joint actions between TSOs to stimulate and guide European industry towards the challenges posed by the energy transition.

With a view to building and better managing **relations with European institutions**, as of 1 July 2018 the Terna Group has had a Brussels office located in the European Quarter.

The aim is to establish ongoing dialogue with the European Parliament, the Commission and the Permanent Representation in order to take advantage of Terna's experience and expertise.

The main projects that Terna followed during 2024 include those identified as forming part of the European Green Deal, especially the Fit for 55 package and the EU Grid Action Plan, and those relating to European programmes providing financing under the next financial framework 2021-2027.

In 2024, intense discussions and collaboration with the main national and international organisations that focus on sustainability issues also continued. The organisations that Terna is associated with are listed below.

Participation in associations that deal with sustainability issues

Anima per il sociale nei valori dell'impresa: a non-profit association that brings together managers and companies who share the desire to spread an entrepreneurial culture in their local areas, combining profit with the creation of wellbeing for the community.

Global Compact: Terna's membership of the Global Compact involves a presence at both international and local level. Terna has had a place on the Italian network's Steering Committee since 2011 and is a founding member of the Global Compact Network Italy.

Kyoto Club: A non-profit organisation made up of undertakings, bodies, associations and local government authorities that are committed to achieving the targets for reducing greenhouse gas emissions set by the Kyoto Protocol and to promoting awareness-raising, information and training initiatives in the fields of energy efficiency, use of renewables, and sustainable mobility.

Sustainability Makers: A rebranding of the CSR Manager Network, this is a key association for professionals who deal with sustainability and corporate social responsibility issues, including company managers, consultants and researchers.

Transparency International Italia: The Italian branch of the international organisation whose aim is to combat corruption (also see pages 341-345), which promotes the **Business Integrity Forum (BIF)**, an initiative for large Italian undertakings aimed at increasing the transparency, integrity, and accountability of Italy's business sector via their collaboration.

Valore D: This is the first business association in Italy to commit to gender balance and an inclusive culture in organisations.

Double Materiality

< IRO-1
< SBM-3

The Double Materiality Assessment not only informs the Group's Consolidated Sustainability Statement, but also represents a fundamental assessment tool that guides the Sustainability Plan Update as well as the activities carried out on a daily basis.

The material impacts, risks and opportunities represented in this paragraph derive from the Double Materiality Assessment conducted in 2024, which incorporates the changes introduced by Legislative Decree no. 125/2024, the legislative decree that transposes the CSRD into Italian law. In order to comply with the provisions of the CSRD and Legislative Decree no. 125/2024, the Terna Group has developed an assessment process that is in line with the requirements of the new regulations, incorporating the guidelines set forth in the ESRS reporting standards[71].

The Double Materiality Process

In line with the indications of the new standards applied, starting from the Double Materiality Assessment 2024[72], the Terna Group has envisaged a process broken down into the following phases:

- **Context analysis:** understanding of the Terna Group's internal and external context in relation to business activities and relations and the regulatory context and mapping of the Value Chain;
- **Identification of Impacts, Risks and Opportunities (IRO):** updating the sustainability topic tree in accordance with the ESRS Guidelines and Standards and the identification of actual and potential impacts, risks and opportunities related to these topics;
- **Assessment of IROs:** assessment of impacts, risks and opportunities through the involvement of internal and external expert stakeholders;
- **Determination of material IROs** by processing the results and identifying materiality thresholds.

The first phase of the process involved an assessment of regulatory documents relating to the Group's sector, together with internal and external documents characteristic of the most representative sustainability trends for the business sector, also taking into consideration a comparison with the main peers and players in the sector. In addition, the Group's value chain was analysed in order to map its main stages and the main stakeholders impacted, through the study of internal documents to further examine the business model of Terna and the subsidiaries within the reporting boundary.

In particular, the **main input** elements used in the assessment included:

- activities and business relations of the Group, through a study of Terna Group main internal documents relating to significant strategies, activities and business relations, such as: Development Plan 2023, Industrial Plan 2024-2028, Integrated Report 2023, Sustainability Plan 2024-2028;
- mapping of Terna Group's value chain, in order to identify and understand the key areas where the Group generates or can generate impacts, risks and opportunities in relation to sustainability issues, conducted starting from an analysis of the Group's business model, through an examination of available documentation and moments of discussion with relevant internal functions. For further detail please see paragraph "The Group's Value Chain" in the context of the Report on Operations' section "The process of value creation";
- additional contextual information, such as mapping the regulatory framework in which the Company operates;
- sector benchmarks, taking into consideration energy sector players and peers of the Group;
- external national and international documents of the sector, such as, but not limited to: ERM - 2024 Annual Trends Report - The Next Steps for Sustainable Businesses; MSCI - ESG and Climate Trends to Watch for 2024; S&P Global - Key sustainability trends that will drive decision-making in 2024; ARERA - Strategic Framework 2022-2025; The TNFD Nature-Related Risk and Opportunity Management and Disclosure Framework;

[71] The methodological approach adopted was based on the EFRAG guidance contained in 'EFRAG IG 1: Materiality Assessment Implementation Guidance' and 'EFRAG IG 2: Value Chain Implementation Guidance'.
[72] Consistent with the methodological approach indicated in the Implementation Guidance 'EFRAG IG 1: Materiality Assessment Implementation Guidance' (in short, EFRAG IG 1).

- Group Internal Stakeholder Management Framework (updated 2023) for the purpose of identifying 'affected stakeholders', that is, individuals or groups whose interests are or could be affected - positively or negatively - by the company's activities and its direct and indirect business relations along its value chain;
- discussions with the contact persons of the subsidiaries within the reporting boundary, supported by an analysis of the internal and external context, in order to identify sustainability topics that are potentially relevant to the Group.

As regards the mapping of the value chain, this activity also envisaged involving the representatives of the main subsidiaries in the perimeter, during which the mapping assumptions developed were described, in order to enrich and supplement it with the details relating to the characteristics of the individual companies, with the aim of developing a representative mapping of the activities carried out by the Group as a whole. Finally, key players were identified for each stage of the value chain, taking into account the detailed map of the Group's stakeholder categories in line with the Stakeholder Management Framework.

The analysis of the context provided the necessary elements to proceed with the preparation of a list of positive and negative impacts, associating each with the stages and actors in the value chain. Possible impacts were then identified for each ESRS topic, sub-topic and sub-sub-topic[73] that could be associated with the Group's activities and its value chain.

The list of impacts was assessed through the **involvement** of the main **internal functions** responsible for each topic and the contact persons of the subsidiaries, through interviews and dedicated Focus Groups. Externally, involvement included the distribution of a survey to a selection of **sustainability experts** and contact persons of the main **European transmission grid operators**.

The impact assessment process was conducted according to the specific parameters established by EFRAG and the corresponding calculation changes according to the positivity or negativity of the impact under consideration. In particular, with regard to the assessment of impact materiality, in relation to actual negative impacts, materiality was assessed according to the severity of the impact, while for potential negative impacts, in addition to severity, likelihood was also taken into account[74]. With regard to positive impacts, materiality was assessed according to the factors of scale and scope, concerning actual impacts; and of scale, scope and likelihood in relation to potential impacts.

The ratings given were attributed to an impact score on a scale of 1 to 5, and a materiality threshold was identified. The determination of the threshold was based on the distribution of the values obtained from the assessments, particularly in relation to the mean and median of the scores emerging from internal and external involvement, with a view to ensuring the highest level of transparency and inclusiveness. This led to the identification of 34 material impacts.

The impact monitoring process is ensured through the reporting tools adopted by the Terna Group and through the quarterly monitoring of KPIs and targets included in the Sustainability Plan 2024-2028, which is updated taking into account the main outcomes of the Double Materiality Assessment 2024.

Over the years, the process of **analysing risks** related to sustainability matters has been **progressively aligned** with the risk analysis of the Group, leveraging the methodologies consolidated within the **Risk Governance framework** adopted. Regarding 2024, in order to ensure consistency with the Risk Analysis processes already in place, the process of aligning risk analysis with the topics was further developed, integrating the results of the Group's Risk Assessment with the methodologies envisaged by the ESRS and EFRAG guidelines.

In particular, the analysis of the Group's risks is guided by the main strategic objectives of the Industrial Plan, including those of sustainability and the key factors for the creation of corporate value, and is also expanded by the contributions deriving from the specific analyses conducted by the control functions in their respective areas of specific responsibility, in order to ensure an organic overview of the Group's risk profile. The risk analysis and management process ensures consistency with the Double Materiality Assessment by providing for alignment and information exchange throughout the processing period of the two analyses.

In relation to the Double Materiality Assessment 2024, the process included an initial phase of correlation between the risks surveyed in the Risk Assessment 2023-2024 and ESRS topics, sub-topics and sub-sub-topics, also including

[73] According to the list in Appendix A, RA 16 of ESRS 1.
[74] Severity was based on the following factors: (i) scale; (ii) scope; and (iii) remediability of the impact. In the case of a potential negative human rights impact, the severity of the impact took precedence over its likelihood.

the link with the stages of the value chain. The parameters set forth in the ESRS standards were then allocated to the results emerging from the update of the Risk Assessment 2024-2025[75]. This analysis led to the determination of 12 material risks.

With regard to **opportunities**, the process of identifying, assessing and managing ESG opportunities is integrated into the Group's multi-year planning process through the Sustainability Plan. Starting from 2024-2028, the Terna Group has in fact integrated **sustainability objectives** into its Industrial Plan.

With regard to the identification and assessment of opportunities, in the context of the Double Materiality Assessment 2024, a preliminary assessment was carried out taking into consideration the strategic documentation (e.g. Industrial Plan 2024-2028, Sustainability Plan 2024-2028) and other documents in which the Company's objectives are described (Sustainability Policy; Integrated Report 2023).

This led to the identification of an extended list of opportunities that was submitted to the relevant internal functions for assessment, also with a view to refining the descriptions and adding to the proposed list. The attribution of the scores took into consideration the parameters defined by the ESRS standards, taking into account the two criteria of likelihood and potential magnitude. For this first reporting year, in accordance with the CSRD, the assessment was carried out taking qualitative parameters into account. The ratings given were converted into an aggregate score on a scale of 1 to 5, applying the same threshold used for impact materiality. A total of 14 material opportunities were identified.

The analysis of risks and opportunities considered the possible connection with the impacts generated and the possible identification of dependencies of the organisation, investigating the potential chains also identified on the basis of the analysis of internal documents such as, for example, the Industrial Plan 2024-2028 and the sector-specific guidelines of the Task Force on Nature-related Financial Disclosures (TNFD).

The Double Materiality process is entrusted to the **Sustainability function**, which is responsible for the regular update of the assessment. In particular, in order to ensure a robust process in the first year of implementation of the CSRD, the verification of the correct application of the EFRAG guidance and of the requirements of ESRS 2 was discussed as part of a Working Group with the main European TSOs and subjected to a further external assessment carried out by specialists with the aim of ensuring the correct interpretation.

The final results of the update are shared with the **Strategy, Digital and Sustainability Department** and, as required by corporate practice, the main evidence also demonstrating the outcomes of the stakeholder engagement activities is reported to the **Sustainability, Governance and Scenarios Committee of the Board of Directors**.

During the course of the 2024 assessment, activities included progressive updates, up until the final outcomes of the process were shared upon the completion of the assessment. The sharing of the activity outcomes, in addition to providing a summary of the material topics, the stages of the value chain associated with them and the material impacts, risks and opportunities, included a description of each stage of the process and the related stakeholder involvement in the assessment, as a fundamental methodological step.

For the 2024 financial year, the Terna Group conducted the assessment of the materiality of impacts, risks and opportunities following an approach in continuity with the process adopted in the previous period, but with significant methodological and content updates to ensure full alignment with current regulations and ESRS standards. Already in the previous year, the process had been structured with the aim of progressive adaptation to the CSRD and ESRS. In particular, the process and methodology for assessing impacts and opportunities was updated, also taking into account the experience the Group has gained in previous years, whereas with regard to identifying and assessing risks this year, the methodology was strengthened, with the integration of the analyses performed by the ERM function in the context of the 2024-2025 risk assessment.

The main changes in the materiality process were focused within the context analysis phase, involving additional benchmarking activities, the mapping of the Group's value chain, and the identification of impacts, risks and opportunities related to the stages of the value chain and linked to ESRS topics, sub-topics and sub-sub-topics indicated in Appendix A, RA 16 of ESRS 1.

[75] The methodology applied in the context of ERM analysis assesses risks according to the three variables of: Likelihood, Impact, Maturity of Risk Management Systems. In order to process the results in the context of Double Materiality, it was considered to include only the Likelihood and Impact variables and a scale from 1 to 5, to match the scale used for impact materiality.

The table below shows the impacts, risks and opportunities that emerged as material from the Double Materiality Assessment 2024[76].

Impacts, risks and opportunities of the Terna Group

TOPIC	IMPACT MATERIALITY					FINANCIAL MATERIALITY			
	DESCRIPTION OF THE IMPACT	TYPE OF IMPACT (POSITIVE/ NEGATIVE)	ACTUAL/ POTENTIAL	TIME HORIZON	SOURCE OF IMPACT (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	RISKS	SOURCE OF RISK (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	OPPORTUNITY	SOURCE OF OPPORTUNITY (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)
Climate change	Lack of service continuity as a result of ordinary weather events	Negative	Actual	Short-term	Own operations	Increased severity of weather phenomena resulting in business/ service disruptions/ damage to assets	Own operations	Increase in Terna's remuneration as a result of capital expenditure to increase the physical resilience of assets	Own operations
						Material incident on the European transmission network and subsequent grid separation/power outages	Own operations	Increase in Terna's remuneration through improved service continuity performance	Own operations
	Reducing the country's greenhouse gas emissions also through the increased integration of Renewable Energy Source (RES) based power plants	Positive	Potential	Short-term	Upstream Own operations Downstream	Delays in the realisation of works, particularly large ones	Own operations	Increase in Terna's remuneration through higher capital expenditure in order to adapt the grid to the needs of energy transition	Own operations
						Deterioration in service quality due to inadequate production mix	Own operations	Expansion of business due to increasing demand for production from renewable energy sources in order to carry out the energy transition process	Own operations
	CO_2 emissions caused by the Group's activities (e.g. leakage of SF_6 gas into the atmosphere due to sealing defects, during breakdowns or pressure restoration operations; increased grid losses)	Negative	Potential	Short-term	Upstream Own operations Downstream	-		Increased attractiveness in financial markets due to the carbon footprint reduction strategy	Own operations
	Group energy consumption	Negative	Actual	Medium-Term	Own operations	-			

[76] The Terna Group publicly discloses information on IROs considered material, in accordance with the reporting requirements related to the sustainability matters to which such IROs are linked, following the classification of topics, sub-topics and sub-sub-topics defined by ESRS 1 AR 16. With regard to the material IROs relating to Entity-specific topics of the organisation, the Group provides details of policies, actions, targets and metrics, where available.
In general, information on IROs that exceeded the materiality thresholds established in the double materiality assessment is disclosed, without applying further selective criteria to determine the data to be disclosed. The materiality analysis conducted by the Terna Group in 2024 incorporates the changes introduced by the CSRD legislation and Legislative Decree no. 125/2024. As this is the first year of reporting in accordance with CSRD requirements, the materiality analysis process was conducted according to the criteria set out in the Guidelines published by EFRAG, resulting in a list of impacts, risks and opportunities that cannot be compared with the results of previous years. With regard to the impacts, risks and opportunities emerging as material from the analysis carried out, that are subject to the disclosure requirements of the ESRS, please refer to the table 'IMPACTS, RISKS AND OPPORTUNITIES OF THE TERNA GROUP' below.

	IMPACT MATERIALITY					FINANCIAL MATERIALITY			
TOPIC	DESCRIPTION OF THE IMPACT	TYPE OF IMPACT (POSITIVE/ NEGATIVE)	ACTUAL/ POTENTIAL	TIME HORIZON	SOURCE OF IMPACT (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	RISKS	SOURCE OF RISK (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	OPPORTUNITY	SOURCE OF OPPORTUNITY (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)
Biodiversity and ecosystems	Increasing biodiversity through habitat creation initiatives and also through the use of technology to measure it (e.g. Ecological Incremental Index; Tiny Forests; masking techniques)	Positive	Potential	Medium-Term	Own operations	-		Increased attractiveness in financial markets due to the biodiversity protection strategy	Own operations
	Alteration of biodiversity	Negative	Potential	Medium-Term	Own operations				
Resource use and circular economy	Increased resource utilisation, e.g. due to the extension of business activities	Negative	Potential	Medium-Term	Upstream Own operations Downstream	-		-	
	Increase in the amount of waste generated e.g. due to the extension of business activities	Negative	Potential	Short-term	Downstream	-		-	
Own workforce	Employment security ensured by sector-specific collective agreements for Group employees (e.g. percentage of permanent contracts for Group employees)	Positive	Actual	Short-term	Own operations	-		-	
	Improvement of employees' working conditions through the stipulation of company agreements guaranteeing adequate working hours and wages	Positive	Actual	Short-term	Own operations	-		-	
	Contribution to improving employees' mental and physical health through dedicated company initiatives (e.g. HSE screening)	Positive	Potential	Short-term	Own operations	Injuries / accidents to the detriment of employees, contractors and subcontractors	Own operations	-	
	Accident events among Group employees	Negative	Potential	Short-term	Own operations				
	Widespread employee confidence in employee consultation and participation mechanisms	Positive	Potential	Short-term	Own operations	-		-	
	Contribution to the improvement of employees' working conditions through the adoption of measures exceeding regulatory requirements, implemented through a National Collective Bargaining Agreement (CCNL)	Positive	Actual	Short-term	Own operations	-		-	

TOPIC	IMPACT MATERIALITY					FINANCIAL MATERIALITY			
	DESCRIPTION OF THE IMPACT	TYPE OF IMPACT (POSITIVE/ NEGATIVE)	ACTUAL/ POTENTIAL	TIME HORIZON	SOURCE OF IMPACT (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	RISKS	SOURCE OF RISK (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	OPPORTUNITY	SOURCE OF OPPORTUNITY (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)
Own workforce	Increased HR welfare through the implementation of social dialogue systems, corporate welfare and the development of work-life balance policies	Positive	Potential	Short-term	Own operations	-		-	
	Reduction of the gender pay gap ensured by a meritocratic assessment system	Positive	Potential	Short-term	Own operations	-		Increased attractiveness in financial markets due to the gender pay gap reduction strategy	Own operations
	Increased personnel skill development through initiatives aimed at improving internal and external employability, including through a periodic performance review system	Positive	Potential	Short-term	Own operations	Difficulties in recruiting resources with technical / specialised skills and/or in attracting and retaining talent due to unavailability in the market and increased competition	Own operations		
	Promotion of employee inclusion and health and safety (e.g. measures to combat violence and harassment in the workplace; personnel awareness-raising measures)	Positive	Potential	Short-term	Own operations	-		Increased attractiveness in financial markets thanks to the inclusion and diversity promotion strategy	Own operations
	Misuse of employees' personal data	Negative	Potential	Short-term	Own operations	-		-	
Workers in the value chain	Infringements and violations within the value chain, e.g. due to reports of critical issues concerning workers' working conditions (employment stability, working hours, etc.)	Negative	Potential	Medium-Term	Upstream Downstream	-		-	
	Accident events among contractor employees also due to a lack of awareness of the topic	Negative	Potential	Medium-Term	Upstream Downstream	Injuries / accidents to the detriment of employees, contractors and subcontractors	Upstream Own Operations Downstream	-	
	Improvement of the working conditions of contractor employees, including through compliance with the principles of Terna's Code of Ethics, as established in contractual agreements	Positive	Potential	Medium-Term	Upstream Downstream	-		-	

TOPIC	IMPACT MATERIALITY					FINANCIAL MATERIALITY			
	DESCRIPTION OF THE IMPACT	TYPE OF IMPACT (POSITIVE/ NEGATIVE)	ACTUAL/ POTENTIAL	TIME HORIZON	SOURCE OF IMPACT (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	RISKS	SOURCE OF RISK (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	OPPORTUNITY	SOURCE OF OPPORTUNITY (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)
Affected communities	Determination of inconveniences due to construction site activities in relation to traffic (opening of passages to erect pylons, soil excavation, removal of residual materials), noise pollution and the landscape (e.g. visual impact, architectural, artistic and cultural landscape) due to constructions site activities	Negative	Potential	Short-term	Upstream Own operations Downstream	-		Improvement of reputation through participatory planning initiatives and constant dialogue with affected communities resulting in improved Social License to Operate	Own operations
	Determination of inconveniences related to land servitudes and the landscape (e.g., visual impact, architectural, artistic, and cultural panorama) due to the the Group's infrastructures.	Negative	Potential	Long-Term	Own operations Downstream	-			
Consumers and end-users	Misuse of customers' personal data	Negative	Potential	Short-term	Own operations Downstream	-		-	
	Customer satisfaction through access to quality information	Positive	Potential	Short-term	Own operations Downstream	-		Increased attractiveness in market through transparency and accessibility of information regarding the Group's activities	Own operations
Business conduct and supplier relationship management	Raising awareness of the rules of conduct aimed at observing the Group's principles of ethics, integrity and legality	Positive	Actual	Medium-term	Upstream Own operations Downstream	Penalties and/ or application of Restrictive Measures imposed by UN, EU, US, UK entities	Upstream	-	
	Strengthening protection measures through the provision of secure reporting channels	Positive	Potential	Medium-Term	Upstream Own operations Downstream			-	
	Economic and financial consequences for stakeholders related to convictions that affect the management of the company	Negative	Potential	Medium-Term	Upstream Own operations Downstream	-		-	
	Improved economic stability of suppliers thanks to timely payments by the Terna Group	Positive	Potential	Medium-Term	Upstream Downstream	-		-	
	-	-			-	Delays/extra costs on supplies from key suppliers as a result of the global supply chain crisis, increased market demand and/or in the event of a change in supplier strategy	Upstream	Improvement of the Group's reputation through a sustainable supply chain	Own operations
	-	-			-	Lock-in of core supplies	Upstream	Cost reduction through continuous monitoring practices of suppliers' ESG performance to avoid critical issues over time in the face of increasingly stringent regulations	Own operations

TOPIC	IMPACT MATERIALITY					FINANCIAL MATERIALITY			
	DESCRIPTION OF THE IMPACT	TYPE OF IMPACT (POSITIVE/ NEGATIVE)	ACTUAL/ POTENTIAL	TIME HORIZON	SOURCE OF IMPACT (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	RISKS	SOURCE OF RISK (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)	OPPORTUNITY	SOURCE OF OPPORTUNITY (UPSTREAM/ OWN OPERATION/ DOWNSTREAM)
Entity specific: Quality, security and continuity of the electricity service	Ensuring service quality through continuous infrastructure maintenance and grid adequacy	Positive	Actual	Medium-Term	Own operations	-		-	
Entity specific: Innovation and digitalisation	Promotion of 'Open Innovation' through structured collaborations with start-ups, research institutions and universities to develop innovative technologies to support sustainable transition	Positive	Potential	Medium-Term	Own operations	-		Reduction of operating costs through the development of innovative technologies – including through structured partnerships with start-ups ("Open Innovation") – with the aim of monitoring weather events and boosting the resilience of the NTG.	Own operations
	Continuous improvement of efficiency and quality of service through innovative technologies aimed at automation and digitalisation of processes	Positive	Potential	Medium-Term	Own operations	-		Expansion of business through patentability of innovative technology solutions	Own operations
Entity specific: Cybersecurity	Increased security of the Group's business processes (e.g. electricity system resilience) through effective defence measures against digital attacks	Positive	Potential	Medium-Term	Upstream Own operations Downstream	Computer fraud (e.g. Social Engineering)	Own operation	-	
						Compliance with NIS Directive 2 (Network and Information Security)	Own operation		
						Cyber Attack	Own operation		

In pursuing the realisation of the **energy transition**, favouring the transition to a **zero-carbon economy**, the Group's activities generate systemic benefits that can positively influence the environment and the community as a whole.

The Group's widespread presence throughout the country not only has a direct impact on its own workforce, value chain workers and customers, both through its operations and through its business relationships[77], but also extends to the local communities affected by operations related to the construction and maintenance of assets and to the natural capital they host.

The complexity of the operating environment, fuelled by the need to **balance business objectives** with the **impacts** of its activities on society and the environment, requires great responsibility that the Group has committed itself to addressing through a **Just Transition** approach. The ambition is to achieve an energy transition that is also fair and inclusive, taking into account the possible social effect and impact.

With this in mind, starting with the Industrial Plan 2024-2028, the Terna Group has chosen to integrate a **Sustainability Plan** within the **Industrial Plan** that aims to manage material impacts, risks and opportunities, orienting the Company's strategy towards the **creation of value over time**.

[77] For more details on the nature of the Group's business activities and relationships, please refer to that which is reported in response to ESRS 2, SBM-1.

In order to ensure business management that aims to achieve **sustainable success** and **value creation over time**, the Group adopts an approach that starts with considering possible impacts on relevant stakeholder categories and the environment, which it mitigates and manages through sustainability planning integrated in the corporate strategy, aimed at minimising environmental impacts, involving local stakeholders and, more generally, respecting the principles of integrity, responsibility and transparency.

In this context, the **Double Materiality Assessment**, through regular monitoring of material impacts, risks and opportunities, represents the **compass** of the Group's **Sustainability Plan**, guiding, in this sense, the adaptation of the corporate strategy. This approach makes it possible to identify and manage any critical issues in a timely manner and to increase **the resilience of the business model** in relation to any negative effects relating to sustainability matters. For the purposes of continuous improvement, the update of the Sustainability Plan 2024-2028 envisages a set of actions aimed at ensuring full consideration of the results of the Double Materiality also with a view to implementing the provisions of the **Corporate Sustainability Due Diligence Directive**. Through such a roadmap, it will be possible to lay the necessary foundations to further strengthen a structured and timely resilience analysis consisting of all material IROs.

Finally, in light of the materiality of the topic, specifically in relation to climate change impacts and risks, the Group has developed an appropriate resilience analysis methodology with a science-based approach, in order to verify the resilience of its assets to climate change.

As regards the quantification of the actual financial effects of material risks and opportunities, the analysis conducted by the Terna Group shows that the conditions do not exist, in line with the relevant international accounting policies, for the recognition of financial effects attributable to ESG risks and opportunities in the consolidated financial statements 2024, since to date these risks correspond to possible, not probable obligations.



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E1|SBM-3 >
E1|IRO-1 >

Climate Change

By virtue of the particular importance that the topic of climate change holds for the Group , as part of the Double Materiality process, impacts, risks, and opportunities specifically related to the topic in question are identified and assessed.

With particular reference to the process of identifying impacts, the Group methodically integrated the analysis through an **assessment of its own activities and value chain**. In particular, it proceeded with an in-depth assessment of its operational and strategic activities, assessing both **direct and indirect activities** relating to the value chain, considering their **actual** and **potential future sources of greenhouse gas (GHG) emissions**. In this regard, the assessment of the Group's climate-related impacts was based on the **quantification** of the **carbon footprint** measured through the inventory of total GHG emissions, which provides for the reporting of both direct (Scope 1) and indirect (Scope 2 and 3) emissions, in line with the main internationally recognised methodologies (e.g. the GHG Protocol). **Continuous monitoring** and the adoption of **advanced assessment tools** enable the company to refine its climate management model, supporting **emission reduction** and **climate risk mitigation strategies**.

As already mentioned in the paragraph 'Main Risks and Uncertainties', **risk management** is applied throughout the Company according to a structured and systemic approach and provides for a **Risk Governance Framework** (framework), included in the broader **Internal Audit and Risk Management System** (IARMS), which defines the roles and responsibilities of the main players involved. This dynamic process is based on a **three-tier control model** and involves both the Control Functions and the Chief Risk Officer. It should also be noted that the 'Sustainability' function, which is part of the 'Strategy, Digital and Sustainability' Department and to which the activities of identifying, managing and monitoring sustainability issues (including climate change) is included, as a second level of control, within the model. In this context, the **risks associated with climate change** represent risks that are **closely related to the Group's operational and strategic environment**, therefore the process leading to the identification, assessment and management of these risks is integrated into the **general corporate risk management process** and into the current management of the undertaking's activities (for more details, please refer to the section 'Double Materiality Process').

In line with the **recommendations of the Task Force on Climate-related Financial Disclosures**, risks related to climate change were distinguished between physical risks (extreme weather events, long-term climate variations) and transition-related risks (regulatory, technological and market developments):

- **Transition risks**: transitioning to a lower-carbon economy may entail policy and legal risks, due to different regulatory requirements across different geographies, or to new impacts and/or uncertainties resulting from the policies adopted. The transition may also result in technology risk, due to uncertainties surrounding the role of emerging technologies, and market risk, linked to new dynamics, shifts in supply and demand and an increasingly complex market environment, which could expose businesses to reputational risks;
- **Physical risks**: these risks can be event driven (acute) or longer-term shifts (chronic) in climate patterns. Physical risks may have financial implications for businesses, such as direct damage to assets and indirect impacts from supply chain disruption.

In order to identify and assess the risks related to this topic, Terna Group adopts an **integrated approach based on scenario analyses**, with the aim of ensuring the security, reliability and resilience of the National Transmission Grid (NTG). The assessment process considers both physical risks related to weather events, extreme and otherwise, and transition-related risks arising from the evolution of the energy system towards decarbonisation.

As part of the identification and assessment of physical climate-related risks, the Group, starting in 2020, equipped itself with a tool called the **Resilience Methodology**, whose **forward-looking nature** in monitoring the evolution and impact of the climate in the coming decades, as well as the **probabilistic** nature necessary to assess multiple failures and contingencies and the consequent risk of energy not being supplied on the grid following the occurrence of severe weather events, allow for the implementation of **effective and efficient planning of interventions to increase the resilience of the transmission grid**. Over the course of these years, the Resilience Methodology has undergone continuous change and has been refined to consolidate analyses on snow and high-wind weather events, even to include the launch of analyses on weather phenomena

related to hydrogeological instability. The analysis of the transmission grid's exposure to weather threats, assessed at the individual span level, combined with the vulnerability of the grid infrastructure allows the identification of critical grid portions at risk of disruption and, following the grid analyses, the plants at risk of outages.

In defining its methodological approach, the Group considered an **RCP 8.5 climate scenario** (Representative Concentration Pathways, RCP, are climate scenarios expressed in terms of greenhouse gas concentrations rather than emission levels). In particular, the RCP 8.5 scenario assumes that no significant measures are taken in favour of climate protection and that, therefore, greenhouse gas emissions will increase continuously throughout the 21st century. The use of this climate scenario responds to a twofold need: on the one hand, in the short/medium term, **this scenario is the most likely one**, since it replicates the current situation in the near future (it should also be considered that by 2030 the various RCP scenarios do not vary significantly from each other); on the other hand, this choice implies a prudential approach by Terna Group in defining the tools and actions needed to ensure national transmission grid resilience, setting itself the worst-case scenario in order to be able to cope with any level of threat from extreme climate-related events. Other climate models and datasets used to map future climate hazards on the corporate assets are the following: **CESM- LENS** (climate model that includes 40 climate simulations for the period 2018-2100); **Euro-CORDEX** (set of 12 climate models used to produce advanced regional climate change projections up to 2100); **ERA 5** (meteorological reanalysis dataset with coverage greater than 30 years on different weather variables); the **MERIDA dataset** (Meteorological Reanalysis Italian Dataset, developed by RSE S.p.A.).

All initiatives aimed at preventing and/or reducing damage to the electricity grid caused by increasingly severe weather events in terms of intensity and frequency are defined in the Plan for Increasing National Transmission Grid Resilience (the so-called Resilience Plan, updated every year), which includes preventive infrastructural measures - assessed with the Resilience Methodology - as well as mitigation, restoration and monitoring measures, with corresponding capital expenditure planned over a five-year time horizon.

Terna S.p.A. also publishes the annual **Adequacy Report for Italy** to analyse - over a medium-term and long-term horizon (5 and 10 years, respectively) - the impact of weather variability and climate change on the Italian electricity system (more information below).

With regard to **identifying and assessing climate-related transition opportunities** and **risks**, it should be noted that Terna Group, when outlining its development strategy and, therefore, when drafting its Development Plan, assesses the **costs and benefits of transmission grid development projects** based on the scenarios developed over a 5-15 year time horizon. The elaboration of these scenarios therefore constitutes a fundamental part of the Group's business strategy, since they form the basis upon which the development guidelines for the national transmission grid are defined and direct the relevant capital expenditure.

Specifically, Terna S.p.A., together with the gas system operator Snam, prepares the **Scenario Description Document**, a prerequisite for drafting transmission and transportation network development plans in the electricity and gas sectors at national level. This document was first published in 2019 and undergoes a revision process at least every two years; the latest update is from the second half of 2024 and is publicly available on the Terna website.

The scenarios in the **Scenario Description Document 2024** incorporate the government's latest indications, including the final text of the **Integrated National Energy and Climate Plan (PNIEC)**, which expresses the objectives of the European **'Fit-for-55'** and **'REPowerEU'** legislative packages at national level. In particular, the PNIEC sets national objectives for 2030 on energy efficiency, renewable sources and the reduction of CO_2 emissions, as well as objectives for energy security, interconnections, the single energy market and competitiveness, sustainable development and mobility, outlining for each of them the measures that will be implemented to ensure their achievement. In addition, in keeping with previous Scenario Description Documents, Snam and Terna developed scenarios taking into account both the PNIEC policy objectives and the European scenarios developed by ENTSO-E and ENTSOG, the two trade associations - European Network of Transmission System Operators ('ENTSOs') - for electricity and gas.

>> *continued* **FOCUS Climate Change**

In order to develop the scenarios, the following elements of information are considered useful for defining the transition environment in which the Group will operate, having 2030, 2035 and 2040 as the time horizons:

- assumptions regarding **macroeconomic developments**, such as GDP trends, demographic trends, fuel and CO_2 prices for the three time horizons;
- the description of existing **energy needs** and **electricity demand** over a time horizon of approximately twenty years, the duration of which is defined in line with the time horizon of the scenarios used in the ENTSOs' Ten Years Network Development Plan (TYNDP);
- a description of the existing and expected **electricity supply** in Italy by type of source or fuel, with a section devoted to the expected evolution of renewable sources over the time horizon mentioned in the previous point;
- the description of existing and projected **supply and demand** in the **interconnected systems** which are material for the assessments of the Ten-Year Plan in the time horizon referred to in the second point, or appropriate references to the scenarios used in the TYNDP of ENTSO-E, the quantification of the inter-zonal transmission capacities and interconnection capacities assumed in the years under study in the Ten-Year Plan, also in consideration of the interconnection prospects and requests for interconnection through interconnectors and through merchant lines;
- assumptions concerning **electricity exchanges** with systems outside the scope of the study;
- the results of energy planning activities at both community and national level, studies and other analyses that support the assumptions made in the Ten-Year Plan;
- the results of **market simulations on the relevant models** for each scenario and study year, in terms of at least expected electricity exchanges with foreign countries, expected electricity exchanges between material grid zones and generation volumes by type of source or fuel, taking into account the fulfilment of energy needs and the minimum coverage of ancillary services.

Based on these and other elements, the document defines:

- **scenarios that achieve the policy targets**, aligned, therefore, with the objectives of the international scenarios that consider a net zero target for 2050 and are, therefore, consistent with the scenario defined as '1.5°C', the most ambitious temperature-related target set by the Paris Agreement, which recommends a limitation of global warming to below 1.5 degrees Celsius:
  - to 2030 a PNIEC Policy scenario (consistent with the PNIEC published in June 2024);
  - for 2035 and 2040 two scenarios in line with those developed at European level by the ENTSOs;
- **contrasting scenarios** (developed in order to assess the impact of planned infrastructure on different scenarios as required by current regulation):
  - to 2030, 2035 and 2040 a PNIEC Slow scenario, representing a slower transition (compared to policy scenarios) towards decarbonisation targets.

In the 2030 policy scenario, renewable sources of electricity come to cover 63% of national electricity demand, while green gas comes to cover about 16.4% of gas demand in end use. For 2040, the Scenario Description Document is based on the European scenarios developed by the two network associations, which describe two possible pathways for achieving Carbon Neutrality in 2050 and which Snam and Terna have set out in greater detail for Italy. Therefore, the Distributed Energy Italy (DE-IT) and Global Ambition Italy (GA-IT) scenarios were developed for 2040, which are aligned with the storylines of similar scenarios developed at European level by the ENTSOs.

In the DE-IT scenario, a greater penetration of the energy carrier is expected in all sectors (civil, transport and industry), thus maximising the use of solar and wind power generation, which becomes the main tool for achieving decarbonisation targets by covering 76% of energy needs. Conversely, the GA-IT envisages the decarbonisation of consumption through the increased penetration of hydrogen in all sectors, a different use of technologies and energy carriers in the mobility sectors (electricity, hydrogen, e-liquids and biofuels), and a more significant use of CO_2 capture and storage, both in the hard-to-abate sectors and in thermoelectricity.

Finally, the two network operators also developed a PNIEC Slow scenario representing a slower transition (compared to the policy scenarios) towards decarbonisation targets with a delay of a few years in the deployment of technologies impacting the decarbonisation pathway. The development of a contrasting scenario such as PNIEC Slow serves the regulatory requirements of assessing planned infrastructure in different contexts. These 'cost-benefit' analyses are then reflected in the Development Plan. All the scenarios considered are rooted within the same macroeconomic environment, characterised by sustained GDP growth despite the expected fall in population. These assumptions are consistent with the expected evolution of the macroeconomic and demographic framework reported in the PNIEC 2024 and developed by the European Commission for all Member States.

The **scenarios described** are the **foundation** on which the **National Transmission Grid (NTG) Development Plan** is prepared, which defines the grid development initiatives planned over the next ten years, as well as the progress of the development works envisaged in previous years. The analysis of electricity flows on the grid, the preparation of demand and supply forecasts, and scenarios based on the increasing production from renewable sources allow Terna to identify growing needs for grid upgrades and, subsequently, to plan the necessary new works.

The measures provided for in the Development Plan are fundamental to achieving Italy's energy transition towards a climate-neutral economy; proof of this is the almost total alignment of the Group's CapEx with the climate change mitigation objective (for more information, see the section on Taxonomy pursuant to Commission Delegated Regulation (EU) 2021/2139).

This alignment clearly indicates how the issue of climate change also represents an opportunity for the Terna Group. By virtue of the regulatory framework - which also links the Group's remuneration to the amount of capital expenditure made as well as the quality of the service offered - the need for greater capital expenditure to adapt the grid to the needs of the energy transition and to increase the physical resilience of the assets, which in turn positively affect the quality of the service, implies an increase in the Group's remuneration and a positive impact, therefore, on the consolidated income statement. In this context, non-regulated activities also contribute and will contribute to generate new business opportunities thanks to the development of innovative, digital technological solutions in keeping with the public service role of the Terna Group in supporting the energy transition.

For details on the categorisation of risks - physical or transition-related risk - related to climate change, please refer to the 'Environmental information' section.

It should be noted that the climate-related scenarios detailed above form the basis for the considerations made by management with regard to climate change and reported in the notes 'A. Material Accounting Policies and Measurement Criteria - Climate Change', to which reference should be made, of the Consolidated Financial Statements.

The resilience of business to climate change

Terna has developed an **in-depth analysis of the resilience of its strategy** and **business model** with respect to climate change, with an approach based on scientific data and advanced climate scenarios, which it updates annually as part of the preparation of its Resilience Plan. As outlined below, all major historical events related to physical risks have been analyzed. With reference to the main transition aspects considered, these are presented within the analyses described in the section 'Focus | Climate Change'.

At the systemic level, Terna publishes the annual **Adequacy Report for Italy** to analyse the impact of weather variability and climate change on the Italian electricity system. The element on which the Annual Adequacy Assessment for Italy focuses is the **ability of the Italian electricity system**, in the medium- and long-term (5 and 10 years, respectively), to **ensure that the available resources**, understood as the electricity generation plants, imports and storage, are **sufficient to meet the hourly electricity demand in each electricity market zone of the country**, while at the same time considering the impact of the first effects of climate change on the electricity system. The climate variables adopted in the adequacy assessments are in fact derived on the basis of historical data and appropriately updated to take into account climate change phenomena.

At the operational level, the increase in the frequency of extreme weather events recorded in recent years in Italy makes it necessary to increase the resilience of the transmission grid. In fact, the increasing intensity of severe weather events closely linked to climate change means greater probability of significant damage to the country's infrastructure, including electricity transmission equipment.

Specifically, **an analysis of the historical events** in recent years that have affected the national transmission grid highlights the **main factors causing disruptions**:

- formation of **sleeves of wet snow on the lines**, which weigh them down and cause short circuits or structural failures;
- **strong winds** in particular regarding the consequence of falling plants and trees;
- **floods, landslides, landslips, tornadoes** and other extreme phenomena that may cause short circuits or the collapse of pylons or other structural failures;
- **the increase in pollutant deposits linked to prolonged periods of drought** (such as saline pollution) which cause a greater likelihood of surface discharge;
- **forest fires**, also triggered by high temperatures that can directly affect assets causing failures or requiring them to be taken out of service to facilitate extinguishing activities.

It is therefore crucial for Terna Group to identify the areas where grid infrastructure is most exposed to such events and to intervene with effective and efficient capital expenditure to prevent and mitigate outages. The electricity grid must be able to withstand increasing stresses and, in the event of disruptions, interventions and tools must be put in place to manage the emergency, quickly restoring normal operating conditions.

To support the process of planning interventions to increase resilience there is the **Resilience Methodology** (Appendix A76 of the Grid Code), which is characterised by **three key elements**:

- development of **forecast climate scenarios** to identify the areas of the territory most exposed to the effects of severe weather events of various kinds, associating with them their relative likelihood of occurrence;
- **estimating the vulnerability of power line components** to direct and indirect stresses caused by severe weather events, through the determination of specific vulnerability curves defined using real technical-orographic parameters;

- **"n-k" probabilistic approach for the analysis of multiple and simultaneous outages** produced by weather events, in order to be able to quantify the probability of occurrence of such multiple contingencies and assess their impact on the portion of the electricity system exposed to the severe weather event.

More specifically, the **Resilience Methodology** consists of **six main steps**:

1. **analysis of exposure to severe weather events**: assessment of the likelihood of occurrence of weather phenomena according to predefined intensity thresholds, based on advanced climate models.
2. **infrastructure vulnerability analysis:** assessment of the vulnerability of high-voltage lines to direct and indirect stresses of weather events through the development of specific vulnerability curves.
3. **calculation of the return time of line failure before intervention:** determination of the probability of grid failure in the absence of intervention by combining climate-related data and vulnerability curves.
4. **calculation of the outage return time and the risk of expected energy not-supplied before intervention:** application of a contingency analysis algorithm to quantify the risk of simultaneous outages of several grid elements using a probabilistic approach.
5. **calculation of the return time of line failure and the risk of expected energy not-supplied after intervention:** assessment of the effectiveness of grid reinforcement interventions in reducing vulnerability to extreme weather events.
6. **calculation of the benefit for increasing resilience:** determination of the improvement of the grid by comparing the expected energy not-supplied before and after the planned measures.

Over the course of these years, the Resilience Methodology, initially developed for assessments of snow and high-wind weather events, has undergone continuous change and has been refined in order to improve the modelling of multifaceted phenomena such as meteorological and climate-related phenomena, in the light of climate change, and to assess the contribution of new technological solutions that provide a benefit in terms of resilience. To this end, collaboration with research institutes and universities such as RSE - Ricerca sul Sistema Elettrico and the Polytechnic Institute in Milan plays a key role.

Furthermore, analyses of meteorological and climate-related phenomena associated with hydrogeological instability are underway with the aim of identifying the type of events potentially with the greatest impact on the National Transmission Grid (NTG) and introducing their modelling within the Resilience Methodology.

Through the application of Resilience Methodology, it is, therefore, possible to implement effective and efficient planning of interventions to increase grid resilience.

In this regard, **measures to increase grid resilience** may be classified into the following **four categories**:

- **preventive measures**, aimed at increasing grid meshing, improving the reliability and robustness of existing assets, reducing exposure to potentially impactful weather threats or involving the reconstruction of portions of existing infrastructure;
- **mitigation measures** to contain the risks on the electricity system and reduce the damage of the critical event;
- **restoration measures**, aimed at reducing the time to restore service and/or outages following the occurrence of adverse weather events impacting the electricity system. This category includes all measures to reduce the time of disruption and return the electricity system to normal operation;

- **monitoring actions** to support both preventive and restoration activities.

These measures are described, on an annual basis, in the **Resilience Plan**, a transversal corporate plan that **defines** all **initiatives aimed at preventing and/or reducing damage to the electricity grid** caused by increasingly severe weather events in terms of intensity and frequency. As mentioned above, the resilience analysis is continuously evolving, and for this reason, further assessments are underway, such as the analysis of the meteorological and climatic phenomena mentioned earlier. What has been described so far and is outlined below forms the basis for the development of the aforementioned plan, aimed at ensuring the resilience and security of the Terna Group's infrastructure, as well as providing a reliable and uninterrupted service.

In particular, the Resilience Plan includes preventive infrastructural actions to increase resilience to snow and wind, identified with the Resilience Methodology, but also actions in the Development Plan and/or in the Connections Annex that, assessed with the new methodology, are able to reduce the risks of outages during such events. Another **innovative infrastructural solution** is represented by **tower manoeuvring devices** (Organi di Manovra su Palo - OMP), a technology **conceived at Terna and patented**, which consists in equipping the lattice towers that characterise NTG lines of manoeuvring systems, making it possible to increase the resilience and flexibility of operation of portions of the grid with reduced meshing, while also representing a solution with reduced visual and environmental impact.

Preventive measures, again related to resilience, also include actions related to the **'Renewal Plan'**, such as reinforcing power lines and cutting down plants and trees, to prevent disruptions related to tree interference on power lines following, for example, high-wind events.

Also included in the Resilience Plan are all initiatives related to the **Security Plan** (of which it is an annex) aimed at mitigating the effects on the grid caused in particular by snow events, such as anti-rotation devices and interphase spacers, and the adoption of technological solutions and tools to monitor the grid, prevent the occurrence of severe events, and speed up service resumption.

Finally, the Resilience Plan also includes initiatives to increase resilience for other types of events such as saline and air pollution and fire risk. These are also included in the Security Plan. The Resilience Plan 2024 also expands the portfolio of initiatives to increase the resilience of the NTG through the support of digitalisation, envisaging the use of IoT techniques aimed at the widespread collection of information on the assets and which, together with complex calculation algorithms, guarantee the optimal and resilient operation of the electricity system.

Additional support to the capital expenditure for the security and resilience of the NTG comes in the form of public funding under the National Recovery and Resilience Plan (NRRP) and the related revision with the REPowerEU chapter, in relation to which the Group was awarded €150 million for the NRRP and €140 million for the REPowerEU, with the objective, on the one hand, of increasing the resilience of 1,500 km of NTG lines for severe weather events and, on the other hand, to start the digitalisation the NTG, ensuring safe and resilient operation.

It should be noted that the Resilience Plan is an annex to the broader Defence Plan for the Security of the National Electricity System (Security Plan) that Terna prepares annually. The **2024 Security Plan** is the 21st edition

and updates the initiatives to protect the security of the electricity system envisaged for the four-year period 2024-2027, with capital expenditure of over €1.3 billion. In the Security Plan 2024, Terna strengthens its capital expenditure and initiatives to better execute its role as an enabler of the energy transition, based on **three strategic directions**:

- **the adoption of key technological solutions** to address voltage regulation and electricity system stability requirements, such as synchronous compensators, reactors and stabilising resistors;
- **the digital evolution of the electricity system**, which transversally involves several areas of grid management, from supervision, control and defence of the system to infrastructure security to protect against physical and cybersecurity risks;
- **increasing grid resilience** in the face of intensifying extreme weather events, which through preventive, restoration and monitoring initiatives aim, also thanks to the support offered by digitalisation, to ensure increasingly high standards of electricity service continuity.



FOCUS

E4|SBM-3 >
E4| IRO-1 >

Protecting biodiversity

The interaction of the Group's activities with biodiversity is mainly related to the physical **presence** of **power lines** and **electricity substations**[78] and their impact on the surrounding environment, which can be both natural and man-made. In particular, with reference to the construction phase of the works, great attention is paid to the choice of areas and access tracks, selected, when possible, in areas of lesser natural value.

In the case of submarine power lines, the impacts concern the integrity of the seabed on which the undersea cables are laid. Regarding laying and maintenance operations, the impacts primarily concern aquatic flora species such as, for example, Posidonia oceanica.

In this context, the search for the route constitutes the most delicate design phase as it determines the future impact on the environment and biodiversity of the entire development project. For this reason, Terna, without prejudice to the need to identify a route that allows for the regular operation and maintenance of the power line, seeks design solutions that minimise the amount of land used, interference with areas of environmental, natural, landscape, and archaeological value whether urbanised or urban development areas, and the encumbrances on the properties involved[79]. The support of the **GIS technology** ('Geographic Information System'), is fundamental when searching for **sustainable locations** (corridors) for National Transmission Grid (NTG) development projects. This technology allows comprehensive consideration of all information relating to the different types of land use and protection obligations (territorial, naturalistic, cultural, landscape, etc.), in order to identify possible locations which are the most compatible with the area concerned. The interaction between Terna lines and substations and protected areas or areas of natural interest is constantly monitored. Therefore, all of the Group's assets are assessed with the support of GIS technology, and overall, **monitoring** includes all **substations** (915 in 2024) and **power lines** (68,374 km in 2024).

With the support of this database, it has been carried out an inventory of possible interferences between assets and protected area or areas of high biodiversity, cross-referencing data on the electricity grid with local data. (in 2024, there were 7,276.24 km of power lines and 34 electricity substations interfering with protected areas; for more details, see the tables on page 259, in the context of paragraph "Metrics related to biodiversity protection"). Considering that interventions in protected areas are reduced to a minimum by virtue of the **application of ERPA** procedures, the mitigation measures required by legislation and ordered by local authorities are applied for new works.

The Double Materiality Assessment 2024 identified and considered the impacts that may collectively concern the Group's activities with respect to biodiversity, it was not deemed necessary to break down the impacts by specific sites. This detail is carried out following the requirements and environmental impact assessment for the implementation of the Development Plan.

The Double Materiality Assessment considered the direct and indirect impacts of Terna's activities on biodiversity and ecosystems, assessing both actual and potential impacts. Starting from an analysis of internal and external corporate documents, also considering sector-specific guidelines of the **Task Force on Nature-related Financial Disclosures** (TNFD), a series of impacts related to the topics and sub-topics indicated by the ESRS standards were then identified. The identified impacts were submitted to the relevant corporate functions and external sustainability experts, who assessed their materiality based on the criteria of significance and likelihood. The contribution of the functions involved in the context of the Double Materiality Assessment is of particular importance since they are responsible for **ensuring ongoing dialogue** with the stakeholders as a fundamental element of the preparatory activities for updating and implementing the Development Plan. The Group is constantly committed to establishing and implementing the most efficient forms of engagement and **participatory planning**, with particular

[78] For a list of sites, see the tables 'Details of power lines owned by the Terna Group' and 'Details of electricity substations owned by the Terna Group' on page 388.

[79] Terna's planning includes the study of site plans aimed at using existing roads or tracks to minimise the opening of new tracks, especially in wooded or protected areas, and the assessment of problems related to cutting vegetation, adopting methodologies and tools to minimise interference such as optimising the height of supports and their location. Agreement on location criteria is the instrument used for selecting local corridors with least impact. These criteria are used to identify the greater or lesser degree of suitability of an area to host new electricity infrastructure. Terna and the Regions have agreed on a system of ERPA criteria (Exclusion; Repulsion; Problems; Attraction), based on four classes, to be adopted when locating new electrical works. Protected areas, including the IUCN (International Union for the Conservation of Nature) categories that coincide with these, fall into the 'Repulsion' category, which binds Terna not to operate unless there are no alternatives or there are only alternatives that are even less environmentally compatible.



focus on local communities affected by grid development projects. Generally, the Group's work follows certain general operating standards, with regard to stakeholder engagement activities to be carried out, in the various phases of the NTG development process, from the planning to the Strategic Environmental Assessment for the Plan, and from the planning of individual works, to the related approval and their completion. Of particular note, among the activities in the areas affected by the development of the grid are the **'Terna Incontra'**, described in the section on local communities.

Terna identified and assessed dependencies on biodiversity, ecosystems and related services through a process that considers the synergies between nature and climate, also considering that which is specified in the TNFD sector-specific guidelines.

In particular, the TNFD does not identify nature-related dependencies directly related to electricity transmission and dispatching activities, thus identifying a **potential dependency** in certain **ecosystem services**[80] in relation to the increasingly frequent **occurrence of extreme weather events** due to climate change, including mitigation of natural hazards such as floods and storm surges, control of erosion and stabilisation of the soil and slopes. The assessment therefore took into account the dependencies of ecosystem services that regulate climate, and how these affect the integrity of the energy transmission infrastructures. For example, climate regulation ecosystem services contribute to protect infrastructure from extreme weather events, such as abnormal rainfall and temperature variations, which could damage it. Phenomenons such as loss of vegetation and degradation of ecosystems instead increase the risk of damage caused by floods and extreme weather events, with negative effects on company assets.

Terna's approach to biodiversity is also reflected in a potential increase in the Group's attractiveness in the financial markets, also in view of the growing interest of investors and rating agencies specialised in ESG topics, aspects that are constantly analysed and monitored by the Group's Sustainability department. As regards the process of identifying and assessing opportunities related to biodiversity, this has been including in the context of Double Materiality analysis, for further details see the dedicated section at page 179.

[80] Ecosystem services are defined as the contributions deriving from ecosystem resources providing benefit to economic activity and other human activity. For example, the supply of timber and firewood from a forest, the freshwater of a river, the recreational and tourism opportunities of a forest or coral reef, and the pollination of crops. Ecosystem services fall into three categories: provisioning services, such as the supply of crops, wood or water; regulating and maintenance services, such as water flow regulation and climate regulation; and cultural services, such as recreation activities and tourism opportunities. For further details see the 'Recommendations of the Task Force on Nature-related Financial Disclosures' page 26 (https://tnfd.global/wp-content/uploads/2023/08/ Recommendations_of_the_Taskforce_on_Nature-related_Financial_Disclosures_September_2023.pdf?v=1695118661). According to the "Addictional sector guidance - Electric utilities and power generators" of the TNFD, the operational integrity of transmission and distribution infrastructure may depend on: (i) ecosystem service of global climate regulation, to protect the transmission and distribution infrastructure, from unstable rainfall and temperature patterns, which may affect maintenance and integrity; (ii) ecosystem service of rainfall regulation and mitigation of extreme weather events, such as tropical cyclones or floods, to ensure stability and uninterrupted operation of electricity transmission and distribution systems. (iii) ecosystem service of soil and sediment retention, mainly provided by different types of vegetation and other environmental assets. Through soil and sediment retention, impacts and damage caused by landslides and erosion are mitigated.

FOCUS

E5|IRO-1 >

Promoting the circular economy

The Double Materiality Assessment considered the direct and indirect impacts of the Group's activities related to resource use and the circular economy, assessing both actual and potential impacts. To begin with, an analysis of internal and external corporate documents takes place, specifically considering environmental analyses such as, for example, the **Life Cycle Assessment** with methodology EF 3.011 promoted by the European Commission[81], which the **environmental impacts of overhead lines, cable lines and electricity substations** are assessed throughout their life cycle, including downstream impacts. A series of impacts related to the topics and sub-topics indicated by the ESRS standards were then identified. The identified impacts were then submitted to the relevant corporate functions and external sustainability experts, who assessed their materiality based on the criteria of significance and likelihood.

FOCUS

S1|SBM-2 >
S1|SBM-3 >

Own workforce

The quality of human capital is fundamental for Terna Group's growth and to foster value creation over time. People, with their training, the skills they have developed over the years, managerial skills, motivation, loyalty and sense of belonging, are central to all company activities. Moreover, they are individuals whose rights must be respected and valued. Terna, with **People Strategy** pursues the objective of putting **people at the centre** of an ecosystem characterised by **mutual respect**, **inclusiveness**, widespread **well-being**, a sense of **responsibility** and results orientation. This vision drives the company's cultural change, which is implemented through initiatives and tools aimed at promoting more efficient ways of working, developing skills, valuing merit and measuring performance with a continuous improvement approach. Dialogue with the workforce is developed within a well-established system of industrial relations, which includes the involvement of trade unions, and through regular initiatives for direct dialogue with employee, such as online surveys, focus groups and other internal engagement activities. This approach makes it possible to integrate the interests and opinions of employees into the company's activities. In this way, each person has the opportunity to contribute to the collective growth and achievement of company goals.

The material impacts on Terna's own workforce, identified through the Double Materiality Assessment, derive directly from Terna's approach to its people, in line with its People Strategy, and are also influenced by the strength of its business model. In particular, impacts include benefits related to **secure employment**, the adoption of

[81] This method is based on a set of standardised environmental indicators covering several impact categories, including those related to nature and biodiversity. Impacts are assessed using specific models and characterisation factors that consider environmental pressures such as land use change, pollution, climate change and resource extraction.

measures that improves working conditions, such as collective agreements that ensure rights and adequate wages, and the promotion of **welfare and work-life balance policies**. These positive impacts are supported, on the one hand, by the context in which the Company operates, and, on the other hand, are further enhanced by the Group's focus on people's well-being, promoting mutual commitment for collective growth. As far as the **enhancement of skills** is concerned, it is reflected in a strategy that encourages continuous training, the updating of skills and the anticipation of change. By investing in emerging skills and fostering more effective ways of working, including through the use of technology, the Company aims to enhance merit, accelerate organisational growth and achieve excellence in results.

Respect for human rights and the promotion of diversity and inclusion are also central, as emphasised in the Diversity, Equity & Inclusion Policy, which translates into concrete initiatives to **reduce the gender pay gap** and foster an inclusive and safe working environment. In addition, the focus on employee health and safety considers the risk of accident events through prevention activities and initiatives to improve psychological and physical well-being, and is integrated into Terna's business model, which also includes performance objectives for management related to safety.

The company's strategy also aims to address the dependencies associated with the availability of a suitable workforce to enable the realisation of the objectives of the Industrial Plan. This is to prevent the risk associated with any difficulties in recruiting resources with specialised technical skills, and in attracting and retaining them given the growing competition for talent (in view, for example, of the highly qualified workforce), which Terna prevents through **employer branding initiatives** and collaborations with schools and the academic world, policies for enhancing and developing skills and **internal mobility**, adopting measures to ensure the training and development of the necessary skills, as well as workforce management through a performance **assessment system** and **opportunities for professional growth**.

The **opportunities** related to **attractiveness in financial markets**, arising from the **strategy of reducing the gender pay gap** and promoting inclusion and diversity, are directly linked to workforce impacts, as a fair and inclusive working environment contributes to the improvement of a company's reputation capital in the long run, as well as also proving to be a key lever in relation to risks and dependencies linked to the availability of qualified personnel. Putting its people at the centre, generating positive impacts through the promotion of inclusiveness and the improvement of staff well-being, translates into an opportunity to attract and retain talent, while also contributing to strengthening its competitiveness in the market.

The impacts involve the entire own workforce broken down into the contract types represented in the context of the paragraph "Workforce-related metrics"[82]. The negative impact identified refers to individual incidents relating to accident events that could potentially involve the workforce. The assessment within the Double Materiality Assessment also took into account the performance of previous years and the analysis of types of accident, it should be noted that the main causes recorded concerned 'impact, crushing and cutting' mainly related to operational activities.

[82] In particular, for further detail related to contract types, see the tables "Characteristics of the undertaking's employees" and "Characteristics of non-employee workers in the undertaking's own workforce".

FOCUS

S2 | SBM-2 >
S2 | SBM-3 >

Workers in the value chain

Terna recognises that a sustainable value chain must be able to identify and manage negative impacts, aiming to maximise benefits for workers. This approach contributes to the establishment of production models that respect the human rights of the people involved.

With this objective in mind, Terna adopts preventive and mitigation measures to address potential impacts related to the working conditions of employees along the value chain that may be related to the occurrence of individual incidents, such as possible breaches of codes of conduct resulting in issues related to working hours and employment stability, or accidents events. Specifically, the risk of injuries or accidents to workers can also result in serious reputation repercussions.

In order to prevent such incidents, **Terna contractually imposes compliance with specific conditions that protect workers' rights**. The commitment to take special precautions in order to comply with Terna's requirements for awarding contracts and for qualification **may lead contractors to improve their internal worker management practices** leading to a **positive contribution** in terms of working conditions and equal treatment. These commitments not only help to strengthen the sustainability and resilience of Terna's business model, but also contribute to ensuring the sustainability of its supply chains by generating possible positive impacts on workers as well. In this context, workers in the value chain represent a central stakeholder group, to which specific objectives of the Group Sustainability Plan are also related[83].



[83] Considering the data available as at 31.12.2024, the mapping and actions regarding material impacts and risks refer to the suppliers of Terna companies, Terna Rete Italia, Terna Plus and Terna Energy Solutions.

These include, for activities upstream in the value chain: workers from companies engaged in the procurement of materials and finished products (which includes the purchase of materials needed for the production processes of subsidiaries and the purchase of finished products needed for the Group's other activities), including the procurement of labour by third-party companies for Terna's core activities (through labour and service contracts) and those of subsidiaries. Moreover, the Terna Group also considers workers belonging to its value chain to be workers who perform their activities at the company's premises but who are not part of its own workforce. Looking instead at activities down the value chain, this includes workers employed in companies involved in transport and logistics activities and in waste and end-of-life management of assets and works.

Evidence from the due diligence on human rights and the double materiality assessments to date has not revealed any supplies for which there is a significant risk of child labour, forced labour or compulsory labour, due in part to the strong **prevalence of national suppliers determined by the specific nature of the business**.

As far as overseas suppliers are concerned, **the country risk is assessed**, namely the possibility of incurring damage if incidents or events occur that may be linked to the economic, social and political environment of the country in which the supplier normally operates. This risk is, for the time being, very limited, given the prevalence of domestic and EU suppliers. However, it could become more significant in view of the possible expansion of procurement markets overseas. Objective elements are used in the analysis and **assessment of the most relevant risk factors**, which relate to economic and political governance issues in the various countries, and with **respect to internationally agreed human rights protocols**, including the ratification of UN and ILO conventions, together with the assessments made by the main international Non-Governmental Organisations and the leading rating agencies actively concerned with these issues. As these assessments are regularly updated, they enable the Company to constantly monitor developments in the related environment. In addition to these assessments, restrictive measures are also issued by Italian, EU and non-EU authorities, entailing limitations on the free movement of goods (trade embargoes) or rules of conduct in the case of transactions with countries that have preferential tax treatment (tax havens).

In the case of **suppliers belonging to ESG-relevant sectors** Terna **requires social** and **environmental more stringent qualification requirements**. These specific sectors are periodically identified on the basis of the product categories whose relevance to the business is assessed (the amount supplied, problems for the core business), as well as social aspects (health and safety and working conditions) and environmental aspects (significant environmental impacts in the production chain, relating to use by Terna, at the end of the asset's useful life)[84]. Inclusion in this category leads to particular attention being paid during the qualification phase and in the development of technical specifications, as well as a commitment to adopt special precautions regarding categories not subject to qualification. Finally, **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 the introduction of additional health and safety measures.

[84] Such as, for example, belonging to product groups related to 'labour-intensive' sectors with low qualification and specialisation of resources or to supply chains classified as polluting on the basis of lists and databases drawn up by external bodies.

FOCUS

S3 | SBM-2 >
S3 | SBM-3 >

Affected communities

Terna considers the opinions, interests and rights of local communities to be central to its strategy. In fact, the Company **engages intensively with the communities** living in the areas earmarked to host the new electricity infrastructure, recognising the importance of the relationship with these communities in its business model. Terna shares electricity grid development needs with local authorities and communities and dialogues with citizens in order to **identify the best designs and locations** for new works. This real **participatory planning** together with local communities takes into account the specific needs of the various stakeholders. The centrality of these aspects to the Group's strategy is reflected in the decision to include objectives dedicated to stakeholder engagement within the Sustainability Plan, which is integrated into the Industrial Plan.

The impacts of Terna's activities on the affected communities may concern possible inconveniences related to the affected road system (particularly during the construction phase), to noise caused during the construction phases, and to the visual impact and perception of the landscape given the presence of the completed works. Considering the occurrence of these possible interferences, the Company determines its operating methods, moving towards an approach based on dialogue and consultation with local communities. For this reason, Terna is constantly working to find shared solutions that can eliminate or minimise these impacts.

In fact, Terna's business model is based on participatory planning, actively involving communities in the location and design choices of infrastructures, allowing communities to participate and contribute to the definition of project solutions that, in this way, pursue greater acceptance and understanding of the works by the area. This is also in the awareness that maintaining optimal relations with the communities affected by its activities represents an opportunity, in terms of reputation, **to reinforce the so-called social licence to operate** as a fundamental prerequisite also for ensuring that Terna's investments come to fruition within the time-frame established by the Company Plans[85].

Terna's strategy, therefore, considers the impacts of building infrastructure, structuring its business model to foster opportunities for dialogue and continuous improvement.

The Double Materiality Assessment 2024 considered communities living or working near electricity works or construction sites required for the realisation of them. Negative impacts concern the implementation of works that Terna is required to carry out on an ongoing basis in as part of its core activities, preparatory to achieving energy transition.

Within the category of local communities, several sub-categories are included, considered in the context of Double Materiality, identified taking into account the detailed map of stakeholders that includes subjects of different nature interested throughout all phases of the Terna Group's activities in the local area, from NTG development to the management of existing lines. This category includes, for example, citizens and property owners with an interest in Terna's activities, and local bodies able to influence the decision-making process.

[85] The opportunity refers generally to the communities affected by Terna's activities.

FOCUS

Customers

< S4 | SBM-2
< S4 | SBM-3

Due to the nature of their business, Terna Energy Solutions S.r.l., LT S.r.l., Tamini Trasformatori S.r.l. and Brugg Kables Services AG of the Terna Group do not liaise with consumers or end users in the sense of natural persons; their activities are actually directed towards industrial customers. Customers have the ability to economically influence the business as they allow the Group to differentiate its corporate revenues and therefore represent a group of stakeholders whose interests are also considered and monitored through the Stakeholder Management Framework that includes customers among the main (top-level) categories of its mapping. In this context, **customers** are potentially affected by Terna Group's activities in relation to the service provided and are therefore also **positively impacted by the Group's ability to disclose quality information with respect to its products and services**, using communication channels that are accessible and available to the public such as corporate websites, by constantly updating its catalogues, its certifications and announcing the main projects carried out, in line with the principles of transparency and respect that guide the Group's activities as set out in the Code of Ethics. The approach aimed at transparency and the disclosure of quality information has not only had a positive impact on customers, but is also a key opportunity in terms of increased market attractiveness[86]. With regard to the impact of possible individual incidents of misuse of customers' personal data (which primarily refers to representatives of customer companies such as, for instance, contact persons in sales offices), please refer to the part on privacy in the section on 'Workforce'.

FOCUS

Business Conduct

< G1 | IRO-1

The Double Materiality Assessment took into account the direct and indirect impacts of the Group's activities related to its business conduct, considering, in addition to its own operations, the impacts, risks and opportunities indirectly related to the Group's operations through its business relationships. The activities of the Group as a whole were therefore assessed, taking into account the main characteristics of the business sectors and countries in which the Group operates.

[86] The opportunity does not refer to specific groups of customers.

GOV-1 > GOV-2 >

Corporate Governance and sustainable success

In line with the principles of the Corporate Governance Code, which assigns the Board of Directors, among others, the task of promoting in the most appropriate manner, dialogue with shareholders and other stakeholders relevant to the Company, Terna adopts all the best tools to create, maintain and consolidate a relationship of mutual trust with its stakeholders, which is instrumental in creating value for the Company, society and the environment.

The corporate governance system has been designed with the aim of creating value for shareholders, whilst recognising the social importance of what the Group does. Furthermore, it is broadly aligned with the principles contained in the Corporate Governance Code for listed companies, which Terna adhered to on 27 January 2021, with the related recommendations published by the CONSOB and, more generally, with the international best practices used by the Company as benchmarks.

Corporate governance system

The Annual General Meeting of shareholders held on 9 May 2023 elected Terna S.p.A.'s current Board of Directors, to consist of 13 members, whose term of office will end with approval of the financial statements for the year ended 31 December 2025.

On 9 May 2023, the Board of Directors nominated the Chief Executive Officer, and assigned them the relevant powers, defining the content, limitations and the manner in which they may be exercised. The Board of Directors' activities are coordinated by the Chairman, with support provided by the Secretary.

Until 23 October 2024, the Board of Directors had the following Board Committees, all of which conducted reviews, made recommendations and provided advice, in order to ensure effective performance of the Board's functions:

- Remuneration Committee;
- Audit and Risk and Sustainability Committee;
- Nominations, Governance and Scenarios Committee;
- Related-Party Transactions Committee.

As of 23 October 2024, in order to strengthen the control over sustainability topics and to ensure its integration with governance issues and the long-term strategy, the Board of Directors resolved to redefine the composition of the Committees as follows:

- Sustainability, Governance and Scenarios Committee;
- Audit and Risk Committee;
- Remuneration and Nominations Committee;
- Related-Party Transactions Committee.

It should be noted that the composition of the Governance Bodies as of 31 December 2024 corresponds to that in force as of the date of approval of the Annual Report 2024, set forth in the section "Corporate Bodies" to which reference should be made.

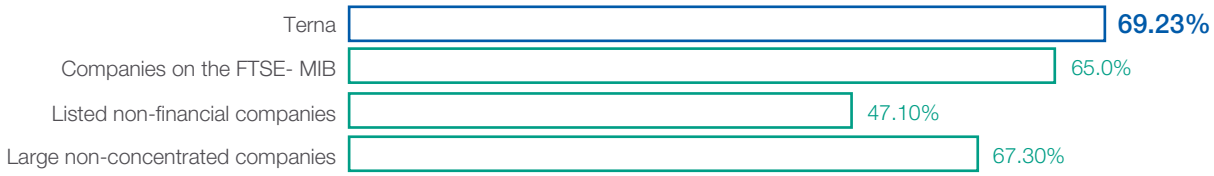
In accordance with the special legislation on listed companies, Terna's Articles of Association introduced a specific provision aimed at facilitating the collection of voting proxies from shareholders who are employees of the Company itself and its subsidiaries, thus favouring their involvement in the Annual General Meeting decision-making process (Article 11.1 of the Articles of Association).

As of the date of the Annual General Meeting of 9 May 2023, the Company had not been notified of the formation of any employee shareholders' association. Accordingly, with reference to the Terna S.p.A. Board of Directors, there is currently no employee or worker representation on the board.

Composition of the Board of Directors as at 31 December 2024

	UNIT	
Men	%	53.85
Women	%	46.15
Under 30	%	-
Between 30 and 50	%	23.08
Over 50	%	76.92

Presence of independent Directors



Composition of the Board of Directors (number and category)



** Independent pursuant to both the CLF and the Corporate Governance Code.*

Aspects worthy of note include:

- the high level of attendance of Directors at Board meetings and Board Committee meetings;
- the presence of sustainability goals in the remuneration packages of the Chief Executive Officer and senior management;
- the close attention paid to ESG topics during both meetings of the Audit, Risk and Sustainability Committee[87] and the Remuneration Committee and during specific induction sessions for the Board of Directors as a whole. The focus on the topic of sustainability is also evident from the different structure of the Committees following the decision of the Board of Directors of Terna S.p.A. on 23 October 2024, which resolved to give more space to ESG objectives, expanding the remit of the Governance and Scenarios Committee, renaming it the 'Sustainability, Governance and Scenarios Committee' and assigning it, precisely, the tasks regarding Sustainability.

[87] Until the date of 23 October 2024.

Skills and experience of the members of the board of directors

Terna's directors have adequate skill and professionalism (Article 2, Principle 5, Corporate Governance Code). Specifically, alongside legal and financial professionals, there are profiles with expertise in engineering, energy and risk management. The international scope is ensured not only by the presence of members of foreign nationality, but also by members who have gained solid experience in international contexts. In addition, beyond the Chief Executive Officer, certain professionals working in the sector also possess IT skills. With particular reference to sustainability, there are profiles with experience and expertise in sustainable investment, risk management, digital innovation, cybersecurity and governance, concerning, inter alia, the material impacts, risks and opportunities of the company. In addition, in order to ensure appropriate ESG expertise and skills, the Board avails of experts or takes part in specific induction activities.

G1|GOV-1 >

Features of the operation of the Board of Directors

In compliance with statutory requirements and the Articles of Association, Terna's Board of Directors plays a central role in overseeing the company's ethical conduct and in ensuring that the Group's activities are carried out in compliance with legality, transparency and integrity. In line with the principles of the Corporate Governance Code and in compliance with the relevant best practices, the Board acts in order to direct corporate management towards sustainable success goals, integrating financial, social and environmental aspects in the definition of strategies and operational choices.

Under its prerogatives, the Board examines and approves the Industrial Plan of Terna and the Group companies, also taking into account the material topics in the creation of long-term value creation, the evolution of the regulatory framework and stakeholders' expectations. In addition, the Board defines business objectives and process monitoring and risk analysis, in order to ensure a balance between sustainability, profitability and risk management. Its key responsibilities include the approval of the Group's Code of Ethics and the main corporate policies that define and regulate the principles of business conduct at all levels of the organisation. These tools form the reference for guaranteeing types of behaviour that are consistent with the values of integrity, legality and social responsibility, and guide the daily actions of all Group employees and stakeholders.

The Board also approves the Organisational, management and control model pursuant to Legislative decree no. 231/2001 (the 'Model 231') and its subsequent updates, ensuring its consistency with the regulatory and organisational evolution of the Company, as well as its effectiveness in preventing predicate crimes. The Model 231 is one of the fundamental tools for the dissemination of a corporate culture based on legality, risk prevention and greater responsibility. The Board periodically receives information on the implementation of the Model 231 and, based on the information flows from the Supervisory Board, can assess the appropriateness and degree of application of the system adopted.

In order to support its responsibilities, the Board constantly receives information from the Chief Executive Officer on management trends and material transactions, including the parties involved, the characteristics of the transactions and any associated risks. The Board defines the guidelines of the Internal Control and Risk Management System and annually assesses its appropriateness and effectiveness, also considering the Group's risk profile. This activity is carried out with the support of the Chief Executive Officer, the Audit and Risk Committee and the Board of Statutory Auditors, which supervises compliance with the law, the Articles of Association and the principles of correct corporate governance. The Board also checks the appropriateness of the organisational, administrative and accounting structure of the Company and the Group, and the operation of the internal control system.

Finally, in order to safeguard the fair and transparent management of information, the Board has adopted a specific procedure to manage and communicate corporate information, focusing, in particular attention, on inside information. This system contributes to strengthening stakeholder trust and ensuring corporate behaviour that is consistent with ethical principles and regulatory compliance.

Internal committees of the Board of Directors

Audit and Risk Committee

The Committee is entrusted with the powers provided for in the Corporate Governance Code. It provides recommendations and advice to support the Board in assessments and decisions relating to the internal audit and risk management system. In this regard, it is specified that the Committee is in charge of monitoring corporate risks, which include ESG risks. It periodically verifies its appropriateness with respect to the characteristics of the company and the risk profile assumed, as well as its effectiveness. It assesses, together with the Manager responsible for preparing the company's financial reports, after consulting the statutory auditor and the Board of Statutory Auditors, the correct use of accounting policies and their uniformity for the purposes of preparing the consolidated financial statements. It also assesses the suitability and examines the content of periodic financial and non-financial information, material to the Internal Audit and Risk Management System (IARMS), to correctly represent the business model and strategies of the Company and the Group. It reviews the contents of the Consolidated Sustainability Statement submitted annually to the board of directors. It reports to the Board of Directors, at least on the occasion of the approval of the Annual Report and the Half-Yearly Financial Report, on its activities and the adequacy of the IARMS.

As at 31 December 2024, the Audit and Risk Committee had the following composition:

- Marco Giorgino (Chairman)
- Enrico Tommaso Cucchiani (independent)
- Karina Audrey Litvack (independent)
- Jean-Michel Aubertin (independent)
- Francesco Renato Mele (not independent)

It should be noted that, prior to 23 October 2024, the date on which the board committees were reorganised, this Committee was called the 'Audit and Risk and Sustainability Committee', with particular responsibilities in the ESG sphere, which, at present, also fall under the remit of the Sustainability, Governance and Scenarios Committee. The Audit, Risk and Sustainability Committee met ten times before 23 October 2024 two out of ten with the Related-Party Transactions Committee.

Since its establishment to 31 December 2024, the Committee has met two times, touching upon, among others, the following sustainability issues:

- Information on the regulatory updates relating to the Corporate Sustainability Reporting Directive (CSRD), Terna's CSRD compliance project, as well as the new structure of the Report on Operations and the related formalisation of processes, procedures and control systems.

Sustainability, Governance and Scenarios Committee

The Committee is assigned responsibilities in the area of sustainability, with particular reference to:

- examining and assessing sustainability policies with the objective of ensuring the creation of long-term value for the benefit of shareholders, taking into account the interests of Terna's other relevant stakeholders, also for the purpose of examining and approving the Company's and the Group's industrial plan;
- the definition of the sustainability guidelines and plans and the materiality matrix that identifies the most material topics for the Group and its stakeholders in the light of the strategies of the Company and the Group itself;
- the regular monitoring of how the sustainability plans are being implemented and the achievement of their objectives, as well as the inclusion of the Company in sustainability indices.

The Committee is also entrusted with responsibilities relating to the Corporate Governance system; in fact, it monitors the evolution of legislation and national and international best practices on the subject, as well as the alignment of the corporate governance of the Company and the Group with these.

Finally, the Committee also gathers information, analyses and insights on relevant scenarios that are useful for a better understanding of global trends that may have an impact on corporate strategies.

As at 31 December 2024, starting from 23 October 2024, the composition of the Committee is as follows:

- Igor De Biasio (independent)
- Jean-Michel Aubertin (independent)
- Qinjing Shen (not independent)
- Simona Signoracci (independent)
- Anna Chiara Svelto (independent)

It should be noted that, as of 23 October 2024, the date on which board committees were reorganised, this committee took on responsibilities and tasks in the field of sustainability from the previously named "Audit, Risk, and Sustainability Committee".

Since its establishment to 31 December 2024, the Committee has met four times, touching upon, among others, the following sustainability issues:

- In-depth examination, through a specific induction session, of Italian energy scenarios;
- In-depth analysis of the regulatory evolution of ESG Reporting, the scope of application and the main changes in the Corporate Sustainability Reporting Directive (CSRD), focusing on the adaptation path that the Company has undertaken, comparing it with other corporate practices.

Remuneration and Nominations Committee

The Committee is entrusted with the powers provided for in the Corporate Governance Code. It makes recommendations and provides advice to the board of directors, including:

- assessing and deciding on the size and composition of the Board itself, as well as any co-optations;
- assisting the Board in drawing up the policy for the remuneration of Directors, members of the Board of Statutory Auditors and executives with strategic responsibilities and in preparing the Report on the Remuneration Policy and Remuneration Paid pursuant to Article 123-ter of the Consolidated Law on Finance;
- submit proposals or express opinions on the remuneration of Executive Directors and other Directors holding special offices, as well as on the setting of performance targets related to the variable component of said remuneration that include indicators related to ESG factors;
- develop, submit to the Board of Directors and monitor the application of incentive systems (including shareholding plans) aimed at Terna's Executive Directors and/or managers with strategic responsibilities and/or other Company and/or Group managers.

As at 31 December 2024, the Remuneration and Nominations Committee, which has been operational since 23 October 2024, had the following composition:

- Enrico Tommaso Cucchiani (Chairman, independent)
- Gian Luca Gregori (independent)
- Regina Corradini D'Arienzo (not independent)
- Karina Audrey Litvack (independent)
- Simona Signoracci (independent)

It should be noted that, as of 23 October 2024, the date on which the board committees were reorganised, this committee took on responsibilities and tasks in the field of nominations which were passed on from the committee previously known as the Nominations, Governance and Scenarios Committee. The Nominations, Governance and Scenarios Committee has met 13 times before 23 October 2024.

Since its establishment to 31 December 2024, the Committee has not met.

Related-Party Transactions Committee

The Committee has the role of conducting reviews, making recommendations and providing advice in relation to assessment and approval of related-party transactions, covering both transactions of greater materiality and those of lesser materiality, as indicated in Terna's "Procedure on Related-Party Transactions". The Committee also has the role of conducting reviews, making recommendations and providing advice in relation to any proposed changes to the aforementioned Procedure. Finally, the Committee receives periodic flows on Related-Party Transactions excluded from the application of the Procedure (even if of lesser materiality) to verify its correct application.

The Committee as at 31 December 2024 has the following composition:

- Anna Chiara Svelto (Chairwoman, independent)
- Angelica Krystle Donati (independent)
- Marco Giorgino (independent)
- Gian Luca Gregori (independent)
- Simona Signoracci (independent) - as of 8 May 2024.

Board of Statutory Auditors

The current Board of Statutory Auditors, appointed by the Annual General Meeting of 9 May 2023, has a term of office that expires upon the approval of the financial statements for the financial year 2025.

Pursuant to the resolutions passed by the Annual General Meeting on the basis of the two lists submitted, the Board of Statutory Auditors was composed as follows: Mario Matteo Busso (Chairman of the Board of Statutory Auditors elected from the minority list submitted by a group of shareholders consisting of asset management companies and other institutional investors as listed in the Company's press release on the publication of the Lists of 14 April 2023), Lorenzo Pozza and Antonella Tomei (Standing Auditors elected from the majority list submitted by CDP Reti S.p.A.).

The following were also elected Alternate Auditors: Barbara Zanardi (indicated by the minority list submitted by a group of shareholders consisting of asset management companies and other institutional investors as listed in the Company's press release on the publication of the Lists of 14 April 2023), Antonello Lillo and Lucrezia Iuliano (indicated by the majority list submitted by CDP Reti S.p.A.).

The elected Auditors represent both lists submitted for the Annual General Meeting. Further information on the candidate lists submitted and the result of the voting can be found on the Company's website www.terna.it under Governance - General Meeting of shareholders. Following the declarations made for the nomination, the counting operations and the conclusion of the voting operations, one standing member was elected by the minority shareholders not connected, not even indirectly, with the shareholders who submitted or voted for the list that came first in terms of number of votes.

Since its appointment at the Annual General Meeting of 9 May 2023, the composition of the Board of Statutory Auditors has remained unchanged.

The Board of Statutory Auditors performs the typical supervisory activities that are prescribed by national law for the Board of Statutory Auditors. Specifically, this Body is responsible, among other things, for supervising compliance with the principles of correct corporate governance in the performance of corporate activities, the adequacy of the organisational structure, the Internal Audit and Risk Management System and the financial reporting and auditing process. By virtue of the new regulatory updates in the area of Consolidated Sustainability Statement, a broader role and range of duties have also been envisaged for the Board of Statutory Auditors, in line with the Terna Group's relevant internal policy. In particular, it is periodically informed regarding the information flows concerning Consolidated Sustainability Statement and takes part in the meetings of the Audit and Risk Committee (until 23 October referred to as the Audit, Risk and Sustainability Committee), including the management methods that the Terna Group has adopted in order to prevent, mitigate and correct impacts, address risks and/or pursue relevant opportunities. Below the Board statutory auditors composition considering effective auditors only.

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS AT 31 DECEMBER 2024

	UNIT	
Men	%	66.6
Women	%	33.3
Under 30	%	-
Between 30 and 50	%	-
Over 50	%	100

As recommended by the Corporate Governance Code, and in accordance with the role assigned to it by law, the Board of Statutory Auditors verified the correct application of the established assessment criteria and procedures adopted by the Board of Directors in assessing the independence of its non-executive members.

The Board of Statutory Auditors reported that all the Statutory Auditors meet the relevant independence requirement, pursuant to Article 2, Recommendation 9 of the Corporate Governance Code, verified during the meeting held on 7 February 2024 in application of the Board of Statutory Auditors' Terms of Reference.

Skills and experience of the members of the Board of Statutory Auditors

The Board of Statutory Auditors, similarly to the Board of Directors, is involved in a specific induction programme, which involves an in-depth study of issues related to the business sector in which the Company operates, company dynamics and their evolution, as well as the relevant regulatory and self-regulatory framework, in order to ensure that Statutory Auditors and Directors have adequate knowledge. In 2024, this programme also saw the in-depth study of sustainability-related topics, such as the regulatory changes introduced by the CSRD. Furthermore, in addition to availing of sustainability experts when necessary, the Board of Statutory Auditors has expertise in risk management, climate change, sustainability statements, gender diversity and governance, relevant to, inter alia, the company's material impacts, risks and opportunities.

GOV-1 > GOV-2 > GOV-5 >

The governance of impacts, risks and opportunities

The board of directors performs the tasks and functions recommended by the Corporate Governance Code and, in particular, defines the strategies and monitors their implementation, approving the industrial plan of the Company and its Group, also based on the analysis of topics that are material to the generation of long-term value, as well as identifying the nature and level of risk compatible with the strategic objectives, with a view to the pursuit of sustainable success. The Board of Directors also examines in advance or authorises transactions entered into by the Company directly or through subsidiaries that qualify as "significant". On the subject of ESG, the Board of Directors, with the support of the relevant Committees and senior management, provides assessments, makes recommendations and gives advice regarding sustainability objectives, overseeing the activities promoted by the Group aimed at their achievement and constantly monitoring the results.

Furthermore, with reference to the board of directors' sustainability responsibilities, it should be specified that the board, through its dedicated internal committees, i.e. the Sustainability, Governance and Scenarios Committee and the Audit and Risk Committee, monitors the sustainability impacts, risks and opportunities that emerged as material also from the Double Materiality Assessment. Specifically, the Sustainability, Governance and Scenarios Committee was provided with information on the Group's Double Materiality Assessment process and the related impacts, risks and opportunities that emerged as material. Details are provided in the section "Double Materiality", to which reference should be made. In this regard, it should be noted that prior to 23 October 2024, the date on which the board committees were reorganised, this information was provided to the Audit and Risk and Sustainability Committee.
Furthermore, the Board of Directors' responsibility regarding sustainability is also reflected in the environmental, social and governance policies adopted by the Group, which are subject to formal approval by the same body.

In fact, the Terna Group, aware of the fundamental importance of a constant and valuable flow of information addressed to the Board of Directors in relation to material impacts, risks and opportunities, and to their subsequent management through policies and actions, implements an approach that allows the Board of Directors, through the relevant Committees, to always be informed regarding material sustainability matters relevant to the Group.

In general, the committees responsible for sustainability meet periodically, discussing, where necessary, with senior management regarding updates and insights. In 2024, these Committees received such updates and insights at least every quarter. This makes it possible to regularly submit an informative report to the Board of Directors, which contains, among other things, the assessments carried out in this regard, so that the Board can take this into account when overseeing the Terna Group's strategy and deciding on important transactions. At the corporate structure level, on the other hand, the identification and management of sustainability topics and projects and the subsequent definition of appropriate Policies, Guidelines and Operating Instructions are the responsibility of the "Strategy, Digital and Sustainability" Department, which regularly reports to the "Sustainability, Governance and Scenarios Committee" within the board of directors. It is specified that in 2024, this information was conducted at least quarterly. In particular, the department is responsible for strategic planning, monitoring, reporting, and relations with international sustainability rating agencies and ESG investors, as well as project development and related implementation actions that serve in the achievement of the Group's strategic goals.

As recommended in Borsa Italiana's Corporate Governance Code[88] and by national and international best practices[89], the Group has adopted a specific **Internal Audit and Risk Management System (System** or **IARMS)**. This consists of the culture, capabilities, rules, procedures and internal practices and organisational structures with the objective of defining an accountability system for effectively and efficiently identifying, measuring, managing, mitigating and monitoring the main risks. The aim of the System is to contribute to the Group's sustainable success, retaining a high degree of stakeholder trust in the Group's governance and controls.

The System provides a management tool designed to ensure that the way the business is run is consistent with the Company's business objectives. It puts risk management at the heart of the value chain, starting from key considerations such as the mission, vision, values and operating environment. These are embedded in the process of defining and developing strategy and performance to support decision-making processes by making explicit reference to risks and uncertainties and through informed responses. The System involves implementation of a **Risk Management System**, which is also aligned with the recommendations in the Corporate Governance Code for Listed Companies and international best practices.

To support the Board of Directors' assessments and decision-making regarding the Internal Audit and Risk Management System, risk management relies on the contribution from a specific Board Committee, consisting of independent Directors – the **Audit and Risk Committee** – that engages periodically with the departments within the Company most directly involved in these processes.

The Committee also has a direct relationship with the **Chief Risk Officer (CRO)**, whose appointment is approved by the Board of Directors on the recommendation of the Chief Executive Officer, subject to a prior opinion from the Committee. The CRO is tasked with supporting senior management in the effective implementation and management of the risk management process at Group level, and ensuring effective coordination of the actors involved in control activities. The CRO reports to the Chief Executive Officer and the Committee on the outcomes of risk management activities. The CRO receives operational support from the "Enterprise Risk Management" unit, which reports directly to the CRO and has the role of coordinating all aspects of the Risk Governance framework described below.

Finally, within the Internal Audit and Risk Management System, the Audit Department is responsible for verifying the functioning and adequacy of the System itself, and for checking that it is consistent with the guidelines defined by the board of directors. Audit activities extend to all business processes (including risk management), with particular attention paid to the most important processes due to their impact on the Company's value, the degree of risk they pose in respect of achievement of the Company's objectives, or their influence on aspects of broad interest to the Company.

In operational terms, risk management takes place throughout the Company, based on a structured, systemic approach. It involves a **Risk Governance Framework (Framework)** setting out the roles and responsibilities of the various actors involved in the Risk Management System, embedding the three levels of control provided for in the Corporate Governance Code within the Company's organisational structures. Each level has different objectives and specific associated responsibilities:

[88] See Art. 1 – Role of the board of directors – Recommendations – *c) defines the nature and level of risk compatible with the company's strategic objectives, including all the elements that can be relevant for the company's sustainable success; d) defines the corporate governance system of the company and the structure of the group it heads, and assesses the adequacy of the company's organisational, administrative and accounting structure and of its strategically important subsidiaries, with particular reference to the internal control and risk management system.*

[89] The ERM framework issued by the US body C.O.S.O., "Committee of Sponsoring Organizations of the Treadway Commission".

- **First level of control:** with primary responsibility for identifying, assessing and managing the risks appertaining to the specific areas of responsibility;
- **Second level of control:** assigned to organisational structures (e.g. Health & Safety, Compliance, 262 Oversight, Environmental Protection, Fraud Management, Privacy, Cybersecurity, etc.) acting as autonomous, independent units that are separate from operational units. This level of control oversees changes in external regulations and in the related best practices and participate in the definition of governance policies and in the process of managing the risk categories for which it is responsible. At the same time, they provide support to the First level of control for their implementation, including through the design and delivery of awareness and training activities;
- **Third level of control:** conducted by the Audit department, providing an independent assessment of the design and functionality of the internal audit and risk management system (assurance). The entity that has this role has a high degree of organisational, hierarchical, and functional independence.

Good risk governance must ensure a holistic and coordinated view of all the actors involved, so that they may work together, identify and assess risks, identify their possible impacts and, consequently, have the right information available to make the most appropriate decisions.

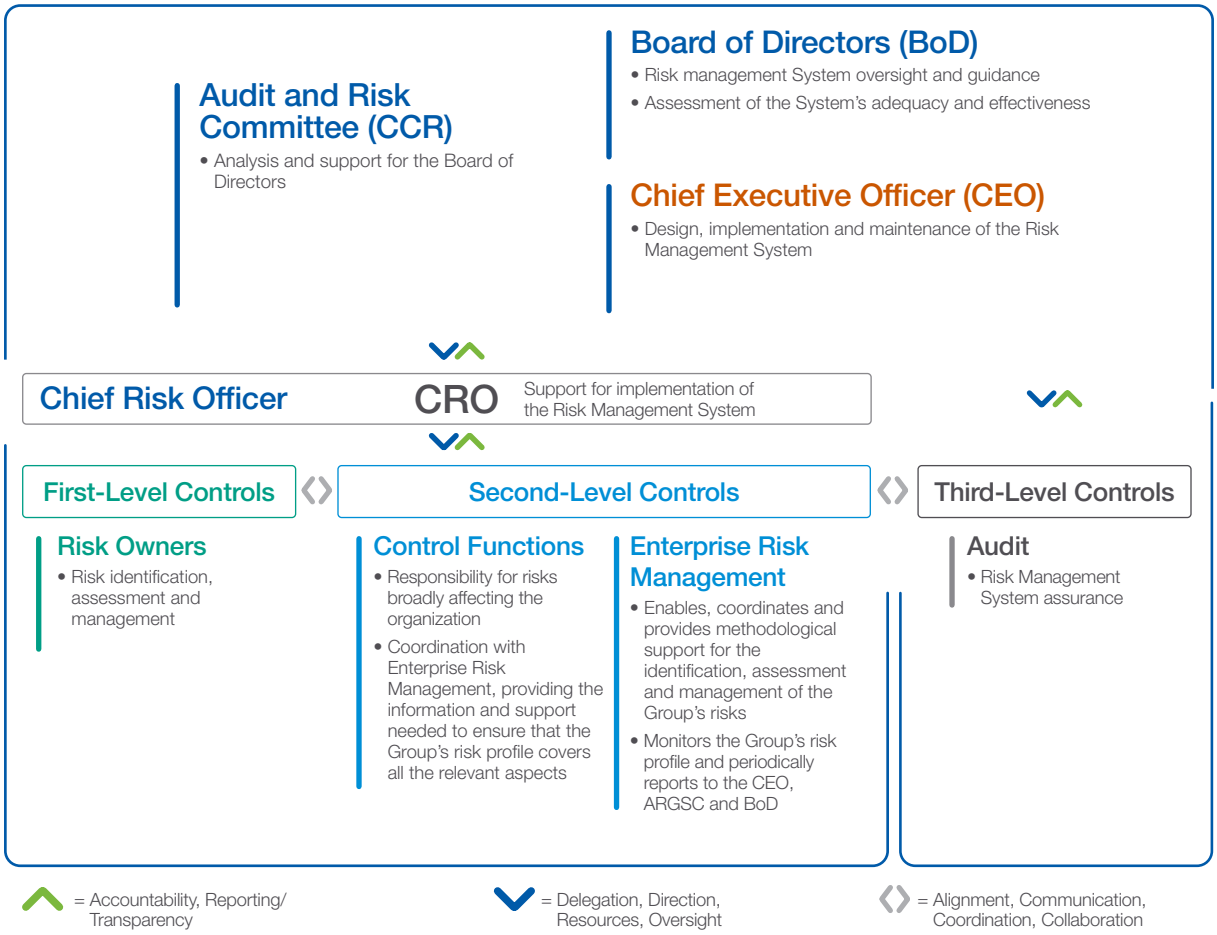
The diverse elements of the Risk Management System give an idea of the complexity of the Framework and how the entities and departments involved, each with their own specific nature, contribute to the above holistic vision, working in synergy and in accordance with a structured and organised approach.

To this end, Terna puts in place procedures and processes to coordinate the relations and activities of the entities that exercise control at various levels. In this regard, **coordination between the activities of the second-level control departments** is particularly important, in order to minimise duplication of activities and maximise the efficiency of the risk management system, while respecting their respective roles and responsibilities, and the necessary independence requirements.



The Framework is thus based on a widespread approach to risk management within the organisation, involving a range of bodies and departments across every level of the organisation, as shown below:

Risk Governance Model



With regard to the management of impacts and opportunities, please refer to the section on "Double Materiality".

In 2024, Terna, as part of the corporate plan to adapt to the new regulations on sustainability reporting, started defining and progressively implementing a control model aimed at establishing and maintaining an Internal Control System on Sustainability Statement (SCIIS), aimed at overseeing the reliability of such disclosures and their compliance with the reporting standards established at European level (ESRS) and the specifications adopted pursuant to Article 8, paragraph 4, of Regulation (EU) 2020/852 (so-called EU Taxonomy).

The SCIIS also has the objective of supporting the Chief Executive Officer and the Manager responsible for preparing the Terna Group's financial reporting in issuing certifications to the Market regarding the compliance of the Terna Group's Consolidated Sustainability Statement.

The SCIIS is an integral part of the Terna Group's Internal Audit and Risk Management System, consisting of the set of rules, procedures and organisational structures that, through an adequate process of identification, measurement, management and monitoring of the main risks, allow the Company to manage them correctly and consistently with its objectives.

The control model for sustainability Statement is methodologically based on the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (so-called "CoSO Report"), which, in March 2023, published a specific supplementary guide dedicated to sustainability reporting, entitled "Achieving Effective Internal Control of Sustainability Reporting (ICSR)".

Consistent with the principles of the CoSO Report, the SCIIS management process is structured into the following main phases:

- Scoping;
- Analysis of risks and controls;
- Monitoring;
- Assessment and reporting.

The identification of the areas of greatest risk for the sustainability statement is carried out as part of the scoping phase through a risk/materiality analysis of the data (KPIs) included in the Terna Group's Consolidated Sustainability Statement, based on assessment drivers that take into account endogenous and exogenous risk factors.

For the KPIs assessed to be of higher risk/materiality and for the Group companies that contribute significantly to them, an additional risk analysis is carried out, according to a top-down, risk-based approach, concerning the business processes from which these KPIs originate.

In particular, risk analysis at the process level consists of identifying events that may compromise the qualitative characteristics (relevance, faithful representation, comparability, verifiability and understandability) that the data and information presented in the Consolidated Sustainability Statement prepared in accordance with the ESRS standards must fulfil.

In this area, the assessments carried out highlighted the following main categories of risk: (i) completeness and integrity of data; (ii) availability and timeliness of data; (iii) traceability of data; (iv) authorisation of data and information; and (v) compliance with relevant legislation.

The following main types of controls are envisaged in order to properly monitor these risks:

- approval and management review controls;
- data reconciliation checks;
- consistency checks of the Consolidated Sustainability Statement with respect to the relevant ESRS;
- logical access controls and traceability of operations performed on the system used for the Consolidated Sustainability Statement;
- consistency checks by analysing the variance of data within the time series available.

It should also be noted that the process of collecting and consolidating sustainability data and information and drafting the Consolidated Sustainability Statement is supported by the use of an IT application that represents a further integral risk mitigation factor that enables structured data collection flows, automatic controls and monitoring dashboards.

A further general element of risk mitigation on Consolidated Sustainability Statement is represented by the Terna Group's "control environment", consisting of the set of "ethical values" and cultural values, the governance and organisational model, the Leadership style exercised by Senior Management and Management, and by the personnel management policies, aimed at establishing a general context designed to ensure that process activities are carried out and controlled in accordance with the principles and objectives defined by management.

The SCIIS provides for a periodic assessment phase of the adequacy of the design and effective application of the controls of which it is composed. The results of these assessments are analysed and evaluated by management in order to define, where appropriate, corrective actions to be implemented in the relevant processes. In this context, a system of "chain" certifications was implemented by Terna's management and the delegated administrative bodies of the consolidated

companies regarding compliance with the reporting standards of the sustainability data and information provided by them for the purpose of drawing up the Consolidated Sustainability Statement, with the specifications of Regulation 2020/852 (the so-called EU Taxonomy), and the progressive and continuous adoption of adequate internal control processes.

Starting from the third quarter of 2024, specific information flows were started up towards the Administration, Management and Supervisory Bodies and the independent auditor in order to provide an understanding of the progress of Terna's programme of compliance with the CSRD, including the activities for the development of the internal control processes in relation to Consolidated Sustainability Statement.

The process of due diligence of the Terna Group

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The due diligence process is fundamental for the Terna Group, as it allows it to identify and manage risks and opportunities related to its operations and value chain. This approach ensures that the Company acts responsibly and sustainably, in compliance with current regulations and international standards. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct and the United Nations Guiding Principles on Business and Human Rights provide the framework for due diligence.

The table below provides a summary of the main due diligence aspects mentioned in the Consolidated Sustainability Statement.

CORE ELEMENTS OF DUE DILIGENCE	PARAGRAPHS OF THE CONSOLIDATED SUSTAINABILITY STATEMENT 2024
A) Embedding due diligence in governance, strategy and business model	ESRS 2 GOV-2 ESRS 2 GOV-3 ESRS 2 SBM-3 (including focus on specific sustainability issues E1-E4-S1-S2-S3-S4)
B) Engaging with affected stakeholders in all key steps of the due diligence	ESRS 2 MDR-P ESRS 2 GOV-2 ESRS 2 SBM-2 ESRS 2 IRO-1 (including focus on specific sustainability issues E1-E4-E5)
C) Identifying and assessing adverse impacts	ESRS 2 IRO-1 (including focus on specific sustainability issues E1-E4-E5) ESRS 2 SBM-3 (including focus on specific sustainability issues E1-E4-S1-S2-S3-S4)
D) Taking actions to address those adverse impacts	ESRS 2 MDR-A ESRS E1-3 ESRS E4-3 ESRS E5-2 ESRS S1-4 ESRS S2-4 ESRS S3-4 ESRS S4-4
E) Tracking the effectiveness of these efforts and communicating	ESRS 2 MDR-T ESRS E1-4 ESRS E4-4 ESRS E5-3 ESRS S1-5 ESRS S2-5 ESRS S3-5 ESRS S4-5

GOV-3 >
E1 | GOV-3 >

The remuneration system

In line with Terna's governance framework, the Board of Directors is responsible for setting and updating the objectives and approving the results of the incentive schemes to which the variable remuneration of the Chief Executive Officer and General Manager is linked, and for defining the general criteria for the remuneration of Key Management Personnel.

In keeping with the recommendations in the Corporate Governance Code, relating to matters concerning remuneration, the Board of Directors is supported by a Remuneration and Nominations Committee consisting of independent, non-executive Directors tasked with providing related recommendations and advice.

Remuneration policy

The Terna Group has designed its Remuneration Policy in line with stakeholders' expectations and market best practices and in accordance with the principles and criteria set out in the Corporate Governance Code. The Group also ensures the maximum alignment between shareholders and management, in terms of both value creation and the risk profile established.

The Board of Directors ensures that the Chief Executive Officer and General Manager is the beneficiary of a policy that is in line with the principles contained in the Corporate Governance Code. This means ensuring that a significant part of remuneration is linked to the achievement of specific performance objectives, including those of a non-financial nature (e.g., ESG indicators). In the pay mix, care is also taken to ensure that long-term incentives are given more weight than those of a short-term nature.

The same principles underpin the policy for Key Management Personnel.

To support achievement of the Company's strategic objectives and its performance, which include **ESG goals**, variable incentives schemes diversified on the basis of the different roles within the Company have been adopted:

- **Short-Term Incentives (STIs)** for company management, which links the amount of individual bonuses:
  - to the degree to which quantitative targets have been met, at both Company and individual level, with a portion linked to the Group's environmental and social commitments (e.g., workplace safety indicators);
  - to a qualitative assessment of performance, based on management behaviours.
- **Long-Term Incentives (LTIs)**, long-term incentive plans, linked to multi-year business objectives, including sustainability-related objectives, for managers in the most important roles with regard to achievement of strategic results.

In particular, in relation to the choice of indicators underlying the short- and long-term incentive schemes, Terna's remuneration policy is geared towards the achievement of ESG objectives, including those related to actions against climate change. First and foremost, the reference is to the objective, introduced in the LTI plan in 2023 and confirmed in 2024, directly linked to the realisation of the energy transition that rewards the maximization of production from non-programmable renewable sources and promote their integration into the National Electricity System, minimizing Overgeneration. This objective is therefore aimed at ensuring the efficient penetration of non-programmable renewable sources into the energy mix fed into the grid; it is also decisive and can be linked to the reduction of the emission factor affecting Terna's Science Based Target. This applies, in particular, to the achievement of the Scope 2 target, accounting for 96% of the base year value (2019)[90]. In addition, other objectives were also confirmed in 2024 - for the Chief Executive Officer/General Manager and for the executives with strategic responsibility - relating to the development of the network infrastructure, such as, for example, quality of service, output incentives (DSM and inter-zonal) and investments and entries into service related to the regulated sector, which are the basis for the country's transition to a zero-carbon economy.

Incentive mechanisms attributable to the fight against climate change have long been envisaged not only for the first line, but also for the rest of the incentivised population, with remuneration objectives that, in addition to replicating that which has been indicated above for top management, have also concerned, for example, the development of electric

[90] For additional information, reference should also be made to page 243.

mobility, the use of the gas SF_6 contributing to climate change, the monitoring of climate change adaptation actions (resilience), and the development of a methodology for analysing grid resilience with respect to weather events, and its application within corporate planning.

Still on the subject of ESG objectives, it is worth mentioning the long-standing presence of short term objectives related to the safety of Terna's workers and contractors. In particular, Terna's safety is monitored through an Occupational Safety Indicator, calculated as the weighted arithmetic average of the Accident Frequency Rate and Severity Rate and measured by comparing the year's performance to the average performance of the previous three years. Contractor safety is monitored regarding accidents occurring to contractor personnel operating at Terna sites. It is reported that the Remuneration Policy for 2024 included a weight of 20% with reference to the Occupational Safety Indicator and a weight of 5% with reference to the rate of growth in the injury frequency rate for contractors' personnel operating at Terna's sites in Italy.

As regards long-term incentive plans, there are three Performance Share Plans for the General Manager, Key Management Personnel, and a selection of the Terna Group's senior and middle managers who play important roles in the achievement of the Group's strategic results:

(i) Performance Share Plan 2022-2026 - includes an ESG KPI with a weight of 25% that relates to inclusion in a set of selected ESG indices (Dow Jones Sustainability Index World, Stoxx ESG Leaders, MIB 40 ESG and Bloomberg GEI[91]), representing the Group's ability to ensure all-round sustainability performance.

(ii) Performance Share Plan 2023-2027 - includes an ESG KPI (with a weight of 15%) which, in continuity with the 2022-2026 Plan, is linked to inclusion in a basket of selected ESG indices, and a new indicator, Overgeneration (with a weight of 15%), which, as previously mentioned, represents the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.

(iii) Performance Share Plan 2024-2028 - includes, in continuity with the 2023-2027 Plan, the Overgeneration indicator, with a weight that has increased to 30%, which represents the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.

The Regulations of the new Performance Share Plan 2024-2028 were approved by the Board of Directors on 26 June 2024, in implementation of the terms set by the Ordinary General Meeting of Shareholders held on 10 May 2024.

This Plan provides for the assignment of the right to receive a number of Terna S.p.A. shares. (Performance Shares) will be granted free of charge at the end of the performance period, provided that the performance targets to which the Plans are linked are achieved.

For further details, reference should be made to the Information Circular on the Performance Share Plan 2024-2028, which is posted on the Company's website (www.terna.it).

On 23 September 2024, Terna announced the completion of the share buyback programme servicing the Plan, involving total expenditure of approximately €8 million.

The offer is supplemented by welfare and benefit initiatives that promote robust, ongoing improvement of the work-life balance of Terna's people, with a view to providing remuneration and company welfare packages that are well above the average for Italian companies.

Full details of the Terna Group's new remuneration policy for 2025 are provided in the Report on the Remuneration Policy and on Remuneration Paid, approved by the Board of Directors – on the recommendation of the Remuneration and Nominations Committee - on 25 March 2025, and is published by Terna in compliance with the requirements of Article 123-ter of the Consolidated Law on Finance, as amended.

[91] As of 2024, the FTSE4Good index replaced the discontinued Bloomberg GEI.

Environmental information

EU Taxonomy

Regulation (EU) 2020/852

Introduction

The climate and energy targets that the European Union has set for 2030 and 2050, with the aim of implementing the European Green Deal, also require the involvement of the private sector, with the aim of directing capital expenditure towards sustainable projects and activities. With this in mind, European institutions have introduced a taxonomy of economic activities that can be considered as "sustainable", namely they are potentially able to help achieve environmental objectives pre-set by the European Union. In this context, the classification system introduced by EU Regulation 2020/852 (also "EU Taxonomy Regulation" or "Taxonomy" or "Regulation") aims to provide investors, businesses and public organisations with reliable shared criteria and methods to identify sustainable economic activities. Moreover, the Regulation enables measurement of the extent to which individual company activities adhere to and contribute to the pre-set objectives, thereby ensuring greater transparency for all stakeholders.

According to the Regulation, an economic activity can be defined as "environmentally sustainable" if it:

- **meets the technical screening criteria defined, on a scientific basis, for each activity**. Compliance with the technical screening criteria ensures that an activity:
  - **contributes substantially to the achievement of at least one of the six environmental objectives** set out in Article 9 of the Regulation: climate change mitigation; climate change adaptation; the sustainable use and protection of water and marine resources; the transition to a circular economy; pollution prevention and control; the protection and restoration of biodiversity and ecosystems;
  - **does no significant harm (DNSH)** to any of the other five environmental objectives;
- **respects minimum safeguards**, recognising the importance of human rights and international rights and standards in the management of its organisation and along the supply chain.

From January 2022, the disclosure of information pursuant to the Taxonomy in the Report on operations is mandatory for companies that are already subject to the obligations laid down by Directive 2014/95/EU on non-financial reporting. For 2021, the first year of application of the Regulations, companies were required to disclose the share - in terms of revenue, capital expenditure (CapEx) and operating expenditure (OpEx) - of "taxonomy eligible" (also defined as "eligible") and "non-eligible" activities relating to climate change objectives, namely those activities included in Annexes 1 and 2 of Delegated Regulation 2139/2021[92] (or "Climate Delegated Act"), without having to comply with the technical screening criteria and the minimum safeguards or having to publish data on alignment. From 2022, the Regulation has been applied in full, only to the extent of climate change objectives, requiring disclosure of the share of Turnover, CapEx and OpEx represented by environmentally sustainable activities. Therefore, companies must conduct an alignment assessment. For each eligible activity, it is therefore necessary to assess compliance with the technical screening criteria and the minimum safeguards, pursuant to article 18 of the Regulation. From 2024, the alignment assessment is required for all eligible activities, not only for the first two climate change objectives, but also for those activities that contribute to the remaining four environmental objectives introduced by the Environmental Delegated Act (Delegated Regulation (EU) 2023/2486) and those referred to in Delegated Regulation (EU) 2023/2485, which supplements the first two climate change objectives.

[92] Annex 1 lists the activities related to the climate change mitigation objective, while Annex 2 lists those related to the climate change adaptation objective.

Assessment of compliance with the Regulation

With regard to 2024, in line with the previous years, the Group's activities have been mapped - taking into account the Regulated Activities, Non-regulated Activities and International Activities segments (which are described in the section on "The Terna Group's business") - in order to identify those activities that are taxonomy-eligible, namely potentially able to contribute to the six objectives:

- Climate change mitigation;
- Climate change adaptation;
- Sustainable use and protection of water and marine resources;
- Transition to a circular economy;
- Pollution prevention and control;
- Protection and restoration of biodiversity and ecosystems.

Following these analyses, the Group's activities were associated with the following economic activities:

- **3.20 CCM Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation:** this category includes the activity carried out by the Tamini Group with reference to the production of transformers for the generation and transmission of electricity, as well as the core business of the Brugg Group related to the manufacture of electrical cables for electrical transmission and distribution systems. This activity was included this year and comprises the revenue, capital expenditure and operating costs attributable to the core business.
- **4.1 CCM Electricity generation using solar photovoltaic technology:** this category includes all activities related to the installation, servicing and repair of renewable energy technologies for ground-mounted photovoltaic systems. Specifically, the LT Group's business with third-party customers can be broken down in terms of revenue and costs between this activity (for ground-mounted photovoltaic parks) and activity 7.6 CCM for photovoltaic systems installed on buildings. As described in the "Climate Delegated Act", the technical screening criteria defined for activity 7.6 apply to this activity if it relates to the installation, servicing and repair of renewable energy technologies.
- **4.9 CCM/CCA Transmission and distribution of electricity:** this category includes the activities in the **Regulated Activities** segment, primarily regarding the development, operation and maintenance of the national transmission grid (NTG), which is part of the European interconnected system, as well as dispatching and metering activities. Activity 4.9 also includes **Non-regulated Activities**, related to work on systems dependent on the European interconnected system, O&M activities on the cables of the national transmission grid and the installation of transmission and distribution transformers that comply with the requirements laid down by EU Regulation 2014/548 and the EN 50588-1 standard, and **International Activities**, related to transmission and distribution activities carried out by the Group's overseas subsidiaries in Brazil and Peru. The others international activities have been reclassified in accordance with IFRS 5 as discontinued operations and net assets held for sale[93].

[93] In line with FAQ no. 17 published on 19 December 2022 regarding the interpretation of Article 8 of the EU Taxonomy Regulation, for companies classified as "discontinued operations" only the CapEx KPI is reported, while for companies classified as "held for sale" both revenue and CapEx are reported.

- **6.5 CCM Transport by motorbikes, passenger cars and light commercial vehicles:** this category includes the purchase, financing, rental, lease and operation of vehicles belonging to the M1 category (motor vehicles used for the carriage of passengers and comprising not more than eight seats in addition to the driver), N1 (motor vehicles used for the carriage of goods and having a maximum mass not exceeding 3.5 tonnes), both of which fall within the scope of Regulation (EC) No 715/2007 of the European Parliament and of the Council (255), or the L category (motor vehicles with less than four wheels and some lightweight four-wheelers). Specifically, this category includes costs (CapEx and OpEx) related to the operation (lease) of company fleet vehicles, which are fringe benefits for Terna Group employees. These costs include not only the purchase and financing of vehicles, but also the operating expenditure necessary to maintain and manage the fleet.
- **7.2 CCM Renovation of existing buildings:** this category includes all construction and engineering works on buildings or their preparation. Specifically, it refers to the renovation and refurbishment activities carried out by the Tamini Group at its premises.
- **7.4 CCM Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings):** this category includes the installation, maintenance and repair of charging stations for electric vehicles in buildings and parking spaces attached to buildings. Specifically, it enhances the Tamini Group's installation of charging stations within its premises, thus contributing to the creation of a sustainable and accessible infrastructure for recharging electric vehicles.
- **7.6 CCM Installation, maintenance and repair of renewable energy technologies:** this category includes plant maintenance, monitoring and other services for third parties operating in renewable energy production. Specifically, it includes the non-regulated activities carried out by Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and the LT Group as part of the construction and maintenance of photovoltaic solar energy plants and technical equipment.
- **9.3 CCM Professional services related to energy performance of buildings:** this category includes activities related to consultancy services, feasibility studies, energy performance contracts, energy efficiency certificates (EECs or white certificates) and services performed by Avvenia as an energy service provider (ESCO, Energy Service Company).

For the purpose of assessing alignment, analyses were carried out for each identified eligible activity described earlier in order to verify compliance with the Substantial Contribution and the "Do No Significant Harm" criteria, net of activities 6.5 CCM, 7.2 CCM and 7.4 CCM. Indeed, for the latter, the alignment assessment was not carried out in accordance with FAQ 13 of Communication 2023/305 of the European Commission, according to which if, due to a lack of data or evidence, companies cannot confirm fulfilment of the technical screening criteria of taxonomy-eligible activities that are not material to their business activities, they should present these as non-taxonomy-aligned without further assessment.

Indeed, the above activities are considered "not material" to the Terna Group's business, as they only refer to CapEx and are measured at an aggregate total of 0.15% of the Group's total CapEx.

As required by the Regulation, the Terna Group has calculated the percentage of Turnover, CapEx and OpEx relating to its Taxonomy-aligned and eligible but not aligned activities, as shown in the tables annexed to the disclosure[94]. In the tables, if the economic activity makes a substantial contribution to several environmental objectives, the most important environmental objective for the purposes of calculation of the KPI is shown in bond, avoiding any double counting. In addition, to ensure alignment with the requirements in the amendments made to the Environmental Delegated Act complementary tables have been introduced to show the percentage eligibility and alignment for each environmental objective, taking separately into account, as done for CapEx, the share of the KPI that contributes to more than one environmental objective.

Since the energy generation from fossil gas ad nuclear energy-related activities included in the Complementary Delegated Act (Delegated Regulation 2022/1214) supplementing Delegated Regulation (EU) 2021/2139, were not eligible, only the table related to Template 1 will be presented as an appendix to the tables related to the three KPI.

[94] These are based on the "Templates for the key performance indicators (KPIs) of non-financial undertakings" in Delegated Regulation (EU) 2021/2178, updated by Delegated Regulation (EU) 2023/2486.

Activity 3.20 Climate change mitigation - Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation

Substantial contribution

The activities of the Tamini Group and the Brugg Group result in a substantial contribution to climate change mitigation, in particular with respect to point 1 (b) *"transmission and distribution current-carrying wiring devices and non-current- carrying wiring devices for wiring electrical circuits, and transformers that comply with the Tier 2 (1 July 2021) requirements for large power transformers set out in Annex I to Commission Regulation (EU) 548/2014, and medium power transformers with highest voltage for equipment not exceeding 36 kV, with AA0 level requirements on no-load losses set out in standard EN 50708 series, provided those devices and transformers contribute to increasing the proportion of renewable energy in the system or improve energy efficiency"*. With respect to the wiring devices manufactured by the Brugg Group, the cables produced meet the substantial contribution condition. Indeed, they inherently improve energy efficiency in the system as they are used partly to replace obsolete cables and equipment, thereby contributing to minimising possible energy losses, and partly to upgrade grids for the integration of newly installed renewable capacity. On the other hand, the Tamini Group's transformers meet the power technical requirements described in the substantial contribution condition only for a share of those manufactured, sold and installed. Consequently, the condition is only met to the extent of the latter share.

Furthermore, under the substantial contribution condition, these devices must not be used to create a direct connection, or expand an existing direct connection to a substation or a power production plant where the greenhouse gas intensity exceeds 100 g CO_2e/kWh measured on a life cycle basis. Since both the Brugg Group and the Tamini Group sell their products to a very large number of buyers, it was not possible to conduct a detailed analysis on the function of each sale. Therefore, a methodological simplification was adopted, which focused on the sales percentages of the two companies by country. For each country, the percentage of installed renewable energy capacity in relation to the total installed capacity in 2023 was analysed, using data from IRENA's[95] "Renewable Energy Statistics 2024" report, taking into account the fact that renewable energy production generates lower emissions than the requirements envisaged by the technical screening criteria. The condition was met only to the extent of the share of KPI in proportion to the average percentage of installed renewable energy for each country in which the companies operate.

DNSH

The principle of Do No Significant Harm to assess activity 3.20 CCM, in relation to the climate change adaptation objective, requires mapping and assessing the physical climate risks arising from the activities. With respect to the activities carried out by the Brugg Group and the Tamini Group, this principle is deemed not to have been complied with due to the lack of such analysis. Consequently, the activity in object is considered admissible but not aligned to the Taxonomy. With respect to the principle of DNSH on the sustainable use and protection of water and marine resources and on the protection and restoration of biodiversity and ecosystems, the two companies lack environmental assessments, such as EIA/ SEA, that include requirements and provisions on water resource and biodiversity protection. With regard to the transition to a circular economy, the companies operate in accordance with national regulations, sending waste for reuse rather than disposal where possible. There are no plans for the use of secondary raw materials and reused components in products manufactured. Brugg Kable Services AG and Tamini are included in the Group's Roadmap for the Circular Economy. As part of this Roadmap, initiatives are currently being launched to increase the level of circularity in business operations. Finally, with respect to the assessment of the criteria for the prevention and reduction of pollution, both companies comply with the provisions of the REACH Regulation concerning the manufacture, sale and use of the chemicals referred to in Appendix C.

[95] IRENA_Renewable_Energy_Statistics_2024: https://www.irena.org/-media/Files/IRENA/Agency/Publication/2024/Jul/IRENA_Renewable_Energy_Statistics_2024.pdf

Activity 4.1 Climate change mitigation – Electricity generation using solar photovoltaic technology

Substantial contribution

As described in the Regulation, with respect to this activity, the technical screening criteria in section 7.6 apply to the activities carried out by the LT Group which consist in the installation, on-site maintenance and repair of renewable energy technologies, for systems that are not placed on buildings. The activity makes a substantial contribution to climate change mitigation with reference to criterion 1 (a) "*installation, maintenance and repair of solar photovoltaic systems and the ancillary technical equipment*".

DNSH

With respect to the alignment assessment of activity 4.1, as described in the previous section, the criteria for activity 7.6 apply. In this respect, the DNSH criteria only refer for the climate change adaptation objective, which requires an assessment of the physical climate risks arising from the activities. Terna's climate risk assessment of transmission assets, described in the Climate Change Disclosure, does not include Activities 7.6 and 4.1. Moreover, all installation, maintenance and repair work relates to third party assets. In this respect, as it has not identified any specific climate risks arising from activity 4.1, and adopting a conservative approach, the LT Group considers that these activities, although eligible, are not aligned with the Regulation's DNSH criterion, for the time being.

Activity 4.9 – Climate change mitigation – Electricity transmission and distribution

Substantial contribution

The Group's main activities (especially those carried out by Terna S.p.A., Terna Rete Italia S.p.A., Rete S.r.l., Terna Crna Gora d.o.o. and Terna Interconnector S.r.l.) the design, construction, management, development, operation and maintenance of the high- and ultra-high-voltage national transmission grid (NTG). The NTG meets the criteria for substantial contribution for activity 4.9, as it is part of the European interconnected system (interconnected control areas within member states, Norway, Switzerland and the UK) and its subordinate systems. This activity also relates to the Tamini Group as it relates to Operation & Maintenance activities carried out to ensure the functionality of the transmission grid, and a part of the non-regulated activities carried out by Terna S.p.A., Terna Rete Italia S.p.A. and Terna Energy Solutions S.r.l..

Activity 4.9 also includes the installation of transmission and distribution transformers (4.9 – criterion 2.c) carried out by the Tamini Group. In this case, the match between the requirements for the transformers installed by the Tamini Group with the specifications in the technical screening[96] criteria was assessed, thereby excluding installation activities outside the EU from the scope.

The Turnover and CapEx KPIs relating to activity 4.9 include the construction and operation of electricity transmission infrastructure by the South American subsidiaries. These activities are considered eligible, but not aligned, as it was not possible to assess compliance with the DNSH criteria.

DNSH[97]

The Terna Group has carried out an assessment of climate risks that may have an impact on transmission assets, described in the Climate Change Disclosure, which aims to identify and assess climate risks connected with Terna's plants and activities. Climate assessments underpinning Terna's Resilience Plan, a cross-cutting plan that contains all the initiatives designed to boost the electricity grid's resilience to the severe weather events that are occurring with increasing intensity and frequency.

[96] Transmission and distribution transformers meet the requirements of phase 2 (1 July 2021) in annex I to EU Regulation 548/2014 of the Commission and the level AA0 requirements for no-load losses as defined in Standard EN 50588-1.

[97] With reference to the Do No Significant Harm principle, it should be noted that the Commission's Delegated Regulation (EU) 2021/2139 of 4 June 2021 defines the "Sustainable use and protection of water and marine resources" objective as not relevant for electricity transmission and distribution activities.

In 2024, with regard to the objective of transitioning to a circular economy, the Terna Group continued to monitor the Roadmap of Actions to 2023 relating to the Circular Economy Strategy for the procurement of materials and their proper use, sustainable use of resources including secondary raw materials, and waste management. See the relevant part of the section "Environmental information".

With reference to the objective of preventing and reducing pollution, the Terna Group follows the IFC's General Environmental, Health and Safety Guidelines, and the applicable rules and regulations, in order to limit the impact of electromagnetic radiation on human health. Moreover, periodic internal checks of environmental data revealed no traces of polychlorinated biphenyls (PCBs) in transformers used or installed by Group companies in 2024.

Finally, when necessary, the Group conducted environmental impact assessments (EIAs) on individual projects related to transmission and dispatching activities. When an EIA was carried out, the necessary mitigation and compensation measures to protect the environment were implemented. In addition, a Strategic Environmental Assessment (SEA) procedure was prepared to corroborate the Group's planning decisions.

For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and major biodiversity areas, as well as other protected areas), an appropriate environmental risk assessment was conducted, if applicable. When possible, the Group carried out an assessment to implement mitigation, compensation and rehabilitation measures in order to restore the sites affected by works to their original state.

Activity 4.9 Climate change adaptation – Electricity transmission and distribution

Given that activity 4.9, with regard to the initiatives included in the Resilience Plan, is eligible with regard to the climate change adaptation[98] (CCA) objective with reference to CapEx alone, the Group has also conducted an alignment assessment in relation to this latter objective, enabling it to include the results in terms of KPIs in the following table. In this regard, in addition to the climate change mitigation objective, 6% of CapEx is also eligible for the adaptation objective. This percentage, referring solely to activity 4.9 CCA, is shown in the complementary CapEx table introduced by the Environmental Delegated Act with effect from the last reporting year. It should be noted that the main contribution objective for this activity is Climate Change Mitigation. Consequently, the tables of the three KPIs report the eligibility and alignment value with the CCM objective. The supplementary tables provided by the latest update of the Environmental Delegated Act, on the other hand, will also report the eligibility quota for the Climate Change Adaptation objective.

Substantial contribution

The Terna Group has conducted an assessment of the climate risks that may have an impact on transmission assets, described in the Climate Change disclosure. The substantial contribution criterion also provides for the implementation of adaptation solutions in order to respond to the identified physical climate risks. In its Resilience Plan, the Group identifies and confirms the planning of work on its infrastructure as a preventive solution designed to improve the resilience of the NTG and its ability to withstand severe weather events such as ice, snow and strong winds, with the aim of increasing the grid's meshing and reducing the risk of outages affecting the systems connected to the grid as a result of severe weather events. In addition to physical solutions, the Plan also envisages non-physical solutions such as monitoring of the electricity system and the restoration of operations, operating tools designed to mitigate potential damage to the grid caused by severe weather events and, at the same time, reduce the duration of outages.

The Regulation establishes certain criteria regarding the adaptation solutions implemented (e.g., that they do not have a negative impact on adaptation efforts or on the resilience of other people or other economic activities to physical climate risks, and that they must be consistent with national adaptation plans and strategies). The adaptation solutions implemented by the Terna Group comply with the criteria provided for in the Regulation as regards maintenance work carried out in response to physical climate risks.

[98] In line with the provisions of FAQ 18 of the Commission Notice 305/2023, the Group is eligible for the Climate Change Adaptation (CCA) objective as it has conducted an assessment of climate risk and vulnerability with respect to the main physical climate risks.

DNSH

Information on compliance with the DNSH criteria is provided in the assessment carried out in the DNSH paragraph for activity 4.9 of the CCM. The only criterion that differs with regard to DNSH for the climate change mitigation objective requires that the infrastructure is not "*dedicated to creating a direct connection or expanding an existing direct connection to a power production plant that is more greenhouse gas intensive than 270 gCO_2e/kWh*". Given the interpretative ambiguity regarding the criterion and the scope of assessment to which it refers, the Group has preferred to adopt a prudent approach, considering that the technical screening criteria have not been met given that the grid's average emission is above the threshold indicated in the Regulation. At the same time, it should be noted that the figure for the grid's emission intensity is beyond the Group's control.

Activity 7.6 Climate change mitigation - Installation, maintenance and repair of renewable energy technologies

Substantial contribution

The activities of Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and the LT Group contribute substantially to mitigating climate change, with particular reference to point (a) "installation, maintenance and repair of photovoltaic solar systems and ancillary technical equipment", as they involve revamping and repowering of third-party photovoltaic solar systems.



DNSH

Regarding activity 7.6, the regulations only envisage DNSH criteria for the climate change adaptation objective, which requires an assessment of the physical climatic risks arising from the activities. Terna's climate risk assessment of transmission assets, described in the Climate Change Disclosure, does not include activity 7.6. Moreover, all installation, maintenance and repair work relates to third party assets.

Therefore, in this case, as it has not identified any specific climate risks arising from activity 7.6, and adopting a conservative approach, the Terna Group considers that these activities, although eligible, are not aligned with the Regulation's DNSH criterion, for the time being.

Activity 9.3 Climate change mitigation - Professional services related to the energy performance of buildings

Substantial contribution

Through its subsidiary Avvenia S.r.l., the Terna Group provides many of the services included in the substantial contribution criterion for activity 9.3. In particular, Avvenia operates as an energy service company (ESCO), including consultancy services, feasibility studies and trading of Energy Efficiency Certificates (EECs or White Certificates).



DNSH

Also with regard to activity 9.3, the regulations only envisage DNSH criteria for the climate change adaptation objective, which requires an assessment of the physical climatic risks arising from the activities. Terna Group's climate risk assessment of transmission assets, described in the Climate Change Disclosure, does not include activity 9.3. Furthermore, all consultancy projects, feasibility studies and trading of white certificates relate to third-party assets. Therefore, in this case, as it has not identified any specific climate risks arising from activity 9.3, and adopting a conservative approach, the Group considers that this activity, although eligible, is not aligned with the Regulation's DNSH criterion, for the time being.

Minimum safeguards

For the purposes of verifying the alignment of Terna Group's activities, an analysis was conducted on the appropriateness of the measures in place at Group level with respect to the principles referred to in Article 18 of the Regulation, namely the OECD Guidelines for Multinational Enterprises, the United Nations Guiding Principles on Business and Human Rights, including the principles and rights established by the eight fundamental conventions identified in the International Labour Organisation's Declaration on Fundamental Principles and Rights at Work and the International Charter of Human Rights. For the purposes of the analysis, the Group also took into account the guidance provided by the Platform on Sustainable Finance (PSF) in its Final Report on Minimum Safeguards published in October 2022 and the European Commission's Recommendation of June 2023 on "indicators of negative impacts on sustainability".

In view of the cultural, social and economic diversity of the various countries in which the Terna Group operates, the Parent Company requires individual subsidiaries to adopt and supplement their own Code of Ethics, in addition to their own policy documents, with conduct criteria specific to their activities and operating context. This enables the criteria of conduct for all Group companies to be consistent with the highest standards of environmental protection, safety, human rights and workers' rights.

Oversight of the issues underlying the minimum safeguards is ensured by the presence of prescriptive instruments, such as Group policies, guidelines, and organisational/operational tools, including dedicated structures, procedures, and management and control systems. The Terna Group has sufficient safeguards and controls in place to ensure compliance with Article 18 of the Regulation, thanks to the presence of:

- A Code of Ethics, whose principles must be respected in all Group procedures;
- Guidelines on respecting human rights in the Terna Group;
- A due diligence procedure on respecting human rights, followed by any necessary corrective actions;
- Regulations on the qualification of companies, which entails compliance with the principles of the Code of Ethics;
- Effective and public communication on human rights issues;
- A whistleblowing procedure;
- Complaint mechanisms accessible to stakeholders via the Group's website;
- Anticorruption guidelines.

For more information on minimum safeguards, reference should be made to the sections on "Main risks and uncertainties" in the Report on Operations, "Social information" and "Governance information" of the Consolidated Sustainability Statement, in which, among other aspects, the protection of legality, integrity and anticorruption, the Integrated Management System, and measures to ensure respect for human rights, are explained in detail.

In addition, the Terna Group goes to great lengths to raise awareness at all levels, with the aim of overcoming unconscious bias and promoting welfare policies and initiatives aimed at achieving a work-life balance, protecting parenthood, sharing family and caregiving responsibilities and removing potential obstacles to equal pay. For further details related to gender diversity in the Board of directors see paragraph "Corporate governance and sustainable success" in the context of "General disclosures".

The Group has also decided to obtain and retain UNI/PdR 125:2022 Gender Equality Certification, setting up the "Gender Equality Steering Committee" tasked with ensuring that the Terna Group adopts and continues to apply a gender equality policy and defines a "Strategic Gender Equality Plan". These tools strengthen Terna's commitment to guaranteeing fairness in all its operations. In addition, to reduce the gender gap, Terna applies fair selection criteria based on merit and suitability for the role and development programmes and remuneration policies based on fairness and performance, periodically measuring the results. The application of these equal opportunity principles within the Terna Group is also reflected in the remuneration policies adopted, with specific regard to the gender pay gap. For further details related to gender diversity in the Board of directors see paragraph "Workforce - Workforce-related metric" in particular metric S1-16 in the context of "Social information".

On completion of the alignment assessment, the Terna Group determined the shares of activities that are eligible and aligned with the Taxonomy for each indicator, as follows. In order to avoid double counting in the KPI numerator when allocating turnover, capital expenditure and operating expenditure to the three economic activities, the KPIs were determined on the basis of the data reported in the Terna Group's consolidated financial statements.

As required by the Regulation, the table below shows the Terna Group's three KPIs for 2024, referring to taxonomy eligible and taxonomy non-eligible activities, as well as those that are aligned and not aligned.

To summarise the results of the above assessments, the figures for eligibility and alignment are shown below for the current and previous years, for the three KPIs required by the Regulation with reference to the climate change mitigation objective alone.

KPI	2023		2024	
	SHARE OF ELIGIBLE ACTIVITIES	Share of aligned activities	SHARE OF ELIGIBLE ACTIVITIES	Share of aligned activities
Turnover	89%	85%	99%	86%
CapEx	99%	99% of which green bonds issued 16%	100%	99% of which green bonds issued 12%
OpEx	95%	95%	100%	95%

Share of turnover derived from products or services associated with economic activities aligned with the Taxonomy - 2024 Disclosure (figures in €m)[99]

2024 FINANCIAL YEAR		YEAR		SUBSTANTIAL CONTRIBUTION CRITERIA						DO NO SIGNIFICANT HARM CRITERIA								
ECONOMIC ACTIVITIES	CODE	TURNOVER	SHARE OF TURNOVER FOR 2024	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	SHARE OF TURNOVER TAXONOMY-ALIGNED (A.1.) OR ELIGIBLE (A.2.) IN 2023	CATEGORY OF ENABLING ACTIVITY	CATEGORY OF TRANSITION-RELATED ACTIVITY
		€m	%	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity transmission and distribution	CCM 4.9	3,160	86%	Yes	NE/E	NE/E	NE/E	NE/E	NE/E	Yes	Yes	Yes	Yes	Yes	Yes	Yes	85%	A	
Turnover from environmentally sustainable activities (Taxonomy-aligned) (A.1)		3,160	86%	86%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	Yes	85%		
of which enabling		3,160	86%	86%	0%	0%	0%	0%	0%	Yes	Yes	Yes	Yes	Yes	Yes	Yes		A	
of which transition-related		0	0%																T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	331	9%																
Electricity generation using solar photovoltaic technology	CCM 4.1	101	3%																
Electricity transmission and distribution	CCM 4.9	11	0%														1%		
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	20	1%														3%		
Professional services related to the energy performance of buildings	CCM 9.3	0	0%														0%		
Turnover from Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		464	13%	13%	0%	0%	0%	0%	0%								4%		
A. Turnover from Taxonomy-eligible activities (A.1+A.2)		3,624	99%	99%	0%	0%	0%	0%	0%								89%		
B. NON-TAXONOMY ELIGIBLE ACTIVITIES																			
Turnover from non-Taxonomy eligible activities		44	1%																
Total (A+B)		3,668	**100%**																

Percentage of eligibility and alignment for each environmental objective (turnover KPI)

	SHARE OF TURNOVER / TOTAL TURNOVER	
	TAXONOMY-ALIGNED BY OBJECTIVE	TAXONOMY-ELIGIBLE BY OBJECTIVE
CCM	86%	99%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

[99] The way in which information is presented may be revised subsequent to regulatory clarifications.

Share of CapEx derived from products or services associated with economic activities aligned with the Taxonomy - 2024 Disclosure (figures in €m)[100]

2024 FINANCIAL YEAR		YEAR		SUBSTANTIAL CONTRIBUTION CRITERIA						DO NO SIGNIFICANT HARM CRITERIA								
ECONOMIC ACTIVITIES	CODE	CAPEX	SHARE OF CAPEX 2024	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	SHARE OF TAXONOMY-ALIGNED (A.1.) OR ELIGIBLE (A.2.) CAPEX IN 2023	CATEGORY OF ENABLING ACTIVITY	CATEGORY OF TRANSITION-RELATED ACTIVITY
		€m	%	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity transmission and distribution	CCM 4.9	2,673	99%	Yes	Yes	NE/E	NE/E	NE/E	NE/E	No	Yes	Yes	Yes	Yes	Yes	Yes	99%	A	
CapEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		2,673	99%	99%	0%	0%	0%	0%	0%	No	Yes	Yes	Yes	Yes	Yes	Yes	99%		
of which enabling		2,673	99%	99%	0%	0%	0%	0%	0%	No	Yes	Yes	Yes	Yes	Yes	Yes		A	
of which transition-related		0	0%																T
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	10	0%																
Electricity generation using solar photovoltaic technology	CCM 4.1	0	0%																
Electricity transmission and distribution	CCM 4.9	0	0%														0%		
Transport by motorbikes, passenger cars and light commercial vehicles	CCM 6.5	3	0%																
Renovation of existing buildings	CCM 7.2	1	0%																
Installation, maintenance and repair of charging stations for electric vehicles in buildings (and parking spaces attached to buildings)	CCM 7.4	0	0%																
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	0	0%														0%		
Professional services related to the energy performance of buildings	CCM 9.3	0	0%																
CapEx for Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		15	1%	1%	0%	0%	0%	0%	0%								0%		
A. CapEx for Taxonomy-eligible activities (A.1+A.2)		2,688	100%	100%	0%	0%	0%	0%	0%								99%		
B. NON-TAXONOMY ELIGIBLE ACTIVITIES																			
CapEx for non-Taxonomy eligible activities		4	0%																
Total (A+B)		2,692	100%																

Percentage of eligibility and alignment for each environmental objective (CapEx KPI)

	SHARE OF CAPEX/TOTAL CAPEX	
	TAXONOMY-ALIGNED BY OBJECTIVE	TAXONOMY-ELIGIBLE BY OBJECTIVE
CCM	99%	100%
CCA	0%	6%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

[100] The way in which information is presented may be revised subsequent to regulatory clarifications.

Share of OpEx derived from products or services associated with economic activities aligned with the Taxonomy - 2024 Disclosure (figures in €m)[101]

2024 FINANCIAL YEAR		YEAR			SUBSTANTIAL CONTRIBUTION CRITERIA						DO NO SIGNIFICANT HARM CRITERIA								
ECONOMIC ACTIVITIES	CODE	OPEX	SHARE OF OPEX FOR 2024	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	CLIMATE CHANGE MITIGATION	CLIMATE CHANGE ADAPTATION	WATER AND MARINE RESOURCES	CIRCULAR ECONOMY	POLLUTION	BIODIVERSITY AND ECOSYSTEMS	MINIMUM SAFEGUARDS	SHARE OF TAXONOMY-ALIGNED (A.1.) OR ELIGIBLE (A.2.) OPEX IN 2023	CATEGORY OF ENABLING ACTIVITY	CATEGORY OF TRANSITION-RELATED ACTIVITY
		€m	%	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO NE/E	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	YES/NO	%	A	T
A. TAXONOMY-ELIGIBLE ACTIVITIES																			
A.1 Environmentally sustainable activities (Taxonomy-aligned)																			
Electricity transmission and distribution	CCM 4.9	150	95%	Yes	NE/E	NE/E	NE/E	NE/E	NE/E	No	Yes	Yes	Yes	Yes	Yes	Yes	95%	A	
OpEx for environmentally sustainable activities (Taxonomy-aligned) (A.1)		150	95%	97%	0%	0%	0%	0%	0%	No	Yes	Yes	Yes	Yes	Yes	Yes	95%		
of which enabling		150	95%	97%	0%	0%	0%	0%	0%	No	Yes	Yes	Yes	Yes	Yes	Yes		A	
of which transition-related		0	0%																
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned)																			
Manufacture, installation, and servicing of high, medium and low voltage electrical equipment for electrical transmission and distribution that result in or enable a substantial contribution to climate change mitigation	CCM 3.20	7	4%																
Electricity generation using solar photovoltaic technology	CCM 4.1	0	0%																
Electricity transmission and distribution	CCM 4.9	0	0%																
Installation, maintenance and repair of renewable energy technologies	CCM 7.6	1	1%																
Professional services related to the energy performance of buildings	CCM 9.3	0	0%																
OpEx for Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned) (A.2)		8	5%	3%	0%	0%	0%	0%	0%								0%		
A. OpEx for Taxonomy-eligible activities (A.1+A.2)		158	100%	100%	0%	0%	0%	0%	0%								95%		
B. NON-TAXONOMY ELIGIBLE ACTIVITIES																			
OpEx for non-Taxonomy eligible activities		0	0%																
Total (A+B)		158	100%																

Percentage of eligibility and alignment for each environmental objective (OpEx KPI)

	SHARE OF OPEX/TOTAL OPEX	
	TAXONOMY-ALIGNED BY OBJECTIVE	TAXONOMY-ELIGIBLE BY OBJECTIVE
CCM	95%	100%
CCA	0%	0%
WTR	0%	0%
CE	0%	0%
PPC	0%	0%
BIO	0%	0%

[101] The way in which information is presented may be revised subsequent to regulatory clarifications.

As required by Annex III of Delegated Regulation (EU) 2022/1214 ("Complementary Climate Delegated Act"), the first mandatory template with the assessments on nuclear energy and fossil gas related activities is shown below:

Template 1 – Nuclear and fossil gas related activities

ROW	NUCLEAR ENERGY RELATED ACTIVITIES	
1.	The undertaking carries out, funds or has exposures to research, development, demonstration and deployment of innovative electricity generation facilities that produce energy from nuclear processes with minimal waste from the fuel cycle.	NO
2.	The undertaking carries out, funds or has exposures to construction and safe operation of new nuclear installations to produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production, as well as their safety upgrades, using best available technologies.	NO
3.	The undertaking carries out, funds or has exposures to safe operation of existing nuclear installations that produce electricity or process heat, including for the purposes of district heating or industrial processes such as hydrogen production from nuclear energy, as well as their safety upgrades.	NO
	FOSSIL GAS RELATED ACTIVITIES	
4.	The undertaking carries out, funds or has exposures to construction or operation of electricity generation facilities that produce electricity using fossil gaseous fuels.	NO
5.	The undertaking carries out, funds or has exposures to construction, refurbishment, and operation of combined heat/cool and power generation facilities using fossil gaseous fuels.	NO
6.	The undertaking carries out, funds or has exposures to construction, refurbishment and operation of heat generation facilities that produce heat/cool using fossil gaseous fuels.	NO

Accounting standards and contextual information

The accounting policy, namely the method for calculating the shares of revenue, CapEx and OpEx associated with the eligible and aligned activities identified by the Group, is based on the provisions of Annex 1 of Delegated Regulation 2178/2021.

For the purposes of allocating revenue, CapEx and OpEx to eligible and aligned activities, Terna has defined a clear and traceable methodology to meet quantitative and qualitative information needs. Specifically, the Group has reconstructed the indicators using data from the general, industrial and regulatory accounts.

Details of the methodology used to calculate the individual indicators are as follows:

To calculate the share of **Revenue**, the numerator is taken to be the consolidated net revenue generated by the sale of products or services, including intangibles, associated with taxonomy eligible and aligned economic activities, and the denominator is taken to be total net revenue (based on the criteria set out in point 1.1.1 of Annex 1 to Delegated Regulation 2178/2021). Net revenue has been identified by using data from the consolidated financial statements prepared in accordance with international accounting standards and with reference to the provisions of IAS 1, paragraph 82(a), to the extent directly attributable to the sale of goods and/or provision of services. None of the figures in the reported amounts relate to economic activities included in the taxonomy carried out for the Group's internal consumption.

To calculate the share of **CapEx**, the numerator is taken to be capital expenditure recognised as assets in the consolidated balance sheet and associated with eligible and aligned activities, as defined according to the criteria set out in point 1.1.2.2 of Annex 1 of Delegated Regulation 2178/2021. The denominator is taken to be total capital expenditure, quantified in accordance with the criteria set out in point 1.1.2.1 of Annex 1 of Delegated Regulation 2178/2021. Specifically, the denominator comprises additions to tangible and intangible assets for the period before depreciation and amortisation, impairment losses and any revaluations, including those arising restatements and impairments, and excluding changes in fair value.

To calculate the share of **CapEx**, the numerator is taken to be operating expenditure recognised in the consolidated financial statements and associated with eligible and aligned activities, as defined according to the criteria set out in point 1.1.3.2 of Annex 1 of Delegated Regulation 2178/2021. The denominator is taken to be total operating expenditure, quantified in accordance with the criteria set out in point 1.1.3.1 of Annex 1 of Delegated Regulation 2178/2021. The latter includes direct non-capitalised costs relating to: research and development; building renovation measures; short-term rentals; and maintenance and repair, as well as any other direct expenditure relating to the day-to-day maintenance of property, plant and equipment, carried out either by the company or by third parties to whom these tasks are outsourced, as needed to ensure the continuous and efficient operation of these assets.

Finally, it should be noted that, as stated in the Green Bond Report, the Group has issued environmentally sustainable bonds over the years that finance taxonomy-aligned activities. The contribution of green bond issues in 2024 amounts to 12% of aligned CapEx.

Climate change [ESRS E1]

Strategy

E1-1 > Terna Group's decarbonisation process

As Italy's national grid operator, Terna plays a central role in Italy's energy transition process. Its sustainability and decarbonisation strategy is not only required by global climate change objectives and Italy's international commitments; indeed, it marks a strategic choice that responds to a long-term vision, in which the electricity system becomes the main driver of energy transformation. The Group has always operated with the aim of ensuring a safe, reliable and efficient electricity system, while reducing its environmental impact and actively contributing to combat climate change.

Over the years, Terna Group has adopted a series of concrete initiatives and strategic investments aimed at promoting environmental sustainability, ensuring efficient grid management and facilitating the integration of renewable energy into the system. By developing advanced technologies, digitalising infrastructures and adopting increasingly innovative operating models, the Company is committed to reducing its greenhouse gas emissions, while contributing to the decarbonisation of the entire National Electricity System. **Terna Group's sustainability strategy** is built on solid foundations, based on a thorough understanding of its strategic role and its responsibility towards the environment and the community. The Company has invested considerable resources in the **modernisation of the transmission grid**, in order to **optimise the integration capacity of renewable energies** and **reduce grid losses**, which are two key aspects for achieving national and European climate change objectives. The Group has also developed and is currently developing innovative tools for smart grid management, exploiting the potential of **new digital technologies** and **automation solutions** to increase operational efficiency and **improve** the resilience of the electricity system. The adoption of sophisticated real-time monitoring and control systems optimises management of the energy flow, promoting a more effective use of available renewable sources and reducing the need for more polluting energy sources. These initiatives have contributed and still contribute directly to improving, year after year, the **national production energy mix** and the related **CO_2 emission factor**. At company level, this aspect is confirmed by the constant decrease in emissions associated with grid losses, which account for more than 90% of the Group's total Scope 1 and Scope 2 emissions and which move in the same direction as the national emission factor, with the same grid losses (indeed, these emissions are the product of grid losses and the national emission factor, expected to be a zero factor thanks to the integration of renewables - and will correspond to zero grid loss emissions).

In order to confirm its commitment to combating climate change, Terna Group has adopted **Scope 1** and **Scope 2 emission reduction targets** in line with the Paris Agreement's trajectory, and a **Scope 3** emission reduction target, all validated and **certified by the Science Based Targets Initiative (SBTi)**, an internationally recognised framework for setting emission reduction targets in line with the latest scientific evidence. With respect to the Scope 3 emission reduction target, the Group is currently adjusting the scope of the target to bring it in line with the applicable legislation.

The main initiatives implemented by the Group to achieve these targets include, first and foremost, the above-mentioned capital expenditure to integrate renewable sources into the Italian electricity system and the digitalisation of grid infrastructure, in addition to the optimisation of operating processes by adopting more efficient and sustainable technologies and improving the energy efficiency of its facilities. Terna's approach to decarbonisation is not limited solely to reducing its own direct emissions (Scope 1 and Scope 2). Indeed, it also includes the commitment to reduce indirect emissions along the value chain (Scope 3), through targeted engagement actions with suppliers, industrial partners and relevant stakeholders.

With a view to constantly raise its ambition in combating climate change, when publishing the **2024-2028 Industrial Plan update** in March 2025, the Group officially announced its **commitment to the Science Based Targets Initiative to define a net zero target** within two years.

The **National Grid Development Plan** is a key aspect of Terna Group's sustainability strategy. This is a strategic document that guides investments in modernising and upgrading the country's electricity infrastructure. This plan, which is drawn up in collaboration with the Ministry of the Environment and Energy Security, plays a central role in Italy's energy transition process, as it ensures the security and reliability of the electricity system in a context characterised by the growing penetration of renewable sources. One of the main goals of the Development Plan is to help achieve the **European target of a 55% reduction in greenhouse gas emissions by 2030**. This is an ambitious goal that requires the joint commitment from all energy actors. To this end, Terna is investing in a series of strategic projects, which include **strengthening the interconnections** with neighbouring countries to improve the security and flexibility of the electricity system, **integrating the increasing renewable capacity** through the development of new grid infrastructure and advanced demand management solutions, and digitalising the grid with the implementation of innovative technologies to monitor and control the energy flow. Therefore, the Development Plan of the national transmission grid is a fundamental tool for the **decarbonisation of the Italian electricity system** and to achieve the climate targets set at national and European level.

In this respect, although the Group does not currently have a transition plan for the decarbonisation of its operations (Scope 1, 2 and 3) that fully meets all ESRS requirements, Terna's Development Plan can be considered a transition plan for the Italian system, given the direct link between the plan's capital expenditure and the country's decarbonisation. With respect to the Group's transition planning, while considering the central role of the Development Plan also for the purposes of the Group's decarbonisation (see the information about the emissions related to grid losses) - it is being developed a transition plan in the medium term that will provide a clear and detailed picture of the objectives and actions underway in line with its sustainability strategy and commitment to net zero. This plan will be a further step forward in Terna Group's commitment to sustainability, outlining in even greater detail the strategies, timing and capital expenditure necessary to achieve net zero emissions, and keeping temperature increase below 1.5°C in line with the ambitions of the Paris Agreement, confirming its role as a leader in the country's energy transformation.



Climate-related impact, risk and opportunity management

Summary of material climate-related impacts, risks and opportunities

Positive impacts |

- Reducing the country's greenhouse gas emissions also through the increased integration of Renewable Energy Source (RES) based power plants

Negative impacts |

- Lack of service continuity as a result of ordinary weather events
- CO_2 emissions caused by the Group's activities (e.g. leakage from SF_6 gas into the atmosphere due to sealing defects, during breakdowns or pressure restoration operations; increased grid losses)
- Group energy consumption

Risks |

- Physical risk: Increased severity of weather events leading to business/service interruptions/damage to assets
- Physical risk: Major incident on the European transmission grid and consequent grid separation/outage
- Physical risk / Transition risk: Delays in the realisation of works, particularly large ones
- Transition risk: Deterioration in service quality due to inadequate production mix

Opportunities |

- Increase in Terna's remuneration as a result of capital expenditure to increase the physical resilience of assets
- Increase in Terna's remuneration through improved service continuity performance
- Increase in Terna's remuneration through higher capital expenditure in order to adapt the grid to the needs of energy transition
- Expansion of business due to increasing demand for production from renewable energy sources in order to carry out the energy transition process
- Increased attractiveness in financial markets due to the carbon footprint reduction strategy

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Policies related to climate change

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material climate change impacts, risks and opportunities are detailed below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of climate change aspects across the entire Organisation. The Group's policies are also shared and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, through the creation of dedicated sections on the corporate intranet, the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna SpA's Board of Directors to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. Specifically, the Policy addresses, inter alia, climate change. The Policy is approved by Terna's Board of Directors, in which the Company's CEO and General Manager also take part. The related guidelines are valid for all corporate processes and activities. It is therefore the responsibility of the entire management to implement these guidelines. The implementation of the Policy is monitored annually by reviewing the Integrated Management System and through audits which are also carried out annually by an independent Certification Body.

With respect to the guidelines aimed at protecting the environment, specifically climate change mitigation and adaptation, the Group is committed to complying with the requirements of the **Environmental Management System** in accordance with the **UNI EN ISO 14001:2015** standard in order to manage the material impacts, risks and opportunities related to, inter alia, climate change mitigation and adaptation. In particular, Terna Group undertakes to:

- acknowledge the global materiality of climate change and the need to combat it by limiting CO_2 emissions. Although it is not involved in electricity generation and in emission trading schemes, the Group is committed to reducing its direct and indirect emissions, while respecting the required security, continuity and cost-effectiveness of the electricity service. Include an assessment of the effects on CO_2 emissions in the data of planned investments, highlighting the positive impact on the system. To this end, it formally adopted a Science Based Target ("SBT");
- check the appropriateness of the context in which the Terna Group operates;
- develop the grid as the main enabler for the decarbonisation of the entire National Energy System;
- prepare a periodic assessment of the compliance obligations applicable to the Terna Group;
- prepare a periodic assessment of the risks/opportunities and environmental impacts of its activities and related risks, seeking solutions to minimise any negative effects of its activities on the environment, considering the entire life cycle of its works;
- monitors company accidents (with and without injury) in order to ensure their control, identify critical issues and related corrective/training actions in order to minimise their impact on the Environment;
- check, via targeted inspections, the environmental protection actions carried out by the relevant organisational structures;
- promote collaboration with the Competent Authorities (ARPA, ISPRA, etc.) in order to establish an effective communication channel (input/output) to continuously improve environmental protection performance;
- implement transparent communication of its environmental activities.



With respect to the guidelines to control the **Energy Management System**, in compliance with the **UNI CEI EN ISO/IEC 50001:2018 standard**, and the downstream impact of the double materiality assessment, the Group undertakes to:

- implement the Energy Management System, proposing energy efficiency initiatives, in accordance with the indications of the energy manager;
- focus on energy saving and efficiency right from the procurement of the company's external resources by considering these aspects when defining the technical specifications for the purchase of machinery, equipment, raw materials and services;
- apply efficiency principles to all energy aspects involving the group companies, such as the use of office machinery, lighting, cooling and heating systems and processing methods;
- encourage the use of products (e.g., PCs and printers) with eco-design and a certified energy footprint (with product labels);
- promote the compatible and efficient use of means of transport to achieve minimum consumption targets for their vehicles;
- monitor and control the energy consumption of sites and facilities, encouraging the implementation of the actions necessary to improve the energy performance of the sites and the related energy efficiency class;
- plan work activities with a view to energy efficiency, where possible and in any case guaranteeing the continuity of processes;
- raise awareness among all employees, suppliers and contractors using the most appropriate means.

Furthermore, the Group is committed to a new carbon-free model based on the use of energy from renewable sources which entails the increase and digitalisation of infrastructure and the use of innovative and environmentally friendly technologies, and the creation of partnerships.



The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for Terna Group, through specific contractual clauses and qualification and selection processes. The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website. The same principles are also periodically updated in accordance with the applicable best practices and the evidence emerging from stakeholder engagement activities in relation to, inter alia, the process and results of the double materiality assessment.

Sustainability policy

"Terna Group Sustainability Policy", in compliance with the principles of the United Nations Global Compact, the Paris Climate Conference (COP21), the European Green Deal and the provisions of the TCFD, PNIEC, SBTi and GHG Protocol, describes Terna Group's main sustainability commitments, in line with the material issues identified in the Double Materiality Assessment and consequently selected among the Group's Sustainability Objectives.

In particular, it aims to manage the material impacts, risks and opportunities related to climate change mitigation, as the construction, maintenance and presence of electricity infrastructures have an impact on the surrounding environment and also highlights the importance of resilience to ensure the quality, continuity, cost-effectiveness and appropriateness of the electricity system, also with a view to climate change adaptation. Specifically, with respect to reducing greenhouse gas emissions into the atmosphere, Terna Group undertakes to:

- progressively integrate renewable sources of energy;
- engage in voluntary programmes mainly to contain the impact of SF_6 gas leakage, which accounts for the largest share of direct CO_2 emissions from the Group's operations;
- achieve the objectives of the European Green Deal and PNIEC through targeted investments in the NTG as part of its development strategy;
- issue green bonds to finance or refinance eligible green projects;
- monitor its greenhouse gas emissions by adopting a Science Based Target, although these emissions are modest given the nature of its business (which does not involve electricity generation).

The Board of Directors of Terna S.p.A., assisted by the Board Committee, monitors and assesses the appropriateness, consistency and compatibility of this Sustainability Policy with the best practices and principles in force from time to time, its effective implementation and the need to update it taking into account activities, risks and stakeholders.

This Policy applies to all Group companies, including companies overseas. Terna Group undertakes to promote awareness of this Policy among its employees and to publicly disclose it to all affected stakeholders through tools such as its Sustainability Report and the website of the Parent Company Terna S.p.A.. The Sustainability Policy is communicated and made available to all affected stakeholders through appropriate communication channels and via the institutional website, in order to further disseminate and promote sustainability culture.

The Policy is periodically updated in accordance with regulatory requirements, changes in the reference context and the results of stakeholder engagement activities (also with respect to the process and results of the double materiality assessment).

MDR-A >
E1-3 >

Actions in relation to climate change

As part of its operations the Terna Group implements a series of actions that prevent, mitigate, correct or improve impacts, and remediate them if they occur, and address risks and generate material opportunities related to climate change, in line with the principles and objectives of the policies adopted and described earlier. Based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

The Terna Group's ability to carry out actions in relation to climate change depends on the availability of resources, including financial ones, which are taken into account when defining the Industrial Plan; in addition, the Group's ability to access diversified sources of capital at competitive conditions that also take ESG criteria into consideration also plays a strategic role.

Climate change adaptation

Implementation of the actions foreseen in the 2024 Resilience Plan

In order to adapt operating activities to climate change, the Group has drawn up the **2024 Resilience Plan**, which is attached to the 2024 Security Plan. This is a cross-cutting annual corporate plan that defines all initiatives aimed at preventing and/or reducing damage to the grid caused by increasingly severe weather events in terms of intensity and frequency, and which includes both preventive infrastructural interventions, assessed in accordance with the Resilience Methodology, and mitigation, restoration and monitoring actions.

With respect to **preventive measures**, which are aimed at **increasing the grid interconnection**, the Resilience Plan confirms the completion and progress of activities mainly related to:

- the construction of new substations and/or new lines, which increase the grid interconnection and the redundancy of the supply of users connected to the NTG;
- the refurbishment of power lines, strengthening the mechanical characteristics of the lines and increasing the reliability of the infrastructure;
- the partial undergrounding of existing assets in order to increase technological diversification and ensure the secure and resilient operation of the grid and its connected facilities.

The Resilience Plan also extends the variety of measures to increase resilience by adopting **new technologies** such as pole-based control devices, a solution patented by Terna, to ensure flexibility and security in grid operation.

The other projects achieved and/or pursued in the Resilience Plan mainly include:

- the installation of anti-rotation devices, devices that increase the conductor's core strength and hinder rotation, preventing and/or mitigating the formation and growth of the snow sleeve and the resulting possibility of conductor breakage;
- the installation of electricity substation monitoring systems to provide real-time information on electricity events and parameters, in order to prevent possible outages and/or reduce the time of outages on the grid, even for severe weather events;
- the implementation of a line monitoring system which uses weather and mechanical sensors and which, thanks to technological innovation, provides real-time information on the condition of the lines and the surrounding environment and on the events occurred, in order to organise preventive measures or speed up the time it takes to resolve outages;
- the installation of safeguards and/or devices to remotely secure lines and reduce work timeframes, while ensuring a faster resumption of the grid operation.

Therefore, the implementation of the actions planned each year in the Resilience Plan enables Terna to better adapt its business to the consequences of climate change.

The capital expenditure made by the Terna Group in 2024 in connection with the Resilience Plan amounted to €160.7 million (including capitalised financial expenses). It was recognised under the consolidated financial statements items "Property, plant and equipment" and "Intangible assets". Under the EU Taxonomy, they are entirely allocated to activity 4.9, KPI CapEx both eligible and aligned. The related future capital expenditure is aligned with the amounts of the Regulated Activities provided for in the 2024-2028 Industrial Plan Update to which reference should be made.

Climate change mitigation and energy

As described in the section "Terna Group's decarbonisation process", in 2024, the Group implemented various actions to reduce its impact in terms of GHG Scope 1 and Scope 2 emissions. The actions described in relation to climate change mitigation are broken down by decarbonisation levers in order to provide a more specific picture of the Group's commitment to this topic. Thanks to these initiatives, Scope 1 and Scope 2 emissions in 2024 amounted to 1,351,212 tonnes of CO_2e, down 26% from 2019, the Group's science-based target base year.

SF_6 gas management

Direct greenhouse gas emissions connected with Terna Group's activities derive mainly from SF_6 gas leaks (85% of total direct emissions in 2024). SF_6 (sulphur hexafluoride) gas is used as insulation in certain electrical equipment (circuit breakers, current transformers and armoured equipment). Part of the gas in the equipment can leak into the atmosphere due to defective seals, when faults occur, and also sometimes during the re-pressuring process. SF_6 gas has a very powerful greenhouse effect, which is 23,500 times greater than CO_2: leakage into the atmosphere of 1 kg of SF_6 is equivalent to 23.5 tonnes of CO_2.

The amount of SF_6 present in the Group's infrastructure has consistently grown. This is a trend linked to the better insulating performance of this gas and the smaller footprint of substations built ("armoured") with equipment containing SF_6 in comparison with more traditional solutions. This is a significant aspect for Italy, which has landscapes of major value and is densely populated. Furthermore, because of the need to develop the transmission grid in order to foster the integration of renewable sources and achieve the transition to a zero-carbon economy as per the EU guidelines, new plants using SF_6 gas as an insulator will be built in the future. Consequently, the amount of gas installed will inevitably grow over time.

Against this backdrop, Terna Group is constantly researching solutions to contain greenhouse gas emissions from SF_6 leaks. Specifically, in 2024, **maintenance and replacement** of SF_6-insulated circuit breakers and current transformers (CTs) and SF_6-armoured equipment continued. In particular, since 2024, a **monthly monitoring process of SF_6 leaks** on CTs, circuit breakers and armoured equipment (GIS or gas-insulated substations) has been in place, covering the entire national transmission grid. Indeed, ongoing monitoring enables the early detection of irregularities and prevents significant leaks through maintenance and replacement actions.

In addition to this, in 2024, an **experimental project to contain SF_6 leaks** ("SF_6 Hexatrap") has been launched. This solution, which is highly experimental and innovative and is intended for GIS installations, includes a metal cover expressly designed for a specific flange, guaranteeing tightness thanks to rubber o-rings. Its effectiveness will be assessed using a sniffer analysis and by comparing SF_6 top ups before and after installation. This project is also mapped within the Circular Economy Roadmap with which it shares sustainable and environmental goals.

In the future, there are plans to identify new test sites in order to test another solution which uses "pastes" based on metal compounds to repair cracks as well as tighten and contain leaks at the flange coupling of a GIS.

Finally, **insulation and interruption solutions based on SF_6 substitutes** are currently being studied. Specifically, already in 2022, a new connection standard using a new voltage level of 36 kV nominal has been introduced to more efficiently connect renewable production up to a maximum power of 100 MW. The strength of this new voltage level lies in the possibility of using alternative technologies to the SF_6 gas, which already exist and are

mature, as an insulating and current-breaking tool, even though they take up more space. Terna has opted for air-insulation and vacuum interruption as the essential technical specification for prefabricated metal-case equipment (panels) to be used for this voltage level. The type and legal tests of the first SF_6-free equipment at 145 kV voltage level (circuit breakers and current transformers) began in 2024, while the first experimental installations will be carried out in 2025, after completion of the necessary certifications.

Decarbonisation of Italy's energy mix

As mentioned earlier, **more than 90%** of the Group's total **Scope 1 and Scope 2 emissions** are associated with **grid losses**. Grid losses are defined as the difference between energy injected by producers (including imported energy) and final consumption; the losses for Terna Group are those associated with the transmission grid. Grid losses are a physical effect of the electricity lost as it passes through conductors and during transformation. Losses are influenced by the level of voltage, the volume of electricity transported, the materials used and the distance between the points at which energy is produced and consumed. Terna can only determine the extent of the losses, which are not completely under its control. Grid development activities, given the same structure of production, would lead to greater efficiency and thus a reduction in losses. However, the actual impact of development initiatives on losses is unpredictable and not under the control of the transmission operator, as it depends on concomitant changes in production capacity and electricity supply and demand at local level. Dispatching operations, needed to guarantee a constant balance between injections and withdrawals and to prevent the occurrence of grid security problems and disruptions, are carried out in accordance with regulatory criteria within the production set-up created by the energy market. They cannot be influenced by Terna with the aim of minimising losses.

The main **benefits expected** from the implementation of the measures envisaged in the 10-year **Development Plan** published in 2025 include the **reduction in grid losses** of **between 0.4 and 1 TWh per year**.

For this reason, all actions that lead to the increased inclusion of renewable sources of the energy fed into the grid is the main action that enables Terna Group also to achieve its SBT decarbonisation targets[102]. The integration of renewable sources into the Italian electricity system is by far the main lever for reducing emissions related to grid losses. The volume of these emissions is directly linked to grid losses, the national production energy mix and the related CO_2 emission factor. As mentioned earlier, these emissions move in the same direction as the national emission factor, with the same grid losses (indeed, these emissions are the product of grid losses and the national emission factor): the more renewable sources are integrated into the Italian electricity system, the better the national emission factor and, consequently, the lower the emissions associated with grid losses; in the future, a zero factor will correspond to zero grid loss emissions.

In this respect, **in 2024**, **33 connection contracts** were signed (representing a capacity of approximately 1,120 MW), relating to the **construction of new RES plants**. Furthermore, thanks to the investments envisaged in the new 2025 Development Plan, the installed solar and wind power capacity is expected to increase by more than 65 GW in 2030, compared to 2023, and by more than 94 GW in 2035. For further information, see the section on the 2025 Development Plan.

With respect to decarbonisation, the Terna Group plans and includes related projects in the capital expenditure made to develop the national transmission grid. Therefore, this capital expenditure is included in the updated 2024-2028 Industrial Plan and in the consolidated financial statements items "Property, plant and equipment" and "Intangible assets". In the EU Taxonomy, it is entirely included in activity 4.9, KPI CapEx, both eligible and aligned.

[102] In the base year (2019), Scope 2 emissions in relation to total Scope 1 and Scope 2 were 96%. For this reason, the actions for the inclusion of renewables, including the target related to the reduction of the cut of renewable sources fed into the grid (overgeneration), are decisive and can be linked to the achievement of the SBT target of 96% by 2030.

Implementation of energy efficiency initiatives in offices, substations and factories

In accordance with current voluntary and voluntary regulations, **electricity consumption is monitored** in line also with the ISO 50001-certified Energy efficiency company system, which controls the Group's energy consumption and greenhouse gas emissions impacts.

With respect to electricity substations, the principal energy carriers are monitored, with measurements covering approximately 90% of the total consumption of the 24 sample electricity substations located across the country and selected according to climatic location, size and type of activity. Every year, additional transformer substations located across the country are included in the project, with overall consumption monitored on a quarter-hourly basis. The **sensors installed** on **corporate sites** send data to the **EciWeb** information system for deferred and/or online monitoring of energy-intensive elements (office buildings and electricity substation) relating to the high-voltage electricity transmission service. This information system is used to monitor and analyse electricity consumption in detail.

In addition, 6 energy audits were carried out on Terna Group sites in 2024 in order to meet the requirements of the ISO 50001 standard.

At Terna, the development of energy efficiency programmes relating to the use of electricity in substations and offices is experimental, as the Company's electricity consumption falls within the category of "own transmission uses" which, according to the industry's regulator, are not to be included in operating costs.

With a view to improving energy performance, a number of offices have also been refurbished or are newly built under a long-term programme, which aims to upgrade the energy efficiency class of buildings owned by the Group. Proposed work at offices primarily regards improvements to the energy efficiency of lighting, air-conditioning and heating. The proposed changes at substations primarily regard the replacement of lighting towers and perimeter lighting with LED technology. The installation of sensors for online monitoring of energy consumption at corporate sites and the preparation of energy audits and energy efficiency actions take place annually.

During the year, the Group consolidated its activities and processes aimed at renewing the UNI CEI EN ISO/IEC 50001:2018 certification for all the business processes of Terna S.p.A. and the following subsidiaries (Terna Rete Italia S.p.A., Terna Plus S.r.l., Terna Energy Solutions S.r.l. and Terna Crna Gora doo).

Metrics and targets related to climate change

Goals of the 2024-2028 Sustainability Plan

< MDR-T
< E1-4

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets - first and foremost the Science-based Target - aimed at assessing the progress made with respect to climate change and material climate-related impacts, risks and opportunities, also to ensure a clear path towards achieving the objectives identified by the policies adopted by the Group and reported on previously. Terna Group's targets related to the mitigation of climate change-related impacts and risks, as well as to material climate-related opportunities, in terms of GHG emissions reduction, as summarised in the Group's Science-based Target, are in line with the Group's decarbonisation strategy, whose content is outlined in the "Integrated Management System Policy", with a particular focus on the Environmental Management System, and in the "Sustainability Policy". These policies, whose structure is consistent with the provisions of the main international reference standards, such as ISO 14001, ISO 50001 and the GHG Protocol, and aligned with the national and international regulatory framework, confirm Terna Group's main commitments and targets in terms of climate change mitigation and adaptation. As mentioned earlier, the Group is actively committed to acknowledging and expanding the materiality of climate change and the need to combat it by containing CO_2 emissions (e.g., by progressively integrating renewable sources), preparing periodic assessments of risks and opportunities, as well as of the environmental impacts of its activities, seeking solutions to minimise any negative effects of the latter on the environment and, finally, report transparently on its environmental activities to internal and external stakeholders.

The definition of the Terna Group's GHG emissions reduction targets is based on the identification of its impacts in terms of climate change and on the analysis of the Company's environmental data, particularly with respect to GHG emissions. The relevant national and international targets are also considered, such as limiting global warming to 1.5°C as per 2015 Paris Climate Conference. In this respect, Terna Group's target related to climate change mitigation, specifically the reduction of Scope 1 and Scope 2 GHG emissions, was validated by SBTi (Science Based Target initiative) in 2022 and is therefore compatible with the above-mentioned limitation of global warming to 1.5°C. On the other hand, with respect to the target to reduce Scope 3 GHG emissions, the Group is currently redefining its targets in order to align them to the reporting boundary as intended by the CSRD. Furthermore, with a view to constantly raise its ambition in combating climate change, when publishing the 2024-2028 Industrial Plan update in March 2025, Terna Group officially announced its commitment to the Science Based Targets Initiative to define a net zero target to 2050 within two years.

With respect to the fundamental assumptions behind the definition of Terna Group's Science-based Target, as mentioned earlier, more than 90% of the Group's total Scope 1 and Scope 2 emissions are associated with grid losses, and the main lever for reducing these emissions is Terna's integration of renewable sources into the Italian electricity system[103]. Therefore, the definition of the target depends on the assumptions underlying the planning of grid development in line with the guidelines of the National Integrated Energy and Climate Plan ("PNIEC"), which applies the targets of the European "Fit-for-55" and "RepowerEU" legislative packages at national level. In particular, the PNIEC sets national objectives for 2030 on energy efficiency, renewable sources and the reduction of CO_2 emissions, as well as objectives for energy security, interconnections, the single energy market and competitiveness, sustainable development and mobility, outlining for each of them the measures that will be implemented to ensure their achievement. For further information, reference should be made to the section describing the energy scenarios in the paragraph on the double materiality.

When reporting GHG emissions reduction targets, the Terna Group combines Scope 1 and Scope 2 emissions[104]. As already discussed, the main reasons behind Group's emissions depend on the type of emissions. With respect to Scope 1 emissions, these are mainly caused by the SF_6 gas which is present in Terna's plants and whose leaks mainly affect equipment installed. On the other hand, Scope 2 emissions are mainly attributable to grid losses, in addition to electricity consumption. The scope of the GHG emissions reduction target does not differ from that of the GHG emissions reported under the E1-6 disclosure requirement. Furthermore, it should be noted that these are gross targets, meaning that the company does not include GHG removals, carbon credits, or avoided emissions among the means to achieve them.

At all stages of its decision-making process, the Terna Group is committed to taking into account the opinions of its key stakeholders. This also applies when the Group's targets are defined, including those for reducing GHG emissions. Indeed, the ongoing dialogue with stakeholders has enabled Terna to set the Group's priorities in terms of climate change mitigation and adaption, has contributed to defining the related targets, and has supported the implementation of many initiatives aimed at combating climate change. For information on the business process for setting and updating the Group's targets, monitoring the related performance and the engagement of employees, see the section '2024 - 2028 Sustainability Plan Update'.

[103] See the section "Actions in relation to climate change" for information on the link between these emissions and the decarbonisation of Italy's energy mix.
[104] In the base year (2019), Scope 1 emissions in relation to total Scope 1 and Scope 2 were 4% and Scope 2 emissions were 96%.

In order to pursue the emissions reduction target set out below, in 2024, the Group has implemented several actions which are described in the section "Actions in relation to climate change". These actions have been broken down by decarbonisation lever for a more effective understanding of the Group's commitment to reducing emissions. In the future, the levers described earlier will contribute to achieving the Scope 1 and Scope 2 emission reduction targets set by Terna Group. Accordingly, their quantitative contribution is described below in terms of future emissions reduction.

Objectives of the 2024 - 2028 Sustainability Plan update - 'Energy Transition' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	BASELINE AND BASE YEAR	VALUE 2024	MILESTONE
					2030
Emissions reduction (Scope 1 + Scope 2) in line with the Group's Science Based Target (SBT)	Terna Group	tonnes of CO_2e (and %)	2019 1,831,348 tonnes of CO_2e	1,351,212 tonnes of CO_2e	-846,082 tonnes of CO_2e (-46.2%)

During the reporting year, there were no changes in the targets and corresponding metrics, or in the measurement methodologies adopted.

Compared to past performance, in 2024, Scope 1 and Scope 2 emissions amounted to 1,351,212 tonnes of CO_2e, down 26% from 2019, the target base year.

Additional targets related to climate change

In addition to the above-mentioned Science-based Target, Terna Group has set additional targets related to climate change mitigation and adaptation that are part of its Sustainability Plan. The most significant ones are shown below.

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
SF_6 leakage rate on total installed as a percentage.	Terna Group	%	≤ 0.42%	≤ 0.40%	≤ 0.38%	≤ 0.36%
Construction of assets to increase the resilience of the national transmission grid	Terna Group	*Percentage value of km of new and/or refurbished lines completed compared to the planned annual amount of the infrastructural projects covered by the Resilience Plan*	100	100	100	100

As already discussed, the leakage of SF_6 gas from equipment is the Group's main source of direct emissions. Consequently, an annual target in terms of percentage impact of such leakage with respect to the total installed has long been decided. In 2024, **the performance was 0.41%**.

Furthermore, in line with Terna Group's proactive management of climate change adaptation, the latest Sustainability Plan update - in line with the company's resilience planning - involved the inclusion of targets and actions to improve the resilience of the grid. The target related to assets' realization with the aim of improving NTG resilience against weather events is shown here. The target has been defined and presented for the first time in the 2024-2028 Sustainability Plan update, integrated with the Industrial Plan. Therefore, 2024 is the base year to be considered for the definition of the targets. It is therefore necessary to wait for the 2025 final balance for a proper assessment of trends. More information on the Sustainability Plan and its monitoring is available in the relevant section.

Metrics related to climate change

MDR-M >
E1-5 >

Energy consumption and mix

	U.M.	2024
Fuel consumption from coal and coal products	MWh	0
Fuel consumption from crude oil and petroleum products		31,879
Fuel consumption from natural gas		15,701
Fuel consumption from other fossil sources		0
Consumption of purchased or acquired electricity, heat, steam, and cooling from fossil sources		110,031
Total energy consumption from fossil sources	**MWh**	**157,611**
Share of fossil sources in total energy consumption	**%**	**58.7**
Consumption from nuclear sources	**MWh**	**8,739**
Share of consumption from nuclear sources in total energy consumption	**%**	**3.3**
Fuel consumption for renewable sources, including biomass (also comprising industrial and municipal waste of biologic origin, biogas, renewable hydrogen, etc.)	MWh	0
Consumption of purchased or acquired electricity, heat, steam, and cooling from renewable sources		101,965
Consumption of self-generated non-fuel renewable energy.		158
Total energy consumption from renewable sources	**MWh**	**102,123**
Share of renewable sources in total energy consumption	**%**	**38.0**
Total energy consumption	**MWh**	**268,474**

Grid Losses

	U.M.	2024
Grid losses - energy from fossil sources	**MWh**	**2,913,574**
Share of fossil sources in total grid losses	**%**	**51.1**
Grid losses - energy from nuclear sources	**MWh**	**0**
Share of nuclear sources in total grid losses	**%**	**0**
Grid losses - energy from renewable sources	**MWh**	**2,782,868**
Share of renewable sources in total grid losses	**%**	**48.9**
Total grid losses	**MWh**	**5,696,442**

Energy consumption figures show Terna Group's total direct and indirect energy consumption. Direct energy consumption refers to fuel for the company's operational vehicles (fleet vehicles and helicopters), for production activities and heating and for generators. Please note that a portion of the Group's natural gas consumption is based on estimates that take into account values from the previous year (year n-1). With respect to indirect electricity consumption, as the companies operating in the electricity sector (transmission and dispatching of electricity) are unable to select a specific supplier, the disaggregation by source takes into account the national production mix transmitted via the electricity grid. For information on the disaggregation of the production mix, see the December 2024 issue of the "Monthly Report on the Electricity System" available on the website at www.terna.it. With respect to the remaining consumption attributable to the Group's other subsidiaries (approximately 8% of total electricity consumption), the breakdown by source was based on the electricity bill or, in the absence thereof, on the energy mix of the relevant country. Direct energy consumption was converted into MWh from consumption in GigaJoules. To convert the volumes of the primary resources into gigajoules, the parameters set out in the Global Reporting Initiative (GRI) protocols were used (Reference Indicators IP Protocols). Furthermore, approximately 4% of the Group's electricity consumption derives from estimates that take into account values for the year n-1.
As mentioned earlier, grid losses are a physical effect caused by the loss of energy when electricity passes through conductors. They are calculated as the difference between energy injected by producers (including imported energy) and final consumption. Therefore, although the figures associated with grid losses are not - except for a small part - under Terna's control (see page 240), in line with the GHG Protocol - an internationally recognised framework for measuring and managing greenhouse gas ('GHG') emissions - the CO_2 emissions associated with this event are included in total indirect emissions (Scope 2, E1-6). Consequently, they are presented together with the other metrics in E1-5. The breakdown by source considers the national production mix transmitted via the electricity grid. The reference for the breakdown of the production mix is the December 2024 issue of the "Monthly Report on the Electricity System", available on the website www.terna.it.
Since grid losses depend mainly on end customers' energy demand and consumption, it is noted that the leakage rate on the energy demand in Italy in 2024 is 1.8%.

Ultimately, the Terna Group does not produce energy from fossil sources. The energy produced from renewable sources alone is for own consumption and amounts to 158 MWh.

Energy intensity based on net revenue

The Terna Group's energy intensity is 0.000075 MWh/€. The high climate impact sectors used to calculate energy intensity comprise "Electricity, gas, steam and air conditioning supply", "Manufacturing" and "Construction".

Net revenue from activities in high climate impact sectors used to calculate energy intensity (€/mln)	3,578.0
Net revenue (other) (€/mln)	38.1
Total net revenue (financial statements) (€/mln)	3,616.2

Gross Scopes 1,2,3 and Total GHG emissions

< MDR-M
< E1-6

	U.M	2024
Gross Scope 1 emissions		
Gross Scope 1 emissions	tCO_2e	79,421.8
Percentage of Scope 1 emissions from regulated emission trading schemes	%	0
Gross Scope 2 emissions		
Gross location-based Scope 2 emissions*	tCO_2e	1,271,789.8
Gross market-based Scope 2 emissions*		1,272,065.3
Gross Scope 3 emissions		
Total gross indirect Scope 3 emissions	tCO_2e	1,770,446.2
Purchased goods and services		200,220.2
Capital goods		148,623.0
Fuel and energy-related activities (not included in Scope 1 or 2)		524,536.4
Upstream transport and distribution		3,674.5
Waste generated in operations		15,000.4
Business travelling		5,880.1
Employee commuting		10,914.0
Downstream transportation		1,068.8
Use of sold products		859,960.8
End of life treatment of the products sold		109.9
Investments		457.9
Total emissions		
Total emissions (location-based approach for electricity consumption)*	tCO_2e	3,121,657.8
Total emissions (market-based approach for electricity consumption)*		3,121,933.3

** Companies providing electricity transmission and dispatching services are unable to make market choices both with respect to electricity consumption and with regard to grid losses.*

Please note that the data used to calculate Scope 1 and 2 emissions all come from internal sources. In contrast, considering the data used for the Scope 3 calculation, as also detailed below, these primarily come from external sources.

Scope 1 and 2: *the conversion of direct energy consumption and leakages of sulphur hexafluoride (SF_6) and refrigerant gases into equivalent CO_2emissions has been carried out using the parameters indicated in the IPCC Fifth Assessment Report (AR5) and the Greenhouse Gas Protocol (GHG). The conversion of indirect electricity consumption was carried out taking into account the share of thermoelectric production in total Italian or foreign electricity production in 2024. Allocation for the purposes of the production mix is based on the 2024 issue of the "Monthly Report on the Electricity System" (available on the website at www.terna.it) for Italy and Enerdata for abroad.*

With respect to market-based emissions, contracts with sustainable option choice were identified for Brugg Kabel Services AG and some LT Group plants. In this respect, it is noted that companies in the electricity sector (providing electricity transmission and dispatching services) are unable to select a specific operator due to regulatory issues. Consequently, market-based emissions were measured considering the grid factor for all companies operating in the electricity transmission and dispatching sector. With respect to market-based emissions, in order to ensure comparability with location-based emissions, emissions related to grid losses have been included although they are specific to the electricity system and cannot, in any way, be considered in the same way as electricity consumption for which the Transmission System Operator can make a market-based choice. Therefore, the market-based value was calculated by considering the 99.7% of emissions for which the Terna Group is unable to make any market choices.

Scope 3: *The screening of Scope 3 categories showed that some of them were not significant for reporting purposes. This is either because their impact on total emissions is marginal or because they do not apply to the Group. The following categories were not included in the calculation: Category 8 - Upstream leased assets; Category 10 - Processing of sold products; Category 13 - Downstream leased assets; Category 14 - Franchises.*

Category 1: For Terna S.p.A. Terna Rete Italia S.p.A.; Rete S.r.l.; Terna Crna Gora d.o.o.; Terna Energy Solutions S.r.l.; Terna Interconnector S.r.l.; Terna Plus S.r.l., the LCA method was applied, using the Excel tool developed by Bocconi University. The inputs are the kilometres of power lines built during the year, broken down by power output and number of electricity substations built during the year, also broken down by power output. Marine cables were not taken into account as they are unchanged. These inputs are entered into the LCA Tool and processed in another Excel file. For the final calculation, emissions arising from the most impactful installation and disposal operations are counted together. For the Brugg Group, Tamini Group and LT Group, this category includes inputs concerning goods and services. For calculation purposes, an average-data method or, alternatively, a spend-based approach was used: CO_2 equivalent emissions were estimated based on the consumption physical- (expressed in kg) or spend-based data (expressed in CHF/€) for each good and/or service purchased. The calculation method involves multiplying the physical- or spend-based data

by the emission factor of the reference category of the good and/or service. Emission factors are defined based on the Ecoinvent and EPA databases. Where necessary, for emission factors in foreign currencies, the exchange rate was applied.

Category 2: For Terna S.p.A.; Terna Rete Italia S.p.A.; Rete S.r.l.; Terna Crna Gora d.o.o.; Terna Energy Solutions S.r.l.; Terna Interconnector S.r.l.; Terna Plus S.r.l., the LCA method is used also in this case. Similarly to the first category, also for this category, inputs on the kilometres of power lines and the number of substations built in 2024 are collected each year and subsequently entered into the LCA Tool and processed in another Excel file. For the final calculation, emissions arising from the production phase and maintenance activities during operation are counted together using the average-product method. Emission factors are taken from the Ecoinvent database.

Category 3: For Terna S.p.A.; Terna Rete Italia S.p.A.; Rete S.r.l.; Terna Crna Gora d.o.o.; Terna Energy Solutions S.r.l.; Tamini Group; Avvenia The Energy Innovator S.r.l.; LT Group; Brugg Group; Terna Plus S.r.l., an average-data method is used which considers physical-based data (e.g. litres of fuel or electrical kWh) to estimate upstream emissions related to the generation, transport and distribution of fuel and electricity. With respect to inputs, the consumption of fuel, refrigerant gases, electricity and grid losses (used for Scope 1 and 2 calculation purposes) is collected and entered into the Excel tool to calculate the GHG inventory. The calculation method involves multiplying the physical-based data by the well-to-tank emission factor, which is used to estimate emissions from energy consumption not included in Scope 1 and 2. Emission factors are taken from the Defra database. These are well-to-tank factors specific to each type of fuel used, as well as to the electricity and refrigerant gases consumed by the company.

Category 4: For Terna S.p.A.; Terna Rete Italia S.p.A.; Rete S.r.l.; Terna Crna Gora d.o.o.; Terna Energy Solutions S.r.l.; Terna Interconnector S.r.l.; Terna Plus S.r.l., the LCA method is used. Similarly to categories 1 and 2, inputs on the kilometres of power lines and the number of substations built in 2024 are collected and subsequently entered into the LCA Tool and processed in another Excel file. The final calculation is the sum of emissions arising from the transport of materials and machines during the installation phase. For the Tamini Group and the LT Group, a spend-based approach is used whereby the spend-based figure is multiplied by the emission factor of the relevant service category. Emission factors are taken from the Ecoinvent and EPA databases. With respect to the Brugg Group, for items expressed in weight and for which the average-method is therefore used, transport-related impacts are included in category 1, as the Ecoinvent emission factors already consider the impact of the transport of purchased materials. For a few materials relating to Brugg Switzerland, for which the figure in kg is not available, the spend-based figure was considered. Assuming that 5% of the cost of the material represents the transport cost, the service-related impact was calculated using EPA factors.

Category 5: For Terna, Terna Rete Italia, Terna Plus and Terna Energy Solutions, the LCA method is used. Similarly to categories 1, 2 and 4, inputs on the kilometres of power lines and the number of substations built during the year are collected and subsequently entered into the LCA Tool and processed in another Excel file. The final calculation is the sum of the emissions arising from the transport and disposal of waste soil at the landfill site and of those arising from the end-of-life of foundation, insulation and reinforcement works, cables and components, trenches and joint holes, etc. (some parts are sent for recycling and others to landfill). For the Brugg Group, Tamini Group, LT Group and Terna Crna Gora, a waste-type-specific method is used, whereby the kg or tonnes of waste is multiplied by the emission factor related to the type of waste and disposal or recovery method. Emission factors are taken from the Ecoinvent and Defra database.

Category 6: For Terna S.p.A; Terna Rete Italia S.p.A; Rete S.r.l.; Terna Energy Solutions S.r.l., emissions are calculated by the Travel Manager. The travel agency directly provided the CO_2 emissions generated by employees' air and train travel. For the Brugg Group, Tamini Group, LT Group, Avvenia and Terna Crna Gora, a distance-based method is applied, which considers the distance in kilometres travelled during the journey and the means of transport used. The inputs comprise the kilometres travelled, the means of transport, the travel class and the number of employees. The calculation method involves multiplying the figure in kilometres by the emission factor specific to the means of transport. The emission factors used are taken from the Defra database.

Category 7: The calculation of this category considers the estimated number of employees of the Terna Group. Therefore, Quantis' Scope 3 Evaluator tool is used, which matches number of employees to a total value of emissions related to employee commuting.

Category 9: For the Brugg Group, the Tamini Group and the LT Group, a distance-based approach is adopted, which takes into account the kilometres travelled from the offices of the units to the countries where sales were made. The calculation method involves multiplying the kilograms transported by the number of kilometres travelled by the emission factor for the average transport of one kilogram of material. Emission factors are taken from the Ecoinvent database.

Category 11: For the Brugg Group and the Tamini Group, the calculation methodology envisages a physical-based approach. This category estimates the Scope 1 and Scope 2 emissions associated with the use of the product throughout its useful life. The calculation method involves multiplying the physical-based data by the emission factor of fuel and electricity, all multiplied by the years of the product's life. For Brugg Kable Services AG, the products sold considered comprise metres of cable, broken down by year and geographical area. The energy consumption related to the use of cables consists of the related grid losses. Grid losses per kilometre were estimated based on Terna's (GWh/km). For Tamini, the grid losses associated with transformers were calculated, in the countries where they were sold, based on a certified LCA of one transformer and the average characteristics of all transformers sold. Emission factors on the energy mixes of the various countries included in the Enerdata database are considered. These emission factors were subsequently applied to the useful life of cables and transformers based on the WEO's SDS and STEPS projection scenarios.

Category 12: For the Brugg Group and the Tamini Group, the calculation methodology applies a waste-type-specific method whereby the physical-based input is multiplied by the disposal-related emission factor. The physical-based input reflects, for each year, the metres of cable for the Brugg Group and the number of transformers sold for the Tamini Group. To obtain an estimation of tCO_2e/km, the inputs from corporate LCA tool are considered, which provide a break-down of the emissions arising from cable disposal. This factor was subsequently applied to the kilometres of cable sold by Brugg Kable Services AG. For Tamini, the certified LCA provided for a transformer is used.

Category 15: For the first year, the emissions in this category have been calculated considering Terna Forward's corporate venture capital investments. The inputs refer to 2023 (certified inputs). The calculation of emissions is based on the average-data method, in line with the GHG Protocol. This method multiplies the total revenue of each investee by the corresponding emission factor of the relevant economic sector. The resulting value is subsequently weighted according to the percentage of investments held by Terna Forward. Revenue expressed in dollars has been translated into euros using the appropriate exchange rate. Emission factors are taken from the EPA database.

Emission intensity based on net revenue

EMISSION INTENSITY PER NET REVENUE	U.M.	2024
Total emissions (location-based) per net revenue	$tCO_2e/€$	0.000863
Total emissions (market-based) per net revenue		0.000863

The net revenue used to calculate emission intensity amounts to €3,616.2 million. This amount matches the balance of "Revenue from sales and services" in the consolidated financial statements.

Protection of biodiversity [ESRS E4]

Impact, risk and opportunity management related to the protection of biodiversity

Summary of impacts and opportunities related to the protection of biodiversity[105]

Positive impacts |

- Increasing biodiversity through habitat creation initiatives and also through the use of technology to measure it (e.g. Ecological Incremental Index; Tiny Forests; masking techniques)

Negative impacts |

- Alteration of biodiversity

Opportunities |

- Increased attractiveness in financial markets due to the biodiversity protection strategy

Policies related to the protection of biodiversity

< MDR-P
< E4-2

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its impacts and seize material opportunities related to the protection of biodiversity are detailed below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool to steer the Group's activities in terms of protection of biodiversity and affected ecosystems. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the posting on the Group's website or other types of documents where deemed necessary.

The Terna Group's guidelines on the protection biodiversity are specifically formalised in various documents, as described below.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy - which is approved by Terna's Board of Directors - in which the company's CEO and General Manager also take part, and the guidelines issued are valid for all company processes and activities. This is a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. It is therefore the responsibility of the entire management to implement these guidelines. Monitoring of the implementation of the Policy is carried out annually through the Integrated Management System Review and through annual Audits by the Certification Body (Third Party). Specifically, the Policy addresses, inter alia, biodiversity. With respect to the guidelines to oversee the **Environmental Management System**, in compliance with the **UNI EN ISO 14001** standard and the impacts and opportunities identified following the double materiality assessment, the Terna Group undertakes to:

- check the appropriateness of the context in which the Terna Group operates;
- prepare a periodic assessment of the compliance obligations applicable to the Terna Group;
- prepare a periodic assessment of the risks/opportunities and environmental impacts of its activities and related risks, seeking solutions to minimise any negative effects of its activities on the environment, considering the entire life cycle of its works;

[105] In line with the results of the update of the double materiality assessment, it is noted that the disclosure provided in the paragraph "Protection of biodiversity" refers to electricity transmission and dispatching activities.

- check, via targeted inspections, the environmental protection actions carried out by the relevant organisational structures;
- implement transparent communication of its environmental activities;
- acknowledge the importance of social acceptance of the Group's infrastructures by the communities in which it operates in order to implement the investments envisaged in the Development Plan, while respecting the environment, the landscape and the interests of local and national communities, limiting their impacts, where possible;
- adopt a preventive approach, listening directly to the opinions of the main environmental associations and to the needs of the institutions in the area where grid installations are being built, seeking shared solutions that integrate the respect for the characteristics of the local area and the environment and biodiversity with those of electricity system security, as well as with the more general interests of the community for grid efficiency and cost-effectiveness of the service;
- grant, based on scientific programmes developed in collaboration with institutes and associations of proven reliability, the use of its facilities to protect and increase biodiversity, within the limits of plant and electricity service security. In particular, with respect to birdlife, it undertakes to adopt the most modern devices to minimise any negative impacts of its installations. Therefore, it pays full attention to reports of negative impacts of its installations and is available for assessments and evaluations and, if necessary, to test and possibly adopt further mitigation measures; it works on the development of protection systems that are consistent with the environment surrounding its plants.

The Policy is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for the Terna Group, through specific contractual clauses and qualification and selection processes.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

Commitment to biodiversity

The commitment to respecting biodiversity is inspired by the guidelines and objectives set out in the main applicable national and international documents and, in particular, by the 2030 National Strategy for Biodiversity, which, in line with the objectives of the Ecological Transition Plan, outlines a vision of the future and development based on the need to reverse the current trend of biodiversity loss and ecosystem collapse. This commitment is also in line with that set out in the Group's Integrated Policy and implemented operationally via the environmental management system, certified in accordance with the ISO 14001 standard.

The commitment to biodiversity outlines the general lines of action that apply to the planning and design of new grid infrastructures, the construction of new grid infrastructures and management of the existing ones.

The relationship between the Group's activities and biodiversity refers to the installation of grid components (lines, substations) in the local environment. Therefore, it changes depending on the characteristics of the affected area and the type of activity, where the main distinction is between the new infrastructure to be built and the operation of the existing ones. Indeed, with respect to the main impacts, lines are a potential risk of birds colliding with conductors, but also an opportunity for biodiversity concentration, especially in intensive-farming areas.

The Terna Group's general approach is geared towards minimising its impacts on biodiversity in accordance with the principles of **"No net loss of biodiversity"** and, where possible, **"Net improvement"**. These objectives are pursued through the strict application of the following **hierarchy of mitigation of potential impacts**: first, solutions must be sought to avoid and prevent negative impacts on biodiversity, and then, only when impacts are unavoidable, must their effects be reduced and remedied or residual negative impacts compensated for.



Accordingly, the focus on **minimising operations in protected areas** and/or sites of special interest/importance using **criteria for selecting the most suitable areas to host the infrastructure** (so-called ERPA criteria: Exclusion, Repulsion, Complexity and Attraction), plays an important role. Under these criteria, the area is characterised based on criteria that express its fitness to host electricity infrastructures. **Using the GIS** (Geographic Information System) **technology**, information on land use and protections (local, natural, cultural, landscape, etc.) is considered in accordance with an integrated approach in order to identify sustainable location assumptions for the development of the NTG.

With respect to the infrastructure construction stage, the impact on biodiversity is linked to **construction site activities**, specifically the opening up of access routes to build pylons, soil excavation and the removal of residual materials. Again, these activities are carried out in full compliance with environmental protection regulations and requirements, if any, as well as using the best solutions to limit the effects on biodiversity. Indeed, the Terna Group plans to restore the sites, encouraging the natural redevelopment of the existing vegetation. In particularly vulnerable areas, green engineering activities were carried out, which integrated the base of the support into the surrounding context.

With respect to the **relationship between existing lines and biodiversity**, the main lines of action refer to the study of the interaction between power lines and birdlife; indeed, since 2008, as part of an agreement signed with the Italian League for Bird Protections (LIPU), a partner of Birdlife International, the Terna Group conducted a scientific assessment programme of the effective materiality of bird collisions with transmission lines, in order to identify the environmental conditions that affect the risk of collisions and define appropriate mitigation measures. In addition, for more than 20 years, the Group has been employing world-renowned independent ornithologists; it has installed various types of deterrents, i.e. devices that, due to their colour and bulk, as well as the noise generated by the wind, make the guard rope more visible; and tree cutting. This activity is necessary to avoid contacts between plants and conductors, which may cause problems with both the electricity service and, potentially, biodiversity (fires). Furthermore, its performance requires much attention for the environment. The Terna Group adopts severe criteria for supplier qualification and has begun studying alternative systems - such as planting plant species with differentiated growth - in order to guarantee security without pruning plants.

Finally, the document sets out the following objectives:

- reconciling grid development and maintenance with the respect for biodiversity;
- draw up a Biodiversity Action Plan and, in particular, a Avian Protection Plan, to define priorities for action and increase the effectiveness in protecting biodiversity;
- increase the availability to the public - in particular to the scientific community - of the environmental studies and monitoring carried out on its electricity infrastructure, e.g. studies about environmental impact assessments and implementation of the requirements imposed by the public authorities.

The Terna Group discloses this commitment to all internal and external stakeholders in a specific section of its corporate website. Furthermore, the principles set out in the Integrated Policy are disseminated among employees as part of internal training initiatives.

Strategic Environmental Assessment of the national transmission grid Development Plan

Terna Group's attention to the protection of biodiversity is embodied in its commitment to minimising its impact on biodiversity, by promoting the principle of "No Net Loss" of biodiversity and, where applicable and possible, the principle of "Net Gain", and via the rigorous application of the four stages of the mitigation hierarchy. Since the early planning and design stages, location solutions are sought to avoid and prevent negative impacts on biodiversity; if potential impacts are unavoidable, **appropriate minimisation and rehabilitation/restoration measures** are identified in the various design stages and, ultimately, an analysis to offset the residual impacts is carried out.

Since 2002, inspired by the objectives of the Kyoto Protocol and the principles of sustainability and bringing forward the transposition of the European Directive into Italian legislation, the Terna Group has embarked on a **voluntary joint path with the Ministries and the Regions** by organising, in collaboration with the competent Ministries, working tables with the Regions on environmental analysis methodologies and impact assessment indicators. The Terna Group has introduced the ERPA (Exclusion, Repulsion, Complexity and Attraction) criteria into its Strategic Environmental Assessment. This is a national automated procedure.

Following the above analyses, the most suitable areas are identified by conducting a thorough feasibility analysis, supported by specific in-depth studies, field surveys and evaluation of possible critical issues. The Department of Grid Development and Dispatching Strategies - Electricity System Planning and Authorisation (SSD-PSE) and Project Development (SSD-SVP) is responsible for approving and monitoring the policy. This policy applies to Terna Group companies. Specifically, the departments/structures mainly involved are those of Terna S.p.A. and Terna Rete Italia.

As part of project development activities, the Unit in charge of Local Analyses and Theme-based Controls operates to ensure the preparation of technical-environmental analyses aimed at locating land structures, guaranteeing their environmental sustainability, in accordance with environmental policies and studies for the relevant infrastructure. In addition, for non-submarine components, it ensures theme-based controls in the field of vegetation, wildlife and biodiversity.

Main operating instructions: Performance of a feasibility study, Performance of a project for authorisation and Management of authorisation requirements for the construction of electricity infrastructure

As part of the design of overhead power lines, underground power lines, electricity substations and direct current installations, including converter stations and marine cables, the above-mentioned policies define, including by providing operating instructions, the content of the feasibility study for the **technical-economic feasibility** design and the **technical-environmental documentation** required for authorisation.

The preliminary assessments identify the preferred location of the infrastructure and limit the risk of alternative requests and/or location changes, thereby optimising the time and cost of obtaining the authorisations.

The operating instruction relating to the design of overhead power lines, underground power lines, electricity substations and special types of installations, sets out the content and details of the authorisation project, ensuring compliance with technical and urban planning regulations; it indicates the environmental documentation necessary to start environmental procedures and the design updates required during the authorisation process; it includes the documents for the notice of commencement of work ("DIA", *Denuncia Inizio Attività*) and the adoption of program and project management techniques for proper project management.

The operating instruction "Performance of a project for authorisation" indicates how to manage the environmental requirements set out in the authorisation and environmental compatibility decrees, ensuring compliance with the technical and environmental provisions indicated by the authorising bodies.



In accordance with the operating instructions, if Natura 2000 sites are involved, the Terna Group carries out multi-level studies depending on the type of infrastructure and direct or indirect interference, in accordance with the principles of the most recent legislation in force, i.e.:

1. **Appropriate Assessment (AA)**, in order to assess in advance whether certain projects may have a significant impact on Sites of Community Importance (SCI), Special Areas of Conservation (SAC) and Special Protection Areas (SPA);
2. **Pre-screening and screening**, to assess, where applicable, whether the projects may have a significant positive or negative impact on the environment and whether they should be subject to assessment;
3. For infrastructure subject to EIA, performance of the **Environmental Impact Study** (EIS) to assess the environmental impacts generated by the project; check the effectiveness of the mitigation measures provided in the EIS to reduce the scale of the significant environmental impacts identified during the construction and operation stage (monitoring during and after construction); identify any unexpected environmental impacts or impacts that go beyond those foreseen in the EIS and plan appropriate corrective measures (monitoring during and after construction);
4. Possible **Environmental Monitoring Plan** before, during and after construction, to monitor the environmental impacts of the infrastructure, whose project is subject to approval or authorisation.
5. Documentation confirming compliance with any **environmental requirements of the authorities** (also for projects not subject to EIA procedure).

With respect to the monitoring process, as part of project development activities, the Unit in charge of Local Analyses and Theme-based Controls operates to ensure the preparation of technical-environmental analyses aimed at locating land structures, guaranteeing their environmental sustainability, in accordance with the environmental policies and studies unit for the relevant infrastructure. In addition, for non-submarine components, it ensures theme-based controls in the field of vegetation, wildlife and biodiversity. The Environmental Studies structure takes care of, plans and carries out environmental studies for the design, authorisation and construction of greenfield plants.

The operating instructions “Preparation of study” and “Preparation of a project for authorisation” apply to all Terna Group’s organisational units responsible for preparing technical-economic feasibility projects to start authorisation procedures pursuant to Legislative decree no. 239/03, as well as to all Terna Group’s organisational units that produce internally or outsource the preparation of environmental studies and/or documents to start environmental authorisation procedures. These are approved by the Department of the Grid Development and Dispatching Strategies - Project Development. In fact, the operating instruction “Management of authorisation requirements for the construction of electricity infrastructure” applies to preparatory activities and the construction of electricity infrastructure, and can be extended to other types of infrastructure pertaining to the Terna Group which may be characterised by authorisation decrees that contain requirements. It is approved by the Department of Grid Development and Dispatching Strategies - Project Development together with the Department for Engineering and Project Implementation Design and Implementation. The person in charge of the procedure pursuant to Law no. 241/1990 as amended, to the extent of the execution phase (Legislative decree no. 36/2023), is responsible for the proper fulfilment of the authorisation requirements.

Operational management of construction sites

With respect to the construction phase of the infrastructure, the impact on biodiversity mainly relates to construction site activities that involve the use of land with possible effects on vegetation. In order to contain these interferences, **vegetation restoration works** will be carried out, encouraging the natural redevelopment of the existing vegetation through the use of native species.

This policy provides detailed operational guidelines for the effective management of construction sites from multiple points of view: technical, authorisation, security, environmental and contract management. Furthermore, it indicates how to draw up minutes, accounting documentation and registration documents as part of the relationship with the contractor.

Indeed, during the construction phases of infrastructure subject to environmental impact assessment (significant infrastructure), an **Environmental Site Assistant** is appointed and included in the workforce, with specific environmental skills selected based on the natural or environmental characteristics of the area. The Environmental Site Assistant supports the Site Technical Assistant in the fulfilment of all environmental matters (excavation of soil and rocks, waste, dust, noise, etc.) and monitors the correct performance of authorisation requirements.

Before, during and after the construction phases, in particular for infrastructure subject to EIA or specific authorisation requirements, an Environmental Monitoring Plan (EMP) is carried out on the environmental components which are deemed sensitive as per the assessments of the authorising bodies in accordance with the most recent legislation. The results of any monitoring activities are provided on Terna Group's website.

The Department of Grid Development and Dispatching Strategies - Project Development is responsible for approving and monitoring the policy, together with the Department for Engineering and Project Implementation - AC and DC Design and Implementation .

The policy applies to the construction sites pertaining to Terna Rete Italia S.p.A., specifically to preparatory activities, new construction, ordinary and extraordinary maintenance, modification, expansion, enhancement, and dismantling of existing plants, which the Terna Group entrusts in whole or in part to third-party companies.

Unified Project "Marine survey and environmental characterisation (Ministerial Decree 24/01/1996)"

Through the Unified Project 'Marine Survey and Environmental Characterisation (DM 24/01/1996)', Terna Rete Italia S.p.A. is committed to ensuring that all submarine cables are laid in full **respect of marine ecosystems**, contributing to their conservation and the protection of biodiversity.

From the earliest stages of an infrastructure's development, in-depth environmental surveys of the seabed are conducted in order to gather fundamental data to identify optimal routes. The aim is to combine the fulfilment of technical, design and installation requirements with the preservation of existing habitats.

The document is periodically updated in accordance with regulatory requirements, bringing it into line with technical and scientific sector advances, in order to increase the protection of marine habitats. As part of project development activities, the Marine environmental studies and DC environmental management unit ensures the performance of marine surveys for the environmental part, in coordination with the Design unit for the authorisation of marine works, and in collaboration with the Marine design and installation unit to ensure the synergy of design, installation and protection activities at sea.

MDR-A >
E4-3 >

Actions related to the protection of biodiversity

At all stages of its activities, the Terna Group adopts strategies that ensure the balanced integration of the infrastructure into the local area, respecting its cultural and landscape characteristics, while promoting the protection of ecosystems and biodiversity and acknowledging the positive impact of the latter in the provision of ecosystem services. With respect to ecosystem conservation, the Company restores habitats, masks substations with native species selected on the basis of studies of actual and potential vegetation compared to the context, and improves environmental connections. In particular, in the case of sites of low naturalistic value (agricultural contexts), it improves their environmental conditions. By actively cooperating with third-party organisations, the Terna Group develops projects that safeguard habitats, in addition to constantly monitor the environmental status of sites over time, thereby ensuring that the area's ecosystem services are maintained. Indeed, in 2024, it launched, or pursued, many initiatives to achieve the objectives of biodiversity and ecosystem protection policies aimed at mitigating and reducing its impacts, as well as seizing material opportunities.

The following list shows the actions and their contribution, as mentioned earlier, to achieving the objectives set by the Group's policies in terms of biodiversity and ecosystems.

Design of projects for newly built supports

As part of biodiversity protection and the conservation of agro-ecosystems, the Terna Group is preparing a document containing guidelines on the design of projects aimed at increasing biodiversity for new supports in agricultural/natural areas. This document covers planned actions in Italy that include specific measures designed to promote the restoration of environmental balances, while improving the resilience of ecosystems in agricultural contexts. The frequency of the actions will depend on the progress of the design and implementation of the works.

Green engineering projects involving electricity substations

The Terna Group designs and builds new electricity substations in Italy, fostering an interaction with the landscape and ensuring sustainable synergy with the local context. Specifically, in order to preserve biodiversity, enhancement measures are implemented, including the use of green engineering techniques. These projects, especially when included in contexts with a low natural character, contribute to a significant improvement in biodiversity, both in terms of vegetation and wildlife. Post-construction maintenance activities which maintain the environmental functions of the area involved also play an essential role. The years of maintenance activities may vary depending on the type of action. Consequently, when used as an indicator, they are always shown/reported/explained in the related contracts, as confirmed by the activities carried out in 2024.

Planning activities for the development of Biodotti

The development of Biodotti was planned in 2024 as part of a project launched in 2022. This project includes renaturation activities at the base of power line supports in order to increase biodiversity, improve the environmental connection in fragmented habitats by planting native species and implementing installations for wildlife. It has a medium- to long-term future time frame. Accordingly, Terna Group's power lines become genuine stepping stones that facilitate the movement of wildlife between natural areas, contributing to the enhancement of biodiversity. In particular, the Terna Group completed a pilot project in Lombardy, Tuscany and Sicily which involved a total of 17 supports in agricultural areas and 5 overhead power lines that can now act as an environmental link between areas of greater natural characteristics.



Monitoring and assessing the environmental status of Terna Group sites - Entomofauna surveys at Terna Group sites

During the year, the Ecological Incremental Index or IIE methodology (registered as Intellectual Property - SIAE 2022/02452) was applied. This methodology was developed in 2022 and will continue in 2025 in order to monitor and assess, site by site, how the environmental status changes and a Dynamic Indicator that measures this change over time for each individual site, whilst also providing a global indication of the changes taking place at all the sites in general. The entomofauna survey carried out in 2024 covered 8 sites located in Lombardy, Friuli-Venezia Giulia, Marche, Emilia-Romagna and Sardinia, where 12,644 beetles were sampled, broken down into 81 families, in accordance with the taxonomic classification of Coleoptera families of the checklist of Italy's wildlife, with a few modifications. The sampling method involved two sampling sessions during the period of greatest entomofauna activity, with a sampling interval of 20 days. For the eight sites, two sampling stations were identified: one within the test area and another in the external control area. The collected material was analysed in the laboratory, the samples identified at family and trophic-functional group level and entered into the database.

The Tiny Forest project

Five actions of the Tiny Forest project have been carried out since 2022, in collaboration with the Italian Botanical Society in Lombardy, Veneto, Lazio (2) and Campania. The aim of the project is to create natural habitats to increase biodiversity, by adopting Japanese botanist Akira Miyawaki's innovative forestry method of creating tiny forests with a high density of native species. This approach facilitates rapid plant growth, the development of self-sufficient ecosystems and increased capacity of CO_2 absorption.

Environmental monitoring for marine cable laying

As part of marine cable laying activities (before, during and after), the water column, sediment, benthic community and seabed components were subject to marine environmental monitoring in 2024, in order to describe and assess the interaction between cables and the related environment. The surveys will be repeated annually to enable the analysis and comparison of biological, chemical, physical and geophysical parameters over time.

Biodiversity offsets in Terna Group projects

The Terna Group uses biodiversity offsetting techniques. Below is a list of the types of actions included in its action plans:

Habitat reconstruction projects carried out in Italy, which may involve areas with newly built and/or demolished supports, electricity substations and construction sites. The relevant design criteria are based on the principles and methods of naturalistic silviculture, which entails the exclusive use of native species, selected in line with the existing vegetation and the environmental conditions of the site, in order to obtain the highest possible level of biodiversity and phytosociological consistency with the surrounding areas. A twofold aim was pursued when selecting revegetation techniques: restore the stages of the dynamic series of the site's potential natural vegetation and, at the same time, guarantee anti-erosive and soil protection functions while limiting colonisation by invasive alien species by grassing all the areas affected by the works. Different types of action are planned and implemented based on the characteristics of the affected area, adopting those that are most suitable for the environmental context. Post-construction maintenance activities which maintain the environmental functions of the area involved also play an essential role. The years of maintenance activities may vary depending on the type of action. Consequently, when used as an indicator, they are always shown/reported/explained in the related contracts.

These offsetting projects are currently being planned and designed. Consequently, the quantification of the future resources to be allocated to this activity is currently in progress. Compared to 2024, no direct costs were incurred in this respect.

Transplanting olive trees: transplanting protected tree species, such as olive trees, is a key environmental offsetting technique adopted by the Terna Group. This action is necessary when the site of a converter station is in an area with olive trees, thereby ensuring the preservation of these valuable plants and safeguarding local biodiversity. Through a careful uprooting and replanting process, defined with the support of specialised agronomists, olive trees are transplanted using techniques that favour their adaptation and growth. Each phase of the project, from pruning to relocation, is designed to ensure the vegetative recovery of the trees, thereby contributing to the preservation of the landscape and the protection of biodiversity.

The monetary effects of this biodiversity offsetting activity include capital expenditure of approximately €1,979,100, recognised in the consolidated financial statements item "Property, plant and equipment".

Transplanting Posidonia oceanic meadows is an environmental offsetting technique used by the Terna Group to restore sea meadows crossed by submarine cables. This aquatic plant, which the European directives defined as a priority habitat to be preserved, plays an essential role in the marine ecosystem as it protects the coastline from erosion and provides shelter and food for numerous organisms. In order to ensure the protection of biodiversity, the Terna Group transplants and relocates Posidonia oceanica meadows before laying the submarine cable. Each project is carried out by highly experienced and qualified personnel, using consolidated techniques to ensure the highest standards of environmental sustainability. Upon completion of the transplant, a conservation and environmental monitoring plan is implemented in order to follow the evolution over time of the volume of Posidonia oceanica meadows in the transplanted areas and the condition of the plant and the surrounding environment.

These offsetting projects are currently being planned and designed. Consequently, the quantification of the future resources to be allocated to this activity is currently in progress. Compared to 2024, no direct costs were incurred in this respect.

Metrics and targets related to biodiversity protection

Goals of the 2024-2028 Sustainability Plan

< MDR-T
< E4-4

As part of the 2024-2028 Sustainability Plan update, the Terna Group has defined a series of specific targets aimed at assessing the progress made with respect to the protection of biodiversity and the related material impacts and opportunities, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Creation of shared value' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Actions to increase biodiversity near company assets - the Biodotti project	Terna Group	No. of projects to enhance biodiversity on existing supports	20	25	30	40
Continuation of the programme to remove obsolete overhead lines in line with the industrial plan	Terna Group	Kilometres of obsolete overhead lines removed	50	160	155	130

For the sake of completeness, it is noted that the 2024-2028 Sustainability Plan included a target of 103 km of obsolete lines removed. In 2024, 69.6 km of obsolete overhead lines were removed. This target was not met due to postponements. Some demolitions have been postponed until 2025 or later, pending the completion of the necessary works. **It should be noted that the number of biodiversity enhancement interventions on existing supports was 17 in 2024, a year for which no target value had been set**.

The above targets were processed and represented, for the first time, in the 2024-2028 Sustainability Plan, the first integrated with the Industrial Plan. The base year to be considered for the formulation of the targets is therefore, as a rule, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of trends. The updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the board of directors, did not require any particular changes in terms of metrics or methodologies for these objectives.

The targets related to the protection of biodiversity and ecosystems also show the Group's broader approach to this topic covered by the relevant Policies. Indeed, the *Biodotti* project and the removal of obsolete overhead lines are in line with the principles of No net loss of biodiversity and, where possible, Net improvement, and are consistent with the mitigation hierarchy, on which the Biodiversity Commitment, the Integrated Management System Policy and the Development Plan's Strategic Environmental Assessment Guideline are based.

As part of the definition of targets and initiatives, the priorities identified by the double materiality and environmental assessment carried out in order to maintain the ISO 14001 certification were considered. No further specific ecological thresholds were considered. In this respect, developments are possible based on the Group's path towards the adoption of a **Science-based Target for Nature** (included in the targets of the 2024-2028 Sustainability Plan) in line with the Science Based Targets Network (SBTN) methodology. Furthermore, the SBTN methodology provides a framework that is consistent with global and regional biodiversity policies and regulations, such as those established by COP15 and the EU Biodiversity Strategy 2030, which enable companies to set scientifically sound and measurable biodiversity targets. In order to achieve this target, in 2024, the first phase of the preparatory activities envisaged in the methodology was completed, with the adoption of a 2026 target as a milestone. This activity sets a target based on a certified scientific methodology to minimise the Group's impacts in terms of changes to biodiversity.

Biodiversity-related targets are linked to the impacts identified as part of the double materiality assessment and are also tools for mitigating changes to biodiversity and enhancing the positive effects related to the initiatives undertaken by the Group. Specifically, the physical removal of obsolete lines is one of the rehabilitation and restoration ways

used by Terna to reduce environmental impacts, also in terms of land use. Increasing biodiversity through habitat creation initiatives includes the various activities promoted by the Group, such as the Tiny Forest project and the 'Biodotti' project, for the performance of specific actions in the agricultural/natural areas hosting the pylons shown in the above table. In particular, the 'Biodotti' target shows the Group's commitment to improving and increasing biodiversity, also going beyond the logic of the mitigation hierarchy. It should be noticed that the Group in defining the targets represented in the table outlined in the table above, did not use compensation logic.

The definition of the target related to the Biodotti project took as a starting assumption the set of pylons existing in 2021 and located in agricultural or natural areas. In particular, in order to identify them, local information systems were used, followed by subsequent specific analyses on company asset databases. Based on this set, the pylons to be involved in the design and implementation projects to enhance biodiversity are identified through joint comparisons and checks against the NTG. These projects include different types of activities which are defined on the basis of the characteristics of the site. These include, inter alia: restoration of shrub cores, creation of artificial hibernacula, inclusion of flowering shrubs and hedges, spreading of flowering plants, creation of reservoirs, reconstruction and restoration of dry stone walls and placement of bat boxes or bird nesting boxes. The final total number of existing pylons in agricultural/natural areas with biodiversity-enhancing measures will be 40 by 2028.

With respect to the target concerning the definition and adoption of an SBTN target, the analysis aligned with the methodology of the Science Based Targets Network framework is currently underway. With respect to this process, the materiality analysis aimed at identifying the activities that could potentially negatively impact the environment has already been completed, and the value chain analysis is currently underway. The adoption of a SBTN will enable the company to set a scientifically based and certified target for reducing the Terna Group's impact on nature, further strengthening its position towards a net positive impact. These targets also drive the Group's actions in line with recent European regulatory developments.

The target related to the removal of obsolete overhead lines is set in accordance with forecasts based on the planned undergrounding and decommissioning activities. Demolition activities depend on the technical implementation of other projects (such as the undergrounding of cables) and on the technical confirmation of feasibility. This flexible approach also implies possible modifications to reflect new technical solutions or changes in local conditions.



These targets also drive the Terna Group's actions in line with recent European regulatory developments and, in addition to considering the main international frameworks (e.g. EU Biodiversity Strategy for 2030 and UNI ISO 14001:2023, GRI), they also consider the requests of the various rating agencies specialised in sustainability topics.

Regarding the process for defining and updating objectives, monitoring related performance, and employee involvement, please refer to the section "2024–2028 Sustainability Plan Update".

Metrics related to biodiversity protection

< MDR-M
< E4-5

In order to monitor the effectiveness of the actions taken to protect biodiversity, as well as their contribution to achieving the targets set as part of its relevant policies, the Terna Group has defined measurement metrics for its sites as described below.

BREAKDOWN BY GEOGRAPHICAL AREA - POWER LINES IN PROTECTED AREAS	U.M.	2024
North-east	km	914.2
North-west	km	1,163.1
Centre	km	1,558.6
South	km	2,191.2
Islands	km	882.1
Marine cables	km	567.1
Total	**km**	**7,276.2**

BREAKDOWN BY GEOGRAPHICAL AREA - SUBSTATIONS IN PROTECTED AREAS	2024	
	N°	HECTARES
North-east	3	2.9
North-west	2	1.9
Centre	6	16.4
South	19	28.1
Islands	4	3.1
Total	**34**	**52.4**

The data shown in the table were obtained by cross-referencing the asset data extracted from the SisNet system with the official EUAP Areas (Official List of Protected Natural Areas) extracted in 2024.

Promoting the circular economy [ESRS E5]

Impact, risk and opportunity management relating to the promotion of the circular economy

Summary of material impacts, risks and opportunities related to the promotion of the circular economy

Negative impacts |

- Increased resource utilisation, e.g. due to the extension of business activities
- Increase in the amount of waste generated e.g. due to the extension of business activities

MDR-P > E5-1 >

Policies related to the promotion of the circular economy

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts related to the **promotion of the circular economy** are described below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of aspects related to the promotion of the circular economy. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the publication on the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Circular Economy Strategy and Roadmap

For the Terna Group, the Circular Economy Strategy, defined in 2022 and adopted in order to address and manage material impacts on resource use and the circular economy, is a further contribution to the transformation process underway to establish a new economic model that respects natural capital. Indeed, it is applied to all the Parent Company's subsidiaries and is a benchmark value for all the other Group Companies.

Circular Economy Strategy is aligned with key international regulations and initiatives, including the **European Union's Circular Economy Action Plan and the Sustainable Development Goals**. Furthermore, it is consistent with the guidelines set by environmental management standards, such as the **ISO 14001 standard**.

The definition of the strategy considered potential collaborations with some key stakeholders, in particular by involving the supply chain to identify circularity solutions applicable to materials. In addition, the Company engages in dialogue with institutions and associations that promote sustainability such as Sustainability Makers and Global Compact, in order to reflect any changes in the regulatory framework and industry best practices. At the methodological level, the Circular Economy Strategy is aligned with the Long-Term Value Framework (LTV) developed by EY, which identifies long-term value levers through 4 steps:

- establish the business context, purpose and strategy;
- evaluate stakeholder results;
- identify strategic capabilities and value drivers;
- develop metrics for long-term value.

The LTV framework has been integrated with two other standards: **British Standard 8001:2017 and Circulytics**. BS 8001:2017 is a voluntary standard which provides a set of requirements for implementing Circular Economy principles within an organisation. Specifically, it is based on six principles to assesses an organisation's circular economy maturity: Systemic Vision, Innovation, Governance, Collaboration, Optimising Value and Transparency.

Circulytics is a methodology that measures a company's performance in terms of circular economy along two dimensions:

- enablers, i.e. the enabling factors that a company can adopt to effectively manage the transition to a circular economy model. These enable the definition of strategic circularity priorities and the development of systems and assets to support circular economy activities by capturing a company's circularity potential;
- outcomes, i.e. topics that measure the current level of circular economy controls at company level in relation to: flows of material, water, energy, service and product design or procurement, decommissioning of plants, property and capital goods.

Furthermore, the **Circular Economy Procurement Framework** was used as a reference for the definition of the strategy. This is the most authoritative standard on the topic and was developed by the Ellen MacArthur Foundation to help companies start circular economy initiatives in their procurement process. The framework provides an overview of actions that organisations can implement to improve the circularity of their procurement choices and engage their suppliers in circular economy conversations and collaborative circular partnerships.

With this programme, launched at the end of 2021, the Company is pursuing the objective of integrating circularity into its business model to strengthen its sustainability, and also extending it to its supply chain.

In 2022, the Company drew up its Circular Economy Strategy and subsequently set out the Roadmap of actions through to 2030 for the procurement of materials and their correct use, the sustainable use of resources, including secondary raw materials, and the management of waste.



The reference framework is based on four pillars – each related to a phase of the Group's operating cycle (including Non-regulated Activities) – which respond to the need to focus each circularity action in the Company to a specific business area, namely:

- Procurement
- Asset management
- Operation of the electricity grid
- The disposal of assets

The above enabling factors, being those elements essential to effectively manage the transition to a circular economy model, are as follows:

1) Systemic vision: the organisation's vision of the circular economy and its integration into business processes.

2) Innovation: integrating circularity into innovation processes.

3) Governance: integrationof circular economy principles into the corporate decision-making and strategic structure.

4) Collaboration: establish collaborations inside and outside the company in order to create value and operate with a circular approach.

5) Optimising Value: maximise the value of company assets throughout their lifetime.

6) Transparency: communicateits circular economy initiatives within and outside the company.

7) Performance assessment: measure actions and targets related to the circular economy.

The Circular Economy Roadmap is based on this strategic vision and establishes initiatives and actions designed to embed the concept of circularity within the corporate's business model. The Roadmap covers the period through to 2030 and is aligned with the 2024-2028 Sustainability Plan, which has been integrated with the 2024-2028 Industrial Plan. The progress towards the expected targets is subject to structured monitoring in order to identify any deviations and, consequently, implement corrective actions.

The targets of the Circular Economy Roadmap are as follows:

- Develop a culture of circularity throughout the organisation and to protect our planet while ensuring business continuity;
- Reduce the use of raw materials, specifically non-renewable and non-recyclable materials that have a strong impact on health and the environment;
- Create a supply chain that respects circularity criteria in its business;
- Define structured design and management to minimise the resulting environmental impacts;
- Facilitate the country's energy transition to RES through asset development activities;
- Develop solutions that support the energy transition of the system and enable the smart exchange of energy with the grid;
- Reduce the GHG emissions released due to the dispersion of gases with a high global warming potential;
- Increase the reuse of assets and the use of waste;
- Create a supply chain based on the optimisation of reuse and recycling to minimise externalities and negative impacts, in order to avoid sending the waste produced to landfills;
- Preserve the ecosystems in which the business operates by maintaining the current levels of biodiversity and avoiding the depletion and further consumption of land.

Therefore, with respect to governance and the integration of the processes related to the procurement of materials and their correct use and the sustainable use of resources, including the use of secondary raw materials and waste management, the adoption of the Circular Economy Roadmap plays a crucial role for the organisation.

Targets are broken down into actions with a final deadline and maximum internal responsibility for their implementation to achieve the relevant goals. Responsibility is often shared between two or more departments, thereby promoting synergies between different organisational structures.

Each action is matched to one or more KPIs, i.e. the performance indicators that measure the implementation of the actions through the identification of targets. In this respect, in order to constantly improve and progressively align with developing business needs, new regulations and best-practices in the sector, the Roadmap is a dynamic tool, which is revised and expanded over time, also on the basis of the results obtained during monitoring of the progress of the initiatives towards achieving the expected targets.

The programme, formally adopted in early 2023, was subject to specific induction during which the Group's Head of Procurement, Head of Sustainability and CRO submitted the actions necessary to integrate circularity into Terna Group's business model to the Board of directors, Board of Statutory Auditors and Chief Executive Officer.

The implementation of the Circular Economy Roadmap is based on the synergy between different company departments and, as already mentioned, is aligned with the main European and national circularity initiatives. The definition process involved internal and external stakeholders, taking into account sector best practices and regulatory benchmarks. Its success also depends on the **collaboration with the supply chain and other actors in the supply chain**, which must integrate circularity principles into their processes and procurement activities. This document is regularly updated and, therefore, is a dynamic tool which can adapt to changing legislation and business needs.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of the Board of Directors (hereinafter the "BoD"), responsible for approving the policy, to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. The IMS Policy is approved by Terna's Board of Directors. The related guidelines are valid for all corporate processes and activities. It is therefore the responsibility of the entire management to implement these guidelines. Monitoring of the implementation of the Policy is carried out annually through the Integrated Management System Review and through annual Audits by the Certification Body (Third Party). Specifically, the Policy addresses, inter alia, waste, with the aim of managing the related material impacts, in line with the evidence of the double materiality assessment.

With respect to the principles set out therein and applicable to waste, Terna Group undertakes to comply with the requirements of the Environmental Management System in accordance with the **UNI EN ISO 14001:2015** standard. Therefore, it undertakes, in particular, to focus on waste management, moving towards material recycling, in accordance with circular economy guidelines. This transition is the main reference for waste hierarchy.

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing, through specific contractual clauses and qualification and selection processes.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

IO008HSE "Waste management in Terna Group Companies"

The aim of this corporate regulatory document is to define the operating procedures to be adopted for correct waste management and is applied to all Terna Group companies in the electricity sector and where waste is produced.

The organisational matrix for environmental management, including waste management, is consistent with that for security management as the company's structure provides for separate Production Units (PUs), the heads of which individually represent the company to the extent of their remit (in brief, the "Employer").

In addition to that described in relation to the Circular Economy Roadmap, in particular with respect to waste management and material recycling, various tools for monitoring and managing activities are in place. These include the quarterly assessment of the targets assigned to each department and the annual monitoring of environmental data, specifically in relation to waste, in accordance with **IO012HSE "Definition and data collection for environmental indicators"**. In order to ensure effective waste management, the Terna Group has designated a waste manager who is responsible, inter alia, for the correct classification and characterisation of waste and for managing temporary storage.

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Actions related to the promotion of circular economy

As part of its activities, the Terna Group implements a series of actions aimed at preventing, mitigating and correcting its material impacts related to the promotion of circular economy, in line with the principles and targets of the policies adopted and described earlier.

In 2024, the Terna Group continued to monitor the Roadmap of Actions to 2030 relating to the Circular Economy Strategy for the procurement of materials and their proper use, sustainable use of resources including secondary raw materials, and waste management.

Therefore, based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

Resource inflow, including resource use

Complete survey of supplies containing secondary raw materials for assets composition

The development and maintenance of the NTG requires an important supply of power line assets (pylons, conductors, insulators), transformer substations (transformers, circuit breakers, other substation equipment) and control systems.

Terna does not purchase raw materials, but finished products (electrical equipment, conductors, tools and other components). The materials include steel (pylons), aluminium and copper (conductors and cables).

Therefore, in order to **identify supplies which included secondary raw materials**, an initial market survey was conducted in 2023 to identify suppliers that use environmentally high-performance goods for power lines, underground cables and electricity substation components. Therefore, the analysis covered the asset procurement phase (upstream value chain) and involved the main suppliers operating in the electricity sector. The survey showed a certain maturity in terms of meeting specific requirements and investment in improving environmental performance in production cycles.

The information gathered from the market survey, in particular the percentages of raw materials comprising various assets, was subsequently used for an initial estimate of the percentage of recycled raw material use in supplies purchased during 2024.

The results obtained are not fully representative for the definition of a percentage of recycled raw material use in the overall purchased assets. However, they are a starting point for the next in-depth studies planned for 2025 and 2026, which will strengthen awareness and dialogue with suppliers, fostering the evolution of the market towards increasingly sustainable solutions.

Detailed study of energy and material flows used to perform Terna Group's core business and periodic measurement of corporate circularity with KPIs and specific tools

Assessing the circular economy is a new and complex process that often involves many actors and requires a considerable amount of data.

Circular economy is found in multiple aspects of the production cycle of goods or services and is now defined by a sound regulatory framework, established at European level by the **Circular Economy Action Plan and at national level by the National Strategy for the Circular Economy**. Furthermore, **UNI TS 11820**, the first technical specification for measuring the circularity of a company was published in 2022 (updated in 2024).

The study on energy and material flows was conducted in 2024 and focused mainly on the grid assets managed by Terna Rete Italia S.p.A.. It covered the upstream value chain, analysing 2023 stocks of materials comprising grid assets, and the downstream supply chain, examining the residual useful life, hence, the future needs in terms of replacement of assets and materials to be included in the disposal/recovery cycle.

The geographical scope of the action is limited to Italy, given the nature of Terna Group's business and the focus on Italy's grid assets. The stakeholders involved include both internal functions (purchasing, engineering, environmental management) and external actors, such as suppliers and academic partners, with which the Group collaborates to develop advanced circularity measurement methodologies.

Energy flow analysis was used to examine changes in consumption over the years between different consumption sites (electricity substations, buildings, etc.).

The circularity level was calculated using a specially developed tool and took into account a number of indicators, some of which will be further refined in 2025 to improve the representativeness of the figure. Measurement will continue with the aim of broadening the engagement of further business areas and stakeholders in order to consolidate a structured approach to circularity management.

The indicators for the calculation of circularity, defined and developed based on the UNI TS 11820 technical specification, adapted to the business context, considered the results of the analysis of energy and material flows, in addition to a series of additional information such as percentages of sorted waste, energy classifications of all buildings, assets and infrastructures that provide for circular end-of-life management solutions, critical raw material inputs from recycling and/or recovery and/or by-products.

SF_6 gas regeneration

At the end of 2020, the **Closed Cycle Management of SF_6 project** has been launched, aimed at managing the entire life cycle of SF_6 gas during ordinary and extraordinary plant maintenance operations, in collaboration with Synecom, a company specialised in the closed cycle management of regenerated SF_6 gas.

This activity, which is aimed at reducing greenhouse gas emissions and is already in place, resulted perfectly in line with the targets set by Terna Group in 2023 in the Circular Economy Roadmap during the circularity analysis. Therefore, it was included therein. The action covers the entire lifecycle of SF_6 gas within the grid operation, covering: the supply of regenerated SF_6 gas to replace new gas, reducing the need for new production and the related emissions (upstream chain); the treatment of decommissioned SF_6 gas, which was previously disposed of through thermal destruction and now, thanks to the project, is treated in accordance with a regeneration process and reintroduced into the operating cycle (downstream chain).

Before the launch of this collaboration, SF_6 gas disposed of during routine and extraordinary maintenance, due to it no longer functioning as an insulator, was sent for final disposal (thermal destruction) and replaced with new gas.

Both the production of new SF_6 gas and the disposal of the old gas result in leakages and, therefore, greenhouse gas emissions into the atmosphere. The regeneration thus enables a doubling of the reduction in CO_2 equivalent emissions. In detail, according to Synecom, the emissions saved for each kg of SF_6 not produced from new (because regenerated

gas is purchased) are between 3 and 8% (average loss rates for production plants), whilst those saved for each kg of SF_6 not sent for thermal destruction are between 2% and 4% (average loss rates for thermal destruction plants), according to the values shown in the 2019 Guidelines for National Greenhouse Gas Inventories of the International Panel on Climate Change (IPCC). The average percentage of avoided emissions with the same amount of non-produced and non-destroyed new gas is 8.5% (5.5% +3%).

This action covers Italian plants. During the four-year period 2021-2024, approximately 33,736 kg of SF_6 gas have been regenerated, preventing the leakage into the atmosphere of approximately 2,868 kg (resulting from the sum of the leakage during production of new gas and the disposal of disused gas) which, based on the 8.5% average between non-production and non-destruction, amounts to 67,398 tonnes of CO_2 equivalent avoided. The emissions prevented correspond with those emitted in a year by approximately 8,100 diesel fuel vehicles. In the Circular Economy Roadmap, a target of regenerating 57,000 kg of SF_6 gas by 2028 has been set. The target has been calculated taking into account the average quantity of gas regenerated annually to meet with Terna's needs, i.e., the kilograms of SF_6 gas disposed of.

Innovative projects to contain SF_6 leakage

In 2024, Terna S.p.A. and Terna Rete Italia S.p.A. identified an innovative solution that could be tested in order to limit the greenhouse gas emissions related to its core business, with particular reference to SF_6 gas used in GIS stations.

This solution, which involves the French supplier Mastergrid, uses a metal "cover" that is specifically designed and sized for a particular flange of the GIS system.

Mastergrid's solution will be tested during 2025 on a leakage point at the GIS plant in Ceprano (central Italy).

This first test on a single plant is necessary in order to check the effectiveness in terms of containing SF_6 gas leaks.

Should the first test be successful, a large-scale planning process may begin over a medium-term horizon, specifically starting from 2026. This will therefore include the identification of new potential test sites, presumably evenly located throughout the country, and technical-economic assessments preliminary to final adoption.

Waste

At the end of the normal life cycle of the finished products purchased to expand and maintain the NTG (electrical equipment, conductors, equipment and other elements), the materials comprising such products are recovered for reuse in operations. Only a residual portion is sent to landfill.

Whilst the overall amount of waste produced reflects the timing of equipment replacements, effectual recovery depends on the materials contained in the waste: some of them are easy to separate out and thus reuse (for example, iron parts of pylons). In other cases, it is either too costly or not possible to separate the various parts, above all when dealing with the most obsolete equipment. For these reasons, annual changes in the amount of waste generated and the percentage of waste recycles should not be interpreted as indicating a trend. Monitoring of the waste generated and the means of waste management employed are audited both internally and externally as per ISO 14001 certification requirements, as are the methods of waste disposal, to ensure compliance with existing legislation.

The main special hazardous waste generated by the operation of power lines and substations with high recovery percentages, consists of:

- Metal waste. Waste results from the decommissioning of transformers, electrical equipment and machinery that is no longer used and contaminated by hazardous substances.
- Batteries. In the event of a blackout, batteries enable emergency generators to be switched on in order to keep the energy transformation and transportation service up and running during emergencies.
- Dielectric oils. Used for isolating transformers replaced after periodic transformer maintenance checks.

The waste sent for disposal mainly consists of materials deriving from infrastructure maintenance and cleaning activities (oily emulsions and rags containing solvent oils) and insulating materials containing asbestos, for which no form of recovery is envisaged.

The main actions carried out by the Group during the year in order to pursue the targets set out in its waste management policies are as follows:

Tracking and reporting on waste using the Atlantide software

As part of the project to digitalise its processes, in 2024, Terna S.p.A. and Terna Rete Italia S.p.A. introduced a system to support the administrative management of waste in order to increase efficiency and achieve a high level of control. This need will also combine with the entry into effect of the new National Electronic Waste Traceability Register (RENTRI). Indeed, the software will allow interoperability with the RENTRI information system, facilitating the communication of waste traceability data from Terna to RENTRI.

This new software will also enable Terna to extract more reliable and accurate reports on waste that also provide greater control over waste recycling rates.

Transforming used PPE (clothing, shoes and helmets) into secondary raw materials

Optimising the recycling of waste by transforming Terna S.p.A.'s and Terna Rete Italia S.p.A.'s PPE into second raw materials began in 2021 and is still in place as part of the collaboration with ESO Benefit. ESO stands out from other market operators which collect the same type of waste thanks to its expertise in the **back-to-work** services provided to companies that use PPE, such as work clothes, helmets and shoes. The service provides for the collection and recycling of PPE that, once worn out and having reached the end of its life cycle, is sent to a recycling process. The back-to-work service enables companies to optimise their separate waste collection, transforming waste into new resources and adopting good corporate social responsibility practices. In particular, the material collected by ESO and correctly characterised is not finally disposed of by incineration (as is the case for the vast majority of this type of waste). In fact, it is sent to treatment processes that transform it into secondary raw materials (SRM). Specifically, the recycled part of shoes may be transformed into an anti-shock floor which, for example, is particularly suitable for children's playgrounds. The pilot use will be agreed directly with ESO, until 2028, based on the waste recycled in recent years.

Metrics and targets related to the promotion of circular economy

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Goals of the 2024-2028 Sustainability Plan

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets to assess the progress with respect to the circular economy and the related material impacts, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Sustainable value chain' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Recovery and regeneration of SF_6 gas	Terna Group	kg regenerated SF_6 gas	42,000	47,000	52,000	57,000

The above target was developed and set out, for the first time, in the 2024-2028 Sustainability Plan, the first to be integrated with the Industrial Plan. The base year to be considered for the formulation of the target is therefore, as a rule, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of performance and trends. The updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the board of directors, did not require any particular changes in terms of metrics or methodologies for this objective. **It should be noted that in 2024, 33,036 kg of SF_6 gas were regenerated, a year for which a target value had not been set**. The Sustainability Plan includes another target which is relevant to resource outflows, namely the 100% recovery of hazardous waste by 2028. For this target, which is linked to the "Waste" reference metric reported below, no significant Milestones are currently planned within the plan's timeframe, and developments regarding the target's applicability scope, originally conceived for the Electrical Perimeter, will be monitored within the dedicated Coordination Group.The above targets are consistent with those included in the Circular Economy Roadmap and Terna Group's Integrated Management System Policy, and comply with the UNI ISO 14001 standard. These targets were drawn up taking into account the main international frameworks (e.g. UNI EN ISO 14001:2015) and also take into account the requirements expressed by the various rating agencies specialised in sustainability topics. The target for SF_6 gas was defined based on the projected need for this gas over the next few years. Terna's use of regenerated gas complies with Regulation (EU) 2024/573, which aims to promote the use of regenerated gas rather than new gas. In setting the target of 100% recovery of hazardous waste by 2028, the current regulatory framework and internal waste management practices have been considered, in line with the environmental impact reduction objectives.

The target is closely linked to the management of resource inflows and outflows, in line with the principles of circular economy. The use of regenerated SF_6 gas reduces the dependence on new gas, optimising the efficiency of the resources already available. With respect to outflows, the recovery of hazardous waste and, more generally, correct waste management, contributes to ensuring a circular and efficient production model.

In particular, with respect to the waste target, in accordance with the waste hierarchy, reference is made to the recycling stage, while for the recovery of SF_6 gas, the target refers to the first of the five stages of the hierarchy, i.e. prevention. The targets covered by the Sustainability Plan and described herein are voluntary in nature and no absolute priority has been set for their achievement, except for possible milestones in the plan as shown in the table.

Regarding the process for defining and updating objectives, monitoring related performance, and employee involvement, please refer to the section "2024–2028 Sustainability Plan Update".

Metrics related to the promotion of circular economy

Resource inflows

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Terna Group's material resource inflows are those arising from the **development and maintenance of the NTG**. These activities require a substantial amount of capital goods, such as power lines (pylons, conductors, insulators), transformer substations (transformers, circuit breakers, other equipment) and control systems. Terna does not use raw materials, but does purchase finished products (electrical equipment, conductors, tools and other components). An estimate of the materials contained in the main products purchased is shown in the table below. Amounts have been estimated taking into account the average material content of the various products purchased in the year referred to. The bulk of the materials used are steel (pylons) and aluminium and copper (conductors and cables).

MAIN MATERIALS	U.M.	2024
Steel	tonnes	16,519
Aluminium		9,657
Porcelain		277
Copper		7,639
Glass		2,079
Dielectric oil		1,310
of which vegetable oil		182
Polymers		413
Total		**37,894**

MAIN MATERIAL	U.M.	2024
Technical products and materials	tonnes	37,712
Biological products and materials		182
Total		**37,894**

The estimation process starts with the calculation of the weight, expressed in tonnes, of the quantities of goods purchased for electricity substations (e.g. transformers, arresters, etc.) and power lines (e.g. carpentry, insulators, etc.). Purchases relate to activation letters and terminated contracts issued in the reporting year. Based on the list of purchased supplies and the main raw material for each supply, the main raw material for each supply is calculated, matching a percentage of the main raw material. Similarly, with respect to substation supplies, the unit weight in tonnes is estimated based on the list of machine types, using the number of machines purchased.

For example, in order to calculate the supply of circuit breakers, their main raw material is considered - in this case, porcelain - and the weight of the entire supply of circuit breakers is subsequently multiplied by the percentage of porcelain normally contained in an individual circuit breaker, generating the value in tonnes of the porcelain relating to the supply of all circuit breakers. This procedure must be repeated for all items, except for some substation supplies. These require a more detailed bill of materials, but use the same calculation methodology. These items include: "ATR 250 (400/155-135 kV) green transformers"; 420 kV circuit breakers; current and voltage transformers and arresters.

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E5-5 >

Resource outflows

Waste

WASTE DIVERTED FROM DISPOSAL	2024		
	U.M.	HAZARDOUS WASTE	NON-HAZARDOUS WASTE
Preparation for reuse	tonnes	0	1,555.7
Recycling		1,947.9	8,822.8
Other recovery operations		1,263.0	1,285.7
Total		**3,210.9**	**11,664.2**

WASTE DIRECTED TO DISPOSAL	2024		
	U.M.	HAZARDOUS WASTE	NON-HAZARDOUS WASTE
Incineration	tonnes	51.1	100.8
Landfill		72.0	320.3
Other disposal operations		240.9	737.4
Total		**364.0**	**1,158.5**

NON-RECYCLED WASTE	2024			
	U.M.	HAZARDOUS WASTE	NON-HAZARDOUS WASTE	TOTAL
Non-recycled waste	tonnes	364.0	1,158.5	1,522.5
Total waste	tonnes	3,570.1	12,821.3	16,391.41
Percentage of non-recycled waste	%	10.2	9.0	9.3

	U.M.	2024
Total hazardous waste generated*	tonnes	**3,570.1**
Total radioactive waste generated		**0**

** The total amount of waste sent for disposal and recovered differs from the total waste generated due to its temporary storage prior to delivery.*

Only special waste produced during the production processes is included, not waste produced by offices (urban waste). With respect to the Group companies operating in Italy, as it is not currently possible to provide accurate figures on waste recovery and disposal methods, an estimation was made based on the latest publicly available figures included in the 2024 Special Waste Report issued by the Italian Institute for Environmental Protection and Research (ISPRA). In particular, the types of waste disposed of and recovered were obtained by multiplying the total waste disposed of and recovered by the Italian companies, by the % weight of **disposal types** on the total waste disposed of and the % weight of recovery types on the total waste recovered, respectively, as per ISPRA's Special Waste Report. With respect to the disposal types included in the Special Waste Report, the following items were considered: 1) **incineration:** special waste for incineration and co-incineration, 2) **landfill:** waste disposed of through landfill; 3) **other disposal operations:** hazardous waste subject to other disposal operations. With respect to the **types of recovery** included in the Special Waste Report, the following items were considered: 1) **preparation for re-use:** no waste for re-use was identified, 2) **recycling:** special waste classified from R2 to R9, 3) ***Other recovery operations:*** special waste classified from R10 to R12.

The main special hazardous waste generated in the operation of Terna's power lines and substations are metallic waste; batteries, dielectric oils and oily emulsions. Terna Rete Italia S.p.A. generates over 90% of the Group's hazardous waste. The main special non-hazardous waste generated relates to machinery, equipment, supports, conductors, cables and packaging. In 2024, the LT Group generated more than half of the non-hazardous waste from EPC (**Engineering, Procurement, and Construction**) activities in connection with the operation of third-party photovoltaic plants (revamped plants and new plants built). In particular, these include photovoltaic modules and equipment, such as switchboards and inverters which serve the photovoltaic system. The main waste materials are metals (mainly steel) and wooden packaging.

Quality, security and continuity of the electricity service [Entity specific]

Impact, risk and opportunity management related to the quality and continuity of the service

Summary of impacts and opportunities related to the quality and continuity of the service

Positive impacts |

- Ensuring service quality through continuous infrastructure maintenance and grid appropriateness

Policies related to the quality and continuity of the service

< MDR-P

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts related to the quality and continuity of the service are described below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool to meet the need to ensure a high quality standard of the services provided. The Group's policies are also shared and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, through the creation of dedicated sections on the corporate intranet, the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna S.p.A.'s board of directors (hereinafter the "BoD"), responsible for approving the policy, to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. Responsibility for ensuring that the provisions of the Integrated Policy are implemented throughout the organisation lies with management as a whole. The related monitoring takes place annually through the Integrated Management System Review and through annual audits by the certification body. In particular, the Policy addresses, inter alia, **Quality management**. In compliance with the **UNI EN ISO 9001:2015 standard** and the impacts that emerged after the double materiality assessment, the Terna Group undertakes, inter alia, to:

- ensure adequate quality of the NTG performance, in particular the efficiency, continuity and security of the electricity service in compliance with applicable requirements (mandatory and non-mandatory);
- comply with the Group Industrial Plan;
- ensure the necessary resources for the planning, implementation, control and monitoring of the Quality Management System.

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for Terna, through specific contractual clauses and qualification and selection processes.

With reference to asset management, Terna S.p.A. and Terna Rete Italia S.p.A. comply with the requirements of the **Asset Management System** and the **ISO 55001:2014 standard** "Asset Management- Management systems - Requirements". Accordingly they undertake to:

- maximise the availability, reliability and useful life of assets, while maintaining security and containing costs, through maintenance and management activities based on the principles of the UNI standards on maintenance;
- comply with the legal standards governing electric and magnetic fields by adopting a prudential principle that considers - when constructing new power lines - the demand for more precautionary measures (which are acceptable if technically feasible, without prejudice to the obligations of continuity, security and cost-effectiveness of the service) and by constantly focusing on the scientific developments affecting this topic, following correct external information and contributing to the balanced understanding of the phenomenon;
- create value: either for customers through the availability and reliability of grid elements; or for shareholders through the optimal preservation of assets throughout their life cycle, the reliability of components and the cost-effectiveness of maintenance activities; or for the community and the environment, by complying with mandatory regulations.

Based on these commitments, as mentioned earlier, the Asset Management process complies with the ISO 55001:2014 certification, which guarantees the effectiveness and efficiency of the maintenance and renewal process of the power lines and electricity substations that form part of the national transmission grid throughout their life cycle and the achievement of high performance levels in terms of reliability and availability. The applicable standard requires the issue of two documents:

- the Strategic Asset Management Plan (SAMP) which "specifies how the organisation's objectives are to be converted into asset management objectives and the role of the asset management system in supporting the achievement of asset management objectives".
- The Asset Management Plan (AMP), which "specifies the activities, resources and timing required for an asset, or a group of assets, to achieve its asset management objectives".

Through the Plant Maintenance Plan and the Renewal Plan, the AMP describes the actions to be carried out on the assets forming part of the national transmission grid (NTG) in order to achieve the asset management objectives established by Terna in the Strategic Asset Management Plan (SAMP).

The Asset Management structure is responsible for preparing the Plant Maintenance Plan and the Renewal Plan, and for monitoring their proper implementation. The departments and the units, which are the service providers of the process, are responsible for the implementation of the plans.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

Actions related to the quality and continuity of the service

MDR-A

As part of its activities, the Terna Group implements a series of actions aimed at ensuring the efficiency, continuity and security of the electricity service, in line with the principles and targets of the policies adopted and described earlier.

Terna S.p.A. owns almost the entire national transmission grid (NTG) and has entrusted its subsidiary Terna Rete Italia S.p.A. with the performance of all regulated activities, the operation and maintenance of the portion of the NTG owned by the Terna Group, as well as with the performance of the actions described in the NTG Development Plan and in the Security plan for the electricity system and all operating activities necessary for the performance of the dispatching and transmission activities entrusted to Terna under concession basis.

Based on the reference framework, the paragraphs "Main actions provided for in the Development Plan", "Security Plan and Resilience Plan" and "Infrastructure maintenance" as part of the Regulated Activities of "The Terna Group's business" section to which reference should be made, describe the actions implemented in 2024 and any additional initiatives planned by the Terna Group for the next few years, which, as specified in those paragraphs, are operationally carried out mainly by the subsidiary Terna Rete Italia S.p.A..

Financial resources for the implementation of service quality actions

The following table shows the current significant operating expenditure (OpEx) and the capital expenditure (CapEx) related to the main actions implemented by the Terna Group - described earlier and discussed in greater detail in the relevant sections - to manage its impacts and risks related to service quality.

ACTION	CAPEX 2024* (€m)	OpEx 2024 (€m)	LINK WITH FINANCIAL STATEMENTS ITEMS
Development Plan	1,591.6		Property, plant and equipment and intangible assets
Security plan	296.5		Property, plant and equipment and intangible assets
Renewal of electricity assets	526.6		Property, plant and equipment and intangible assets
NTG plant maintenance and operation		114.4	Raw and consumable materials used – Services – Personnel expenses – Other operating costs

** Amounts include capitalised financial expenses.*

The future financial expenses associated with the actions shown in the table are aligned with the amounts envisaged in the Update of the 2024-2028 Industrial Plan.

Metrics and targets related to the quality and continuity of the service

Goals of the 2024-2028 Sustainability Plan

MDR-T

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets to assess the progress with respect to the quality and security of the service and the related material impacts, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously. In particular, for additional information on the target related to the construction of assets to increase the resilience of the national transmission grid, reference should be made to the section "Additional targets related to climate change".

Metrics related to the quality and continuity of the service

MDR-M

In order to monitor the effectiveness of the actions taken in relation to the quality and continuity of the service, as well as their contribution to achieving the targets that the Group has set as part of its relevant policies, Terna has defined metrics to measure maintenance activities and the revenue and costs broken down in the paragraphs "Infrastructure maintenance" and "Continuity and quality of service", respectively, as part of the Regulated Activities of "The Terna Group's business" section to which reference should be made.

Social information

Workforce [ESRS S1]

Impact, risk and opportunity management relating to workforce

Summary of material impacts, risks and opportunities on workforce

Positive impacts |

- Employment security guaranteed by industry collective bargaining agreements for Group employees (e.g. percentage of permanent contracts for Group employees)
- Improvement of employees' working conditions through the stipulation of company agreements guaranteeing adequate working hours and wages
- Contribution to improving employees' mental and physical health through dedicated company initiatives (e.g. HSE screening)
- Widespread employee confidence in employee consultation and participation mechanisms
- Contribution to the improvement of employees' working conditions through the adoption of measures exceeding regulatory requirements, implemented through a National Collective Bargaining Agreement (CCNL)
- Increased HR welfare through the implementation of social dialogue systems, corporate welfare and the development of work-life balance policies
- Reduction of the gender pay gap ensured by a meritocratic assessment system
- Increased personnel skill development through initiatives aimed at improving internal and external employability including through a periodic performance review system
- Promotion of employee inclusion and health and safety (e.g. measures to combat violence and harassment in the workplace; personnel awareness-raising measures)

Negative impacts |

- Accident events among Group employees
- Misuse of employees' personal data

Risks |

- Injuries / accidents to the detriment of employees, contractors and subcontractors
- Difficulties in recruiting resources with technical / specialised skills and/or in attracting and retaining talent due to unavailability in the market and increased competition

Opportunities |

- Increased attractiveness in financial markets due to the gender pay gap reduction strategy
- Increased attractiveness in financial markets thanks to the inclusion and diversity promotion strategy

Workforce policies

< MDR-P
< S1-1

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts, risks and opportunities related to its workforce are detailed below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders. Ensuring that they can represent a valid tool for human resource management across the entire Organisation. The Group's policies are also shared and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders. For instance, through the creation of dedicated sections on the corporate intranet, the website or other types of documents where deemed necessary, as well as through further targeted information and/or training initiatives.



Code of Ethics

The Code of Ethics identifies and defines the **values, principles and standards promoted by the Terna Group**, which represent an essential prerequisite for the correct implementation of the strategic choices and of all the company's activities, **with the aim of preserving its value and integrity over time**. The document identifies all of Terna Group's stakeholders by drawing ethical lines related to their specific needs. With particular reference to aspects concerning its own workforce, it should be noted that Terna Group considers respect for the individual as the foundation of its relations with its employees, protecting their physical integrity and moral dignity. In particular, it undertakes to:

- exercise hierarchical and organisational authority in a balanced manner and without abuse;
- disseminate and consolidate an employee health and safety culture based on risk awareness and prevention, including ensuring that workplaces are safe, healthy and decent;
- value its human resources by providing everyone, in a clear and accessible manner, with the information and training needed to do their job;
- reward individual ability and merit without discrimination caused by other factors;
- avoid any discrimination based on the age, gender, sexuality, health status, race, nationality, political opinions and religious beliefs of their stakeholders;
- respect workers' right to form representations, recognising the role of the most representative trade union organisations;
- refrain from condoning behaviour of systematic discrimination, humiliation, psychological violence or isolation towards co-workers or colleagues, irrespective of the reasons behind it;
- refrain from tolerating sexual harassment or behaviour or speech of a sexual nature that may offend a person's sensitivity;
- remove physical barriers that impair the possibility or ability of persons with disabilities to work;
- treat its employees fairly and with respect for their rights, choosing them only on the basis of their skills and abilities matching the company's needs, in compliance with equal opportunities policies.

In addition, the Group's commitment to managing the impact of "Privacy" in the context of the Code of Ethics is embodied in the following principles:

- not disclosing information concerning Terna Group's business to the outside world. In particular, not allowing confidential information to come to the knowledge of people outside the company or other than the personnel authorised to process it;
- protecting the privacy of individual employees by adopting policies that specify what information is requested and how it is processed and stored. With reference to these policies, they include the prohibition to disclose/disseminate personal data without the data subject's consent;
- conducting personnel administration with accuracy and confidentiality of personal data, making the selection criteria adopted transparently available, within the limits of confidentiality considerations, to those concerned.

For additional information, reference should be made to the section 'Corporate culture and business conduct policies' under 'Governance information'.

Respect for Human Rights in the Terna Group

Terna Group's Guideline on Respect for Human Rights is based on the belief that the primary responsibility for respecting human rights lies with States, but it also recognises the crucial role played by companies in ensuring respect for human rights within their activities. The **Group is committed to high ethical standards**, even in countries where local laws do not fully guarantee human rights. The policy focuses mainly on labour-related human rights, in particular those set out in the 1998 **International Labour Organisation (ILO) Declaration**.

Terna Group's main commitments are in the following areas:

- **Forced labour and child labour**. Terna does not tolerate any form of child or forced labour and repudiates practices and treatment that are incompatible with a person's dignity and include the deprivation of individual freedom by third parties. Any form and type of modern slavery - servitude, forced or compulsory labour and human trafficking - is therefore considered inadmissible.
- **Brutal and inhuman treatment**. Terna requires that employees be treated with dignity and respect. Corporal punishment and forms of intimidation and sexual or racial harassment, including verbal, are not permitted under any circumstances.
- **Discrimination**. Terna does not apply any form of discrimination for reasons associated with race, colour, sex, language, religion, political opinion, sexual orientation, nationality, social background and status, trade union membership, age or disability in all areas of working life, such as selection, hiring and dismissal procedures, economic treatment, access to training, promotions.
- **Freedom of association and collective bargaining**. Terna guarantees workers' right to freely form trade union associations and recognises the right to collective bargaining, sharing with trade union organisations a system of industrial relations based on constant and constructive dialogue.
- **Health and safety**. Terna considers health and safety protection to be core values that underpin the Company's actions as a whole and adopts high standards for assessment, prevention and management of the related risks. The prevention of risks to health and physical integrity applies, in the workplace, to employees and, more generally, in the Group's activities, in relation to all stakeholders.
- **Working conditions and pay level**. Terna undertakes to ensure healthy and hygienic working conditions, not to require excessive workloads in terms of hours and days worked, and to guarantee adequate rest periods. The minimum pay level of employees may not be lower than that laid down by the applicable collective bargaining agreements and laws and regulations in force in the various countries.

Other topics covered include privacy, intellectual property protection, environmental protection, and tackling corruption.

The **Guideline's monitoring process** is based on **due diligence that identifies human rights risks** in Terna's activities and in its supply chain. This process assesses potential impacts, particularly on vulnerable groups, and ensures that mitigation measures are effective. Ascertained human rights violations are addressed through remedial measures and sanctions, while progress is monitored through regular follow-ups.

The Guideline is updated annually and in the event of significant changes in the Group's operations.

The Terna Group's Guideline on Respect for Human Rights applies to all activities carried out by Group companies, with particular attention to internal operations and the management of relations with suppliers and business partners. This Policy identifies the Due Diligence process as the tool to identify the activities that could be most at risk of human rights violations, while also taking into account the vulnerable groups of people that could potentially be affected.

The application of the Guideline on Respect for Human Rights, of which the due diligence process is the operational phase, primarily involves the Sustainability structure and, as part of the activities included in the audit plan, the Audit structure.

The Guideline refers to the following international documents: **UN Universal Declaration of Human Rights** (10 December 1948), **Declaration on Fundamental Principles and Rights at Work** issued by the International Labour Organisation (ILO); **Ten Principles of the Global Compact**; **UN Guiding Principles for Business and Human Rights**; **Guidelines for Multinational Enterprises issued by the OECD**. In describing the Due Diligence process, as part of the process of identifying the potential impacts of the Terna Group's activities on human rights, the Guideline takes into consideration human rights and the stakeholders potentially affected, with particular attention to vulnerable groups such as children, indigenous peoples, migrants, disabled people, and employees of suppliers who carry out their activities at Terna Group offices and sites.

The Guideline is available and publicly accessible on Terna's website.

As illustrated in the Guideline in question, the Terna Group shares the principles of human rights protection set out in the UN Universal Declaration of Human Rights (10 December 1948), in the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organisation (ILO), and in the Ten Principles of the Global Compact, and undertakes, therefore, to prevent the risk of any negative impacts on human rights caused by its activities, either directly or through business relationships, in line with the indications contained in the UN Guiding Principles on Business and Human Rights approved by the UN Human Rights Council in June 2011 and the Guidelines for Multinational Enterprises issued by the OECD. Although Terna's commitment concerns all human rights without distinction, this Guideline is drawn up taking into account the business context and location of the activities carried out by the Group Companies. The result is a focus above all on human rights related to employment, with respect to which Terna adopts the contents of the Declaration on Fundamental Principles and Rights at Work issued in 1998 by the International Labour Organisation.

The implementation of the commitments set out in this Guideline is based on the definition and implementation of a Due Diligence process that involves identifying the potential impacts of the Group's activities on human rights and assessing the adequacy of the mitigation measures taken. Specifically, the Due Diligence process considers stakeholders' human rights, including employees of suppliers operating at Group premises and sites. Starting from the stakeholders, the potential interactions between the Group's activities and the human rights of its stakeholders are then assessed, leading to the emergence of a map of the activities that are most exposed to the risk of negative impacts, also considering the supply chain, with particular regard to those cases identified as being at greater risk with reference to respect for human rights (such as suppliers of contract and subcontract work and operations carried out on behalf of Terna in countries at risk for human rights or partnerships with business purposes, e.g. joint ventures with and without controlling capacity, acquisitions).

In order to facilitate access to an effective remedy for victims of human rights violations and in compliance with the third pillar of the Guiding Principles on Business and Human Rights, the Terna Group considers the violation reporting methods provided for by the Code of Ethics and by this Guideline to be equally valid. In the case of ascertained human rights violations, immediate remedial measures must be put in place to prevent the continuation or recurrence of the violation, as well as possible measures to sanction the violation and remedy the individuals whose right has been violated. Both mitigation plans and remedial actions are subject to follow-up monitoring to ensure their effectiveness.

For each of the thematic areas listed in the Guideline on respect for human rights, which emerged from the joint consideration of human rights and the Terna Group's activities, the latter's commitments are set out, which concern the activities carried out in-house by the Group companies and extend to relations with suppliers and business partners. In particular, the following passage is noted: ''*Terna does not tolerate any form of child or forced labour and repudiates practices and treatment that are incompatible with a person's dignity and include the deprivation of individual freedom by third parties. Any form and type of modern slavery - servitude, forced or compulsory labour and human trafficking - is therefore considered inadmissible*."

The Group's ethical conduct of business includes responsible management of suppliers, who are required to conduct themselves in a lawful and ethical manner, while protecting human and labour rights, health and safety, information security and the environment. These behaviours have been formalised in the ''Supplier Code of Conduct" in which each principle is linked to the requirements contained in the qualification and in Terna Group's tender and contract documentation.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna S.p.A.'s board of directors (hereinafter the "BoD"), responsible for approving the policy, to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. The IMS Policy is approved by Terna's Board of Directors, in which the company's CEO and General Manager also take part. The related guidelines are valid for all corporate processes and activities. It is therefore the responsibility of the entire management to implement these guidelines. Monitoring of the implementation of the Policy is carried out annually through the Integrated Management System Review and through annual Audits by the Certification Body (Third Party). In particular, the same Policy also addresses workplace health and safety among other aspects.

With reference to the policies defined with a view to overseeing and protecting Workplace Health and Safety, the Terna Group undertakes to comply with the requirements of the **Workplace Health and Safety Management System**, in compliance with the **UNI ISO 45001:2023 standard**, for the purposes of managing the relevant impacts, risks and opportunities set out in the introduction to this section. In this regard, the companies in the electricity sector undertake to:

- promote collaboration with Competent Authorities and with Business Associations in order to set up an effective communication channel aimed at the continuous improvement of performance in terms of workplace health and safety, third parties and stakeholders;
- verify, by means of inspections, the implementation of the legal provisions on workplace health and safety, carried out by the relevant organisational structures. In this regard, the Terna Group monitors all company risks related to workplace health and safety aspects and, in particular, those considered relevant such as "electrocution" and "falling from heights", adopting prevention and containment measures. They are implemented to promote safety and health protection not only among its own employees, but also among all workers involved in the processes (e.g. contractors, suppliers, designers, etc.);
- monitor company accidents (with and without injury) in order to ensure their control, identify critical issues and related corrective/training actions;
- verify, in cooperation with institutes and bodies of national standing, procedures relating to workplace health and safety, particularly with regard to electrical hazards;
- enhance and enrich the wealth of experience and knowledge disseminated, through ongoing personnel training, guaranteeing, as a minimum, the training required by the mandatory regulations;
- promote and develop the company's programme for the dissemination of a ''safety culture" that encourages a shift from an approach to safety based solely on regulatory and compliance aspects to one based on people's behaviour and awareness;
- foster workplace health promotion programmes, in line with the provisions of the 2020-2025 National Prevention Plan (PNP) and the World Health Organisation model.

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested, also from companies and personnel working in outsourcing, through specific contractual clauses and qualification and selection processes.

The organisational structure of the companies in the electricity sector requires the subdivision into Production Units, each of which has a responsible Employer who carries out monitoring and control actions on workplaces, plants and sites.

The correct and full application of the procedures is subject to inspections by the structures coordinated by the Prevention and Protection Service Managers, to internal compliance audits for all companies in the electricity sector, and to the external audits required to confirm certification. In addition, there is an elected employee representation with the task of monitoring the application of the regulations (employee safety representatives). As part of their contracted

activities, the companies in the electricity scope carry out inspections on their sites to verify the correct application of accident prevention regulations by the appointed safety professionals and the contractors.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

Human Resources Management Policy

The Human Resources management policy focuses on the development and well-being of human capital, ensuring a fair and inclusive working environment in line with the values of sustainability and well-being. The aim is to promote a corporate culture that enhances motivation and Group identity, fostering collaboration, merit and professional growth.

This vision is also reflected in **Terna's People Strategy**, a key strategic element for corporate success and based on the pillars of empowerment, experience and excellence. The leadership model adopted aims to boost innovation, foster inclusive communication, and develop a unified corporate identity through the **One Terna concept**, which encourages each employee to be a leader in his or her own field, contributing to growth and **skill development**. **Inclusiveness**, **fairness and respect are key principles**, promoted both in internal management and in selection and onboarding processes.

One of the main risks lies in the difficulty in attracting and retaining highly qualified talent, which could undermine the company's competitiveness in the long run. In order to mitigate this risk, talent attraction relies on various employer branding initiatives, relationships with the academic world and the use of several recruiting tools and channels, including digital and innovative ones, as well as internal mobility, which represents a strategic lever for the growth of employees and the company. A performance management system has also developed, which introduces new assessment parameters to ensure meritocracy and transparency, and a talent management programme that places the individual at the centre of their career path, supporting their growth and development. Furthermore, the **HR strategy includes measures that go beyond regulatory requirements**, ensuring **optimal working conditions** through **company agreements**, **collective bargaining** and **welfare instruments**, thus **ensuring pay equity**, **adequate working hours** and a **good work-life balance**.

The effectiveness of HR management is therefore a crucial element in achieving strategic and sustainability goals, and the measures adopted are aimed at reducing risks and ensuring the continuous improvement of business practices.

The policy is controlled and monitored through a structured system based on performance indicators, risk management and checks of compliance with internal and external regulations. Monitoring also includes the use of organisational listening tools, such as internal surveys and analyses of onboarding experiences and exit interviews, in order to collect feedback that can be used for continuous improvement.

The policy is updated periodically and proactively in response to regulatory, organisational and strategic changes within the Group. Revisions are made to ensure alignment with developments in the labour market and business needs, thus ensuring that it remains an effective HR management tool.

The policy generally applies to all Terna Group companies in Italy, involving both direct employees and those under external contracts.

The person responsible for implementing the policy is the Head of Human Resources, who oversees the proper application of the company's policies on employment, welfare and inclusion. This managerial level ensures that all strategies are implemented effectively, aligning them with corporate objectives.

The Group is committed to complying with various regulations and third-party initiatives, such as those relating to gender equality, diversity and inclusion standards under international laws and regulations. The practices are aligned with ISO 30415:2021 guidelines and Italian and European regulations on gender equality and human resources management.

Policy Diversity, Equity & Inclusion (DE&I)

Terna's **Diversity, Equity and Inclusion Policy** is committed to creating a work environment that favours the inclusion and enhancement of diversity, including in terms of **gender, disability, affective orientation, gender identity**, and **cultural diversity**. In particular, the Policy was developed with the aim of formalising the commitment to value and protect diversity, and to prevent and sanction any discrimination and harassment on the basis of gender, age, sexual orientation, nationality, disability, political opinions, religious beliefs and any other personal characteristic of its stakeholders, in compliance with all applicable international and national laws and regulations for respecting diversity and promoting inclusion. General objectives include the promotion of **gender equality** and **equal pay for work of equal value, training and skills development** which are dealt with in detail in the Human Resources Management policy to which the DE&I policy refers, and the **inclusion of people with disabilities**. In addition, the policy also explicitly addresses the **prevention and reporting of harassment and violence in the workplace**. These commitments are set out in different thematic areas, so that the Company can contribute positively to building an inclusive and sustainable corporate culture that is attentive to all types of diversity:

- **Gender Diversity**. Terna promotes gender equity through welfare policies, competency-based selection processes and pay equity. The Company develops female leadership programmes, internal and external awareness-raising initiatives, and supports projects to guide young women towards STEM positions. The establishment of the Steering Committee for Gender Equality ensures the continuous implementation of the equality policy;
- **Generations**. The Group Companies value intergenerational dialogue, seeking to integrate different experiences and skills to foster growth and innovation within the organisation, addressing the challenges of turnover and managing different ages within the Company;



- **Affective Orientation and Gender Identity**. The Company promotes an inclusive culture, respecting all gender identities and affective orientations, and combats all forms of discrimination through awareness-raising initiatives and business practices that foster mutual respect;
- **Disability**. The Group is committed to ensuring equal opportunities for people with disabilities, removing physical and cultural barriers and creating an accessible and inclusive work environment where everyone can fully develop their talents;
- **Interculturality**. The Company promotes multicultural integration, valuing cultural diversity to foster cooperation and innovation. It is also committed to respecting and communicating a plurality of perspectives, contributing to the growth of a more inclusive and open working environment.

The policy monitoring process includes the use of Key Performance Indicators (KPIs) to measure progress on these objectives, in particular those related to equal pay and to female leadership. The adoption of these measures aims to reduce the risk of creating a working environment that does not respect diversity, which could damage the organisation's image and effectiveness. On the contrary, opportunities arise from enhancing the Group's reputation as an inclusive employer, with a positive impact on employee motivation and new talent attraction. Monitoring continues through the **surveying employees' perceptions** and the implementation of corrective initiatives.

The DEI policy applies to all Group employees, without exception in terms of contract, including employees on fixed-term or permanent contracts, on probation as well as those with temporary or internship contracts. The policy covers all Terna Group companies both in Italy and abroad, and extends to all activities and geographical areas in which the Group operates. The policy covers all stages of working life, from selection to promotion, from training to professional development, and guarantees equal opportunities at all these stages, without discrimination based on personal characteristics.

Team leaders, **managers** and those who manage employees are called upon to ensure respect for the principles of diversity and inclusion in their daily work. Furthermore, the policy implies that the **Gender Equality Steering Committee** (responsible for certifying gender equality) plays an important role in supervising and monitoring gender diversity actions.

The DEI Policy aligns with the principles of the Universal Declaration of Human Rights and the Conventions of the International Labour Organisation (ILO) as well as with the Charter of Fundamental Rights of the European Union to protect the rights of all employees and different social groups. In addition, the Terna Group adopts the **UNI/PdR 125:2022** standard which concerns the **certification of gender equality**. The company is actively committed to complying with these international standards, ensuring that all internal policies are in line with them, to promote a fair and inclusive working environment.

In the definition and implementation of the policy, the interests of employees and of all parties that may be involved in the diversity inclusion and enhancement process are taken into consideration. Team leaders and managers play a key role in ensuring that inclusiveness policies are adhered to. The Terna Group is committed to creating an environment that supports the growth and development of all employees, addressing any cultural or relational obstacles that could limit inclusion.

The policy is made available to all employees through **training** and **induction sessions** which also involve the board of directors. In addition, the policy is published on the company's website to ensure transparency and disseminate the value of diversity and inclusion. The Group also offers a whistleblowing system which allows anyone to safely and anonymously report any behaviour that does not comply with the principles of the DE&I policy using the available IT reporting channel or the dedicated link, as well as other channels such as e-mail or ordinary mail. Reports are reviewed by the competent corporate bodies, which take prompt corrective action. Monitoring the implementation of the Policy includes verification of the objectives and corrective actions taken.

Privacy Model

In order to mitigate and reduce the impacts in terms of the misuse of employees' personal data, and to ensure compliance with data protection regulations, namely EU Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of individuals with regard to the processing of personal data and on the free movement of such data ("GDPR", Legislative Decree No. 101 of 2018), Terna S.p.A. and its subsidiaries Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. have adopted an organisational and management model for the protection of personal data, set out in LG039 ("The Terna Privacy Model" or, hereinafter, the "Privacy Model"), based on a specific framework for the allocation of responsibilities and the adoption of behaviours and tools, through which they outline their privacy commitments, which are as follows:

- safeguarding the personal data of their own workforce;
- treating personal data and information with confidentiality, discretion and integrity;
- protecting their employees' personal data and information from attacks and/or breaches from outside the organisation.

LG039 also constitutes an act of policy dictated by the Parent Company addressed to all Italian Terna Group companies.

The Privacy Model implements the GDPR provisions with regard to the fundamental rights of the protection of natural persons with regard to personal data processing and "respect for one's private and family life, home and communications" enshrined in the Charter of Fundamental Rights of the European Union ("Nice Charter", Articles 7 and 8) and Article 16(1) of the Treaty on the Functioning of the European Union ("TFEU"), which establishes the right to personal data protection. The Privacy Model also incorporates the relevant guidelines of the Italian Data Protection Authority (e.g. "Measures and precautions prescribed for data controllers of processing operations carried out by electronic means with regard to the attribution of system administrator functions - 27 November 2008").

In line with the GDPR provisions, Terna has appointed a **Data Protection Officer (DPO)**, who is the person called upon to facilitate compliance with the Company's Privacy Regulations and Model. In particular, the DPO is at the heart of the accountability principle management process, overseeing compliance with the Privacy Regulations as well as the procedures and policies adopted.

In addition, the Group has identified a **Privacy Delegate**, who is the person within the corporate framework who is responsible for defining the strategic and organisational direction with regard to matters concerning the application of the Privacy Regulations, in order to prepare all the necessary and appropriate actions to fulfil the requirements. The Privacy Delegate is entrusted with the supervision of Personal Data Protection regulations, i.e. the direction of all activities relating to the protection of the PDs subject to processing. Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l., Terna Energy Solutions S.r.l. have identified the same DPO and Privacy Delegate.

Due to different organisational needs and complexities, some Italian subsidiaries have appointed a DPO (Tamini Trasformatori S.r.l., LT S.r.l.), while the responsibility and functions of the Privacy Delegate lie with the Data Controller.

In order to ensure the widest possible dissemination and implementation of the Privacy Model, the same is made available to the employees of the companies to which it applies (Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus) as part of the document system available on the Company's intranet, and specific information is provided on the governance system adopted, the Registers of processing activities, as well as a dedicated Information privacy area. The Privacy Model is also shared with all the other Italian Group companies that do not have access to the intranet through their Chief Executive Officers.

Protecting stakeholders' privacy is a priority for Terna: our goal is to operate with the utmost transparency and guarantee the protection of all stakeholders' personal data. For this reason, a specific section on the Company's website is dedicated to privacy policies containing all the legal indications for the exercise of the data subjects' rights.

The creation of a widespread information security culture coupled with awareness of privacy issues in the context of personal data processing cannot be separated from a constantly updated and renewed plan of training and information initiatives, designed to cover the life cycle of all personnel, but appropriately tailored according to roles and activities.

S1-2 > Workforce engagement process

Workers are engaged through a structured dialogue with their trade union representatives and such **engagement** is developed through various methods and initiatives that Terna undertakes throughout the year with **workers' trade union representatives**. The data reported in this section includes the Group companies that apply the current National Collective Labour Agreement for Electricity workers.

Worker engagement is carried out on a regular but not predefined basis, and through different methods as defined by the Industrial Relations Protocol (Bargaining, Dialogue, Consultation and Disclosure). During the 2022-2024 three-year period, it led to the signing of 41 minutes of agreement. The National Collective Labour Agreement (CCNL) and the Industrial Relations Protocol cover fundamental aspects of workers' rights (e.g. labour protection; health and safety; freedom of association) and therefore represent useful agreements to strengthen and guarantee the respect for workers' human rights.

The Human Resources Department is responsible for ensuring that employee and trade union engagement activities take place. More specifically, the Industrial Relations, Labour Regulations and HRBP NTG structure is tasked with formulating policies and guidelines for the company's industrial relations system, managing bargaining agreements at the national level, and providing guidance and coordinating bargaining and dialogue at the local level on contractual matters and organisational changes with a material impact.

The involvement of Trade Unions in the event of organisational changes is one of the central aspects of industrial relations and is regulated by law, industry contracts and company agreements. Relations between Terna and the trade unions are disciplined, within the Company, by the **''Industrial Relations System Protocol''**, which governs:

- bargaining, dialogue, consultation and preventive and/or periodic disclosure;
- forms and levels of union dialogue as well as central/local relations through which such dialogue can take place.

The document also provides for the following **Bilateral bodies**, which contribute to an inclusive and efficient industrial relations system designed to achieve the Company's targets and develop employees and their skills:

- The Consultation Committee for Group Strategic Guidelines;
- Health, Safety and Environment bilateral body;
- Training and Employment bilateral body;
- Bilateral Welfare body;
- Equal opportunity, Diversity and Inclusion body.

With regard to the relations between the trade unions and the Group's employees, in accordance with the regulations in force, they are facilitated by providing dedicated spaces and notice boards at all offices. In addition, a virtual notice board is provided on the Company's intranet for the trade unions (who have signed the Industrial Relations Protocol), where reports and other union and work-related information can be published.

Processes to remedy negative social impacts

S1-3 S2-3 S3-3 S4-3

The Terna Group has always been particularly attentive to preventing risks that could jeopardise the responsible and sustainable management of its business and, consistently with its mission and its internal control system, to the possibility of learning about critical situations and correcting them by consolidating the relationship of trust with its stakeholders. Over the years, the Group has therefore adopted a series of procedures aimed at identifying and investigating the possible negative impacts that its activities may have on internal and external stakeholders[106], such as the human rights due diligence process, through which the activities exposed to risk and the adequacy of the related mitigation measures adopted are monitored on a regular basis. In the case of reports received through the channels made available, these are systematically handled and examined, and if found to be justified, the action taken is determined on a case-by-case basis according to the specific circumstances encountered.

For this reason, the Group, following the approval of Legislative Decree no. 24 of 10 March 2023 (in Official Journal no. 63 of 15-3-2023), concerning "The protection of persons who report breaches of Union law" transposing EU Directive 2019/1937 of the European Parliament and of the Council of 23 October 2019, has set up dedicated internal IT channels for the Parent Company and for each of the relevant Group companies with over 249 employees (Terna Rete Italia S.p.A. and Tamini Trasformatori S.r.l.) and defined for the other Italian subsidiaries and for the foreign companies, in compliance with local legislation, the sharing of a channel within the Portal, also to give continuity to the reporting control provided for by the Code of Ethics and the Global Compliance Programme. Furthermore, in addition to the IT channel, other channels have been set up to receive reports (regular mail, face-to-face meetings).



[106] Unless otherwise specified, the section refers to the stakeholders covered by the Social Standards (ESRS S1, S2, S3 and S4).

In line with the internal reporting channels set up and accessible through the Portal, appropriate intercompany agreements have been signed for the Italian Group companies and foreign companies that have adopted the whistleblowing system to entrust Terna with the reporting management activities.

Through the internal channels of the Group's companies, it is possible to report unlawful committed or omitted acts and/or conduct, which constitute violations, including suspected violations, of the principles enshrined in the Code of Ethics, of internal regulations, which comprise all the provisions, procedures, guidelines or operating instructions of the company receiving the report, including the Organisation and Management Model pursuant to Legislative Decree 231/01, the anti-corruption guidelines, and the Global Compliance Programme, as well as violations of policies, company rules and regulations that may result in fraud or damage, even potential, to co-workers, shareholders and stakeholders in general or that constitute illegal acts or acts detrimental to the interests and reputation of the company, and violations, as provided for by the Whistleblowing Decree (hereon WB Decree), "of national or EU regulatory provisions that harm the public interest or the integrity of the public administration or private entity".

With reference to information and/or training activities on the whistleblowing system:

- two sessions of the specific training course for managers of whistleblowing reports were organised and delivered, in response to the requirements of Legislative Decree 24/2023 to ensure the effectiveness of the safeguards put in place to guarantee fairness and transparency in the conduct of business and activities that may cause damage or harm to the company, and to protect the company's position and image. The course also focused on confidentiality obligations related to the handling of reports and the requirements of the new applicable legislation. The course also concluded with a learning test;
- an e-learning course on "Terna's Whistleblowing System" was prepared and made available on the dedicated platform, aimed at all employees to ensure specific training on the subject of whistleblowing reports, the channels available, and the safeguards for whistleblowers;
- information activities in favour of employees, stakeholders and contractual counterparties: a special section was created on the corporate intranet with information (and specific FAQs) on the procedure, on the channels available for submitting reports and on their handling process, as well as on the corporate website (https://www.terna.it/it/Governance/etica-impresa/whistleblowing), to which the websites of the Terna Group's subsidiaries participating in the procedure also make reference for further details. On the pages of the specially set up computer portal (https://whistleblowing.terna.it/) in both Italian and English, specific details are provided, both on data protection notices and the relevant legislation and accompanying FAQs. The principles and contents of whistleblowing, which are applicable to third parties, including suppliers, are made known to the latter through contractual documentation, as well as through information on the website illustrating the reporting methods.

In the Whistleblowing Guideline, the Group has identified the following roles as the corporate bodies responsible for handling whistleblowing reports:

- Audit Manager, with regard to the receipt and analysis of reports;
- Ethics Committee, with reference to the analysis of the investigation into the Report and to the diligent follow-up on the Report itself.

Reports are handled by the Audit Manager, together with the members of the Ethics Committee, in a transparent manner through a pre-defined process.

The Company's choice was therefore to entrust the management to an internal office, separating the management activity consisting of the investigation into the report, entrusted to the Audit, from the decision-making activity on the report follow-up, entrusted to a board identified in the Ethics Committee.

In handling the Reports, the afore-mentioned competent corporate bodies, each within the scope of their duties, ensure:

- the issuance to the whistleblower of an acknowledgement of receipt of the report within seven days of the date of receipt for reports under the WB Decree;
- the maintenance, where possible also depending on the channel chosen by the whistleblower, of interactions with the latter, requesting, if necessary, further information and documentary supplementation;
- to diligently follow up on the reports received;
- to reply to the report within three months from the date of the acknowledgement of receipt of the report or, in the absence of such an acknowledgement, within three months from the expiry of the period of seven days from the submission of the Report.

Terna and the Group Companies implement measures to protect all whistleblowers, in compliance with applicable laws and Company Policies. Retaliatory acts or conduct, whether direct or indirect, against the whistleblower for reasons directly or indirectly linked to the report and against those who breach the whistleblower protection measures are prohibited.

Reports are handled in such a way as to ensure that whistleblowers are protected against any form of retaliation, discrimination or penalisation, by putting in place measures to protect the whistleblower and, with specific regard to reports made pursuant to the Whistleblowing Decree (or WB Decree), also persons belonging to the work environment who helped or supported the whistleblower in the reporting process and who have a family relationship up to the fourth degree, a stable emotional bond or a habitual and current relationship with the whistleblower (Article 3 subparagraph 5 of the WB Decree).

Actions concerning Workforce

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In the course of its activities, the Terna Group implements a series of actions aimed at preventing, mitigating, correcting or improving impacts, addressing risks and generating material opportunities related to its workforce, in line with the principles and objectives of the policies adopted and set out above.

Based on the scope of reference, the actions implemented in FY2024 and any further initiatives planned by the Group for the coming years are outlined below.

Working conditions

Initiatives to ensure secure employment

Within the Terna Group, employment security is a fundamental principle, guaranteed over the years through the application of collective industry bargaining agreements and current local legislation, which protect the rights and working conditions of all employees. The Group, in applying the relevant collective bargaining and local legislation in force, ensures stability, pay equity and specific protections for each professional category, including through the regulation of key aspects such as working hours, health and safety in the workplace, welfare policies and continuous training, promoting a serene and inclusive working environment. The Group's commitment to respecting and enhancing these contracts reflects its desire to offer its employees job security and opportunities for professional growth, contributing to individual well-being and the social sustainability of the organisation.

The correct application of legal regulations and first and second level bargaining is ensured through the monitoring of the competent structures **Industrial Relations**, **Labour Standards**, **HR NTG Business Partners and Electrical Sector Personnel Administration** which guide HR Business Partners and Managers in the interpretation and application of legal, contractual and company labour regulations.

Collective bargaining, freedom of association and initiatives to ensure adequacy in wages and working hours

Within the Terna Group, improving working conditions is a priority, also pursued consistently with the provisions of the national collective labour agreement and current local legislation, through the stipulation of company minutes of agreement that guarantee adequate and sustainable working hours for employees. These agreements, developed in constant dialogue with workers' representatives, aim to reconcile business needs and personal well-being, promoting flexible solutions that encourage work-life balance. In continuity with this approach, over the years, the Terna Group has always proceeded to govern its remuneration structure through the application of the sector's Collective Bargaining Agreement and the related institutions, thus enhancing the value of its employees' work through remuneration policies that recognise merit, incentivise performance and promote economic and social wellbeing. This approach favours not only employment stability, but also a positive and motivating corporate climate, which is essential for the Group's sustainable growth and the achievement of its strategic objectives. Through the application of the National Collective Bargaining Agreement (CCNL), not only is compliance with industry regulations guaranteed, but advanced contractual conditions are also introduced to strengthen work safety and quality. These initiatives take the form of competitive remuneration policies, greater organisational flexibility, enhanced corporate welfare and professional development programmes, fostering a fairer, more inclusive and motivating working environment. The adoption of such measures represents a tangible commitment to enhancing human capital, promoting a sustainable balance between the needs of the company and those of its employees.

As such, first and second level Collective Bargaining is recognised as the fundamental instrument for implementing regulations on legal working hours.

In addition to all this, the Terna Group has decided to adopt measures such as flexible working hours, agile working and optimised shift management. These measures enable to improve employees' quality of life while at the same time increasing productivity and engagement. The Group also recognises the principle that disconnection constitutes a right for all male and female workers, and not only when working remotely, in compliance with contractual duties. With these tools, the Group reinforces its commitment to creating a fairer, more inclusive and socially sustainable working environment.

Finally, it is noted that, 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 system; 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 the strike.

Workplace health and safety initiatives

The Terna Group has always been attentive to the issue of safeguarding health and safety in the workplace. Due to the specific nature of its business, it undertakes to implement various activities and initiatives related to the issue in question, in line, among others, with the objectives under the Integrated Management System Policy, in order to correct and manage its negative impacts, generate positive impacts, and mitigate material risks, consistent with the findings of the Double Materiality Analysis.

During the year, the Group undertook to consolidate its activities and processes related to the maintenance and renewal of UNI EN ISO 45001:2023 certification for 100 per cent of its business activities. In particular, activities related to the maintenance and transition to the new version of the UNI EN ISO 45001:2023 standard were carried out and concluded for the companies Terna, Terna Rete Italia, Terna Plus and Terna Energy Solutions. In addition, instrumental activities were carried out for the renewal of the certification of Tamini's Management System, due to expire in 2024, as well as for the future renewal of the certifications of the LT Group (due to expire in 2025) and the Brugg Group in Switzerland (due to expire in 2025) and China (due to expire in 2026). For the same purposes, the companies in the electricity sector, for the product groups with the greatest materiality in terms of sustainability, verify, during the accreditation phase, the actual possession by suppliers of the UNI EN ISO 45001:2023 certification. It should be noted that the Terna Group monitors the the effectiveness of this action by monitoring the percentage of qualified Economic Operators holding this certification, which for 2024 exceeded 85%.

The **Excellence in Safety** (EIS) Programme is of great importance in the context of the Group's workplace health and safety initiatives. It is part of the Health & Safety initiatives and constitutes a cultural evolution programme with the aim of facilitating the transition from a "reactive" to a 'proactive and interdependent' health and safety culture, characterised by overcoming mere compliance and focused on attention to oneself, others and the environment in which one operates: at the centre of the programme are people, their behaviours and the impacts they generate. In order to activate and guide this cultural evolution, the programme defined a new governance model that introduced three strategic change factors: the **Safety Ambassador**, as an agent and accelerator of change, specially trained to raise awareness and engage other colleagues and spread positive safety messages; **health and safety routines**, i.e. virtuous individual and organisational habits to be implemented in a conscious manner; and **management applications**, as useful tools for implementing and managing routines and providing feedback to strengthen health and safety awareness and culture.

Specifically, Safety Ambassadors have a strong ability to raise awareness and engage people, are consistent with Terna's safety mindset, are able to observe and give feedback on health and safety routines, and spread positive safety messages with a wide reach, both to company personnel and to contractors' personnel.

The health and safety routines introduced by the EiS programme are:

- Briefing and Debriefing, meetings to share and discuss with the team health and safety aspects carried out at the start and close of operations;
- Feedback, opportunities through which people in the team can observe one another and discuss their findings;
- Health and safety alerts, used for tracking an unsafe situation, a risk, a near miss or incorrect behaviour;
- Time out, as a brief moment of suspension of operations, which can be used to observe and interpret a situation in a more attentive and shared way, with a view to better preventive management of the ongoing risk;
- Stop Work Authority, with which anyone in dangerous and critical situations can decide to stop the work, beyond the time out, until the critical situation has been resolved and managed.

The EIS programme, launched at the beginning of 2021, has already involved Terna Rete Italia's corporate operations in a structured manner over the years. In particular, since 2022, it has involved and continues to involve the personnel belonging to the NTG (National Transmission Grid) Department, employed in Operation & Maintenance activities since these tasks present the highest risk profile. In 2024, the success factors of the programme in the NTG Department were consolidated and the same were disseminated to another material operational area, namely that of construction site activities contracted out to third parties pertaining to the EPI (Engineering and Project Implementation) Department, which involves both internal staff, who work in this area with different roles (contractors, construction managers, site assistants), and external staff (contractors' staff, external professionals, technical collaborators). To date, 180 Safety Ambassadors have been identified and trained for NTG and 24 Safety Ambassadors for EPI. Also in 2024, the EiS programme was extended to indoor activities (office and remote working) and also to safe mobility and risk prevention in travel.

The implementation of such a challenging programme required the support and collaboration of several business processes: in addition to the HSE process, owner of the programme, strategic processes for its success were Training (planning and delivery of classroom training activities, group coaching, on-site training and training refresher courses for those previously involved), Communication (sharing information and progress on the programme development) as well as Partnerships with Third-Party Companies.

For years, all Terna Group personnel have had access to the main notions and news on health and safety issues through various channels, including the company intranet and information meetings in addition to the annual training dedicated to health and safety issues.

With reference to the issue of workplace accidents, which is of crucial importance for the Terna Group, an important focus is placed on risk management in the context of Health and Safety in the workplace in order to ensure that company work activities are carried out safely and to minimise the occurrence of accidents. The purpose of this management is to fully identify, assess, supervise and monitor all aspects related to health and safety in the workplace and in the company's work activities: responsibility for these obligations lies with Terna's Health & Safety structure. All of the above activities made it possible to obtain an overall picture of the Health & Safety risks, assessing the potential risk factors (pure risk in the absence of preventive/protective measures and controls) of the company's work contexts surveyed, adopting prevention and protection measures and control actions, thus reducing the residual risk factors to acceptable values. In addition, following the occurrence of an accident or near miss, the causes and dynamics thereof are analysed through focus groups or commissions in order to implement any corrective measures that can be used for the review and continuous improvement of specific risk management. Also for 2024, the Terna Group minimised the risk of accidents in the workplace by overseeing the entire HS risk management process by refining the risk assessment and monitoring accident indices.

The WHP ('**Workplace Health Promotion**') programme is based on the model defined by the World Health Organisation 'Healthy Workplace: a model for action'. This programme is referred to in the National Prevention Plan (NPP) 2020-2025, drawn up by the Ministry of Health, and involved the personnel of Terna, Terna Rete Italia, Terna Plus and Terna Energy Solutions.

Article 25 of the same Legislative Decree 81/2008 requires collaboration between the Employer (E), the Appointed Physician (AP) and the Head of the Prevention and Protection Service (HPPS) for risk assessment as well as for the implementation and enhancement of voluntary 'health promotion' programmes, according to the principles of social responsibility.

Terna has voluntarily chosen to join the project promoted by the WHO at the international level and by the Ministry of Health at the national level, in full continuity with the initiatives undertaken in favour of its own people during the pandemic emergency, through the development of a series of initiatives concerning 'Good WHP Practices' such as

Healthy nutrition:

- Conference and Webinar on 'Longevity, living well, living long';
- Introduction of a free desk for employees during working hours with a nutritionist;
- Blood chemistry screening campaign (with tumour markers) in order to carry out a more specific consultation with a nutritionist;
- 'Capsule' screening campaign in collaboration with Politecnico di Milano, a state-of-the-art digital health pod aimed at providing an indication of a person's general health status.

Physical exercise:

- Implementation of a programme of outdoor physical exercise sessions with specialised trainers;
- Participations in sports events (Race for the Cure, Run 5:30, Pedala per un sorriso);
- Introduction of a free desk for employees during working hours with a physiotherapist;
- Organisation of a programme of self-defence sessions at the company gym.

Alcohol, smoking and addiction:

- Screening and awareness-raising campaign against smoking, carried out with the non-profit organisation WALCE-Women Against Lung Cancer across the country;
- Counselling during the periodic health check-up.



Cross-cutting and other practices:

- Introduction of a free desk for employees during working hours with a psychologist;
- Digital information campaign on the importance of getting a flu vaccination;
- Development of a free and voluntary flu vaccination campaign. The campaign was also extended to employees' family members: spouses, children (including minors) and cohabitants;
- Organisation of the 'Red Cross Week', which includes mole mapping and self-examination sessions, consultations with an osteopath, endocrinology examinations and training sessions on paediatric disobstruction manoeuvres and safe sleep at the Rome headquarters;
- Organisation of cancer prevention days in cooperation with the 'Susan Komen' association for on-site diagnostic screening.

These initiatives have allowed the workers involved to improve their lifestyle by relying on the expansion of services offered by the Company within the WHP (Workplace Health Promotion) program.

Initiatives to ensure work-life balance

Terna's awareness of employees' importance is reflected in both a constant focus on updating their skills, needed to ensure achievement of the Group's strategic objectives, and on their wellbeing, meaning their work-life balance, access to dedicated additional services and respect.

Corporate welfare encompasses the set of initiatives, opportunities and services that the Terna Group offers its people, promoting their inclusion and valuing their uniqueness through the creation of a working environment that encourages collaboration and creativity and in which everyone can develop their potential and humanity.

During 2024, the various welfare initiatives were based on continuous active and direct listening of employees, with plans to improve their work-life balance and increase their awareness of the offer available. The **welfare offer** is detailed below, broken down by subject area:

- **Health:** this includes useful information on the supplementary pension schemes, healthcare plans and prevention campaigns promoted by the Company for its employees;
- **Loans & Insurance:** this comprises information on currently available forms of financial aid and insurance;
- **Family:** this collects all indications of better conditions adopted by the Company with respect to the National Collective Bargaining Agreement (CCNL) and parenting support measures;
- **Life & Work:** this describes the initiatives that make it easier for employees to balance their working and private lives, such as flexible hours, structured remote working and mobility services;
- **Performance-linked bonus:** this comprises useful information to manage and convert the bonus into goods and welfare services;
- **Sport & Culture:** this includes information on the Recreational, Cultural and Sports Association, ARCA, and information on corporate wellness;
- **Partnerships:** this includes the various agreements providing discounts and favourable conditions for Terna's employees.

With a view to expanding the offer and increasing knowledge, several **new initiatives** were launched in 2024:

- **Extraordinary bonus:** Introduction of an extraordinary Welfare measure, the extraordinary bonus, which takes the form of a ''Welfare Credit" that can be used within a digital platform;
- **Daycare contribution:** implementation of a new tool designed to improve work-life balance, with a focus on parenting. A percentage contribution towards the cost of nursery fees in the school year 2024/2025;
- **Local roadshows:** cycle of face-to-face and online meetings to illustrate new projects;
- **Promotion of wellbeing issues** including through a platform, which can be used by all employees to improve their psycho-physical wellbeing, and the promotion of sports events.
- **Tax support:** implemented service aimed at the possibility of filling in and sending the basic or joint 730 tax form completely free of charge.

The currently available welfare package has an impact mainly on companies subject to the Collective Bargaining Agreement in the electricity sector. With a view to inclusiveness and homogeneity, the extension of welfare services to all Terna Group companies is being verified and implemented.

In order to monitor and assess the effectiveness of welfare actions and initiatives in generating tangible results for its workforce, the Group adopts an approach based on internal feedback listening and analysis. In particular, listening surveys are conducted periodically, in line with the objectives of the Sustainability Plan, in order to measure employees' perceptions of the benefits and welfare initiatives offered. These surveys allow data to be collected on the number of employees who feel that these measures have a positive impact on their financial well-being, enabling the Company to assess the effectiveness of the initiatives taken.

The **renewal of the ''remote working agreement''** falls among the initiatives to improve work-life balance. Indeed, as far as Terna's white-collar and middle management personnel are concerned, the new Agreement governing and defining Remote Working has been in force since 1 December 2024, as a further implementation of the institution already introduced in the Company in a structural form a few years ago.

Below we summarise the main changes to the operational and organisational Remote Working methods contained in both the signed Agreement and in the Operational Guidelines on Remote Working.

The number of days that can be used in Remote Working is as follows:

- Up to a maximum of 10 days per month with a weekly limit set at 3 days.
- Up to a maximum of 6 days per month with a weekly limit of 2 days for white-collar staff only in areas with a strong technical-operational focus.

With a particular focus on parenthood, the Agreement also includes a further case in which Remote Working days may be increased, as follows:

- For parents with children up to the age of 6, and in any case up to the end of the first year of primary school, there is an extension option of an additional 2 days per month, subject to the weekly limits laid down in the Agreement. Therefore, for those whose limit is 10 days per month and 3 per week, the RW days can be up to 12 per month and always within the limit of 3 per week. For those whose limit is 6 days per month and 2 per week, the RW days can be up to 8 per month and always within the limit of 2 per week.

As for the companies in the industrial sector, remote working policies are generally applied in line with Terna's standards.

A prominent position within Terna's set of work-life balance initiatives is also taken by the issue of **parental leave** and **family caregiving**. To this end, Italian law regulates maternity leave and parental leave and provides general coverage. In comparison, Terna offers more favourable conditions, in application of the National 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;
- six months of paid parental leave at 80% for the first two months and 30% for the next four months, which Terna supplements by 15% and 10% in the first, second and third months, respectively. Paternity leave may also be taken, up to a maximum of eleven months of total leave taken by both parents. The leave can be taken until the age of 12, but is only paid with the 80% increment if taken before the child is 6 years old.
- parental leave for both parents in the event of illness of children under the age of 3, until the end of the illness and parental leave in the event of illness of children between the ages of 3 and 12 for both parents, alternating, for a maximum of 5 days a year. In both cases, leave is unpaid;
- two hours a day of paid leave for breast feeding for the first year of the baby's life, available to the father in the event that the mother does not make use of it;
- three days per month, also in the form of hours, of paid leave to look after children or other family members with serious disabilities;
- extraordinary leave of two years in the case of caregiving for family members with a severe documented disability
- more flexible working hours for parents with children attending junior high school.

Under a specific union agreement signed in 2017, Terna has also introduced additional measures to improve work-life balance and further support parenthood. This agreement grants half a day's leave to accompany one's children on their first day of primary school and an additional five days of paid leave to the father, on the occasion of the birth of a child, including that set by regulatory provisions.

Equal treatment and opportunities for all

Initiatives related to the protection of gender equality and equal pay

The Terna Group is at the forefront of achieving true gender balance and is aware of its responsibility towards the entire community, both on a daily basis and in the medium and long term. The principle of gender and pay equality generally applies in all Group Companies, both in Italy and abroad. As such, the DE&I Policy extends to all activities and geographical areas where the Group operates.

As far as the Group's foreign companies are concerned, there are currently no material initiatives, although the Company's objective and commitment remains to guarantee this principle at all Terna Group companies.

In 2024, Terna published the **new Diversity, Equity & Inclusion Policy**, approved by the Board of Directors, which, compared to the previous one, strengthens the Company's commitment to valuing and protecting diversity. The Policy formalises the objective of preventing and sanctioning all forms of discrimination and harassment based on gender, age, sexual orientation, nationality, disability, political opinion, religious denomination or any other personal characteristic, in full compliance with applicable national and international laws and regulations.

This new Policy consolidates Terna's commitment to promoting an inclusive environment, removing the cultural, organisational and material obstacles that limit people's full potential and prevent them from being valued within the organisation, supporting the uniqueness and distinctive skills of each person.

In addition, the presence of women in Terna is growing steadily compared to previous years, thanks to the Group's commitment to systematically monitoring data and setting increasingly ambitious annual targets.

Throughout the year, Terna undertook initiatives aimed at protecting gender equality, which led, in March 2024, to obtaining the **Gender Equality Certification** in accordance with **UNI/PDR 125:2022** issued by the IMQ certification body for the Parent Company Terna Spa and its subsidiaries, Terna Rete Italia, Terna Energy Solutions and Terna Plus.

This important recognition attests to the effectiveness of the integrated policies and specific organisational measures to reduce gender gaps in the workplace and reflects our ongoing commitment to creating an increasingly fair and inclusive work environment that rewards merit, where each person is always listened to, respected and valued for their uniqueness.

Considering the positive impact of the Certification and the initiatives already undertaken, Terna is considering extending the scope of the certification to other Group companies, in particular Tamini and LT.

In terms of timing, the aim is to start the process of extending the scope of gender equality certification in 2025.

As part of the Certification, in January 2024, the **Strategic Plan for Gender Equality** was signed by the **Gender Equality Steering Committee** established by the Senior Management. The Plan sets tangible objectives to be achieved within the three-year period of validity of the Certification, ensuring measurability, realism and assignment of specific responsibilities for implementation. Monitoring takes place through specific performance indicators, with the aim of promoting increasingly equal opportunities for all.

The Plan has a three-year duration (2024-2026) and is subject to continuous updating and monitoring, also in view of the three-yearly review required to maintain the Certification. Its scope extends to all Terna companies that obtained the certification.

In line with its policy, Terna has implemented a process of periodic review of the Plan, which requires the Committee to be convened at least twice a year. At these meetings, the Committee monitors the achievement of the objectives of the Strategic Plan for Gender Equality and updates its contents in response to significant changes or specific needs.

In accordance with UNI/PdR 125:2022, the Strategic Plan includes a number of initiatives to promote gender equality and inclusion. These include:

- Awareness-raising activities at all levels to counter unconscious stereotypes and prejudices.
- Welfare policies supporting work-life balance, parenthood and the sharing of family and caregiving responsibilities.
- Fair selection processes based on skills and suitability for the role.
- Development programmes and remuneration policies inspired by equity and performance principles.
- Training courses aimed at strengthening women's managerial skills and leadership.
- Awareness-raising projects on gender equality, through support to associations and initiatives in schools.

In particular, the Plan defines 12 objectives broken down into 6 macro-areas:

1) Generality

- Periodic survey of the perception of inclusion and collection of suggestions;
- Implementation of training and awareness-raising courses on Diversity, Equity and Inclusion.

2) Selection and recruitment

- Update of Operational Instruction IO005RU Talent Acquisition from an inclusive perspective;
- Increased attractiveness to potential candidates through partnerships with schools, universities and associations;
- Implementation of training courses on inclusive recruitment.

3) Career management

- Activation of new training courses on inclusive leadership.

4) Pay equity

- Surveys and analyses to mitigate possible gender pay gaps.

5) Parenting and caregiving

- Monitoring parenting leave and caregiving needs;
- Sharing information on available benefits;
- Support with the return from maternity and paternity leave.

6) Work-life balance

- New Operating Instruction on Remote meetings to promote inclusive working time;
- Monitoring 'Structural Remote Working'.

For each area, the Plan sets specific objectives, analyses strengths and weaknesses, and identifies actions to close gaps, assigning responsibilities, timeframes, resources and monitoring methods.

This Plan is seen as a real path of cultural transformation, aimed at promoting equal opportunities and valuing diversity, with the objective of generating a positive and sustainable impact on the company.

The Terna Group has adopted a structured governance system to ensure the effectiveness of the Gender Equality Strategic Plan and the maintenance of the related certification, with the aim of improving the reference KPIs over the three-year period and ensuring the timely closure of the annual surveys.

Specifically, the Plan provides for a periodic review process involving the dedicated Committee, which meets at least twice a year to monitor the achievement of the objectives and update the Plan according to significant changes or new needs.

Furthermore, in accordance with UNI/PDR 125:2022, the Group, through a dedicated team, conducts internal audits to verify compliance and manages any non-compliances through a tracked documentation detailing any unfulfilled requirements, corrective actions and their timing.

This integrated governance structure, involving multiple business functions, ensures that the Gender Equality Strategic Plan remains a dynamic and operational document, constantly updated to effectively address the challenges and seize the opportunities related to the promotion of gender equality within the organisation.

This Plan is seen as a real path of cultural transformation, aimed at promoting equal opportunities and valuing diversity, with the objective of generating a positive and sustainable impact on the company.

The Terna Group has always adopted, and continues to adopt, a rigorous and proactive approach to ensuring equal treatment of men and women by constantly monitoring key management indicators. This continuous monitoring confirms that the management and development systems in place do not generate disadvantages for women. All provisions laid down by national contracts are fully implemented to ensure effective equal pay, with pay being exclusively tied to role and responsibility, regardless of gender.

Dedicated Human Resources teams regularly conduct in-depth analyses of the remuneration data of all the companies in Terna's scope. These show that equal pay is achieved at most organisational levels, with any gaps being narrow.

In order to close the gender pay gap and further strengthen the commitment to pay equity, the Strategic Plan for Gender Equality includes a specific action: 'Action 4.1 - "Surveys and analyses to mitigate any gender pay gaps". This structured and targeted intervention was included in the Plan with the aim of identifying, analysing and correcting any wage disparities in a timely and decisive manner, thus ensuring a fairer and more transparent pay system.

The aim is twofold: to systematically detect and analyse any gender pay gap and to identify its root causes across the entire corporate population.

The Plan establishes a structured analysis on an annual basis, ensuring constant monitoring over time. Based on the results, targeted action is taken on remuneration policies to eliminate inequalities and promote a fair and transparent wage system.

All Terna Group companies are strongly committed to promoting gender equity, enhancing female talent and supporting women's access to innovative sectors, with particular attention to STEM disciplines, where they are still underrepresented.

Main initiatives promoted within Terna companies:

- **Valore D:** Participation in the first Italian association of companies dedicated to the promotion of gender balance and an inclusive culture, enabling investments in a national and international network to foster dialogue with other companies and institutions, raise awareness of the role of companies in combating inequality and gender-based violence, and contribute to social innovation. Terna spa has been associated since 2010 as a Backing Partner, and all companies in the electricity scope benefit from the partnership. The renewal of the partnership takes place annually and, each year, best practice sharing initiatives, training programmes at all company levels and awareness-raising events are implemented.
- **School-Business System with ELIS:** Since 2018, in collaboration with ELIS, we have been promoting the meeting between female students and STEM professionals, who act as role models in Italian schools to inspire the younger generations towards scientific disciplines and counteract gender stereotypes. The partnership, which contemplates renewals every two years, includes at least two inspirational meetings in schools for the two-year period 2024-2026.
- **Boost Programme with Sistech:** Since 2022, programmes for the labour inclusion of refugee women have been promoted in the digital and tech sector, funding scholarships for STEM training and to concretely support refugee women's access to the labour market. The Boost programme also includes the direct involvement of female professionals as volunteers. To make the impact even more tangible, the recipient of a scholarship was also recruited.

Initiatives aimed at the protection of diversity and inclusion of people with disabilities

The principle of protecting diversity and inclusion applies generally across all Group companies, both in Italy and abroad. As such, the DE&I Policy extends to all activities and geographical areas where the Group operates.

As far as the Group's foreign companies are concerned, there are currently no material initiatives, although the Company's objective and commitment remains to guarantee this principle at all Terna Group companies.

Among the standout initiatives regarding the inclusion of people with disabilities is the **Terna Ability project**. It was launched in 2024 for the Group companies operating in the electricity sector and was aimed at inclusion to enhance the potential of people with disabilities, generating a positive impact for the Company and the country.

With Terna Ability, Terna goes beyond complying with legal obligations, striving to create an inclusive environment that allows people with disabilities to integrate, grow and actively participate in working life. The programme addresses the causes of inequalities and enhances people's unique skills, promoting social innovation as a distinctive feature of the project.

Terna Ability's strategy is organised into four key areas of action designed to initiate profound cultural change:

- **Culture and awareness:** promoting awareness and breaking down stereotypes related to disability;
- **Recruiting & employee journey:** ensuring equal opportunities for access, growth and professional development;
- **Networking and alliances:** working with strategic partners to create inclusive ecosystems;
- **Internal and external communication:** spreading inclusive language and raising awareness of the value of diversity.

Among its main initiatives, the Group has introduced innovative tools to promote the inclusion and well-being of people with disabilities:

- **Disability Toolkit:** a comprehensive guide on corporate inclusion, outlining national and internal subsidies and benefits, promoting conscious diversity management.
- **Terna Ability Corner:** spaces dedicated to listening and individual discussion, where the Diversity & Inclusion function offers support both to people with disabilities and to people working with them in cross-functional projects, promoting greater mutual understanding and inclusion.
- **Terna Ability Workshop:** career guidance courses in cooperation with participating Italian universities. These meetings, aimed at students and recent graduates with disabilities, offer concrete tools to develop skills and increase self-efficacy, preparing participants for professional opportunities in the corporate world.

The Terna Group monitors and evaluates the effectiveness of its actions and initiatives to promote inclusion through a structured approach that includes:

- Monthly monitoring of staff placements through Targeted Placement, in line with the agreement stipulated with the Job Centre;
- Monthly planning of Terna Ability Corner days;
- Constant monitoring of membership and participation in the Terna Ability Corner days, with systematic collection of feedback to assess the impact of the initiatives and identify opportunities for improvement and to verify, even after the events have come to an end, that everything has been managed effectively and satisfactorily.

In addition, a training course was launched and completed in 2024 for Terna's entire workforce, and also extended to Group companies, focusing on inclusive language and managing unconscious bias. This training project, an integral part of Terna's commitment to promoting an inclusive, respectful and aware work environment, was an important initiative to foster lasting cultural change within the company.

The course, structured in several digital modules, aimed to make all Terna people aware of the importance of using a language that is inclusive and respectful of the uniqueness of each individual, as well as providing tools to recognise and overcome unconscious bias that can influence decisions and behaviour. At the end of the course, there was a compulsory learning test, the passing of which was associated with a specific individual performance target related to the corporate value of respect.

Measures against violence and harassment in the workplace

The Group strongly condemns all forms of violence and is concretely committed to combating gender-based violence, promoting both internal and external targeted projects and initiatives that enhance respect and raise awareness on issues related to inclusion and gender equality.

In 2024, an extensive training programme on inclusive language was launched for Terna's entire corporate population, and extended to Group companies as well, with the aim of raising employees' awareness of gender stereotypes and prejudices. The programme promotes a conscious use of words, encouraging respectful and inclusive behaviour.

The Group has conducted an in-depth analysis of the risk of physical, verbal and digital harassment, considering the different tasks, work areas and possible contact with third parties. On 11/09/2024, the integration of this risk within the Risk Assessment Document (DVR) was formalised for all the Group's Production Units, ensuring a systematic and complete management of the issue.

In addition, a digital pathway dedicated to the recognition, management and prevention of gender harassment was made available to foster the creation of a safe and respectful work environment. The TernaCult Portal also offers in-depth articles and insights on respect and gender equality. Among other initiatives, an infographic was developed highlighting how to recognise violence, which is not only physical, but can take other forms, such as psychological, verbal and economic.

The Terna Group's actions to promote inclusion also extend outside of the organisation, supporting associations and working in areas where women are underrepresented, absent or vulnerable. Among its main initiatives, the Group has partnered with Sistech, a European non-profit association that promotes the access of refugee women to the digital and technological job market with the aim of fostering their economic independence and labour inclusion. On the occasion of 25 November, the International Day for the Elimination of Violence against Women, Terna, in collaboration with Cassa Depositi e Prestiti and other investee companies, launched a social initiative with the aim of raising awareness and disseminating the tangible actions that companies are taking to combat gender-based violence. Terna actively participates in awareness-raising events to promote and combat gender-based violence and supports public initiatives, conferences, seminars and workshops, collaborating with organisations and associations to raise awareness on these crucial issues. For 2025, Terna has also put in place a collaboration with DonneXStrada to run educational webinars on the subject of gender-based violence, with the aim of raising awareness among a wider public and providing useful tools for combating this phenomenon.



Training initiatives

The development and constant updating of knowledge, skills, competences and potential represent a fundamental pillar to support both people's employability throughout their career in the Company and the digital and energy transition that Terna is enabling: training is considered a human right, to be protected throughout one's career, in line with the company's mission and the Group's strategic objectives; a rich provision in terms of both content and teaching approaches allows people to be constantly updated and enables Terna to nurture a corporate culture devoted to lifelong learning. To this end, people have access to both synchronous and asynchronous provisions that encourage dynamics of empowerment to their own learning and self-management of their continuous professional and personal growth.

In 2024, Terna Academy strengthened its strategic role as a lever for professional and personal growth. Innovative methodologies were tested to foster continuous learning processes, with a particular focus on the promotion of an innovation-oriented mindset (in terms of both tools and processes), and the training provision was expanded to include self-learning through the microlearning design approach and composed of short multimedia courses that address a specific skill (behavioural or technical) and allow learning in small incremental steps. The courses also cover all learning styles: they consist of various learning objects (microlearning objects) that stimulate the various intelligences with a synthetic, multiple, easily memorable language. Brevity, lightness, reduced effort in terms of time and expended energy are, in short, the keys to understanding the reason behind the adoption of microlearning at Terna: this choice makes it possible to combine the need for continuous learning in the shortest possible time with the need for constant mobility.

In addition, a synchronous cross-curricular course offering open to the entire corporate population was developed to strengthen the training provision, focusing on the main topics of Personal and Managerial Skills, Soft Language Skills, Terna Fundamentals and Innovation Management.

With a view to continuous improvement, special attention was paid to the choice of the teaching methodology and planning activities (for example, short 2-hour modules accompanied by self-learning content are being piloted where possible).

In a context of rapid change, digitalisation and sustainability challenges have redefined the way we work and interact with one another, while the expectations of new generations demand inclusive and wellness-oriented working environments. Investing in people, therefore, means building the future, ensuring business success and a positive impact on society.

The strategic projects that characterised 2024, involving the entire corporate population of Terna S.p.A., Terna Rete Italia; Terna Plus and Terna Energy Solutions and promoting a cultural change through continuous learning, are described below:

1. **Project Management**. The challenges of the energy and digital transition require highly advanced specialised technical know-how, but the effectiveness of organisational processes is equally crucial to enable the twin transition. For this reason, Terna launched a course targeted at all employees with the aim of providing the tools that enable a Lean and Agile culture and make corporate processes more flexible, responsive and geared towards continuous improvement. The course (still in progress) was designed separately for managers and employees, it reconstructs the widespread PM frameworks and provides tools and skills aimed at spreading a culture of work organisation 'by projects' and 'by objectives', creating a paradigm shift and laying the foundations for reorganising processes with 'lean thinking' (Lean and Agile).
2. **Digital Skills**. Promoting an approach to work that is innovative and geared towards experimentation and continuous improvement, stimulating curiosity about new technologies and their many uses, facilitating the development of critical digital thinking, and enabling the real adoption of new technologies: these are the objectives of the Digital Minds programme, aimed at equipping all Terna people with the skills needed to effectively navigate the digital age, starting with the development of a digital mindset. The course was developed with a blended approach, integrating - for each topic addressed - very inspirational webinars lasting up to 2 hours and digital training dossiers. The topics covered are: Change agility, Digital Intelligence, Digital problem solving and Generative AI.

These initiatives laid the foundations for the definition of the 2025 training plan, which aims to foster a change of mindset and strengthen the Group's cultural identity.

In parallel with the strategic projects, Terna Academy continued to provide high-level technical and specialist training in 2024. Some of the main courses include:

- **Training courses dedicated to the implementation of business tools and platforms (SAP4HANA and Enterprise Asset Management System -EAM)**. Still in the context of the Digital Literacy and innovation-oriented Mindset and in support of this digital transformation process adopted by Terna, a crucial role was played by the implementation of the new SAP4HANA and the new Enterprise Asset Management (EAM) platform. To support this, two training programmes were implemented for over 2000 resources.
- **Excellence in Safety Programme**. Terna, recognising workplace health and safety as a core strategic value, promotes a true and profound **safety culture**, a set of shared values that translate into widespread behaviour. With this in mind, in 2021 the Group launched the Excellence in Safety programme, a training programme previously detailed under the section on "workplace health and safety initiatives", which has been steadily strengthened and expanded over the years.
- **Lavori Sotto Tensione (Live-line Work) Training Course**. The programme aims to foster the development of highly specialised skills in planning, designing, conducting and executing work on high-voltage overhead power lines.
- **Power Lines and Substations Multiskill Courses**. These courses aim to foster the development of operational professionals with multiskill competences on Power Lines and Substations.
- **Specialist training on Conventional Working Methods**. These courses foster and strengthen the development of knowledge and skills related to conventional working methods on power lines and substations.
- **Specialist training course for real-time operators**. Also in 2024, a course was implemented for dispatching and conduction shift workers, aimed at ensuring the preliminary training of new shift workers and promoting continuous technical and professional training.
- **Training on specific regulations (GDPR, Model 231, workplace health and safety)**: in continuity with previous years, Safety and Compliance training continued and was enriched with new e-learning content, aimed at ensuring compliance in the areas of workplace health and safety, Privacy and Organisational Model 231. The main topics in the area of Safety include training for emergency management personnel (fire-fighting and first aid), initiatives dedicated to Category III Personal Protective Equipment, training dedicated to working at heights (safe ascent and recovery) and training on DPRET-Electrical Risk Prevention (basic and recurrent training).
- **Cybersecurity training**: In today's interconnected world, cybersecurity is an absolute priority for every business. For Terna, it is also an issue of collective responsibility: managing the evolution of an increasingly complex electricity system requires skills, innovation and technology, especially in the digital sphere. Cybersecurity is therefore increasingly central to our twin-transition strategy, to cope with the growing cyber threats that have increased and evolved over the years: recognising them can be difficult, as well as countering them. Protecting an organisation does not only mean relying on advanced technologies: it is crucial to develop a solid awareness of the risks related to the cyber world, involving every single employee. With this in mind, the training programme was enriched with an approach that also incorporates gamification, which, with a full immersion approach, made it possible to train Terna's people in a lighter and more fun way, while at the same time being effective in raising awareness on very important topics that no longer belong only to experts in the field.
- **Training Courses to spread the Lean Thinking culture**: training courses aimed at obtaining Six Sigma Black Belt and Green Belt certification were introduced for 2024 (and will continue in 2025), aimed at spreading a culture of work organisation 'by projects' and 'by objectives'.
- **Language training**: in continuity with previous years, in order to improve the level of foreign language confidence and use, language training was also implemented in 2024. These training courses will continue in 2025 with e-learning sessions and lessons with qualified lecturers.

Some projects involved all the company departments of Terna S.p.A., Terna Rete Italia; Terna Plus; and Terna Energy Solutions, while others were more technical and specialised and were carried out only for certain departments.

Furthermore, in 2024, the onboarding process of the Group companies operating in the electricity sector was completely redesigned, introducing new training modules that integrate technical, operational and value-based aspects, with the aim of creating a shared experience and fostering a sense of belonging to "One Terna". The programme, targeted at new colleagues, aims to improve their entry into the Company by leveraging their involvement and facilitating networking. With the aim of providing all new employees (in line with the inclusive culture) with a training experience that allows them to get their bearings right from their first steps in the Company and to feel a sense of belonging to One Terna, a transversal module was designed that precedes the more vertical modules (these being developed for each respective Department/Area). The aims are manifold: to introduce and provide a first experience of Terna's People Strategy, to aid an understanding of the context and scenarios in which the Company operates as well as the values that inspire its behaviour, and to support mutual knowledge and networking. It is developed in a blended mode (remote and face-to-face meetings) and alternates theory (plenary session presentations, films, individual reflections, testimonies), experiential moments (sub-group exercises, plant visits, immersive experiences with Virtual Reality, workshops, role plays, simulations), gamification (educational games, challenges with quizzes) and discussions (informal spaces for mutual sharing among peers and with Department managers).

- **Master Tyrrhenian Lab:** November 2024 marked the launch of the third edition of the Master's Degree Course aimed at training specialists in the field of digitalisation and energy transition. This initiative, in collaboration with universities and centres of excellence, confirms its role as a high-level academic training opportunity for the new generations and for professionals in the electricity sector who will become part of the Terna Group and be key players in the future of energy;
- **Courses for Transversal Skills and Orientation (PCTO):** Approximately 1,000 students across the country were involved in orientation and awareness-raising initiatives, developing transversal skills and investigating issues related to sustainability, safety and innovation, and also fostering the development of an attitude of increasing awareness of their own aspirations, according to the fulfilment of their professional project and the socio-economic context of the reference territory;
- **Train the Trainer:** The Train the Trainer programme for internal faculty was strengthened with the aim of upgrading the internal faculty skills with a focus on soft skills, wellbeing, digitalisation, training design and virtual classroom management.

Terna Academy implemented tools to monitor and assess the effectiveness of training activities, combining quantitative (level of participation and involvement) and qualitative (specific tests and participant feedback) analyses. In particular, tools were developed to measure the impact of the courses on inclusive language and project management. 2024 Was a year of important achievements and innovations for Terna Academy, which succeeded in combining tradition and innovation, expanding training opportunities for all employees and placing people at the centre as key players of the company's transformation. Commitment to continuous training is a strategic lever to ensure Terna's success and a positive contribution to society.

For 2025, in continuity with 2024, Terna Academy is defining three new projects that will be launched in March 2025 and continue until the first quarter of 2026:

- **The individual at the centre of the digital and green future:** training courses aimed at disseminating an organisational culture based on the value of Respect, breaking it down into its main forms of expression: collaboration, inclusion, transparency and continuous improvement;
- **Digital Minds 2.0 - Towards Advanced Digital Literacy:** training courses aimed at enhancing **digital skills** to prepare Terna's people to navigate new professional scenarios and optimise performance;
- **Green skills - towards an Eco Mindset:** training courses aimed at strengthening skills related to **energy efficiency** and **waste reduction** to enable sustainable behaviour in the lives of Terna's people and create value.

The Training Plan is complemented by specialised courses that will be developed following meetings with the company's Departments.



Initiatives aimed at skills development

During 2024, Terna equipped itself with a series of tools and initiatives aimed at performance management and skills development:

- **The P4P Performance management system**, an invaluable tool for aligning individual objectives with corporate strategies but also for making each person aware of his or her own performance, was extended, compared to previous years, to Terna's entire workforce, promoting a results-oriented culture;
- **360° Feedback Assessment**, introduction of performance assessment tools for structured feedback geared towards gaining a greater awareness of strengths and improvements in terms of the effectiveness of one's role action, involving each person's professional reference network;
- **Development Centre**, design and implementation of customised development paths to identify and enhance people's potential with a view to building dedicated professional development and training plans.

These tools share a common element: structured feedback as a driver and accelerator of the professional growth of all Terna's people.

All initiatives were designed and launched by Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l. and Terna Energy Solutions S.r.l. with a phased approach across the entire population, with priority being given to the managerial population and then to the professional population.

Terna adopts a structured approach to monitoring, assessing and enhancing the skills of its workforce, ensuring that the development initiatives produce tangible and lasting results. This takes place through the **analysis of specific KPIs** including the coverage of the population involved, the qualitative analysis of the results obtained and the submission of periodic surveys to collect employees' feedback and perceptions. These tools make it possible not only to measure the effectiveness of the actions undertaken, but also to promote a corporate culture geared towards continuous growth, recognising and valuing the skills acquired and the contribution of employees to the organisation's development.

Terna also acknowledges that the energy transition requires increasingly specialised and up-to-date skills. In 2024, several advanced training initiatives were designed and implemented, some of which also encompassing the Group



companies, to enhance technical and digital skills to support the twin transition, manage the electricity grid and develop resilient infrastructure, and develop leadership by promoting a management model based on collaboration and innovation, while ensuring sustainability and security.

In particular, Terna consolidated relations and cooperation with the network of excellence consisting of the CDP Group and its subsidiaries and associates, as well as with first-rate universities and academic institutions to train and develop people's skills.

Through partnerships with universities and business schools, high-potential managers were invited to participate in advanced training courses in a national and international context.

With reference to Workforce Planning, in 2024, Terna introduced a new process, with the aim of qualifying the organisation's needs in terms of skills, anticipating demographic dynamics and labour market trends, and structuring succession plans to ensure leadership continuity.

On the other hand, in 2024 Terna updated its succession plans with modern tools and methodologies in order to turn them into the strategic pillar for preparing the leaders of the future with appropriate skills and a high level of managerial maturity. These initiatives were designed and launched in Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l. and Terna Energy Solutions S.r.l.

A further initiative aimed at skills development is Internal Mobility, one of the pillars of the People and Talent Strategy, which, thanks to increasing individual empowerment, makes everyone an active part of their own growth, in accordance with and with an impact on the growth of capitalised professionalism, accrued skills and the Organisation's results.

During 2024 it was decided to further develop Internal Mobility also as a preferential channel for hiring and developing the Talents already available to Terna in order to expand their opportunities for growth and skill enrichment.

Interest in internal growth opportunities is constant, as witnessed by colleagues who have chosen to take on a new professional challenge within the Terna Group over the past year.

Other work-related rights - Privacy

In order to pursue the objectives of the policies in this area, in 2024 Terna implemented a series of actions aimed at preventing or mitigating negative impacts with reference to potentially affected stakeholders (including the categories indicated by standards S1 and S4). For the execution of the actions detailed hereunder, the Companies involved have utilized both human and financial resources (for further detail refer to the Privacy Model in the section "Workforce policies" and to the following paragraph).

To this end, a structured approach has been adopted to identify the actions needed to respond to actual or potential negative impacts that might occur in the event of misuse of personal data. This process includes the analysis of special information flows from the Privacy Focal Points (specifically identified within Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l., Terna Energy Solution S.r.l., Tamini Trasformatori S.r.l., LT S.r.l., Avvenia The Energy Solutions S.r.l.) and, in any case, for the remaining ones, through special information exchange opportunities organised by the Parent Company's DPO. Furthermore, the direct involvement of stakeholders through dedicated communication channels and the processing of data collected through audits and risk assessment is envisaged. Decisions on actions to be taken are aimed at ensuring the consistency of the measures taken with corporate strategies and the existing regulatory framework.

The implementation of the actions implemented is monitored through regular assessments and internal analyses. Monitoring is based on the achievement of set targets and the analysis of the results obtained, with a special focus on minimising the impacts associated with the misuse of personal data.

Terna ensures that its practices do not cause or contribute to causing significant negative impacts through an ongoing review of corporate procedures, particularly regarding the use of personal data.

By virtue of the activities carried out, a list of activities and initiatives related to the issue in question was launched within the Parent Company, also targeted at the Italian subsidiaries, in line, among others, with the objectives within the scope of the policies relating to the Business Conduct issue, in order to manage the material negative impacts, consistent with the findings of the Double Materiality Analysis.

Assessment and review of the Privacy Framework

The scope of the project included the involvement of the Terna Group's Italian companies, i.e. Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l., Terna Energy Solution S.r.l., Tamini Trasformatori S.r.l., LT S.r.l., Avvenia The Energy Solutions S.r.l., Brugg Cables Italia S.r.l. and Half Bridge Automation S.r.l. ("Terna Group's Italian companies"). At methodological level, the project, which was carried out in 2024, involved examining the relevant privacy documentation made available by the various companies and conducting interviews with the privacy focal points, where appointed, or with the contact persons identified by each Italian company of the Terna Group, in order to obtain information on the types and methods of processing carried out, as well as on the organisation of each subsidiary to monitor the privacy risk. In order to achieve the above target, the 'as is' status of the Privacy Framework was analysed by collecting the relevant privacy documentation made available by the various Terna Group companies and by organising and carrying out specific interviews with the privacy focal points, or contact persons, identified by each Italian company of the Terna Group.

The evidence gathered in accordance with the above-mentioned methodology contributed to the preparation of a report in order to ensure that an adequate governance system is in place to protect against data protection risks and identify/enhance new safeguards or controls in addition to those already provided for by the Privacy Framework.

As a result of this assessment, the principles and criteria for an adequate and effective organisational, technical and operational oversight of the Privacy Model were further defined in the Guideline "Privacy regulation within Terna", and specific information flows from the Italian subsidiaries to the Parent Company were set up to oversee the internal control system. With the objective of maintaining a strong privacy governance system in Terna S.p.A. and in the Terna Group's Italian companies, the Privacy Model described is subject to review and update whenever there is a major change in the reference legislation and/or in the company organisation.

Training on the topic

The training activities carried out in the privacy area during 2024, through specific training courses (in the classroom and on Microsoft Teams), as well as training dossiers and online courses available on the Terna Academy platform, support the adequate knowledge of the Privacy Regulation and the related internal controls.

This activity was carried out in 2024 for Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. to supplement the training already provided in previous years. It is expected that the programme will raise awareness on the issue, to which Terna pays particular attention, in order to create a working environment that allows, with the cross-functional involvement of all Functions, to minimise the negative impacts related to the unlawful use of employees' personal data. The importance of training on this topic is paramount, which is why the activity is carried out on an ongoing basis, mostly on an annual basis, also due to the obligations imposed by the current legislation on the subject.

Data Protection Impact Assessment (DPIA)

The data protection impact assessment (or DPIA) is a process aimed at describing the processing and assessing its necessity and proportionality. Through the DPIA, potential risks to the fundamental rights and freedoms of natural persons arising from the processing of personal data are identified, while at the same time appropriate technical and organisational measures are identified.

Conducting a DPIA is not mandatory for every single processing activity, but only in cases where a processing activity is likely to present a high risk to the rights and freedoms of natural persons within the meaning of Article 35(7) GDPR, and must contain certain mandatory minimum elements, including:

- a systematic description of the intended processing activities and the purposes of the processing, including, where applicable, the legitimate interest pursued by the data controller;
- an assessment of the necessity and proportionality of the processing activities in relation to the purposes;
- an assessment of the risks to the rights and freedoms of the data subjects;
- the measures put in place to address the risks, including the safeguards, security measures and mechanisms to ensure adequate personal data protection and to demonstrate compliance with the GDPR.

During 2024, the following DPIAs were carried out for the companies in the "Electricity Scope" (Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l. and Terna Energy Solutions S.r.l.), in relation to certain special projects:

- Lookout is a solution (provided by Lookout Inc.) aimed at increasing computer security in the mobile domain (Android or iOS) using content inspection, url categorisation, malware detection, anomaly detection and black listing functions. The application features two components: (i) a cloud platform that is interconnected to the company's MDM and that would be managed to monitor any threats in real time (hereinafter also referred to as 'MES Console') and (ii) a mobile app (called Lookout for Work, hereinafter also referred to as 'L4W'), which is directly installed on the devices. Lookout uses a data-driven approach to detect known or new threats, software vulnerabilities and potentially risky behaviours and configurations. The MES Console uses cloud-based machine learning techniques to accurately detect emerging threats by analysing data collected from apps, networks and operating system firmware from mobile devices. The need to carry out this DPIA therefore coincides with the need to assess the potential risks to the rights and freedoms of the data subjects involved in the processing, considering the innovative technical features of the solution.
- Progetto Droni (Drones Project), a project with the aim of carrying out the technical inspection of pylon supports owned by Terna Rete Italia S.p.A. by means of piloted drones. The devices have the ability to collect detailed images (including thermal images) in order to identify the health of the support components (insulators, clamps, etc.). Personal data concerning the pilot and technical information on flights performed (including log data, locations checked and account information) will only be accessible locally, by extraction from the drones' memory card. Although no personal data processing is necessary for the pursuit of the project's purpose, the preparation of this DPIA responds to the need to avert any risk to the rights and freedoms of data subjects that may be filmed by drone cameras.

- VerticalMan, a solution designed to protect the safety of operators who perform tasks for which they are isolated or are not constantly accompanied by a colleague. The system automatically detects 'Man down' or 'Man standing still' danger conditions and allows manual activation of the 'SOS' alarm to alert a remote rescuer;
- NTG Keyless, an application that allows smart opening (via Bluetooth), by employees and authorised third parties, of padlocks installed in plants in order to provide a secure and efficient access control system.

This type of activity is of an ongoing nature, and is therefore expected to be carried out whenever the necessary conditions (high risk to the rights and freedoms of data subjects) for the activation of the process are met.

Activities to strengthen privacy controls

In 2024, following the various assessment activities described above, an assessment was conducted in Terna S.p.A. and in the Group's Italian subsidiaries in order to strengthen the privacy governance system within these companies. In order to further reduce both the sanctioning risks - potentially arising from any shortcomings in compliance with current personal data protection legislation - and the governance risks, the following controls were strengthened:

- further specification of the methods for the identification, on a case-by-case basis, of the conditions for the lawful processing of personal data; the legal basis is assessed when a new initiative is launched in the context of privacy 'by design' or the recording of the Processing on the Register of Processing Activities, with particular focus on the issue of the proper use of the legitimate interest legal basis under Article 6.1.f) of the GDPR;
- reinforcing compliance with the principle of information transparency, consolidating the compliance safeguards relating to the obligation to provide data subjects with the privacy policies referred to in Articles 12, 13 and 14 of the GDPR, and highlighting the need for periodic verification thereof in the event of updates to the register of processing activities;
- consolidation of the protection of data subjects' rights, for which it was reaffirmed that the data controller must provide feedback without undue delay and in any case within one month of receipt of the request;
- further and more specific definition of the principles of privacy by design and by default, in relation to the obligation for the data controller, before the launch of a new initiative involving the processing of personal data or in the event of a modification of the processing activity, to assess the characteristics of the processing from both a technical and a legal point of view, documenting the assessments made with a view to accountability;
- strengthening of the data retention control, consisting of the obligation for the data controller to establish, for each processing activity carried out, both when assessing an initiative in the context of privacy 'by design' and when updating the Register of Processing Activities, a retention period or the criterion for determining such period;
- consolidation of the controls relating to the management of relations with third parties and intra-group relations. In this regard, the data controller is required to assess and identify the respective privacy roles (Data Controller/Processor/Joint Data Controller) in order to insert, where necessary, the relevant privacy clause within the contract and to adopt, if the third party acts as Data Processor, a privacy appointment in accordance with Article 28 of the GDPR and if it acts as Joint Data Controller, the relevant joint controllership agreement pursuant to Article 26 of the GDPR;
- reinforcement of the monitoring of the fulfilments related to System Administrators, who must be specifically identified and operate in accordance with the provisions of the 'Order of the Data Protection Authority for the protection of personal data - Measures and precautions prescribed to the data controllers for the processing activities carried out with electronic instruments in relation to the assignments of the system administrator functions of 27 November 2008 and subsequent amendments';
- consolidation of the control relating to the register of processing activities: whenever a Company carries out a new processing activity or modifies an existing one, it must supplement the register, the latter being one of the main elements of accountability since it is a tool providing an up-to-date picture of the processing activities in place within its organisation;
- enhancement of the control relating to periodic compliance audits to ensure the security of personal data and adherence to the principles of privacy by design and by default.

Workforce-related metrics and objectives

Goals of the 2024-2028 Sustainability Plan

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< S1-5

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets aimed at assessing the progress made with respect to its workforce and the related material impacts, risks and opportunities, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Sustainable value chain' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
EXCELLENCE IN SAFETY: Construction of the new company-wide workplace health and safety model in a BBS (Behavorial Based Safety) perspective for both own and contracted activities	Terna Group	Safety Indicator N°	≤1	≤1	≤1	≤1
Continuation of Gender Equality programme at Company level	Terna Group	Women as a percentage of the total workforce %	18.8%	19%	20%	20%
Continuation of Gender Equality programme at Company level	Terna Group	Percentage of women managers two levels below the CEO out of total managers two levels below the CEO* %	25%	25%	25%	26%

** The target reported for the three-year period 2025-2028 is intended as a minimum threshold.*

The above targets were processed and represented, for the first time, in the 2024-2028 Sustainability Plan, the first integrated with the Industrial Plan. The base year to be considered for the formulation of the targets is therefore, as a rule, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of performance and trends. The updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the board of directors, did not require any particular changes in terms of metrics or methodologies for these objectives. It should be noted that in 2024, the safety index was 0.88, in line with the target set for the year (equal to ≤1); the percentage of women out of the total was 19.4, in line with the target set for the year (equal to 18.7%). These targets, like the values described for the actual results, refer to the electrical perimeter only, while with the update of the Sustainability Plan for the years 2025-2028, the targets have been extended to the entire Terna Group. The percentage of female managers within two levels of the CEO out of the total managers within two levels of the CEO in 2024 was 31.0 (fully achieving the target set for 2024 of 25%), and the target value for the three-year period 2025-2028 reported in the table is to be understood as a minimum threshold below which the Group commits not to fall.

The objectives set out in the table are consistent with the purposes expressed within the Terna Group's Integrated Management System Policy, for the portion concerning the Workplace Health and Safety Management System, in compliance with the UNI ISO 45001:2023 standard, and the Diversity, Equity & Inclusion Policy (DE&I). These targets were drawn up taking into account the main international frameworks (e.g. ILO, UNI ISO 45001:2023, GRI, UNI/PdR 125:2022) and also take into account the requirements expressed by the various rating agencies specialised in sustainability issues. In particular, the safety indicator expresses the accident level defined as the weighted average over the previous three years of the frequency and severity indicators. A safety indicator below 1 reflects an improvement over the past, indicating a strengthening of the management of the relevant business controls. This index synthetically represents the Group's commitment to safety and is consistent with numerous other objectives dedicated to this topic in the Sustainability Plan, particularly within the area of action dedicated to 'Strengthening and disseminating the culture of health and safety'. This also includes the zero fatal accidents objective for Group employees and contractors (see page 317).

With regard to the process for setting and updating targets, monitoring the related performance and the engagement of employees, see the section "2024-2028 Sustainability Plan Update".

Workforce-related metrics

MDR-M >
S1-6 >

Characteristics of the undertaking's employees

		2024				
	U.M.	WOMEN	MEN	OTHER	NOT DISCLOSED	TOTAL
Permanent employees	N°	1,163	5,213	0	0	**6,376**
Temporary employees	N°	11	33	0	0	**44**
Non-guaranteed hours employees	N°	0	0	0	0	**0**
Total employees	**N°**	**1,174**	**5,246**	**0**	**0**	**6,420**

		2024				
	U.M.	WOMEN	MEN	OTHER	NOT DISCLOSED	TOTAL
Italy	N°	1,121	4,856	0	0	**5,977**
Europe	N°	46	280	0	0	**326**
Rest of the world	N°	7	110	0	0	**117**
Total employees	**N°**	**1,174**	**5,246**	**0**	**0**	**6,420**

	U.M.	2024
Number of employees as at 31.12.2023	N°	**5,927**
Number of terminated employees	N°	**253**
Employee turnover rate	%	**4.3%**

		2024			
	U.M.	ITALY	EUROPE	REST OF THE WORLD	TOTAL
Permanent employees	N°	5,951	308	117	**6,376**
Temporary employees	N°	26	18	0	**44**
Non-guaranteed hours employees	N°	0	0	0	**0**
Total employees	**N°**	**5,977**	**326**	**117**	**6,420**

The total number of employees matches the closing balance of employees at 31 December 2024, in line with that set out in note "5. Personnel expenses" of the consolidated financial statements. Moreover, the turnover rate is the percentage ratio between the number of employees terminated during the reporting year and the number of employees in service at the end of the previous year. The number of employees terminated during the year includes employees whose employment was terminated as a result of retirement, incentivised termination, spontaneous resignation, dismissal and death in service.

MDR-M >
S1-7 >

Characteristics of non-employee workers in the undertaking's own workforce

	U.M.	2024
Supply contract	N°	**50**
Internship or apprenticeship	N°	**14**
Coordinated and continued collaboration	N°	**8**
Total of non-employee workers	**N°**	**72**

*Concerning the above figures: **supply contract** means an open-ended or fixed-term contract with which an authorised party (employment agency, Job Centre, former temping agency) makes one or more of its employees available to a Terna Group company. The figure refers to the number of supply contracts, as at 31/12 of the reporting year.*
***Internship or apprenticeship** means a contract that provides for the temporary placement of resources within Terna Group Companies in order to implement an alternating school/work path within the scope of training processes. The figure refers to the number of internship or apprenticeship contracts as at 31/12 of the reporting year.*
***Coordinated and continued collaboration** means an agreement whereby an employee undertakes to work on an ongoing basis for a Terna Group Company with the objective of achieving an agreed result. The figure refers to the number of coordinated and continued collaboration contracts (Co.co.co), as at 31/12 of the reporting year.*

Collective bargaining coverage and social dialogue

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< S1-8

	U.M.	2024
Number of employees covered by collective bargaining agreements	N.	**5,977**
Number of employees	N.	**6,420**
Percentage of total employees cov-ered by collective bargaining agreements	%	**93.1**

COVERAGE RATE	COLLECTIVE BARGAINING	SOCIAL DIALOGUE
	EMPLOYEES – EEA (FOR COUNTRIES WITH > 50 EMPL. REPRESENTING > 10% TOTAL EMPL.)	WORKPLACE REPRESENTATION (EEA ONLY) (FOR COUNTRIES WITH > 50 EMPL. REPRESENTING > 10% TOTAL EMPL.)
0 - 19 %		
20 - 39 %		
40 - 59 %		
60 - 79 %		
80 - 100 %	Italy	Italy

The number of employees covered by collective bargaining agreements and, consequently, by trade union representatives in the workplace, are all employees of companies based in Italy. In particular, as far as Terna, Terna Rete Italia, Terna Energy Solutions and Terna plus are concerned, the National Collective Labour Agreement (CCNL) for the electricity sector applies. Tamini Group, LT Group and Brugg Italia employees are covered by the national collective labour agreement for the engineering sector; Avvenia's employees by the national collective labour agreement for trading companies.

Diversity metrics

< MDR-M
< S1-9

SENIOR MANAGEMENT EMPLOYEES	U.M.	2024
Women	N°	27
Men	N°	60
Other	N°	0
Not disclosed	N°	0
Total	**N°**	**87**
Women	%	31.0
Men	%	69.0
Other	%	0
Not disclosed	%	0

Senior management employees are defined as the managerial positions (Executives and Middle Managers) one and two levels below the CEO of Terna S.p.A. as at 31/12 of the reporting year.

	2024				
	U.M.	< 30 YEARS	30-50 YEARS	> 50 YEARS	TOTAL
Women	N°	196	726	252	**1,174**
Men	N°	976	2,992	1,278	**5,246**
Other	N°	0	0	0	**0**
Not disclosed	N°	0	0	0	**0**
TOTAL	**N°**	**1,172**	**3,718**	**1,530**	**6,420**

Adequate wages

< MDR-M
< S1-10

Thanks to the application of the national collective labour agreement, which applies to all employees employed in Italy, an adequate salary in line with the applicable benchmarks is guaranteed. With regard to employees working abroad, the protections provided for by applicable local regulations and according to local market parameters are guaranteed.

Social protection

< MDR-M
< S1-11

With reference to the Terna Group's employees in Italy, they are also guaranteed a form of social protection that protects them in the event of loss of income due to circumstances such as illness, unemployment, accidents at work or acquired disability, parental leave and, finally, retirement.
For the Group's foreign companies, the social protection safeguards provided for by the local regulations in force are guaranteed.

MDR-M > S1-12 >

Persons with disabilities

PERSONS WITH DISABILITIES	U.M.	2024
Number of employees with disabilities	N°	**224**
Percentage of employees with disabilities	%	**3.5**

The figure shown refers to the number of workers belonging to protected categories under Law 68/99 as at 31/12 of the reporting year. This refers to personnel in service in Italy, since the figure for employees with disabilities abroad is equal to 0. Disabled employees are persons hired through the targeted employment procedure provided for by Law 68/99, who are in a recognised disabled condition: >46%; persons in service who have been recognised as disabled: > 60%; persons hired through the targeted employment procedure provided for by Law 68/99 who are in disadvantaged/social hardship situations (orphans and spouses of victims of work, war, acts of terrorism, etc.).

MDR-M > S1-13 >

Training and skills development metrics

		2024				
	U.M.	WOMEN	MEN	OTHER	NOT DISCLOSED	TOTAL
Employees who participated in periodic reviews	N°	945	4,225	0	0	5,170
Periodic reviews carried out by employee	N°	945	4,225	0	0	5,170
Employees	N°	1,174	5,246	0	0	6,420
Periodic reviews carried out by employee	%	80.5	80.5	0	0	80.5
Employees who participated in periodic reviews	%	80.5	80.5	0	0	80.5
Reviews in proportion to the agreed number of reviews by management	%	100	100	0	0	100

	2024		
	U.M.	NUMBER OF TRAINING HOURS	AVERAGE TRAINING HOURS
Woman	N°	48,156	41.0
Man	N°	268,535	51.2
Other	N°	0	0
Not disclosed	N°	0	0
Total	**N°**	**316,691**	**49.3**

The People for Performance - P4P assessment system is the tool used to assess the employees of Terna S.p.A., Terna Rete Italia S.p.A., Terna Plus S.r.l. and Terna Energy Solutions S.r.l. All employees in the electricity sector are assessed, except for those who left the company during the year, those seconded by trade unions, those hired after 16 September of the reporting year and those absent for long periods (e.g., seconded for public office, absent due to illness lasting more than one month, etc.). 94% of the employees of the above companies was subject to assessment.
With respect to the other Group companies with employees, those included in the short-term incentive scheme were considered. The aim is to progressively extend an assessment system to the whole Group, in line with the Parent Company's policies. The percentage of employees who participated in periodic performance reviews was calculated by comparing the employees who participated in periodic performance reviews broken down by gender to the total number of employees by gender category at 31 December.
Average training hours are the result of the ratio between the total number of training hours offered and completed by employees by gender category during the reporting year and the total number of employees by gender category as of 12/31.

MDR-M > S1-14 >

Health and safety metrics

	2024	
	U.M.	EMPLOYEES WORKERS
Workers covered by the undertaking's health and safety management system based on legal requirements and/or recognised standards or guidelines	%	98.3
Number of fatalities as a result of work-related injuries and work-related ill health	N°	0
Number of recordable workplace accidents	N°	46
Rate of recordable work-related accidents	N°	4.2
Number of cases of recordable work-related ill health	N°	0
Number of days lost to work-related injuries and fatalities from work-related accidents, work-related ill health and fatalities from ill health	N°	1,455
Number of fatalities as a result of work-related injuries and work-related ill health for value chain workers	N°	1

The percentage of workers covered by the health and safety management system refers to own workforce. Employees of companies based in Italy are 100% covered.
The number of recordable workplace accidents corresponds to accidents with at least one day's abstention from work recorded and reported to the competent social security institution. The number of workplace accidents contains 8 accidents due to third-party causes, which are not the company's and/or the worker's responsibility. Specifically, of the 8 accidents, 7 occurred due to rear-end collisions and one due to illness. Net of this anomalous effect, the number of accidents is 38, the frequency index is 3.4 and the number of lost days is 1,367.
The workplace accident rate is calculated as the ratio of the number of workplace accidents recorded to the number of hours worked in the year (given by the sum of hours worked, overtime hours, training hours and travel hours), multiplied by 1,000,000.
In 2024, 2 complaints were filed concerning work-related illnesses and related to Terna colleagues of the former Enel Group no longer in service since 1997 and 2003, which are currently being investigated. If a case of work-related ill health is established, it will be reported in the next reporting cycles.
With regard to the days lost due to accidents, in the reporting year days not worked due to accidents occurred while commuting are excluded from the calculation of days not worked due to accidents, with the exception of days when transport was organised by the company. In the case of an accident event whose days of absence straddle two reporting years, the accident event is counted in the year of occurrence while the days lost due to the accident are counted in the year of actual use.

Work-life balance metrics

< MDR-M
< S1-15

In accordance with current legislation and company regulations on family-related leave, all Group employees are entitled to benefit from family-related leave, provided the conditions set out in the relevant legislation are met.

		2024				
	U.M.	WOMEN	MEN	OTHER	NOT DIS-CLOSED	TOTAL
Percentage of entitled employees that took family-related leave	%	21.4	10.7	0	0	12.7

The figures in the table refer to the number of employees who took family-related leave at least once during the reporting year. This figure is related to the final workforce of the reporting year.

Remuneration metrics (pay gap and total remuneration)

< MDR-M
< S1-16

	U.M.	2024
Gender pay gap	%	**4.1**

	U.M.	2024
Pay ratio*	n°	**34**

** The Pay ratio is the annual total remuneration ratio of the highest paid individual to the median annual total remuneration for all employees.*

The gender pay gap was calculated as follows: (average gross hourly remuneration of male Terna Group employees minus average gross hourly remuneration of female Terna Group employees) divided by the average gross hourly remuneration of male Terna Group employees multiplied by 100. Gross hourly remuneration means the employee's total gross annual remuneration with the inclusion of all fixed and variable, monetary and non-monetary components, divided by the total number of theoretical working hours. The following factors were considered for the purposes of the calculation:

- As an indication of total gross annual remuneration, the highest value for each employee between social security and taxable income;
- As an indication of the total number of theoretical working hours, the number of working hours (in proportion to actual employment during the year) referred to the labour regulations applied by Group companies;
- Personnel in service as at 31 December 2024 with an employment contract;

In order to monitor the ratio between the remuneration of the Chief Executive Officer and General Manager , the role with the highest salary and the Terna Group's corporate population (Pay Ratio), the ratio between the total gross annual remuneration of the Chief Executive Officer and General Manager and the median total gross annual remuneration of the Terna Group's corporate population (the latter excluding the total gross annual remuneration of the Chief Executive Officer and General Manager) was calculated.

Total gross annual remuneration refers to the employee's remuneration with the inclusion of all fixed and variable, monetary and non-monetary components.

The following factors were considered for the purposes of the calculation:

- As an indication of total gross annual remuneration, the highest value for each employee between social security and taxable income;
- Personnel in service as at 31 December 2024 with an employment contract.

MDR-M > S1-17 >

Incidents, complaints and severe human rights impacts

During 2024, 8 Committee meetings were held, during which 11 out of a total of 13 reports received in 2024 were examined and discussed (of the 11 examined, one report was from 2023). The disclosure relating to the reports received by the Group during 2024 was summarised in the following table and detailed below.

	2024
Total number of discrimination incidents:	**0**
- of which harassment	*0*
Number of complaints submitted through the channels set up by the com-pany	**11**[107]

First of all, it should be noted that none of the reports filed and investigated during 2024 concerned incidents of discrimination, including harassment, taking into account the definition of harassment given in the ESRS standard set out in Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council with regard to Consolidated Sustainability Statement principles[108].

With reference to the complaints submitted through the reporting channels set up by Terna, of the 11 reports examined in 2024:

- 4 concerned TERNA S.p.A. and were all considered well-founded:
  - 2 related to the subject 'Human Resources/Employee Treatment';
  - 1 related to the subject 'Human Resources/Corporate Loyalty';
  - 1 related to the subject 'Purchasing and Procurement/Supplier Management';
- 6 concerned TERNA Rete Italia S.p.A, of which:
  - 1 was considered to be well-founded, related to the subject 'Human Resources/Corporate Loyalty';
  - of the 4 related to the subject 'Human Resources/Employee Treatment', only one was considered well-founded;
  - 1, relating to 'Environment and Safety', was considered unfounded;
- 1 report, relating to the subject 'Human Resources/Employee Treatment', concerned Brugg Kabel AG and was considered well-founded.

For the purposes of the Consolidated Sustainability Statement and on account of the reporting standards, the outcomes of the reports reviewed during 2024 are summarised below:

i. filed 'without grounds': 4 reports;

ii. well-founded 'with follow-up and with action': 1 report[109];

iii. well-founded 'with follow-up without action': 6 reports.

It is reported that, in 2024, no instances of non-compliance with the UN Guiding Principles on Business and Human Rights, the ILO Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises or the United Nations Global Compact Principles relating to workers in the value chain, affected communities and customers were reported.

Finally, there were no serious human rights incidents in 2024, nor cases of non-compliance with the UN Guiding Principles on Business and Human Rights, ILO Declaration on Fundamental Principles and Rights at Work or OECD Guidelines for Multinational Enterprises.

[107] The number refers to the reports analysed in 2024. Of these 11 (6 were received via the channels set up by the company, while the remainder were otherwise forwarded to the operator). In addition, out of the 11 reports: 10 were received in 2024 and 1 in the last quarter of 2023 (received through the dedicated channel) was examined in 2024 in line with the expected timelines. On the other hand, with regard to the total number of reports received in 2024, it is acknowledged that there are a total of 13, and that the remaining 3 that were not examined during 2024 will be analysed, again in accordance with the expected timelines, during 2025. In particular, 2 of the 3 reports were examined at the meeting of the Ethics Committee on 10 February 2025.

[108] A case of inappropriate behaviour between colleagues of the same level for reasons not arising from the employment contract and not falling under the above definition of harassment in the ESRS standard was reported, which was handled by the organisation with notification of the disciplinary measure following a timely review by the Ethics Committee, but was resolved following the voluntary resignation of the staff member in question.

[109] These reports have not been subject to any sanctions or fines from an external party.

Workers in the value chain [ESRS S2]

Management of the impacts, risks and opportunities related to workers in the value chain

Summary of material impacts, risks and opportunities on workers in the value chain

Positive impacts |

- Improvement of the working conditions of contractor employees, including through compliance with the principles of Terna's Code of Ethics, as established in contractual agreements

Negative impacts |

- Accident events among contractor employees
- Infringements and violations within the value chain, e.g. due to reports of critical issues concerning workers' working conditions (employment stability, working hours, etc.)

Risks |

- Injuries / accidents to the detriment of employees, contractors and subcontractors

Policies related to workers in the value chain

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< S2-1

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts and risks related to workers in the value chain are detailed below. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of aspects related to human resources in their value chain. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the publication on the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Terna Group Code of Ethics

Terna's Code of Ethics identifies and defines the values, principles and standards promoted by the Group, which represent an essential prerequisite for the correct implementation of the strategic choices and of all the company's activities, with the aim of preserving its value and integrity over time. The document identifies all of Terna's stakeholders by drawing ethical lines related to their specific needs.

With regard to workplace health and safety standards, Terna is committed as far as possible to a comprehensive presentation of the risks associated with carrying out work on behalf of the company and the related prevention measures. With suppliers from countries defined as being 'at risk' by recognised organisations, contractual clauses are introduced which require: self-certification by the supplier of fulfilment with specific social obligations (e.g. measures that guarantee workers respect for fundamental rights, principles of equal treatment and non-discrimination, child labour protection) and the option to use control actions at the supplier company's production units or operating sites.

For additional information, reference should be made to the section 'Corporate culture and business conduct policies' under 'Governance information'.

Terna's Supplier Code of Conduct

Terna's Supplier Code of Conduct consists of an articulated summary of guidelines on the conduct that Terna requires of its suppliers through the signing of specific forms and declarations that it acquires during the qualification phase (where applicable), with the definition of tender participation requirements and, in the award phase, through contractual documentation. With specific reference to aspects related to working conditions and equal treatment and opportunities, the following points should be noted:

- **Human Rights and Equal Opportunities:** Suppliers are expected to respect and promote the universally recognised human rights affirmed in the UN Universal Declaration of Human Rights and the Declaration on Fundamental Principles and Rights at Work issued by the International Labour Organisation (ILO). Consistent with these principles, suppliers therefore undertake to respect the personal dignity, privacy and rights of each individual and to avoid any form of discrimination on grounds of race, colour, sex, language, religion, political opinion, nationality, background and social status, trade union membership, age, health condition or disability.
- **Verbal and physical violence:** Suppliers undertake not to permit any form of verbal, physical or mental abuse, harassment, threats, inhuman or humiliating treatment, corporal punishment or any other form of intimidation.
- **Forced or child labour:** Suppliers shall not use forced or child labour and shall avoid any form of undeclared work.
- **Freedom of association:** Suppliers are required to guarantee the right of workers to freely form trade union associations and to recognise the right to collective bargaining.
- **Remuneration and working hours:** The working hours of the suppliers' employees may not exceed the maximum limit indicated by the applicable laws and the minimum remuneration may not be lower than that laid down by the collective bargaining agreements and the applicable legislative and regulatory frameworks in force in the various countries.
- **Health and safety:** Suppliers must ensure a safe and healthy working environment and comply with all health and safety regulations. Suppliers must put in place all the health and safety measures required by current legislation on the prevention of accidents at work and occupational hygiene, including appropriate training on the subject for their employees. The adoption of certified employee health and safety management systems is regarded positively.

Terna expects all of its suppliers to share and comply with these principles and in turn to promote them to its own suppliers and subcontractors.

The monitoring and control of ESG issues within the value chain requires the involvement of various structures that verify that the documentary requirements are fulfilled by suppliers, including through on-site visits. Examples include, but are not limited to, the Purchasing and Procurement and HSE Quality and Risk functions.

The principles of conduct incorporate what is set forth internationally in the UN Universal Declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work and the Conventions issued by the International Labour Organisation (ILO) and the Ten Principles of the Global Compact as well as what is set out in the UN Guiding Principles for Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

Respect for Human Rights in the Terna Group

The Guideline on Respect for Human Rights is based on the belief that the primary responsibility for respecting human rights lies with States, but it also recognises the crucial role played by companies in ensuring respect for human rights within their activities. Terna Group is committed to high ethical standards, even in countries where local laws do not fully guarantee human rights. The policy focuses mainly on labour-related human rights, in particular those set out in the 1998 International Labour Organisation (ILO) Declaration.

For further details, reference is made to the section "Workforce policies".

The engagement process with value chain workers

< S2-2

With regard to **engagement initiatives**, with reference to the Safety culture issue, it should be noted that, also in 2024, the **work of the TERNA-ANIE** (National Federation of Electrical and Electronic Enterprises) **Safety Working Group** continued, and the "Eccellenza in Sicurezza" programme was launched, with the aim of **consolidating** the new **safety culture** and reinforcing **collaborative relations** based on a shared wealth of knowledge and technical skills, good work practices, but above all new cultural and behavioural models of awareness and responsibility towards oneself and others. The aim of the Terna-ANIE (National Federation of Electrical and Electronic Enterprises) Safety Working Group is to define, **share** and **adopt specific guidelines**, **policies** and **technical procedures** to **minimise hazards at work** and **prevent injuries** during the performance of work activities, also based on the best practices identified and the use of innovative individual devices. The activities of the working group are divided into thematic areas and each area includes a working group made up of company members (belonging to Terna, Terna Rete Italia, Terna Plus and Terna Energy Solutions companies) and ANIE members (including representatives of the Group's supply chain companies). Each member contributes directly to achieving the relevant objectives. With particular reference to the health and safety issue, the effectiveness and continuation of the working group with ANIE is guaranteed by the commitment of the company's management, in particular the General Legal and Corporate Affairs Department. The meetings of the working group are coordinated by Terna's AGLS-HSEQ-Health & Safety Manager and take place at least once every six months.

Processes to remediate negative social impacts on workers in the value chain

< S2-3

With regard to this information, see the section on "Processes to remedy negative social impacts".

Actions related to workers in the value chain

< MDR-A
< S2-4

In the course of its activities, the Terna Group implements a series of actions aimed at preventing, mitigating, correcting or improving the impacts and addressing the material risks associated with workers in the value chain, in line with the principles and objectives of the policies adopted and set out above.

Based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

Monitoring of suppliers' social requirements

In order to prevent possible negative impacts related to contractor employees' working conditions, a **number of requirements focusing on social aspects** (human rights, working conditions), among others, are required for contractualisation, which for some ESG-relevant sectors are necessary from the qualification phase. The main requirements subject to monitoring include: Integrity pact (text verified by Transparency Italy), anti-mafia certification, application of the collective labour agreements, the payment of tax and social security contributions, the absence of environmental offences, the absence of serious breaches of labour safety regulations and regularity of employment of legally protected categories. All suppliers are required to contractually commit themselves to **comply with the provisions of the Code of Ethics and 231 Model**; any non-compliance encountered will result in penalties. Specifically, it should be noted that initiatives in the area of supplier selection and qualification are systematically carried out at the contractualisation stage.

With the aim of verifying the effectiveness of this action their is provided the monitoring of the coverage of the relevant verification activities, which for 2024 stands at 100 per cent for basic requirements[110] and 70.5 per cent for supplementary requirements[111].

In the sectors at greatest risk in terms of sustainability (primarily works, global services and some supplies), the ability to protect workers' health and safety is also required, represented by corporate procedures focused on key elements of the international UNI EN ISO 45001 standard. Both at the qualification stage and during the three-year qualification period, Terna ensures that suppliers meet the qualification requirements, including the various ESG aspects, through document audits and on-site checks.

For more details on supplier selection and qualification initiatives, see the section on supplier relationship management.

[110] Compliance with the principles and behaviours provided for in Terna's Code of Ethics and 231 Model.

[109] Integrity pact (text verified by Transparency Italy), anti-mafia certification, which checks: the application of the collective labour agreements, the payment of tax and social security contributions, the absence of environmental offences, the absence of serious breaches of labour safety regulations, regularity of employment of legally protected categories, and the absence of any impediment to undertaking public contracts.

Preventive health and safety control system

In the context of contracting activities, **site inspections** are carried out in order to verify the **correct application of the accident prevention regulations** by the appointed health and safety professionals and the contractors, thereby defining a two-level health and safety control system:

- **first level**: reporting to the Client's structure, which carries out control activities through checks on the work of the Health and Safety Coordinator during Execution (CSE) and the contractors;
- **second level**: reporting to the Group, in particular to the Health & Safety and Environmental Protection structures, which, through spot checks, monitors the entire management and control process at construction sites.

Second-level audits include audits at the request of the Supervisory Bodies and the Qualification Committee, e.g. on the occasion of serious accident events or within the scope of the qualification process.

During 2024, 290 worksite inspections were carried out, 276 of which were first-level and 14 second-level inspections, relating to the health and safety part of the worksite on the following aspects (compartments): (1) Worksite organisation and road conditions; (2) Worksite documentation; (3) PPE, equipment and means of work; (4) Work phases and operational risks; (5) Verification of the work of health and safety coordinators.
Moreover, 4 Inspections were carried out on construction sites for non-regulated activities.

Accident risk minimisation

Also for 2024, a process has been put in place to adopt, if an accident or near miss occurs to a Group employee or a contractor, possible risk mitigation measures to prevent its recurrence. Specifically, in the case of accidents or near misses, **the local Health and Safety and Environment Control Unit** drew up, with the collaboration of the worker involved and his or her structure, an **accident/near miss form** in which the causes and dynamics of the events were reported, as well as an indication of the measures to be adopted to prevent the occurrence of new incidents. In the case of a serious injury, or when a more in-depth investigation is called for, an internal commission comprised of Terna safety experts and specialists was set up and entrusted with drafting a detailed report containing the preventive measures to be adopted throughout the Company. The Company also developed a **cultural transformation programme** called **Excellence in Safety**, which puts people, their conduct and the impact they have at its heart. The programme is based on practicing safety routines and above all the voluntary reporting by workers of any near misses or suggestions regarding safety. Reports are considered a question of prevention and continuous improvement and not a form of complaint. Monitoring of the actions implemented by the Group to minimise the risk of injuries is implemented through the reporting of specific sustainability KPIs, in particular the number of fatalities as a result of work-related injuries and work-related ill health for value chain workers, which is also related to the 2024-2028 Sustainability Plan Update, represented in the table at the following paragraph. The monitoring of this KPI therefore demonstrates how the Group constantly evaluates the effectiveness of its actions.

Metrics and targets relating to workers in the value chain

< MDR-T
< S2-5

Goals of the 2024-2028 Sustainability Plan

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific objectives aimed at assessing the progress made with respect to workers in the value chain and the material impacts and risks associated with them, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Sustainable value chain' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE		
			2026	2027	2028
EXCELLENCE IN SAFETY: Construction of the new company-wide workplace health and safety model in a BBS (Behavorial Based Safety) perspective for both own and contracted activities	*Electricity sector*	No. of fatalities (contractor employees)	0	0	0

The above target was defined and set out, for the first time, in the 2024-2028 Sustainability Plan update, whose guidelines were shared within the Board Committee on Sustainability Governance and Scenarios and also included in the Industrial Plan approved by the Board of Directors. The base year to be considered for the formulation of the target is therefore 2024[112]. For a correct assessment of trends, it will therefore be necessary to wait for the 2025 final report. In addition to the target represented in the table, it is also worth mentioning an objective, in the context of the 'Excellence in Safety' programme, concerning the launch of a reward/penalty system for strengthening the safety culture in companies in the supply chain. Specifically, a voluntary trial is planned to start in 2025 with a commitment to make it binding from 2027.

The objectives are consistent with the purposes expressed in the Supplier Code of Conduct and the Terna Group's Integrated Management System Policy, for the portion concerning the Workplace Health and Safety Management System, in compliance with the UNI ISO 45001:2023 standard. These targets were drawn up taking into account the main international frameworks (e.g. ILO, UNI ISO 45001, GRI) and also take into account the requirements expressed by the various rating agencies specialised in sustainability issues.

With regard to the process for setting and updating targets, stakeholder engagement and monitoring the related performance, reference should be made to the section '2024-2028 Sustainability Plan Update'.

[112] With reference to the 2024 values, reference is made to the 'Health and Safety Metrics' table included in the 'Own workforce' section.

Local communities [ESRS S3]

Impact, risk and opportunity management relating to local communities

Summary of material impacts, risks and opportunities on local communities[113]

Negative impacts |

- Determination of inconveniences due to traffic (opening of passages to erect pylons, soil excavation, removal of residual materials), noise pollution and the landscape (e.g. visual impact, architectural, artistic and cultural landscape) due to construction site activities
- Determination of inconveniences related to land and landscape (e.g. visual impact, architectural, artistic and cultural landscape) due to the implementation of works

Opportunities |

- Improvement of reputation through participatory planning initiatives and constant dialogue with affected communities resulting in improved Social License to Operate

MDR-P > S3-1 >

Policies related to local communities

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts related to the local communities, as well as seizing the related opportunities. These policies are defined in compliance with applicable regulations and relevant best practices, and are periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of aspects related to the local communities. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the publication on the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.



[113] In line with the results of the update of the double materiality assessment, it is noted that the disclosure provided in the paragraph "Local communities" refers to electricity transmission and dispatching activities.

The involvement of local stakeholders in the Terna Group's electricity grid investment activities

This policy focuses on the management of relations with local community stakeholders, with the overall objective of fostering the efficient sharing and implementation of investments in the electricity grid, minimising the risk of disputes and maximising opportunities for constructive dialogue, thus ensuring the management of material impacts and opportunities relating to the "Local Communities" issue. It applies both to greenfield investments - which are more significant and often entrusted to central departments - and to renovations managed at territorial level. The policy aims to build a relationship with the local territory and identifies participatory planning, the conduct of authorisation procedures and the implementation phases of interventions as the main stages. The policy is monitored through coordination between central and local departments, including the areas of Electricity System Planning and Authorisations, External Relations and Institutional Affairs, Engineering and Project Implementation, Project Development and local Transmission Departments. This integrated approach aligns infrastructure interventions with the needs of local communities, ensuring a balance between sustainable development of electricity transmission infrastructure and territorial consensus.

The Stakeholder Engagement activities, and hence this policy, apply in general terms to the entire national territory, insofar as they are conducive to sharing the development and adaptation requirements of the national electricity grid. These activities are adapted to the specificities of each intervention, taking into account the materiality of the work for the electricity system, the local benefits, the social and environmental characteristics of the area, and the needs of the stakeholders involved. This flexible approach makes it possible to modulate the intensity and nature of the engagement initiatives according to the specific features of the territorial and social context and considering the evolution of local opinions and attitudes.

The highest managerial level accountable for the implementation of the policy regarding relations with local community stakeholders is represented by the Terna Group's central departments, with a primary role being played by Electricity System Planning and Authorisations. Depending on the phase and level of involvement, collaboration is envisaged with General, Legal and Corporate Affairs, Project Development, External Relations and Institutional Affairs, Engineering and Project Implementation and Territorial Transmission Departments.

For network development and adaptation projects, the Company adopts consultation and discussion methods that comply with international regulations, such as in the case of Projects of Community Interest, where the engagement methods must follow the guidelines of the relevant regulations (Public Consultation). Furthermore, the Terna Group implements its Stakeholder Engagement activities in compliance with established organisational rules and systems, including the 231 organisational model and the anti-corruption management system. Together, these tools ensure a transparent and accountable approach in interactions with stakeholders, adapting the activities to the specific characteristics of the territories and the sensitivities of the local communities.

When defining the Stakeholder Engagement policy, special attention was paid to considering the needs and requirements of the main stakeholders. This approach ensures that all activities are calibrated according to factors such as: the materiality of the work to the electricity system's objectives, the benefits generated for the area, and the social and environmental specificities of the context concerned. In addition, the active involvement of the stakeholders, starting from the preliminary planning and consultation stages, allows for the incorporation of useful feedback to improve projects and minimise any negative impacts.

In relation to making the policy available to potentially affected stakeholders, the Group adopts an open and transparent approach, ensuring that material stakeholders, in particular those whose input is required for the implementation of the policy, i.e. local authorities, citizens, NGOs and associations, are engaged through easily accessible communication channels, such as company web pages and e-mail inboxes.

Respect for Human Rights in the Terna Group

With reference to this information, see the section 'Workforce policies', where this policy is described.

S3-2 >

The local community involvement process

The Terna Group seeks dialogue and the direct cooperation of the communities affected by NTG development interventions on an ongoing basis. Starting with the sharing of grid requirements, to continue with the initial phases of studying the feasibility of the interventions, especially promoting the **involvement of local communities in participatory planning** (e.g. *Terna Incontra*), in order to arrive at a shared definition of the interventions themselves, with particular reference to their sustainable location in the territory concerned. The listening approach adopted by the Group is geared towards receiving feedback from all interested parties. As such, the **Terna Incontra** initiative, mentioned above, provides for structured measures to involve all affected communities, ensuring an inclusive dialogue through different stages and methods. In previous years, the mixed meeting format was consolidated, with some meetings held in person and others online, in order to ensure the broadest possible participation, also including those with motor disabilities. The operational responsibility for ensuring this involvement lies primarily with the Authorisations and Consultation Function within the Electricity System Planning and Authorisations structure. The results of the involvement of the affected communities can be seen in the agreements that the Terna Group signs with local authorities in the form of Memorandums of Understanding for the shared and sustainable location of NTG development projects.

S3-3 >

Processes to remediate negative social impacts on workers in the value chain

With regard to this information, see the section on 'Processes to remedy negative social impacts'.

MDR-A >
S3-4 >

Actions related to local communities

In the course of its activities, the Terna Group implements a series of actions aimed at preventing, mitigating, correcting or improving impacts and seizing material opportunities related to local communities, in line with the principles and objectives of the policies adopted and set out previously. The scope of the actions described below, at the level of activities and geographical area, includes local communities belonging to the entire national territory, by virtue of the transmission and dispatching services provided by the Terna Group. Based on the development and upgrading needs of the national electricity grid, it therefore covers the territorial and social context affected by the Grid Development Works that were implemented.

Based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

Activities related to participatory planning, the conduct of authorisation procedures and the implementation phases of the interventions

During 2024, the Terna Group implemented a series of strategic actions aimed at ensuring participatory and transparent planning, an effective authorisation process and efficient management of the implementing phases of the interventions. Participatory planning represents the main process through which the Terna Group identifies suitable activities to prevent and/or mitigate any negative impacts on the affected communities, in order to build together a project that fits best into the territorial and social context concerned. In particular, in order to prevent and/or mitigate the negative impacts on the territory and the communities involved, Consultation with the territorial administrations was initiated on the basis of the complexity of the works and the territorial context involved, fostering an open discussion with institutional and local stakeholders, with the aim of identifying, in a shared manner, project solutions that minimise the impacts on the territory, the environment and the landscape. Through working groups with administrations, public meetings and other consultation tools, useful feedback was collected to improve the projects, ensuring greater sustainability and social acceptability. In this context, the Terna Incontra

programme was a key opportunity to present the project alternatives to the public and collect their feedback, contributing to a further refinement of the identified solutions. As a result of these discussions, agreements and memoranda of understanding were signed to sanction the sharing of project solutions, and in parallel, conventions were signed with local authorities to implement offsets to balance any residual impacts, ensuring tangible benefits for the communities involved. Such agreements may include land development or environmental restoration and protection initiatives.

With regard to the conduct of authorisation procedures, compliance with regulatory obligations was ensured through communication and discussion with the bodies responsible for expressing opinions and with the citizens affected by the projects, thus ensuring the transparency of the process. At the start of the implementation phase, support was ensured to the company structures involved in the works with the continuation of territorial relations with the owners of the areas involved for the activities of subjugation and stipulation of amicable agreements, favouring a more shared and effective acquisition process. In addition, during the opening and management of the sites, the fulfilment of commitments undertaken during the consultation and authorisation phase was guaranteed, ensuring the continuity of relations with bodies and citizens for the management of territorial problems encountered in the management of the sites. All the actions described contribute significantly to the achievement of the company's territorial and social objectives, ensuring that works are carried out in compliance with regulations and with the maximum involvement of stakeholders. The same types of actions are also planned by the Terna Group for the future.

Supplementary activities

In 2024, the Terna Group implemented several initiatives aimed at generating positive impacts for the affected communities, with a focus on rationalisation and sponsorship initiatives. As part of its rationalisations, the Terna Group pays particular attention to always evaluating the possibility of removing obsolete power lines, significantly reducing environmental impact and returning a local area free of transmission infrastructure to its local communities. This process is part of wider rationalisation measures, often agreed with local authorities during the consultation phase for the construction of new infrastructure. As far as sponsorships are concerned, the Terna Group supports cultural, social and environmental initiatives and projects proposed by the territory, thus contributing to enhancing the wellbeing of local communities. The success of these actions is assessed not only in terms of verification of proper implementation thereof, but also through monitoring of the results achieved, with particular reference to the positive impact on the communities concerned.

The actions carried out by the Terna Group regarding participatory planning, as well as rationalisations and environmental offsets, also pursue the purpose of generating an improvement in corporate reputation, with possible positive effects on the consolidation of the so-called social licence to operate on the part of the communities concerned with the Terna Group's activities.

With regard to the intervention approach in relation to specific negative impacts, it is worth highlighting the approach with reference to the construction activities of overhead power lines, i.e. mobile construction sites, whose limited extension corresponds to that strictly necessary to install the support/truss. Power lines are discontinuous infrastructures that only occupy the ground at the base of their supports: most of the linear development, in fact, is represented by the conductors flying over the ground. The Terna Group has produced technical specifications for the sustainable management of its construction sites that contractors are required to comply with and apply. By way of example but not limited to, it is worth mentioning the following activities: constant wetting of the soil, in the worksite area, in order to limit the raising and diffusion of dust; particular attention is also paid to avoiding, where possible, the operation of the worksite during bird nesting periods.

With reference to the construction of new NTG Stations, it should be noted that the Terna Group generally plans, as from the design phase, to implement measures aimed at ensuring the best possible integration of the new infrastructure into the territory that will host it: both from a landscape point of view, by planting trees and shrubs along the perimeter of the new electricity substation, in order to mitigate its visual impact; and from an architectural point of view, by designing the electricity substations' claddings that will recall the architectural style of local structures.

With reference to practices concerning land acquisitions, the Terna Group's attention and commitment to trying not to generate negative impacts on the territory and the communities involved is particularly seen in its intention to avoid affecting, with its grid development projects, areas of greater natural, environmental and landscape value. Already during the SEA phase of the development project, in fact, the Terna Group developed a GIS analysis methodology, the so-called ERPA criteria, which made it possible to identify corridors for the location of new power lines that are more compatible with the different characteristics of the local territory.

In general terms, the corporate structure primarily responsible for managing the prevention and mitigation of impacts resulting from the implementation of NTG development interventions is the Authorisations and Consultation function, which necessarily coordinates with the corporate structures in charge of planning and implementing the same interventions. To this end, the Authorisations and Consultation function is divided into different geographical areas of responsibility: North West, North East, South Tyrrhenian Centre and South Adriatic Centre.

Metrics and targets related to local communities

MDR-T > S3-5 >

Goals of the 2024-2028 Sustainability Plan

As part of the 2024-2028 Sustainability Plan update, the Terna Group defined a series of specific targets aimed at assessing the progress made with respect to local communities and the material impacts and opportunities associated with them, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Energy Transition' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Promotion of initiatives for the development of the electricity system in concert with stakeholders	Terna Group	Significant interventions accompanied by stakeholder listening initiatives (%)	100%	100%	100%	100%

For the sake of completeness, it should be noted that the 2024-2028 Sustainability Plan included a **100% target also for 2024, which was achieved**.

The above target was developed and set out, for the first time, in the 2024-2028 Sustainability Plan, the first to be integrated with the Industrial Plan. The base year to be considered for the formulation of the targets is therefore, as a rule, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of performance and trends. The updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the board of directors, did not require any particular changes in terms of metrics or methodologies for this objective.

The target set out in the table is consistent with the purposes expressed in the Guideline on the involvement of local stakeholders in order to facilitate the efficient sharing and implementation of grid investments, minimising the risk of disputes and maximising opportunities for constructive dialogue.

This target was drawn up taking into account the main international frameworks (e.g, GRI) and also takes into account the requirements expressed by the various rating agencies specialised in sustainability issues.

The specific target identified, aimed at examining the progress made with respect to local communities and the related material impacts and opportunities, relates to the number of works (as a percentage) with a value of over €50M authorised in the year, which were consulted on or were subject to public consultation.

With regard to the process for setting and updating targets, monitoring related performance and stakeholder engagement, see the section "2024 - 2028 Sustainability Plan Update".

Customers [ESRS S4]

Management of material impacts, risks and opportunities in relation to customers

Summary of impacts and opportunities related to customers

Positive impacts |

- Customer satisfaction through access to quality information

Negative impacts |

- Misuse of customers' personal data

Opportunities |

- Increased attractiveness in market through transparency and accessibility of information regarding the Group's activities

Customer-related policies

< MDR-P
< S4-1

The policies adopted by the Terna Group to identify, assess, manage and/or remediate its impacts and seize material opportunities related to the customers issue are detailed below. These policies are defined in compliance with applicable regulations and relevant best practices, and are periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool in order to respond to stakeholders' needs. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the posting on the Group's website or other types of documents where deemed necessary.



Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna S.p.A.'s board of directors, responsible for approving the policy, to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. The Integrated Policy and the responsibility for ensuring that the recommendations contained therein are implemented throughout the organisation lies with the entire management. The related monitoring is carried out annually through the Integrated Management System review and through annual audits by the certification body. In particular, the Policy addresses, inter alia, Quality Management. In compliance with **UNI EN ISO 9001:2015**, the Terna Group undertakes to

- ensure that the companies' products and services meet customers' expectations and comply with applicable regulations;
- maintain adequate services to customers (Non-regulated Activities);
- meet delivery times and optimise the cost/quality ratio of products/services (Non-regulated Activities).

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for Terna, through specific contractual clauses and qualification and selection processes.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

With regard to data and information privacy, see the section 'Workforce' since the application of the reported policies also extends to customers.

Respect for Human Rights in the Terna Group

With reference to this information, see the section 'Workforce policies', where this policy is described.

S4-2 > The customer engagement process

The companies Terna Energy Solutions S.r.l., LT S.r.l., Tamini Trasformatori S.r.l. and Brugg Kables Services AG and their subsidiaries carry out activities in support of the energy and digital transition.

In detail, **Terna Energy Solutions S.r.l.** and **LT S.r.l. actively involve their customers in the integrated design of renewable plants and for the connection thereof to the grids and for connectivity**, with joint advancements in construction, testing and activities of operation and maintenance after the commissioning of the plants themselves.
The companies **Tamini Trasformatori S.r.l.** and **Brugg Kables Services AG** and their subsidiaries **involve their customers from the design and testing phase through to the installation of each product**, making the customisations required by the customer and necessary for the final use of the product, even manufacturing products certified by the same customer on the basis of specific designs and/or tests. Customer involvement is in particular supervised by the relevant Sales structures, duly assisted by the technical design, production and installation departments.

Processes to remedy negative social impacts on customers

< S4-3

With regard to this information, see the section on 'Processes to remedy negative social impacts'.

Customer-related actions

< MDR-A
< S4-4

As part of its activities, the Terna Group implements a series of actions aimed at preventing, mitigating, correcting or promoting its impacts and seizing its material customer-related opportunities, in line with the principles and objectives of the policies adopted and set out above.

Based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

The following actions, with particular reference to obtaining and maintaining certifications, are also required in several tenders and for this reason represent an element of attractiveness and access to greater market opportunities to be monitored over time. It should be noted that these actions are connected to the objective included in the Sustainability Plan Update; therefore, they are monitored within the Plan's monitoring framework, as reported in the following section "Metrics and targets related to customers - Goals of the 2024-2028 Sustainability Plan".

Access to quality information

Disclosing one's activities to customers

The companies Terna Energy Solutions S.r.l., LT S.r.l., Tamini Trasformatori S.r.l. and Brugg Kable Services AG disclose their activities through their official websites, making available information about the company, the product and service catalogue, the main projects carried out, existing certifications, and personnel; as well as through participation in the main industry events and exhibitions, to meet with their customers and stakeholders.
Since 2023, Brugg Kable Services AG has published a Sustainability Report to illustrate all its sustainability-related activities.

Obtaining SOA certification

The **SOA Certification** certifies that the company is able to carry out a certain type of work and complies with safety and quality requirements, as verified on the basis of activities actually performed and verified by a Certifying Body also involving customers. The company **Terna Energy Solutions s.r.l.** provides services for the energy and digital transition to its customers in Italy and accordingly holds SOA certification for the OG10, OS19 categories of works classified in VI amount (up to EUR 10,329,000) where, in particular, the OG10 category refers to systems for high/medium voltage transformation and for the distribution of alternating and direct current electricity and public lighting systems; the OS19 category refers to telecommunication and data transmission network systems. The certificate was issued in 2022 with a duration of five years. The SOA certification information is public.

Obtainment of 9001 certification by Tamini S.r.l.

ISO 9001:2015 certification, which is part of the Group's Integrated Management System' is the international standard for quality management systems, published by the International Organisation for Standardisation (ISO). This certification lays down the criteria for an **effective quality management system** to ensure that companies' products and services meet customer expectations and comply with applicable regulations. Specifically, since 2001 Terna has certified the compliance of its management systems with ISO standards and has chosen to merge them into a single integrated system extended to all directly controlled companies, including Terna Energy Solutions S.r.l.

In 2024 the company Tamini Trasformatori S.r.l obtained ISO 9001 certification for all operational and/or production processes, in particular with reference to the activities of design, manufacture, repair, upgrading and adaptation of high and extra-high voltage power transformers, special transformers, reactors and distribution transformers by means of winding production, heat treatment, phase assembly on the core, yoke closure, connection assembly, heat treatment of the active part, enclosure, vacuum, oil filling and circulation, accessory assembly and final testing. To complete the picture, it should also be noted that the companies LT S.r.l. and Brugg Kable Services AG certified in 2022, respectively, the activities of photovoltaic plant maintenance, construction and revamping; technical consulting, development, design, production, assembly, installation, marketing and sale, training and maintenance services for power cables, special cables, hybrid cables, cable systems and accessories for voltages up to 500 kV. It is specified that the certification is valid for three years and will expire in 2025. The aforesaid companies, therefore, certified all processes and specifically the processes underlying all services and products offered in competitive markets. The quality of the Group's processes and products is a pervasive system with respect to the company's activities and, therefore, falls under the responsibility of the entire management. Information on certifications is disclosed by companies on their institutional websites and main documents, so that it is known to all potential customers.

In 2024, the new **Market Solutions Department** was set up to coordinate Terna Group companies operating in competitive markets. The Division consists of three business divisions with responsibility for the analysis, development and marketing of products and services in the market: the Services Division dedicated to services for the country's energy and digital transition; the Cables Division for the supply of terrestrial cable solutions; and the Equipment Division for the supply of transformers on an international basis. The Department also makes use of other structures in Business Development, Programme Management Office and the Operations Division for general services.

Privacy

Regarding the issue of data and information privacy, see the section 'Workforce' since policies and initiatives are also reflected on customers.

With reference to the actions relating to confidentiality, see the section on 'Actions concerning workforce', in particular the subsection 'Other work-related rights - Privacy'.

Metrics and targets related to customers

Goals of the 2024-2028 Sustainability Plan

< MDR-T
< S4-5

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets to assess the progress with respect to the topic of customers, as well as the related material impacts and opportunities, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Creation of shared value' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE		
			2026	2027	2028
Customer satisfaction for Group com-panies operating in competitive markets	Terna Group	Definition and application of customer satisfaction analysis methodologies	Definition of the methodology	First appli-cation of the meth-odology	Monitoring of the methodology

The above target was defined and set out, for the first time, in the Sustainability Plan update, whose guidelines were shared within the Board Committee on Sustainability Governance and also included in the Industrial Plan approved by the Board of Directors. The base year to be considered for the formulation of targets is, therefore, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of trends. In addition to the target indicated in the table, it is also worth mentioning the target relating to the definition and implementation of an ISO certification and SOA certification plan. The scope of reference covers the companies Terna Energy Solutions, LT, Tamini and Brugg Kable Services AG consistently with the double materiality results.

The targets indicated are consistent with the purposes expressed in the Terna Group's Integrated Management System Policy, with reference to the appropriateness of the services offered to customers, and were drawn up taking into account the main international reference frameworks (e.g. UNI ISO 9001).

With regard to the process for setting and updating targets, stakeholder engagement and monitoring the related performance, reference should be made to the section '2024-2028 Sustainability Plan Update'.



Governance information

Business conduct and supplier relationship management [ESRS G1]

Managing impacts, risks and opportunities related to the business conduct and managing relationships with suppliers

Summary of material impacts, risks and opportunities related to the business conduct and managing relationships with suppliers

Positive impacts |

- Raising awareness of the rules of conduct aimed at observing the Group's principles of ethics, integrity and legality
- Strengthening protection measures through the provision of secure reporting channels
- Improved economic stability of suppliers thanks to timely payments by the Terna Group

Negative impacts |

- Economic and financial consequences for stakeholders related to convictions that affect the management of the company

Risks |

- Penalties and/or application of Restrictive Measures imposed by UN, EU, US, UK entities
- Delays/extra costs on supplies from key suppliers as a result of the global supply chain crisis, increased market demand and/or in the event of a change in supplier strategy
- Lock-in of core supplies

Opportunities |

- Improvement of the Group's reputation through a sustainable supply chain
- Cost reduction through continuous monitoring practices of suppliers' ESG performance to avoid critical issues over time in the face of increasingly stringent regulations

Corporate Culture and Business Conduct

MDR-P
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Corporate culture and business conduct policies

The Terna Group has adopted and disseminated a series of **policies** aimed at **promoting a corporate culture based on a responsible conduct within and outside the Organisation**, and identifying, assessing and managing its relevant material impacts and risks related to these aspects. These policies are defined in compliance with applicable regulations and reference best practices, and periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of aspects related to the topic in question.

In this regard, the **Code of Ethics**, discussed in more detail below, represents the **key principle of this culture**, defining the Group's commitment to ensuring compliance with current legislation and defining **fundamental standards and values**, such as **personal integrity**, **impartiality and anti-corruption**, to be upheld and encouraged.

The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the publication on the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Terna Group Code of Ethics

Terna's **Code of Ethics** identifies and defines the **values**, **principles and standards** promoted by the Group, which represent an **essential prerequisite** for the correct implementation of the strategic choices and of all the **Company's activities**, with the aim of preserving its value and integrity over time. The document identifies all of Terna's stakeholders by drawing ethical lines related to their specific needs.

The Audit Department carries out checks on the appropriateness of the approach, application and compliance with the Code of Ethics.

The Code is addressed to directors, employees and all those who collaborate and operate in the name and on behalf of Terna or who in any way contribute to creating value for the Group. Its contents are promoted at company level, including through specific training activities. The same applies, under the terms indicated in the Guidelines entitled "Adoption of the Code of Ethics in Terna Group Companies" (LG050), to all companies directly or indirectly controlled by Terna S.p.A.

The Code of Ethics is based on a number of **general ethical principles**, which have such a wide and crosscutting value that they should be considered fundamental for every behaviour and every moment of the company's life. They also demonstrate Terna's commitment to recognising certain fundamental, internationally shared ethical principles. Specifically, Terna upholds and abides by **the ten principles of the United Nations Global Compact**. These are the highest values recommended by the UN to companies, as a synthesis of the most important documents shared at the international level on human and workers' rights, respect for the environment and the fight against corruption. Below are the general principles on which the Code of Ethics is based:

- **legality**, the founding pillar of the entire Code. Complying with the law is a mandatory principle not only in Italy but also in the other countries where Terna operates;
- **honesty**, which is necessary to secure credibility inside and outside the company and establish trusting relationships with all stakeholders;
- **accountability**, which means the ability to understand the consequences of our actions, paying attention to the impact on the community and the environment and the long-term sustainability of growth.

The **Ethics Committee** is the corporate body responsible for providing clarification on the principles laid down in the Code of Ethics and its application, and competent for managing the final decisions on reports received through the internal whistleblowing procedure. In particular, as provided for by the specific Terms of Reference approved by Terna's Chief Executive Officer, the Ethics Committee has the following tasks:

- respond to requests for clarification on the Code of Ethics via the e-mail address: comitato.etico@terna.it; and, in accordance with the "Conflict of Interest" Guidelines, also on the most significant types of potential or actual conflicts of interest;
- disseminate knowledge of the ethical principles, including through information and training activities;
- provide advice on specific ethical issues and provide the knowledge tools needed to implement corporate policies in line with ethical principles;
- receive and examine reports of violations of internal or external regulations, including those referred to in Legislative Decree 24/2023 pursuant to the whistleblowing policy;
- decide whether to open a procedure for examining the report;
- provide a response to whistleblowers on the decision taken.

Appointed by the Chief Executive Officer, the Committee also plays a pivotal role in the whistleblowing management process governed by the Whistleblowing Guidelines, and oversees the dissemination of information on the Code of Ethics and its principles.

The third section of Terna's Code of Ethics "Principles of conduct in relations with stakeholders" focuses on the Group's main stakeholder categories. Each subsection provides general guidelines dedicated to the specific category of stakeholders and defines the principles of conduct that Terna undertakes to observe towards them, as well as the conduct that the Group expects from stakeholders in their interactions with it.

Terna has voluntarily chosen to adopt and publish its Code of Ethics as a tangible expression of its commitments towards the parties with whom it comes into contact. To ensure extensive knowledge of its Charter, Terna undertakes to disseminate the Code to all internal and external stakeholders via specific communication activities that are differentiated according to the recipients. Thus, for example, the Code is disseminated via dedicated sections on the corporate intranet, on the website or in the documents in which it is deemed necessary, or with other targeted information or training initiatives.

Moreover, it should be noted that on the subject of Business Ethics and the Code of Ethics, the annual training was also provided in 2024, specifically referring to the following on the TBC Academy platform:

- "Business Ethics and Control Measures";
- "Behaviour in the Code of Ethics";
- "Code of Ethics and Conflict of Interests".

With regard to the initiatives conducted to provide information and awareness of the Code of Ethics' controls, the relevant contents are available for the personnel of Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. Specific information and training slides on the contents of the Code, translated into the different languages of the countries where the Group is present, have been made available to support the overseas companies and the Brugg Group.

Model 231

The **231 Organisational Model** (hereinafter the 231 Model) defines **rules of conduct and internal organisation**, within a structured and organic system of control and monitoring activities. These are designed to prevent the commission of the various types of offence envisaged by the Legislative Decree 231/01, and to ensure that the Company conducts its business and activities in a fair and transparent manner, with the aim of protecting the Company's position and image and meeting its stakeholders' expectations. The 231 Model sets out rules to prevent various types of offence from being committed, some related to corruption and some to other concerns such as the environment and human rights.

The set of **areas at risk of the predicate offences pursuant to Decree 231** and the rules of conduct set out in 231 Model are the result of a **risk assessment** activity designed to create a **tailored model** based on the characteristics of each Group company.

In particular, as part of the risk assessment activity, periodic analysis is carried out at company level by interviewing the owners of processes relevant to the 231 Model. Their contribution is essential for the correct identification of the risks to which each sensitive activity is exposed.

The Terna Group's 231 Models are continuously monitored to assess their effectiveness and ensure they are kept up-to-date with respect to internal changes (such as in an organisational structure or business activities) and external changes (case law, legislative developments, best practices).

In order to minimise and prevent the risk of incurring such "para-criminal" liability, Terna and each Italian company of the Terna Group have adopted an organisational, management and control model suitable for preventing predicate offences, and have set up a Supervisory Board (SB) and a control system, as well as a disciplinary system to punish non-compliance with Legislative Decree no. 231/01, the 231 Model and the provisions of Legislative Decree no. 24/2023 (the "Whistleblowing Decree").

The Corporate Liability and Compliance Risk structure oversees the updating of the 231 Models, supporting the SB's assessment work and the adoption of resolutions by the Administrative Bodies, also based on the system of delegated powers in place.

The 231 Model is a **dynamic** and **shared** document. Dynamic, because it is sensitive to all regulatory and organisational changes. Shared, because its implementation involves all the company people, both in the pre-drafting phase, through periodic risk assessment, and in the implementation phase, through training and information.

Staff training is an essential element for the effectiveness of the 231 Model. Terna has developed a training plan that includes both classroom sessions and e-learning modules on the TBC Academy platform, with content tailored to the target audience and based on concrete examples. In particular, for the personnel of Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. online trainings belong to the category of annual and mandatory courses. To assess the effectiveness of training, at the end of the courses participants take tests on the topics covered. For additional information on training courses covering Legislative decree no. 231/2001, reference should be made to the section 'Anti-corruption training' on page 345.

The **231 Models** and the Code of Ethics are **disseminated to all the personnel of the Group's Italian companies**, who sign a declaration of knowledge and commitment to comply with the provisions of the documents, which are also published on the Parent Company's corporate intranet and disseminated within the Group's companies, including through the 231 contact persons. On their part, external collaborators are required to sign specific contractual commitments to comply with the provisions of Decree no. 231/01, the 231 Model, the Code of Ethics and, more generally, with the anti-corruption measures adopted by Terna Group companies.

To ensure the widest possible knowledge and dissemination, the 231 Models and the Code of Ethics adopted by Terna Group companies are fully published on the Company's website.

Global Compliance Program

Since November 2017, Terna has had a **Global Compliance Program** (or GCP) in place, **aimed at the Terna Group's overseas companies** called upon to implement it, in order to harmonise the efforts of these companies in **promoting compliance with the principles of ethics**, **integrity and legality** and to prevent corporate "para-criminal" liability, provide a shared, consistent and uniform approach against possible unlawful behaviour and strengthen the Internal Control System. The GCP was last updated on 14 December 2023 to bring it in line with the revised guidelines on whistleblowing (Guidelines 054 "Whistleblowing"), which also provide for controls for overseas companies, as well as to better articulate the composition of the **Compliance Officer Bureau** (COB), according to the actual monitoring needs of overseas companies.

More specifically, the GCP defines the general control standards and principles of conduct applicable to employees, directors and other members of the management and control bodies of overseas companies as well as, when applicable, to any third party acting in the name and/or on behalf of an overseas company, such as suppliers, agents, consultants, business partners or any other counterparty, in order to prevent the commission of unlawful conduct.

To ensure the effectiveness of the GCP, a **Compliance Officer** (CO) is appointed in **each overseas company** by resolution of the company's Board of Directors. The CO is entrusted with the task of monitoring the GCP's implementation and encouraging the dissemination of knowledge throughout the company of the GCP itself and/or of the Local Compliance Programmes envisaged in the reference Country Annex and the Parent Company's guidelines, as well as facilitating its operation through training/information activities relating to the GCP through the implementation of specific information channels.

The CO is supported in the performance of its tasks, if necessary, by persons appointed by resolution of the Board of Directors of the Overseas Company and subject to the positive opinion of the CO itself, who together make up the Compliance Officer Bureau (COB).

The **GCP is inspired by the most important regulations and best practices**, **including international** best practices, including but not limited to: (i) Legislative Decree no. 231 of 8/06/2001 ("Decree 231"), as subsequently updated, which establishes the rules on administrative liability (similar to criminal liability) for legal persons where certain offences have been committed on their behalf or in their interest; (ii) the "Corporate Governance Code" of listed companies promoted by Borsa Italiana S.p.A.; (iii) the 2010 Federal Sentencing Guidelines Manual & Supplement, adopted by the United States Sentencing Commission on 1 November 2010; (iv) the Foreign Corruption Practices Act ("FCPA") of 1977, as subsequently updated; (v) the UK Bribery Act of 2010, as subsequently updated; the Good Practice Guidance on Internal Controls, Ethics, and Compliance adopted by the OECD Council on 18 February 2010; (vii) the "Resource Guide to the U.S. Foreign Corrupt Practices Act" issued by the Criminal Division of the U.S. Department of Justice ("DOJ") and the Enforcement Division of the U.S. Securities and Exchange Commission of 2012, as subsequently updated; (viii) the DOJ's "Evaluation of Corporate Compliance Programs" of 2017, as subsequently updated; (ix) the Anti-Corruption Ethics and Compliance Programme for Business: A Practical Guide adopted by the United Nations Office on Drugs and Crime (UNODC) in September 2013; (x) the recommendations adopted by the Financial Action Task Force ("FATF") on money laundering and terrorist financing of 2012, as subsequently updated; (xi) the European regulations on laundering, search, seizure and confiscation of the proceeds of crime and on terrorist financing (including Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 and Commission Delegated Regulation (EU) 2016/1675, as subsequently updated); (xii) Legislative Decree no. 24 of 10 March 2023, implementing Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law and laying down provisions concerning the protection of persons who report breaches of national laws.

Another key tool is training, which is based on the applicable regulations and best practices and the importance of GCP compliance. In this way, Corporate Officers will be put in a position to have a clear understanding and awareness of the different offences, the risks, the related personal and corporate responsibilities and the actions to be taken to prevent the commission of unlawful activities. Specifically, in 2024, the courses involved the entire Brugg Kable Services AG corporate population to the extent of the foreign subsidiaries (except for Switzerland and Italy), Terna USA and Tamini USA. Training activities take place every two years.

Trade Compliance Guidelines

Terna adopted **Trade Compliance Guidelines** approved by Terna S.p.A.'s Board of Directors with resolutions dated 25 July 2018 and 13 May 2020 and subsequently updated by Terna S.p.A.'s Chief Executive Officer. The Guidelines, last updated in April 2024, establish the safeguards to **prevent the risk of penalties** and **damage** to the **Group's reputation from the infringement of national legislation** and **restrictive measures on Trade Control**. The purpose of the Guidelines is to increase awareness and promote the adoption of effective organisational and compliance tools by each Group company, in order to manage the Group's trade and financial instruments in global markets in compliance with the international sanctioning and restrictive rules currently in force, and therefore, to effectively control Trade Compliance risks connected with the infringement of national legislation and restrictive measures, to protect the Company's reputation, the market and all shareholders, as well as the commitments undertaken by the Terna Group in contractual relations with third parties.

The Trade Compliance Guidelines identify the terms, conditions, controls and guidelines for defining roles, responsibilities, information flows and any other necessary action to ensure that trade control activities are correctly implemented within Group companies to protect the Company's reputation, the market and all shareholders, as well as the commitments undertaken by the Terna Group in contractual relations with third parties (such as, for example, credit providers, banks, export credit agencies, suppliers, etc.). In addition to the initial country, objective, subjective, contractual and financial checks, Terna Group companies undertake to plan and carry out careful monitoring activities in relation to the ongoing business relationships in which Terna Group companies are involved, in order to rule out new risks pursuant to the Guideline at a later date. Finally, the Group companies, with reference to periodic verification activities, inform the Parent Company's Due Diligence Counterparties and Compliance structures at least annually.

The Trade Compliance Guidelines are issued by the Parent Company Terna to all its subsidiaries, which must implement them to ensure that all the Group's operations are carried out in full compliance with the legislation of the countries in which the Group operates.

Therefore, before carrying out any transaction, Terna and its subsidiaries undertake, by performing due diligence and/or obtaining the appropriate documents, to:

- verify the direct and/or indirect involvement in the transaction of Embargoed Countries or, in any case, of Countries subject to restrictive measures (as defined in the aforementioned Guidelines);
- verify the possible direct and/or indirect involvement of Designated Parties (as defined in the above-mentioned Guidelines) or resources/funds traceable to them subject, therefore, to specific restrictive measures;
- carry out a survey of the technical characteristics and conformity of the products to be exported with respect to the current European Union provisions on export control, in particular with regard to the regulation of dual-use products and technologies as per Regulation (EU) 821/2021 and to the restrictive measures against certain countries on the purchase, sale, transfer and/or import/export of such products;
- properly handle products of US origin, considering the restrictions imposed by the United States of America on the destination countries of material produced in their territory;
- verify the correct preparation of contracts with counterparties, with particular reference to the use of appropriate precautionary contractual clauses and in compliance with Terna's financial contractual commitments;
- verify that the transaction which the Terna Group is party to is consistent and not in contradiction with the obligations undertaken in the context of the declarations periodically made to financial counterparties;
- conduct an investigation into the existence of reports or the application of sanctions or restrictive measures of any kind against overseas counterparties.

Through the adoption of the Trade Compliance Guidelines, the Terna Group intends to ensure, as a matter of principle, that all Transactions conducted within the Group comply with the current provisions on restrictive measures and Trade Control adopted by the European Union, by any EU Member State, the United States of America, the United Kingdom, the United Nations and any other jurisdiction, and material - pursuant to Italian legislation or as a result of contractual provisions, as updated, supplemented or amended from time to time - for Terna S.p.A. and its subsidiaries.

To control the risk of non-compliance with Sanctions legislation, an e-learning **training course** has been made available on the corporate platform TBC Academy on international sanctions and Trade Compliance, mainly aimed at persons with delegated powers in Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l., Terna Plus S.r.l., as well as at specific recipients also of the other subsidiaries to which it is transmitted. The delivery of the course is reiterated over time, also based on developments in the external context and/or relevant regulatory updates. The training course was updated in line with the 15th (last adopted as of 31 December 2024) package of sanctions against Russia issued by the EU Foreign Affairs Council with the aim of strengthening the fight against the circumvention of existing restrictions and further limiting Russia's military and industrial capacity in the war of aggression against Ukraine, in implementation of the following legislative acts issued for this purpose: Decision (CFSP) 2024/3174; Decision (CFSP) 2024/3182; Decision (CFSP) 2024/3187; Regulation (EU) 2024/3189; Regulation (EU) 2024/3192; Implementing Regulation (EU) 2024/3183; Implementing Regulation (EU) 2024/3188.

Whistleblowing Guidelines

The Terna Group has always been particularly attentive to preventing risks that could jeopardise the responsible and sustainable management of its business and, consistently with its mission and its internal control system, also to the possibility of learning about critical situations and correcting them by consolidating the relationship of trust with its stakeholders. In order to ensure responsible management and in line with legislative requirements, as early as September 2016 the Terna Group implemented and updated a **system** for **receiving** and **managing reports of violations of internal or external regulations**, in order to guarantee fairness and transparency in the conduct of its business and activities and to protect the company's position and image, which may cause damage or be detrimental to the company, such as fraud, generic risks or a potentially hazardous situations. This ensured the maintenance of the system also in accordance with the regulatory provisions implemented first in 2017, concerning "Provisions for the protection of persons reporting offences or irregularities they have become aware of in the context of their public or private employment", and then in 2023, with Legislative Decree no. 24/2023 on whistleblowing concerning the "Implementation of Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019 on the protection of persons who report breaches of Union law and laying down provisions concerning the protection of persons who report breaches of national laws" (hereinafter also the "WB Decree" or "Legislative Decree no. 24/2023").

With the adoption of the **Whistleblowing Guidelines** (LG054), Terna has governed an adequate **monitoring system** that provides for the management of whistleblowing, identifying and regulating the internal channels of the Group companies activated for reports and their relative functioning, defining the subject of the reports and the people who can make them, the competence and management methods for analysis and investigation activities following receipt of reports (roles and responsibilities) and the related terms, the measures for **protecting the whistleblower**, the conditions for making external **reports** and **public disclosure**, as well as the methods and terms of data retention for the purposes of whistleblowing management activities, also in compliance with **privacy legislation**.

Terna has implemented tailor-made governance and design solutions by setting up **dedicated IT channels** for the Parent and for each of the Group companies with more than 249 employees (Terna Rete Italia S.p.A. and Tamini Trasformatori S.r.l.). For the other Italian subsidiaries and the overseas companies, in compliance with local legislation, a shared channel was set up within the portal, partly to ensure continuity of the reporting oversight envisaged by the Code of Ethics and the Global Compliance Programme. Furthermore, in addition to the IT channel, other channels have been set up to receive reports (regular mail, face-to-face meetings). In line with the internal reporting channels set up and accessible through the Portal, appropriate intercompany agreements have been signed for the Italian Group companies and overseas companies that have adopted the whistleblowing system to entrust Terna with the reporting management activities.

Through the internal channels established, it is possible to report unlawful committed or omitted acts and/or conduct, which constitute violations, including suspected violations, of the principles enshrined in the Code of Ethics, of internal regulations, which comprise all the provisions, procedures, guidelines or operating instructions of the company receiving the report, including the Organisation and Management Model pursuant to Legislative Decree 231/01, the anti-corruption guidelines, and the Global Compliance Programme, as well as violations of policies, company rules and regulations that may result in fraud or damage, even potential, to co-workers, shareholders and stakeholders in general or that constitute illegal acts or acts detrimental to the interests and reputation of the company, and violations, as provided for by the WB Decree, "of national or EU regulatory provisions that harm the public interest or the integrity of the public administration or private entity".

The corporate bodies responsible for handling reports and, consequently, for implementing the principles and contents of these Guidelines are:

- the **Internal Audit Manager**, with regard to the receipt and analysis of reports;
- the **Ethics Committee**, with reference to making conclusive resolutions. The members of the Ethics Committee, appointed by the Chief Executive Officer, are chosen with the criterion of representing a varied point of view and a balance between the different corporate structures and roles in order to ensure the most appropriate follow-up to the report made.

Reports are handled by the Audit Manager, together with the members of the Ethics Committee, in a transparent manner through a pre-defined process.



Terna provides adequate information about its reporting system; for further information on this topic, please see the following section "Reporting channels and procedures for investigating incidents relating to company conduct".

In this regard, finally, a specific **training course** was organised and delivered for whistleblowing report managers. Moreover, the e-learning course "Terna's Whistleblowing System" was prepared and made available, in terms of annual and mandatory training, to all group employees of Terna S.p.A., Terna Rete Italia S.p.A., Terna Energy Solutions S.r.l. and Terna Plus S.r.l. on the TBC Academy platform to provide specific training on whistleblowing topics, the channels available, and the safeguards for whistleblowers.

Reporting channels and procedures for investigating incidents relating to company conduct

The Terna Group has always been particularly attentive to preventing risks that could jeopardise the responsible and sustainable management of its business and, consistently with its mission and its internal control system, to the possibility of learning about critical situations and correcting them by consolidating the relationship of trust with its stakeholders. For this reason, the Group, following the approval of Legislative Decree no. 24 of 10 March 2023 (in Official Gazette 15-3-2023 no. 63), concerning "The protection of persons who report breaches of Union law" transposing Directive (EU) 2019/1937 of the European Parliament and of the Council of 23 October 2019, has adopted **Whistleblowing Guidelines** to regulate the system for **receiving and managing reports of breaches of internal or external regulations**, in order to guarantee **fairness and transparency** in the conduct of its business and activities and to protect the Company's position and image, which may cause damage or be detrimental to the Company, such as fraud, generic risks or a potentially hazardous situation.

These Guidelines were adopted in 2016 and have been subsequently updated, most recently on 12 July 2023 (for companies with more than 249 employees), and on 14 December 2023. This has ensured maintenance of the system and also compliance with the regulatory provisions implemented in 201750 and in 2023 with Legislative Decree 24/202351 on whistleblowing and the most recent Guidelines issued by the National Anti-Corruption Authority (ANAC) pursuant to Article 10 of the Decree.

The **whistleblowing process** is designed **to ensure** all aspects of information security, first and foremost the **protection of the anonymity of the whistleblower**, but not least that of the reported person, the person involved and the person **mentioned** in the report, as well as the content of the report and of the relevant documentation, also in full compliance with the personal data protection legislation. There are dedicated IT channels in place for the Parent Company and for each of the Group companies with more than 249 employees (Terna Rete Italia S.p.A. and Tamini Trasformatori S.r.l.). For the other Italian subsidiaries and the overseas companies, in compliance with local legislation, a shared channel was set up within the portal, partly to ensure continuity of the reporting oversight envisaged by the Code of Ethics and the Global Compliance Programme. In addition to the IT channel, other channels have been set up to receive reports (regular mail, face-to-face meetings).

Through the **internal channels** of the Group's companies, it is possible to **report unlawful committed or omitted acts** and/or conduct, which constitute violations, including suspected violations, of the principles enshrined in the Code of Ethics, of internal regulations, which comprise all the provisions, procedures, guidelines or operating instructions of the company receiving the report, including the Organisation and Management Model pursuant to Legislative Decree 231/01, the anti-corruption guidelines, and the Global Compliance Programme, as well as violations of policies, company rules and regulations that may result in fraud or damage, even potential, to co-workers, shareholders and stakeholders in general or that constitute illegal acts or acts detrimental to the interests and reputation of the company, and violations, as provided for by the WB Decree, "of national or EU regulatory provisions that harm the public interest or the integrity of the public administration or private entity".

With regard to the **reporting channels** introduced by the Group, the following information and/or **training activities have been delivered**:

- an **e-learning course on "Terna's Whistleblowing System"** was prepared and made available on the dedicated platform, aimed at all employees to ensure specific training on the subject of whistleblowing reports, the channels available, and the safeguards for whistleblowers;
- **information activities** for **employees**, **stakeholders** and **contractual counterparties**. A special section was created on **Terna's corporate intranet** with information (and specific FAQs) on the procedure, on the channels available for submitting reports and on their handling process, as well as on the **corporate website** (https://www.terna.it/it/Governance/etica-impresa/whistleblowing), to which the websites of the Terna Group's subsidiaries participating in the procedure also make reference for further details. On the pages of the specially set up **computer portal** (https://whistleblowing.terna.it/) in both Italian and English, specific details are provided, both on data protection notices and the relevant legislation and accompanying FAQs. The principles and contents of whistleblowing, which are applicable to third parties, including suppliers, are made known to the latter through contractual documentation, as well as through information on the website illustrating the reporting methods.

The persons in charge of handling the report may not disclose the identity of the whistleblower or other revelatory information to any other person who is not duly involved in the investigation without the express consent of the whistleblower.

Breaches of the whistleblower protection measures, with regard to the obligation of confidentiality, will result in disciplinary sanctions, in accordance with the provisions of Legislative Decree no. 24/2023.

In addition, personal data collected under the whistleblowing procedure is processed in full compliance with the Privacy Policy, in accordance with the provisions of Legislative Decree no. 24/2023, taking into account the fair balance between the rights of the reported person and the right to confidentiality of the whistleblower's identity, by implementing the technical and organisational measures provided for to ensure the security of personal data in accordance with the applicable legislation.

Lastly, in addition to the reporting channels, the Group has adopted, with reference to the detection of potential fraud, which includes corruption, a Fraud Risk Assessment process, conducted periodically by the Fraud Management function and involving all corporate structures and all levels of the organisation in order to assess its exposure to the risk of fraud and contain it within an acceptable level. It should be specified that the scope of this activity extends to the entire organisation, since the risk of fraud is material to the entire Company and impacts several business processes.

The Fraud Management Guidelines provide precise lines of action to be taken for the management of fraud events. In carrying out the activity, the Fraud Management structure must take care not to disclose confidential or privileged information obtained during the course of the investigation. For the examination of the events identified, the structure in charge may activate audits in the structures concerned, in liaison with other corporate control and supervisory structures. For more complex and sensitive cases, it can be supported in this activity by experienced specialists to ensure the correctness of the process and compliance with the legislation on investigative activity. The evidence gathered must be complete, reliable and adequate to reconstruct the event, supporting the conclusions that will be submitted in the final report. The Fraud Management structure is careful in formulating assumptions, opinions and views while remaining impartial and considering all elements of both possible guilt and innocence. No opinion is expressed as to the guilt or innocence of any person or party.

Actions on corporate culture and business conduct

In order to pursue the objectives of the corporate culture and business conduct policies, the Group has undertaken several initiatives, listed below, with the aim of promoting its impact and mitigating its material risks with reference to the aforementioned topic.

Activities to monitor criminal and/or administrative liability

During 2024, the Compliance Structure - Corporate Liability and Compliance Risk Monitoring ("PCR") in order to monitor the criminal and/or administrative liability of companies and ensure alignment with the Parent Company's policies on the matter, carried out the following activities for the overseas companies controlled - directly or indirectly - by Terna. Specifically, it:

1) defined a **local regulatory monitoring activity plan** for the companies already in the perimeter before the Brugg Group acquisition and where the PCR Manager currently holds the role of Compliance Officer;
2) shared, with the Head of Legal, Risk & Compliance of the **sub-holding Brugg Kabel Services AG**, a **calendar of on-site audits** for the year 2024 in the overseas companies acquired with the Brugg Group that need induction and promotion activities on the Parent Company's guidelines and to adopt the GCP. A similar activity was also carried out for Terna USA and Tamini Trasformatori's US subsidiary, exploiting synergies for the audit activities carried out for the Brugg Group companies and shared with the Compliance Officer and the Local Assistant of those companies, respectively;
3) identified the specific **objectives** and **areas for verification** as follows:
   A. **Local regulatory analysis:** identify, with the support of legal advisors who are experts in the local reference legislation, the most relevant new regulations on the criminal liability of entities; their impact on existing processes; the controls in place to mitigate the identified risks; any gaps to be filled through dedicated action plans;
   B. **Adoption of the GCP:** highlight, through a dedicated assessment, any discrepancies/contradictions between the control principles expressed in the GCP and local regulations that could impact the transposition of the GCP. This analysis is further supported by local compliance officers/legal experts where appointed;
   C. **Country Annexes and Compliance Programmes:** monitor, downstream of this assessment, the drafting of Country Annexes and local Compliance Programmes where required by individual regulations;
   D. **Compliance Governance:** identify a Compliance Officer Bureau (COB) under the new governance expressed in the GCP;
   E. **Training:** promote a regular training and information process through an induction on the GCP principles.
4) defined a **monitoring plan** concerning the achievement of the objectives, the progress of which is set out below.

Trade Compliance Monitoring

In 2024, Terna's CEO **updated the Trade Compliance Policy**, applicable to Terna and its subsidiaries. This is to increase awareness and promote the adoption of effective organisational and compliance tools, in order to manage the Group's trade and financial instruments in global markets in compliance with the international sanctioning and restrictive rules currently in force, and therefore, to effectively control Trade Compliance risks connected with the infringement of national legislation and Restrictive Measures, to protect the Company's reputation, the market and all shareholders, as well as the commitments undertaken by the Terna Group in contractual relations with third parties. In order to ensure that Terna Group companies have a consistent approach to risk assessment, a specific "Trade Compliance & Export Control" Working Group was established to perform the following steps in 2025: (i) define a risk assessment methodology for trade compliance to be provided to all Terna Group companies to support risk assessment activities and the issuance of specific operating controls by each company (e.g., operating instructions); and (ii) prepare an illustrative guideline of the identified methodology to be provided to all Terna Group companies for risk assessment activities.

The **training course on International Sanctions and Trade Compliance**, for monitoring the risk of non-compliance with Sanctions legislation, **was also updated** with reference to the 15th (last adopted as of 31 December 2024) package of sanctions against Russia issued by the EU Foreign Affairs Council with the aim of strengthening the fight against the circumvention of existing restrictions and further limiting Russia's military and industrial capacity in the war of aggression against Ukraine, in implementation of the following legislative acts issued for this purpose: Decision (CFSP) 2024/3174; Decision (CFSP) 2024/3182; Decision (CFSP) 2024/3187; Regulation (EU) 2024/3189; Regulation (EU) 2024/3192; Implementing Regulation (EU) 2024/3183; Implementing Regulation (EU) 2024/3188.

Whistleblowing Monitoring

With the support of a specialised law firm, the topic of **anonymous reporting**, in respect of which the literature shows a diversity and uncertainty of approaches in both public and private companies, **was examined in depth** during 2024. In this regard, a note was provided and explained to the Ethics Committee on the assessment and possible methods of handling anonymous reports, whether or not they fall within the regulatory framework of Legislative Decree no. 24/2023 transposing and implementing Directive (EU) 2019/1937 on whistleblowing.

With reference to the **training activities** carried out in 2024:

- the contents of the **e-learning course "Terna's Whistleblowing System"**, available from December 2024 on TBC Academy and aimed at those employees granted access to it, i.e. those employed in Terna, Terna Rete Italia, Terna Energy Solutions, Terna Plus, Esperia companies, have been defined to ensure specific training on the subject of whistleblowing, the channels available, and how whistleblowers are protected;
- **two classroom sessions** of the **specific training course** for **managers of whistleblowing reports** were organised and delivered, in response to the requirements of Legislative Decree 24/2023 to ensure the effectiveness of the safeguards put in place to guarantee fairness and transparency in the conduct of business and activities that may cause damage or harm to the company, and to protect the company's position and image. The course also focused on confidentiality obligations related to the handling of reports and the requirements of the new applicable legislation. The course also concluded with a test on what the participants had learned.

Management of relationships with suppliers

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Policies on supplier relationship management

The main policies and management methods concerning the Terna Group's relations with its suppliers are outlined below.

Terna Group Code of Ethics

This document, details of which have been reported in the previous section, identifies all of Terna's stakeholders, outlining the ethical lines relating to their particular needs, with a section dedicated to Terna's relationship with suppliers. This section, intended as a policy safeguard for the material impacts on this subtopic, provides general guidelines regarding relationships with suppliers. It establishes Terna's commitment to ensure, first and foremost, that relationships are transparent and fair, based on mutual convenience and cost-effectiveness. Secondly, it is committed to putting suppliers in a position to compete on an equal footing on the basis of the qualitative and economic conditions of offers, guarantees of professionalism and non-involvement in unlawful activities, safety standards, and finally, if necessary, also quality, social and environmental responsibility certifications.

The **guiding principles** underlying the management of relationships with suppliers are as follows:

- **equal treatment** of suppliers;
- **compliance with contractual covenants and commitments**, with a focus on payment terms and practices. In particular, Terna undertakes to comply with such covenants and commitments, following the performance of the assignments and works in the manner agreed upon by the parties;
- **qualification criteria for suppliers**, based on specific reputational, technical and financial requirements, and which in some critical areas also take ESG aspects into account, and adoption of a Supplier Register;
- **procurement processes** that guarantee **transparency, competitiveness, equal opportunities, collaboration** and objective criteria, ensuring fair selection and continuous updating on products and services;
- introduction of specific **contractual clauses** requiring the supplier to comply with the general principles of the Code of Ethics and the Organisation and Management Model introduced in compliance with Legislative Decree 231/2001.
- **work safety** presentation on the **risks** involved in carrying out activities on behalf of the company;
- introduction of **specific contractual clauses** for **suppliers** from **countries** defined as **"at risk"** by recognised organisations, obliging them to adhere to specific obligations, including of a social nature.

Actions relating to supplier relationship management

By virtue of the attention that the Group places on managing relations with suppliers, Terna is committed to selecting, assessing and managing its relations with partners and suppliers according to criteria of fairness, equity and transparency, also guaranteeing compliance with ESG criteria throughout its supply chain in line, among others, with the objectives of the Code of Ethics. This is also done in order to manage the risks related to the global supply chain crisis, which are mitigated through mitigation measures ranging from market surveys to search for new suppliers, to constant dialogue with supplier companies to ensure coverage of requirements. The actions implemented by Terna in this area are listed below.

Qualification of suppliers and related due diligence activities

As a general approach to mitigating supply chain risks, Terna uses a **Qualification System for all the core areas of supplies, works and services** that it intends to monitor especially closely, identified according to the strategic level of competitiveness and the volumes purchased. Only those Economic Operators that meet specific requirements of regulatory compliance, technical and organisational quality, reputation and profitability are admitted to Terna's Supplier Register. The Qualification Portal manages the entire process and ensures it is efficient, traceable and transparent.

With specific reference to the monitoring of ESG criteria, Terna manages supply chain risks through an approach that considers both the supplier's significance and its exposure to ESG risks. Sustainability risks are managed ex ante through a series of requirements that become more stringent the more the type of supply is linked to Terna's core business. There are basic requirements, such as a declaration of compliance with Terna's Code of Ethics, applicable to all suppliers, as well as additional requirements specific to core suppliers (suppliers of goods or services that are central to Terna's business).

In the **sectors at greatest risk** in **terms of sustainability** (primarily works and certain services), an **adequate level of environmental management** and the **ability to protect workers' health and safety** are also required, both represented by corporate procedures focused on key elements of the international UNI EN ISO 14001 and UNI ISO 45001 standards.

The extension of the qualification obligation to several sector is another fundamental risk prevention measures. In particular, in 2024 this obligation, which had already been extended to all sectors related to works and Global Service, was included as a requirement on a further three sectors of critical supplies for the core business (HV cables insulated with XLPE elastomers; steel lattice towers for HV 380/220/150 KV and/or HV and/or MV lines and portals; prefabricated equipment with HV SF_6 metal casing). **UNI EN ISO 14001 and UNI ISO 45001 certification is currently obligatory** for **26 product groups**, including 9 works product groups, 4 global service groups, and 13 supply categories.

Also during 2024, as in previous years, Terna S.p.A. and Terna Rete Italia S.p.A. carried out activities to verify that the Economic Operators actually met the qualification requirements, including various ESG aspects, also through documentary and on-site checks. In particular, during 2024, **21 verification visits** ("qualification visits") were carried out. Of these, more than 80 per cent concerned Economic Operators belonging to ESG-relevant sectors. During the year, **1073 monitoring visits** on ESG aspects were also carried out at construction sites, and were assessed using Vendor Rating sheets.

Terna verifies the qualification requirements of suppliers on an ongoing basis, given the fundamental importance for the Group of continuously monitoring compliance with the Code of Ethics values throughout the supply chain.

In addition, for several major sectors, since 2006 Terna has required companies working on its construction sites to train, through specific compulsory courses, certain professional profiles considered most vulnerable to electrical hazards and the risk of falls from height. The **training**, also carried out during 2024, involves **more than 2,100 employees of contractor companies** annually. The entire process is certified by ACCREDIA in accordance with the provisions of ISO/IEC 17065. Control is carried out by accredited Certification Bodies. The qualification process can be considered as the fundamental capacity-building programme for suppliers, which is an effective tool for promoting best practices in HSE matters, in compliance with industry legislation and best practices. As of December 2024, there were **385 Qualifying Economic Operators**. The integration of these certifications in the various sectors takes place gradually over time, but with precise timing, so as to allow operators to sustainably develop and consolidate their technical-organisational skills.

Monitoring of suppliers

Qualified suppliers are monitored through a number of **joint initiatives** to share and **verify the performance and reliability of Qualified Economic Operators**. The **Supplier Qualification Committee assesses the most significant cases and** decides whether to take precautionary measures or impose penalties. The Supplier Qualification Committee, composed of most of the directly reporting managers, is a key body for joint assessment and decision-making on problems concerning the Qualified Economic Operators.

Reports may come from structures that regularly monitor the reliability of third parties, or from structures that manage contracts or purchases and tenders. In addition, a **Vendor Rating Card system** is in place to provide **systematic vendor performance assessment** for **some highly critical product sectors**. Monitoring also takes place during pre-arranged visits, regarding both new qualifications and renewals during the eligibility period, which are also organised as a result of critical events (normally regarding safety, or serious performance shortcomings).

Qualification visits are generally aimed at checking compliance with the technical requirements of qualification procedures, as well as compliance with environmental and safety standards and good practices.

Also **for 2024, Terna S.p.A. and Terna Rete Italia S.p.A, continuously carried out monitoring activities**, **receiving and managing 1073 vendor rating cards and carrying out 21 verification visits** ("qualification visits"). Similarly to the supplier verification activity, the monitoring process is also carried out on an ongoing basis, with plans to continue the activity in the coming years.

Prevention and detection of corruption and bribery

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Policies for the prevention and detection of corruption and bribery

In order to manage and mitigate material impacts related to corruption and bribery, the Terna Group has adopted several policies in this area. In addition to the Code of Ethics and Model 231, details of which can be found in the section "Business conduct policies and corporate culture", further policy controls against corruption are represented by the Integrated Management System Policy and the Fraud Management Guidelines, details of which are provided below.

Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna SpA's Board of Directors to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. The Policy is approved by Terna's Board of Directors, in which the company's CEO and General Manager also take part. The related guidelines are valid for all corporate processes and activities. It is therefore the responsibility of the entire management to implement these guidelines. Monitoring of the implementation of the Policy is carried out annually through the Integrated Management System Review and through annual Audits by the Certification Body (Third Party). Specifically, the Policy addresses, inter alia, corruption and bribery. With reference to the guidelines defined for the purpose of monitoring the **Anti-Corruption Management System**, in compliance with **UNI ISO 37001:2016**, which was drawn up on the basis of the United Nations Convention against Corruption (UNCAC), Terna undertakes to:

- adopt procedures in line with legal provisions and, where possible, set targets and improvement programmes;
- promote the reporting of wrongdoing, abuse and harassment in the workplace through channels and tools (Whistleblowing Portal) that protect the confidentiality of the whistleblower;
- requesting the reporting of any issues encountered in the application of the Integrated Management System and of the initiatives undertaken on the basis of the guidelines set out in the Policy.

Furthermore, it should be noted that in January 2017 Terna was the first Italian company to obtain ISO 37001 certification for its anti-corruption management system. At present, the certification covers not only the Parent Company, but also Terna Rete Italia, Terna Plus and Terna Energy Solutions for all activities carried out in Italy, which commit to:

- ensure conduct is based on criteria of fairness, loyalty and moral integrity that prohibit corruption;
- comply with all laws, rules and regulations on the fight against corruption, in Italy and in all countries in which the Subsidiaries operate;
- conduct their activities so as not to become involved in any corrupt practices or facilitate or risk involvement in unlawful situations with either public or private parties;
- provide a framework for the identification, review and achievement of anti-corruption objectives;
- encourage the reporting of suspicions in good faith or on the basis of reasonable belief, without fear of retaliation;
- ensure the authority and independence of the Compliance Function (ISO 37001).

Independence is guaranteed by non-involvement in activities identified as being at risk of corruption. In particular, it is forbidden to:

- accept the request or authorising someone to accept or solicit, directly or indirectly, a payment or economic advantage or other benefit from public or private persons; - offer, promise, give, pay or authorise someone to give or pay, directly or indirectly, money, other economic advantage, utility or benefit of any kind to public or private persons;
- request or obtain the promise of money or other benefits, for oneself or for others, in order to perform or omit acts in breach of the obligations inherent in one's office or of the obligations of loyalty, including causing damage to the Companies themselves;
- threaten or retaliate against individuals who have refused to commit an act of corruption or have reported its occurrence.

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for Terna, through specific contractual clauses and qualification and selection processes.The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

Fraud Management Guidelines

The Fraud Management Guidelines set out the criteria and rationale for **managing the fraud risk** attributable to the following macro-categories:

- **Corruption and Bribery** (and Conflicts of Interest);
- **False accounting** (fraudulent and untrue representation of company facts);
- **Misappropriation of tangible and intangible assets**.

Within this framework, the Guidelines lay down the general principles of "anti-fraud" behaviour and the basis for preventing, identifying and investigating unlawful acts committed to the detriment of the Terna Group.

The Guidelines also aim to strengthen awareness of the tools put in place by the Company to manage the risk of fraud, inform company personnel on what to do if they detect unlawful acts perpetrated against the Company or potential signs of such acts, and finally improve the internal control system for fraud prevention and detection.

The Guidelines are continuously monitored to ensure that they are appropriate and updated to reflect internal changes (organisational or business changes) and external changes (case law, legislative developments, best practices).

The Fraud Management process in force is designed for the early detection of potential signs and indications of fraud that may generate significant reputational, image and economic-financial negative impacts.

In order to ensure continuous monitoring of fraud prevention and management, the **Fraud Management structure** implements the following actions:

- it initiates, facilitates and supports the **Fraud Risk Assessment** and monitors the resulting action plans;
- it promotes the implementation of **anti-fraud line controls**, aiding process owners in designing robust processes to counter potential unlawful behaviour;
- it implements **fraud detection** checks and manages the alerts they detected;
- it cooperates with the Audit structure in **handling reports** of offences sent to Terna;
- it carries out **investigations** resulting from fraud detection checks and/or the handling of reports, drawing on the support, where necessary, of external specialists and/or other corporate structures for purely technical areas;
- it supports the Parent Company's legal department in taking appropriate **action to recover the stolen assets** and/or **the damage caused** by the perpetrator(s) of the fraudulent act;
- it promotes, with the relevant corporate structures, the **strengthening of an anti-fraud culture** through awareness-raising and information actions.

The fraud management process is inspired by industry models and best practices, as defined by the Association of Certified Fraud Examiners (ACFE), the Institute of Internal Auditors (IIA) and the American Institute of Certified Public Accountants (AICPA), which envisage the organisation of an effective Fraud Risk Management system comprising the phases of Assessment, Prevention, Detection and Investigation. In addition, the Guidelines were drafted in line with the principles and indications contained in the Code of Ethics, the Corporate Governance Code for listed companies promoted by Borsa Italiana and the relevant Italian legislation (e.g. Law no. 179/2017 as amended and supplemented, Law no. 190/2012 as amended and supplemented, etc.).



The Guidelines apply in full and without exclusion to all Terna Group companies, including those based abroad, which are required to operate in compliance with the highest standards of fairness and honesty, in accordance with applicable internal and external rules and legislation.

The governance model for fraud risk management in Terna provides for a set of roles and responsibilities among Top Management, Management, employees, the Parent Company's human resources and legal areas, and Fraud Management. In particular, management is responsible for implementing the provisions of the relevant company guidelines, and therefore implements controls, assesses risks and reports irregularities.

Terna and its subsidiaries know that making all stakeholders (internal and external, at all levels) aware of the existence of an anti-fraud policy reinforces the Company's efforts to counter the rationalisation of fraud, discourage possible fraudulent intentions and spread a culture of intolerance towards "irregular" behaviour.

In this respect, Terna's website has a section dedicated to the anti-fraud policy adopted, for its dissemination and communication to all external stakeholders (customers, suppliers, consultants, electricity sector operators). The company intranet also has a similar section.

Lastly, this Guideline is disseminated internally through the document system published on the company intranet.

Information/awareness-raising initiatives are promoted by Fraud Management in cooperation with the relevant structures. The online course "Introduction to anti-fraud" for all employees is available in the Academy section of the corporate intranet.

Actions for the prevention and detection of corruption and bribery

In order to pursue the objectives of the corruption and bribery policies, the Group has undertaken several initiatives, listed below, with the aim of reducing and mitigating its impact with reference to the aforementioned topic.

Activities to update the 231 Models of the Terna Group's Italian subsidiaries

In the context of its 2024 half-yearly reports and in light of the flows received during the reporting period, the documentation acquired, and the hearings held, Terna's Supervisory Board (hereafter, the "SB") confirmed the appropriateness of the Parent Company's 231 Model, updated on 11 July 2023 and in force as of 31 December 2024. During 2024, the Supervisory Board positively assessed the proposal to update the 231 Model, approved on 17 February 2025, submitted to the SB on 23 January 2025, as a result of an overall risk assessment activity (verified and validated by the Supervisory Board on 16 December 2024), which also covered all regulatory changes occurring after the date of the 11 July 2023 edition until the completion of the risk assessment activities (November 2024).

With regard to the Group's Italian subsidiaries, the updating of their respective 231 Models started in 2024, with the risk assessment activity, and will be completed in 2025.

Below are some **summary indicators** relating to the activities carried out to **support the SB's assessment of the appropriateness of the 231 Models** (e.g. processes impacted by 231, no. of Supervisory Board audits, training).

COMPANY	NUMBER OF 231-IMPACTED PROCESSES	NUMBER OF PRO-CESSES AUDITED BY THE SB IN 2024	TOTAL NUMBER OF AUDITS CARRIED OUT BY THE SB IN 2024[114]
Terna S.p.A.[115]	14	6	15
Terna Rete Italia S.p.A.	14	9	18
Terna Plus S.r.l.	10	3	10
Terna Energy Solutions S.r.l.	11	0	7
Terna Interconnector S.r.l.	12	4	4
Rete S.r.l.	13	7	5
LT S.r.l.	11	4	8
HBA S.r.l.	11	N/A	7
Tamini Trasformatori S.r.l.	11	11	5
Brugg Cables Italia S.r.l.	11	5	9
Terna Forward S.r.l.	10	3	3
Esperia–CC S.r.l.	11	1	1
ATEI S.r.l.	11	6	9

[114] A process may be subject to several audits.

[115] Terna's 231 Model in force in 2024 shows 14 out of 24 impacted processes (Human Resources, Legal and Corporate Affairs, Administration, Financial Reporting and Taxation, Finance and M&A, ICT, Procurement and Tenders, Dispatching and Conduction, Commercial, Grid Planning and Development, Plant and Asset Construction, Regulatory Affairs, Institutional Relations Communications, HSE, Security and General Services).

During 2024, in addition to the audits carried out by the SB, the PCR structure assessed the correspondence of the specific monitoring standards indicated in Model 231 with the internal regulations adopted for the Terna Group's subsidiaries, following up on the activity already carried out for Terna during 2023 and in support of the Risk Assessment activity for updating 231 Models. This assessment was carried out through the **231 Control System Working Group**, set up under a dedicated internal note and represented to Terna's SB for the purposes of its assessments.

During 2024, the **"Legislative Decree 231/2001 Terna Group - online"** course was provided for the Group's Italian companies with employees, while **ad hoc courses** were provided for a selection of employees of the Group's Italian companies, depending on the riskiness of their activities with regard to 231/01. In addition, courses were provided to obtain and keep the "SB Member - Legislative Decree 231/2001 Expert" certification.

During 2024, the **Risk Assessment underlying the updating of the Parent Company** Terna S.p.A. Model 231 was carried out, due to the regulatory and organisational changes that occurred after the current version of the Model was approved, on 11 July 2023.

On this occasion, the processes were updated to align them with the Terna process map in Appendix 1 of the Guideline "The Internal Regulations".

With regard to the results of the assessment carried out, the internal control environment was found to be adequately supervised and specific monitoring standards were implemented in internal regulatory instruments or operational practices.

For 2024, there were no violations or convictions with reference to Legislative Decree 231/2001.

Anti-corruption training

In order to prevent the risk of corruption, the Terna Group has also planned specific training programmes for 2024[116]. The **corruption and bribery training programmes** offered by the Company focus on the entities' administrative liability, the management of Organisational Models pursuant to Legislative Decree 231/2001, and the ISO 37001:2016 standard for anti-corruption management systems.

The training offer includes specialised refresher courses on Legislative Decree 231/2001, fundamental for remaining certified, with a focus on regulatory updates, supervisory and control procedures, and the organisation of the Organisational and Management Model (MOG). The role of the Supervisory Board (SB), information flows and internal audits are discussed in detail. A specific course for 231 Contact persons provides operational tools to assess business needs and changes in the legal framework.

A specific training module is dedicated to **Legislative Decree No. 231/2001**, with the aim of providing a comprehensive knowledge of the legislation on the administrative liability of entities and companies. The course is divided into two parts: the first explores the general legal framework, while the second delves into the Model 231 adopted by the Terna Group, analysing its structure, purpose and practical application within the company. It should also be noted that the Board of Directors is constantly updated on the subject, by the SB half-yearly reports on its 231 activities.

Another key element of the training is the **Anti-Corruption Management System**, compliant to ISO 37001:2016, adopted by the Terna Group since 2017 as part of its Integrated Management System (IMS). This internationally recognised standard defines the requirements for planning, implementing and improving a corruption prevention system, applicable to any organisation regardless of sector or size.

The course on ISO 37001 delves into the legal and application framework of the Terna Group's Anti-Corruption Management System, which excludes the use of corruption in any form and is based on key ethical principles such as honesty and transparency. The Anti-Corruption Guidelines (LG059), the Global Compliance Programme for overseas companies, the Fraud Management Guidelines (LG012) and the Whistleblowing Reporting System (LG054) are analysed as essential tools for ensuring compliance and risk management.

[116] The training programmes described are aimed at all functions at risk of corruption. The term 'function' refers to the Group's corporate structures up to the second hierarchical level from the CEO. The administrative, management and supervisory bodies are constantly informed on anti-corruption issues. Specifically, in 2024, no specific training sessions were organised in this respect.

Overall, these programmes provide a high degree of depth, integrating legal and operational aspects of corporate compliance. Through a structured and certified approach, the Company strengthens its commitment to corruption prevention, risk management and the dissemination of a culture of ethics and responsibility.

Fraud risk assessment activities

During 2024, a Fraud Risk Assessment activity was conducted, covering Terna's primary processes, to be understood as Terna S.p.A. and Terna Rete Italia, and some supporting processes. The activity involved 76 company structures of the second and third organisational level and 153 structures of the fourth organisational level. This allowed the assessment of the Terna Group's Anti-Fraud Internal Control System (ICS) Design as "appropriate" to maintain the residual risk at a "low" level. In particular, regarding the risk of Corruption, which is the most widespread risk, the Internal Anti-fraud Monitoring System envisages preventive and systematic intervention measures, including the establishment of collegial bodies (Committees) for all the decision-making phases of the most sensitive processes. In general, the representatives of the units involved were found to be highly committed and aware of ethical and integrity issues.

Updating Fraud Risk Assessment Methodology

In December 2024, the fraud risk assessment methodology was updated; it is presented in detail in the document "Fraud Risk Analysis and Management", attached to the "Fraud Management" Guidelines. Picking up on observations and insights from the practical application of the model during the 2023 and 2024 assessments, the drivers for assessing inherent risk and evaluating controls were revised and supplemented. The new methodology will be applied in the next assessments starting in 2025.

With reference to the fraud risk management activities listed below, it should be noted that these consist of verifying and monitoring the Group's activities classified as sensitive, also by means of sample-based checks.

Audit activities on sensitive processes

Also during 2024, checks on sensitive processes were carried out, with the aim of testing existing control measures/good practices or identifying appropriate measures to strengthen the anti-fraud control system. The checks focused specifically on such issues as compliance with the principles of segregation of roles, traceability of actions carried out and the plurality of the persons involved. No significant shortcomings were found with regard to any of the topics considered.

Continuous monitoring of sensitive events

During 2024, a process was conducted to continuously monitor sensitive events that may present, even indirectly, critical issues for Terna and/or identify new fraud schemes that might potentially be implemented to the detriment of the Terna Group. This activity revealed no elements with a negative financial or reputational impact on the Terna Group.

Detection and investigation activities

In 2024, detection activities were carried out to identify warning signals and potential red flags of fraudulent behaviour, through the analysis and correlation of data and information and the use of predictive models for monitoring Terna's suppliers and subcontractors, to prevent the risks of organised crime infiltration in procurement. This activity did not reveal any significant vulnerabilities or critical issues. In addition, some investigation activities were carried out, without finding any significant vulnerabilities or critical issues in the anti-fraud internal control system.

Metrics and targets related to business conduct and supplier relationship management

Goals of the 2024-2028 Sustainability Plan

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As part of the 2024-2028 Sustainability Plan update, the Terna Group has defined a series of specific targets to assess the progress with respect to business conduct and supplier relationship management and the related material impacts, risks and opportunities also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Sustainable value chain' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Extension of mandatory ESG certification to supply segments	Terna S.p.A., Terna Rete Italia	Supply segments where ISO:14001 and ISO:45001 certification is mandatory/total supply segments (%)	50%	65%	80%	90%

With reference to the above-mentioned target on the extension of mandatory ESG certifications to suppliers, this was developed and set out, for the first time, in the 2024-2028 Sustainability Plan, the first to be integrated with the Industrial Plan. The base year to be considered for the formulation of the target is, therefore, 2024. **It should be noted that a target of 40% was set for the year 2024, the final figure is equal to 43%** confirming therefore the positive trend.

In general, it is necessary to wait for the 2025 final balance for a proper assessment of trends. It should also be note that the updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the Board of Directors, did not require any particular changes in terms of metrics or methodologies for the objective.

The target indicated in the table is consistent with the aims expressed in the Code of Ethics, for the part concerning the introduction of qualification criteria for suppliers, based on specific technical and financial requirements, and which also take ESG aspects into consideration. The target was also drawn up taking into account the main international frameworks (e.g. ILO, UNI ISO 45001, UNI ISO 14001, GRI) and it also takes into account the requirements expressed by the various rating agencies specialised in sustainability issues. In particular, the target represents the continuation of a path of gradual accompaniment of suppliers in the acquisition of the most typical certifications of virtuous systems attentive to the Environment and Safety. The reason for following a gradual approach is that the Group's supply segments often consist of a very small number of suppliers that are essential for core activities; preliminary activities are therefore carried out with these suppliers to assess the impact of the mandatory introduction of the requirement; indeed, it was decided to extend the adoption of ESG requirements to new supply segments, following the positive outcome of preliminary surveys and awareness-raising actions.

With regard to the process for defining and updating objectives, stakeholder engagement, and the monitoring of related performance, please refer to the section "Update of the 2024 – 2028 Sustainability Plan".

Metrics related to business conduct and supplier relationship management

Confirmed incidents of corruption or bribery

< G1-4

With regard to this metric, in 2024 there were no cases of convictions imposed for violations of laws against corruption and bribery, nor are there any pending criminal proceedings. Moreover, no actions were taken to address breaches in procedures and standards of anti-corruption and anti-bribery.

G1-6 > *Payment Practices*

With regard to payment practices, in order to determine the average time taken by the Terna Group to pay an invoice, all items/invoices paid to suppliers in the year 2024 were taken into consideration, in order to determine an indicator consisting of the weighted average - based on the value of the items paid - of the difference in days between the date on each invoice (or similar document) and the value date of the related payment.

In this regard, it is specified that the scope of analysis is based on payments made by bank transfer during 2024 by the Terna Group, and that based on the Group's current reporting system within the scope, it was possible to identify two main categories of suppliers, namely "companies", subdivided into "energy" and "non-energy" items, and "Self-employed contractors". It should be noted that the Terna Group determines contractual payment terms according to the type of service and supplier job order and the material to be purchased from them, thus not taking into consideration whether such services are provided by small and/or medium-sized enterprises (SMEs), regardless of the type of supplier.

Therefore, the weighted average time for the Terna Group in 2024 was 37 days.

Below are the standard payment terms established for each main category of supplier of the Terna Group and the percentage of payments that comply with these standard terms. For most of the purchases made by the Terna Group, standard payment terms fall at 60 days and beyond, up to 120 days. An exception are energy companies, payment terms to which are shorter than 30 days, as they are set directly by the relevant ARERA resolutions. It should also be noted that, as to invoices not paid within the standard payment period, these mainly result from the fact that for advances on invoices the payment date may vary from the standard payment period, essentially as a result of the verification of the presence of sureties. In the rest of cases, the majority of invoices are paid, as agreed, on the third to last business day of the month.

MAIN CATEGORY OF SUPPLIERS	PAYMENT DEADLINE	WEIGHT % OF INVOICES PAID ACCORDING TO THE STATED PAYMENT DEADLINE
NON-Energy Companies	< 60 Days	45%
	>= 60 Days	81%
Energy Companies	<= 30 Days	95%
Self-employed persons	< 60 Days	57%
	>= 60 Days	74%

The number of legal proceedings pending against Terna Group suppliers due to late payment during 2024 is 6. This figures does not include late payments to subcontractors.

Innovation and digitalisation [Entity specific]

Management of material impacts, risks and opportunities relating to innovation and digitalisation

Summary of impacts and opportunities related to innovation and digitalisation

Positive impacts |

- Promotion of "Open Innovation" through structured collaborations with start-ups, research institutions and universities to develop innovative technologies to support sustainable transition
- Continuous improvement of efficiency and quality of service through innovative technologies aimed at automation and digitalisation of processes

Opportunities |

- Reduction of operating costs through the development of innovative technologies, including through structured partnerships with start-ups ("Open Innovation"), with the aim of monitoring weather events and boosting the resilience of the NTG
- Expansion of business through patentability of innovative technology solutions

Innovation and digitalisation policies

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The Terna Group identifies innovation and digitalisation as two fundamental drivers for sustainable business growth. Accordingly, the Group bases its operations on a series of guidelines, operating instructions and internal documents that identify three main development lines, which act as a reference for defining initiatives relating to this topic. Specifically, the development lines identified are as follows:

- **Technology Development:** In supporting business lines to adopt innovative technologies, it is necessary to approach their development and validation according to a structured approach that can manage the risk of failure and maximise the likelihood of adoption. This makes it possible to manage and promote positive impacts, also in terms of the probability of their occurrence, and seize relevant opportunities, especially in terms of reducing part of the business's operating costs. The development of innovative technologies is carried out by the Innovation structure for all Terna Group entities (excluding Non-regulated Activities) and concerns both the Company's more "core" activities such as dispatching, engineering, and asset maintenance, and the entities responsible for staff processes to make their operations more efficient. Almost all technological developments are carried out with third-party companies that dominate a specific technology and have significant growth potential (innovative start-ups and SMEs) and that can synergise their expertise with the Terna Group's skills and know-how.
- **Monitoring of Innovation Ecosystems:** In order to adequately nurture the development of its technologies and ensure adequate monitoring of the actors and geographical areas with the highest strategic potential, for the Terna Group, it is important to be in constant dialogue with the outside world according to the logic and methods typical of Open Innovation in order to significantly contribute to the pursuit of inclusive and accessible innovation. Monitoring ecosystems is key not only to adequately nurture the innovation process of the entire Terna Group, but also puts the company's expertise in contact with the technological excellence of third parties outside mere project development, allowing for a continuous dialogue with international stakeholders also on issues adjacent to the energy transition.
- **Promoting and investing in start-ups:** Terna has been committed for years to constantly collaborating with third parties in the development of innovative technologies and, with this in mind, it is important to protect the Group's skills and creative abilities by enhancing, where possible, partnerships with start-ups that are deemed to be of strategic importance for the Company, including through investments in them, either directly or indirectly. Therefore, the promotion of innovation initiatives and investment activities entails continuous dialogue with various stakeholders, both internal to assess the presence of inventive proposals to be protected (intellectual property management), and external to identify the best innovative entities in which it is possible to invest (such as start-ups, venture capital funds, or advisors).

The above-mentioned development lines are governed by the corporate policies (the Guidelines on Management and organisation of innovation in the Terna Group; the Operating instructions on the Implementation of the innovation process; the Innovation Plan) on innovation and digitalisation. The entity responsible for implementing these policies across the Group is the Head of Innovation. These policies, aimed at pursuing the benefits and material opportunities associated with this topic, are defined in compliance with applicable regulations and best practices, and are periodically updated in light of context evolutions and the requests that emerge from the engagement activities conducted with the Group's stakeholders. The Innovation Structure is responsible for the monitoring and governance of innovative projects within the Group through the Stage & Gate process. This process envisages three different moments of analysis of solutions development ('Gate Review'), in which the progress of the projects can be assessed, resulting in an assessment of resource requirements, development opportunities and future financing.

Digitalisation, in particular, represents a fundamental lever for the Group to support and accelerate the energy transition process. With this objective in mind, numerous actions have been undertaken, such as, for example, the programmes aimed at improving and digitalising the asset management process through the DIgiS (Digitalisation of Substations); DIgiC (Digitalisation of Cables); DIgiL (Digitalisation of Lines) and Private Mobile Network (a platform for monitoring the national power line network) initiatives. For more details, see the chapter 'The Terna Group's business', in particular the paragraph 'Asset digitalisation programmes' (page 88).

In addition, artificial intelligence (AI) plays a key role as part of the "Twin Transition" process, according to an approach that combines digitalisation with energy sustainability, for the transformation of the electricity system. AI is, in fact, used to optimise decision-making processes, automate operations and strengthen grid resilience and efficiency. In compliance with European regulations in this area (AI Act and related), the Group manages this issue through a prudent and risk-minimising approach. For additional information, reference should be made to the chapter 'The value creation strategy', in particular the paragraph 'Innovation strategy' (pag. 59-60).

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Actions relating to innovation and digitalisation

The Terna Group implements a series of actions for all Group companies (excluding Non-regulated Activities) aimed at promoting its material impacts related to its own workforce, in line with the principles and targets of the policies adopted and described above.

Based on the scope of reference, the actions implemented in 2024 and any further initiatives planned by the Group for the coming years are listed below.

Selection of viable technologies for the group's business

In line with the commitments undertaken in the area of technology development, a number of project initiatives (around 70) have been implemented at Group level to select only those technologies that are valid for its business and to discontinue as soon as possible those that are less promising or of limited use. The main initiative put in place to govern a significant number of project initiatives lies in the creation of a **Stage&Gate approach**, in which project advancements are periodically discussed so that only those deserving technological developments are selected. For the action to be effective, a certain number of technological developments must stop. Otherwise, the maturity index will be too high and, in practice, this leads to an approach of traditional technological adoption rather than one of innovation.

Creation of the "Terna Innovation Zone"

In line with the commitments undertaken in the area of innovation ecosystem monitoring, a structured and permanent collaborative approach is being consolidated with certain strategic geographies through the creation of **Terna Innovation Zones (TIZ)**. Following this, the **TIZ Silicon Valley** was launched **at the end of 2024**, through which Terna not only develops collaborations with global (academic and industrial) centres of innovational excellence, but also promotes abroad the Italian technologies and entities with which it has collaborated and developed innovation, rising to the role of industrial validator in the energy transition. Different geography, different goals, but the same approach: **TIZ Tunis** was inaugurated **at the beginning of 2025**. Addressing an area of high strategic relevance for the coexistence of the Italy-Tunisia interconnection project (ELMED), it will support the Tunisian innovation ecosystem in the growth of innovative companies and skills in the field of energy and digital transition of the electricity system. With reference to 2025, the start-up of additional Terna Innovation Zones is being considered to follow up on the path undertaken, guaranteeing a collaborative approach with Start-Ups, Research Organisations and Universities, and impacting the Innovation Ecosystems being monitored and, ultimately, contributing to the energy transition not only in Italy, but also in Europe and worldwide. The Terna Innovation Zones have defined a schedule consistent with the Terna Group's 2025-28 industrial plan.

Intellectual Property Protection

In line with the commitments undertaken in the area of promoting and investing in start-ups, we carried out an important intellectual property protection action that, in just a few years, brought the **Terna Group's patent portfolio to 76 titles** (including obtained and pending), and further action should be taken to assess their potential value. Therefore, actions will be implemented to analyse the portfolio developed to date with a view to protection only, in order to understand its potential for exploitation by third parties, also by leveraging the Start-Ups with which the Group has collaborated. On the investment front, a corporate vehicle dedicated to venture capital activities has been created in recent years, initiating both direct (4 investments closed in 2024) and indirect (joining CdP's Corporate Partners I Fund) transactions. Future actions concern the management of investments in the invested companies and the implementation of future investments in Start-Ups and Technologies relevant to the twin transition at least until the current funding of EUR 50 million is depleted.

Innovation and digitalisation metrics and targets

Goals of the 2024-2028 Sustainability Plan

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As part of the 2024-2028 Sustainability Plan update, the Terna Group has defined a series of specific targets to assess the progress with respect to the topic of innovation and digitalisation with reference to the related impacts and material opportunities, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Targets of the 2024-2028 Sustainability Plan update - 'Sustainable growth' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Development of projects involving innovative start-ups/SMEs, research cen-tres and academic insti-tutions	Terna Group	Number of projects involving innovative start-ups/SMEs compared to the total number of corporate innovation projects (%)	≥ 30%	≥ 30%	≥ 30%	≥ 30%

The above target was developed and set out, for the first time, in the 2024-2028 Sustainability Plan, the first to be integrated with the Industrial Plan. The base year to be considered for the formulation of the targets is therefore, as a rule, 2024. It is therefore necessary to wait for the 2025 final balance for a proper assessment of trends. The updated Sustainability Plan, whose guidelines were shared at the Sustainability Governance and Scenarios Board Committee and also represented within the Industrial Plan document submitted to the Board of Directors, did not require any particular changes in terms of metrics or methodologies for this objective.

The target shown in the table is consistent with the aims stated in the Innovation Policy, as regards the commitment to promote collaboration with innovative start-ups. The target of ≥30% refers to the annual average of the projects in the Innovation portfolio calculated on the basis of quarterly reports. Each quarterly report consists of a snapshot (on the last day

of the third month) of the % of projects involving start-ups/SMEs within the portfolio. The snapshots depicted in the quarterly milestones are considered suitable for calculating an annual average that captures the innovation structure's commitment to sustainable growth. In 2024 the percentage of projects that involve innovative start-ups/SMEs was equal to 54%. The target of ≥30%, set also for 2024, is considered a minimum alert threshold, with the aim of remaining above the threshold each year.

Regarding the process for defining and updating objectives, monitoring related performance, and employee involvement, please refer to the section "2024–2028 Sustainability Plan Update".

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Metrics related to innovation and digitalisation

In order to monitor the effectiveness of the actions taken with regard to innovation and digitalisation, as well as their contribution to achieving the objectives that the Group has set as part of its relevant policies, Terna has defined the measurement metrics detailed in this paragraph.

With regard to the promotion and investment in start-ups, Terna's actions, in terms of measurement metrics, are summarised in the following table.

	U.M.	2024
Project initiatives involving Start-Ups, Research Centres and Universities*	%	54

** Number of projects involving innovative start-ups/SMEs, research centres and academic institutions compared to the total number of corporate innovation projects.*



Cyber Security [Entity specific]

Management of material impacts, risks and opportunities in relation to Cyber Security

Summary of impacts and opportunities related to the Cyber Security

Positive impacts |

- Increased security of the Group's business processes (e.g. electricity system resilience) through effective defence measures against digital attacks

Risks |

- Cyber Attack
- Compliance with NIS Directive 2 (Network and Information Security)
- Computer fraud (e.g. Social Engineering)

Cyber Security Policies

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The policies adopted by the Terna Group to identify, assess, manage and/or remediate its material impacts and risks related to Cyber Security are detailed below. These policies are defined in compliance with applicable regulations and relevant best practices, and are periodically updated, taking into account changes in the scenario and instances that emerge from the engagement activities conducted with the Group's stakeholders, such as the dialogue initiatives set up for the purpose of the double materiality process, in order to ensure that they can represent a valid tool for the management of aspects related to cybersecurity. The Group's policies are also shared with and disseminated to stakeholders through specific communication activities differentiated according to the stakeholders, such as, for instance, the publication on the website or other types of documents where deemed necessary, and through further targeted information and/or training initiatives.

Terna Group's Integrated Management System Policy

In line with the principles of the Code of Ethics and the Sustainable Development Goals, the Terna Group has adopted the Integrated Management System Policy, which reflects the will of Terna SpA's Board of Directors to adopt a guiding tool for defining strategic objectives, which complies with the requirements of the ISO standards and is aligned with the organisational context. The Policy is approved by Terna's Board of Directors, in which the company's CEO and General Manager also take part. The related guidelines are valid for all corporate processes and activities. It is therefore the responsibility of the entire management to implement these guidelines. Monitoring of the Policy is carried out annually through the Integrated Management System review and through annual Audits by the Certification Body (Third Party). In particular, the Policy itself also addresses the issue of information security.

With reference to the activities carried out, in compliance with the **ISO/IEC 27001:2013 standard**, the top best practices and the most advanced principles of Cyber Security, as well as the impacts and risks that emerged after the Double Materiality Assessment, Terna undertakes to:

- develop, maintain and improve the internal regulatory framework based on a two-level Information Security Policy (strategic guidelines and specific policies), which outlines the governance model and establishes roles, responsibilities, frameworks and other supporting tools, including standards and methodologies;
- take all necessary actions to pursue security objectives consistent with the degree of sensitivity of corporate information and the critical issues of the technologies that enable its processing, through the protection of the attributes of:
  - Confidentiality, by taking appropriate action against unauthorised access to the Information or its uncontrolled dissemination or disclosure;

- Integrity, by taking appropriate action against the occurrence of unauthorised modifications, including human error, or damage to the physical format and/or semantic content of the Information;
- Availability, through appropriate actions to ensure access to information resources in a time and manner "consistent" with the needs of business activities;

- systematically perform risk analysis and management activities according to the information security classification, in accordance with company policies and models, to identify the necessary controls;
- integrate security within the life cycle of ICT projects, implementing on the ICT components of the company's Information Systems (servers, fixed and mobile computers, infrastructures, applications, databases, computer networks, etc.) the functional protection measures for a correct security approach;
- ensure the compliance of Information Systems with corporate security standards over time;
- monitor at corporate level the status of information security and ICT systems and the level of compliance with the internal regulatory framework and current legislative constraints;
- prevent and manage information security events and/or incidents, collecting and preserving related records, including for forensic analysis and improvement programmes;
- continuously observe the development of the external cyber threat framework to derive the necessary elements for updating defence programmes;
- promote and implement targeted or widespread information security training and awareness plans;
- interact with the relevant institutions to contribute to the national cyber protection and cybersecurity plan, for the enhancement of the defence capacity of national Critical Infrastructures and actors of strategic importance for the country.

The Policy, which is appropriate to the nature, purpose and human and financial resources of the company, is applied by all Italian and overseas companies, wholly owned directly by the Parent Company, and in any case is a benchmark value for all the other Group companies. Furthermore, all personnel individually commit to observing the Policy by accepting its contents. The commitment described in the Integrated Policy is requested also from companies and personnel working in outsourcing for Terna, through specific contractual clauses and qualification and selection processes.

The principles set out in the Integrated Policy are disseminated among employees through internal training initiatives, and among stakeholders by making the document available on the institutional website.

Guidelines "Information Security Policy - Strategic Guidelines"

The document defines Terna's strategic directives for ensuring information security within the Group, in compliance with current legislation and industry regulations. Specifically, the policy establishes the security targets and the information to be safeguarded, depending on the protection and continuity of the Group's business, as well as the professionals and committees, with their respective responsibilities, required to guarantee information security.

The security aspects that are addressed in the policy relate to:

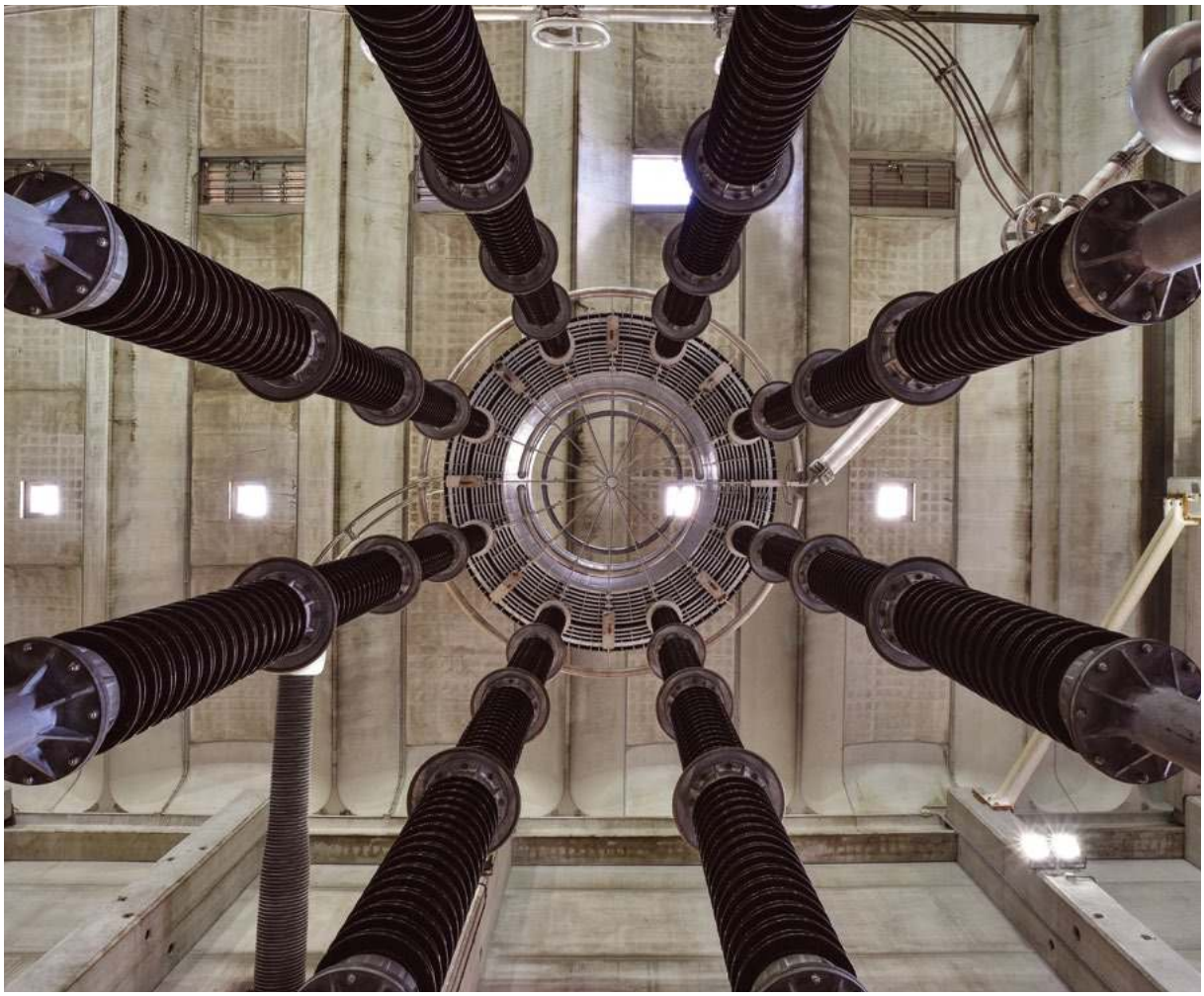
- information life cycle;
- employees;
- third parties;
- life cycle of Information Systems;
- physical and environmental security of technical departments and systems;
- security of computer networks and telecommunications services;
- security of IT and OT assets;
- detection and management of information security incidents.

The policy applies to the entire Terna Group, with particular reference to:

- Group information;
- Information Systems (applications, IT services, telecommunications networks and services, IT/OT systems, etc.) of the Group and related technological assets;
- cloud computing on third-party platforms;
- telecommunications services provided by third parties;
- Group employees;
- parties with an existing contract with the Group who have access to Information and/or Information Systems, such as, for example, contractors, consultants, interns, suppliers;
- other persons who have access to the Information and/or Information Systems, such as, for example, customers and visitors.

The document is approved by the Chief Information Security Officer (CISO) and the Director of the structure to which the CISO reports, who ensures its implementation and monitoring. Implementation of the policy is preparatory to the management of applicable standards in the area of cybersecurity. Examples include, without limitation: ISO/IEC 27001:2013, ISO/IEC 27005:2011, ISO/IEC 27035:2011, NISTSP 800-53.

The policy takes into account stakeholders' interests in terms of protecting their information and is available on the corporate intranet.



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Cybersecurity Actions

Cyber threats are a major focus of attention given the effects they may have in terms of achievement of business objectives, damage to systems, loss of due data security requirements, and exposure to substantial penalties under mandatory regulations.

Energy infrastructures, and especially electricity transmission networks, play a key role in the effort to achieve ambitious national and European decarbonisation targets. The evolution of the electricity supply chain, especially in view of the growth in the number of stakeholders and the increase in the number of photovoltaic plants, has led to an expansion of the potential attack surface and the emergence of new risk scenarios from a cybersecurity perspective.

The increase in connected devices, the several interconnections, the complexity of systems and the use of solutions that allow remote access to devices in the electricity supply chain are just some of the main factors to consider in terms of cyber risks. In the face of this increasing complexity of the electrical environment, technologies, skills and innovation are needed.

In order to manage the development and digitalisation of the electricity system, while safeguarding electricity data assets also against cyber threats, Terna has progressively consolidated its **governance framework** and set up a dedicated **Cybersecurity organisational structure**. The Company has also strengthened the monitoring and management of security events by creating a dedicated **Cyber Defence Centre**, and the management of cyber infrastructure by setting up a Cybersecurity Platforms structure.

On the regulatory front, greater attention has been focused on this issue at national and European level in recent years. Examples include, but are not limited to:

- Directive (EU) 2022/2555, which aims to strengthen the overall level of cybersecurity within the European Union. This directive, amending Regulation (EU) no 910/2014 and Directive (EU) 2018/1972 (NIS 2 Directive), has been implemented in Italy by Legislative Decree no. 138, which is applicable from 18 October 2024;
- The National Cybersecurity Perimeter (Decree-Law 105/2019), aimed at ensuring a high level of security for the networks, information systems and IT services of public authorities, as well as of the entities and operators of essential national, public and private services, by establishing a well-defined perimeter and preventive measures and controls to guarantee the necessary cybersecurity standards;
- Regulation (EU) 2016/679 of the European Parliament and of the Council (General Data Protection Regulation - GDPR), which aims to strengthen and unify the protection of personal data within the European Union.

Mainly through projects led by the Cybersecurity structure, Terna has implemented a series of initiatives aimed at mitigating cyber risks and contributing to raising its cybersecurity posture.

Specifically, the list of actions implemented in 2024 to protect against Cyber Security risks for the Company Terna S.p.A. and for the subsidiaries operating within regulated activities is provided below. For the other subsidiaries of the Terna Group, control methods to be adopted according to principles of gradualness and rotation were identified during 2024.

Compliance assessment activities

Compliance assessment activities were carried out in 2024 and will also continue in 2025, covering the following several aspects:

- **legislative area:** aimed at assessing the level of achievement of IT security requirements required by national and international mandatory regulations and the implementation of consequent initiatives to monitor and address any identified gaps. These assessments were carried out in continuity with the 2023 activities;
- **supply chain area:** aimed at assessing the cybersecurity posture of third parties connected to the Terna ecosystem. These assessments started in 2024.

Activities involving company personnel

During 2024, in continuity with previous years, the Group undertook several initiatives in this areas targeting its personnel. It conducted the **Cyber Security Awareness programme "Digital Antibodies"**, designed to disseminate good practices among personnel and strengthen the necessary cybersecurity awareness. It also carried out campaigns on smishing and phishing to mitigate the potential risks arising from social engineering-type attacks, and it implemented Cyber-themed exercises to prepare personnel to handle possible crisis situations.

Other operational cybersecurity activities

During the year, have also been undertaken numerous initiatives concerning aspects such as the **design** and **implementation** of **new infrastructures in the area of cybersecurity**, the **preparation of reports** on this issue and the **monitoring** of related **procedures**. These initiatives are listed and detailed below.

- Initiatives to define security requirements in the life cycle phases of Information Technology (IT) and Operational Technology (OT) systems, components and services;
- Projects aimed at raising the security posture of digital electricity substation;
- Initiatives to develop metrics for monitoring cybersecurity risks, performance and controls;
- Design, development and implementation of Cyber Perimeter Defence infrastructure to protect the corporate perimeter;
- Vulnerability assessments, penetration tests and red team attack activities are implemented to assess the cybersecurity level of IT and OT systems and internet-exposed systems.
- Projects to ensure the centralised control of Terna's Cyber Security defences and ICT platforms in the Information Technology (IT), Operational Technology (OT) and cloud areas;
- Activities aimed at supporting the operational management, take-over and evolution of Terna's ICT security equipment in the Information Technology (IT), Operational Technology (OT) and cloud areas;
- Coordination of cybersecurity incident response actions and implementation of notification and escalation procedures to relevant stakeholders;
- Preparation of Cyber Situational Awareness reports on issues of interest to the company;
- Activities falling under the Identity & Access Management process (e.g. Change, offboarding and revocation of digital identities of Terna users);
- Projects aimed at ensuring the monitoring, operation, ordinary and extraordinary maintenance of corporate equipment, systems and applications falling within the cyber and physical security perimeter;
- Activities to manage and develop the infrastructural components of Cyber test environments, within which to test solutions in the fields of Information Technology (IT), Operation Technology (OT), Internet of Things (iot), VPN, Zero Trust, secure navigation and Endpoint Protection;
- Activities of hardware and software upgrades, change management and development of central and peripheral equipment and applications pertaining to the cyber and physical security perimeter, ensuring timely management of vulnerabilities, recovery plans and proper execution of the patch management process.

Cyber security metrics and targets

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Goals of the 2024-2028 Sustainability Plan

As part of the 2024-2028 Sustainability Plan, the Terna Group has defined a series of specific targets to assess the progress with respect to the topic of cybersecurity, as well as the related impacts and material risks, also with a view to ensuring a clear path towards achieving the objectives identified by the thematic policies adopted by the Group and reported on previously.

Objectives of the 2024-2028 Sustainability Plan update - 'Creation of shared value' Pillar

OBJECTIVE	TARGET BOUNDARY	METRIC AND RELATED UNIT OF MEASUREMENT	MILESTONE			
			2025	2026	2027	2028
Creating a corporate culture on Cybersecurity	Terna Group	Number of anti-phishing training campaigns to the company's employees	4	4	4	4

The above target was defined and set out, for the first time, in the Sustainability Plan update, whose guidelines were shared within the Board Committee on Sustainability Governance and Scenarios and also included in the Industrial Plan approved by the Board of Directors. The base year to be considered for the formulation of targets is, therefore, 2025. It is therefore necessary to wait for the 2025 final balance for a proper assessment of trends.

The objective indicated in the table is consistent with the aims stated in the "Information Security Policy - Strategic Guidelines" and in the Terna Group's Integrated Management System Policy with specific reference to the ISO/IEC 27001:2013 standard.

Regarding the process for defining and updating objectives, monitoring related performance, and employee involvement, please refer to the section "2024–2028 Sustainability Plan Update".



Cyber Security Metrics

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In order to monitor the effectiveness of the actions taken with regard to cybersecurity, as well as their contribution to achieving the objectives that the Group has set as part of its relevant policies, the measurement metrics, set out and summarised in the table below, have been defined.

Relevant Reference Metrics	2024
Number of Vulnerability Assessment and Penetration Test cam-paigns	75
Number of Cybersecurity Highlights and cyber-themed briefings published	36
Number of cyber compliance assessments performed	15

The "Number of Vulnerability Assessment and Penetration Test Campaigns Delivered" includes the sum of the number of Vulnerability Assessment and Penetration Test activities carried out to identify and manage known security vulnerabilities.

The "Number of Cybersecurity Highlights and Cyber-themed memos published" includes, on the other hand, the number of cyber-themed contents (e.g. major events, trends and relevant developments) addressed by the Cybersecurity Awareness structure to corporate users with the aim of increasing awareness of cybersecurity.

Lastly, the "Number of Cyber compliance assessments performed" includes the number of assessments performed by the Cyber Risk Management & Policies structure for compliance purposes.







6 Certification of Sustainability Statement

pursuant to Article 81-*ter*, paragraph 1, of Consob Regulation no. 11971 of 14 May 1999 and subsequent amendments and additions

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Cap. Soc. 442.198.240 Euro interamente versato

Certification of Sustainability Statement pursuant to Article 81-ter, paragraph 1, of CONSOB Regulation No. 11971 of 14 May 1999, as amended

The undersigned Giuseppina Di Foggia, in her capacity as Chief Executive Officer, and Francesco Beccali, in his capacity as Manager responsible for preparing the financial reporting of Terna S.p.A., hereby certify, pursuant to Article. *154-bis*, paragraph 5-*ter*, of Legislative Decree No. 58 of February 24, 1998, that the Sustainability Statement included in the Report on Operations has been prepared:

a) in accordance with the reporting standards applied pursuant to Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 and Legislative Decree No. 125 of 6 September 2024;

b) with the specifications adopted in accordance with Article 8, paragraph 4, of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020.

Rome, 25 March 2025

Chief Executive Officer

(original signed)

Manager responsible for financial reporting

(original signed)

CERTIFICAZIONI, ACCREDITAMENTI E ATTESTAZIONI SOA





7 The independent report on the limited audit of the Consolidated Sustainability Statement 2014

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INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED SUSTAINABILITY STATEMENT PURSUANT TO ARTICLE 14-BIS OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010

To the Shareholders of
Terna S.p.A.

Conclusion

Pursuant to artt. 8 and 18, paragraph 1 of Legislative Decree no. 125 of September 6, 2024 (hereinafter also the "Decree"), we have carried out a limited assurance engagement on the consolidated sustainability statement of the Terna Group (hereinafter also the "Group") for the year ended on December 31, 2024, prepared pursuant to Art. 4 of the Decree, included in the specific section of the management report.

Based on the work performed, nothing has come to our attention that causes us to believe that:

- the consolidated sustainability statement of the Terna Group for the year ended on December 31, 2024 is not prepared, in all material respects, in accordance with the reporting principles adopted by the European Commission pursuant to the Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also "ESRS");

- the information included in the paragraph "EU Taxonomy" of the consolidated sustainability statement is not prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of June 18, 2020 (hereinafter also the "Taxonomy Regulation").

Basis for conclusion

We conducted the limited assurance engagement in accordance with the assurance standard of the sustainability report "*Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia)*". The procedures in a limited assurance engagement vary in nature and timing from, and are less in extent for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement.
Our responsibilities pursuant to that standard are further described in the paragraph *Auditor's responsibilities for the limited assurance of the consolidated sustainability statement* of this report.

We are independent in accordance with the independence and other ethical requirements applicable under Italian law to the limited assurance engagement of the consolidated sustainability statement.

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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Our firm applies International Standard on Quality Management (ISQM Italia) 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

Other matter

The comparative information for the year ended on December 31, 2024 presented in the consolidated sustainability statement in the paragraph "EU Taxonomy" has not been verified.

Responsibility of the Directors and the Board of Statutory Auditors of Terna S.p.A. for the consolidated sustainability statement

The Directors are responsible for developing and implementing the procedures performed to identify the information reported in the consolidated sustainability statement in accordance with the ESRS (hereinafter the "double materiality assessment process") and for disclosing this process in the paragraph "Double Materiality - The Double Materiality Process" of the consolidated sustainability statement.
The Directors are also responsible for the preparation of the consolidated sustainability statement, which includes the information identified as part of the double materiality assessment process, in accordance with the requirements of Art. 4 of the Decree, including:

- compliance with ESRS

- compliance of the information included in the paragraph "EU Taxonomy" with art. 8 of the Taxonomy Regulation.

Such responsibility involves designing, implementing and maintaining, within the terms established by the law, such internal control that the Directors determine necessary to enable the preparation of the consolidated sustainability statement in accordance with the requirements of the art. 4 of the Decree that is free from material misstatements, whether due to fraud or error. Furthermore, the abovementioned responsibility involves the selection and application of appropriate methods in elaborating information and making assumptions and estimates about specific sustainability information that are reasonable in the circumstances.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Inherent limitations in the preparation of the consolidated sustainability statement

In reporting forward looking information in accordance with ESRS, the Directors are required to prepare the forward looking information on the basis of assumptions, as described in the consolidated sustainability statement, regarding events that may occur in the future and possible future actions of the Group, as indicated in the paragraph "Methodological note and reporting boundaries - Use of estimates".

Due to the inherent uncertainty regarding any future event, including whether these events will take place and their extent and timing, the variances between actual outcomes and forward looking information could be significant.

The information provided by the Group regarding Scope 3 emissions is subject to greater inherent limitations compared to those related to Scope 1 and 2 emissions. This is due to the lower availability and relative accuracy of the data used to define the information certain Scope 3 categories, both quantitative and qualitative, in relation to the value chain, as indicated in the paragraph "Methodological note and reporting boundaries - Use of estimates".

Auditor's responsibilities for the limited assurance of the consolidated sustainability statement

Our objectives are to plan and perform procedures to obtain limited assurance about whether the consolidated sustainability statement is free from material misstatements, whether due to fraud or error, and to issue an assurance report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, could influence the decisions of users taken on the basis of consolidated sustainability statement.
As part of the limited assurance engagement in accordance with the Principio di Attestazione della Rendicontazione di Sostenibilità - SSAE (Italia), we exercise professional judgment and maintain professional skepticism throughout the engagement.

Our responsibilities include:

- considering risks to identify and assess the disclosure where a material misstatement is likely to arise, either due to fraud or error;

- designing and performing procedures to verify disclosures in the sustainability statement where material misstatements are likely to arise. The risk of not detecting a material misstatement due to fraud is higher than the risk of not identifying a material misstatement due to error, as fraud may involve collusion, falsifications, intentional omissions, misrepresentations, or the override of internal control;

- the direction, supervision and performance of the limited assurance engagement of the consolidated sustainability statement. We remain solely responsible for the conclusion on the consolidated sustainability statement.

Summary of the work performed

A limited assurance engagement involves performing procedures to obtain evidence as the basis for expressing our conclusion.

The procedures performed on the consolidated sustainability statement are based on our professional judgement and included inquiries, primarily with the personnel of the Group responsible for the preparation of information included in the consolidated sustainability statement, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we performed the following main procedures partly in a preliminary phase before year end and then in a final phase up to the date of issuance of this report:

- understanding the business model, the Group's strategies and the context in which the Group operates with reference to sustainability matters;
- understanding the processes underlying the generation, collection, and management of qualitative and quantitative information included in the consolidated sustainability statement, including an analysis of the reporting perimeter;
- understanding the process carried out by the Group for the identification and evaluation of material impacts, risks and opportunities, based on the principle of double materiality, with reference to sustainability matters;
- identification of the information where a risk of material misstatement is likely to arise, taking into considerations, among others, risk factors related to the generation and collection of the information, to the estimates and to the complexity of the relevant calculation methods, as well as qualitative and quantitative factors related to the nature of such information;
- design and performance of procedures, based on the professional judgment of the auditor of the consolidated sustainability report, to respond to identified risks of material misstatement. also with the support of Deloitte network specialists, in particular with reference to specific environmental information;
- understanding of the process set up by the Group to identify eligible economic activities and determine their aligned nature according to the requirements of the Taxonomy Regulation, and verifying the related information included in the consolidated sustainability statement;
- comparison of the information reported in the consolidated sustainability statement with the information included in the consolidated financial statements pursuant to the applicable financial reporting framework, or with the accounting data used for the preparation of the financial statements, or with the management data having an accounting nature;
- verification of the structure and presentation of the information included in the consolidated sustainability statement in accordance with ESRS, including the information related to the materiality assessment process;
- obtaining the representation letter.

DELOITTE & TOUCHE S.p.A.,

Signed by
Maria Ginevra De Romanis
Partner

Rome, Italy
April 23, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.


Terna



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8 Annexes

Regulatory framework and other information

Summary of the principal legislative measures

A brief description is provided below of the principal legislation of interest to the Group issued during 2024 and, subsequently, up to the date of preparation of this Annual Report.

- **Decree-Law no. 161 of 15 November 2023 on Urgent Provisions for the "Mattei Plan" for development in States of the African Continent, converted by Law no. 2 of 11 January 2024, published in the Official Gazette of 13 January 2024 (the so-called Mattei Plan Decree-Law)**
  The decree-law establishes a **Control Room** for the coordination, monitoring, and implementation of the Mattei Plan, which includes representatives of publicly owned companies, industrial companies, the university and research system, civil society, the third sector, and other public and private entities, including **Terna**, as indicated in a subsequent **Decree of the President of the Council of Ministers (Prime Minister's Decree of 6 March 2024)**. The decree also establishes a **mission structure** with functions to support government action, the staff of which may be supplemented with that of publicly owned enterprises.

- **Decree-Law no. 181 of 9 December 2023 setting out Urgent provisions for the country's energy security, the promotion of the use of renewable sources, support for energy-intensive businesses, as well as for the operation of the retail electricity market, converted by Law no. 11 of 2 February 2024, published in the Official Gazette on 7 February 2024 (the so-called Energy Security Decree-Law)**
  The decree-law contains measures on electricity grid infrastructure: **efficient planning of the national transmission grid (NTG)** through the establishment of a **digital portal managed by Terna**; joint authorisation of the distribution grid operators' primary substations and related connection works to the NTG; extension beyond 30 June 2024 of the exemption from the EIA procedure for certain projects of plants from renewable sources located in areas considered suitable and for projects of electrical infrastructure for the connection of plants for the production of energy from renewable sources or for the development of the NTG, or for projects of plants for the storage of energy from renewable sources falling within the areas covered by the Development Plan, already positively submitted to a Strategic Environmental Assessment (SEA).

- **Legislative Decree no. 221 of 30 December 2023 containing provisions on Cooperative Compliance, published in the Official Gazette on 3 January 2024 (so-called Cooperative Compliance Legislative Decree)**
  This decree, **implementing the Law of Delegation to the Government for Tax Reform**, contains provisions for the strengthening of the cooperative compliance regime, setting out requirements, duties, effects, powers and procedures. Cooperative compliance consists of a new modulation of the tax relationship between tax authorities and large taxpayers, through a prior discussion of situations that may generate tax risks prior to the submission of tax returns or the fulfilment of other tax obligations. The decree provided for the issuance of a subsequent decree containing a **Code of Conduct for taxpayers participating in the cooperative compliance regime (Decree of the Ministry of Economy and Finance of 7 June 2024)**.

- **Legislative Decree no. 1 of 8 January 2024 on the Streamlining and Simplification of the Rules on Tax Compliance, published in the Official Gazette on 12 January 2024 (the so-called Tax Compliance Legislative Decree)**
  This decree, which **implements the Law of Delegation to the Government for Tax Reform**, envisages, in particular: the reorganisation of the summary tax reliability indexes and the increase of systems to simplify the forms of the summary tax reliability indexes; the revision of the deadlines for submitting tax returns; rules on the exclusion from tax benefits under certain conditions; the raising of the threshold for the exemption from the compliance visa for the offsetting of credits; the simplification of the annual declaration of withholding agents.

- **Decree-Law no. 4 of 18 January 2024, containing Urgent provisions on the extraordinary administration of companies of a strategic nature, converted into Law no. 28 of 15 March 2024, published in the Official Gazette on 18 March 2024 (so-called Former ILVA Decree-Law)**
  The decree-law provides that companies that carry out activities of strategic importance in the defence, national security and electronic communications sectors, as well as companies that own networks and installations of strategic importance relating to the **energy**, transport and telecommunications **sectors**, can be admitted to an extraordinary administration procedure when they have employed at least 40 workers for at least one year.

- **Decree-Law no. 10 of 5 February 2024 containing Urgent provisions on the governance and on the works pertaining to the company Infrastrutture Milano Cortina 2020-2026 S.p.A., converted into Law no. 42 of 27 March 2024, published in the Official Gazette of 5 April 2024 (so-called Infrastrutture Milano-Cortina Decree-Law)**
  The decree-law provides that the regions, the autonomous provinces of Trento and Bolzano, and the municipalities interested in the Milan Cortina 2026 Winter Games may order the temporary occupation of areas adjacent to those intended for the construction of sports facilities and infrastructures, as defined in the Comprehensive Plan for the Olympic Games, if this is necessary to ensure the usability and functionality of the facilities and infrastructure, as well as the holding of the event.

- **Law no. 14 of 21 February 2024 on the delegation of powers to the Government for the transposition of European directives and the implementation of other acts of the European Union, published in the Official Gazette of 24 February 2024 (the so-called 2022-2023 European Delegation Law)**
  The Law introduces delegation principles and criteria for applying EU directives on cybersecurity; the resilience of critical entities; the protection of workers against the risks of exposure to carcinogens and mutagens at work; application of the equal pay principle for men and women; reducing greenhouse gas emissions; corporate sustainability statement.

- **Decree-Law no. 19 of 2 March 2024 containing further urgent provisions for the implementation of the National Recovery and Resilience Plan (NRRP) converted by Law no. 56 of 29 April 2024, published in the Official Gazette of 30 April 2024 (so-called NRRP Decree-Law)**
  This decree-law contains measures concerning: the application of equal opportunities, social inclusion and disability clauses for contracts relating to projects financed by the NRRP; the validity of EIA measures pending extension; the extension of the validity of Single Authorisation measures pending extension; and the simplification of authorisation procedures for the connection works of primary substations that have already been authorised. It contains provisions concerning the governance of the NRRP, including the updating of the REGIS computer system by the implementing entities.

- **Law no. 21 of 5 March 2024 on Actions in support of the competitiveness of capital and delegation to the Government for the organic reform of the provisions on capital markets set forth in the Consolidated Act referred to in Legislative Decree no. 58 of 24 February 1998, and of the provisions on joint stock companies contained in the Italian Civil Code also applicable to issuers, published in the Official Gazette of 12 March 2024 (the so-called Capital Law)**
  Concerning the methods of **conduct of corporate shareholders' meetings** held by 31 December 2024, the law confirms the applicability of the rules on: voting by electronic means or by correspondence; participation in the shareholders' meeting by means of telecommunications; **appointment of the designated representative for listed companies**. It introduces rules on the simplification of **access to and regulation of capital markets**.

- **Decree of the Ministry of Economy and Finance of 3 May 2024 on Amendments to Table A annexed to the Decree of 6 August 2021, on "Allocation of financial resources provided for the implementation of the projects of the National Recovery and Resilience Plan (NRRP) and allocation of targets and objectives for six-monthly reporting deadlines" and subsequent amendments and additions, published in the Official Gazette of 10 June 2024 (the so-called NRRP Financial Resources MEF MD)**
  The ministerial decree confirms the amounts for NRRP projects under the Ministry of the Environment and Energy Security, and in particular the allocations for the projects **Tyrrhenian Link** (€500,000,000.00) and **Sa.Co.I.3** (€200,000,000.00) and the works for the **Intelligent Transmission Grid** (€140,000,000.00).

- **Decree-Law no. 60 of 7 May 2024 on Other urgent provisions on cohesion policies, converted into Law no. 95 of 4 July 2024, published in the Official Gazette on 6 July 2024 (the so-called Cohesion Decree-Law)**
  This decree-law defines the national regulatory framework for the implementation of European cohesion policy in the 2021-2027 programming period in strategic sectors, including **energy**. The identification of projects gives priority to strategic and public utility works that have already been assessed and cannot be financed. €1,026 million is earmarked for the financing of measures to rehabilitate industrial sites in the regions of Basilicata, Calabria, Campania, Molise, Apulia, Sardinia and Sicily, also aimed at **increasing the capacity of the distribution and transmission network to accommodate increasing shares of energy from renewable sources**. There are also **contribution exemptions** for the hiring from 1 September 2024 to 31 December 2025 of people under 35 years of age and women and residents in the regions of the Single Economic Zone of Southern Italy.

- **Minister of the Environment and Energy Security Decree no. 180 of 9 May 2024, published in the Official Gazette on 18 May 2024**
  The ministerial decree approves the regulation of the **system of remuneration for the availability of power generation capacity** for the competitive procedures of the delivery years 2025, 2026, 2027, 2028 and defines the target value of the national electricity system adequacy indicator.

- **Decree-Law no. 63 of 15 May 2024 on Urgent provisions for agricultural, fishing and aquaculture enterprises, as well as for enterprises of national strategic interest, converted by Law no. 10 of 12 July 2024, published in the Official Gazette of 13 July 2024 (the so-called Agriculture Decree-Law)**
  This decree-law amends Article 20 of Legislative Decree no. 199/2021 on the identification of **suitable areas** and introduces limitations on the installation on agricultural land of photovoltaic systems with modules placed on the ground. These limitations do not apply to projects for which – on the date of entry into force of the decree – at least one of the administrative procedures necessary for obtaining the permits for the construction and operation of the plants and related works (including those of environmental assessment) has been initiated or at least one of these permits has been issued.

- **Legislative Decree no. 87 of 14 June 2024 on the Revision of the taxation penalty system, pursuant to Article 20 of Law no. 111 of 9 August 2023, published in the Official Gazette on 28 June 2024 (the so-called Legislative Decree on the Revision of the Taxation System)**
  The decree, **implementing the Law of Delegation to the Government for Tax Reform**, sets out criteria and guidelines for the revision of the tax penalty system.

- **Law no. 86 of 26 June 2024 on Provisions for the Implementation of the differentiated autonomy of ordinary statute Regions pursuant to Article 116, paragraph 3, of the Constitution, published in the Official Gazette of 28 June 2024 (the so-called Differentiated Autonomy Law)**
  This law defines the general principles for attributing additional forms and special conditions of autonomy to ordinary statute regions in implementation of Article 116, paragraph 3, of the Constitution and the procedures for the approval of agreements between the State and the Region. It provides for the **Delegation of powers to the Government for the determination of essential levels of services (ELS)** including in the field of production, **transport** and **national energy distribution**.

- **Law no. 90 of 28 June 2024 on Provisions on strengthening national cybersecurity and cybercrimes, published in the Official Gazette on 2 July 2024 (the so-called Cybersecurity draft law)**
  For those included in the National Cybersecurity Perimeter, the law provides rules on incident reporting and actions to be taken as a result of vulnerability reports indicated by the National Cybersecurity Agency. It identifies the essential cybersecurity elements that public service operators included in the National Cybersecurity Perimeter must take into account when procuring IT goods and services.

- **Decree of the Minister of the Environment and Energy Security of 21 June 2024 on the Regulations for the identification of surfaces and areas suitable for the installation of renewable source plants, published in the Official Gazette on 2 July 2024 (so-called Suitable Areas ministerial decree)**
  This ministerial decree allocates the additional power of 80 GW of energy from renewable sources with respect to 31 December 2020 among the Regions and Autonomous Provinces and establishes uniform principles and criteria for the **identification of surfaces and areas suitable and not suitable for the installation of renewable energy plants**. In identifying suitable areas, the regions also take into account the **grid infrastructure** and electricity demand, the location of demand, any **grid constraints** and the **potential for grid development**.

- **Decree-Law no. 89 of 29 June 2024 on Urgent provisions for infrastructure and investments of strategic interest, for criminal trials and in the field of sport, converted by Law no. 115 of 8 August 2024, published in the Official Gazette on 13 August 2024 (the so-called Strategic Infrastructure Decree-Law)**
  The decree-law contains urgent measures to support the presence of Italian companies on the African continent. More specifically, it acts on the availability of the **revolving fund** no. 251/1981 for the granting of **subsidised loans** to companies that operate permanently in Africa, export to or source supplies from this continent, or are stable suppliers. To support the projects of the Italy-Africa Strategic Plan, called "**Mattei Plan**" (a strategic planning document to strengthen cooperation between Italy and the African States in implementation of Decree-Law no. 161 of 2023), Cassa Depositi e Prestiti S.p.A. is authorised to grant loans up to a maximum of €500 million for 2024. A **guarantee fund** is also established with an allocation of €400 million for 2024 in the Ministry of Economy and Finance's budget.

- **Decree-Law no. 76 of 11 June 2024 on Urgent provisions for post-calamity reconstruction, civil protection projects and major international events, converted into Law no. 111 of 8 August 2024, published in the Official Gazette on 11 June 2024 (the so-called G7 Reconstruction and Security Decree-Law)**
  The decree-law includes measures to promote reconstruction in the territories affected by natural disasters, among others providing that the Extraordinary Commissioner for Reconstruction may also identify **publicly controlled companies and entities controlled by them** among the entities engaged in reconstruction, which may also operate through special framework agreements for the performance of activities. The decree-law also provides for the appointment of an extraordinary Commissioner for the implementation of public projects in the Phlegraean Fields area and intervenes on the **governance of the Milan Cortina 2026 Foundation**, specifying that it does not have the status of a body governed by public law and operates under competitive conditions and according to entrepreneurial criteria.

- **Legislative Decree no. 108 of 5 August 2024 containing supplementary and corrective provisions on the cooperative compliance regime, streamlining and simplification of tax compliance and the two-year estimated tax agreement, published in the Official Gazette on 5 August 2024 (the so-called Cooperative Compliance Legislative Decree)**
  Among other things, the decree provides for a **revision of the tax calendar**, additions to the rules of the **two-year estimated tax agreement**, the introduction of a penalty for certifying professionals in cases of **bad-faith certification** of the tax risk within the Tax Control Framework, as well as provisions on penalties relating to **cooperative compliance**.

- **Decree-Law no. 113 of 9 August 2024 on Urgent tax measures, extensions of regulatory deadlines and actions of an economic nature, converted by Law no. 143 of 7 October 2024, published in the Official Gazette on 8 October 2024 (so-called Omnibus Decree-Law)**
  The decree-law contains **urgent tax measures**, regulatory extensions and economic interventions. More specifically, it provides that companies issuing financial instruments other than shares and listed on regulated markets are exempt from the provisions of the Consolidated Law on Public Participation Companies. In the antitrust area, the obligation for companies operating services of general economic interest or operating under a monopoly to supply their competitors with the goods or services they make available to their subsidiaries under equivalent conditions has been removed. It also provides for rules on the **taxation of the income of cross-border workers** with Switzerland and on **investments in foreign countries**. It introduces **financial provisions for the NRRP** to ensure the necessary liquidity for payments by the implementing entities. **The investment of the Research and Innovation Partnerships is funded - Horizon Europe**. Finally, it contains measures on the subject of economic allowance for workers with children and on the treatment of penalties related to **two-year estimated tax agreements** and **substitute tax**.

- **Legislative Decree no. 134 of 4 September 2024 on the Implementation of the Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the resilience of critical entities and repealing Council Directive 2008/114/EC, published in the Official Gazette on 23 September 2024 (the so-called CER Legislative Decree)**
  The decree transposes Directive (EU) 2022/2557 on the resilience of critical entities and repeals the previous Directive 2008/114/EC in order to strengthen the resilience of critical entities for the protection of European critical infrastructure, including **energy sector entities and operators of essential services, including electricity transmission system Operators**. Specifically, the decree identifies the criteria for the NIS (Network Information Security) Sector Authorities to identify critical infrastructure by 17 January 2026 and for them to take appropriate and proportionate technical, security and organisational measures to ensure their resilience.

- **Legislative Decree no. 138 of 4 September 2024 on Implementation of Directive (EU) 2022/2555 on measures for a high common level of cybersecurity in the Union, amending Regulation (EU) no. 910/2014 and Directive (EU) 2018/1972 and repealing Directive (EU) 2016/1148, published in the Official Gazette on 1 October 2024 (so-called NIS 2 Legislative Decree)**
  This legislative decree contains measures to increase the cybersecurity of critical infrastructure through the adoption of a **National Cybersecurity Strategy** and confirms the Agency for Cybersecurity (ACN) as the competent national authority and single point of contact for NIS purposes. It provides for the establishment of a **digital platform** made available by the ACN on which all public and private entities falling within the scope of the decree are required to register from 1 January to 28 February. Based on this information, by 31 March the competent national authority shall draw up the **list of essential and important entities** to which the technical, operational and organisational measures for the management of **information system security risks** will apply. Finally, it envisages measures for cyber crisis management, cooperation between national authorities, incident response, coordinated disclosure of vulnerabilities and information-sharing agreements on cyber security.

- **Legislative Decree no. 147 of 10 September 2024 Implementing Directive (EU) 2023/958 of the European Parliament and of the Council of 10 May 2023 amending Directive 2003/87/EC as regards the contribution of aviation to the Union's emission reduction target for all sectors of the economy and on the appropriate implementation of a global market-based measure, as well as Directive (EU) 2023/959 of the European Parliament and of the Council of 10 May 2023, amending Directive 2003/87/EC establishing a scheme for greenhouse gas emission allowance trading within the Union, and Decision (EU) 2015/1814 on the establishment and operation of a market stabilisation reserve in the Union's greenhouse gas emission allowance trading scheme, published in the Official Journal on 14 October 2024 (so-called Legislative Decree for Transposition of ETS Directives)**
  The decree, implementing Law no. 15 of 2024, delegating to the government the transposition of European directives and the implementation of other acts of the European Union (the so-called European Delegation Law 2022-2023), among other things contains the revision of the composition, structure and responsibilities of the **ETS Committee**, in particular by extending these to the regulation of the new carbon border adjustment mechanism (CBAM).

- **Legislative Decree no. 125 of 6 September 2024 transposing Directive 2022/2464/EU of the European Parliament and of the Council on corporate sustainability statement, published in the Official Gazette on 10 September 2024 (the so-called Legislative Decree Transposing the CSRD Directives)**
  The decree stipulates that if the issuing entity is subject to the obligations of **Sustainability Statement**, the delegated governing bodies and the manager responsible for preparing the company's financial reports must certify in a specific report that the Sustainability Statement has been prepared in accordance with European reporting standards and with the relevant specifications. In accordance with the model established by Consob, such certification may also be provided by a manager other than the manager responsible for preparing the company's financial reports who has specific skills in this area and is appointed in accordance with the procedures and professional requirements set out in the articles of association.

- **Decree-Law no. 13 of 16 September 2024 containing Urgent provisions for the implementation of obligations deriving from acts of the European Union and from pending infringement and pre-infringement proceedings against the Italian State, converted by Law no. 166 of 14 November 2024, published in the Official Gazette on 14 November 2024 (so-called Stop Infractions Decree-Law)**
  The decree-law lays down provisions for the complete adaptation of the national system to European legislation and establishes a **grid code** on sectoral provisions for the **cybersecurity aspects** of cross-border electricity flows, designating ACN as the competent authority for the execution of the relevant tasks. It stipulates that the security of measurement systems and data communication must comply with European legislation. Among other things, it provides that the **national transmission grid operator** must provide the operators of other systems interconnected with its own system with the information necessary to ensure secure and efficient operation, coordinated development and interoperability between systems.

- **Decree of the President of the Council of Ministers of 7 October 2024 adopting the Italy-Africa Strategic Plan**
  The decree provides for the adoption of the **Mattei Plan**, which currently covers nine African countries involved in pilot projects: Morocco, Tunisia, Algeria, Egypt, Côte d'Ivoire, Ethiopia, Kenya, the Republic of Congo and Mozambique, and has a duration of four years. In the energy field, energy access in Africa is one of the key pillars of the Plan through **investments** in renewable energy and the strengthening and modernisation of electricity grids, both for transport and distribution, for the integration of energy markets at the regional and continental levels, taking advantage of Italy's geographical position in the Mediterranean. Among the strategic projects, the Mattei Plan focuses on the construction by Terna and STEG of the new Italy-Tunisia electricity interconnection (**ELMED**), the first power line between Europe and North Africa. The **Terna Innovation Zone Tunisia** project will also be launched, with a specific focus on training and talent attraction to foster job growth in Tunisia, support for start-ups and support for the energy industry.

- **Decree-Law no. 153 of 17 October 2024 on Urgent provisions for the environmental protection of the country, the streamlining of environmental assessment and authorisation procedures, the promotion of the circular economy, the implementation of works for the reclamation of contaminated sites and hydrogeological instability, converted by Law no. 191 of 13 December 2024, published in the Official Gazette on 16 December 2024 (so-called Environmental Protection Decree-Law)**
  The decree-law introduces amendments to Legislative Decree no. 152/2006 (the Environment Code) by providing that priority treatment will be given to projects related to programmes declared to be of pre-eminent national strategic interest identified by decree of the Ministry of the Environment and Energy Security. It also contains urgent provisions on environmental assessments and authorisations, for the promotion of **sustainability** and circular economy in the construction of infrastructure projects, as well as for the strengthening of **investments in African countries** to protect the environment and energy security. In order to strengthen the **investments of the Mattei Plan** also for 2025, Cassa Depositi e Prestiti S.p.A. is authorised to grant loans in any form within the limit of €500 million.

- **Decree-Law no. 155 of 19 October 2024 on Urgent measures on economic and fiscal matters and in favour of territorial entities, converted by Law no. 189 of 9 December 2024, published in the Official Gazette on 12 December 2024 (the so-called Tax Decree-Law)**
  The decree-law includes **financial measures for the management of emergencies**, with a redefinition of the subject of insurance coverage for damage caused by natural disasters and catastrophic events, clarifying that tangible assets (such as land and buildings, plant and machinery, industrial and commercial equipment) recorded in the balance sheet and used for the exercise of the business activity, must be covered by insurance even if stipulated by parties other than the entrepreneur that uses the aforesaid assets. It also includes provisions **related to the NRRP**: specifically, in order to allow the central administrations benefiting from NRRP measures to have the necessary resources available for the transfers to the entities implementing the projects, the Ministry of Economy and Finance will advance such transfers from the resources of the Next Generation Eu-Italia Fund through the ReGis system. Other provisions concern the **two-year estimated tax agreement**; **benefits for employees**; changes to the **tax credit** for Special Economic Zones (**SEZs**).

- **Law no. 162 of 28 October 2024 on Provisions for the promotion and development of start-ups and innovative small and medium-sized enterprises through tax breaks and investment incentives, published in the Official Gazette on 7 November 2024 (the so-called Start-up Investment Law)**
  The law includes provisions on **Irpef deductions for investments in start-ups and innovative SMEs**; modifies the rules of **dedicated assets** by extending its operating powers, in order to support the capitalisation of Italian companies and the strengthening of supply chains, networks and strategic infrastructures; clarifies and specifies the facilitation of the **exemption of capital gains deriving from the sale of shares in innovative companies**, to make it consistent with the requirements imposed by the current rules on de *minimis* aid; raises the net equity limit for simple investment companies (SIS) from €25 to 50 million.

- **Legislative Decree no. 180 of 13 November 2024 implementing Council Directive (EU) 2020/285 of 18 February 2020 amending Directive 2006/112/EC as regards the special scheme for small enterprises and Council Directive EU 2022/542 of 5 April 2022 amending Directives 2006/112/EC and (EU) 2020/285 on rates of value added tax, published in the Official Gazette on 30 November 2024 (the so-called Legislative Decree on VAT rates)**
  This decree provides in particular for changes to the **flat-rate scheme** by specifying the scope of application of the so-called **cross-border exemption regime for VAT purposes**, as well as changes on the subject of **territoriality** and the provision of cultural, artistic, sporting, scientific, educational, recreational and similar services or activities, also in relation to events held in virtual mode or streamed.

- **Legislative Decree no. 192 of 13 December 2024 on the Revision of the Income Tax Regime (IRPEF-IRES), published in the Official Gazette on 16 December 2024 (the so-called IRPEF-IRES Legislative Decree)**
  The decree systematises the matter of how IRPEF-IRES income is determined and how losses are utilised, and in particular provides for the revision of the rules on **taxation of income** of employees, provisions on the reduction of the double track between book values and tax values, the new discipline of the optional **realignment** scheme for tax purposes of the higher values arising from company transfers. With regard to non-recurring transactions, the decree makes changes on the subject of **carry-forward of tax losses** by IRES taxpayers and mergers and demergers of companies. It introduces the tax regulation of the new procedure of **demerger by way of spin-off**. Finally, it makes changes on the subject of contributions of companies, investments and their capital gains and losses, as well as on the subject of liquidation, providing that the income of companies, entities and corporations in liquidation is definitively determined with the application of the ordinary taxation rules.

- **Law no. 193 of 16 December 2024 - Annual Market and Competition Law 2023, published in the Official Gazette on 17 December 2024 (the so-called 2023 Competition Law)**
  The law includes provisions on **innovative start-ups and certified incubators** by updating their definitions and modifying the incentive regime; the requirements for innovative start-ups to remain in the special section of the business register are redefined, increasing their duration in the presence of specific requirements. It introduces a **contribution** in the form of a tax credit for certified incubators making **investments in innovative start-ups**, from the 2025 tax year, in the amount of 8 per cent of the sum invested and defines the limits. It acts on the regulation of **investments of compulsory pension funds** and supplementary pension schemes. It contains provisions to foster private investment in innovative start-ups. It sets a limit of 5 per cent for the consideration charged to merchants by meal voucher issuers.

- **Law no. 207 of 30 December 2024 on the State Budget for the financial year 2025 and the multi-year budget for the three-year period 2025-2027, published in the Official Gazette on 31 December 2024 (the so-called 2025 Budget Law)**
  The law contains **regulations on taxation** and labour (reorganisation of the IRPEF brackets and related tax deductions, deductions for the recovery of the building heritage and the energy requalification of buildings, reduced IRES for companies that invest in technologically advanced capital goods, methods for calculating fringe benefits for company cars, traceability of employee expense reimbursements, border workers, pensions, unemployment benefits and inclusion allowance, parental leave and decontribution of parental benefits, newborn bonus, daycare, accidents at work, productivity bonuses and company welfare, incentives for health screenings in the workplace). It also contains facilities for investments for the 2026-2027 Winter Olympics and for the

internationalisation of Italian companies, for ultra-wide bandwidth, for security in the water sector and for the recruitment of IT and cybersecurity experts. In the field of energy, it provides for measures to increase resilience and upgrade electricity distribution networks through the submission by distribution service concessionaires of **multi-year extraordinary investment plans** with rescheduling of the duration of existing concessions for a period not exceeding 20 years. Finally, it envisages measures to support the Brindisi and Civitavecchia areas in their post-coal transition and simplifications for renewable energy plants directly interconnected to railway infrastructure.

- **Legislative Decree no. 209 of 31 December 2024 laying down supplementary and corrective provisions to the public contracts code, referred to in Legislative Decree no. 36 of 31 March 2023, published in the Official Gazette of 31 December 2024 (the so-called Legislative Decree on Corrective Procurement)**
  The decree introduces numerous amendments to the Procurement Code, focusing in particular on the criteria for identifying the applicable national collective contract, on the **revision of prices** for both works and service and supply contracts, on the regulation of testing, on that of guarantees and on that of the Technical Advisory Board.

- **Decree-Law No. 202 of 27 December 2024 (Decreto Milleproroghe in Italian [Thousand-Extensions Decree]) converted by Law No. 15 of 21 February 2025 published in the Official Gazette (Gazzetta Ufficiale) of 24 February 2025**
  The decree-law provides for the possibility to continue applying (until 31 December 2025) the execution modalities for the **company annual general meetings** that were envisaged during the COVID emergency, using telecommunication means for holding and attending the Annual General Meeting and the expression of voting by electronic means or by correspondence; it provides for **simplifications regarding Landscape Authorisation**, in fact, it indicates a new deadline (27 August 2026) for the revision of the regulation (Presidential Decree No. 31/2017) on the identification of interventions excluded from landscape authorisation or subject to simplified landscape authorisation procedures. It also calls for the adoption of a special decree by the MASE [Italian Ministry of Environment and Energy Security] to extend until 14 April 2025 the deadline for **registration to the National Electronic Register for Waste Traceability (RENTRI)** by producers of hazardous and non-hazardous special waste with more than 50 employees. It provides for the extension until 31 March 2025 of the deadline originally set for 31 December 2024 by which companies with registered offices in Italy or abroad, but with a permanent establishment in Italy, are required to take out **insurance contracts** to cover damage to land and buildings, plant and machinery, industrial and commercial equipment, directly caused by natural disasters and catastrophic events occurring in Italy.

- **Decree-Law No. 19 of 28 February 2025 introduces Urgent Measures to support businesses with respect to their purchases of electricity and natural gas as well as for the transparency of retail offers and the strengthening of sanctions by Supervisory Authorities. (Decreto-Legge Bollette in Italian [Bill Decree-law]) published in the Official Gazette on 28 February 2025**
  The decree-law provides for an **extraordinary contribution to support households** for 2025 on the supply of electricity for domestic customers with an ISEE [Indicator of equivalent economic situation] up to €25,000. It redefines the role of the **Acquirente Unico company** by stipulating that it also performs the function of centralised electricity procurement for vulnerable wholesale customers for subsequent sale to operators providing the vulnerability service.

- **Decree-Law No. 208 of 31 December 2024 on urgent organisational measures to deal with situations of particular emergency, as well as for the implementation of the National Recovery and Resilience Plan (Decreto-Legge Emergenze in Italian [Emergency Decree-Law]) converted by Law No. 20 of 28 February 2025, published in the Official Gazette of 1 March 2025**
  The decree-law provides for a **new role for the GSE** establishing that the decree by the MASE [Italian Ministry of Environment and Energy Security] will set out the terms and conditions under which the GSE will assume the role of guarantor of last resort for the mitigation of counterparty default risks in long-term contracts [for energy] from renewable sources.

Resolutions of the Italian Regulatory Authority for Energy, Networks and the Environment

A list is provided below of the principal resolutions adopted by Italy's Regulatory Authority for Energy, Networks and the Environment (ARERA) during 2024 and, subsequently, up to the date of preparation of this Annual Report.

ARERA determinations on the remuneration of transmission and dispatching services

Resolution 55/2024/R/eel – Approval of the output-based regulation of the electricity transmission service for the period 2024-2027;

Resolutions 326/2024/R/eel, 536/2024/R/eel and **554/2024/R/eel** – Definition and approval of an incentive system to promote the reduction of dispatching costs for the period 2025-2030;

Resolution no. 327/2024/R/eel – Acknowledgement to Terna of the incentives pursuant to Resolution no. 597/2021/R/eel, relative to the year 2023;

Resolution 337/2024/R/eel – Decision on Terna's request for authorisation of preliminary expenses for the realisation of electricity transmission projects;

Resolution 400/2024/R/eel – Approval of the relevant parameters for the application of the ROSS criteria for the electricity transmission service, for the years 2024 and 2025;

Resolution 444/2024/R/eel – Determination of the economic items relating to the quality of the electricity transmission service, for the year 2023;

Resolution 445/2024/R/eel – Determination of premiums for the realisation of inter-zonal transmission capacity and investment efficiency, in the year 2023, related to the electricity transmission service;

Resolution 513/2024/R/com – Update of the rate of return on invested capital for the sub-period 2025-2027 and of the beta asset parameter for infrastructure services in the electricity and gas sectors;

Resolution 562/2024/R/eel – Extension to the period 2025-2028 of the provisions for the acceleration of the development of the national transmission grid with potential high benefits;

Resolution 579/2024/R/eel – Determination of the reference revenue of the transmission and dispatching service and electricity transmission tariffs for the year 2025;

Resolution 586/2024/R/eel – Update of the unit fee to cover Terna's operating costs for dispatching purposes and of the unit fee for the costs of essential plants under cost reintegration.

ARERA determinations on the provision of transmission and dispatching services

Resolution 5/2024/R/eel – Definition of criteria and procedures for the identification and management of uncollected and otherwise unrecoverable receivables due to Terna;

Resolution 60/2024/R/eel – Closing of the investigation initiated with Resolution no. 475/2023/R/eel regarding the formation of imbalance prices, following the start of Terna's operations on the European "PICASSO" platform, and further provisions in this regard;

Resolution 99/2024/R/eel – Updates to the criteria as per Resolution no. 430/2022/R/eel for the remuneration of significant electricity production plants powered by fuels other than natural gas, subject to the maximisation obligation pursuant to Article 5bis of Decree-Law no. 14 of 25 February 2022;

Resolutions 145/2024/R/eel, 185/2024/R/eel, 353/2024/R/eel and **441/2024/R/eel** – Verification of compliance of Terna S.p.A.'s proposals for amending the capacity market regulations and related technical operating provisions;

Resolution 199/2024/R/eel – Economic parameters of the capacity market tendering procedures for delivery years 2025, 2026, 2027 and 2028;

Resolution 224/2024/R/eel – Approval of the operating procedures of the Portal for the efficient planning of National Transmission Grid infrastructures implemented by Terna S.p.A. pursuant to Article 9 of Decree Law 181/23;

Opinion 254/2024/I/eel – Opinion for the Minister for the Environment and Energy Security on updating the scope of the national electricity transmission grid;

Resolutions 304/2024/R/eel, 499/2024/R/eel and **539/2024/R/eel** – Amendments to the Integrated Electricity Dispatching Act (TIDE) functional to its entry into operation;

Resolution 325/2024/R/eel – Provisions for the reform of the 2026 electricity settlement regulation and TIS 2025 update;

Resolutions 418/2024/R/eel and **494/2024/R/eel** – Amendment to Resolution ARG/elt no. 179/09 on the procedures for the execution of foreign procurement contracts, pursuant to Article 32, paragraph 6, of Law 99/09;

Resolutions 437/2024/R/eel, 504/2024/R/eel and **515/2024/R/eel** – Amendments and additions to the regulations on essential facilities;

Resolution 467/2024/R/eel – Approval of Terna's proposal for the implementation of the competitive procedures for the allocation of hedging instruments against the risk of volatility of the transportation capacity allocation fee, for the year 2025;

Resolution 483/2024/R/eel – Verification of conformity of the proposed amendments to the transmission, dispatching, grid development and security code regarding the extraordinary instantaneous uplink modulation service and approval of the regulation for the year 2025;

Resolution 517/2024/R/eel – Approval of the regulation for the withdrawal reduction service for the year 2025;

Opinion 589/2024/I/eel – Issue of an opinion to the Minister for the Environment and Energy Security on updating the scope of the national electricity transmission grid;

Opinion 4/2025/I/eel – Assessment of the outline of the 2023 10-year national transmission grid development plan.

For more information on the aforementioned resolutions as well as on other resolutions adopted by ARERA see the website www.arera.it.

Relations with public decision-makers – Main activities in 2024

On 13 February 2024, Terna participated at a hearing at the Senate Environment Committee as part of the enquiry into the Italian Energy System.

On 4 April 2024, Terna was heard at the Institutional Affairs Commission of the Chamber of Deputies as part of the examination of the bill "Provisions for the implementation of the differentiated autonomy of ordinary statute regions pursuant to article 116, paragraph 3, of the Constitution".

On 3 May 2024, Terna sent a written memorandum to the Environment and Productive Activities Committees of the Chamber of Deputies on the proposed update of the National Integrated Energy and Climate Plan (PNIEC).

On 29 May 2024, Terna participated at a hearing before the "Economic Policies" and "EU Policies and International Cooperation" committees of the National Economic and Labour Council on the fair and sustainable energy transition with a view to updating the National Integrated Energy and Climate Plan (PNIEC).

On 6 June 2024, Terna was audited by the Mission Structure for Sea Policies of the Presidency of the Council of Ministers in order to incorporate elements on the issue of safety in the implementation of the "Plan for the Sea" approved by the Interministerial Committee for Sea Policies (CIPOM) on 31 July 2023 and published in the Official Gazette on 23 October 2023.

On 17 September 2024, Terna was heard by the Senate Environment Committee on the draft legislative decree regulating administrative regimes for the production of energy from renewable sources. A similar hearing was held on 26 September 2024 in the Environment and Production Committees of the Chamber of Deputies.

On 24 September 2024, Terna took part in the meeting at the Ministry of Infrastructure and Transport on the results of the public consultation for the revision of Legislative Decree no. 36/2023, in view of the issuance of the new Public Contracts Code.

On 7 November 2024, Terna sent a written memorandum to the Senate Environment Committee as part of the examination of the bill to convert Decree-Law no. 153 of 17 October 2024 (so-called Environmental Protection) into law.

Other information

Additional information is presented below in accordance with specific statutory or industry requirements.

Treasury shares

As at 31 December 2024, the Parent Company holds a total of 4,151,848 treasury shares (equal to 0.207% of the share capital).

The aforementioned total number of shares held by the Company derives from the sum of the purchases made in implementation of five separate Share buyback programmes to respectively service the:

i. 2020-2023 Performance Share Plan, in the period between 29 June 2020 and 6 August 2020;

ii. 2021-2025 Performance Share Plan, in the period between 31 May 2021 and 23 June 2021;

iii. 2022-2026 Performance Share Plan, in the period between 27 May 2022 and 9 June 2022;

iv. 2023-2027 Performance Share Plan, in the period between 22 June 2023 and 6 July 2023;

v. 2024-2028 Performance Share Plan, in the period between 4 September 2024 and 20 September 2024[115];

net of: (a) 1,079,860 treasury shares allocated by the Company in the period between 9 May 2023 and 1 June 2023 to the beneficiaries of the 2020-2023 Performance Share Plan and (b) 1,060,240 treasury shares allocated by the Company in the period between 10 May 2024 and 4 June 2024 to the beneficiaries of the 2021-2025 Performance Share Plan.

The Company does not hold any additional treasury shares other than those purchased under the above programmes, including through subsidiaries.
The Parent Company does not directly or indirectly hold any shares in CDP Reti S.p.A. or Cassa Depositi e Prestiti S.p.A., nor has it purchased or sold any such shares during 2024.

[115] In this regard see the press releases of 10 August 2020, 28 June 2021, 13 June 2022, 10 July 2023 and 23 September 2024 available at the following links:
https://download.terna.it/terna/2020.08.10_CS%20TERNA%20operazioni%20su%20azioni%20proprie%20CHIUSURA%20ITA__8d83d42cfd43cb6.pdf
https://download.terna.it/terna/Terna_operazioni_su_azioni_proprie_conclusione_programma_8d93a651f5f9ffb.pdf
https://download.terna.it/terna/Terna_concluso_programma_acquisto_azioni_proprie_8da4d5856032b0b.pdf
https://download.terna.it/terna/Terna_concluso_programma_acquisto_azioni_proprie_8db81764c5a475a.pdf
https://download.terna.it/terna/Terna_conclusione_programma_acquisto_azioni_proprie_2024_8dcdc01fddc499d.pdf.

Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A., a situation ascertained in 2007, related party transactions entered into by Terna during 2024 include transactions with associates and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").

Transactions carried out with related parties during 2024 substantially consisted of services in the ordinary course of business and settled on market terms, as set out in the Consolidated and Separate Financial Statements as at 31 December 2024[116].

The procedural rules adopted by the Parent Company ensure that such transactions are carried out in compliance with the criteria of procedural and substantive propriety and under the same conditions that would apply to independent counterparties and in accordance with the rules on transparency of information to the market and in implementation of Consob's regulatory provisions[117].

Note that during 2024 there were no transactions of major significance[118], nor were there any transactions subject to the disclosure requirements because they fell within the cases of exclusion envisaged in the Regulation itself[119].

Information on ownership structures

The information required by Article 123-*bis* "Report on corporate governance and ownership structures" of the Consolidated Law on Financial Intermediation (Legislative Decree no. 58 of 24 February 1998) is included in a separate report approved by Terna's Board of Directors ("Report on Corporate Governance and Ownership Structure" for the year 2024), which can be found on Terna S.p.A.'s website (www.terna.it - in the section "*Governance-Corporate Governance System/Corporate Governance Report*").

[116] Note that relations with the members of the Parent Company's Board of Statutory Auditors, with particular reference to their remuneration, are reported in the Note to the item "Services" in the Notes to the Consolidated and Separate Financial Statements as at 31 December 2024, to which reference should be made. Moreover, in implementation of the applicable regulations in force (see Consob Resolutions no. 18049 of 23 December 2011 and no. 21623 of 10 December 2020), the information on the remuneration of the "members of the governing and control bodies, general managers", as well as on the investments held by them, as well as of the other persons envisaged by law, is included in the Report on Remuneration Policy and Remuneration Paid published within the terms of the law.

[117] See the Regulation containing provisions on transactions with related parties adopted by Consob Resolution no. 17221 of 12 March 2010, as amended.

[118] That is, transactions with related parties identified in accordance with the provisions of Appendix 3 of the "Regulation containing provisions on related party transactions".

[119] As "transactions falling within the ordinary course of the Company's or its subsidiaries' or associated companies' operating activities or financial activities related thereto, provided that they are concluded on terms equivalent to market or standard terms".

Certifications pursuant to Article 2.6.2, paragraphs 7 and 8, of the Rules of Markets organised and managed by Borsa Italiana S.p.A. as to the conditions set forth in Articles 15 and 16 of the Consob Market Rules (No. 20249 of 28 December 2017 in Official Gazette no. 1 of 2 January 2018, as amended)

With reference to the provisions of article 15, paragraph one, letters a), b) and c) point i) of the CONSOB Markets Regulation, under the title *conditions for listing the shares of companies controlling companies incorporated and regulated under the laws of countries not belonging to the European Union*, TERNA S.p.A. declares that it does not hold any significant controlling interests, as defined in Title VI, Chapter II of CONSOB Regulation 11971 of 1999, in companies incorporated and regulated under the laws of countries not belonging to the European Union.

With reference to the provisions of article 16 of the CONSOB Markets Regulation, under the title *conditions prohibiting the listing of the shares of subsidiaries subject to management and coordination by another company*, TERNA S.p.A. declares that it is subject to the de facto control of Cassa Depositi e Prestiti S.p.A., exercised through CDP Reti S.p.A. (a joint-stock company controlled by Cassa Depositi e Prestiti S.p.A.), which holds a 29.851% interest in the Parent Company. The checks, providing confirmation of the above situation of control, were conducted by Cassa Depositi e Prestiti and notified to the Company and the CONSOB with effect from 19 April 2007 and, subsequently, by letter dated 30 October 2014 and 2 December 2014. At this time, there are no formal arrangements for the management and coordination of the Company, nor have any such rights been exercised. Terna S.p.A. conducts its business either directly or through its subsidiaries in conditions of operational and contractual independence.

Participation in the regulatory simplification process introduced by CONSOB Resolution 18079 of 20 January 2012

Pursuant to art. 3 of CONSOB Resolution no. 18079 of 20 January 2012, Terna has elected to adopt the simplified regime provided for in articles 70, paragraph 8, and 71, paragraph 1-bis of CONSOB Regulation 11971 of 14 May 1999, as amended (the CONSOB Regulations for Issuers). As a result, Terna exercises the exemption from disclosure requirements provided for in the above Regulations in respect of transactions of a significant nature involving mergers, spin-offs, capital increases involving contributions in kind, acquisitions and disposals.

Changes in the dimensions of the NTG

Details of electricity substations owned by the Terna Group*

	UNIT OF MEASUREMENT	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE	CHANGE %
380 kV					
Substations	no.	**172**	171	1	0.58%
Power transformed	MVA	**129,547**	128,447	1,100	0.86%
220 kV					
Substations	no.	**151**	152	(1)	(0.66%)
Power transformed	MVA	**35,576**	34,530	1,046	3.03%
Lower voltages (≤ 150 kV)					
Substations	no.	**592**	587	5	0.85%
Power transformed	MVA	**4,633**	4,573	60	1.31%
Total					
Substations	no.	**915**	910	5	0.55%
Power transformed	MVA	**169,756**	167,550	2,206	1.32%

** MVA calculated to three decimal places and rounded to the nearest integer. Percentages calculated to the fifth decimal place and rounded to the second decimal place.*

Details of power lines owned by the Terna Group*

	UNIT OF MEASUREMENT	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023	CHANGE	CHANGE%
380 kV					
Length of circuits	km	**13,101**	13,029	72	0.55%
Length of lines	km	**11,895**	11,848	47	0.40%
220 kV					
Length of circuits	km	**11,898**	11,936	(38)	(0.32%)
Length of lines	km	**9,495**	9,525	(30)	(0.31%)
Lower voltages (≤ 150 kV)					
Length of circuits	km	**50,237**	50,176	61	0.12%
Length of lines	km	**46,984**	46,948	36	0.08%
Total					
Length of circuits	km	**75,236**	75,140	96	0.13%
overhead	km	**70,862**	70,865	(3)	-
underground cables	km	**2,577**	2,479**	98	3.95%
submarine cables	km	**1,796**	1,796**	-	-
Length of lines	km	**68,374**	68,321	53	0.08%
overhead	km	**64,001**	64,046	(45)	(0.07%)
underground cables	km	**2,577**	2,479**	98	3.95%
submarine cables	km	**1,796**	1,796**	-	-
Impact of direct current connections (200 - 380 - 500 kV)					
Circuits	km	**2,573**	2,535		
% of total		**3.42%**	3.37%		
Lines	km	**2,253**	2,215		
% of total		**3.30%**	3.24%		

* *Km calculated to three decimal places and rounded to the nearest integer. Percentages calculated to the fifth decimal place and rounded to the second decimal place. It should be noted that the figures only include assets that entered service for which the physical census has been completed.*

** *The figures have been restated following the adjustment of the cable type, without changing the overall value of the assets.*

Principal changes in the size of the Terna Group's infrastructure

Substations

New infrastructure:

The following new activations were reported:

- construction of the Fossadello switching substation (3 x 150 kV bays);
- construction of the Malo transformer substation (5 x 220 kV and 8 x 150 kV bays);

as well as the following **acquisitions**:

- acquisition of the San Marco dei Cavoti switching substation (7 x 150 kV bays);
- acquisition of the Vaiano Valle switching substation (8 x 150 kV bays);
- acquisition of the Vitorchiano transformer substation (2 x 380 kV and 1 x 150 kV bays);
- acquisition of the Civitacastellana transformer substation (3 x 150 kV bays).

Existing infrastructure:

demolition of the Tavazzano Est substation (4 available 220 kV bay and 3 available 150 kV bays).

activation of 36 new line bays in the substation of Alessandria Nord (1 x 132 kV bay), Sesto San Giovanni (1 x 220 kV bay), Gadio (3 x 220 kV bays), Tavazzano (1 x 220 kV bay), Rotello 380 (1 x 150 kV bay), Erchie (1 x 150 kV bay), Cerignola (1 x 150 kV bay), Maida (1 x 150 kV bay), Pontelandolfo (1 x 150 kV bay), San Marco dei Cavoti (3 x 150 kV bays), Ospiate (1 x 150 kV bay), Lambrate (1 x 220 kV bay), Gadio (2 x 220 kV bays), Premadio (1 x 220 kV bay), Castegnero (2 x 150 kV bays), Lasa (2 x 150 kV bays), Rotello 380 (1 x 150 kV bay), Tuscania (1 x 150 kV bay), San Severo (1 x 150 kV bay previously available), Deliceto (1 x 380 kV bay previously available), Camerelle (2 x 150 kV bays), Valle (1 x 150 kV bay previously available), Pantano d'Arci (2 x 220 kV bays previously available), S.T. Catania (3 x 150 kV bays), Montalto di Castro (1 x 150 kV bay).

activation of 24 new machine bays in the substations of Alessandria Nord (1 x 132 kV bay), Magenta (2 x 380 kV bays), Auronzo (2 x 220 kV bays), Bisaccia 380 (1 x 380 kV bay), Melfi (2 x 380 kV bays and 2 x 150 kV bays), Cerignola (2 x 150 kV bays), Belcastro 380 (1 x 380 kV bay), Frankfurt (1 x 150 kV bay), Carnate RT (1 x 150 kV bay), Milano Rogoredo RT (1 x 150 kV bay), Verona S. Lucia (1 x 150 kV bay), La Casella (1 x 380 kV bay, 1 x 150 kV bay), Lasa (1 x 150 kV bay), Cerignola (1 x 150 kV bay), Pantano d'Arci (1 x 380 kV bay, 1 x 150 kV bay), Ulassai (1 x 150 kV bay).

activation of 7 new parallel bays in the substations of Melfi (1 x 150 kV bay), Cerignola (1 x 150 kV bay), San Marco dei Cavoti (1 x 150 kV bay), Arquata RT (1 x 132 kV bay), Premadio (1 x 220 kV bay), Pantano d 'Arci (2 x 150 kV bays).

activation of 5 new junction bays in the substations of Cerignola (1 x 150 kV bay), Melfi (2 x 150 kV bays), Pantano d'Arci (1 x 150 kV bay), Ponte San Marco (1 x 150 kV bay, for value updates).

activation of 1 new power factor correction bay in the Collesalvetti substations (1 x 150 kV bay).

deactivation of 1 bay in the Ponti sul Mincio substations (1 line bay for updating values).

demolition of 5 bays in the substations of Alessandria Nord (2 x 150 kV line bays), Ciminna (1 x 150 kV line bay and 1 x 150 kV machine bay, for value updates), Milano Rogoredo RT (1 x 150 kV line bay).

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Transformers

The following new activations were reported:

- activation of 2 x 380/132 kV and 380/220 kV autotransformers of 250 and 400 MVA respectively at the Magenta substation.
- activation of 2 x 220/132 autotransformers of 250 MVA each in the Auronzo substation.
- activation of 1 x 40 MVA 132/MT transformer in the Udine Nord-Est substation.
- activation of 1 x 380/150 kV 400 MVA autotransformers at the Bisaccia 380 substation.
- activation of 1 x 150/MT kV 16 MVA transformer at the Galatina substation.
- activation of 2 x 220/132 kV 250 MVA autotransformers in the Malo substation.
- activation of 1 x 380/132 kV 250 MVA autotransformer of plant esters at the Lacchiarella substation.
- activation of 1 x 380/132 kV 250 MVA autotransformer at the La Casella substation.
- activation of 1 x 220/132 kV 250 MVA autotransformer in the Cislago substation.
- activation of 1 x 380/150 kV 250 MVA autotransformer at the Pantano d'Arci substation.
- activation of 1 x 380/150 kV 400 MVA autotransformer at the Cerignola substation.
- activation of 1 x 380/150 kV 250 MVA autotransformer in the Melfi substation.
- activation of 2 x autotransformers, of which one 380/150 kV 250 MVA plant esters in the Vitorchiano substation.

and the following **other variations**:

- replacement of 1 x 25 MVA 132/66 kV transformer with one of equal power at the Savona substation.
- replacement of 1 x 132/15 kV 25 MVA transformer with 1 x 40 MVA at the Alessandria Nord substation.
- decommissioning of 1 x 220/132 kV 250 MVA autotransformer at the Magenta substation.
- deactivation of 1 x 132/MV kV 79 MVA transformer in the Villabona station, reactivated in the Udine Nord-Est substation.
- deactivation of 2 x 132/MV kV 40 and 50 MVA transformers in the Udine Nord-Est substation.
- replacement of 1 x 380/150 kV 250 MVA autotransformer with 1 x 400 MVA at the Deliceto substation.
- replacement of 1 x 380/220 kV 400 MVA autotransformer with 1 x 600 MVA at the Montecorvino substation.
- replacement of 1 x 380/132 250 MVA autotransformer with machinery with the same ratio and power but in plant esters at the San Damaso substation.
- replacement of 1 x 220/MT 40 MVA transformer with 1 x 63 MVA at the Lavis substation.
- replacement of 1 x 220/MT 40 MVA transformer with 1 x 63 MVA at the Treviso Sud substation.
- decommissioning of 1 x 380/220 440 MVA autotransformer at the Villanova substation for value updating.
- decommissioning of 1 x 1,800 MVA 380 phase shifting transformer at the Villanova PST substation for value updating.

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Power lines

construction of 2 new cable lines Primary Substation Lasa - Lasa and Lasa - Primary Substation Laces for SE Lasa (2 x 0.2 km).

construction of the new line Canaro Primary Substation - Ferrara RT (7.985 km).

construction of 20 new lines for connection to manufacturers from Substation (hereinafter "ES") Terna ES Cattolica Eraclea - Power Line Connection (hereinafter "PL.C") Cattolica Eraclea, ES Sambuca - PL.C Lago Arancio, ES Sambuca - PL.C PL.C Rocca Ficuzza, ES Villafrati - PL.C Eolica Maridiana, ES Castel di Lucio - PL.C Eolica Minerva, ES Marianapoli - PL.C Mimiamiwind, ES Cammarata - PL.C Aerorossa, ES Petralia - PL.C Petralia, ES Butera - PL.C Butera 1, ES Butera - PL.C Butera 2, ES Vizzini - PL.C Idas, ES Sortino - PL.C Eolica Carlentini 2, ES Mineo - PL.C Callari, ES Vizzini - PL.C Trinacria Eolica, ES Patti - PL.C Minerva Messina, ES Licodia Eubea - PL.C Licodia Eubea, ES Mineo - PL.C IVPC Mineo, ES Ucria - PL.C Nebrodi, ES Francavilla - PL.C Alcantara, ES Carlentini - PL.C IVPC Carlentini (total 0.171 km).

construction of the new line Fiumesanto - Latina 2 (SA.PE.I) - (Fiumesanto - Tramontana) (38.3 km).

construction of the new line Fano ET - Fano ZI 2 (6.487 km).

construction of the new line Camerelle - Valle 2 (8.100 km).

construction of the new line Camerelle - Deliceto 2 (17.100 km).

construction of the new line Fiumicino – Porto 2 (4.111 km).

construction of 13 inlet-outlet branches with an overall increase of 12 locations and a decrease 6.466 km of circuit.

construction of variants, rigid shunts, route and/or grid layout changes with an overall increase of 20 locations and a decrease of 3.368 km of circuit, of which: up 0 lines and up 0.07 km at 380 kV, down 3 lines and up 5.864 km at 220 kV, down 17 lines and down 9.302 km at ≤ 150 kV.

demolition and/or decommissioning of 8 lines totalling down 23,266 km of circuit: Belviso - Teglio 1 (down 0.1 km), Castelbello - Mezzocorona cd Bolzano, S.Floriano (section p. 218/A - p. 227) (down 1.915 km), Udine Rotonda - Udine Sud cd ABS (from p. 38 to p. 42/1) (down 1.406 km), Turbogas T1 - Carpi Fossoli (down 1.1 km), Montebello SCRI - Montebello RFI (down 0.15 km), Villavalle - San Dalmazio (section p. 10 - p.49) (down 11.335 km), Strassoldo - Redipuglia RT (dt 015G) (section p. 72 - p. 85) (down 2.620 km), Rumianca - Cagliari 4 (section p. 26 - p. 42) (down 4.64 km).

Variations related to value updating and minor variations are not detailed in the report for any cluster.

Alternative performance measures (APMs)

In line with the ESMA/2015/1415 guideline, the Alternative Performance Indicators used in this Report on Operations are outlined below.

MEASURE	DESCRIPTION
GROUP PERFORMANCE	
Operating profit/(loss) - EBIT	an indicator of operating performance, representing the sum of **Profit/(Loss) before tax** and **Net financial income/(expenses)**.
Gross operating profit/(loss) - EBITDA	an indicator of operating performance, obtained by adding **Amortisation, depreciation and impairment losses** to the **EBIT**.
TAX RATE	the amount of tax paid as a proportion of pre-tax profit, based on the ratio of **Income tax expense** to **Profit/(Loss) before tax**;
FINANCIAL RESULTS	
Net Working Capital	represents a balance sheet indicator that expresses the company's liquidity position and is determined by the difference between **current assets** and **current liabilities** of a non-financial nature shown in the statement of financial position.
Gross invested capital	represents a balance sheet indicator that expresses the Group's total assets and is derived from the sum of **Net non-current assets** and **Net Working Capital**.
Net invested capital	determined by **Gross Invested Capital** net of **Sundry provisions**.
CASH FLOW	
Net debt	represents an indicator of the Group's financial structure and is determined as the result of **short-term and long-term financial debt** and related **derivative instruments**, net of **cash** and **cash equivalents** and related **financial assets**.
Free Cash flow	represents cash flow and is the difference between **cash flow from operating activities** and **cash flow from investing activities**.

Reconciliations

In accordance with the guidelines in ESMA/2015/1415, reconciliations of the reclassified Income statement, Statement of financial position, Net debt and Cash Flow of the Terna Group and Terna S.p.A. with the related statutory Income statement and Statement of financial position are shown below.

Reconciliation of the Terna Group's reclassified Income Statement and Statement of Financial Position and Net Debt

THE GROUP'S RECLASSIFIED INCOME STATEMENT	€M	CONSOLIDATED INCOME STATEMENT
Revenue from Regulated Activities	3,096.2	"Revenue from sales and services" totalling €3,616.2 million, "Other revenue and income" totalling €64.0 million
Revenue from Non-regulated activities	584.0	
Revenue from International Activities	-	
Personnel expenses	393.3	"Personnel expenses" after the costs of construction services performed under concessions in Itali in accordance with IFRIC 12 (€16.0 million)
Cost of services, leases and rentals	299.3	"Services" after the costs of construction services performed under concessions in Itali in accordance with IFRIC 12 (€55.1 million)
Materials	263.3	"Raw and consumable materials used" after the costs of construction services performed under concessions in Itali in accordance with IFRIC 12 (€41.9 million)
Other costs	42.5	"Other operating costs" after the costs of construction services performed under concessions in Italy in accordance with IFRIC 12 (-€0.1 million)
Quality of service	2.5	
Cost of construction services performed under concession	16.0	"Personnel expenses"
	55.1	"Services"
	41.9	"Raw and consumable materials used"
	(0.1)	"Other operating costs"
Net financial income/(expenses)	(171.5)	Points 1, 2 and 3 of letter C-"Financial income and expenses"

THE GROUP'S RECLASSIFIED STATEMENT OF FINANCIAL POSITION	€M	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Financial assets	484.7	"Investments accounted for using the equity method", "Other non-current assets" and "Non-current financial assets"
Net energy-related pass-through payables	(624.4)	"Trade receivables" relating to the value of energy-related pass-through receivables (€1,415.9 million) and "Trade payables" relating to the value of energy-related pass-through payables (€2,040.3 million)
Net receivables resulting from Regulated Activities	1,324.2	"Trade receivables" relating to the value of receivables resulting from Regulated Activities (€1,453.1 million) and "Trade payables" relating to the value of payables resulting from Regulated Activities (€128.9 million)
Net trade payables	(1,072.7)	"Trade payables" after the value of energy-related pass-through payables (€2,040.3 million) and payables resulting from Regulated Activities (€128.9 million) and "Trade receivables" after the value of energy-related pass-through receivables (€1,415.9 million) and the value of receivables resulting from Regulated Activities (€1,453.1 million)
Net tax liabilities	(74.5)	"Income tax assets", "Other current assets" relating to the value of other tax assets (€67.1 million), "Other current liabilities" relating to the value of other tax liabilities (€38.0 million) and "Tax liabilities"
Other net liabilities	(1,577.8)	"Other non-current liabilities", "Other current liabilities" after other tax liabilities (€38.0 million), "Inventories", "Other current assets" after other tax assets (€67.1 million)
Sundry provisions	10.4	"Employee benefits", "Provisions for future risks and charges" and "Deferred tax assets"
Net assets held for sale	15.2	"Discontinued operations and assets held for sale" and "Liabilities related to discontinued operations and assets held for sale"
Net debt	11,160.4	"Long-term loans", "Current portion of long-term borrowings", "Non-current financial liabilities", "Short-term borrowings", "Cash and cash equivalents", "Current financial assets" and "Current financial liabilities"

THE GROUP'S ANALYSIS OF NET DEBT	€M	CONSOLIDATED STATEMENT OF FINANCIAL POSITION
"Bond issues" and "Borrowings"	12,091.4	Corresponds with "Long-term borrowings" and "Current portions of long-term borrowings"
"Derivative financial instruments"- short- and medium/long-term	60.5	Corresponds to "Non-current financial liabilities" and "Current financial liabilities" for the value of CFH foreign exchange derivatives (€1.7 million)
Other financial liabilities, net	109.0	Corresponds to "Current financial assets" for the value of financial accrued income on derivatives (€1.2 million) and "Current financial liabilities" net of CFH derivatives on foreign exchange (€1.7 million)
Financial assets	(446.1)	Corresponds to "Current financial assets" net of the value of financial accrued income on derivatives (€1.2 million)
Net debt attributable to net assets held for sale	(1.9)	Corresponds to "Operating assets held for sale" in the amount of €1.9 million

Reconciliation of the Terna Group's cash flow

(€m)

	CASH FLOW 2024	RECONCILIATION WITH FINANCIAL STATEMENTS	CASH FLOW 2023	RECONCILIATION WITH FINANCIAL STATEMENTS
- Profit for the year	1,062.5		882.8	
- Amortisation, depreciation and impairment losses	889.0		806.3	
- Net change in provisions	(43.3)		(35.3)	
Employee benefits		*(1.6)*		*1.4*
Provision for future risks and charges		*18.0*		*11.0*
Deferred tax assets		*(59.7)*		*(47.7)*
- Net losses/(gains) on sale of assets[1]	(12.6)		(18.0)	
Operating Cash Flow	**1,895.6**		**1,635.8**	
- Change in net working capital	(154.2)		(558.8)	
Inventories		*(45.0)*		*(23.4)*
Trade receivables		*(1,033.0)*		*234.3*
Income tax assets		*(3.9)*		*2.0*
Other current assets		*(7.4)*		*(21.5)*
Trade payables		*659.6*		*(822.8)*
Tax liabilities		*112.3*		*(43.8)*
Other liabilities		*163.2*		*116.4*
- Other changes in non-current assets	81.2		22.9	
Goodwill		*1.4*		*(0.8)*
Intangible assets[2]		*(12.9)*		*(2.1)*
Property, plant and equipment[3]		*76.6*		*18.0*
Non-current financial assets		*20.4*		*10.3*
Other non-current assets		*0.6*		*0.4*
Investments accounted for using the equity method		*(4.9)*		*(2.9)*
Cash Flow from Operating Activities	**1,822.6**		**1,099.9**	
Capital expenditure				
- Total capital expenditure	(2,692.1)		(2,290.0)	
Property, plant and equipment[3]		*(2,424.9)*		*(2,073.8)*
Intangible assets[2]		*(267.2)*		*(216.2)*
Total cash flow from (for) investing activities	**(2,692.1)**		**(2,290.0)**	
Free Cash Flow	**(869.5)**		**(1,190.1)**	
Net assets held for sale	**65.2**		**(19.3)**	
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent[4]	829.8		(54.0)	
- Other movements in equity attributable to non-controlling interests	0.3		(5.6)	
- Dividends paid to the Parent Company's shareholders[4]	(691.9)		(649.0)	
Change in net debt	**(666.1)**		**(1,918.0)**	
- Change in borrowings	**1,599.4**		**1,141.1**	
Current financial assets		*17.2*		*58.3*
Non-current financial assets		*(63.2)*		*(128.8)*
Non-current financial liabilities		*(105.7)*		*(82.7)*
Long-term borrowings		*2,001.2*		*992.5*
Short-term borrowings		*455.4*		*757.6*
Current portion of long-term borrowings		*(703.6)*		*(524.7)*
Current financial liabilities		*(1.9)*		*68.9*
CHANGE IN CASH AND CASH EQUIVALENTS	**(933.3)**		**(776.9)**	

[1] Included in the respective balances of "Other revenue" and "Other operating costs" of the Financial Statements
[2] See note 15 to the financial statements.
[3] See note 13 to the financial statements.
[4] See statement of changes in equity.

Reconciliation of Terna S.p.A.'s reclassified income statement and statement of financial position and net debt

TERNA'S RECLASSIFIED INCOME STATEMENT	€M	INCOME STATEMENT
Tariff revenue and incentives	2,741.9	"Revenue from sales and services"
Revenue from construction services performed under concession	112.9	"Revenue from sales and services"
Other operating income	168.3	"Revenue from sales and services", totalling €48.0 million, and "Other revenue and income"
Personnel expenses	123.9	"Personnel expenses" after the cost of construction services performed under concession in accordance with IFRIC 12 (€0.4 million)
Cost of services, leases and rentals	443.4	"Services" after the cost of construction services performed under concession in accordance with IFRIC 12 (€33.3 million)
Materials	1.8	"Raw and consumable materials used" after the cost of construction services performed under concession in accordance with IFRIC 12 (€0.1 million)
Other costs	25.2	"Other operating costs"
Quality of service	2.5	
Cost of construction services performed under concession	1.2	"Personnel expenses"
	102.9	"Services"
	8.8	"Raw and consumable materials used"
Net financial income/(expenses)	(131.2)	Points 1 and 2 of letter C - "Financial income and expenses"

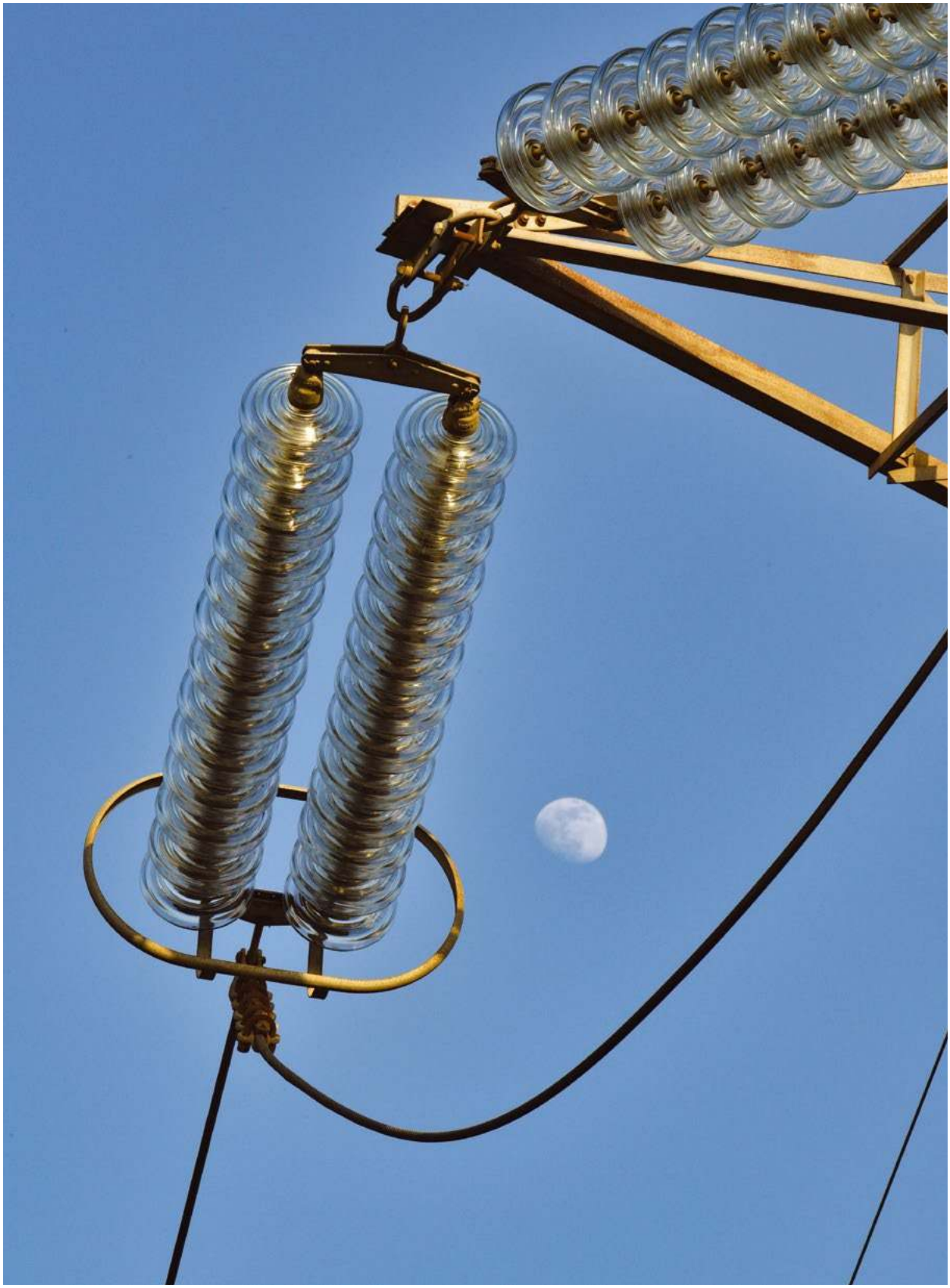
TERNA'S RECLASSIFIED STATEMENT OF FINANCIAL POSITION	€M	STATEMENT OF FINANCIAL POSITION
Financial assets	1,539.4	"Non-current financial assets" and "Other non-current assets" net of receivables from subsidiaries related to the staff incentive plan (€2.7 million)
Net energy-related pass-through payables	(654.7)	"Trade receivables" relating to the value of energy-related pass-through receivables (€1,415.9 million) and "Trade payables" relating to the value of energy-related pass-through payables (€2,070.6 million)
Net receivables resulting from Regulated Activities	1,324.2	"Trade receivables" relating to the value of receivables resulting from Regulated Activities (€1,453.1 million) and "Trade payables" relating to the value of payables resulting from Regulated Activities (€128.9 million)
Net trade payables	(1,299.0)	"Trade payables" after the value of energy-related pass-through payables (€2,070.6 million) and payables resulting from Regulated Activities (€128.9 million) and "Trade receivables" after the value of energy-related pass-through receivables (€1,415.9 million) and the value of receivables resulting from Regulated Activities (€1,453.1 million)
Net tax liabilities	(138.1)	"Income tax assets", "Other current assets" relating to the value of other tax assets (€40.4 million), "Other current liabilities" relating to the value of other tax liabilities (€91.3 million) and "Tax liabilities"
Other net liabilities	(997.4)	"Other non-current liabilities", "Other current liabilities" after other tax liabilities (€91.3 million), "Other current assets" after other tax assets (€40.4 million) and "Other non-current assets" relating to amounts due from subsidiaries in relation to staff incentive plans (€2.7 million)
Sundry provisions	24.6	"Employee benefits", "Provisions for future risks and charges" and "Deferred tax assets"
Net debt	10,981.2	"Long-term loans", "Current portion of long-term borrowings", "Non-current financial liabilities", "Short-term borrowings", "Cash and cash equivalents", "Current financial assets" and "Current financial liabilities"

Reconciliation of Terna S.p.A.'s cash flow

(€m)

	CASH FLOW 2024	RECONCILIATION WITH FINANCIAL STATEMENTS	CASH FLOW 2023	RECONCILIATION WITH FINANCIAL STATEMENTS
- Profit for the year	970.4		834.8	
- Amortisation, depreciation and impairment losses	795.0		719.3	
- Net change in provisions	(31.3)		(31.1)	
Employee benefits		*(0.1)*		*1.0*
Provision for future risks and charges		*12.0*		*11.0*
Deferred tax assets		*(43.2)*		*(43.1)*
- Net losses/(gains) on sale of assets[1]	(11.3)		(15.7)	
Operating Cash Flow	**1,722.8**		**1,507.3**	
- Change in net working capital	55.7		(549.2)	
Trade receivables		*(1,007.7)*		*250.5*
Income tax assets		*(0.1)*		*-*
Other current assets		*1.1*		*(8.0)*
Other non-current assets		*-*		*0.1*
Trade payables		*895.9*		*(846.2)*
Tax liabilities		*87.6*		*(47.9)*
Other liabilities		*78.9*		*102.3*
- Other changes in non-current assets	96.2		12.7	
Property, plant and equipment[2]		*70.6*		*22.0*
Intangible assets[3]		*(10.3)*		*(0.3)*
Non-current financial assets		*35.8*		*(8.9)*
Other non-current assets		*0.1*		*(0.1)*
Cash Flow from Operating Activities	**1,874.7**		**970.8**	
Capital expenditure				
- Total capital expenditure	(2,625.9)		(2,179.6)	
Property, plant and equipment[2]		*(2,361.6)*		*(1,965.1)*
Intangible assets[3]		*(264.3)*		*(214.5)*
Total cash flow from (for) investing activities	**(2,625.9)**		**(2,179.6)**	
Free Cash Flow	**(751.2)**		**(1,208.8)**	
Net assets held for sale	**-**		**-**	
- Dividends[4]	(691.9)		(649.0)	
- Reserve for equity instruments, cash flow hedge reserve after taxation and other movements in equity attributable to owners of the Parent[4]	826.6		(60.9)	
Change in net debt	**(616.5)**		**(1,918.7)**	
- Change in borrowings	**1,575.5**		**1,172.4**	
Current financial assets		*(78.4)*		*(113.5)*
Non-current financial assets		*17.2*		*58.3*
Non-current financial liabilities		*(105.7)*		*(82.7)*
Long-term borrowings		*2,009.0*		*996.9*
Short-term borrowings		*440.8*		*770.9*
Current portion of long-term borrowings		*(703.8)*		*(526.3)*
Current financial liabilities		*(3.6)*		*68.8*
CHANGE IN CASH AND CASH EQUIVALENTS	**959.0**		**(746.3)**	

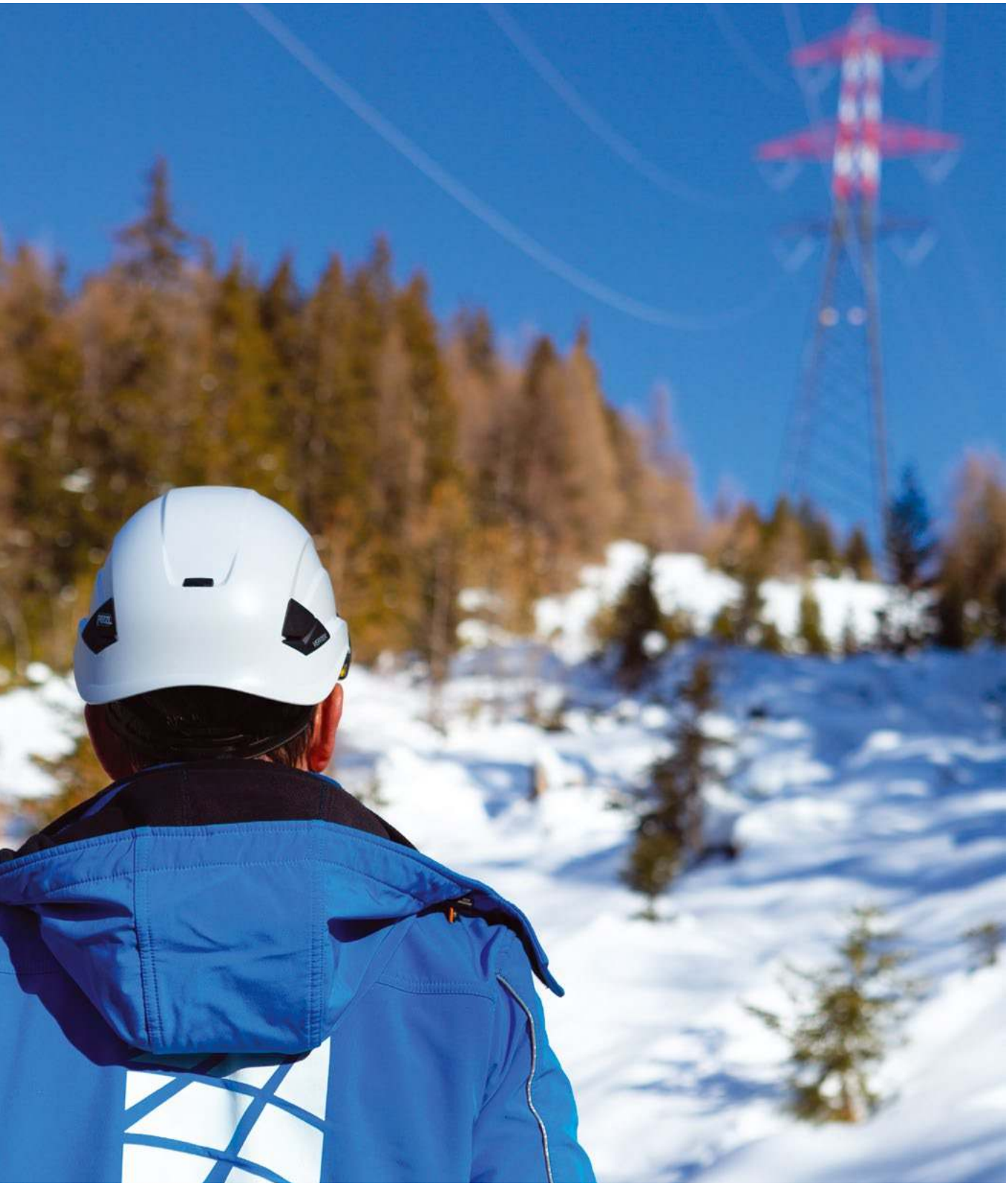
[1] Included in the respective balances of "Other revenue" and "Other operating costs" of the Financial Statements.
[2] See note 11 to the financial statements.
[3] See note 13 to the financial statements.
[4] See statement of changes in equity





CONSOLIDATED FINANCIAL STATEMENTS


Terna



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Consolidated financial statements

Consolidated income statement

(€m)

	NOTES	2024	2023
A - REVENUE			
1. Revenue from sales and services	1	3,616.2	3,122.8
of which: related parties		*2,210.3*	*1,805.9*
2. Other revenue and income	2	64.0	63.9
of which: related parties		*0.6*	*0.4*
Total revenue		**3,680.2**	**3,186.7**
B - OPERATING COSTS			
1. Raw and consumable materials used	3	305.2	285.4
of which: related parties		*1.4*	*0.1*
2. Services	4	354.4	312.3
of which: related parties		*12.0*	*10.1*
3. Personnel expenses	5	409.3	377.2
- gross personnel expenses		*569.9*	*513.6*
- capitalised personnel expenses		*(160.6)*	*(136.4)*
of which: related parties		*5.1*	*4.4*
4. Amortisation, depreciation and impairment losses	6	889.0	806.3
5. Other operating costs	7	44.9	43.2
of which: related parties		*2.5*	*0.2*
Total operating costs		**2,002.8**	**1,824.4**
A-B OPERATING PROFIT/(LOSS)		**1,677.4**	**1,362.3**
C - FINANCIAL INCOME/(EXPENSES)			
1. Financial income	8	156.7	115.5
2. Financial expenses	8	(332.1)	(235.8)
3. Share of profit/(loss) of equity investments accounted for using the equity method	9	3.9	2.6
D - PROFIT/(LOSS) BEFORE TAX		**1,505.9**	**1,244.6**
E - INCOME TAX EXPENSE	10	**455.0**	**364.3**
F - PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**1,050.9**	**880.3**
G - PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE	11	**11.6**	**2.5**
H - PROFIT FOR THE YEAR		**1,062.5**	**882.8**
Profit attributable to owners of the Parent		**1,061.9**	**885.4**
Profit attributable to non-controlling interests		**0.6**	**(2.6)**
Earnings per share*	12		
Basic earnings per share		0.523	0.428
Diluted earnings per share		0.523	0.428
Earnings per share from continuing operations*			
Basic earnings per share	12	0.517	0.426
Diluted earnings per share		0.517	0.426

** Earnings per share take into account the effect of the interest paid to holders of the subordinated perpetual hybrid bonds and the related tax effect.*

Consolidated statement of comprehensive income*

(€m)

	NOTES	2024	2023
PROFIT FOR THE YEAR		**1,062.5**	**882.8**
Other comprehensive income for the year reclassifiable to profit or loss			
- Cash flow hedges	24	(30.2)	(37.6)
- Financial assets at fair value through other comprehensive income	24	2.3	1.0
- Gains/(Losses) from translation of financial statements in currencies other than the euro	24	(2.7)	11.7
- Cost of hedges	24	0.1	0.2
Other comprehensive income for the year not reclassifiable to profit or loss			
- Actuarial gains/(losses) on provisions for employee benefits	24	6.0	(3.5)
Total other income statement for the year		**(24.5)**	**(28.2)**
COMPREHENSIVE INCOME FOR THE YEAR		**1,038.0**	**854.6**
COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO:			
Owners of the Parent Company		*1,037.3*	*857.0*
Non-controlling interests		*0.7*	*(2.4)*

** Amounts are shown net of tax, where applicable.*

Consolidated statement of financial position

(€m)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
A – NON-CURRENT ASSETS			
1. Property, plant and equipment	13	19,237.1	17,596.7
of which: related parties		*61.0*	*59.3*
2. Goodwill	14	250.9	252.3
3. Intangible assets	15	731.3	614.9
4. Deferred tax assets	16	228.4	168.7
5. Investments accounted for using the equity method	17	81.6	76.7
6. Non-current financial assets	18	388.2	425.8
7. Other non-current assets	19	14.9	15.5
Total non-current assets		**20,932.4**	**19,150.6**
B – CURRENT ASSETS			
1. Inventories	20	108.2	75.0
2. Trade receivables	21	3,194.8	2,154.8
of which: related parties		*264.6*	*344.4*
3. Current financial assets	18	447.3	384.1
4. Cash and cash equivalents	22	2,311.5	1,378.2
of which: related parties		-	*0.2*
5. Income tax assets	23	8.7	4.8
6. Other current assets	19	168.3	160.9
Total current assets		**6,238.8**	**4,157.8**
C - Discontinued operations and assets held for sale	30	**15.4**	**85.0**
TOTAL ASSETS		**27,186.6**	**23,393.4**

(€m)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
D - EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT			
1. Share capital		442.2	442.2
2. Other reserves		2,669.9	1,836.6
3. Retained earnings/(accumulated losses)		3,589.8	3,390.5
4. Interim dividend		(239.6)	(230.3)
5. Profit attributable to owners of the Parent		1,061.9	885.4
Total equity attributable to owners of the Parent	24	**7,524.2**	**6,324.4**
E - EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	24	**19.8**	**18.9**
Total equity attributable to owners of the Parent and non-controlling interests		**7,544.0**	**6,343.3**
F - NON-CURRENT LIABILITIES			
1. Long-term borrowings	25	11,410.4	9,409.2
2. Employee benefits	26	48.2	49.8
3. Provisions for risks and charges	27	169.8	151.8
4. Non-current financial liabilities	25	58.8	164.5
5. Other non-current liabilities	28	1,091.5	948.3
Total non-current liabilities		**12,778.7**	**10,723.6**
G - CURRENT LIABILITIES			
1. Short-term borrowings	25	1,657.1	1,201.7
2. Current portion of long-term borrowings	25	681.0	1,384.6
3. Trade payables	29	3,524.5	2,864.9
of which: related parties		*48.5*	*66.5*
4. Tax liabilities	29	112.3	-
5. Current financial liabilities	25	111.9	113.8
of which: related parties		-	*0.1*
6. Other current liabilities	29	776.9	756.9
of which: related parties		*55.7*	*34.3*
Total current liabilities		**6,863.7**	**6,321.9**
H - Liabilities related to discontinued operations and assets held for sale	30	**0.2**	**4.6**
TOTAL LIABILITIES AND EQUITY		**27,186.6**	**23,393.4**

Consolidated statement of changes in equity

31 December 2023 - 31 December 2024

Group's Share Capital and Reserves

(€m)

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	INTERIM DIVIDEND	PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND NON-CONTROLLING INTERESTS
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**43.7**	**(29.8)**	**989.0**	**725.3**	**3,390.5**	**(230.3)**	**885.4**	**6,324.4**	**18.9**	**6,343.3**
PROFIT FOR THE YEAR										**1,061.9**	**1,061.9**	**0.6**	**1,062.5**
OTHER COMPREHENSIVE INCOME:													
- Change in fair value of cash flow hedges				(30.2)							(30.2)		(30.2)
- Actuarial gains/(losses) on employee benefits							6.0				6.0		6.0
- Gains/(Losses) from translation of financial statements in currencies other than the euro								(2.8)			(2.8)	0.1	(2.7)
- Financial assets at fair value through other comprehensive income							2.3				2.3		2.3
- Cost of hedges				0.1							0.1		0.1
Total other comprehensive income	**-**	**-**	**-**	**(30.1)**	**-**	**-**	**8.3**	**(2.8)**	**-**	**-**	**(24.6)**	**0.1**	**(24.5)**
COMPREHENSIVE INCOME	**-**	**-**	**-**	**(30.1)**	**-**	**-**	**8.3**	**(2.8)**	**-**	**1,061.9**	**1,037.3**	**0.7**	**1,038.0**
TRANSACTIONS WITH SHAREHOLDERS:													**-**
- Appropriation of profit for 2023:													-
Retained earnings								*202.8*		*(202.8)*	-		-
Dividends									*230.3*	*(682.6)*	*(452.3)*	*(2.0)*	*(454.3)*
- Interim dividend 2024									(239.6)		(239.6)		(239.6)
- Purchase of treasury shares					(1.6)						(1.6)		(1.6)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(1.6)**	**-**	**-**	**202.8**	**(9.3)**	**(885.4)**	**(693.5)**	**(2.0)**	**(695.5)**
Change in scope of consolidation							7.2	(8.6)			(1.4)	2.2	0.8
Equity instruments – Perpetual hybrid bonds						842.1					842.1		842.1
Share option reserve							0.3				0.3		0.3
Coupons payable to holders of hybrid bonds								(2.6)			(2.6)		(2.6)
Other changes						4.5	2.6	10.5			17.6		17.6
Total other changes	**-**	**-**	**-**	**-**	**-**	**846.6**	**10.1**	**(0.7)**	**-**	**-**	**856.0**	**2.2**	**858.2**
EQUITY AT 31 DECEMBER 2024	**442.2**	**88.4**	**20.0**	**13.6**	**(31.4)**	**1,835.6**	**743.7**	**3,589.8**	**(239.6)**	**1.061.9**	**7,524.2**	**19.8**	**7,544.0**

31 December 2022 - 31 December 2023
Group's Share Capital and Reserves

(€m)

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ (ACCUMULATED LOSSES)	INTERIM DIVIDEND	PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	EQUITY ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT AND NON-CONTROLLING INTERESTS
EQUITY AT 31 DECEMBER 2022	**442.2**	**88.4**	**20.0**	**81.1**	**(29.5)**	**989.0**	**726.2**	**3,180.9**	**(213.3)**	**857.0**	**6,142.0**	**27.1**	**6,169.1**
PROFIT FOR THE YEAR										**885.4**	**885.4**	**(2.6)**	**882.8**
OTHER COMPREHENSIVE INCOME:													
- Change in fair value of cash flow hedges				(37.6)							(37.6)		(37.6)
- Actuarial gains/(losses) on employee benefits							(3.5)				(3.5)		(3.5)
- Gains/(Losses) from translation of financial statements in currencies other than the euro								11.5			11.5	0.2	11.7
- Financial assets at fair value through other comprehensive income							1.0				1.0		1.0
- Cost of hedges				0.2							0.2		0.2
Total other comprehensive income	**-**	**-**	**-**	**(37.4)**	**-**	**-**	**(2.5)**	**11.5**	**-**	**-**	**(28.4)**	**0.2**	**(28.2)**
COMPREHENSIVE INCOME	**-**	**-**	**-**	**(37.4)**	**-**	**-**	**(2.5)**	**11.5**	**-**	**885.4**	**857.0**	**(2.4)**	**854.6**
TRANSACTIONS WITH SHAREHOLDERS:													**-**
- Appropriation of profit for 2022:													-
Retained earnings								*225.0*		*(225.0)*	-		-
Dividends									*213.3*	*(632.0)*	*(418.7)*	*(5.8)*	*(424.5)*
- Interim dividend 2023									(230.3)		(230.3)		(230.3)
- Purchase of treasury shares					(0.3)						(0.3)		(0.3)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(0.3)**	**-**	**-**	**225.0**	**(17.0)**	**(857.0)**	**(649.3)**	**(5.8)**	**(655.1)**
Share option reserve							0.2				0.2		0.2
Coupons payable to holders of hybrid bonds								(23.8)			(23.8)		(23.8)
Other changes							1.4	(3.1)			(1.7)		(1.7)
Total other changes	**-**	**-**	**-**	**-**	**-**	**-**	**1.6**	**(26.9)**	**-**	**-**	**(25.3)**	**-**	**(25.3)**
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**43.7**	**(29.8)**	**989.0**	**725.3**	**3,390.5**	**(230.3)**	**885.4**	**6,324.4**	**18.9**	**6,343.3**

Consolidated statement of cash flows

(€m)

	NOTES	2024	2023
PROFIT FOR THE YEAR		**1,062.5**	**882.8**
ADJUSTED BY:			
Amortisation: depreciation and impairment losses / (reversals of impairment losses) on non-current property, plant and equipment and intangible assets*	6	876.4	775.7
Accruals to provisions (including provisions for employee benefits) and impairment losses		56.9	53.7
(Gains)/Losses on sale of property, plant and equipment		(12.6)	(18.0)
Financial (income)/expense	8	175.3	118.8
Income tax expense		456.0	366.0
Other non-cash movements		(15.4)	5.2
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET WORKING CAPITAL		**2,599.1**	**2,184.2**
Increase/(decrease) in provisions (including provisions for employee benefits and taxation)		(24.9)	(44.2)
(Increase)/decrease in inventories		(33.2)	22.5
(Increase)/decrease in trade receivables and other current assets		(1,038.7)	259.6
Increase/(decrease) in trade payables and other current liabilities		621.3	(716.4)
Increase/(decrease) in other non-current liabilities		15.6	(25.7)
(Increase)/decrease in other non-current assets		(85.0)	(6.4)
Interest income and other financial income received		157.0	107.2
Interest expenses and other financial charges paid		(370.9)	(261.9)
Income tax paid		(371.6)	(434.0)
CASH FLOW FROM OPERATING ACTIVITIES [A]		**1,468.7**	**1,084.9**
- of which: related parties		*83.3*	*6.0*
Capital expenditure in non-current property, plant and equipment after grants received	13	(2,357.9)	(2,048.8)
Revenue from sale of non-current property, plant and equipment and intangible assets and other movements		12.7	19.4
Capitalised financial expenses		74.2	48.3
Capital expenditure in non-current intangible assets after grants received	15	(266.5)	(216.2)
(Increase)/decrease in investments in associates and joint arrangements and in other investments	17	(6.5)	(2.9)
Movements in short- and medium/long-term financial investments		60.6	(118.4)
Consideration paid for new acquisitions net of cash		-	(15.8)
Proceeds from sale of companies		79.3	-
CASH FLOW FOR INVESTING ACTIVITIES [B]		**(2,404.1)**	**(2,334.4)**
- of which: related parties		*(1.7)*	*(18.2)*
Movement in the reserve for treasury shares	24	(8.0)	(7.0)
Movement in the reserve for equity instruments	24	842.1	-
Dividends paid		(690.6)	(671.5)
Movements in short- and medium/long-term financial liabilities (including short-term portion)**		1,723.5	1,142.8
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES [C]		**1,867.0**	**464.3**
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS [A+B+C]		**931.6**	**(785.2)**
Cash and cash equivalents at beginning of year		1,381.8	2,167.0
Cash and cash equivalents at end of year***		2,313.4	1,381.8
- of which cash and cash equivalents from acquisitions		-	*0.3*

* *After grants related to assets recognised in the income statement for the period.*
** *After derivatives and impact of fair value adjustments, including cash movements in right-of-use assets.*
*** *Of which, at 31 December 2024, "Cash and cash equivalents" of €2,311.5 million and "Cash and cash equivalents attributable to assets held for sale" of €1.9 million and, at 31 December 2023, "Cash and cash equivalents" of €1,378.2 million and "Cash and cash equivalents attributable to assets held for sale" of €3.6 million.*


Terna

Notes

A. Material accounting policies and measurement criteria

Introduction

Terna S.p.A.'s registered office is at Viale Egidio Galbani 70, Rome, Italy. The consolidated financial statements at and for the year ended 31 December 2024 include the Company's financial statements and those of its subsidiaries (the "Group"). The subsidiaries included within the scope of consolidation are listed below.
These Consolidated Financial Statements were authorised for publication by the Board of Directors convened on 25 March 2025.

The consolidated financial statements at and for the year ended 31 December 2024 are available for inspection on request at Terna S.p.A.'s registered office at Viale Egidio Galbani 70, Rome, or on the Company's website at www.terna.it.
In addition, the Board of Directors authorised the Chairman and Chief Executive Officer to make any formal amendments to the Consolidated Financial Statements that may be necessary in the drafting of the final text to be submitted to the Annual General Meeting for approval, as well as additions and adjustments to the sections concerning significant events after the reporting date.

The Terna Group is the largest independent transmission system operator in Europe and one of the leading operators in the world in terms of kilometres of line managed (more than 75 thousand kilometres).

It is responsible for the transmission and management of power flows on the high-voltage (HV) and very high-voltage (VHV) grid throughout Italy, in order to guarantee a balance between demand and supply for energy (dispatching). It is also responsible for the planning, construction and maintenance of the grid.

It acts as the Italian TSO (Transmission System Operator), having been granted a monopoly under a government concession, and is subject to regulation by Italy's Regulatory Authority for Energy, Networks and the Environment (ARERA) and the guidelines established by the Ministry of Enterprises and Made in Italy. It ensures the security, quality and cost-effectiveness of the national electricity system and has the task of developing the grid and integrating it with the European grid. It ensures equal access for all grid users.

As of the financial statements for the year ended 31 December 2021, the Terna Group has complied with the requirement introduced by the European Transparency Directive and publishes its Annual Report using the European single electronic format (ESEF), tagging all the numbers in the consolidated financial statements and the issuer's basic financial information using the iXBRL format. In addition, as of 31 December 2022, all the notes to the consolidated financial statements have been block tagged.

Compliance with IAS/IFRS

The consolidated financial statements at and for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission ("EU-IFRS").
This document has also been prepared taking into account the provisions of Legislative Decree 38 of 28 February 2005, of the Italian Civil Code and CONSOB Resolutions 15519 ("Provisions governing financial statements in implementation of art. 9, paragraph 3 of Legislative Decree 38/2005") and 15520 ("Amendments and additions to the implementing rules for Legislative Decree 58/1998"), as well as CONSOB Communication DEM/6064293 ("Disclosure requirements for listed issuers and issuers of financial instruments that are widely held among the public pursuant to art. 116 of the Consolidated Law on Finance").

Basis of presentation

The consolidated financial statements consist of the statement of financial position, the income statement, and the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes thereto.
In the statement of financial position, assets and liabilities are classified on a "current/non-current" basis, with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are those held for realisation, sale or consumption in the Group's normal operating cycle; current liabilities are those expected to be settled in the Group's normal operating cycle or within one year of the end of the financial year.
The income statement is classified on the basis of the nature of costs. The income statement is presented as two statements, the first of which (the income statement) presents revenue and expense items for the year; the second (the statement of comprehensive income) starts with the result for the year and then presents the revenue and expense items that are recognised in equity rather than profit or loss for the year.
The statement of cash flows has been prepared using the indirect method.

The consolidated financial statements are accompanied by the Report on Operations for Terna S.p.A. and the Group, which as from financial year 2008 has been prepared as a single document, exercising the option granted by Legislative Decree 32 of 2 February 2007, which amended art. 40 (Report on Operations) of Legislative Decree 127 of 9 April 1991. From 2024, the Terna Group's Annual Report contains the Report on Operations, which by virtue of recent regulatory obligations in the area of reporting information of an ESG nature includes the Consolidated Sustainability Statement in a separate section, as well as the Consolidated Financial Statements, the Parent Company's separate financial statements. The Consolidated Sustainability Statement is prepared in accordance with the provisions of Legislative Decree No. 125 of 6 September 2024, which transposes into Italian law the provisions of the (EU) 2022/2464 Corporate Sustainability Reporting Directive ("CSRD"), replacing the previous non-financial reporting requirements. In 2023, the Terna Group prepared the Integrated Report, which coincided with the Report on Operations, the Sustainability Statement and the Consolidated Non-financial Statement.

These consolidated financial statements are presented in millions of euros and all amounts are shown in millions of euros to the first decimal place, unless otherwise indicated.

Given that the requirements of IFRS 5 have been met, the total results for 2024 and 2023 attributable to the South American subsidiaries included in the planned sale of assets have been classified in the item "Profit/(Loss) from discontinued operations and assets held for sale" in the Group's reclassified income statement. Likewise, the attributable assets and liabilities at 31 December 2024 and 2023 have been classified in the item "Discontinued operations and assets held for sale" and "Liabilities related to discontinued operations and assets held for sale" in the Group's reclassified statement of financial position. Please refer to notes 11. and 30. for details on the transaction.

Certain amounts in the financial statements at and for the year ended 31 December 2023 have been restated to provide an improved basis of comparison, without however modifying the amount of equity at 31 December 2023 or amounts in the income statement and statement of comprehensive income for 2023.

Use of estimates

Preparation of the consolidated financial statements requires the Group to use estimates and assumptions that affect the carrying amounts of assets and liabilities and the related disclosures, in addition to contingent assets and liabilities at the reporting date. These estimates are based on the information available to management at the date of preparation of the financial statements. These estimates and the associated assumptions are based on previous experience and various factors that are believed to be reasonable under the circumstances. The resulting estimates form the basis for making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other objective sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed periodically and the effects of any changes are recognised in the income statement for the year, if they relate solely to that period. In the case that the revision affects both current and future years, the change is recorded in the year in which the estimate is reviewed as well as in the relevant future years.

The assets and liabilities subject to estimates and key assumptions used by the Group in applying the IFRS endorsed by the European Commission, and that could have a significant impact on the consolidated financial statements, or that could give rise to risks that would entail significant adjustments to the carrying amounts of assets and liabilities in subsequent years, are summarised below.

Revenue related to incentives

Recognition in the financial statements of output-based incentives may require management to use estimates and assumptions based on judgements made using actual data and estimates of the quantity and likelihood of future events. In the case of incentive mechanisms where the performance obligation is satisfied over a period of time, the Group estimates how to allocate the reward in the period, estimating the potential for the return of all or part of the accrued amounts. The amount recognised as revenue in the accounting period is the amount that is most likely not to be returned in the future. For the purpose of recognition, the Group also evaluates, for each incentive mechanism, whether or not the right (or obligation) is subject to confirmation or verification by the regulator, ARERA.
If the mechanism includes a significant financial component, the Group determines a discount rate that takes into account the credit risk associated with the asset which, given the way in which the mechanisms work and the guarantees provided to Terna under the regulatory framework, broadly coincides with the electricity system.
Certain incentive mechanisms may result in penalties for underperformance.

Impairment losses

Property, plant and equipment and intangible assets with finite useful lives are tested at least once a year to check for evidence of impairment. If there is evidence that an asset may be impaired, its recoverable amount is estimated.
The recoverable amount of goodwill is estimated at least annually. The recoverable amount is equal to the greater of the fair value less costs to sell and value in use. Value in use is measured by discounting estimated future cash flows considering information available at the time of estimate and on the basis of estimates of the performance of future variables, such as prices, costs, demand growth rates, production profiles, and discounted at a pre-tax rate that reflects current market assessments of the time value of money for the investment period and risks specific to the asset.
If the intangible asset does not generate cash inflows that are largely independent, the asset's recoverable amount is calculated as part of the Cash Generating Unit ("CGU") to which it belongs.
An impairment loss is recognised in the income statement when the asset's carrying amount, or the net invested capital of the CGU to which it belongs, is greater than its recoverable amount.
Impairment losses on CGUs are first taken as a reduction in the carrying amount of any allocated goodwill and then as a reduction in other assets allocated to the CGU on a pro rata basis. Except for goodwill, impairment losses may be reversed up to the recoverable amount or the original cost of the asset if there is an indication that the impairment loss no longer exists or when there is a change in the methods used to measure the recoverable amount.

Allowance for doubtful accounts

Trade receivables are initially recognised at fair value net of any losses relating to sums considered non-recoverable, for which specific provisions have been made in the allowance for doubtful accounts. Credit losses are determined in application of IFRS 9 (a model based on expected credit losses). This requires the Group to assess expected credit losses, and the related changes, at each reporting date.
Specifically, the Group has applied the simplified approach permitted by IFRS 9 to trade receivables in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Group has thus determined the amount of expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Provisions for risks and charges

Provisions for risks and charges are allocated when a disbursement of cash, for an amount which can be reliably estimated, will be necessary to fulfil a legal or constructive obligation arising as a result of a past event. Where the time value of money is significant, provisions are discounted using a rate that the Group believes to be appropriate (a rate is used that reflects current market conditions and the specific risks connected with the liability). After initial recognition, the value of the provisions for risks and charges is updated to reflect the passage of time and any changes in the estimate changes in the estimate that result from alterations to the forecasted amounts, timing, and discount rates used. Any increase in provisions associated with the passage of time is recognised in the income statement under “Financial expenses”.
Liabilities that can be associated with legal and tax disputes, early retirement incentives, urban and environmental restoration projects and other sundry charges are estimated by the Group. The measurement of provisions for legal disputes is based on the probability of incurring an expense, including through the use of external legal advisors supporting the Group companies; the estimate of provisions to be set aside for urban and environmental restoration projects which are the “offsets” aimed at compensating for the environmental impact of the construction of new plant, is based on an analysis of the agreements entered into with the local authorities concerned and the progress of work on construction of the new infrastructure.

Employee benefits

Post-employment benefits are defined on the basis of plans, even if not formalised, that are classified as either “defined benefit” plans or “defined contribution” plans depending on their nature.
The liability for employee benefits paid upon or following termination of employment in relation to defined benefit plans or other long-term benefits is recognised net of any plan assets and is measured on the basis of actuarial assumptions, estimating the amount of future benefits that employees have vested at the reporting date and is recognised on an accruals basis in line with the period of service necessary to obtain the benefit.
Changes in the value of the net liabilities (revaluations) deriving from actuarial gains or losses, resulting from changes in the actuarial assumptions used or adjustments based on experience, are recognised in other comprehensive income in the year in which they occur. If a plan is modified, curtailed or extinguished, the related effects are recognised in profit or loss.
Net financial expenses include the component of the return on plan assets and the interest cost to be recognised in profit or loss and are measured by multiplying the liabilities, net of any plan assets, by the discount rate applied to the liabilities; net interest on defined benefit plans is recognised in “Financial income/(expenses)”.
The actuarial valuations used to quantify employee benefits (of all plans except termination benefits or *TFR*) were based on “vested benefits”, applying the projected unit credit method. These valuations are based on the following economic and demographic assumptions: the discount rate (used to determine the present value of the obligation, determined considering returns on high quality bonds in line with the duration of the group of workers measured), the inflation rate, the rate at which future salary levels are expected to rise, the rate of increase for average health reimbursements, rate of increase for electricity prices and demographic factors, such as mortality and invalidity, retirement, resignation, advances and household composition. The method of calculation used for *TFR* consists of discounting to present value, at the measurement date, each estimated payment due to every employee, projected through to the estimated period in which the *TFR* will be paid.

The obligation under defined contribution plans, limited to the payment of contributions to the state or to a legally separate entity (a fund), is measured on the basis of the contributions payable. The cost of such plans is recognised in profit or loss based on the contribution paid during the period.

Income taxes

Legislative Decree No. 209 of 27 December 2023, concerning the "Implementation of the tax reform on international taxation", published in the Official Gazette No. 301 of 28 December 2023, transposes into Italian law the EU Council Directive No. 2022/2523 of 15 December 2022, aimed at ensuring a global minimum level of taxation (known as Global Minimum Tax) for multinational groups of companies and large-scale domestic groups in the Union, based on the Global anti-base erosion rules (GloBE rules) developed within the OECD (known as Pillar II). The new rules on Pillar II apply from the financial years starting on or after 31 December 2023 (see Article 60 of Legislative Decree No. 209/2023). Therefore, for the Group, the legislation in question has been applied since 1 January 2024. As known, according to Pillar II, a system of compensatory taxation at the parent entity level (known as Income Inclusion Rule or IIR) applies to enterprises of a multinational group that have an effective tax rate of less than 15%. This is to the extent necessary to reach the aforementioned 15% threshold.

In agreement with the parent company Cassa Depositi e Prestiti S.p.A., the Terna Group carried out an initial assessment related to the Subgroup's potential exposure to the "Global Minimum Tax" in relation to the 2024 financial year.

It should be noted that, pursuant to Article 38 of Legislative Decree No. 209/2023, the Terna Group should be qualified as a "minority subgroup"; it should be considered as a separate group for the purposes of calculating the effective tax rate and the supplementary tax rate.

In this respect, based on the analyses carried out together with Cassa Depositi e Prestiti S.p.A., the possibility of relying on the simplified regimes under Article 39 of Legislative Decree No. 209/2023 (so-called "transitional safe harbours" within the meaning of EU Directive 2022/2523) was positively assessed for all the jurisdictions in which the Group is present.

It should be noted that, where applicable, according to the simplified regimes no supplementary tax is payable by a group in a given State where at least one of the three tests (de minimis test, simplified effective tax rate test or ordinary profits test) set forth in EU Directive No. 2022/2523 is successful. Specifically, the simplified regimes were applied to the Group's overall data collected for each individual country in which the entire group operates, in accordance with the method of data presentation also required by the Country-by-Country Report.

Macroeconomic environment

The Terna Group closely monitors the current macroeconomic environment and the recent international political events, particularly focusing on geopolitical developments, linked above all to the ongoing conflict in Ukraine and heightened tensions in the Middle East, and the relevant legislation.
The progressive fall in inflation and reduced commodity price volatility, compared with the peaks seen in 2022, brought a certain degree of stability to a macroeconomic backdrop that, however, remains uncertain. Moreover, economic growth slowed down, with the geopolitical situation and trade tensions making it more uncertain, as they could cause new inflationary pressure, potentially affecting the monetary policies of central banks. The main risks that could potentially increase financial market volatility in the coming months include the trade policies of the new US administration and the global extension of tariffs and duties. Against this backdrop, the Group continues to focus on capex delivery and implementing its Industrial Plan. To date, we are not aware of any circumstances requiring an in-depth assessment of the validity of application of the going concern basis.
This assumption is based on the fact that (i) revenue generated by our Regulated Activities in Italy accounts for the largest part of the Group's income and (ii) this revenue consists of remuneration to cover both operating and capital expenditure, with both components revised annually based on the indexing rates established by the regulator. In addition, the return on invested capital is based on a WACC that is periodically revised by ARERA to enable the parameters used in calculating the cost of equity and debt to be updated.

Assessment of the impact of the current macroeconomic environment and the ongoing conflicts did not result in such trigger events as to require the conduct of an impairment test of the value of the property, plant and equipment owned by the Group or of intangible assets with finite useful lives.
More specifically, with regard to the recoverable amount of property, plant and equipment and intangible assets with finite useful lives forming part of the RAB (Regulated Asset Base), the assessment of expected future cash flows generated by these assets showed that the macroeconomic effects, including those resulting from the above conflicts, did not give rise to impacts constituting trigger events requiring the conduct of an impairment test.
In addition, neither the impact of the changed macroeconomic environment, nor of the geopolitical crises, has resulted in an increase in credit risk and has not affected the outcome of the measurement of expected credit losses. The Group's trade receivables fall within the hold to collect business model, primarily fall due within 12 months and do not include a significant financial component. The effect of these events has not, therefore, had any impact, including with regard to the identified business model for financial instruments, thus avoiding any changes to the chosen classification.
In addition, fair value measurement of the financial assets and liabilities held by the Group has not undergone changes in terms of an increase in the related risks (market, liquidity and credit). Similarly, movements in the underlying assumptions have not altered the sensitivity analyses linked to their measurement.
In terms of recoverable amount, it should be noted that there has not been any deterioration in 2024 in the receivables due from the Group's main counterparties (dispatching customers for injections or for withdrawals and distributors), considered solvent by the market and therefore assigned high credit ratings.
As described in more detail in the section, "Credit risk", management of this risk is also driven by the provisions of ARERA Resolution 111/06, which introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. The assessment conducted has, moreover, not provided evidence of the need to modify the model used following an evaluation of the impact of the conflicts.
Terna is not exposed to any risk of greater contract expenses due to rising inflation or increased costs incurred as a result of rising commodity and energy prices and salaries, or to the possibility that, as an issuer of financial instruments, it is unable to pass such increases on by raising the prices of its own services or goods. This is because any price increases agreed by law are covered by tariff revisions, which envisage adjustments for inflation, and its capex is recognised in full in the RAB.
It should, moreover, be noted that Terna S.p.A. and its subsidiaries do not have offices or significant operations in the regions affected by the conflicts.

Climate change

Awareness of the progress of climate change and its effects has led to a growing need to provide disclosure in Report on Operations. Although there is no international accounting standard governing how the impact of climate change should be taken into account in the preparation of financial statements, the IASB has issued certain documents providing support for IFRS-adopters seeking to satisfy the demand for disclosure from interested parties. Similarly, in its European Common Enforcement Priorities of 24 October 2024, ESMA recalled that the priorities of previous years in relation to climate-related issues remain relevant for the 2024 financial statements, and emphasised the need for issuers to consider climate changes when preparing their IFRS financial statements to the extent that such risks are material, whether or not this is explicitly required by the relevant accounting policies.
The Terna Group describes the climate scenarios and its considerations regarding actions to mitigate the effects of climate change mainly in the Climate Change section as part of the Consolidated Sustainability Statement of the Report on Operations. In this context, as a TSO providing transmission and dispatching services, the Terna Group undoubtedly plays an active role in supporting the system in achieving the challenging targets linked to efforts to reduce CO_2 emissions. Indeed, in addition to the emissions connected with electricity consumption, the most significant component relating to Terna's indirect emissions is linked to grid losses, which can also be associated with the indirect impact of the need to produce more energy. In themselves, a TSO's emissions (scopes 1 and 2 in the 'GHG emission protocol') are extremely modest when compared with the potential system-level reduction resulting from the integration of renewable sources and electrification.
The Group has chosen to report its considerations on climate change in a single note. The following is a summary of management's considerations on aspects deemed material.

IAS 1 – Presentation of Financial Statements

In the event of uncertainties, IAS 1 requires entities to analyse potential impacts in terms of the entity's ability to continue as a going concern and, with regard to the assumptions and estimates made in preparing the Annual Report. Entities are required to provide disclosure of the forward-looking estimates used and that have a significant risk of resulting in a material adjustment within the next financial year. As recommended by ESMA, which, as mentioned above, requires entities to take into account climate risks when preparing financial statements, disclosures are provided that, despite not being specifically required by IFRS, are relevant to an understanding of the financial statements.
In terms of the short term, management has not identified any specific effects of climate-related risks to be considered when applying the accounting policies.
With regard to the medium to long term, management has identified potential risks primarily linked to the Company's role as a TSO, deriving from the need to adapt the electricity grid in the form of work designed to boost resilience and allow it to handle the new profile and mix of the energy injected into the grid. However, as described in greater detail in the specific sections that follow, the steps planned with the aim of mitigating such risks do not require further consideration during application of the accounting policies used in preparation of these financial statements.
It should be noted, however, that assessment and, more specifically, quantification of climate-related risks generally requires the use of highly uncertain future-oriented assumptions, such as future technological and policy developments and Government measures.

IAS 16 – Property, Plant and Equipment

With specific regard to the grid and the related transmission service, the action plan requires a commitment to the planning, approval and delivery of investment projects related to work in response to current and future needs to integrate renewable sources, guarantee the reliability, security, adequacy and efficiency of the electricity system, such as, for example, cross-border interconnections and the development of infrastructure to enable the growing integration of renewable energy sources.
In addition, as described in the Group's Risk Framework, the Group is exposed to the risks linked to the increased intensity of weather events (tornados, heavy snowfall, ice, flooding) with a resulting impact on the continuity and quality of the service provided by Terna and/or damage to equipment, machinery, infrastructure and the grid. In response, the Group continues to carry out new investment designed to increase the grid resilience of the electricity grid and identify mitigation strategies.
In line with our role in driving the country's energy transition, Terna's strategic plans, further described in the section covering the value creation strategy in the Report on Operations, include action to tackle climate change, identifying:

- the works needed to develop and strengthen the electricity grid in the ten-year Development Plan, including overseas interconnections, to ensure the integration of renewable sources;
- tools to ensure the security and reliability of the electricity system in the Security Plan, in a scenario where renewable sources are increasingly more widespread and thermoelectric plants are decommissioned, resulting in issues relating to system inertia and voltage regulation;
- the works needed to improve the reliability of electricity assets in the Maintenance and Renewal Plan for electricity assets, which involves the preventive identification and resolution of initial signs of an issue that could lead to a malfunction.

Common to all these plans is the Resilience Plan, annexed to the Security Plan, which includes all the initiatives designed to increase grid resilience to enable it to withstand increasingly intense and frequent severe weather events, damaging infrastructure and resulting in outages at plants connected to the NTG. The Resilience Plan involves a preventive approach to managing infrastructure, using capital light technological solutions to mitigate the risks to which the grid is exposed and solutions for repairing and monitoring the electricity system.

This also involves the development of innovative technologies through structured collaborations with start-ups ("Open Innovation"), designed to monitor weather events and increase NTG resilience.
Mitigating climate-related risk also involves the need to plan maintenance of NTG infrastructure to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational.

In addition to initiatives falling within the scope of the Group's routine maintenance programmes, in this regard, Terna is increasingly required to carry out work on the grid that calls for the maintenance of specific components. Aside from renewing grid infrastructure, this enables the Company to mitigate the risk arising from the increased intensity and frequency of disruptive weather events. Management considers that this investment does not reduce or modify the expected economic benefits deriving from use of the existing grid accounted for in property, plant and equipment. In the light of the above, it has not been necessary to conduct a critical review of the useful lives of the fixed assets recognised in the financial statements.
The Group also considers that there may be a risk connected with the supply chain due to significant changes in the strategies of key suppliers. This risk is heightened by the (i) crisis in the global supply chain following the conflicts, duties, drop in supply and (ii) energy transition launched in many countries, with a potential impact on construction and maintenance projects, and a resulting impact on the continuity and quality of service and on the time needed to complete infrastructure. The Group constantly monitors developments in the supply chain and has not so far identified any critical issues.

IAS 38 – Intangible Assets

With regard to non-regulated activities, the Group is committed to developing innovative, digital technological solutions to support the ecological transition. These activities include the offerings of the Tamini Group and Brugg Cables Group, the subsidiaries that produce power transformers and terrestrial cables, respectively (Equipment activities), involving the development of expertise throughout the value chain, and the offer of Energy Services and Connectivity. In addition, the Group is also committed to investing in digitalisation and innovation, involving the development of solutions for the remote control of electricity substations and key infrastructure. This involves the installation of sensor, monitoring and diagnostic systems, including predictive solutions, improving the security of the grid and the surrounding area.
The Group has also developed tools for studying and planning new works designed to respond to issues relating to climate change. Through its Resilience Methodology, as set out in Annex A76 to the Grid Code, Terna has equipped itself with a tool that makes the Group a leader in the conduct of climate-change assessments in Italy and Europe. This innovative and probabilistic tool for planning work will increase the resilience of the NTG. This involves measuring the related benefit in terms of reducing expected energy not supplied, above all due to ice, snow and strong winds.
To promote the spread of a well-informed energy culture and facilitate broad awareness of the issues faced by the electricity sector, in 2021, the Group developed a new Development Plan application and the digital platform called Terna4Green with a view to monitoring the progress made towards Italy's decarbonisation. Via these two new initiatives, Terna continues and strengthens its commitment to ever greater transparency and the spread of information and data, specific expertise and in-depth knowledge of the national electricity system.
In response to the risk linked to the greater intensity and frequency of extreme weather events (tornados, heavy snowfall, ice, flooding), the Group could also benefit from the "Patentability" of the above innovative solutions, with resulting non-regulated business opportunities.
Investment in research is expensed as incurred, whilst development costs that meet certain requirements may be recognised as intangible assets. For more information regarding the criteria for recognising a non-current asset arising from development, please refer to the section 'Intangible Assets', while for more details on the possible impacts of the initiatives implemented, please refer to the section 'Climate Change' in the 'Environmental information' section of the Report on Operations.

IAS 36 – Impairment of Assets

As indicated above with regard to tangible and intangible assets, management did not identify factors requiring a critical review of useful lives. Similarly, with regard to the risk of impairment losses on property, plant and equipment, management considers that, whilst the steps taken to mitigate climate-related risk involve the need to plan maintenance work on NTG infrastructure, in keeping with the past, so as to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational, these activities do not, in any event, have a negative impact on the measurement of fair value less costs of disposal. This is because a market operator would take this investment into account as part of the fair value measurement process.

IFRS 9 – Financial Instruments

With regard to borrowings and bond issues, the Group has obtained certain bank borrowings containing ESG-linked conditions, entered into a commercial paper programme (short-term notes issued to qualified investors), enabling Terna to issue conventional short-term bonds as well as "ESG Notes". In addition, a number of Green bonds were issued, as described in greater detail in "Sustainable finance". The ESG-linked bank borrowings (different from the Green Bond issues) include a bonus/penalty mechanism, applicable to the payment of accrued interest, linked to the achievement of specific environmental, social and governance (ESG) objectives. As a result of the above, the Group believes that there may be a risk, albeit not significant, connected with the achievement of such objectives. Failure to achieve the objectives within a contractually agreed date would result in a slight increase in the cost of debt. Nevertheless, the impact of this risk on financial expenses is entirely negligible. The Group constantly monitors activities relating to climate change and has not so far identified any critical issues.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The legislation introduced in response to climate change may give rise to new obligations that did not previously exist. To this end, the Terna Group has adopted an Integrated Management System Policy following Terna S.p.A.'s Board of directors' desire to rely on a tool that would help them define strategic objectives, in line with the principles of the Code of Ethics and the Sustainable Development Goals ("SDGs") promoted by the United Nations, the requirements of the ISO Standards and the organisation's context.
With reference to the issue of Climate Change, the Integrated Management System Policy also reflects Terna's commitments with respect to UNI EN ISO 14001:2015 "Environmental Management Systems" and UNI CEI EN ISO 50001:2018 "Energy Management Systems", describing its adherence to practices aimed at limiting and reducing environmental impact even beyond legal limits, without compromising the protection of other general interests set out in the concession. Full implementation of this policy, which also covers efforts to reduce greenhouse CO_2 emissions, also involved energy efficiency initiatives and the adoption of measures designed to protect biodiversity. Terna also extends the issue of environmental protection to both its supply chain and local stakeholders directly affected by NTG development projects, through increasingly eco-sustainable offsets.
Finally, Terna has adopted a Circular Economy Strategy that has led to the definition of a Roadmap of actions to 2030 with a view to implementing a circular economy model.
Given the regulatory framework, management does not believe that such policies give rise to the need to recognise liabilities not previous accounted for. The same conclusion has also been reached with regard to the previously mentioned risk linked to the supply chain due to significant changes in the strategies of key suppliers. As a result, it has not been necessary to carry out a critical review of provisions in the financial statements.

IFRS 15 – Revenue from Contracts with Customers

In terms of Regulated Activities, part of the remuneration for transmission and dispatching services derives from regulatory incentive mechanisms linked to specific targets. The achievement of these targets may be influenced by climate change risks, as for example the intensification of extreme weather events could have an impact on the continuity and quality of the service offered by Terna. The Group monitors these risks, which did not have an impact on the accrued portion of these incentives during the year.

With regard to Non-regulated Activities, above all Energy Solutions, given the portfolio of products and services offered to promote the development of renewable energy in Italy, for example through the construction and operation of photovoltaic plants, infrastructure connecting the photovoltaic plants to the grid and services offered to industrial clients, and with regard to the production of cables and transformers, the Group is not exposed to new uncertainties having an impact on the current revenue recognition model. In addition, the Group did not deem it necessary to conduct a review of existing contracts.

Climate change and the subsequent adoption of policies designed to reduce CO_2 emissions and achieve Net Zero Emissions targets by most industrial clients could result in increased business opportunities.

IFRS 2 – Share-based Payments

The current long-term incentive plans, so called Performance Share Plans, are linked to a series of ESG indicators with a percentage weighting that rises over time.
The 2021-2025 plan consists of an indicator linked to Terna's annual inclusion and ranking in the Dow Jones Sustainability Index (DJSI-World) with a weighting of 20%.
The ESG indicators for the 2022-2026 plan, with a higher 25% weighting than in the previous plan, include KPIs referring to inclusion in a basket of ESG indexes selected to represent the Group's ability to guarantee an all-round sustainability performance, including the Dow Jones Sustainability Index World, Stoxx ESG Leaders and the MIB 40 ESG. An important part of these three assessments is explicitly linked to climate-related issues: specifically, to be included in the selected ESG indexes every year, and for the whole duration of the Performance Share Plan, performance and positioning in terms of, for example, climate strategy, the assessment and management of climate risks, cuts in greenhouse gas emissions and public disclosures on relevant metrics, are of great importance.
The Performance Share Plan 2023-2027 is linked to ESG indicators with an overall weighting of 30%, of which 15% relates to KPIs linked to inclusion in the above ESG basket and the remaining 15% to Overgeneration, representing the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.
Finally, the Performance Share Plan 2024-2028 - includes, consistent with the 2023-2027 Plan, the Overgeneration indicator with a weight of 30%.
Bearing in mind the expected development of renewable generation capacity in the coming years, absent appropriate mitigation initiatives, overgeneration will become a growing issue, cancelling out (at least in part) the benefits of the energy transition.

Subsidiaries and scope of consolidation

The scope of consolidation includes the Parent Company, Terna S.p.A., and the companies over which it has the power to exercise control directly or indirectly, as defined by IFRS 10. Control exists when the Parent Company has the power or the ability to influence the relevant activities (having a substantial impact on the Parent Company's results), and is exposed to or has the right to variable returns from its involvement with the investee, and the ability to use its power over the subsidiaries to affect the amount of the investor's returns.
Therefore, whether control exists does not depend solely on the possession of a majority of voting rights, but rather on the substantial rights of each investor over the subsidiary.
For the purpose of assessing control requirements, all facts and circumstances are analysed, including any agreements with other investors, rights under other contractual arrangements and potential voting rights. These other facts and circumstances may prove particularly significant in the assessment process, especially in cases where the Group holds less than a majority of the voting rights, or similar rights, of the subsidiary, resulting in de facto control situations. The existence of control over a subsidiary will be re-examined when facts and circumstances indicate that there has been a change in one or more of the factors considered in assessing whether control exists.
The financial statements of subsidiaries are consolidated on a line-by-line basis from the date when the Parent Company gains control until the date when such control ceases.
With specific reference to ESPERIA-CC S.r.l., it should be noted that the assessment carried out on the contractual agreements, shareholders' agreements, governance structure and facts and circumstances that impact the control and management of strategic decisions confirmed that the Terna Group has control.

The companies included within the scope of consolidation are listed below:

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION
SUBSIDIARIES CONTROLLED DIRECTLY BY TERNA S.P.A.					
Terna Rete Italia S.p.A.	**Rome**	**Euro**	**300,000**	**100%**	**Line-by-line**
Assets	Design, construction, management, development, operation and maintenance of power lines and grid infrastructure and other grid-related infrastructure, plant and equipment used in the above electricity transmission and dispatching activities and in similar, related and connected sectors.				
Terna Crna Gora d.o.o.	**Podgorica (Montenegro)**	**Euro**	**208,000,000**	**100%**	**Line-by-line**
Assets	Authorisation, construction and operation of the transmission infrastructure forming the Italy-Montenegro interconnector on Montenegrin territory.				
Terna Plus S.r.l.	**Rome**	**Euro**	**16,050,000**	**100%**	**Line-by-line**
Assets	Design, construction, management, development, operation and maintenance of plant, equipment and infrastructure for grids and systems, including distributed storage and pumping and/or storage systems.				
Terna Interconnector S.r.l.	**Rome**	**Euro**	**10,000**	**65%***	**Line-by-line**
Assets	Responsible for construction and operation of the private section of the Italy-France interconnector and civil works on the public section.				
Rete S.r.l.	**Rome**	**Euro**	**387,267,082**	**100%**	**Line-by-line**
Assets	Design, construction, management, development, operation and maintenance of high-voltage power lines.				
Terna Energy Solutions S.r.l.	**Rome**	**Euro**	**2,000,000**	**100%**	**Line-by-line**
Assets	Design, construction, management, development, operation and maintenance of distributed energy storage systems, pumping and/or storage systems, plant, equipment and infrastructure, including grids; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.				
ESPERIA-CC S.r.l.	**Rome**	**Euro**	**10,000**	**1%****	**Line-by-line**
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.				
Terna Forward S.r.l.	**Rome**	**Euro**	**10,000**	**100%**	**Line-by-line**
Assets	Development of new technological solutions for the Terna Group, investing in start-ups and small, medium and large enterprises with high innovation and technological potential.				

* *5% is held by Terna Rete Italia S.p.A. and 30% by Transenergia S.r.l..*
** *99% is held by Selene CC S.A.*

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION
SUBSIDIARIES CONTROLLED THROUGH TERNA PLUS S.R.L.					
Terna Chile S.p.A.*	**Santiago del Cile (Chile)**	**Chilean peso**	**2,716,837,700**	**100%**	**Line-by-line**
Assets	Design, construction, administration, development, operation and maintenance of any type of electricity system, plant, equipment and infrastructure, including interconnectors; provision of all types of products and service, construction, electrical and civil engineering work; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.				
Terna Peru S.A.C.	**Lima (Peru)**	**Nuevo sol**	**116,813,900**	**99.99%****	**Line-by-line**
Assets	Design, construction, administration, development, operation and maintenance of any type of electricity system, plant, equipment and infrastructure, including interconnectors; provision of all types of products and service, construction, electrical and civil engineering work; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.				
Terna 4 Chacas S.A.C.	**Lima (Peru)**	**Nuevo sol**	**13,734,560**	**99.99%****	**Line-by-line**
Assets	Responsible for construction of a new 16 km power line in Peru.				
TERNA USA LLC.	**New York (USA)**	**US dollar**	**10,001**	**100%**	**Line-by-line**
Assets	Acquisition, development and construction of major infrastructure projects regarding onshore and offshore electricity transmission in the United States.				

* *It should also be noted that, on December 17, 2024, the liquidation process of the company Terna Chile S.p.A. was formally initiated. This procedure is expected to be completed during the course of 2025.*
** *0.01% Terna USA LLC.*

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	METHOD OF CONSOLIDATION
SUBSIDIARIES CONTROLLED THROUGH TERNA ENERGY SOLUTIONS S.R.L.					
Tamini Trasformatori S.r.l.	**Legnano (MI)**	**Euro**	**4,285,714**	**100%**	**Line-by-line**
Assets	Construction, repair and trading in electrical equipment.				
Avvenia The Energy Innovator S.r.l.	**Rome**	**Euro**	**10,000**	**100%**	**Line-by-line**
Assets	Provision of energy efficiency, energy consulting and process engineering services to companies and public and private entities; the application of technology to increase energy end-use efficiency; the design, construction, development and maintenance of plant, equipment and infrastructure for networks and other uses.				
Brugg Kabel Services AG	**Brugg (Switzerland)**	**Swiss franc**	**1,000,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
LT S.r.l.	**Rome**	**Euro**	**400,000**	**87.5%***	**Line-by-line**
Assets	Design, construction and maintenance of renewable sources.				
SUBSIDIARIES CONTROLLED THROUGH TAMINI TRASFORMATORI S.R.L.					
Tamini Transformers USA LLC	**Sewickley - Pennsylvania**	**US dollar**	**52,089**	**100%**	**Line-by-line**
Assets	Commercialisation of industrial-grade and high-power electricity transformers.				
Tamini Transformatori India Private Limited	**Magarpatta City (India)**	**Indian rupee**	**13,175,000**	**100%**	**Line-by-line**
Assets	Commercialisation of industrial-grade and high-power electricity transformers.				
SUBSIDIARIES CONTROLLED THROUGH BRUGG KABEL SERVICES AG					
Brugg Kabel Manufacturing AG	**Brugg (Switzerland)**	**Swiss franc**	**7,000,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Kabel AG	**Brugg (Switzerland)**	**Swiss franc**	**22,000,000**	**90%****	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
SUBSIDIARIES CONTROLLED THROUGH BRUGG KABEL MANUFACTURING AG					
Brugg Cables Italia S.r.l.	**Milan**	**Euro**	**10,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
SUBSIDIARIES CONTROLLED THROUGH BRUGG KABEL AG					
Brugg Kabel GmbH	**Schwieberdingen (Germany)**	**Euro**	**103,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Cables (Shanghai) Co. Ltd	**Shanghai (China)**	**US dollar**	**1,600,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Cables (India) Pvt. Ltd	**Haryana (India)**	**Indian rupee**	**47,000,000**	**99.74%*****	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Cables Middles East Contracting LLC	**Dubai (UAE)**	**Dirham**	**200,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Cables Inc (USA)	**Chicago (USA)**	**US dollar**	**50,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
Brugg Cables Company (Saudi Arabia)	**Riyadh (Saudi Arabia)**	**Saudi Riyal**	**50,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
SUBSIDIARIES CONTROLLED THROUGH BRUGG CABLES (SHANGHAI) CO. LTD					
Brugg Cables (Suzhou) Co. Ltd	**Suzhou (China)**	**Chinese renminbi**	**32,000,000**	**100%**	**Line-by-line**
Assets	Commercialisation of terrestrial cables for use in electricity transmission.				
SUBSIDIARIES CONTROLLED THROUGH LT S.r.l.					
Halfbridge Automation S.r.l.	**Rome**	**Euro**	**10,000**	**70%******	**Line-by-line**
Assets	Research, design and production of electronic circuit boards for innovative energy efficiency systems.				

* *12.5% Solaris S.r.l.*
** *10% BRUGG GROUP AG.*
*** *0.26% Brugg Kabel GmbH.*
**** *30% Vima Technologies S.r.l.*

The following changes in the structure of the Group have taken place with respect to 31 December 2023:

- On 18 November 2024, the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ was finalised. As of that date, the company is no longer part of the Terna Group. It should also be noted that on 7 February 2024, the subsidiary Terna Plus S.r.l. completed the acquisition of the remaining 25% minority interest in the company, fully controlling it;
- On 4 December 2024, Terna Chile S.p.A. sold to Terna USA LLC its equity investments in the two subsidiaries Terna Peru S.A.C. and Terna 4 Chacas S.A.C., both accounting for 0.01% of the share capital. Following the transaction, Terna Peru S.A.C. and Terna 4 Chacas S.A.C. are therefore 99.9% controlled by Terna Plus S.r.l. and 0.01% by Terna USA LLC;
- On 20 December 2024, the subsidiary Terna Energy Solutions S.r.l. finalised the purchase of a share (12.5%) of the minority interest held by Solaris S.r.l. in LT S.r.l.. The Company's stake has thus increased from 75% to 87.5%.

Associates

Associates are investees over which the Terna Group exercises significant influence, being the ability to participate in the determination of these companies' financial and operating policies, without having control or joint control. In assessing whether or not Terna has significant influence, potential voting rights that are exercisable or convertible are also taken into account.

To determine whether significant influence exists, management's judgement is required to assess all facts and circumstances. The existence of significant influence is re-examined when the facts and circumstances indicate that there has been a change in one or more of the factors considered to establish whether significant influence exists.
The Terna Group exercises significant influence over the companies Cesi S.p.A., Coreso S.A., CGES A.D. and Equigy B.V., as it is able to participate in financial and management decisions, but does not have control or joint control. This assessment is based on the analysis of contractual agreements, shareholders' agreements, the governance structure and the facts and circumstances that could influence the control and management of strategic decisions.

These investments are initially recognised at cost and subsequently measured using the equity method. The profits or losses attributable to the Group are recognised in the consolidated financial statements when significant influence begins and until that influence ceases. Based on application of the equity method, if there is evidence that the investment has been impaired, the Group determines the amount of the impairment based on the difference between the recoverable amount and the carrying amount of the investment in question. In the event that the loss attributable to the Group exceeds the carrying amount of the equity interest, the latter is written off and any excess is recognised in a specific provision, if the Parent Company is required to meet the legal or constructive obligations of the investee or, in any case, to cover its losses.

The list of associates and joint arrangements is shown below:

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	PROFIT FOR THE YEAR*	% INTEREST	METHOD OF CONSOLIDATION	CARRYING AMOUNT AT 31 DECEMBER 2024 (€M)
ASSOCIATES							
Cesi S.p.A.	**Milan**	**Euro**	**8,550,000**	**(3,919,758)**	**42.698%**	**Equity Method**	**47.8**
Assets	Experimental research and provision of services related to electro-technology.						
Coreso S.A.	**Brussels (Belgium)**	**Euro**	**1,000,000**	**722,909**	**15.84%**	**Equity Method**	**1.2**
Assets	Technical centre owned by several electricity transmission operators, responsible for coordinating joint operations of TSOs, in order to improve and upgrade the security and coordination of the electricity system in central and western Europe.						
CGES A.D.	**Podgorica (Montenegro)**	**Euro**	**155,108,283**	**35,717,703**	**22.0889%**	**Equity Method**	**26.7**
Assets	Provision of transmission and dispatching services in Montenegro.						
Equigy B.V.	**Arnhem (Netherlands)**	**Euro**	**50,000**	**59,000**	**20%**	**Equity Method**	**0.5**
Assets	Provision of support for electricity balancing by TSOs through the development and implementation of blockchain technology.						

** Figures taken from the latest approved financial statements at the date of preparation of this document.*

Joint arrangements

Investments in joint arrangements, in which the Group exercises joint control with other entities, are recognised initially at cost and subsequently measured using the equity method. The profits or losses attributable to the Group are recognised in the consolidated financial statements when joint control begins and until that control ceases. The Group recognises its share of the assets and liabilities attributable to joint arrangements in accordance with IFRS 11.
In assessing the existence of joint control, it is ascertained whether the parties are bound by a contractual agreement and whether this agreement attributes to the parties the joint control of the agreement itself. Joint control exists when an entity has control over an arrangement on a contractual basis, and only when decisions relating to the relevant activities require the unanimous consent of all parties that jointly control the arrangement.
To determine whether joint control exists and the type of jointly controlled arrangement, management's judgment is required to assess the rights and obligations under the arrangement.
To this end, management considers the structure and legal form of the agreement, the terms agreed between the parties to the agreement and, if significant, other facts and circumstances. The existence of joint control is re-examined when the facts and circumstances indicate that there has been a change in one or more of the factors considered to establish whether joint control exists and the type of jointly controlled arrangement.

The Terna Group exercises joint control over the companies ELMED Etudes S.a.r.l., SEleNe CC S.A., Wesii S.p.A. and BMT Energy Transmission Development LLC in as much as, together with other entities, it has the power to make significant operating and financial decisions based on a contractual agreement that establishes shared voting rights and joint management of the company. This assessment is based on the analysis of contractual agreements, shareholders' agreements, the governance structure and the facts and circumstances that reflect the power to influence strategic decisions on an equal basis.

The list of joint arrangements is shown below:

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	PROFIT FOR THE YEAR*	% INTEREST	METHOD OF CONSOLIDATION	CARRYING AMOUNT AT 31 DECEMBER 2024 (€M)
JOINT ARRANGEMENTS							
ELMED Etudes S.a.r.l.	**Tunis (Tunisia)**	**Tunisian dinar**	**2,016,120**	**(184,817)**	**50%**	**Equity Method**	**0.2**
Assets	Conduct of preparatory studies for construction of the infrastructure required to connect the Tunisian and Italian electricity systems.						
SEleNe CC S.A.	**Thessaloniki (Greece)**	**Euro**	**6,210,000**	**159,608**	**33.33%**	**Equity Method**	**2.3**
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.						
BMT Energy Transmission Development LLC	**Wilmington (USA)**	**US dollar**	**603,333**	**20,829**	**40%**	**Equity Method**	**-**
Assets	Acquisition, development and construction of major infrastructure projects regarding onshore and offshore electricity transmission in the United States.						
Wesii S.r.l.	**Chiavari (GE)**	**Euro**	**19,752**	**(518,713)**	**33%**	**Equity Method**	**2.9**
Assets	Operator in the market for inspection and remote sensing services in the renewable energy sector.						

** Figures taken from the latest approved financial statements at the date of preparation of this document.*

The following changes in the structure of the Group have taken place with respect to 31 December 2023:

- On 7 March 2024, Terna's subsidiary Terna Forward S.r.l. finalised the acquisition of a 33% share in the share capital of Wesii S.r.l., an Italian company and market leader in inspection and remote sensing services in the renewable energy sector with registered office in Chiavari (Genoa).

Basis of consolidation

All the separate financial statements of the investees used to prepare the consolidated financial statements were drafted as of 31 December 2024 and have been approved by their respective Boards of Directors and, for the most part, by shareholders; they have been adjusted, where necessary, to align them with the Parent Company's accounting policies.
During preparation of the consolidated financial statements, intercompany balances, transactions, revenues and costs are fully eliminated, net of the related tax effect, where material ("consolidation on a line-by-line basis").
Unrealised gains and losses on transactions with associates and joint arrangements are eliminated in proportion to the Group's interest therein. In both cases, unrealised losses are eliminated, unless they represent an impairment.

Translation of foreign currency items

In the Group's financial statements, all transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are subsequently adjusted at the exchange rate prevailing at year end. Any translation differences are taken to the income statement.
Non-monetary assets and liabilities in foreign currency stated at historical cost are converted at the exchange rate prevailing when the transaction was initially recognised. Non-monetary assets and liabilities in foreign currency stated at fair value are converted at the exchange rate prevailing when fair value was measured.

Property, plant and equipment

Property, plant and equipment is recognised at historical cost, including costs directly attributable to preparing the asset for its intended use. In the event of legal or constructive obligations, cost also includes the present value of the estimated cost of dismantling or removing the asset. The corresponding liability is recognised in provisions for risks and charges.
Penalties receivable from suppliers relating to the purchase or construction of an asset are accounted for as a direct reduction in the cost of the asset, unless the penalty is accounted for as a refund, or when the refunded costs are clearly identifiable and have been incurred due to a delay incurred by the purchaser, the compensation is payable regardless of delivery or otherwise of the asset and the agreement expressly provides for settlement of the claim to compensate for the loss of earnings resulting from the contract delays.
Borrowing costs directly attributable to the purchase, construction or production of an asset that qualify for capitalisation pursuant to IAS 23 are capitalised as part of the cost of the asset. Costs incurred after purchase are recognised as an increase in the carrying amount of the asset to which they relate if it is probable that the future benefits of that cost will flow to the Group, and if the cost can be reliably measured. All other costs are expensed as incurred.
Each element of an item of property, plant and equipment of material value, with respect to the total value of the item to which it belongs, is recognised and depreciated separately.
Property, plant and equipment is shown net of accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset, which is reviewed annually, with revisions applied on a prospective basis. Depreciation of an asset begins when the asset becomes available for use.
Liabilities associated with items of property, plant and equipment are taken to a specific provision as a contra account of the related asset. The amount is taken to the income statement through the depreciation of the asset.
Property, plant and equipment is written off either at the time of disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss, recognised in the income statement, is determined as the difference between the net proceeds deriving from disposal and the net carrying amount of the assets eliminated.

The main rates of depreciation, calculated on the basis of the useful lives of the relevant assets, are as follows

RATES OF DEPRECIATION	
Buildings - Civil and industrial buildings	2.50%
Plant and equipment - Transmission lines	2.22%
Plant and equipment - Transformer substations:	
- Electrical machinery	2.38%
- Electrical devices and equipment	3.13%
- Automation and control systems	6.70%
Plant and equipment - Central systems for remote management and control:	
- Devices, electrical equipment and ancillary plant	5.00%
- Computers	10.00%

Land, regardless of whether it is free of constructions or related to civil and industrial buildings, is not depreciated, since it has an indefinite useful life.

This asset class also includes right-of-use assets, recognised under IFRS 16, arising from lease arrangements where the Company is lessee and relating to the use of property, plant and equipment. A lease arrangement is, or contains, a lease, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Applying this standard, the lessee recognises: (i) a right-of-use asset in its statement of financial position and a liability representing its obligation to make the payments provided for under the arrangement, for all leases with terms in excess of twelve months where the asset cannot be considered of low value (the Group has elected to apply the practical expedient provided for in the standard, recognising payments relating to arrangements that do not fall within the scope of this type of lease in the income statement); (ii) depreciation of the recognised assets and interest expense on the lease liability separately in the income statement.
In determining the lease term, the Group considers the non-cancellable period of the lease and the additional periods resulting from any options to extend the lease, or from the decision not to exercise the option to terminate the lease early (where there is reasonable certainty that such options will be exercised).
The lease liability is initially recognised at the present value of the remaining lease payments at the commencement date: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and finally (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The present value of the payments is determined using a discount rate equal to the Group's incremental borrowing rate, bearing in mind the frequency and duration of the payments provided for in the lease contract.

Following initial recognition, the lease liability is accounted for at amortised cost and remeasured, with a matching change in the value of the related right-of-use asset, when there is a change in future lease payments as a result of: (i) a renegotiation of the contract; (ii) changes in the index or rate; or (iii) changes in the assessment of whether or not the options contained in the contract will be exercised (e.g., the purchase of the leased asset, extension or termination of the lease). The right-of-use asset is initially recognised at cost, measured as the sun of the following components: (i) the amount of the initial measurement of the lease liability; (ii) any initial direct costs incurred by the lessee; (iii) any lease payments made at or before the commencement date, less any lease incentives received; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located (or restoring the underlying asset to the condition required by the terms and conditions of the lease). Following initial recognition, the right-of-use asset is adjusted to take into account (i) any accumulated depreciation, (ii) any accumulated impairment losses, and (iii) the effects of any remeasurement of the lease liability.

The Group's property, plant and equipment also includes the assets relating the private interconnectors pursuant to Law 99/2009. The legislation assigns the Group responsibility for building and operating the infrastructure on behalf of selected parties willing to finance specific interconnections in return for the benefits for them deriving from receipt of an exemption from third-party access to the transmission capacity that the related infrastructure makes available. The law also establishes that, at the end of the exemption period, generally ten years from the date of entry into service,

Terna will assume ownership of the interconnections in return for payment of a fee to be set by the regulator. The existence of a binding commitment to purchase the asset means that the property, plant and equipment relating to the interconnectors are recognised as Group property. The fee agreed with the selected parties for construction and operation of the interconnector is thus accounted for as revenue for the Group's effort in arranging the transaction and for granting the right to use the asset during the exemption period.

Intangible assets

Intangible assets, which all have finite useful lives, are recognised at cost, and shown net of accumulated amortisation and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated on a straight-line basis over the estimated useful life of the related asset, which is reviewed annually. Any revisions to estimated figures are applied on a prospective basis.
Intangible assets essentially consist of the concession to exclusively provide electricity transmission and dispatching services, granted to the Parent Company Terna S.p.A., on 1 November 2005, with the acquisition of the TSO business unit. As established in the Decree issued by the Ministry of Productive Activities on 20 April 2005, this concession has a 25-year term, renewable for another 25 years, from the date of effective transfer of the activities, functions, assets and legal arrangements of the concession from GSE (formerly GRTN) to Terna S.p.A.. This intangible asset was initially recognised at cost, which reflected fair value.
Other intangible assets essentially refer to software developments and upgrades.
Development costs are capitalised by the Terna Group only if they can be reliably estimated and there is the technical possibility and intention to complete the intangible asset so that it will be available for use, and the asset can be used and it is possible to demonstrate that it will generate probable future economic benefits.
Financial expenses directly attributable to the acquisition, design or production of a non-current asset which justifies capitalisation pursuant to IAS 23 are capitalised to the asset as part of its cost.
All other development costs and research expenses are recognised in the income statement when incurred. These intangible assets are amortised over their estimated residual useful life, which is normally three years, given their rapid obsolescence.

Infrastructure rights

Infrastructure includes the property, plant and equipment and intangible assets employed in dispatching activities in Italy and in the operations in Peru. These activities are carried out under concession arrangements, which fall within the scope of application of IFRIC 12, since the services provided are regulated and control exists over the residual interest. More specifically, infrastructure rights have been recognised as an intangible assets, as valued on the basis of the Intangible Asset model, given the return generated by dispatching activities thanks to the charges paid by users. These assets have a useful life of three years.
The revenue and costs relating to investment in dispatching activities are recognised with reference to the contracts concerned on a stage-of-completion basis; revenue recognised during the construction phase is limited to the amount of the internal and external construction costs incurred, considering that the fair value of the construction services is equivalent to the construction cost paid to third-party contractors plus the internal cost of the technical personnel employed on such construction activities. The assets continue to be amortised and depreciated in accordance with the initial schedule.
By contrast, dispatching revenue continues to be recognised in accordance with IFRS 15 and financial expenses continue to be capitalised pursuant to IAS 23.
IFRIC 12, instead, is not applicable to the part of the Parent Company's concession arrangement relating to transmission activities, since neither the concession nor the related legislation envisages that ownership of the NTG is to be restored to the public grantor, even for a consideration.

Goodwill

Goodwill, deriving from the acquisition of subsidiaries, is allocated to each of the cash generating units (CGU) identified, coinciding with Group companies that own electricity transmission grids and with the Tamini Group, relating to the production and commercialisation of transformers. Goodwill is not amortised after initial recognition but is adjusted to reflect impairment losses, measured as described above. Goodwill relating to investments in associates and joint

arrangements is included in the carrying amount of those companies. Where negative goodwill arises, it is recognised in the income statement at the time of acquisition.

Inventories

Inventories are recognised and measured at the lower of purchase cost and net estimated realisable value. Cost is calculated as the weighted average, including accrued ancillary expenses. Net estimated realisable value means the estimated sale price under normal conditions net of completion costs and the estimated costs to sell.

Financial instruments

Financial assets

The new standard, IFRS 9 – Financial Instruments, effective from 1 January 2018, is divided into the following phases: classification and measurement, derecognition, impairment and hedge accounting.
In order to classify and measure financial instruments, the Group recognises financial assets at fair value inclusive of transaction costs.
Financial assets represented by debt instruments and falling within the scope of application of the standard, may be measured at amortised cost, at fair value through other comprehensive income or at fair value through the income statement of comprehensive income, depending on the business model adopted to manage the financial assets and the characteristics of the contractual cash flows.
In accordance with the provisions of IFRS 9, the Group correctly classifies these assets based on the results of so-called SSPI ("solely payments of principal and interest") tests. Under this test, assets may be recognised at amortised cost or fair value through other comprehensive income if the generate cash flows that are solely payments of principal and interest on the principal amount outstanding. This measurement is applied at the level of each individual instrument.
Specifically, the Group measures financial assets:

- at amortised cost, if the financial asset is held with the aim of collecting the contractual cash flows that meet the SPPI test, as the cash flows represent solely payments of principal and interest;
- at fair value through other comprehensive income ("FVOCI"), if the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows and by selling the financial asset, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in fair value after initial recognition are recognised in other comprehensive income and recycled through profit or loss on derecognition. The government securities held by the Parent Company are included in this category;
- at fair value through profit or loss ("FVTPL"), of the asset is not held in one of the above business models. This category primarily includes derivative financial instruments held for trading and debt instruments with contractual cash flows that are not solely payments of capital and interest.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. Receivables with due dates that reflect normal commercial terms are not discounted.
In accordance with the provisions of IFRS 9, the Group's trade receivables fall within the hold to collect business model, as these assets are held with the objective of collecting the cash flows primarily by collecting the contractual cash flows, the receivables primarily fall due within 12 months and do not include a significant financial component, and the Group does not intend to sell such receivables.
Trade receivables are recognised net of any losses recognised in a specific allowance for doubtful accounts (identified on the basis described in the paragraph, "Allowance for doubtful accounts"). IFRS 9 has introduced application of a model based on expected credit losses. This requires the Group to assess expected credit losses, and the related changes, at each reporting date. Specifically, the Group has applied the simplified approach permitted by IFRS 9 to trade receivables, finance lease receivables and assets deriving from contracts with customers, in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Group has thus determined the amount of

expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value and include amounts that are available on demand or can be readily converted into a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are initially recognised at fair value and subsequently stated at amortised cost. If their due dates reflect normal commercial terms, they are not discounted.

Financial liabilities

Financial liabilities are recognised at the settlement date and measured at fair value, net of directly related transaction costs. Subsequently, financial liabilities are measured at amortised cost, using the original effective interest method. If the liabilities are covered by fair value hedges, they are adjusted to reflect changes in fair value with respect to the hedged risk.
Subsequent measurement of financial liabilities depends on their classification as financial liabilities at amortised cost or at fair value through profit or loss.

Derivative financial instruments

Derivatives are recognised at fair value at the trade date.
The qualifying criteria applied in classifying derivatives as eligible for hedge accounting are as follows:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio);
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.

For hedge accounting purposes, there are three types of hedge:

- fair value hedges when the hedge regards the exposure to changes in the fair value of the recognised asset or liability or there is an unrecognised firm commitment;
- cash flow hedges when the hedge regards the exposure to variability in cash flows that is attributable to a particular risk associated with all of the recognised asset or liability or a highly probable forecast transaction or the exchange rate risk on an unrecognised firm commitment;
- the hedge of a net investment in a foreign operation.

When derivatives cover the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the portion of changes in the fair value qualifying as effective is initially recognised in "Other comprehensive income" (accumulated in equity) and subsequently in profit or loss, as the cash flows from the hedged item affects the income statement. The portion of the fair value of the hedging instrument that does not qualify as effective is recognised in profit or loss.
When hedging derivatives cover the risk of changes in the fair value of hedged instruments (fair value hedges), they are recognised at fair value in profit or loss. Accordingly, the hedged items are adjusted to reflect changes in the fair value associated with the hedged risk.
Changes in the fair value of derivatives that do not meet hedge accounting requirements in accordance with the IFRS are recognised in profit or loss.
Fair value is measured on the basis of official quotations for instruments traded in regulated markets. The fair value of instruments not traded in regulated markets is measured by discounting projected cash flows along a yield curve prevailing in the market at the reporting date, and by translating amounts in currencies other than the euro at closing exchange rates.
Financial and non- financial contracts (which are not already measured at fair value) are also analysed to identify any embedded derivatives, which must be separated and measured at fair value.
This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that produces a material change in the original associated cash flows.

Hybrid bonds

Issues of non-convertible, perpetual hybrid bonds are classified as equity instruments. These are in fact instruments that allow Terna to defer coupon payments over time and whose early redemption is permitted on the occurrence of certain events or at the reset date. These instruments cannot be converted into shares and, in the event of the Company's liquidation, winding up or insolvency, interest payments are subordinated to all the issuer's other payment obligations.

The proceeds received from the sale of the instruments and subsequent returns of capital are accounted for as an increase or a reduction in equity, respectively, in compliance with the requirements applicable to equity instruments in IAS 32. Interest expense, at the time the payment obligation arises, is recognised as a reduction in equity.

Non-current assets held for sale

Non-current assets and current and non-current assets included in disposal groups are classified as held for sale if their carrying amount is to be recovered primarily through sale rather than through continued use. This classification only applies if the non-current assets (or disposal groups) are available for immediate sale in their present condition and the sale is highly probable. An entity that is committed to a sale plan involving loss of control of a subsidiary must classify all the assets and liabilities of that subsidiary as held for sale, regardless of whether the entity will retain a non-controlling interest in its former subsidiary after the sale. The assessment of whether or not the conditions have been met for classification of an asset as held for sale requires management to make a subjective judgement, using reasonable and realistic assumptions based on the available information.
Non-current assets held for sale, current and non-current assets included in disposal groups and the directly attributable liabilities are recognised in the statement of financial position separately from the entity's other assets and liabilities. Before their classification as held for sale, the assets and liabilities included in a disposal group are measured in accordance with the applicable accounting policies. Subsequently, the non-current assets held for sale are no longer subject to depreciation or amortisation and are measured at the lower of carrying amount and fair value less costs to sell.
If the carrying amount of the non-current assets is lower than fair value less costs to sell, the entity must recognise an impairment loss. The entity must recognise a gain for any subsequent increase in fair value less costs to sell of the assets, but not in excess of the cumulative impairment loss previously recognised, including those recognised prior to the assets' classification as held for sale.

Non-current assets and disposal groups classified as held for sale constitute a discontinued operation if they: i) represent a major line of business or geographical area of operations; ii) are part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or iii) relate to a subsidiary acquired exclusively with a view to resale.
Profits and losses from discontinued operations, and any gains or losses realised following the sale, are shown in a separate line item in the income statement, net of any tax, with amounts for comparative periods also shown.
When events no longer permit the entity to classify the non-current assets or disposal groups as held for sale, the assets or disposal groups must be reclassified to the respective items in the statement of financial position and recognised at the lower of: (i) their carrying amount at the date of classification as held for sale; and (ii) the recoverable amount at the date of reclassification.

On 29 April 2022, Terna S.p.A., Terna Plus S.r.l. and Terna Chile S.p.A. signed an agreement with CDPQ, a global investment group, for the sale of all the Group's power line assets, approximately 1,200 km, in Brazil, Peru and Uruguay. On 7 November 2022, the first transaction closing for the Brazilian companies, "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", owners of three power lines in Brazil, totalling 670 km, was completed. The value of the assets being sold (the equity value) is more than €145 million. On 22 December 2022, the transaction closing for Difebal S.A., the owner of a power line in Uruguay, totalling 214 km, was completed. The value of the assets being sold (the equity value) is more than €27 million.

In accordance with the agreement entered into on 29 April 2022, and following the fulfilment of the conditions set forth therein, on 18 November 2024 the third closing was finalised for the sale to CDPQ of SPE Transmissora de Energia Linha Verde I S.A., the owner of a power line in Brazil totalling approximately 150 km.

With regard to the sale of the project in Peru, given the impossibility of proceeding with the sale of the company to CDPQ following the buyer's failure to qualify as per announcement by the relevant authority (MINEM), the Group reached out to other operators to start the process aimed at the sale of the project in Peru, which it believes can be completed within 12 months.

Following the above transaction, in accordance with IFRS 5- Non-current Assets Held for Sale and Discontinued Operations, the consolidated assets and liabilities of the companies for which the sale process has yet to complete are included in "Assets held for sale" and in "Liabilities related to assets held for sale" in the consolidated statement of financial position for 2024 and 2023. In the consolidated income statement, the consolidated profit/(loss) of the companies included in the transaction, for the years ended 31 December 2024 and 31 December 2023, is presented as "Net profit/(loss) for the year from assets held for sale".

Employee benefits

The liability associated with employee benefits payable on or after termination of employment relate to defined benefit plans (deferred compensation benefits, additional months' pay[1], payment in lieu of notice[2], energy discounts, ASEM health cover and other benefits) or with other long-term employee benefits (loyalty bonuses) is recognised net of any plan assets. The liability is measured separately for each plan on the basis of actuarial calculations that estimate the amount of vested future benefits that employees have accrued at the reporting date. The liability is recognised on an accruals basis over the vesting period. The valuation of the liability is performed by independent actuaries.

[1] Additional months' pay.
[2] Payment in lieu of notice.

Share-based payments

Given that they are substantially a form of remuneration, personnel expenses include the cost of share-based incentive plans. The cost of the incentive is measured on the basis of the fair value of the equity instruments granted and the expected number of shares to be effectively awarded. The accrued amount for the period is determined on a straight-line basis over the vesting period, being the period between the grant date and the date of the award. The fair value of the shares underlying the incentive plan is measured at the grant date, based on the expected satisfaction of the performance conditions associated with market conditions and is not subject to adjustment in future periods. When receipt of the benefit is linked to non-market conditions, the estimate relating to these conditions is reflected and the accrual's number of shares expected to be awarded is adjusted over the vesting period. If, at the end of the vesting period, the plan does not result in the award of any shares to beneficiaries due to the failure to satisfy the performance conditions, the portion of the cost linked to market conditions is not reversed through the income statement.

Provisions for risks and charges

Provisions set aside for risks and charges are recognised when, at the reporting date, the Company has a legal or constructive obligation as the result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the disbursement. Where the effect is material, provisions are made by discounting estimated future cash flows using a discount rate that reflects current market rates and the specific risk applicable to the obligation, if any. Where discounting is used, the increase in the provisions due to the passage of time is recognised in the income statement as a financial expense. If it relates to property, plant and equipment (site disposal and restoration, for example), the provision is recognised as a contra entry to the asset to which it relates. The expense is recognised in the income statement through depreciation of the item of property, plant and equipment to which it relates.
Changes in the estimates are recognised in the income statement for the year in which the change occurs, except for the expected costs of dismantling, removal and restoration resulting from changes in the timing and use of the economic resources necessary to extinguish the obligation or are attributable to a material change in the discount rate. These costs are recognised as an increase or reduction in the related assets and recognised in the income statement through depreciation.

Government grants

Government grants are recognised when there is a reasonable certainty that they will be received and that the Group will comply with all the conditions required for disbursement. Grants received in relation to specific assets whose value is recognised under non-current assets are recognised, in the case of plant already in operation at 31 December 2002, among other liabilities and taken to the income statement over the depreciation period for the assets in question. As of the 2003 financial year, grants related to new plant entering service are recognised as a direct reduction in the non-current asset concerned.
Grants related to income are recognised in the income statement when the conditions for recognition are met.

Revenue

The Group's revenue can be categorised as follows:

- **Revenue from sales and services**, including revenue from contracts with customers and therefore falling within the scope of IFRS 15.

  In accordance with the provisions of IFRS 15, revenue from contracts with customers is recognised when the performance obligations identified in the contract are satisfied and control over the goods or services is transferred to the customer for an amount that reflects the consideration that the Group expects to receive in exchange for the goods or services.

  The standard envisages two methods for identifying the correct time at which to recognise the revenue attributable to each performance obligation: at contract inception, the Group determines if the goods or services covered by the performance obligation will be transferred to the customer over a period of time or at a point in time:

- Revenue from the sale of goods is recognised when control of the goods is transferred to the customer (at a point in time). The Group determines if there are other promises in the contract representing a performance obligation to which a part of the transaction consideration must be allocated. In determining the sale price, the Group takes into account the effects of a variable consideration, significant financial components, non-monetary components and amounts to be paid to the customer (if present);
- Revenue from services is recognised with reference to the stage of completion of the activity, in accordance with the provisions of IFRS 15 (over a period of time).

Revenue from sales and services also includes "pass-through" revenue and expenses originating from the purchase and sale of energy from and to electricity market operators. The regulatory framework requires that such expenses and revenue must always amount to zero, via a pro rata charge to each consumer for the net cost resulting from the measurement of imbalances and purchase and sale transactions, carried out by Terna on the Dispatching Services Market, through a specific fee known as an uplift payment. Terna receives compensation for this activity through specific revenue for providing the dispatching service. Given that Terna does not have the power to set the prices of DSM transactions, this revenue is presented net of the related costs.

Revenue from sales and services also includes output-based incentives, as defined by ARERA, for both transmission and dispatching activities. The incentive mechanisms fall within the scope of application of IFRS 15. If the counterparties through which Terna collects an incentive are not active in the market in the year in which achievement of the targets underlying the incentive scheme is confirmed, IFRS 15 is applied in accordance with the analogy-based approach provided for in IAS 8, as confirmed with reference to the Conceptual Framework for Financial Reporting.

If the mechanism includes a significant financial component, the amounts recognised in the financial statements are discounted to present value. Based on the specific nature of each mechanism, the Group assesses whether the performance obligation is satisfied over a period of time or at a point in time, also taking into account whether or not the right is subject to confirmation or verification by the regulator, ARERA.

- **Other revenue and income**, which includes revenue from lease arrangements and other residual forms of revenue, included within the scope of application of IFRS 15, deriving from sales of goods not forming part of the Group's ordinary activities.

Costs

Costs are recognised on an accruals basis. They are recognised in the accounting period when they relate to goods and services sold or consumed in the same period or are allocated in a systematic way when it is not possible to identify a future use for them.

Financial income and expenses

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The property, plant and equipment and intangible assets involved are those that require at least one year in order to prepare them for use. The directly attributable financial expenses are expenses that would not have been incurred had the expenditure for the asset not been incurred.
Where funds are borrowed specifically, the costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where loans are obtained for general purposes, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset equal to the weighted average of the financial expenses applicable to the borrowings outstanding for the year, excluding any specifically borrowed funds. The amount of capitalised financial expenses during a year will in any case not exceed the amount of financial expenses incurred during that year.
Capitalisation commences as from the date all the following conditions are first met: (a) expenditure has been incurred for the asset; (b) financial expenses have been incurred; and (c) the activities involved in preparing the asset for its intended use or sale are in progress.

Capitalisation ceases when the activities involved in preparing the asset for its intended use or sale are substantially complete. The average capitalisation rate used for 2024 is approximately 2.6% (2.0% for 2023).
Financial income and expenses other than capitalised amounts are recognised on an accruals basis in respect of the interest on the net value of the related financial assets and liabilities, using the effective interest rate.

Treasury shares

Treasury shares, including those held to service share-based incentive plans, are recognised at cost and accounted for as a reduction in equity. Any gains or losses resulting from the later sale of such shares are recognised in equity.

Dividends

Dividends from investees are recognised when the shareholders' right to receive payment is established. Dividends and interim dividends payable to shareholders are shown as changes in equity at the date in which they are approved by the General Meeting of shareholders and the Board of Directors, respectively.

Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to holders of the ordinary shares by the weighted average of ordinary shares outstanding during the year, excluding treasury shares.
Diluted earnings per share is determined by dividing profit for the period by the weighted average of ordinary shares outstanding during the period, excluding treasury shares, increased by the number of shares that could potentially result from the conversion of any convertible securities.

Income taxes

Current income taxes are recognised as "Tax liabilities", net of advances paid, or "Income tax assets" where the net balance of the items is positive. They are based on the estimated taxable income and in accordance with current legislation, taking account of applicable exemptions.
Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities recognised in the financial statements and the corresponding amounts recognised for tax purposes, using current tax rates or the rates expected to be in effect when the temporary differences reverse, based on rates approved at the reporting date.
Deferred tax assets are recognised when their recovery is considered probable, i.e. when future taxable income will be available against which the asset can be used. The recoverability of deferred tax assets is reviewed at the end of each year.
Deferred tax liabilities are recognised in any case if they exist. Taxes relating to items recognised directly in the statement of comprehensive income are also allocated to the statement of comprehensive income.

New accounting policies

International accounting policies effective as of 1 January 2024

A number of new amendments to standards already applied, none of which have had a significant impact, came into effect from 1 January 2024. The relevant standards are as follows:

Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendment, endorsed by Regulation 2024/1317 of the European Commission, adds new disclosure requirements and guidance within existing disclosure obligations, requiring entities to provide qualitative and quantitative information on supplier financing arrangements. The document requires an entity to provide additional disclosures on any reverse factoring agreements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk. The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Group's consolidated financial statements.

Amendment to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date e Non-current Liabilities with Covenants

The amendment, approved by Regulation 2023/2822 of the European Commission, aims to clarify how payables and other short- or long-term liabilities should be stated. In addition, the amendments also improve the disclosures that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with specified conditions (i.e., covenants). The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Group's consolidated financial statements.

Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendment, approved by Regulation 2023/2579 of the European Commission, requires the seller-lessee to measure the lease liability resulting from a sale and leaseback transaction so that any gain or loss relating to the right of use retained is not recognised.
The changes have not had a significant impact on the Group's consolidated financial statements.

International accounting policies, amendments and interpretations endorsed but yet to come into effect

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

On 15 August 2023, the IASB published an amendment entitled "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document clarifies when a currency is exchangeable, how to estimate the exchange rate and the disclosure to provide in the notes to financial statements. The document requires an entity to apply a method on a consistent basis to determine if a currency is exchangeable and, when this is not possible, specifies how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendment is effective from 1 January 2025, although early adoption is permitted. The Group is currently assessing the potential impact of the introduction of these amendments on the consolidated financial statements.

International accounting policies, amendments and interpretations awaiting endorsement

For newly issued amendments, standards and interpretations that have not yet been endorsed by the EU, but which address issues that affect or could affect the Group, assessments are currently being conducted of the possible impact of their application on the financial statements, taking into account the date on which they will take effect. In particular:

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The standard, published on 9 May 2024, aims to simplify the requirements in terms of disclosures in the notes to the financial statements for companies without public accountability controlled by groups applying international accounting policies. The amendment sets out simplifications designed to reduce the costs of preparing the financial statements of subsidiaries, while maintaining the usefulness of the information for users of financial statements.
The amendment is effective from 1 January 2027, although early adoption is permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The standard, published on 9 April 2024, aims to improve the disclosure of corporate performance in terms of comparability, transparency and usefulness of the information published through the financial statements, and introduces significant changes in its structure, with special reference to the income statement.
The amendment is effective from 1 January 2027, although early adoption is permitted.

Annual Improvements Volume 11

On 18 July 2024, the IASB published Annual Improvements to IFRS Accounting Standards - Volume 11, which contains clarifications, simplifications, corrections and amendments to IFRS accounting policies aimed at improving their consistency. The accounting policies affected are: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statement of Cash Flows. The amendments will become effective from 1 January 2026, although early adoption is permitted.

Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

The amendment, published on 30 May 2024, clarifies a number of problematic issues arising from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (e.g. green bonds).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026.

Amendment to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

This amendment, published on 18 December 2024, aims to help companies provide a better disclosure of the financial effects of contracts structured as Power Purchase Agreements (PPAs).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026, although early adoption is permitted.

B. Notes to the consolidated income statement

Revenue

1. Revenue from sales and services - €3,616.2 million

(€m)

	2024	2023	CHANGE
Transmission charges billed to grid users and incentives	2,423.8	2,107.6	316.2
Dispatching and metering fees and other energy-related revenue	153.8	127.1	26.7
Incentives for dispatching activities	345.9	303.8	42.1
Revenue from services performed under concession	112.9	80.6	32.3
Quality of service	20.5	11.2	9.3
Other sales and services	559.3	492.5	66.8
TOTAL	**3,616.2**	**3,122.8**	**493.4**

Transmission charges billed to grid users and incentives

The grid utilisation fee refers to the remuneration for the ownership and operation of the National Transmission Grid pertaining to the Parent Company (€2,242.3 million) and the subsidiaries Rete S.r.l. (€163.5 million) and Terna Crna Gora d.o.o. (€18.0 million).
The increase in this item (up €316.2 million) is mainly related to the increase in the WACC recognised for 2024 (pursuant to Resolution 556/2023, from 5% in 2023 to 5.8% in 2024), the expansion of the Regulated Asset Base (RAB) and the related depreciation recognised, in view of the new 2024-2027 Tariff Regulation criteria introduced by ARERA Resolution 615/2023 (up €383.0 million), net of the lower incentives related to the increase in transportation capacity between market zones as pursuant to Resolution 567/2019, totalling down €66.8 million.

Dispatching and metering fees and other energy-related revenue

This item regards fees received in return for providing dispatching and metering services (the dispatching component, amounting to €149.4 million, and the metering component, amounting to €2.6 million) and other energy-related revenue of €1.8 million.
The item is up €26.7 million compared with the previous year, broadly due to the increase in dispatching fees introduced by Resolution 632/2023.

Incentives for dispatching activities

This item represents the output-based incentives for dispatching activities, amounting to €345.9 million.
These incentives essentially consist of the mechanisms introduced by Resolutions 597/2021 and 132/2022, designed to cut DSM costs, the shortfall in wind production and essential plants (€345.9 million), representing the accrued present value of the incentive for the period 2022-2024, which takes into account the final figure of the 2024 performance and the adjustment of the estimated present value of the incentive in the three-year period carried out in the financial years 2022 and 2023 (amounting to €924.7 million before the effect of discounting given the timing of payment).
This item shows a year-over-year increase of €42.1 million, due to the recognition of the share pertaining to the period, recognised taking into account the final figure of the 2024 performance (the last year of the 2022-2024 period) and the adjustment of the estimated present value of the incentive in the three-year period carried out in the two previous financial years.

Revenue from services performed under concession

This item includes revenue from infrastructure construction and upgrade services performed under concession, recognised in application of IFRIC 12, amounting to €112.9 million.
The increase compared with the previous year, amounting to €32.3 million, regards greater investment in dispatching infrastructure during the period.

Quality of service

This item, amounting to €20.5 million, regards the RENS (Regulated Energy Not Supplied) incentive mechanism introduced by Resolution 653/2015/r/eel, calculated on a pro rata basis taking into account the estimated overall results expected in the 2020-2025 regulatory period.
This item showed an increase of €9.3 million compared to the previous year, due to the 2024 performance (€6.8 million) and contingencies for the requalification of certain events that occurred in the FY2023 and identified as force majeure events (€2.5 million).

Other sales and services

The item, "Other sales and services", amounting to €559.3 million, mainly regards revenue from Non-regulated Activities, regarding:

- the sale of transformers by the subsidiary, Tamini (€163.9 million);
- revenue contributed by Brugg Cables, essentially relating to contracts with third parties for the supply of cables and accessories (€166.2 million);
- Energy Services (€169.7 million) above all HV services, totalling €48.3 million and Smart Grids, totalling €121.4 million, including the contribution from the LT Group, which specialises in O&M services for photovoltaic plants (€108.7 million) and the energy efficiency services provided by the subsidiary, Avvenia The Energy Innovator S.r.l. amounting to €0.2 million;
- Connectivity (€35.0 million) with specific regard to support and housing services for fibre networks (€29.1 million) and fibre maintenance (€5.9 million);
- revenue for connection services to the National Transmission Grid (€15.9 million).

This item showed an increase of €66.8 million compared to 2023, mainly due to the higher contribution from the Tamini Group (up €27.9 million), the Brugg Group (up €6.7 million) and higher revenue from Energy Services operations (up €26.8 million). Higher revenue was also posted for connection services to the National Transmission Grid (up €5.1 million).

Pass-through revenue/expenses

This item regards "pass-through" revenue and expenses (the balance of which amounts to zero) attributable solely to the Parent Company. These items result from daily purchases and sales of electricity from electricity market operators. Measurements for each point of injection and withdrawal are taken and the differences, with respect to energy market schedules are calculated. These differences, known as imbalances, are then measured using algorithms established by the regulatory framework. The net charge resulting from calculation of the imbalances and the purchases and sales, carried out by the Parent Company Terna on the DSM, is billed on a pro rata basis to each end consumer via a specific uplift payment. This item also reflects the portion of the transmission charge that the Parent Company passes on to other grid owners, not included in the scope of consolidation.

The components of these transactions are shown in greater detail below:

(€m)

	2024	2023	CHANGE
Power Exchange-related revenue items	**4,914.1**	**5,244.2**	**(330.1)**
- Uplift	468.4	479.3	(10.9)
- Electricity sales	396.0	442.6	(46.6)
- Imbalances	1,573.0	1,673.9	(100.9)
- Congestion revenue	235.9	355.4	(119.5)
- Charges for right to use transmission capacity and market coupling	1,384.3	1,209.8	174.5
- Interconnectors/shippers	50.5	57.6	(7.1)
- Load Profiling for public lighting	324.0	348.0	(24.0)
- Other Power Exchange-related pass-through revenue items	482.0	677.6	(195.6)
Total over-the-counter revenue items	**3,646.7**	**3,591.0**	**55.7**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.4	181.4
- Coverage of wind farm costs	22.1	20.6	1.5
- Transmission revenue passed on to other NTG owners	0.3	1.1	(0.8)
- Charge to cover cost of essential plants	1,176.2	1,019.6	156.6
- Consumption reduction service	2.0	-	2.0
- Charge to cover cost of interruptibility service	453.7	329.3	124.4
- Charge to cover cost of LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through revenue for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH REVENUE	**8,560.8**	**8.835.2**	**(274.4)**
Total Power Exchange-related cost items	**4,914.1**	**5,244.2**	**(330.1)**
- Electricity purchases	1,147.9	1,185.1	(37.2)
- Imbalances	1,757.7	1,624.6	133.1
- Congestion revenue	136.0	170.1	(34.1)
- Charges for right to use transmission capacity and market coupling	759.4	559.0	200.4
- Interconnectors/Shippers	305.7	599.7	(294.0)
- Load Profiling for public lighting	344.5	447.3	(102.8)
- Other Power Exchange-related pass-through cost items	462.9	658.4	(195.5)
Total over-the-counter cost items	**3,646.7**	**3,591.0**	**55.7**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.4	181.4
- Shortfall in wind production	22.1	20.6	1.5
- Transmission costs passed on to other NTG owners	0.3	1.1	(0.8)
- Fees paid for essential units	1,176.2	1,019.6	156.6
- Consumption reduction service	2.0	-	2.0
- Fees paid for interruptibility service	453.7	329.3	124.4
- Fees paid for LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through costs for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH COSTS	**8,560.8**	**8,835.2**	**(274.4)**

In 2024, the uplift cost totalled approximately at €445 million (provisional data), showing a slight increase compared to on the previous year (€401 million). This increase is due to a reduction in revenue generated by congestion revenue within the Italian and foreign market zones[3], an increase in the countervalue associated with the cost of Start-up Fees and Set-up Change Fees[4] partly offset by the reduction in the cost for the Dispatching Services Market and the cost for the virtual interconnection service.

[3] Congestion income is revenue and is generated when different equilibrium prices are formed in different market zones in Energy Markets.
[4] Start-up Fees and Set-up Change Fees are payments made to production plants who have the right to receive them when Terna requests them to fire up the plant or change their structure.

2. Other revenue and income – €64.0 million

(€m)

	2024	2023	CHANGE
Sales to third parties	12.0	10.9	1.1
Private Italy-France interconnector	8.3	8.3	-
Sundry grants	7.8	8.8	(1.0)
Revenue from IRU contracts for fibre	7.5	4.3	3.2
Private Italy-Montenegro interconnector	6.4	6.4	-
Gains on sale of infrastructure components	5.8	14.8	(9.0)
Contingent assets	5.6	0.9	4.7
Insurance proceeds as compensation for damages	3.5	5.7	(2.2)
Rental income	2.6	2.2	0.4
Private Italy-Austria interconnector	1.6	-	1.6
Penalties receivables from suppliers	-	0.3	(0.3)
Other revenues	2.9	1.3	1.6
TOTAL	**64.0**	**63.9**	**0.1**

"Other revenue and income" include in particular revenue relating to the private Italy-France Interconnector (€8.3 million), the private Italy-Montenegro Interconnector (€6.4 million) and the private Italy-Austria Interconnector (€1.6 million), as well as other significant items relating to sales to third parties (€12.0 million), capital gains from the sale of plant parts (€5.8 million), sundry contributions (€7.8 million), insurance proceeds (€3.5 million) and revenue from Connectivity linked to IRU contracts for fibre (€7.5 million).
Standing at €64.0 million, this item was in line with the previous year.

Operating costs

3. Raw and consumable materials used – €305.2 million

This item includes the value of the various materials and equipment used in the ordinary operation and maintenance of the plant belonging to the Group and third parties, and the materials consumed primarily in relation to the Equipment and Energy Services businesses.
The increase from the previous year (up €19.8 million) essentially relates to higher costs (up €32.6 million) related to the construction and development of infrastructure under concession recognised in connection with the application of IFRIC 12 and higher material costs of the Tamini Group (up €10.9 million), partly offset by lower material costs of the Brugg Cables Group and the LT Group (down €10.3 million and down €9.4 million, respectively).

4. Services – €354.4 million

(€m)

	2024	2023	CHANGE
Maintenance and sundry services	145.9	139.0	6.9
Tender costs for plant	105.1	77.7	27.4
IT services	48.3	46.4	1.9
Insurance	21.4	19.6	1.8
Lease expense	25.2	20.5	4.7
Remote transmission and telecommunications	8.5	9.1	(0.6)
TOTAL	**354.4**	**312.3**	**42.1**

This item, totalling €354.4 million, showed an increase of €42.1 million compared to 2023 (€312.3 million), mainly due to increased activities and new initiatives carried out by the Group, with special reference to the LT Group (up €23.1 million), Terna Rete Italia S.p.A. (up €12.1 million), Terna Energy Solutions S.r.l. (up €8.1 million), the Brugg Group

(up €3.2 million) and the Tamini Group (up €1.4 million), partially offset by lower costs related to the construction and development of infrastructures under concession recognised in accordance with IFRIC 12 (down €7.4 million), in particular due to lower costs for tenders on plants (down €7.3 million) and for maintenance (down €1.8 million), partially offset by higher costs for IT services (€1.7 million) and lower advertising costs (down €8.4 million), mainly related to the *"noi siamo energia"* advertising campaign launched in the previous financial year.
Fees payable to members of the Board of Statutory Auditors amount to €0.7 million whilst those payable to members of the Supervisory Board set up in compliance with Legislative Decree 231/2001 amount to €0.7 million.

5. Personnel expenses – €409.3 million

(€m)

	2024	2023	CHANGE
Salaries, wages and other short-term benefits	525.5	461.7	63.8
Directors' remuneration	2.5	2.6	(0.1)
Termination benefits (*TFR*), energy discounts and other employee benefits	27.1	32.1	(5.0)
Early retirement incentives	14.8	17.2	(2.4)
Gross personnel expenses	***569.9***	***513.6***	***56.3***
Capitalised personnel expenses	(160.6)	(136.4)	(24.2)
TOTAL	**409.3**	**377.2**	**32.1**

Personnel expenses stood at €409.3 million in 2024. They essentially refer to costs for wages, salaries and other short-term benefits (€525.5 million), post-employment benefits (€27.1 million), leaving incentives (€14.8 million), directors' emoluments (€2.5 million) and capitalised personnel expenses (down €160.6 million).

This item showed an increase of €32.1 million compared to the previous year (€377.2 million), mainly due to the increase in the average value, higher accrued incentives, extraordinary incentives paid out in 2024, and higher capitalisations.
The following table shows the Group's workforce by category at the end of the year and the average for the year.

(unit)

	AVERAGE WORKFORCE			WORKFORCE AT	
	2024	2023	DELTA	31.12.2024	31.12.2023
Senior managers	103	107	(4)	99	102
Middle managers	928	887	41	951	896
Office staff	3,512	3,205	307	3,734	3,349
Blue-collar workers	1,604	1,523	81	1,636	1,580
TOTAL	**6,147**	**5,722**	**425**	**6,420**	**5,927**

The net increase in the average workforce compared with 2023 is 425. This is essentially linked to the requirements relating to delivery of the investment programme included in the 2024-2028 Industrial Plan.

At 31 December 2024, the Terna Group's workforce breaks down as follows:

	TERNA S.P.A.	TERNA RETE ITALIA S.P.A.	TERNA ENERGY SOLUTIONS S.R.L.	TAMINI GROUP	LT GROUP	BRUGG GROUP	TERNA CRNA GORA D.O.O.	OTHER
Unit	1,352	3,877	76	394	234	464	12	11

6. Amortisation, depreciation and impairment losses – €889.0 million

(€m)

	2024	2023	CHANGE
Amortisation of intangible assets	163.0	126.4	36.6
- of which rights on infrastructure	*45.6*	*34.8*	*10.8*
Depreciation of property, plant and equipment	706.5	670.6	35.9
Impairment losses on property, plant and equipment and intangible assets	14.7	8.7	6.0
Impairment losses on trade receivables	4.8	0.6	4.2
TOTAL	**889.0**	**806.3**	**82.7**

Amortisation, depreciation and impairment losses, amounting to €889.0 million (including €19.2 million recognised in application of IFRS 16), are up €82.7 million compared with 2023. This reflects the entry into service of new infrastructure, primarily at the Parent Company (up €75.3 million), in addition to an increase in impairment losses on assets and receivables recognised during the year (up €10.2 million).

7. Other operating costs - €44.9 million

(€m)

	2024	2023	CHANGE
Indirect taxes and local taxes and levies	11.2	10.7	0.5
Fees paid to regulators and membership dues	9.8	9.9	(0.1)
Quality of service costs	2.5	5.3	(2.8)
of which mitigation and sharing mechanisms	*4.3*	*2.3*	*2.0*
of which Fund for Exceptional Events	*(1.6)*	*2.8*	*(4.4)*
of which compensation mechanisms for HV users	*(0.2)*	*0.2*	*(0.4)*
Adjustment of provisions for litigation and disputes	(1.1)	(0.9)	(0.2)
Net contingent assets	(0.7)	1.2	(1.9)
Losses on sales/disposal of plant	0.7	1.1	(0.4)
Other operating costs	22.5	15.9	6.6
TOTAL	**44.9**	**43.2**	**1.7**

The Group's other operating costs, totalling €44.9 million, include, in particular, local taxes, duties and fees (€11.2 million), membership fees and contributions to authorities, organisations and associations related to the Group's activities (€9.8 million), and electricity service quality charges (€2.5 million). In addition, other operating costs (€22.5 million) include provisions for risks and charges related to the operations of the subsidiary Tamini (€8.7 million, mainly for the product warranty reserve and customer penalty reserve) and other operating costs attributable to the Brugg Group, mainly related to scrapping costs for discarded material, as well as donations and other charges.

The €1.7 million increase in this item was mainly due to higher other charges (up €6.6 million) with particular reference to the Tamini Group for the provisions for risks and charges for the year related to the product warranty reserve and the customer penalty reserve (up €5.6 million), partially offset by lower charges related to service quality (down €2.8 million. mainly related to higher charges incurred for outages that occurred in the first half of 2023) and higher net contingent assets (down €1.9 million).

8. Financial income/(expenses) – (€175.4) million

(€m)

	2024	2023	CHANGE
FINANCIAL EXPENSES			
Interest expense on borrowings and related hedges	(348.6)	(235.5)	(113.1)
Adjustment of borrowings and related hedges	(0.5)	(2.8)	2.3
Discounting of receivables, termination benefits (*TFR*), operating leases and other liabilities	(11.2)	(8.1)	(3.1)
Capitalised financial expenses	74.2	48.3	25.9
Foreign exchange losses	-	(0.4)	0.4
Other financial expenses	(46.0)	(37.3)	(8.7)
Total expenses	**(332.1)**	**(235.8)**	**(96.3)**
FINANCIAL INCOME			
Interest income and other financial income	125.6	84.6	41.0
Implementation of output-based incentives	31.0	30.9	0.1
Foreign exchange gains	0.1	-	0.1
Total income	**156.7**	**115.5**	**41.2**
TOTAL	**(175.4)**	**(120.3)**	**(55.1)**

Net financial expenses for the year stood at €175.4 million, mainly attributable to the parent company (€137.5 million). The increase in net financial expenses compared to 2023, amounting to €55.1 million, primarily reflects:

- higher financial expenses (€113.1 million) related to borrowings following the new debt incurred in the period and the increase in interest rates on these new transactions and on existing variable-rate loans, partially offset by lower inflation related to the inflation-linked bond (maturing in September 2023);
- an increase in other financial expenses (€8.7 million), mainly due to the adjustment of the contingent liability for the purchase of the 12.5% minority interest in the subsidiary LT S.r.l. (up €31.6 million, related to the change in fair value of instruments measured at Fair Value Through Profit or Loss), partially offset by lower charges related to the uplift mechanism component (down €27.0 million);
- a €41.0 million increase in financial income on cash and other financial assets in view of higher liquid assets invested under improved market conditions;
- an increase in capitalised expenses (up €25.9 million) due to increased investment during the period;

9. Share of profit/(loss) of investments accounted for using the equity method – €3.9 million

This item, standing at €3.9 million, reflects an increase of €1.3 million compared with the previous year (€2.6 million), broadly due to an adjustment of the value of the investment in the associate, CESI.

10. Income tax for the year – €455.0 million

Income tax expense for the year totals €455.0 million, showing an increase of €90.7 million on the previous year, essentially due to the increase in pre-tax profit and higher non-deductible costs recognised during the year. The tax rate stood at 30.2% compared to 29.3% in 2023. The increase was mainly due to the repeal of the benefits arising from the Economic Growth Aid (locally known as ACE - Law Decree No. 50/2017) initiative as of the 2024 tax period.

(€m)

	2024	2023	CHANGE
Income tax for the year			
Current tax expense:			
- IRES (corporate income tax)	410.9	326.3	84.6
- IRAP (regional tax on productive activities)	94.6	72.7	21.9
Total current tax expense	**505.5**	**399.0**	**106.5**
Temporary differences:			
- deferred tax assets	(57.3)	(50.8)	(6.5)
Reversal of temporary differences:			
- deferred tax assets	8.3	17.3	(9.0)
- deferred tax liabilities	(3.0)	(1.9)	(1.1)
Total deferred tax (income)/expense	**(52.0)**	**(35.4)**	**(16.6)**
Adjustments to taxes for previous years and other one-off changes	1.5	0.7	0.8
TOTAL	**455.0**	**364.3**	**90.7**

Current taxes (€505.5 million) increased over the previous year, due to higher pre-tax profit and higher non-deductible costs.
Deferred tax assets and liabilities (down €52.0 million) were down €16.6 million compared to the figure posted in the previous year (down €35.4 million). They reflects the impact of taxation on depreciation and amortisation, changes in provisions for risks and charges and for employee benefits recognised by the Group during the year.
Adjustments to taxes for previous years, amounting to €1.5 million, primarily pertain to subsidiaries and include contingent assets resulting from recognition of the effective amount payable when filing annual tax returns, compared to the estimate made during the previous y ear.

For a clearer presentation of the differences between the theoretical and effective tax rates, the table below reconciles the profit before taxes with taxable income.

	2024	2023
Profit/(Loss) before tax	1,505.9	1,244.6
STATUTORY TAX RATE	**361.4**	**298.7**
IRAP	94.6	72.7
Permanent differences	(2.5)	(7.8)
TAX (after adjustment for previous years and one-off changes)	**453.5**	**363.6**
TAX RATE	**30.1%**	**29.2%**
Adjustments of taxes for previous years	1.5	0.7
INCOME TAX EXPENSE FOR THE YEAR	**455.0**	**364.3**
EFFECTIVE TAX RATE	**30.2%**	**29.3%**

11. Profit/(Loss) from discontinued operations and assets held for sale – €11.6 million

This item reflects the net result from the assets included in the agreement signed by the Terna Group and CDPQ, a global investment group, on 29 April 2022 for the sale of all the Group's power line assets in Brazil, Peru and Uruguay. The first transaction closing for the sale of the Brazilian companies, SPE Transmissora de Energia Linha Verde II S.A., SPE Santa Lucia Transmissora de Energia S.A. and SPE Santa Maria Transmissora de Energia S.A., was completed on 7 November 2022. The transaction closing for the sale of Difebal S.A., which operates a power line in Uruguay, was completed on 22 December 2022.

In accordance with the agreement entered into on 29 April 2022, and following the fulfilment of the conditions set forth therein, on 18 November 2024 the third closing was finalised for the sale to CDPQ of SPE Transmissora de Energia Linha Verde I S.A., the owner of a power line in Brazil totalling approximately 150 km.
With regard to the sale of the project in Peru, given the impossibility of proceeding with the sale of the company to CDPQ following the buyer's failure to qualify as per announcement by the relevant authority (MINEM), the Group reached out to other operators to start the process aimed at the sale of the project in Peru, which it believes can be completed within 12 months.

Below is a breakdown of the items that generated the net profit for the year from assets held for sale, totalling €11.6 million:

(€m)

	2024	2023	CHANGE
Total revenue	11.3	35.8	(24.5)
Total operating costs	12.7	53.9	(41.2)
OPERATING PROFIT	**(1.4)**	**(18.1)**	**16.7**
Net financial income/(expenses)	0.2	1.2	(1.0)
Impairment loss recognised on remeasurement of the fair value less costs to sell	-	21.2	(21.2)
PROFIT/(LOSS) BEFORE TAX	**(1.2)**	**4.3**	**(5.5)**
Income tax expense for the year	1.0	1.8	(0.8)
Profit/(Loss) for the year attributable to owners of the Parent	**(2.2)**	**2.5**	**(4.7)**
Net gains on disposals	19.7	-	19.7
Reserve for translation differences	(5.9)	-	(5.9)
Profit/(Loss) for the year from discontinued operations and assets held for sale	**11.6**	**2.5**	**9.1**

Revenue

This item broadly consists of revenue from construction and development of infrastructure operated under concession, above all the discontinued operations and assets held for sale located in Brazil (€9.8 million) and Peru (€1.5 million).

Operating costs

Operating costs essentially regard the costs incurred in application of IFRIC 12 for the construction project being carried out in Brazil, which became operational in February 2024 (€11.0 million), as well as operating costs incurred in Peru.

Net gains on disposals

This item includes the capital gain from the sale of the net assets measured at fair value of SPE Transmissora de Energia Linha Verde I S.A. (€19.7 million), net of sales costs.

Reserve for translation differences

The items include the differences deriving from the translation of financial statements denominated in foreign currency and is reclassified to profit or loss following the deconsolidation of companies from which it originates (down €5.9 million).

The gain from discontinued operations and assets held for sale stood at €11.6 million, showing an increase of €9.1 million compared to the previous year. This essentially reflects the net capital gain on the sale (up €19.7 million) and the lower operating losses incurred by the companies (up €16.7 million), net of the adjustment of the value of net assets held for sale recognised in accordance with IFRS 5, in the same period of the previous year (down €21.2 million) and the release of the translation reserve (down €5.9 million).

Basic and diluted earnings per share from discontinued operations and assets held for sale, amounting to a gain of €0.006 per share (the numerator of €11.6 million represents the net gain from assets held for sale, whilst the denominator of 2,006,064,004 shares is the weighted average number of shares outstanding during the year).

The agreements signed with CDPQ, regarding the sale of the Brazilian companies, grant the purchaser a put option for the return of SPE Transmissora de Energia Linha Verde II S.A. to Terna Plus. This may be exercised, under determinate conditions, no sooner than 31 December 2025. At the date of preparation of these financial statements, the option is not exercisable and provides protection for the counterparty, which does not have a significant economic incentive to exercise it.

Moreover, at the date of preparation of this document, a number of disputes are in progress. The related outcomes have been classified as possible and therefore no provisions have been made in the financial statements:

- ongoing arbitration between SPE Santa Lucia Transmissora de Energia S.A. and Planova Planejamento e Construções S.A. and Krasis Participações S.A., regarding responsibility for postponement of the Commercial Operation Date ("COD"), as defined in the EPC contract;
- ongoing arbitration between SPE Transmissora de Energia Linha Verde I S.A. and Consórcio Construtor Linha Verde, regarding changes to the obligations provided for in the EPC contract;

12. Earnings per share

The amount of basic earnings per share, corresponding to diluted earnings per share, totalled €0.523 (numerator totalling €1,049.6 million — corresponding to the group-wide net profit for the year, net of the effect of interest paid to the holders of perpetual subordinated hybrid bonds and the related tax effect (down €12.4 million) — and denominator being 2,006,064,004.0 shares, equal to the weighted average number of shares outstanding during the year). The amount of basic earnings per share from continuing operations, corresponding to the diluted earnings per share from continuing operations pertaining to the Group, totalled €0.517 (numerator totalling €1,037.4 million — corresponding to the net profit for the year from continuing operations pertaining to the Group, net of the effect of interest paid to holders of perpetual subordinated hybrid bonds and the related tax effect (down €12.4 million) — and denominator being 2,006,064,004.0 shares, equal to the weighted average number of shares outstanding during the year).
If the effect of the perpetual hybrid subordinated bonds and the related tax effect is taken into account, the amount of basic earnings per share, corresponding to diluted earnings per share, totalled €0.529 (numerator totalling €1,061.9 million — corresponding to the group-wide net profit for the year, and denominator equal to 2,006,064,004.0 shares, equal to the weighted average number of shares outstanding during the year). The amount of basic earnings per share of continuing operations, corresponding to the diluted earnings per share of continuing operations attributable to the Group, is €0.523 (numerator equal to €1,049.7 million corresponding to the Group-wide profit for the year, and denominator equal to 2,006,064,004.0 shares, corresponding to the weighted average number of shares outstanding during the year).

C. Operating segments

In line with the latest Industrial Plan, and in compliance with IFRS 8, the Terna Group's identified operating segments are described below:

- **Regulated**
- **Non-regulated**
- **International**

The Regulated segment includes the development, operation and maintenance of the National Transmission Grid, in addition to dispatching and metering, and the activities involved in the construction of storage systems. These activities have been included in one operating segment, as they are all regulated by ARERA and have similar characteristics, in terms of the remuneration model and the method for setting the related tariffs.

The Non-regulated segment includes deregulated activities and specific business initiatives, above all relating to the Industrial field, which includes the operating results of the Tamini Group, relating essentially to the construction and commercialisation of electrical equipment, above all power transformers, and the Brugg Cables Group, which operates in the terrestrial cable sector, specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high-voltage cables. The Non-regulated segment also includes initiatives linked above all to the provision of services to third parties in the areas of Energy Services, consisting of the development of technical solutions and the supply of innovative services, including EPC (Engineering, Procurement and Construction) services, operation and maintenance of high-voltage and very high-voltage infrastructure, and the supply of energy efficiency services, broadly attributable to the subsidiary, Avvenia The Energy Innovator S.r.l.). This segment also includes Connectivity (support and housing services for fibre networks and IRU contracts for fibre). This segment includes the activities carried out in relation to the private interconnectors launched by Law 99/2009, legislation that assigned Terna responsibility for selecting undertakings (the "selected undertakings"), on the basis of public tenders, willing to finance specific cross-border interconnectors in exchange for the benefits resulting from a decree granting a third-party access exemption with regard to the transmission capacity provided by the new infrastructure. The Non-regulated Activities segment also includes the results of the LT Group, a leading provider of O&M services for photovoltaic plants.

On the other hand, the International segment includes the results deriving from opportunities for international expansion, which the Group aims to exploit by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country. Overseas investment focuses on countries with stable political and regulatory regimes and a need to develop their electricity infrastructure. This segment includes the results of the subsidiary Terna Plus S.r.l., the Peruvian company, Terna 4 Chacas S.A.C. (a charitable project), the Chilean company, Terna Chile S.p.A. and the US subsidiary, Terna USA LLC.

The results of the Brazilian company, Linha Verde I S.A., and of the Peruvian company, Terna Peru S.A.C., were restated under "Profit/(Loss) from discontinued operations and assets held for sale".

(€m)

	2024	2023	CHANGE	% CHANGE
REVENUE FROM REGULATED ACTIVITIES	3,096.2	2,669.8	426.4	16.0%
REVENUE FROM NON-REGULATED ACTIVITIES	584.0	516.8	67.2	13.0%
INTERNATIONAL REVENUE*	-	0.1	(0.1)	(100.0%)
TOTAL REVENUE	**3,680.2**	**3,186.7**	**493.5**	**15.5%**
GROSS OPERATING PROFIT (EBITDA)**	**2,566.4**	**2,168.6**	**397.8**	**18.3%**
of which regulated EBITDA ***	2,461.5	2,085.6	375.9	18.0%
of which non-regulated activities EBITDA	107.8	86.9	20.9	24.0%
of which International EBITDA	(2.9)	(3.9)	1.0	(25.6%)
Reconciliation of segment result with the Company's profit before tax				
GROSS OPERATING PROFIT (EBITDA)	**2,566.4**	**2,168.6**		
Amortisation, depreciation and impairment losses	889.0	806.3		
OPERATING PROFIT/(LOSS) (EBIT)	**1,677.4**	**1,362.3**		
Financial income/(expenses)	(175.4)	(120.3)		
Share of profit/(loss) of investments accounted for using the equity method	3.9	2.6		
Profit/(Loss) before tax	**1,505.9**	**1,244.6**		

* *Relating directly to the margin earned on overseas concessions.*
** *Gross operating profit - EBITDA is an indicator of operating performance, obtained by adding "Amortisation, depreciation and impairment losses" to "Operating profit/(loss) (EBIT)".*
*** *EBITDA including indirect costs.*

The Group's revenue for 2024 amounts to €3,680.2 million, an increase of €493.5 million (up 15.5%) compared to the previous year.

Gross operating profit (EBITDA) of €2,566.4 million is up €397.8 million (up 18.3%) on the €2,168.6 million of 2023.

EBITDA related to Regulated Activities stood at €2,461.5 million, showing an increase of €375.9 million compared to the previous year's figure, mainly due to the impact on tariff revenue and incentives (up €385.0 million) from the WACC re-estimation recognised for 2024 and the expansion of the Regulated Asset Base (RAB).

EBITDA from Non-regulated Activities in 2024 totalled €107.8 million, showing an increase of €20.9 million compared to the previous year. This primarily reflects the increased contribution from Equipment (up €9.1 million from the Brugg Cables Group and up €9.5 million from the Tamini Group), Energy Services and Connectivity (up €2.1 million) as well as private interconnectors (up €0.2 million).

EBITDA from International Activities in 2024 (down €2.9 million) chiefly relates to costs incurred by the central departments to support international endeavours. This figure is in line with the same period of the previous year.

The **profit from discontinued operations and assets held for sale amounted to €11.6 million**, showing an increase of €9.1 million compared to the previous year. The rise was mainly due to the capital gain from the third closing for the sale of SPE Transmissora de Energia Linha Verde I S.A. to CDPQ, which was finalised in November 2024.

Further information is provided in the related paragraph in note 11 in the consolidated financial statements.

(€m)

	31.12.2024	31.12.2023
Net non-current assets*	20,704.0	18,964.7
of which investments in associates and joint arrangements	*81.6*	*76.7*
Net working capital **	(2,025.2)	(2,174.6)
Gross invested capital***	18,678.8	16,790.1

* *Net non-current assets include the value of "Property, plant and equipment", "Goodwill", "Intangible assets", "Investments accounted for using the equity method", "Other non-current assets" and "Non-current financial assets".*

** *Net working capital is the difference between total current assets less cash and the items, "Current financial assets" and total current liabilities, less the short-term portion of long-term borrowings and the items, "Short-term borrowings" and "Current financial liabilities", and the item, "Other non-current liabilities".*

*** *Gross invested capital is the sum of net non-current assets and net working capital.*

D. Notes to the consolidated statement of financial position

Assets

13. Property, plant and equipment – €19,237.1 Million

(€m)

	LAND	BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
COST AT 31 DECEMBER 2023	**232.5**	**2,587.5**	**22,391.2**	**251.3**	**289.0**	**2,885.3**	**28,636.8**
Investments	0.8	12.8	0.6	8.6	8.1	2,394.0	2,424.9
of which right-of-use assets	-	*6.5*	-	*0.7*	*6.2*	*2.8*	*16.2*
Assets entering service	6.6	132.1	1,314.9	7.5	34.0	(1,495.1)	-
Translation differences	-	(0.7)	-	(1.2)	(0.1)	-	(2.0)
of which right-of-use assets	-	*0.1*	-	-	-	-	*0.1*
Disposals and impairments	-	(8.7)	(117.5)	(1.8)	(2.6)	(14.0)	(144.6)
of which right-of-use assets	-	*(8.4)*	-	-	*(2.2)*	-	*(10.6)*
Other movements	2.9	(8.1)	(26.9)	-	(18.1)	(15.2)	(65.4)
COST AT 31 DECEMBER 2024	**242.8**	**2,714.9**	**23,562.3**	**264.4**	**310.3**	**3,755.0**	**30,849.7**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2023	**(2.9)**	**(863.0)**	**(9,790.1)**	**(196.3)**	**(187.8)**	**-**	**(11,040.1)**
Depreciation	(0.7)	(69.6)	(594.6)	(10.7)	(30.9)	-	(706.5)
of which right-of-use assets	*(0.7)*	*(7.3)*	-	-	*(11.2)*	-	*(19.2)*
Translation differences	-	0.2	-	1.2	0.1	-	1.5
Disposals	-	8.5	112.7	1.9	2.5	-	125.6
of which right-of-use assets	-	*8.3*	-	-	*2.0*	-	*10.3*
Other movements	-	-	0.4	(0.1)	6.6	-	6.9
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2024	**(3.6)**	**(923.9)**	**(10,271.6)**	**(204.0)**	**(209.5)**	**-**	**(11,612.6)**
Carrying amount							
AT 31 DECEMBER 2024	**239.2**	**1,791.0**	**13,290.7**	**60.4**	**100.8**	**3,755.0**	**19,237.1**
of which right-of-use assets	*4.2*	*31.8*	*19.4*	*0.7*	*30.7*	*2.8*	*89.6*
AT 31 DECEMBER 2023	**229.6**	**1,724.5**	**12,601.1**	**55.0**	**101.2**	**2,885.3**	**17,596.7**
of which right-of-use assets	*4.9*	*32.6*	*19.4*	-	*35.9*	-	*92.8*
CHANGE	**9.6**	**66.5**	**689.6**	**5.4**	**(0.4)**	**869.7**	**1,640.4**

The category, "Plant and equipment," at 31 December 2024 includes the electricity transmission grid and transformer substations in Italy.

"Property, plant and equipment" is up €1,640.4 million compared with 31 December 2023, reflecting ordinary movements during the year as a result of:

- investment of €2,424.9 million during the year, including €2,378.5 million in the Group's Regulated Activities and €46.4 million in Non-regulated Activities, primarily with regard to the re-routing of power lines requested by third parties;
- depreciation for the year (€706.5 million);
- other changes during the year (down €59.0 million) included in particular contributions for plant and equipment (down €50.8 million mainly for re-routing of power lines to third parties and for projects financed by the Ministry of Economic Development/EU) and exchange rate differences;
- disposals and impairments were down €19.0 million.

A summary of movements in property, plant and equipment during the year is shown below.

	(€m)
Investments	
- Transmission lines	1,333.0
- Transformer substations	876.9
- Other	215.0
Total investment in property, plant and equipment	**2,424.9**
Depreciation	(706.5)
Other movements	(58.5)
Disposals and impairments	(19.0)
Translation differences	(0.5)
TOTAL	**1,640.4**

With reference to the main projects undertaken during the year in the area of Regulated Activities, it should be noted that activities for the construction of the Tyrrhenian Link (€654.7 million) continued, while executive design activities related to the construction of the Adriatic Link (€118.5 million) and to the construction of the SA.CO.I.3 (€83.4 million), progress in the construction of the Paternò-Pantano-Priolo power line (€22.5 million), Olympic Projects (€99.4 million), Colunga-Calenzano (€38.6 million), Bolano-Annunziata (€31.3 million), Cassano-Chiari (€27.3 million), construction of the reactors and stabilising resistors (€16.2 million and €9.4 million, respectively), installation of the synchronous compensators (€21.8 million) and expansion of the "'Fiber for the Grid" project (€9.6 million).

14. Goodwill – €250.9 Million

Goodwill, amounting to €250.9 million at 31 December 2024, refers to the Parent Company's acquisition of (i) Terna Rete Italia S.r.l., reflected in the financial statements at a carrying amount of €101.6 million, (ii) RTL S.p.A. reflected in the financial statements at a carrying amount of €88.6 million, and (iii) Rete S.r.l. amounting to €26.3 million, as well as the acquisition of TES - Transformer Electro Services by the Tamini Group, with a carrying amount of €13.6 million, and the acquisition carried out by the Parent Company, through its subsidiary Terna Energy Solutions S.r.l., of an 87.5% interest in LT S.r.l. (LT Group), accounted for at a carrying amount of €19.3 million and through the Brugg Group, a 100% interest in Laser TLC S.r.l., accounted for at a carrying amount of €1.5 million.
The €1.4 million drop compared to 31 December 2023 is due to the final allocation of the value arising from the acquisition of Omnia S.r.l., which took place in March 2023 by the LT Group, later merged into LT S.r.l. on 5 October.

Impairment testing

For the purposes of impairment testing, goodwill has been allocated to three cash generating units (CGUs): the first consisting of "Transmission activities" within the Group's Regulated Activities, amounting to €216.5 million, and the second relating to the "Production and commercialisation of transformers", forming part of the Group's Non-regulated Activities, totalling €13.6 million. The third relates to the design, construction, operation and maintenance of renewable sources, amounting to €19.3 million.
Disclosures regarding the impairment testing of the goodwill allocated to the Group's "Transmission" CGU are provided below. Measurement of the recoverable amount of the goodwill allocated to the transmission activities was based on fair value less costs of disposal. Determination of the carrying amount of the CGU represented by the NTG was based on Terna S.p.A.'s net invested capital at 31 December 2024, appropriately adjusted for the assets and liabilities not falling within the scope of Transmission activities (e.g., Dispatching, Non-regulated and International activities). The recoverable amount was based on fair value after applying an EBITDA multiple to the operating profit of the CGU represented by the NTG. This multiple was calculated at the level of the Company, as the ratio between the enterprise value (the sum of the stock market capitalization and net debt) and the Company's EBITDA. The result obtained is significantly higher than the carrying amount recognised in the financial statements inclusive of goodwill.

The impairment test of the CGU represented by the production and commercialisation of transformers was based on fair value less costs of disposal, determined on the basis of the average EBITDA multiple for the sector. Measurement of the recoverable amount was based on estimated fair value applying the EBITDA multiple for 2025. This multiple was approximately 17.4, the average for a sample of companies operating in the sector. The resulting fair value was then appropriately discounted to present value at the end of 2024. The result was higher than the carrying amount inclusive of goodwill.
With regard to the CGU related to the design, construction, operation and maintenance of renewable sources, the impairment test was carried out using the fair value less cost of disposal, determined on the basis of a multiple of the average EBITDA for the sector. Measurement of the recoverable amount was based on estimated fair value applying the EBITDA multiple for 2025. This multiple was approximately 10.5, the average for a sample of companies operating in the sector. The resulting fair value was then appropriately discounted to present value at the end of 2024. The result was higher than the carrying amount inclusive of goodwill.

15. Intangible assets – €731.3 Million

(€m)

	INFRASTRUCTURE RIGHTS	CONCESSIONS	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
Cost	665.1	135.4	825.0	129.8	1,755.3
Accumulated amortisation	(456.4)	(101.7)	(582.3)	-	(1,140.4)
BALANCE AT 31 DECEMBER 2023	**208.7**	**33.7**	**242.7**	**129.8**	**614.9**
Investments	-	-	3.1	264.1	267.2
Assets entering service	61.9	-	138.5	(200.4)	-
Disposals and impairments	-	-	-	(0.7)	(0.7)
Depreciation	(45.6)	(5.7)	(111.7)	-	(163.0)
Other movements	10.3	-	1.4	1.2	12.9
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**274.0**	**194.0**	**731.3**
Cost	741.3	135.4	969.7	194.0	2,040.4
Accumulated amortisation	(506.0)	(107.4)	(695.7)	-	(1,309.1)
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**274.0**	**194.0**	**731.3**
CHANGE	**26.6**	**(5.7)**	**31.3**	**64.2**	**116.4**

Intangible assets amount to €731.3 million (€614.9 million at 31 December 2023); this item includes:

- the infrastructure used in provision of the dispatching service in Italy accounted for in accordance with "IFRIC 12 – Service Concession Arrangements", with the carrying amount, at 31 December 2024 of infrastructure entering service during the year amounting to €235.3 million and of those under construction, included in the category "Assets under development and prepayments", amounting to €76.2 million (at 31 December 2023, the matching figures were €208.7 million and €41.7 million, respectively);
- the concession for electricity transmission and dispatching activities in Italy (with a carrying amount of €28.0 million at 31 December 2024). This 25-year concession was recognised in 2005, initially at fair value and subsequently at cost.

Other intangible assets primarily include software applications, either produced internally or purchased as part of systems development programmes, and the contract to provide support services for fibre networks acquired with Rete S.r.l. in 2015 (measured as part of the process of allocating the goodwill acquired by the Terna Group). Investment in these assets during the year, primarily attributable to the Parent Company (€167.7 million), essentially regard internal development programmes.

The increase compared with the previous year (up €116.4 million) broadly reflects the net effect of investment (up €267.2 million, including €96.4 million in infrastructure rights) and amortisation (down €163.0 million).

Investment in intangible assets during the year (€267.2 million, including €264.3 million attributable to the Parent Company's Regulated Activities), included expenditure on the development of software applications for the Remote Management System for Dispatching (€47.1 million), the Power Exchange (€15.3 million), the Metering System (€2.8 million) and for protection of the electricity system (€4.6 million), as well as software applications and generic licences (€154.9 million).

16. Deferred tax assets – €228.4 million

(€m)

	31.12.2023	PROVISIONS	WITHDRAWALS AND OTHER CHANGES	IMPACTS RECOGNISED IN THE STATEMENT OF COMPREHENSIVE INCOME	31.12.2024
DEFERRED TAX ASSETS					
Property, plant and equipment	89.2	32.9	-	-	122.1
Provisions for risks and charges	21.7	6.5	(4.6)	-	23.6
Employee benefits	13.8	3.9	(2.2)	(1.3)	14.2
Cash flow hedges and financial assets	(12.3)	-	-	8.9	(3.4)
Tax relief on goodwill	11.8	-	(3.0)	-	8.8
Other	70.5	14.0	3.2	(0.1)	87.6
Total deferred tax assets	**194.7**	**57.3**	**(6.6)**	**7.5**	**252.9**
DEFERRED TAX LIABILITIES					
Property, plant and equipment	(8.3)	-	0.9	-	(7.4)
Other	(14.8)	-	0.5	-	(14.3)
Employee benefits and financial instruments	(2.9)	-	0.1	-	(2.8)
Total deferred tax liabilities	**(26.0)**	**-**	**1.5**	**-**	**(24.5)**
DEFERRED TAX ASSETS	**168.7**	**57.3**	**(5.1)**	**7.5**	**228.4**

The balance of this item, amounting to €228.4 million, includes the net impact of changes in the Group's deferred tax assets and liabilities.

Deferred tax assets (€252.9 million) are up by a net amount compared with the amount at 31 December 2023 (€194.7 million). These assets underwent the following movements during the year:

- net provisions recognised through comprehensive income, totalling €8.9 million, primarily due to the tax effect of changes in cash flow hedges and employee benefits;
- provisions recognised by Terna S.p.A. for the non-deductible portion of book depreciation (€32.9 million);
- use of the accrued portion recognised in relation to tax relief on the goodwill resulting from the merger of Terna Rete Italia S.r.l. and attributable to the Parent Company (€3.0 million);
- net provisions and other changes, totalling €17.1 million, primarily regarding the recognition of deferred tax assets revaluations of properties and on other items recognised by the overseas companies and the Tamini Group. Note should also be taken of the tax effect related to the adjustment of the contingent liability relating to the purchase of the 12.5% minority interest in the subsidiary LT S.r.l. (€9.2 million).

Deferred tax liabilities (€24.5 million) are down by a net amount of €1.5 million essentially due to net provisions and other movements of €1.0 million, primarily following the recognition of deferred tax liabilities on other provisions made by the subsidiary, Rete S.r.l..

17. Investments accounted for using the equity method – €81.6 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Cesi S.p.A.	47.8	46.1	1.7
CGES A.D.	26.7	26.7	-
Coreso S.A.	1.2	1.0	0.2
Equigy B.V.	0.5	0.4	0.1
TOTAL ASSOCIATES	**76.2**	**74.2**	**2.0**
Wesii S.r.l.	2.9	-	2.9
SEleNe CC S.A.	2.3	2.1	0.2
ELMED Etudes S.a.r.l.	0.2	0.2	-
BMT Energy Transmission Development LLC	-	0.2	(0.2)
JOINT ARRANGEMENTS	**5.4**	**2.5**	**2.9**
TOTAL INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	**81.6**	**76.7**	**4.9**

This item stood at €81.6 million and refers to the equity investments of the Parent Company Terna S.p.A. in the associate CESI S.p.A. (€47.8 million), in the associate CORESO S.A. (€1.2 million), in the associate CGES - CrnoGorski Elektroprenosni Sistem AD (€26.7 million), in the associate Equigy B.V. (€0.5 million) and in joint arrangements SEleNe CC S.A. (€2.3 million), ELMED Etudes S.a.r.l. (€0.2 million) and Wesii S.r.l. (€2.9 million), an Italian company acquired on 7 March 2024, with 33% of its capital being held by the subsidiary Terna Forward S.r.l. and the remainder by third parties.
The increase compared to the previous year, totalling €4.9 million, essentially reflects the recognition of the equity interest in the new joint arrangement Wesii S.r.l. (up €2.9 million), the adjustment of the Group's share of equity at 31 December 2024 held in associates CESI S.p.A. (up €1.7 million), CORESO S.A. (up €0.2 million) and Equigy B.V. (up €0.1 million) and in joint arrangement SEleNe CC S.A. (up €0.1 million).
Financial information pre-closing for 2024 for the Terna Group's main associates is provided below:

(€m)

	AT 31 DECEMBER 2024				
	NON-CURRENT ASSETS	CURRENT ASSETS	NON-CURRENT LIABILITIES	CURRENT LIABILITIES	EQUITY
CESI S.p.A.	179	95	19	(*)	101
CORESO S.A.	28	5	-	26	7
CGES A.D.	286	79	68	37	260
EQUIGY B.V.	2	1	1	-	2

(*) The pre-closing figure for 2024 does not include the allocation of working capital.

(€m)

	2024		
	REVENUE	PROFIT/(LOSS) BEFORE TAX	PROFIT/(LOSS) FOR THE YEAR
CESI S.p.A.	181	3	2
CORESO S.A.	42	2	1
CGES A.D.	101	30	25
EQUIGY B.V.	8	1	1

18. Financial assets

(€m)

	MEASUREMENT	31.12.2024	31.12.2023	CHANGE
Deposit in the Interconnector Guarantee Fund	Amortised cost	372.4	285.0	87.4
Cash flow hedges	FVTOCI	-	17.4	(17.4)
Government securities	FVTOCI	-	119.1	(119.1)
Financial assets servicing employee plan	FVTOCI	7.0	-	7.0
Other non-current financial assets	FVTPL - Amortised cost	7.1	4.2	2.9
Other investments	FVTOCI	1.7	0.1	1.6
NON-CURRENT FINANCIAL ASSETS		**388.2**	**425.8**	**(37.6)**
Government securities	FVTOCI	121.9	96.8	25.1
Other securities	FVTPL-FVTOCI	104.6	100.4	4.2
Time deposits	Amortised cost	200.0	165.0	35.0
Deferred assets on derivatives		1.2	7.3	(6.1)
Cash flow hedges	FVTOCI	-	0.4	(0.4)
Other current financial assets		19.6	14.2	5.4
CURRENT FINANCIAL ASSETS		**447.3**	**384.1**	**63.2**

"Non-current financial assets" are down €37.6 million, compared with 31 December 2023, reflecting:

- a €119.1 million decrease in government securities following reclassification to current financial assets;
- a €17.4 million reduction in cash flow hedges hedging borrowings due to market interest rate movements and the change in the derivatives held. The balance was measured by discounting expected cash flows using market interest rates at the measurement date;
- an increase in assets supporting the Brugg Cables employee benefit plan (up €7.0 million);
- an increase of €2.9 million relating to investments by Terna Forward in the Infra Tech and Energy Tech segments of CDP Venture Capital SGR's Corporate Partners I Fund;
- an increase of €1.6 million in other equity investments made by Terna Forward in three start-ups: Melaworks, D-Orbit and Unusuals World;
- an increase in security deposits provided by operators who participate in the capacity market pursuant to Resolution 98/2011/R/eel, as amended (up €68.3 million), and the Interconnector Guarantee Fund, established to fund investment in interconnections as under Article 32 of Law 99/09 (up €19.1 million).

"Current financial assets" increased by €63.2 million compared to the previous year, primarily due to an increase in short-term time deposits during the period (up €35.0 million), an increase in unpaid accrued interest on financial investments (up €5.4 million) and a change in Italian government securities and other securities holdings (totalling up €29.3 million), partially offset by recognition of interest accrued but not yet paid on derivative contracts (down €6.1 million).

19. Other assets

(€m)

	31.12.2024	31.12.2023	CHANGE
Loans and advances to employees	10.0	10.9	(0.9)
Deposits with third parties	4.9	4.9	-
Other non-current assets	-	(0.3)	0.3
OTHER NON-CURRENT ASSETS	**14.9**	**15.5**	**(0.6)**
Other tax credits	67.1	57.6	9.5
Prepayments to suppliers	12.5	11.1	1.4
Prepayments of operating expenses and accrued operating income	26.7	24.0	2.7
Amounts due from partners selected for Interconnector projects	3.4	2.9	0.5
Amounts due from others	58.6	65.3	(6.7)
OTHER CURRENT ASSETS	**168.3**	**160.9**	**7.4**

"Other non-current assets" (€14.9 million) showed a change essentially in line with the previous year.

"Other current assets", totalling €168.3 million, are up €7.4 million compared with 31 December 2023, primarily reflecting:

- other tax credits (up €9.5 million), mainly reflecting an increase in the Group's refundable VAT (up €13.5 million);
- higher advances to suppliers (up €1.4 million) mainly related to higher advances paid by the subsidiaries Brugg Cables Group (up €0.8 million) and Terna Rete Italia S.p.A. (up €0.2 million) following the start of new projects during the year;
- a reduction in amounts due from others (down €6.7 million), broadly attributable to the net decrease in subsidies (the so-called 110% grant) due to subsidiary Avvenia (€4.6 million).

20. Inventories – €108.2 million

This item, totalling €108.2 million, was up €33.2 million compared with the previous year. This primarily reflects materials to be used in contract work by the Brugg Cables Group (up €16.0 million), by the Tamini Group (up €15.7 million) and by the LT Group (up €0.3 million).

21. Trade receivables – €3,194.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Energy-related receivables	2,186.9	1,268.5	918.4
Transmission charges receivables	682.1	576.2	105.9
Other trade receivables	325.8	310.1	15.7
TOTAL	**3,194.8**	**2,154.8**	**1,040.0**

Trade receivables at 31 December 2024 amounted to €3,194.8 million and were accounted for less any losses recognised in the allowance for doubtful accounts (€70.6 million for energy-related receivables, of which €73.6 million pertained to non-recoverable dispatching receivables in respect of which an application for compensation was submitted pursuant to ARERA Resolution No. 5/2024[5], and €23.5 million for other receivables related to 2024, compared to €13.3 million for energy-related receivables and €20.9 million for other receivables related to 2023. More details available in section "E". The carrying amount shown broadly approximates to fair value.

The measurement of expected credit losses is described in the section, "A. Accounting policies and measurement criteria".

Energy-related/regulated receivables – €2,186.9 million

This item includes so-called "pass-through items" relating to the dispatching activities carried out by the Parent Company (€1,415.9 million) and receivables due from the users of dispatching services forming part of Regulated Activities (€750.5 million). It also includes the amount due from the Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA) (€20.5 million), relating to quality of service.

These receivables were up €918.4 million compared to 2023 year-end, primarily reflecting:

- an increase in receivables for the procurement of dispatching resources ("Power Exchange") to the extent of €718.2 million, essentially referring to the uplift fee, which was mainly affected by the recovery and ensuing transfer to the users of the credit balances accrued as a result of the cost reduction in the DSM area;
- an increase of €91 million in Capacity Market-related items due to higher receivables relating to hedging fees compared to the reference cost at the end of 2024;

[5] With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA Resolution No. 179/09).

- an increase in receivables (€58.8 million) arising from incentive mechanisms aimed at reducing dispatching costs (DSM incentive, Resolutions 597/2021 and 132/2022) as a result of the recognition of the bonus accruing in 2024 (€374.1 million[6], gross of the effect of discounting) net of the collections for the year in accordance with the methods set forth in the applicable regulations (€315.3 million, of which €50 million referred to intra-zonal incentives pursuant to Resolution 699/2018);
- receivables recognised as a result of the compensation of stranded receivables resolved pursuant to ARERA Resolution No. 5/2024 (€36.3 million, net of collections for the period).

Transmission charges receivable – €682.1 million

Transmission charges receivable, amounting to €682.1 million, represent the amount due to the Parent Company and other grid owners from electricity distributors for use of the National Transmission Grid. This receivable is up €105.9 million compared with 31 December 2023, reflecting the revised tariff (Resolution 632/2023)[7], recognition of the accrued return on digital substation systems in accordance with ARERA Resolution 565/2020, and recognition of the amount due to cover the added costs incurred in 2024 that were not covered by the specific tariff component relating to the Inter-TSO Compensation (ITC) scheme[8], recognised from 2020 through the transmission charge.

Other trade receivables – €325.8 million

Other trade receivables primarily regard amounts receivable from customers of the non-regulated business. These amounts derive from the provision of specialist services to third parties, primarily in relation to plant engineering services, the operation and maintenance of high-voltage and very high-voltage infrastructure, and the housing of telecommunications equipment and maintenance services for fibre networks, as well as in relation to contract work carried out by the Tamini Group, the subsidiary, Brugg Cables and the LT Group.

This item showed a net increase of €15.7 million compared to the previous year, broadly due to increases in contract work at Terna Energy Solutions S.r.l. (up €9.2 million) and the LT Group (up €21.3 million), offset by a reduction in Terna Interconnector S.r.l.'s receivables (down €7.1 million) and those of the Brugg Cables Group (down €5.4 million)

The following table shows receivables resulting from contract work in progress (€84.5 million), being carried out by the Group under multi-year contracts with third parties:

(€m)

	PREPAYMENTS	VALUE OF CONTRACT	BALANCE AT 31 DECEMBER 2024	PREPAYMENTS	VALUE OF CONTRACT	BALANCE AT 31 DECEMBER 2023
Contract work in progress	(342.4)	470.1	**127.7**	(393.0)	542.5	**149.5**

The Group's contract work in progress showed a net decrease of €21.8 million compared to the previous year, essentially due to the timing advance related to contracts at the Brugg Cables Group (down €29.7 million), the Tamini Group (down €4.3 million) and Terna Energy Solutions S.r.l. (down €3.3 million), partially offset by an increase in contracts under management by the subsidiary Terna Rete Italia S.p.A. (up €3.6 million).

22. Cash and cash equivalents – €2,311.5 million

Cash amounts to €2,311.5 million at 31 December 2024, including €2,090.2 million invested short-term readily convertible deposits and €221.3 million deposited in bank current accounts and cash in hand.

23. Income tax assets – €8.7 million

Income tax assets (€8.7 million) increased by €3.9 million compared to the previous year, mainly due to the settlement of higher advance payments that resulted in the carry-over of higher credits usable in future years.

[6] Includes discount income totalling €28.2 million.
[7] "Determination of the reference revenue from the transmission and dispatching service and of the electricity transmission tariffs for 2024" whereby the reference revenue from the transmission and dispatching service and the electricity transmission tariffs for 2024 are determined, reflecting the adjustment set out in ARERA Resolutions 556/2023 and 615/2023.
[8] Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows. The related charges are allocated to "Energy-related non pass-through payables".

Equity and liabilities

24. Equity attributable to owners of the Parent and non-controlling interests

Equity attributable to owners of the Parent – €7,524.2 million

Share capital – €442.2 million

The Parent Company's share capital consists of 2,009,992,000 ordinary shares with a par value of €0.22 per share.

Legal reserve – €88.4 million

The legal reserve accounts for 20% of the Parent Company's share capital.

Reserve for treasury shares - (€31.4) million

In implementation of the purchase of treasury shares programme linked to the new Performance Share Plan 2024-2028, approved by the Annual General Meeting of shareholders on 10 May 2024, in the period between 4 September 2024 and 4 October 2024, the Parent Company purchased 998,428 treasury shares (equal to 0.050% of the share capital), at a total cost of approximately €8.0 million. These are in addition to those purchased in previous years to service the Performance Share Plan 2020-2023, the Performance Share Plan 2021-2025, the Performance Share Plan 2022-2026 and the Performance Share Plan 2023-2027.

In addition, in the period between 10 May 2024 and 4 June 2024, the Parent Company allotted 1,060,240 treasury shares to the beneficiaries of the Performance Share Plan 2021-2025, amounting to a total of approximately €6.4 million.

As a result, at 31 December 2024, Terna S.p.A. now holds a total of 4,151,848 treasury shares (equal to 0.207% of the share capital), purchased at a cost of €31.4 million, thereby reducing other reserves by this amount.

Reserve for equity instruments – €1,835.6 million

The value of this reserve reflects non-convertible hybrid perpetual subordinated green and fixed-rate bonds ("hybrid green bonds") issued by the Parent Company:

- Bond issued on 2 February 2022, for a face amount of €1 billion (€989.0 million net of ancillary costs). This bond, which is non-callable for six years, will pay coupon interest of 2.375% until 9 February 2028, the first reset date. After this date, the bonds will pay annual interest equal to the 5-year Euro Mid-Swap rate plus a spread of 212.1 basis points. This will be increased by a further spread of 25 basis points from 9 February 2033 and by an additional 75 basis points from 9 February 2048.
- Bond issued on 4 April 2024, for a total face amount of €850 million (€842.1 million net of related ancillary costs). This bond, which is non-callable for six years, has an issue price set at 99.745%, with a spread of 214.2 basis points over the Mid-Swap rate. It features a fixed annual coupon of 4.750%, which will be paid until the first reset date (not included) on 11 April 2030 and will have an effective rate of 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the 5-year Euro Mid-Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

The tax effect on the ancillary costs of the aforementioned bonds was held under this item for a total amount of €4.5 million.

Share premium reserve, Cash flow hedge reserve and Other reserves – €777.3 million

The "Share premium reserve", "Cash flow hedge reserve" and "Other reserves" at 31 December 2024 amount to €777.3 million, having fallen €11.7 million compared with 31 December 2023, broadly as a result of other comprehensive income. This reflects:

- fair value adjustments to the Parent Company's cash flow hedges (down €30.1 million, including the related hedging costs of up €0.1 million, after the related taxation);
- the change in actuarial gains and losses on provisions for employee benefits (up €0.6 million, after the related taxation).
- fair value adjustments to the value of financial assets represented by securities (up €2.3 million, after the related taxation);

Retained earnings and accumulated losses – €3,589.8 million

The increase in "Retained earnings and accumulated losses", amounting to €199.3 million, primarily regards the remaining portion of the Group's profit for 2023 (up €202.8 million), following the Parent Company's payment of the dividend for 2023 (totalling €682.6 million). This item also includes the change in the scope of consolidation as a result of the acquisition through the subsidiary Terna Plus S.r.l., in February 2024, of the remaining 25% non-controlling interest in the Brazilian company "SPE Transmissora de energia Linha Verde I S.A." (down €7.0 million) subsequently sold on November 18, 2024, interest accrued to holders of the hybrid green bond (down €2.6 million), the recognition of the tax effect on this interest related to the hybrid bond issued on 2 February 2022 accrued until 31 December 2024 (up €11.4 million) and the change in foreign exchange differences on the translation of financial statements denominated in currencies other than the euro (down €2.8 million).

Interim dividend for 2024 and final dividend for 2023

On 6 November 2024, the Company's Board of Directors, having obtained the Independent Auditor's opinion required by article 2433-*bis* of the Italian Civil Code, decided to pay an interim dividend of 11.92 euro cents per share. The dividend was payable from 20 November 2024, with an ex-dividend date for coupon 41 on 18 November 2024. The dividend was paid to the holders of each ordinary share outstanding, with the exception of the amount payable on treasury shares held at the record date of 19 November 2024.
The Annual General Meeting of shareholders held on 10 May 2024 approved payment of a dividend for full-year 2023 of 33.96 eurocents per share, and the payment – before any withholdings required by law – of a final dividend of 22.50 eurocents per share (payable from 26 June 2024, with an ex-dividend date for coupon 40 of 24 June 2024), of which 11.46 eurocents paid in the form of an interim dividend payable from 22 November 2023.

Equity attributable to non-controlling interests – €19.8 million

Equity attributable to non-controlling interests, relating to the non-controlling shareholders of Terna Interconnector S.r.l., the Brugg Cables Group, the LT Group and ESPERIA-CC S.r.l. totalled €19.8 million, showing an increase of €0.9 million compared to 31 December 2023.

This change was mainly due to the acquisition through the subsidiary Terna Plus S.r.l., in February 2024, of the remaining 25% minority interest in the Brazilian company "SPE Transmissora de energia Linha Verde I S.A." (up €7.0 million) subsequently sold on 18 November 2024, and the purchase by the subsidiary Terna Energy Solutions S.r.l., on 20 December 2024, of a 12.5% minority interest in LT S.r.l. (down €4.8 million).

Reference is also made to the distribution of the dividend resolved by the Annual General Meeting of shareholders of the subsidiary LT S.r.l. on 13 March 2024 for the portion due to the third-party shareholder Solaris S.r.l. (down €1.9 million).

25. Borrowings and financial liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Bond issues	6,048.3	5,664.2	384.1
Bank borrowings	5,362.1	3,745.0	1,617.1
LONG-TERM BORROWINGS	**11,410.4**	**9,409.2**	**2,001.2**
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
NON-CURRENT FINANCIAL LIABILITIES	**58.8**	**164.5**	**(105.7)**
SHORT-TERM BORROWINGS	**1,657.1**	**1,201.7**	**455.4**
Bond issues	499.5	826.4	(326.9)
Bank borrowings	181.5	558.2	(376.7)
CURRENT PORTION OF LONG-TERM BORROWINGS	**681.0**	**1,384.6**	**(703.6)**
CURRENT FINANCIAL LIABILITIES	**111.9**	**113.8**	**(1.9)**
TOTAL	**13,919.2**	**12,273.8**	**1,645.4**

Borrowings and financial liabilities have increased by €1,645.4 million compared with the previous year to €13,919.2 million. The change primarily reflects:

- an increase in bank borrowings, amounting to €1,240.4 million, following the drawdown of new loans, totalling €2,400 million, after repayments of bank loans amounting to €1,000.0 million and repayments falling due on existing EIB loans. The change also reflects fair value adjustments of these financial instruments;
- an increase in short-term borrowings (€455.4 million) due to the use of short-term facilities and the issue of commercial paper by the Parent Company;
- an increase in bonds to the extent of €57.2 million, mainly as a result of the €850 million bond issue launched by Terna in January 2024, partially offset by the repayment of an €800 million bond issue in October 2024. The change also reflects fair value adjustments of these financial instruments;
- a decrease in the fair value of derivative financial instruments (down €105.7 million) due to the change in the related portfolio and market interest rate curve.

The latest official prices at 31 December 2024 and 31 December 2023 for the bonds listed on the Luxembourg Stock Exchange are detailed below:

(€m)

	ISIN	PRICE AT 31 DECEMBER 2024	PRICE AT 31 DECEMBER 2023
Bond maturity 2024:	XS0203712939	-	100.92
Bond maturity 2025:	XS2033351995	98.53	94.95
Bond maturity 2026:	XS1371569978	98.14	95.96
Bond maturity 2026:	XS1980270810	97.99	95.51
Bond maturity 2027:	XS1652866002	96.81	94.40
Bond maturity 2027:	XS2536846236	101.19	100.33
Bond maturity 2029:	XS2357205587	89.43	86.53
Bond maturity 2029:	XS2607193435	102.57	102.26
Bond maturity 2030:	XS2237901355	85.82	82.94
Bond maturity 2031:	XS2748847204	101.66	-
Bond maturity 2032:	XS2209023402	83.82	81.82
Bond maturity 2033:	XS2655852726	103.41	103.26

External sources from BNP Paribas, Bloomberg and Morgan Stanley.

Long-term borrowings

The table below shows movements in long-term debt during the year, including also the nominal amount:

(€m)

	31.12.2023			REPAYMENTS AND DRAWDOWNS CAPITALISATIONS		OTHER	CHANGE CARRYING AMOUNT	31.12.2024		
	NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE					NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE
Bond maturing 2024	800.0	826.4	807.4	(800.0)	-	(26.4)	(826.4)	-	-	-
Bond maturing 2025	500.0	498.5	474.7	-	-	1.0	1.0	500.0	499.5	492.6
Private Placement 2026	80.0	79.7	76.8	-	-	0.1	0.1	80.0	79.8	78.5
Bond maturing 2026	500.0	499.2	477.6	-	-	0.3	0.3	500.0	499.5	489.9
Private Placement 2027	100.0	99.8	100.3	-	-	0.1	0.1	100.0	99.9	101.2
Bond maturing 2027	1,000.0	988.0	944.0	-	-	3.3	3.3	1,000.0	991.3	968.1
Bond maturing 2028	750.0	712.9	685.9	-	-	7.6	7.6	750.0	720.5	705.2
Bond maturing 750_2029	750.0	742.7	766.9	-	-	1.3	1.3	750.0	744.0	769.3
Bond maturing 2029	600.0	597.6	519.2	-	-	0.4	0.4	600.0	598.0	536.6
Bond maturing 2030	500.0	437.0	414.7	-	-	13.0	13.0	500.0	450.0	429.1
Bond maturing 2031	-	-	-	-	850.0	(7.4)	842.6	850.0	842.6	864.1
Bond maturing 2032	500.0	366.3	409.1	-	-	13.2	13.2	500.0	379.5	419.1
Bond maturing 2033	650.0	642.5	671.2	-	-	0.7	0.7	650.0	643.2	672.2
Total bond issues	**6,730.0**	**6,490.6**	**6,347.8**	**(800.0)**	**850.0**	**7.2**	**57.2**	**6,780.0**	**6,547.8**	**6,525.9**
Borrowings	3,799.4	4,237.6	4,237.6	(1,139.9)	2,400.0	(12.9)	1,247.2	5,609.5	5,484.8	5,484.8
Lease liabilities	65.6	65.6	65.6	(19.3)	-	12.5	(6.8)	58.8	58.8	58.8
Total borrowings	**3,865.0**	**4,303.2**	**4,303.2**	**(1,159.2)**	**2,400.0**	**(0.4)**	**1,240.4**	**5,668.3**	**5,543.6**	**5,543.6**
Total debt	**10,595.0**	**10,793.8**	**10,651.0**	**(1,959.2)**	**3,250.0**	**6.8**	**1,297.6**	**12,448.3**	**12,091.4**	**12,069.5**

At 31 December 2024, the Terna Group's had access to additional financing of €3,905.0 million, represented by two fully-available revolving credit facilities.

In addition, the table shows the fair value of borrowings and bond issues. In the case of bond issues, this is market value based on prices at the reporting date, whilst variable rate loans are measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

The following table shows an analysis of bond issues and other borrowings by maturity, showing the related short-term portions.

(€m)

	MATURITY	31.12.2023*	31.12.2024*	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS	2026	2027	2028	2029	2030	AFTER	OTHER**	AVERAGE INTEREST RATE AT 31 DECEMBER 2024	AVERAGE INTEREST RATE AFTER HEDGES AT 31 DECEMBER 2024
Bonds	2024	826.4	-	-	-	-	-	-	-	-	-	-	4.90%	0.89%
	2025	498.5	499.5	500.0	-	-	-	-	-	-	-	(0.5)	0.13%	0.32%
	2026	499.2	499.5	-	500.0	500.0	-	-	-	-	-	(0.5)	1.00%	1.29%
	2026	79.7	79.8	-	80.0	80.0	-	-	-	-	-	(0.2)	1.60%	1.80%
	2027	988.0	991.3	-	1,000.0	-	1,000.0	-	-	-	-	(8.7)	1.38%	1.92%
	2027	99.8	99.9	-	100.0	-	100.0	-	-	-	-	(0.1)	3.44%	2.78%
	2028	712.9	720.5	-	750.0	-	-	750.0	-	-	-	(29.5)	1.00%	1.31%
	2029	597.6	598.0	-	600.0	-	-	-	600.0	-	-	(2.0)	0.38%	1.71%
	2029	742.7	744.0	-	750.0	-	-	-	750.0	-	-	(6.0)	3.63%	3.71%
	2030	437.0	450.0	-	500.0	-	-	-	-	500.0	-	(50.0)	0.38%	3.79%
	2031	-	842.6	-	850.0	-	-	-	-	-	850.0	(7.4)	3.50%	3.65%
	2032	366.3	379.5	-	500.0	-	-	-	-	-	500.0	(120.5)	0.75%	3.16%
	2033	642.5	643.2	-	650.0	-	-	-	-	-	650.0	(6.8)	3.88%	3.82%
EIB	2046	2,407.2	3,270.4	47.7	3,340.7	58.5	117.1	156.0	192.1	192.1	2,624.9	(118.0)	2.65%	2.63%
Terna's borrowing	2024	300.0	-	-	-	-	-	-	-	-	-	-	-	(1.25%)
Total fixed rate		**9,197.8**	**9,818.2**	**547.7**	**9,620.7**	**638.5**	**1,217.1**	**906.0**	**1,542.1**	**692.1**	**4,624.9**	**(350.2)**		
EIB	2041	836.3	721.0	115.3	605.7	115.3	115.3	115.3	96.0	103.3	60.5	-	4.31%***	2.16%
Terna's borrowing	2029	699.4	1,498.5	-	1,500.0	-	-	-	1,500.0	-	-	(1.5)	4.36%***	4.81%
Total variable rate		**1,535.7**	**2,219.5**	**115.3**	**2,105.7**	**115.3**	**115.3**	**115.3**	**1,596.0**	**103.3**	**60.5**	**(1.5)**		
TOTAL		**10,733.5**	**12,037.7**	**663.0**	**11,726.4**	**753.8**	**1,332.4**	**1,021.3**	**3,138.1**	**795.4**	**4,685.4**	**(351.7)**		

* *The balance does not include prepaid fees of €5.1 million at 31 December 2024 and of €5.3 million at 31 December 2023.*
** *Includes portions measured at amortised cost and fair value adjustments at 31 December 2024.*
*** *This is the average of the rates fixed in the sub-periods.*

(€m)

	31.12.2023	31.12.2024	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS
Finance leases	1.0	-	-	-
Operating leases	64.6	58.8	18.5	40.3
TOTAL	**65.6**	**58.8**	**18.5**	**40.3**

At 31 December 2024, payments on operating leases recognised in application of IFRS 16 amount to €19.3 million.

The total value of the Terna Group's long-term borrowings at 31 December 2024 is €12,037.7 million (€663.0 million falling due within 12 months and €11,726.4 million falling due after 12 months net of portions measured at amortised cost and fair value adjustments), of which €4,685.4 million maturing after five years.

Non-current financial liabilities – €58.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
TOTAL	**58.8**	**164.5**	**(105.7)**

Non-current financial liabilities, amounting to €58.8 million at 31 December 2024, reflect the fair value of fair value hedges and cash flow hedges.

Fair value was measured by discounting the expected cash flows using the market yield curve at the reporting date. The decreases of €105.7 million, compared to 31 December 2023 reflects the change in the derivatives held.

Short-term borrowings – €1,657.1 million

"Short-term borrowings", amounting to €1,657.1 million at 31 December 2024, have increased €455.4 million compared with the previous year, essentially due to the use of short-term credit facilities and the issue of commercial paper by the Parent Company.

Current financial liabilities – €111.9 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Foreign exchange cash flow hedges	1.7	0.1	1.6
Other current financial liabilities	-	38.5	(38.5)
DEFERRED LIABILITIES ON:			
Hedging derivatives	-	1.3	(1.3)
Bond issues	75.2	53.5	21.7
Borrowings	35.0	20.4	14.6
TOTAL	**111.9**	**113.8**	**(1.9)**

Current financial liabilities at 31 December 2024, amounting to €111.9 million, showed a €1.9 million decrease compared to 31 December 2023 essentially due to the payment to the Tunisian operator STEG of the accrued portion of the advance on the Italy-Tunisia interconnection project (down €38.5 million), offset by the value of the net financial expenses accrued on bonds and loans and not yet settled (up €36.3 million).

Net debt

Pursuant to the CONSOB Communication of 28 July 2006 and in compliance with Recommendation ESMA n. 32-382-1138 of 2021, the Group's net debt is as follows:

(€m)

	31.12.2024
A. Cash	221.3
B. Cash and cash equivalents*	2,090.2
C. Other current financial assets**	446.1
D. Liquidity (A) + (B) + (C)	**2,757.6**
E. Current financial liabilities (including debt instruments, but excluding the current portion of non-current financial liabilities)	1,657.1
F. Current portion of non-current debt***	791.7
G. Current debt (E+F)	**2,448.8**
H. Net current debt (G) - (D)	**(308.8)**
I. Non-current financial liabilities (excluding the current portion and debt instruments)****	5,373.9
J. Debt instruments*****	6,095.3
K. Non-current net debt (I) + (J)	**11,469.2**
L. Net debt (H) + (K)	**11,160.4**

* *Corresponds with the item, "Cash and can equivalents" relating to the value of short-term deposits.*

** *Corresponds with the item, " Current financial assets" relating to the value of government securities (€226.5 million), time deposits (€200.0 million) and accrued interest income (€19.6 million).*

*** *Corresponds with the item, "Current portion of long-term borrowings" relating to the short-term portion of long-term borrowings (€163.0 million), the short-term portion of bond issues (€499.5 million) and the short-term portion of lease liabilities (€18.5 million), "Current financial liabilities" and "Current financial assets" relating to the value of derivative assets and accrued financial income on derivatives (down €1.2 million).*

**** *Corresponds with the item, "Long-term borrowings" relating to the value of borrowings (€5,321.8 million) and the long-term portion of lease liabilities (€40.3 million) and "Non-current financial liabilities" relating to the value of derivative liabilities (€11.8 million).*

***** *Corresponds with the item, "Long-term borrowings" relating to the value of bond issues (€6,048.3 million) and the item, "Non-current financial liabilities" relating to the value of derivative liabilities on bonds (€47.0 million).*

Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Group is a party may contain provisions that, if certain events occur, authorise counterparties to call in such loans immediately, thereby generating liquidity risk.

Certain long-term loans obtained by the Parent Company, Terna S.p.A., contain covenants of a non-financial nature that are typical of international practice. The principal covenants relate to:

- the Company's bond debt, which consists of two hybrid, perpetual and green bond issues totalling €1,850,000,000 and twelve issues under its EMTN Programme ("*€12,000,000,000 Euro Medium Term Notes Programme*"); bank debt, which consists of revolving credit lines and bilateral credit lines ("bank debt");
- a series of loans to the Company from the European Investment Bank (EIB), amounting to a total of approximately €4.1 billion.

The main covenants relating to bond issues and the EMTN Programme involve clauses regarding i) "negative pledges", on the basis of which the Issuer or its Relevant Subsidiaries undertake not to create or maintain mortgages, pledges or other encumbrances on their assets or revenue to guarantee specific financial debt, unless the encumbrances are extended on an equal or pro rata basis to the bond issues in question (with the exception of certain "permitted guarantees"); ii) "*pari passu*", on the basis of which the securities constitute a direct, unconditional and unsecured obligation by the Issuer, ranking equally among them and with at least the same level of seniority as other present and future unsecured and non-subordinated borrowings of the Issuer; iii) "event of default", on the basis of which if certain predetermined events occur (e.g., failure to make a repayment, the liquidation of the Issuer, the breach of contractual obligations, a cross-default, etc.) a situation of default is established and the loan is immediately called in.

The main covenants relating to bank borrowings involve clauses related to i) negative pledges, on the basis of which the Issuer or the Relevant Subsidiaries undertake not to create or maintain guarantees on their assets to secure borrowings, with the exception of "permitted guarantees"; ii) *pari passu* on the basis of which the Borrower's payment obligations in relation to the loan agreements in question are not subordinated to any obligation related to other unsecured and non-subordinated creditors, without prejudice to privileges under the law; iii) "event of default", on the basis of which if certain predetermined events occur (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, business discontinuation, substantially prejudicial effects, the breach of contractual obligations, including pari passu conditions, a cross-default, etc.) a situation of default is established and the loan is immediately called in; iv) "ratings", which involve accelerated repayment should the rating fall below investment grade for the majority of rating agencies or should the Borrower cease to be rated by at least one agency.

The main covenants related to the EIB loans involve clauses related to i) negative pledges, on the basis of which the Company cannot create personal or real guarantees or, more generally, encumbrances, with the exception of encumbrances granted in relation to borrowings below given amounts and under contractually specified circumstances; ii) the provision to the Bank, at its request, of new guarantees should the ratings assigned by the rating agencies fall below the level indicated in the respective contracts agreed or should the Company cease to be rated by the rating agencies; iii) *pari passu*, on the basis of which the Company ensures that payment obligations rank equally with those related to all other unsecured, non-subordinated creditors, without prejudice to privileges under the law; iv) cases of contract termination/application of the call provision/withdrawal (e.g. failure to make a repayment, serious inaccuracies in documents and/or declarations, insolvency, events that have a negative impact on financial commitments made by the Company, extraordinary administration, liquidation, substantial prejudicial changes, the breach of contractual commitments, etc.); v) accelerated loan payment following the occurrence of given events (e.g. change of control over the Company, loss of the concession, extraordinary corporate events, etc.).

26. Employee benefits – €48.2 million

The Group provides its employees with benefits during their period of employment (loyalty bonuses), on termination of employment (*TFR*, energy discounts, additional months' pay and payment in lieu of notice) and after termination in the form of post-employment benefits (ASEM health cover).

Loyalty bonuses are payable to the Group's employees and senior managers once certain requirements have been met regarding length of service (on completing 25 and 35 years of service).

Termination benefits (*TFR*) are payable to all employees, whilst employees hired by 30 June 1996 receive energy discounts, senior managers recruited or appointed before 28 February 1999 receive payment in lieu of notice and employees (blue-collar workers, office staff and middle managers) employed prior to 24 July 2001 are due additional months' pay on termination.

Post-employment benefits consist of a form of supplementary health cover in addition to that provided by the Italian national health service, as provided for in the national collective contract for industrial managers (the ASEM health plan).

The following table shows the composition of provisions for *TFR* and other employee benefits and movements during the year ended 31 December 2024:

(€m)

	31.12.2023	PROVISIONS	INTEREST COST	USES AND OTHER MOVEMENTS	ACTUARIAL GAINS/(LOSSES)	31.12.2024
Benefits during the period of employment						
Loyalty bonuses and other incentives	4.5	0.2	0.1	(0.3)	-	4.5
Total	**4.5**	**0.2**	**0.1**	**(0.3)**	**-**	**4.5**
Termination benefits						
Deferred compensation benefits (*TFR*)	28.4	0.6	0.7	(2.7)	(0.4)	26.6
Energy discounts	2.2	-	0.1	(0.3)	0.1	2.1
Additional months' pay	4.7	0.2	0.1	(0.4)	0.1	4.7
Other similar benefits	0.7	-	-	0.1	-	0.8
Total	**35.9**	**0.8**	**0.9**	**(3.3)**	**(0.2)**	**34.2**
Post-employment benefits						
ASEM health plan	9.4	0.4	0.3	(0.4)	(0.2)	9.5
Total	**9.4**	**0.4**	**0.3**	**(0.4)**	**(0.2)**	**9.5**
TOTAL	**49.8**	**1.4**	**1.3**	**(4.0)**	**(0.4)**	**48.2**

This item, amounting to €48.2 million at 31 December 2024, decreased by €1.6 million compared to 31 December 2023, mainly due to utilisation and other changes (down €4.0 million, notably in provisions for post-employment benefits and allowance for non-employment (IMA) substantially related to the generational change implemented by the Company in recent years), partly offset by higher provisions and interest costs for the period (up €2.7 million, mainly related to benefits due upon termination of employment).

The following table shows the current service cost and interest income and expense.

(€m)

	LOYALTY BONUSES AND OTHER INCENTIVES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
Net impact recognised in profit or loss						
- current service cost	0.2	0.6	0.2	-	0.4	1.4
- interest income and expense	0.1	0.7	0.1	0.1	0.3	1.3
TOTAL RECOGNISED IN PROFIT OR LOSS	**0.3**	**1.3**	**0.3**	**0.1**	**0.7**	**2.7**

The revaluation of the net liability for employee benefits is shown in the following table, which provides details of the type of actuarial gain or loss recognised in other comprehensive income.

(€m)

	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
Actuarial gains/(losses)					
- based on past experience	-	0.1	0.2	0.1	0.4
- due to changes in discount rate	(0.4)	-	(0.1)	(0.3)	(0.8)
TOTAL IMPACT ON COMPREHENSIVE INCOME	**(0.4)**	**0.1**	**0.1**	**(0.2)**	**(0.4)**

Finally, the following tables show the main actuarial assumptions applied, a sensitivity analysis of movements in the assumptions and the payment schedule for the plan. In line with 2023, the interest rate used to determine the present value of the obligation was calculated on the basis of the yield on the Iboxx Eurozone Corporates AA index at 31 December 2024, matching the duration of the relevant group of plan participants.

	LOYALTY BONUSES AND OTHER INCENTIVES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN
Discount rate	3.17%	3.08%	2.95%	3.08%	3.17%
Inflation rate	2.00%	2.00%	-	-	2.70%
Duration (in years)	17-19	6-20	4-7	5-9	14-16

(€m)

	LOYALTY BONUSES AND OTHER INCENTIVES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
Discount rate +0.25%	3.8	24.2	2.8	2.2	12.3	**45.3**
Discount rate -0.25%	3.8	24.9	2.8	2.2	13.1	**46.8**
Inflation rate +0.25%	3.9	24.8	-	-	-	**28.7**
Inflation rate -0.25%	3.8	24.3	-	-	-	**28.1**
Annual rate of increase in health costs +3%	-	-	-	-	12.9	**12.9**
Annual rate of increase in health costs -3%	-	-	-	-	12.5	**12.5**

(€m)

	LOYALTY BONUSES AND OTHER INCENTIVES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
By the end of 2024	0.2	4.6	1.8	0.4	0.7	**7.7**
By the end of 2025	0.3	2.4	0.4	0.2	0.7	**4.0**
By the end of 2026	0.2	0.9	0.6	-	0.8	**2.5**
By the end of 2027	0.2	2.7	0.6	0.2	0.8	**4.5**
By the end of 2028	0.3	3.6	0.5	0.3	1.0	**5.7**
After 5 years	3.3	12.4	0.8	1.0	5.5	**23.8**
TOTAL	**4.5**	**26.6**	**4.7**	**2.1**	**9.5**	**48.2**

27. Provisions for risks and charges – €169.8 million

(€m)

	PROVISIONS FOR LITIGATION AND DISPUTES	SUNDRY PROVISIONS FOR RISKS AND CHARGES	PROVISIONS FOR EARLY RETIREMENT INCENTIVES	TOTAL
Amount at 31 December 2023	**12.9**	**105.3**	**33.6**	**151.8**
Provisions	2.6	36.8	12.3	51.7
Uses and other movements	(4.5)	(23.1)	(6.1)	(33.7)
Amount at 31 December 2024	**11.1**	**119.0**	**39.8**	**169.8**

Provisions for litigation and disputes – €11.1 million

These provisions, set aside to cover outstanding liabilities that, at the end of the year, could result from court judgements and out-of-court settlements regarding the activities of Group companies, have been assessed partly on the basis of recommendations from internal and external legal advisors. The balance at 31 December 2024, amounting to €11.1 million, primarily regards disputes involving the Parent Company in relation to the payment of damages relating to operation and maintenance, requests for compensation for easements and labour and social security disputes. This is down by a net €1.9 million compared with the previous year as a result of lower net provisions during the year.

Provisions for sundry risks and charges – €119.0 million

These provisions amount to €119.0 million at 31 December 2024 and essentially regard liabilities associated with urban and environmental restoration projects, regulation of the quality of the electricity service, staff incentive plans, right-of-way fees and tax-related aspects.

These provisions are up by a net €13.7 million, compared with the previous year reflecting:

- net provisions for right-of-way fees (€7.5 million);
- net provisions related to charges for deposit held in custody (€3.6 million);
- net provisions totalling €1.3 million linked to regulation of the quality of the electricity service (the mitigation and sharing mechanism introduced by ARERA Resolution 653/2015/R/eel) which, after uses for estimated penalties linked to outages during the year, reflects payments to distribution companies and releases following final determination of the penalties due to previous years.
- net use (€2.2 million) of provisions for urban and environmental restoration schemes.

Provisions for early retirement incentives – €39.8 million

Provisions for early retirement incentives reflects the estimated extraordinary expenses to be incurred in relation to the cost of the scheme for the year, linked to the early retirement of Group employees who have reached pensionable age and where the Group has an obligation. This item has increased by a net €6.2 million, reflecting payments in coming years in relation to the existing plan for generational turnover.

28. Other non-current liabilities – €1,091.5 million

This item, amounting to €1,091.5 million 31 December 2024, regards accrued grants related to assets receivable by the Parent Company (€59.1 million), in addition to payments on account received in relation to construction of the private Italy-Montenegro, Italy-France and Italy-Austria Interconnectors (totalling €526.3 million).
This item also includes the security deposits received from operators participating in the capacity market in accordance with Resolution 98/2011/R/eel (€189.1 million), the Interconnector Guarantee Fund set up by Terna S.p.A. following the issue of the 2016 Stability Law (€182.8 million), in order to fund investment in interconnections as under by Article 32 of Law 99/09, as well as adjustment of the contingent liability relating to the purchase of a 12.5% minority interest in the subsidiary LT S.r.l. (€22.5 million).
This item increased by €143.2 million over the previous year, essentially due to higher security deposits provided by operators who participate in the capacity market pursuant to Resolution 98/2011/R/eel, as amended (up €68.4 million), an increase in the Interconnector Guarantee Fund (up €18.9 million), the adjustment of the contingent liability for the purchase of a minority interest in LT S.r.l. (up €15.3 million) and an increase in long-term debt following the entry into service of the Italy-France and Italy-Austria interconnections (up €62.1 million).

29. Current liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Short-term borrowings *	1,657.1	1,201.7	455.4
Current portion of long-term borrowings *	681.0	1,384.6	(703.6)
Trade payables	3,524.5	2,864.9	659.6
Tax liabilities	112.3	-	112.3
Current financial liabilities *	111.9	113.8	(1.9)
Other current liabilities	776.9	756.9	20.0
TOTAL	**6,863.7**	**6,321.9**	**541.8**

** Information on these items is provided in note 25. Borrowings and financial liabilities*

Trade payables – €3,524.5 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Trade payables:			
- Energy-related payables	2,169.1	1,649.1	520.0
- Non-energy-related payables	1,273.5	1,134.9	138.6
Amounts due to associates	0.7	6.7	(6.0)
Contract work in progress	81.1	74.2	6.9
TOTAL	**3,524.5**	**2,864.9**	**659.6**

Trade payables

Energy-related/regulated payables

The €520.0 million increase in this item compared to the year-end figure for 2023 was essentially due to energy-related pass-through payables (€525.7 million), such change reflecting mainly:

- an increase in payables relating to the Essential Units ensuring the security of the electricity system - UESS (€353.6 million) due to lower payments in 2024 to reimburse the costs decided by ARERA to the owners of the plants[9];
- higher payables related to the Interruptibility Service Fee (€96.9 million) as a result of charges related to adjustment transactions to be settled with service licensees;
- an increase in payables (€80.6 million) related to costs for procurement of dispatching resources.

[9] ARERA ordered payments to Essential Unit owners through Resolutions No. 32-44-65-166-293-308-399-440-460-461-469-470-471-485-486-487-502-503-519-520-537-541-542/2024.

Non-energy related payables

The exposure to suppliers regards invoices received and to be received for contract work, services and purchases of materials and equipment.

The balance at 31 December 2024 (€1,273.5 million) was up €138.6 million on the previous year, largely due to increased capital expenditure towards the end of the year, primarily by the subsidiary, Terna Rete Italia S.p.A. (up €101.6 million), an increase in payables at the Tamini Group (up €10.5 million) and an increase in payables at the Parent Company (up €11.4 million).

Amounts due to associates

This item stood at €0.7 million, showing a decrease of €6.0 million compared to the previous financial year, mainly due to lower payables to associate CESI S.p.A. for services received mainly from subsidiary Terna Rete Italia S.p.A. (€5.1 million) and the Parent Company (€2.0 million) relating to electrical engineering studies and research endeavours.

Contract work in progress

Contract work in progress payables, amounting to €81.1 million at 31 December 2024, were up €6.9 million on the figure for 31 December 2023 (€74.2 million), essentially reflecting contract work in progress at the Tamini Group (up €11.1 million), net of a decrease in contract work at Terna Energy Solutions S.r.l. (down €3.3 million) and the Bugg Cables Group (down €1.9 million).

This item breaks down as follows.

(€m)

	PREPAYMENTS	VALUE OF CONTRACT	BALANCE AT 31 DECEMBER 2024	PREPAYMENTS	VALUE OF CONTRACT	BALANCE AT 31 DECEMBER 2023
Contract work in progress	193.9	(112.8)	**81.1**	131.1	(56.9)	**74.2**

The carrying amount of trade payables broadly approximates to fair value.

The commitments assumed by the Group towards suppliers amount to approximately €8,199.2 million and regard purchase commitments linked to the normal "operating cycle" projected for the period 2024-2028.

Tax liabilities

At 31 December 2024, this item showed a balance of €112.3 million compared to a zero figure posted at 31 December 2023. The change was due to the recognition of accrued taxes arising from higher pre-tax profit net of advance payments made during the year.

Other current liabilities – €776.9 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Prepayments	332.6	266.5	66.1
Other tax liabilities	38.0	36.7	1.3
Social security payables	37.1	31.6	5.5
Amounts due to personnel	84.5	62.7	21.8
Other payables due to third parties	284.7	359.4	(74.7)
TOTAL	**776.9**	**756.9**	**20.0**

Prepayments

This item amounts to €332.6 million at 31 December 2024 and regards grants related to assets collected by the Group (of which €128.8 million attributable to the Parent Company) to fund the construction of non-current assets in progress at 31 December 2024.

Compared with the balance at 31 December 2023 (€266.5 million) this item is up €66.1 million, essentially due to new prepayments received from third parties after grants deducted directly from the carrying amount of the related assets, totalling €50.8 million.

Other tax liabilities

Other tax payables, standing at €38.0 million, increased by €1.3 million compared to the previous year, mainly due to higher withholding taxes on salaries and wages recognised in the period (up €0.8 million).

Social security payables

Social security payables, essentially relating to contributions payable to INPS (the National Institute of Social Security) by the Parent Company and the subsidiary, Terna Rete Italia S.p.A., amount to €37.1 million. The figure is up €5.5 million compared with the previous year, due to an increase in contributions payable. This item also included the amount payable to the *Fondo Previdenza Elettrici – F.P.E.* (the Electricity Industry Pension Fund), amounting to €2.2 million (€2.3 million at 31 December 2023).

Amounts due to personnel

Amounts due to personnel, standing at €84.5 million, increased by €21.8 million compared to the previous year and essentially reflect:

- staff incentives payable in the following year (€46.1 million);
- amounts due to employees in the form of accrued and unused annual leave and bank holiday entitlements (€19.6 million);
- benefits payable to personnel leaving the Company by 31 December 2024 (€0.8 million).

Other payables due to third parties

Other payables due to third parties, amounting to €284.7 million, primarily regard guarantee deposits (€182.7 million) received from electricity market operators to guarantee their contractual obligations under dispatching and virtual interconnection contracts. This item also includes the potential liabilities attributable to the Brugg Cables Group, arising from the Purchase Price Allocation (€33.0 million, covered by an insurance policy) and resulting from ongoing litigation regarding a number of contracts with Colombian counterparties, and deferred income (€54.2 million, primarily attributable to the Group's non-regulated business).
This item showed a decrease totalling €74.7 million, mainly due to lower security deposits collected during the period (€75.7 million).

30. Discontinued operations and assets held for sale

The items, "Discontinued operations and assets held for sale" and "Liabilities related to discontinued operations and assets held for sale" included the assets and liabilities that make up the net assets attributable to the companies included in the agreement signed by the Terna Group and CDPQ, a global investment group, on 29 April 2022 for the sale of all the Group's power line assets in Brazil, Peru and Uruguay.
On 7 November 2022, the first transaction closing for the Brazilian companies, "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", owners of three power lines in Brazil, totalling 670 km, was completed. On 22 December 2022, the transaction closing for Difebal S.A., the owner of a power line in Uruguay, totalling 214 km, was completed.
In accordance with the agreement entered into on 29 April 2022, and following the fulfilment of the conditions set forth therein, on 18 November 2024 the third closing was finalised for the sale to CDPQ of SPE Transmissora de Energia Linha Verde I S.A., the owner of a power line in Brazil totalling approximately 150 km.
With regard to the sale of the project in Peru, given the impossibility of proceeding with the sale of the company to CDPQ following the buyer's failure to qualify as per announcement by the relevant authority (MINEM), the Group reached out to other operators to start the process aimed at the sale of the project in Peru, which it believes can be completed within 12 months.
Specifically, this item reflects the reclassification pursuant to IFRS 5 of net assets attributable to the Peruvian company Terna Peru S.A.C..

(€m)

ASSETS	31.12.2024	31.12.2023	CHANGE
Property, plant and equipment	1.4	1.4	-
Intangible assets	21.2	20.3	0.9
Deferred tax assets	2.2	2.4	(0.2)
Non-current financial assets	2.4	59.0	(56.6)
Other non-current assets	-	0.3	(0.3)
Inventories	0.4	0.4	-
Trade receivables	0.1	0.1	-
Current financial assets	-	7.3	(7.3)
Cash and cash equivalents	1.9	3.6	(1.7)
Income tax assets	0.3	0.6	(0.3)
Other current assets	1.4	5.5	(4.1)
Total assets	**31.3**	**100.9**	**(69.6)**
Accumulated impairment recognised on remeasurement of fair value less costs to sell	(15.9)	(15.9)	-
TOTAL ASSETS HELD FOR SALE	**15.4**	**85.0**	**(69.6)**
LIABILITIES			
Deferred tax liabilities	-	4.1	(4.1)
Trade payables	0.2	0.3	(0.1)
Tax liabilities	-	0.1	(0.1)
Other current liabilities	-	0.1	(0.1)
TOTAL LIABILITIES RELATED TO ASSETS HELD FOR SALE	**0.2**	**4.6**	**(4.4)**
TOTAL NET ASSETS HELD FOR SALE	**15.2**	**80.4**	**(65.2)**
Amounts included in OCI:			
Foreign currency translation reserve	2.5	3.6	(1.1)
Total reserves related to assets classified as held for sale	**2.5**	**3.6**	**(1.1)**

Net assets held for sale amounted to €15.2 million at 31 December 2024, and mainly reflect investments on infrastructure under concession in Peru related to the subsidiary Terna Peru S.A.C..

This item showed a decrease of €65.2 million compared to 31 December 2023, mainly due to the sale transaction relating to the Brazilian company SPE Transmissora de Energia Linha Verde I S.A (down €66.5 million) recognised during the period.

Cash flow

The following statement of cash flows shows cash flows attributable to the Latin American assets held for sale:

(€m)

	CASH FLOW 2024	CASH FLOW 2023
Operating Cash Flow	(0.8)	(8.1)
Cash flow for investing activities	(0.9)	(0.2)
Cash flow for the year attributable to discontinued operations and assets held for sale	**(1.7)**	**(8.3)**

Net outflow from continuing operations in Latin America totalled €0.8 million, mainly due to the effect of the sale of the Brazilian company SPE Transmissora de Energia Linha Verde I. S.A. during the period. It was covered together with the overall cash requirement related to investment activities (€0.9 million, mainly pertaining to infrastructure under concession in Peru) through a change in cash and cash equivalents to the extent of €1.7 million.

E. Commitments and risks

Risk management

In the course of its operations, the Terna Group is exposed to different financial risks: market risk, liquidity risk and credit risk.

This section provides information regarding the Terna Group's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to assess them, with further quantitative disclosures concerning the separate financial statements for 2024.

The Group's risk management policies seek to identify and analyse the risks that Group companies are exposed to, establishing appropriate limits and controls and monitoring the risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis, in order to take account of any changes in market conditions or in the companies' operations.

The Terna Group's exposure to the aforementioned risks is substantially represented by the exposure of the Parent Company.

As a part of the financial risk management policies approved by the Board of Directors, Terna has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits to apply in managing them.

The following table shows financial statement items exposed to the above risks.

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Assets						
Derivative financial instruments	-	-	-	-	17.8	17.8
Cash on hand, securities and deposits	2,511.5	226.5	2,738.0	1,543.2	316.3	1,859.5
Trade receivables	3,194.8	-	3,194.8	2,154.8	-	2,154.8
TOTAL	**5,706.3**	**226.5**	**5,932.8**	**3,698.0**	**334.1**	**4,032.1**

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Liabilities						
Long-term debt	13,748.5	-	13,748.5	11,995.5	-	11,995.5
Derivative financial instruments	-	60.5	60.5	-	164.6	164.6
Trade payables	3,524.5	-	3,524.5	2,864.9	-	2,864.9
TOTAL	**17,273.0**	**60.5**	**17,333.5**	**14,860.4**	**164.6**	**15,025.0**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk includes exchange rate risk, interest rate risk and inflation risk.

Risk management must be performed with the objective of minimising the related risks by selecting counterparties and instruments compatible with the Company's Risk Management Policy. Speculative activity is not form part of the Company's activities.

The Terna Group seeks to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aimed at minimising risk through continuous monitoring of financial markets in order to obtain new financing and conclude hedging transactions in favourable market conditions. The dynamic approach enables the Group to intervene in order to improve existing hedges should there be a change in market conditions or changes in the hedged item, making the hedges inappropriate or excessively costly.

The fair value of financial instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2), by means of appropriate valuation techniques for each category of financial instrument, using market data at the closing date (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or future cash flows of financial instruments.

In the course of its operations, the Group is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk is associated with its borrowings and the related hedges in the form of derivative instruments that generate financial expenses. The borrowing strategy generally focuses on long-term borrowings, whose term reflects the useful life of the Group's assets. It pursues an interest rate risk hedging policy that aims to guarantee that percentage of debt represented by fixed rate liabilities is at least 40%, as provided for in the relevant policies. At the end of 2024, 84% of the Group's is fixed rate.

At 31 December 2024, interest rate risk is hedged by cash flow hedges which hedge the risk connected with the fair value of borrowings and movements in interest rates relating to borrowings.

Below are the notional amounts and fair values of the derivative financial instruments entered into by the Terna Group:

(€m)

	31.12.2024		31.12.2023		CHANGE	
	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE
Fair value hedges	950.0	(47.0)	1,853.0	(164.5)	(903.0)	117.5
Cash flow hedges	1,886.6	(11.8)	2,362.8	17.2	(476.2)	(29.0)

The notional amount of outstanding cash flow hedges at 31 December 2024, amounting to €1,886.6 million, breaks down as follows:

- €436.6 million (fair value loss of €0.3 million) maturing 2027;
- €650.0 million (fair value loss of €11.6 million) maturing 2029;
- €200.0 million (fair value loss of €0.1 million) maturing 2033;
- €300.0 million (fair value loss of €0.2 million) maturing 2035;
- €300.0 million (fair value loss of €0.2 million) maturing 2036.

The notional amount of fair value hedges at 31 December 2024, amounting to €950.0 million, breaks down as follows:

- €950.0 million (fair value loss of €47.0 million) maturing 2030.

Sensitivity to interest rate risk

Terna has floating-to-fixed interest rate swaps in place to manage the risk of movements in interest rates.
Since the hedging relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, as verified initially and periodically over its life, is high, the Company has elected to use hedge accounting to ensure a perfect match between the maturities of the hedge and the hedged item. The aim of hedge accounting is to recognise the effects of the hedges and the hedged items in profit or loss at the same time. Accordingly, in the case of cash flow hedges, changes in the fair value of the derivative must be recognised in "Other comprehensive income" (recognising any ineffective portion immediately through profit or loss) and then recycled through the profit or loss in the same period in which the cash flows of the hedged instrument materialise. The characteristics of cash flow hedges mirror those of the underlyings, with the timing of the related cash flows matching the timing of interest payments on the debt, without changes in fair value having any impact on profit or loss.

The following table reports the amounts recognised through profit or loss and in "Other comprehensive income" for positions that are sensitive to changes in interest rates, in addition to the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact of such changes recognised through the income statement and in "Other Comprehensive Income". A hypothetical 10% movement in interest rates with respect to market interest rates at the reporting date was assumed

(€m)

	PROFIT OR LOSS			COMPREHENSIVE INCOME		
	CURRENT RATES +10%	CURRENT AMOUNTS	CURRENT RATES -10%	CURRENT RATES +10%	CURRENT AMOUNTS	CURRENT RATES -10%
31.12.2024						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.2)	**(0.6)**	(1.0)	(4.8)	**(29.1)**	(53.8)
Hypothetical change	*0.4*	-	*(0.4)*	*24.3*	-	*(24.8)*
31.12.2023						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.7)	**(2.8)**	(4.9)	(48.5)	**(58.3)**	(68.2)
Hypothetical change	*2.1*	-	*(2.1)*	*9.8*	-	*(9.9)*

Regulators around the world have launched a reform of IBOR (Interbank Offered Rates), which are used as the benchmark for most financial instruments sold throughout the world, with the aim of restoring confidence in the benchmark. The transition from EONIA to ESTR took place in 2022 without any significant impact. The Group is continuing to closely monitor the market and the results produced by the various working groups overseeing the transition to the new benchmark rates for the other maturities (EURIBOR). Management is aware of the associated risks and, for this reason, the Group plans to complete the transition in step with the change in the related legislation. At the same time, all the new financial contracts contain fallback provisions governing the transition period.

Inflation risk

Regarding inflation risk, the rates established by the regulator to provide a return on Terna S.p.A.'s activities are determined so as to cover the allowed costs. Such cost components are updated on an annual basis to take into account the impact of inflation.

Exchange rate risk

The management of exchange rate risk must aim to protect a company's earnings from the risk of currency fluctuations by keeping a close eye on market movements and constantly monitoring the existing exposures. In managing this risk, Terna from time to time selects hedging instruments with structures and durations matching the Group's exchange rate exposure. The instruments used by Terna are of limited complexity, highly liquid and easy to price, such as forwards and options. Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from a rise

or fall in the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.
At 31 December 2024, the Group's exposure to the impact of exchange rate risk on its income statement is residual and linked to foreign currency cash flows from the subsidiaries, Tamini and Brugg

Liquidity risk

Liquidity risk is the risk that the Terna Group might encounter difficulty in discharging its obligations in respect of its financial liabilities and operating cycle. Liquidity risk management seeks to ensure adequate coverage of borrowing requirements by obtaining adequate credit lines and appropriate management of any surplus liquidity. At 31 December 2024, the Terna Group has available short-term credit facilities of approximately €603.1 million (out of total facilities of approximately €1,094.1 million), and revolving credit facilities to the extent of €3,905 million (out of a total of €4,155 million). Finally, the Parent Company has launched a Euro Commercial Paper Programme (ECP), amounting to up to €2,000 million, including €830 million still available at 31 December 2024.

Credit risk

Credit risk is the risk a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Group's trade receivables and financial investments.

The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

Credit risk management is driven by the provisions of ARERA Resolution 111/06, which, in art. 49, introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover); the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees); and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be fixed by ARERA.

The following table summarises the exposure to such risk at the reporting date

(€m)

	31.12.2024	31.12.2023	CHANGE
Derivative financial instruments	-	17.8	(17.8)
Cash on hand, securities and deposits	2,738.0	1,859.5	878.5
Trade receivables	3,194.8	2,154.8	1,040.0
TOTAL	**5,932.8**	**4,032.1**	**1,900.7**

The total value of the exposure to credit rate risk at 31 December 2024 is represented by the carrying amount of trade receivables, cash flows hedges, cash and cash equivalents, securities and deposits.

The following tables provide qualitative information on trade receivables regarding the geographical distribution and type of customer.

Geographical distribution

(€m)

	31.12.2024	31.12.2023
Italy	2,795.0	1,800.1
Euro-area countries	346.9	267.9
Other countries	52.9	86.8
Total	**3,194.8**	**2,154.8**

Customer type

(€m)

	31.12.2024	31.12.2023
Distributors	682.0	576.2
CSEA	34.5	72.2
Dispatching customers for injections	465.9	314.5
Dispatching customers for withdrawals (non distributors)	1,673.5	868.0
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.2	11.7
Sundry receivables	326.7	312.2
Total	**3,194.8**	**2,154.8**

The following table breaks down customer receivables by due date, reporting any potential impairment.

(€m)

	31.12.2024		31.12.2023	
	IMPAIRMENT	GROSS	IMPAIRMENT	GROSS
Current	(3.7)	3,023.0	(0.7)	1,870.2
0-30 days past due	(0.8)	20.7	(0.5)	30.3
31-120 days past due	(3.2)	19.6	(0.5)	18.4
Over 120 days past due	(86.4)	225.6	(32.5)	270.1
Total	**(94.1)**	**3,288.9**	**(34.2)**	**2,189.0**

Movements in the allowance for doubtful accounts in the course of the year were as follows.

(€m)

	31.12.2024	31.12.2023
Balance at 1st January	(34.2)	(37.0)
Release of provisions	19.4	6.4
Provisions pursuant to Resolution No. 5/2024	(73.6)	-
Impairments for the year	(5.7)	(3.6)
Balance	**(94.1)**	**(34.2)**

During the period, an impairment loss of €73.6 million was recognised in respect of dispatching receivables that could not be recovered and in respect of which an application for compensation was submitted, as pursuant to ARERA Resolution No. 5/2024[10].

The value of guarantees received from eligible electricity market operators is illustrated below.

(€m)

	31.12.2024	31.12.2023
Dispatching - injections	230.1	240.4
Dispatching – withdrawals	1,735.8	1,893.0
Transmission charges due from distributors	426.8	351.0
Virtual imports	125.4	273.4
Capacity market (*)	197.1	175.3
Balance	**2,715.2**	**2,933.1**

(*) Guarantees relating to Capacity Market contracts to be executed from 2025.

[10] With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA Resolution No. 179/09).

Non-regulated Activities are exposed to "counterparty risk", in particular in relation to the entities with which sales contracts are entered into, in consideration of the credibility and solvency of the parties in question and the impact that their possible insolvency could have on the financial strength of the business. Counterparty risk is mitigated by implementing special procedures to assess counterparties, measuring operating, financial and reputational aspects of the counterparties in question.

Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Parent Company is a party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. More information on the contractual provisions of outstanding borrowings at 31 December 2024 is provided in the section, "Borrowings and financial liabilities" in the notes to the Terna Group's consolidated financial statements.

Bank guarantees

Bank guarantees issued to third parties on behalf of Group companies at 31 December 2024 stood at €369.2 million, broken down as follows: €77.2 million on behalf of Terna S.p.A., €114.2 million on behalf of Tamini Trasformatori S.r. l., €46.7 million on behalf of Terna Rete Italia S.p.A., €19.9 million on behalf of Terna Interconnector S.r.l., €65.7 million on behalf of the Brugg Group, €0.1 million on behalf of Terna Plus S.r.l., €4.8 million on behalf of Terna Peru SAC, €15.8 million on behalf of Terna Energy Solutions S.r.l., €0.5 million on behalf of Rete S.r.l., €0.1 million on behalf of Terna Chile S.p.A. and €24.2 million on behalf of LT Group.

Litigation

Below is a description of the main commitments and risks not disclosed in the statement of financial position for the year ended 31 December 2024 — the outcomes of which were identified as possible — relating to the Parent Company, Terna S.p.A. ("Terna" or the "Parent Company" or the "Company") and its subsidiary Terna Rete Italia S.p.A.

Litigation regarding the legitimacy of construction permits and plant operations

Litigation regarding the legitimacy of construction permits and plant operations. Another aspect of litigation connected with the plant owned by the Parent Company derives from legal actions brought before the competent administrative courts, aimed at obtaining the annulment of decisions granting consent for the construction and operation of infrastructure.

Litigation relating to activities carried out under concession

As the operator of transmission and dispatching activities since 1 November 2005, the Parent Company has been a party in several court cases, contesting determinations adopted by ARERA (Italy's Regulatory Authority for Energy, Networks and the Environment), and/or the Ministry of Enterprises and Made in Italy, and/or Terna itself, in relation to these activities. In cases in which the plaintiffs have, in addition to inherent defects in the contested determinations, alleged violation of the regulations laid down by the aforementioned authorities, or in cases in which the determination has had an impact on Terna, the Company has also taken action to defend its interests through the legal system. Within the scope of such litigation – even though some cases have been concluded, at first and/or second instance, with the annulment of ARERA's resolutions and, when applicable, of the consequent determinations adopted by Terna – any negative outcomes for the Company itself may be deemed unlikely, as these disputes normally relate to pass-through items.

F. Business combinations

There were no business combinations during the period.

G. Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A. (registered office at Via Goito 4, 00185 Rome, Italy and consolidated financial statements available on the website at www.cdp.it), a situation ascertained in 2007, related party transactions entered into by Terna during the year include transactions with the associates (Cesi S.p.A., Coreso S.A. and CGES) and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").

Given that Terna Group companies and the companies directly or indirectly controlled by the Ministry of the Economy and Finance meet the definition for classification as "government-related entities", in accordance with IAS 24 – Related Party Disclosures, the Group has elected to adopt the partial exemption – permitted by the standard – from the disclosure requirements in respect of other companies controlled, influenced or jointly controlled by the same government entity. The remainder of this section provides qualitative and quantitative disclosures on transactions with government-related entities having a significant impact on the Group's results. Amounts relating to pass-through items are not included in these disclosures.

Related party transactions in 2024 broadly regard the provision of services in the course of ordinary activities and conducted on an arm's length basis.

The nature of sales to and purchases from related parties by the Terna Group is shown below, followed by details of the revenue and costs resulting from such transactions during the year and the related assets and liabilities outstanding at 31 December 2024.

RELATED PARTY	REVENUE-GENERATING TRANSACTIONS	COST-GENERATING TRANSACTIONS
Parent		
Cassa Depositi e Prestiti S.p.A.		Credit facilities.
Associates		
Cesi S.p.A.	Rental income on laboratories and other similar facilities for specific uses, dividends.	Technical studies and consultancy, research, design and experimentation.
CORESO S.A.		Technical coordination service for the TSO
Other related parties		
GSE Group	Metering charge, dispatching charge.	Rental of spaces and workstations.
Webuild S.p.A.	Movement /re-routing of power lines.	Development and construction of infrastructure.
Enel Group	Transmission charge and aggregation of meter readings, dispatching charge, leases and rentals, power line maintenance, movement /re-routing of power lines, housing of fibre cable and maintenance of communications carried over proprietary power lines.	Recovery of energy discount, building services, MV power to new substations, specialist services for connection to Terna's control and protection systems.
Ferrovie Group	Dispatching charge, movement of power lines.	Right-of-way fees.
ENI Group	Dispatching charge.	Contributions for NTG connections, sundry services.
Poste Italiane		Sundry services.
Snam Rete Gas S.p.A.	Movement /re-routing of power lines.	
ANAS S.p.A.	Movement /re-routing of power lines.	Right-of-way fees.
Open Fiber S.p.A.	IRU agreements for fibre.	Provision of services for the rental of fibre.
Fondenel and Fopen		Pension contributions payable by the Terna Group.
Other related parties of the MEF	Sundry services.	
Ansaldo Energia S.p.A.	Infrastructure maintenance.	

Revenue and costs

(€m)

	REVENUE COMPONENTS		
	TRANSMISSION CHARGE AND OTHER REVENUE FROM REGULATED ACTIVITIES	NON-ENERGY-RELATED ITEMS	COST COMPONENTS
De facto parent			
Cassa Depositi e Prestiti S.p.A.	-	0.1	4.3
Total de facto parent	**-**	**0.2**	**4.3**
Associates:			
Cesi S.p.A.	-	0.4	0.6
CORESO S.A.	-	-	6.4
Total associates	**-**	**0.4**	**7.0**
Other related parties:			
GSE Group	7.0	0.2	-
Enel Group	2,176.2	9.5	2.5
Eni Group	10.4	1.7	0.6
Ferrovie Group	3.3	0.3	0.4
Anas S.p.A.	-	-	0.7
Webuild S.p.A.	-	0.3	-
Ansaldo Energia S.p.A.	-	0.2	-
Snam Rete Gas S.p.A.	-	0.1	-
Open Fiber S.p.A.	-	1.2	-
Other related parties of the MEF	-	-	0.5
Total other related parties	**2,196.9**	**13.5**	**4.7**
Pension funds:			
Fondenel	-	-	1.0
Fopen	-	-	4.0
Total pension funds	**-**	**-**	**5.0**
TOTAL	**2,196.9**	**14.0**	**21.0**

Assets and liabilities

(€m)

	PROPERTY, PLANT AND EQUIPMENT	RECEIVABLES AND OTHER ASSETS	PAYABLES AND OTHER LIABILITIES	GUARANTEES*
	CAPITALISED COSTS	OTHER	OTHER	
De facto parent				
Cassa Depositi e Prestiti S.p.A.	12.0	-	12.2	(271.4)
Total de facto parent	**12.0**	**-**	**12.2**	**(271.4)**
Associates:				
Cesi S.p.A.	11.4	1.1	-	4.8
CORESO SA	-	-	0.7	-
Total associates	**11.4**	**1.1**	**0.7**	**4.8**
Other related parties:				
GSE Group	0.2	-	-	-
Enel Group	32.0	245.2	35.9	954.6
Eni Group	-	4.7	15.1	86.5
Ferrovie Group	1.3	10.2	19.9	24.5
ANAS S.p.A.	0.3	0.6	2.0	-
Snam Rete Gas S.p.A.	0.1	-	1.8	-
Webuild SpA	0.1	0.1	12.2	5.3
Ansaldo Energia S.p.A.	-	2.3	-	22.6
Open Fiber S.p.A.	-	0.1	0.3	-
Other related parties of the MEF	3.6	0.3	0.4	0.8
Total other related parties	**37.6**	**263.5**	**87.6**	**1,094.3**
Pension funds:				
Fopen	-	-	3.7	-
Total pension funds	**-**	**-**	**3.7**	**-**
TOTAL	**61.0**	**264.6**	**104.2**	**827.7**

** Guarantees regard surety bonds received from contractors, with the exception of the amount relating to Cassa Depositi e Prestiti S.p.A. regarding a Revolving Credit Facility.*

The impact of related-party transactions or positions on the statement of financial position and the income statement is summarised below:

Statement of financial position

(€m)

	31.12.2024			31.12.2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Property, plant and equipment	19,237.1	61.0	0.3%	17,596.7	59.3	0.3%
Trade receivables	3,194.8	264.6	8.3%	2,154.8	344.4	16.0%
Cash and cash equivalents	2,311.5	-	-	1,378.2	0.2	-
Trade payables	3,524.5	48.5	1.4%	2,864.9	66.5	2.3%
Other current liabilities	776.9	55.7	7.2%	809.4	34.3	4.2%

Income statement

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Revenue from sales and services	3,616.2	2,210.3	61.1%	3,122.8	1,805.9	57.8%
Other revenue and income	64.0	0.6	0.9%	63.9	0.4	0.6%
Raw and consumable materials used	305.2	1.4	0.5%	285.4	0.1	-
Services	354.4	12.0	3.4%	312.3	10.1	3.2%
Personnel expenses	409.3	5.1	1.2%	377.2	4.4	1.2%
Other operating costs	44.9	2.5	5.6%	43.2	0.2	0.5%
Financial expenses	(332.1)	-	-	(227.7)	-	-

The impact of related party cash flows is shown below:

Statement of cash flows

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Cash flow from operating activities	1,468.7	83.3	5.7%	1,084.9	6.0	0.6%
Cash flow from investing activities	(2,404.1)	(1.7)	0.1%	(2,334.4)	(18.2)	0.8%
Cash flow from financing activities	1,867.0	-	-	464.3	-	-

H. Significant non-recurring, atypical or unusual events and transactions

No significant non-recurring, atypical or unusual events or transactions, involving either third or related parties, took place in 2024.

I. Notes to the statement of cash flows

Cash flow from **continuing operations** amounts to €1,468.7 million, with approximately €2,599.1 million in operating cash flow and an outflow of approximately €1,130.4 million generated by changes in net working capital.

Net outflow from investing activities totalled €2,404.1 million and related mainly to investment in property, plant and equipment to the extent of €2,357.9 million (excluding right-of-use assets recognised in accordance with IFRS 16), investment in intangible assets (€266.5 million), net of €79.3 million relating to the amount received for the sale of SPE Transmissora de energia Linha Verde I S.A as described above and capitalised financial expenses totalling €74.2 million.

The net change in **equity** was down €143.5 million, due primarily to the recognition of the reserve of the hybrid green bond to the extent of €842.1 million, partly offset by payment of the final dividend for 2023 and of the interim dividend for 2024 to the Parent Company's shareholders and of dividends paid to non-controlling shareholders (down €690.6 million). The reduction also reflects the purchase of treasury shares to service the new Performance Share Plan 2024-2028 (down €8.0 million). More details are provided in note 24. Equity attributable to owners of the Parent and non-controlling interests

As a result, net cash used in investing activities led to a total outflow of €2,404.1 million, covered in part by cash flow from continuing operations to the extent of €1,468.7 million and in part by an increase in net debt.

The following table shows the reconciliation of net changes deriving from financing activities in the statement of cash flows:

(€m)

	31.12.2023	CASH FLOW FROM FINANCING ACTIVITIES	CHANGE IN FV AND OTHER	31.12.2024
- Long-term borrowings (including current portion)	10,793.8	1,290.8	6.8	12,091.4
- Short-term borrowings	455.4	432.7	769.0	1,657.1
Net change deriving from financing activities	**11,249.2**	**1,723.5**	**775.8**	**13,748.5**

L. Government grants

Article 1, paragraphs 125 to 129, of Law 124 of 4 August 2017 (the annual markets and competition law) has introduced a number of measures designed to ensure the transparency of the government grants system. These measures, later amended by Law Decree 34 of 30 April 2019, include an obligation for companies to disclose amounts and information regarding assistance, subsidies, benefits, grants or aid, whether in cash or in kind, in the notes to the annual financial statements and, where applicable, in consolidated financial statements, where such amounts are not of a general nature and do not have the form of a fee, remuneration or compensation and have been received from a public body (paragraph 125-*bis*). The legislation also requires the disclosure of any grants disbursed (paragraph 126).

In accordance with Circular 5 of 22 February 2019 "Transparency in the government grants system: an assessment of the regulations and interpretation guidance" and Circular 32 of 23 December 2019 "Enterprise and competition", published by Assonime, the Terna Group has adopted the following basis of reporting for government grants:

- the regulations only apply to entities resident in Italy;
- grants have the nature of grants or donations, and represent incentives or subsidies designed to give beneficiaries a recognised economic advantage; the grants therefore take the form of donations or giving and public aid for specific purposes, and are not awarded under a general aid regime;
- the public resources used are exclusively "national";
- grants are reported on a cash basis and if the amount is not less than €10,000 (with reference to each individual beneficiary) in the reporting period.

In line with the above, the following table shows government grants collected/disbursed by the Group in 2024:

Grants received (paragraph 125-bis)

BENEFICIARY ENTITY	GRANTOR					
	NAME	TAX CODE	VAT NUMBER	TYPE OF TRANSACTION	AMOUNT (€)	NOTES
TERNA SPA	Ministry of Enterprises and Made in Italy		80230390587	State aid*	10,410,060	Grants collected on the basis of a report on the state of work in progress on projects carried out by Terna S.p.A. financed by government grants, with funding provided under the National Operational Programme (NOP) for Enterprises and Competitiveness 2014 - 2020 FESR - ASSE IV – Investment priority 4d - Action 4.3.1
TERNA SPA	Sicily Region		02711070827	State aid*	8,469,056	Contributions received in respect of the reporting of Terna S.p.A. projects financed through public funds from the resources of the Operational Programme (OP) ERDF Sicily 2014-2020 - Specific Objective 4 - Action 4.3.1
TAMINI TRASFORMATORI SRL	FONDIMPRESA	97278470584		GIVING	35,920	Training plan No. 343903 - safety refresher 2023
TOTAL					**18,915,036**	

** These grants are covered by the obligation to publish them in the national state aid register.*

Grants disbursed (paragraph 126)

GRANTOR	NAME	VAT NUMBER	TYPE OF TRANSACTION	AMOUNT (€)	NOTES
TERNA SPA	Fondazione Venezia Capitale Mondiale della Sostenibilità	94102820274	GIVING	33,000	Joining the foundation as co-founding member
TERNA SPA	Fondazione Accademia Naz. Santa Cecilia	05662271005	GIVING	160,000	Renewed participation as a founding partner
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	06073831007	GIVING	15,000	Prevention day across the whole of Italy
TERNA SPA	Fond.Pol.Univ.A.GEMELLI IRCCS	13109681000	GIVING	65,000	Support for the purchase of equipment or for functional neurosurgery
TERNA SPA	Fondazione Accademica Musicale Chigiana	92035840526	GIVING	20,000	Summer Academy 2023
TERNA SPA	Sistech - Association loi 1901	FR83538232600022	GIVING	60,000	Funding for Programma Boost scholarships
TERNA SPA	ASSOCIAZIONE ITALIANA CONTRO LE LEUCEMIE	10823601009	GIVING	60,000	Support for a non-profit, public interest organisation
TERNA SPA	Fondazione Intercultura ETS	91016300526	GIVING	53,000	Protection and sustainability of the Marcigliana Park
TERNA SPA	Associazione FUKYO O.d.V.	97727100584	GIVING	36,000	Support for study trips abroad and multicultural exchange for sons/ daughters
TERNA SPA	SOCIETÀ BOTANICA ITALIANA ONLUS	00464940485	GIVING	56,314	Tiny Forest project
TERNA SPA	Fondazione TERNA	96603750587	GIVING	200,000	Fondazione TERNA' initial funding for incorporation
Total				**758,314**	

M. Events after 31 December 2024

The project to modernise the 'Patria-Sant'Antimo' power line in the province of Naples has been authorised

On **13 January 2025**, a decree was issued by the Ministry of the Environment and Energy Security authorising **Terna's project to modernise the 220 kV "Patria - Sant'Antimo" power line in the province of Naples**. The project, in which the Company will invest over €20 million, involves the construction of a new 8.5 km line, of which 8 km will be underground. This endeavour will involve the municipalities of Naples, Marano di Napoli, Mugnano di Napoli, Melito di Napoli and Sant'Antimo. It will bring significant benefits: on the one hand, an increase in the quality and reliability of the local electricity service; on the other hand, a drastic reduction in the visual and landscape impact as the overhead infrastructure will be replaced with underground cables. Once completed, it will be possible to demolish over 6 km of existing lines and 18 pylons, clearing around 21 hectares of land in heavily urbanised areas. This project is part of a larger upgrading plan, which will also cover the 220 kV "Sant'Antimo - Fratta" power line. In this case, the new underground line, spanning about 8 km, will cross the municipalities of Sant'Antimo, Grumo Nevano, Frattamaggiore and Frattaminore (Province of Naples) and Sant'Arpino (Province of Caserta). Terna will invest around €18 million in this project, which will allow 5 km of overhead lines to be demolished and 17 pylons to be removed, clearing 17.5 hectares of land in the vicinity of built-up areas.

Terna ranked among the Top Employers 2025

On **16 January 2025**, the **Top Employers Institute** certification organisation, which rates companies based on their HR policies and strategies, **ranked Terna among the Top Employers 2025**. The survey confirmed Terna's high standards in 6 macro-areas in the area of Human Resources, examining 20 topics and best practices, including People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion and Well-being. The Best Employers certification bears the value of Terna's People Strategy, which was launched in 2024 with the aim of (i) consolidating an organisational culture focused on growth, change and performance while emphasising respect for people and diversity, and (ii) reviewing the company's HR processes with a view to enhancing people's value. The new model, focused on capacity and talent building, fosters individual and, therefore, organisation-wide performance, leveraging empowerment and merit to boost motivation, engagement and well-being.

2024: a record year in meeting demand from renewable sources

A note was published on **16 January 2025** informing that **in 2024 Italy's electricity consumption increased by 2.2% compared to 2023, while renewable sources recorded an all-time high in terms of demand coverage** (41.2% compared to 37.1% in 2023). The uptrend was driven mainly by the positive input from hydroelectric and photovoltaic production. Considering all renewable sources, the capacity increase in Italy in 2024 was 7,480 MW, up 29% compared to 2023. On the supply side, 2024 saw significant growth in renewable production (up 13.4%) and a slight decrease in the net foreign balance (down 0.5%), as a result of a strong increase in exports (up 47.9% compared to 2023) and a more moderate increase in imports (up 2.4%). In December, for the first time, Italian electricity exports exceeded 4,000 MW, bearing out the key role of interconnections.

Milan-Montalto connection: Terna's dialogue with the local area begins

A note was published on **20 January 2025** informing that Terna was launching **the public consultation process for the direct current connection between Milan and Montalto di Castro**. The new **Milan-Montalto** electricity backbone, spanning about 500 km, will optimise transit flows of electricity between central and northern Italy. This endeavour, which forms an integral part of the future **Hypergrid**, will use **HVDC** (High Voltage Direct Current) technology, enabling greater integration of renewable capacity. In addition to the **deployment of submarine cables** - up to 525 kV - between Montalto di Castro (Viterbo) and Avenza (Massa-Carrara), the existing **overhead lines** between Tuscany, Liguria, Emilia-Romagna and Lombardy will be to upgraded and converted into direct current.

Authorisation granted for the electricity grid rationalisation project in the provinces of Pescara and Chieti

A note was published on **23 January 2025** informing that the Ministry of the Environment and Energy Security had authorised Terna's project for the rationalisation of the electricity grid in the municipalities of Pescara and Cepagatti (Province of Pescara) and San Giovanni Teatino (Province of Chieti). The project, in which the Company will invest about €11 million, involves the partial burying of the 132 kV "FS Pescara-FS Roseto" power line. More specifically, a new underground cable connection of about 7 km will be built between Pescara and Cepagatti. This infrastructure will allow over 6 km of overhead lines to be demolished and 27 pylons, which currently run through densely populated areas, to be removed. The project will ensure a more efficient and safer operation of the local network and address existing interferences with the Pescara-Chieti railway line. This endeavour is part of the broader rationalisation plan associated with the commissioning of the Italy-Montenegro (Monita) submarine link. The close cooperation between Terna and the local authorities involved has made it possible to optimise the initial project to meet the needs of the local communities.

Terna inaugurates the Innovation Zone in Tunisia

On **29 January 2025**, the new **Terna Innovation Zone in Tunis**, the first innovation hub in Africa managed by our group, was inaugurated in the presence of CEO and President Giuseppina Di Foggia with a view to strengthening the strategic partnership between Italy and Tunisia. The Terna Innovation Zone, which qualifies as a corporate social responsibility project, **sets out to promote technological innovation and drive capacity building in Tunisia's energy sector**, further strengthening ties between the two countries while contributing to the achievement of the objectives outlined in the Mattei Plan for Africa.

Connection works authorised for the electrification of the port of La Spezia

On **4 February 2025**, the Regional Authorities of Liguria **authorised the connection works and the plants planned by Terna** - for a total capacity of 110 MW - for **the cold ironing of the port of La Spezia**, i.e. to reduce polluting emissions from ships while they are stationed. The investment, in the region of **€38 million**, includes the construction of a **new 132 kV "La Spezia Stagnoni" electricity substation** using compact armoured technology to reduce the impact on the local communities. The project also includes **two underground cable links**, spanning 2.5 km, which will connect the new infrastructure to the future "La Spezia - La Pianta" line and to the existing "La Spezia" electricity substation, from which the Port Authority (locally known as AdSP) facilities will be powered up to the docks.

Tyrrhenian Link: laying of submarine cable in Sicily got underway

On **7 February 2025**, work got underway in Fiumetorto, in the municipality of Termini Imerese (Palermo) for the laying of the submarine cable of the eastern branch of the Tyrrhenian Link, one of the country's major electricity infrastructures, which will connect Sicily and Campania. The project, which also includes the western branch between Sicily and Sardinia, requires a total investment in the region of €3.7 billion. The project plays a key role in the decarbonisation process set out in the National Integrated Energy and Climate Plan (locally known as PNIEC), increasing transport capacity and driving energy transition. It will also contribute to improving the security, adequacy and flexibility of the national electricity transmission grid. The Tyrrhenian Link involves the construction of two 500 kV direct current submarine power lines with a total of 970 km of cable and a transport capacity of 1,000 MW for each section.

Reorganisation of the electricity grid in the Novara area, work to begin by summer

A note was published on **10 February 2025** informing that, following the approval of the final project for the construction and operation of a 132 kV underground cable power line section of the existing "Mercallo - Cameri" line, Terna would publish a notice specifying the affected areas in the municipalities of Borgo Ticino, Varallo Pombia, Pombia, Marano Ticino, Oleggio, Bellinzago Novarese and Cameri, in the province of Novara. The project, in which the Company will invest around €50 million, will ensure a more efficient energy transmission service in the area, allowing the infrastructure to blend in the local area to a greater extent, while reducing its carbon footprint. Terna is completing the preliminary activities to enable the construction sites to get underway by the summer as planned. The work involves completing an underground cable bypass of about 22 km of the "Mercallo - Cameri" 132 kV overhead power line between Borgo Ticino and Cameri, followed by the demolition of an overhead section spanning about 21 km. In addition, a further 3 km of the 220 kV Magenta - Pallanzeno power line in the municipality of Borgo Ticino will be dismantled. In total, more than 100 electricity pylons will be decommissioned, including 28 within the Ticino Natural Park, where 5 km of overhead lines will be removed, clearing more than 60 hectares of land. The work will bring significant benefits in terms of security and reliability of the transmission grid, optimising the efficiency and sustainability of electricity supply in the area. In addition, upgrading the grid will make it possible to meet the growing demand for energy and support the transition of the national electricity system towards greater sustainability and resilience.

Successful launch of a new €750 million 7-year green bond

A note was published on **10 February 2025** informing that Terna S.p.A. had successfully launched a green, single tranche, fixed-rate bond issue in euros, intended for at institutional investors, for a face amount of €750 million. The issue, which saw extremely high demand, was almost 5 times oversubscribed and is characterised by high quality and broad geographical diversification of investors. The green bond was launched as part of Terna's €12,000,000,000 Euro Medium Term Notes (EMTN) Programme, which was rated "BBB+" by Standard and Poor's and "(P)Baa2" by Moody's. The green bond has a duration of 7 years and its maturity date was set on 17 January 2032. It will pay an annual coupon of 3.125% p.a. and was issued at a price of 99,975%, with a spread of 90 basis points over the Mid-Swap. The settlement date for the issue was set on 17 January 2025. It is expected that the net proceeds of the issue will be used to finance the Company's "eligible green projects", identified or to be identified on the basis of Terna's Green Bond Framework, which was drafted in compliance with the (i) "Green Bond Principles 2021" published by the International Capital Market Association, and (ii) European Union's Taxonomy with a view to encouraging sustainable investments. At the time of the issue, an application will be made for the bond to be listed on the Luxembourg Stock Exchange. The strategy of the Group led by Giuseppina Di Foggia thus confirms its focus on combining sustainability and growth, in order to foster the energy transition underway and generate ever greater benefits for the country and all its stakeholders. In this regard, Terna prepared and published a Green Bond Framework in order to facilitate the transparency and quality of the green bonds issued. This framework and the "second party opinion" were prepared by independent advisor Moody's. The transaction was supported by a syndicate of banks, under which the following banks acted as joint-bookrunners: Banca Akros, BNP Paribas, BofA Securities, Citi, Deutsche Bank, Goldman Sachs International, IMI-Intesa Sanpaolo, Mediobanca, Santander and UniCredit.

Terna, electricity consumption rose by 1% in January

A note was published on **17 February 2025** informing that the demand for electricity amounted to 26.9 billion kWh in January, showing a 1% increase compared to the same month in 2024. In detail, the previous month had one working day less (21 instead of 22) and an average monthly temperature almost unchanged compared to January 2024, albeit about 1.4°C higher than the average of the last ten years. Demand, seasonally adjusted for the combined effect of calendar and temperature, was up by 1.5%. The year-over-year change seen in January was on the upside across the board: up 0.9% in the North, up 0.8% in the Centre and up 1.3% in the South and Islands. The IMCEI index compiled by Terna, which examines the industrial consumption of "energy-intensive" companies, decreased by 2.4% compared to January 2024. More specifically, the mechanical engineering and foodstuffs sectors were up. Conversely, non-ferrous metals, transport equipment, chemicals, cement, lime and plaster, ceramics and glass, and papermaking were down. In cyclical terms, the value of demand for electricity, seasonally adjusted for calendar and temperature effects was virtually unchanged compared to December 2024 (up 0.2%).

Authorisation process underway for the Electricity Grid Resilience Plan in Fonzaso (Belluno)

On **20 February 2025**, Terna announced the start of the authorisation process, promoted by the Ministry of the Environment and Energy Security (MASE), for the plan of works to be carried out on the National Transmission Electricity Grid in the area of Fonzaso in the province of Belluno, and published a notice showing the parcels of land affected by such works. With an investment of approximately €6 million, the Company led by Giuseppina Di Foggia will bury a 2 km section of the 132 kV Moline-Arsiè power line, which powers the Pedesalto primary substation of the local distributor. Once completed, the new underground cable link will help to improve the reliability and operational safety of the electricity transmission service. In addition, it will be possible to demolish about 6 km of lines and remove 28 pylons, clearing about 18 hectares of land. The project also includes the construction of two overhead lines of approximately 400 metres each and the installation of two motorised switch-disconnectors, which can be controlled manually or remotely, to allow the network to be quickly re-powered in the event of a fault. Being part of Terna's "Resilience Plan" to mitigate the effects of climate change, the project will reduce the risk of local grid outages and damage caused by extreme weather events, such as strong winds, which are particularly frequent in the area due to the orographic conformation and dense vegetation.

Sa.Co.I.3: work gets underway for interconnection between Sardinia, Corsica and Tuscany

On **21 February 2025**, Terna started onshore works for the construction of the Sa.Co.I.3, the 200 kV direct current electricity interconnection that will connect Sardinia, Corsica and Tuscany, contributing to the strengthening of the European electricity market and fostering the integration of renewable sources. A total investment of approximately €1.35 billion is planned for the work pertaining to our Company. The project, which is expected to come on stream in 2029, was authorised by the Ministry of the Environment and Energy Security in 2023.

Elmed: work has begun on uprooting and replanting of over 1,700 olive trees in Partanna (Trapani)

On **24 February 2025**, Terna began work on the uprooting and replanting of over 1,700 olive trees in the municipality of Partanna, in the province of Trapani. The Group's activity is necessary to prepare the area that is to host Elmed converter station, the connection between Italy and Tunisia that is being built in cooperation with STEG, the Tunisian electricity grid operator. The infrastructure, spanning about 220 km, will be largely built using a submarine cable and will connect the Partanna electricity substation to the Capo Bon electricity substation in Tunisia via a 600 MW direct current power line. With the support of agricultural engineers, Terna has drawn up a two-year management plan to ensure constant care and monitoring of the plants, including specific actions intended to encourage their growth. Of the total investment for the electricity connection, €307 million was allocated by the European Commission through the Connecting Europe Facility ("CEF") programme. For the first time, the European Union has financed a project involving a non-member country, bearing out the significance of the interconnection project.

Change of subsidiary's company name: LT becomes Altenia

On **24 February 2025**, the notarial Shareholders' Meeting of the corporate vehicle formerly known as "LT S.r.l." resolved, *inter alia*, to amend its Articles of Association, changing the company name to "Altenia S.r.l." The effective date of the change of company name was set on 4 March 2025. Terna Energy Solutions, the Terna Group's market company, changed its organisational structure, becoming a sub-holding company that coordinates Altenia (formerly LT S.r.l.), Tamini Trasformatori S.r.l. and Brugg Cables, in addition to providing services and infrastructure for fibre optics. This reorganisation is part of the TernaPlan 2024-2028 strategy to accelerate the energy and digital transition, in synergy with Terna's core business, by integrating diversified expertise along the entire energy value chain. The goal is to multiply the value of market assets by 2028, reaching €600 million EBITDA over the plan period. With the production and sale of transformers and cables, a comprehensive portfolio of energy services, coupled with fibre-optic network enhancement, Terna Energy Solutions sets out to be the first Italian One Stop Shop (a single operator offering integrated solutions) for investors and companies operating in the energy and connectivity fields. Leading this corporate reorganisation is CEO Stefano Schiavoni.

Authorisation process underway for new works on the electricity grid in the Metropolitan City of Milan

A notice was published on **5 March 2025** informing that, following the start, by the Ministry of Environment and Energy Security, of the authorisation process for the completion of works on the National Transmission Grid in the area of Milan's Metropolitan City, Terna published a notice containing the list of cadastral parcels of land in the areas potentially affected by the project. To ensure a smoother and better coordinated management of the authorisation process, the individual works were submitted as part of a single procedure, since they both involve new infrastructure to be connected to Terna's existing "Novara RT - Rho RT" power line. The project, in which the Company will invest around €55 million, is designed to power the future data centres planned in the north-west of the region. The project plan was designed with the aim of preserving areas of natural and archaeological value and limiting the footprint of new installations in urbanised or expanding areas by encouraging solutions having a reduced environmental and landscape impact. In the municipality of Mesero, a new 132 kV electricity substation will be built. It will be connected to the "Novara RT - Rho RT" line and to the primary substation in Magenta, owned by the local distributor. To this end, new power lines will be used, one in underground cable 3.3 km long and one overhead of about 800 metres, which will also cross the municipality of Marcallo con Casone. The second infrastructure included in the project is the new Sedriano GIS electricity substation, built using compact armoured technology with reduced land use. It will be connected to the "CP Vittuone - CP Parabiago" and "Novara RT - Rho RT" lines via two cable connections, spanning 4 km, and an overhead connection. The project also includes the laying of an underground power line of about 1 km to connect the existing Terna electricity substation in Sedriano to the National Transmission Grid, which will also be upgraded to prepare it to accommodate the new connections. The municipalities involved will include Arluno and Vittuone. Upon completion of the project, 12 pylons will be removed, covering a total of about 3 km of overhead lines in the municipalities of Marcallo con Casone, Magenta, Arluno and Vittuone.

Terna: the new corporate structure of Terna Energy Solutions for non-regulated activities was presented

A note was published on **6 March 2025** informing that Terna Energy Solutions — the Terna Group company that manages non-regulated activities carried out in competitive markets — is undergoing a reorganising process by integrating diversified expertise along the entire energy value chain. Terna Energy Solutions sets out to act as a blueprint for businesses seeking strategic expertise in the field of energy and digital transition, providing them with technological, innovative and digital solutions in the energy and industrial sectors. This goal will be achieved through its network of subsidiaries: Tamini, the Italian leader in the transformer sector, Brugg, a reference company in the underground cable sector, and Altenia, formerly LT. Altenia brings together all system integrator activities with specialised and diversified expertise in the design, construction, maintenance and efficiency of medium- and high-voltage electrical systems, renewables and storage systems (BESS), which until now were provided separately by LT, Terna Energy Solutions and Avvenia. With the aim of further expanding Altenia's expertise and geographic footprint, a preliminary agreement was entered into for the acquisition of 100% of STE Energy, a company that has gained 30 years of experience in the design, construction and maintenance of renewable energy plants and electrical infrastructure, with an estimated turnover in 2024 of approximately €85 million. The agreement remains subject to the fulfilment of certain conditions, such as authorisation by the Antitrust Authority and certain notices typically required in similar transactions.

Terna's commitment to the "Strategic Plan for Gender Equality"

On **7 March 2025**, on the occasion of International Women's Rights Day, Terna confirmed its commitment to equal opportunities by defining the objectives and specific organisational actions set out in the **"Strategic Plan for Gender Equality"**. By planning an integrated policy based on a holistic approach, in 2024 the Group was able to obtain the IMQ (Istituto Italiano del Marchio di Qualità) Certification on Gender Equality according to the UNI/PDR 125:2022 practice: an acknowledgement that attests to the effectiveness of the specific actions undertaken to reduce differences in the workplace and create a fairer and more inclusive environment that rewards merit and where each person is listened to, respected and valued for their uniqueness. To achieve this goal, Terna has set up a "Steering Committee for Gender Equality", which is responsible for ensuring the implementation of the policy on this matter and defining the Strategic Plan with the objectives to be achieved and monitored by 2026. In line with the Gender Equality Certification, the actions included in the Plan result from the identification of 12 objectives grouped into 6 macro-areas: Culture and Awareness, Research and Selection, Opportunities and Growth Pathways, Salary Equity, Family Support and Work-Life Balance. The objectives therefore define an all-round strategy for the business processes involved, which include in particular: setting up listening systems to gain insights into inclusiveness; diversity and equality training; updating the selection process; collaboration with schools, universities and associations to attract candidates and promote careers in STEM (Science, Technology, Engineering and Mathematics); training staff on inclusive recruitment; organising leadership courses; monitoring and mitigating the gender pay gap; supporting shared parenting and caring, promoting the use of available leave and benefits, launching a programme to improve parenting skills; promoting inclusive working hours and monitoring structural remote working. For each objective, strengths and weaknesses will then be identified analytically by engaging in specific assessment, auditing and monitoring activities; actions to close any gaps will be defined; and implementation timeframes for achieving the objectives being pursued will be set out. By adopting this Strategic Plan, Terna therefore intends to enable a process of cultural transformation for the promotion of equal opportunities and the enhancement of diversity, with the ultimate goal of encouraging responsible growth that generates a positive impact and contributes to reducing the gender gap, not only within the Company, but also in society at large.

Work for the construction of the underground cable power line in the province of Caserta got underway

On **10 March 2025** Terna began construction work on the 150 kV underground cable connection between the "Saint Gobain" primary substation and the "Santa Sofia" electricity substation in the province of Caserta. Work is underway on Via Antonio De Curtis in coordination with the Municipality of Maddaloni. To ensure effective management of operations, the Company has defined a detailed operational plan, adopting solutions designed to minimise the impact on the urban road system and facilitate the smooth flow of traffic. Upon construction work reaching completion, Terna will restore the road surface by asphalting the sections affected by the work. As a whole, the infrastructure, in which the Group will invest €11 million, comprises a 7 km underground power line built using state-of-the-art cables with XLPE (extruded cross-linked polyethylene insulation), a most reliable and sustainable technology. The route was identified on the basis of in-depth technical studies, assessing compatibility with the existing infrastructure and the characteristics of the roadway. This project will involve the municipalities of Caserta and Maddaloni and is considered necessary to cope with the increased energy loads expected in the area. Once completed, it will help strengthen the electricity grid mesh, improving its reliability and resilience, with a positive impact on the local electricity service.

Terna: 2025 Development Plan for the national electricity grid presented

On **14 March 2025** Terna's 2025 Development Plan was presented in Rome in the presence of Terna's Chairman, Igor De Biasio, the Minister of the Environment and Energy Security, Gilberto Pichetto Fratin, and the Chairman of ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment, Stefano Besseghini. Terna's Development Plan 2025-2034, with over €23 billion in investments over the next ten years (up 10% compared to the previous Plan), consolidates Terna's role at the service of the country for a sustainable and carbon-free future. The 2025 Development Plan is consistent with the targets set out in the 2024 National Integrated Energy and Climate Plan, as detailed in the Terna-Snam Scenarios Description Document 2024, which foresees an increase in installed solar and wind capacity of over 65 GW by 2030 and 94 GW by 2035, both with reference to the installed capacity in 2023. Terna's interventions included in the Development Plan 2025 are aimed at fostering the integration of renewable sources and increasing the grid's transmission capacity. By 2030, the main electricity infrastructures supporting the Italy's energy transition will be operational, including the Tyrrhenian Link, the Adriatic Link, the connection between Sardinia, Corsica and Tuscany, as well as the Italy-Tunisia energy bridge. In addition, the Efficient Regional Planning model was adopted to resolve the issue of virtual grid saturation, optimising the management of connections and the implementation of the necessary infrastructure.

Terna, February electricity consumption up 0.6%

On **19 March 2025** it was announced that electricity demand in February amounted to 24.9 billion kWh, a 2.1% decrease compared to the same period in 2024. The figure for demand, compared to the month of February of the year prior, which was a leap year, and adjusted for the effect of one less working day (20 instead of 21) and a lower average monthly temperature of 1.5°C, changes sign and is up 0.6%. The IMSER index prepared by Terna on the monthly electricity consumption data provided by a number of distribution network operators (E-Distribuzione, UNARETI, A-Reti, Edyna and Deval), and presented two months later than the electricity and industrial consumption data, showed a positive change of 4.6% in December 2024 compared to December 2023. Overall, in 2024 the change compared to 2023 was a 4% increase. More specifically, net national production amounted to 21 billion kWh. Renewable sources covered 29.1% of the electricity demand. The photovoltaic (up 10.4%) and thermal (up 21.3%) sources increased. Hydro (down 7.5%), wind (down 44.4%) and geothermal (down 6.2%) decreased. In detail, the decline in coal-fired production continued: down 42.3% compared to the same period last year.

Terna: approval process underway for the works to power the Bologna Tecnopolo

On **19 March 2025** the Italian Ministry of the Environment and Energy Security launched the process to approve Terna's plan to connect the systems of the Bologna Tecnopolo to the National Transmission Grid. The project, in which the company will invest around €14 million, involves the construction of a new 132 kV Electricity Substation called 'Bologna Tecnopolo', using compact gas-insulated technology with a minimal footprint in terms of land consumption. The infrastructure will be connected to the existing 'Battiferro - S. Donato Bolognese' overhead power line, belonging to Terna, via two underground cables. The cable will be produced with insulation in XLPE (extruded cross-linked polyethylene insulation), a latest-generation technology which guarantees absolute reliability and sustainability. The works, whose planning solutions have been identified in collaboration with the Emilia-Romagna Region, the Municipality of Bologna and all stakeholders involved, will contribute to the full development of the Bologna Tecnopolo and will satisfy the demand for energy of the users who submitted the request for connection to the National Transmission Grid. Terna's 2025-2034 Development Plan involves an investment of €2.3 billion for Emilia-Romagna over the next 10 years. The main works will include the Colunga-Calenzano power line, currently under construction, the HVDC Milan-Montalto connection, and the Adriatic Backbone. These projects will make it possible to optimise energy transit and increase energy exchange capacity, strengthen the meshing of the electricity grid, and improve the integration of the renewable capacity expected over the coming years. Terna manages 5,200 km of high-voltage and extra-high-voltage power lines and 65 electricity substations in the Emilia-Romagna region.

Terna: authorisation received for the work required to power the 'Palermo-Catania' rail line in the province of Enna

On **21 March 2025** the Region of Sicily authorised Terna's plans to carry out the necessary interventions on the National Transmission Grid to power the "Palermo-Catania" rail line in the province of Enna. The project, in which the company will invest around €38 million in total, involves a new 150 kV electricity substation called "Villarosa", to be connected to the systems of the Italian Railway Network, and a new underground cable power line of around 13.5 km in length. The latter will be produced with XLPE (extruded cross-linked polyethylene) insulation, a latest-generation technology which guarantees absolute reliability and sustainability. With a designated €3.5 billion in Terna's 2025-2034 Development Plan, Sicily is Italy's leading region in terms of investments in the electricity grid. The main projects include the Tyrrhenian Link, which involves the construction of two DC submarine power lines connecting Sicily with Campania and Sardinia; ELMED, one of the Mattei Plan projects for Africa consisting of an electrical interconnection between Italy and Tunisia; the Bolano-Annunziata power line between Sicily and Calabria; and the Chiaramonte Gulfi-Ciminna between the eastern and western areas of Sicily. These interventions are essential to the pursuit of national and European targets in terms of energy transition and the independence, resilience and efficiency of the electricity system. Terna manages over 4,500 km of high-voltage and extra-high-voltage power lines and 78 electricity substations in the region.

Terna: refinancing of an ESG-linked €1.8 billion revolving credit facility

On **21 March 2025**, Terna signed an ESG-linked Revolving Credit Facility for a total amount of €1.8 billion, aimed at refinancing the ESG-linked revolving credit facility signed on 17 December 2021, for a total amount of €1.65 billion. The Revolving Credit Facility, which is structured in the form of a committed, revolving and ESG-linked facility, consists of the amendment to the previous revolving credit facility of 2021 in order to provide for the extension of its term for a further 5 years from today's date, an increase in the size of the amount and the amendment of the ESG indicators. The pool of banks taking part in the transaction consisted of the same credit institutions involved in the previous revolving facility as Joint Mandated Lead Arrangers: UniCredit, BNP Paribas, Banco BPM, Intesa San Paolo, Mediobanca, Banca Nazionale del Lavoro. Unicredit acted as agent bank, also acting as Sustainability Coordinator. The Revolving Credit Facility envisages the introduction of specific environmental, social and governance ("ESG") objectives, linked to a mechanism based on bonuses and penalties applied to the contractual provisions related to the so-called commitment fee and to the margin, further strengthening the integration of sustainability objectives into the Company's financial strategy. The transaction allows Terna to count on a liquidity appropriate to its current rating, further strengthening the Company's financial structure, and confirms the Group's strong commitment to the introduction of a model which aims to reinforce sustainability as a strategic lever for creating value for all its stakeholders.

Terna: 2024-2028 Industrial Plan update approved

On **25 March 2025** the meeting of the Board of Directors of Terna S.p.A. took place, chaired by Igor De Biasio, in which the Board examined and approved the Group's 2024-2028 Industrial Plan Update and the results for the year ended 31 December 2024, presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia. With a total of €17.7 billion of investments, Terna consolidates its role as a key enabler for the energy transition while providing significant momentum to the commitment to helping the country towards decarbonisation and reducing its dependence on foreign sources of supply. According to the update approved by the Board of Directors, in five years Terna will invest a total of €17.7 billion, with an increase of €1.2 billion (up 7%) over the same period of the previous Plan; at the heart of the strategy for energy transition and independence are: sustainable infrastructure development, integration of renewable sources and storage systems, interconnections with foreign countries; investments in regulated activities at the highest level in the Group's history: €16.6 billion (up 7% compared to the previous Plan) to make the national electricity grid more efficient, digital and resilient; progress in the execution of the Plan, with around 90% of the projects approved and around 80% covered by procurement contracts (compared to 79% and 70%, respectively, in the previous Plan); increased contribution from Non-regulated Activities and investments in digitalisation and innovation gain further momentum with a view to enabling the Twin Transition - Energy and Digital (over 20% more compared to approximately €2 billion of the previous Plan); all activities included in the Sustainability Plan are confirmed and a commitment made to a programme to reach the Net Zero Science Based target by 2050; new guidance: in 2028, EBITDA is expected to increase to €3.36 billion and Group net profit to €1.19 billion.

Moody's and S&P confirm Terna's rating: Baa2 and BBB+ respectively with stable outlooks

On **25 March 2025**, following the presentation of the 2024-2028 Industrial Plan Update, Moody's Investor Service (Moody's) and S&P Global Ratings (S&P) confirmed the long-term ratings assigned to Terna S.p.A. (Terna), Baa2 and BBB+ respectively, both with stable outlooks, with one notch above that of the Italian Republic. The Plan update calls for significant growth in investments, which set a new record for the Group (over the same period of time as the previous Plan), confirming Terna's increasingly central role as an enabler of the energy transition towards decarbonisation and the reduction of Italy's dependence on foreign sources of supply.

Disclosure

pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers

The following table, prepared pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers, shows the fees paid for audit and other services provided to the Terna Group by the Parent Company's independent auditors and the network of the Parent Company's independent auditors in 2024.

(euro)

	ENTITY PROVIDING SERVICE	FEES DUE FOR THE YEAR
Audit of the accounts and financial statements	Parent Company's auditor	600,061
Attestation and other services[12]	Parent Company's auditor	241,147
Audit of the accounts and financial statements	Network of the Parent Company's auditor	200,751
Attestation and other services	Network of the Parent Company's auditor	3,234
Total		**1,045,191**

[11] Attestation and Other Services include the services linked to the audit of the regulatory accounts, the opinion on the distribution of interim dividends, the limited review of the Consolidated Sustainability Statement and Comfort Letters for bonds.

Attestation

of the consolidated financial statements pursuant to art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

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Cap. Soc. 442.198.240 Euro interamente versato

Attestation of the consolidated financial statements pursuant to 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

"Terna Group"

1. The undersigned, Giuseppina Di Foggia, as Chief Executive Officer, and Francesco Beccali, as Manager responsible for Terna SpA's financial reporting, having also taken account of the provisions of art.154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company, and
- the effective application of the administrative and accounting procedures adopted in preparation of the consolidated financial statements during the year ended 31 December 2024.

2. The administrative and accounting procedures adopted in preparation of the consolidated financial statements for the year ended 31 December 2024 were drawn up, and their adequacy assessed, on the basis of the regulations and methods adopted by Terna SpA in accordance with the Internal Control–Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission. This Commission has established a body of general principles providing a standard for internal control and risk management systems that is generally accepted at international level.

3. We also attest that:

3.1 the consolidated financial statements for the year ended 31 December 2024:

a. have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002 and the statutory requirements implementing the provisions of art. 9 of Legislative Decree 38/2005;

b. are consistent with the underlying accounting books and records;

c. provide a true and fair view of the financial position and results of operations of the issuer and the companies included in the scope of consolidation.

3.2 the Directors' report on operations includes a reliable analysis of the operating and financial performance and situation of the issuer and the companies included in the scope of consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Rome, 25 March 2025

Chief Executive Officer — Manager responsible for financial reporting

(original signed) — *(original signed)*

CERTIFICAZIONI, ACCREDITAMENTI E ATTESTAZIONI SOA

Independent Auditor's Report

pursuant to articles 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014 - Consolidated financial statements for the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Terna S.p.A.

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Terna Group (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Terna S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Il nome Deloitte si riferisce a una o più delle seguenti entità: Deloitte Touche Tohmatsu Limited, una società inglese a responsabilità limitata ("DTTL"), le member firm aderenti al suo network e le entità a esse correlate. DTTL e ciascuna delle sue member firm sono entità giuridicamente separate e indipendenti tra loro. DTTL (denominata anche "Deloitte Global") non fornisce servizi ai clienti. Si invita a leggere l'informativa completa relativa alla descrizione della struttura legale di Deloitte Touche Tohmatsu Limited e delle sue member firm all'indirizzo www.deloitte.com/about.

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Investments for the operation and development of the electricity transmission grid, relevant for the purposes of determining the transmission and dispatching activities charges

Description of the key audit matter	As of 31 December 2024, the Group accounts in "Property, plant, and equipment" and "Intangible assets", respectively equal to Euro 19,237 million and Euro 731 million, the amounts mainly related to investments made for operation and development of the Italian national transmission grid (NTG) for high and extra-high voltage power. Investments made in the financial year relating to these items totaled Euro 2,692 million. The Group operates as a natural monopoly and within a market regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA"), which defines, among the others, the rules for the remuneration of the transmission and dispatching services. In particular, the regulated revenues for these services are determined annually by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized (RAB – Regulated Asset Base), of the relative depreciation and of some operating expenses. The RAB value is determined by ARERA mainly through the revalued historical cost method. We believe that investments for the operation and development of the electricity transmission grid represent a key audit matter for the Group's consolidated financial statements as of 31 December 2024 due to: i) the relevance of the tangible and intangible assets related to operation and development of the electricity transmission grid compared to the Group's total assets, ii) the relevance of the investments made during the year, iii) their impact in determining the fees for the transmission and dispatching services. Notes "13. Property, plant, and equipment "and "15. Intangible assets" of the consolidated financial statements include the disclosure on the investments for the operation and development of the electricity transmission grid.
Audit procedures performed	With reference to investments for the operation and development of the electricity transmission grid, our audit procedures included, among the others, the following: • understand the processes for recognition of such investments in the financial statements;

- understand the relevant controls implemented by the Group in relation to these processes and assessment of their operating effectiveness;

- comparative analysis of the items "Property, plant, and equipment" and "Intangible assets", as well as critical analysis of the composition of investments made during the year related to these items, including the analysis of any unusual item;

- with reference to investments occurred during the year, selection of a sample of transactions and test of the compliance with the capitalization criteria provided by accounting standards;

- test the accurate start of depreciation when the asset is available for use for a sample of assets recorded within accounts in "Property, plant, and equipment" and "Intangible assets" entered into depreciation during the year, also through the analysis of their ageing;

- test the correct application of the depreciation rate with respect to the asset category and recalculation of the amortization and depreciation for the year.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Terna S.p.A. has appointed us on 8 May 2019 as auditors of the Company for the years from 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Terna S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements as at 31 December 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at 31 December 2024 have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinions and statement pursuant to art. 14 paragraph 2, sub-paragraphs e), e-bis) and e-ter) of Legislative Decree 39/10 and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Terna S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Terna Group as at 31 December 2024, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the consolidated financial statements;

- express an opinion on compliance with the law of the report on operations, excluding the section related to the consolidated sustainability statement, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;

- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Terna Group as at 31 December 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated sustainability statement, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated sustainability statement. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Maria Ginevra De Romanis
Partner

Rome, Italy
April 23, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



SEPARATE FINANCIAL STATEMENTS


Terna



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Financial statements

Income statement

(€)

	NOTES	2024	2023
A - REVENUE			
1 Revenue from sales and services	1	2,960,604,537	2,567,295,537
of which: related parties		*2,196,900,000*	*1,787,600,000*
2 Other revenue and income	2	62,533,978	67,480,763
of which: related parties		*33,826,500*	*33,168,146*
Total revenue		**3,023,138,515**	**2,634,776,300**
B - OPERATING COSTS			
1 Raw and consumable materials used	3	10,636,717	7,240,844
of which: related parties		*198,119*	*80,014*
2 Services	4	546,347,943	498,441,079
of which: related parties		*452,272,187*	*398,584,781*
3 Personnel expenses	5	125,070,105	119,148,280
- gross personnel expenses		*148,254,979*	*138,252,288*
- capitalised personnel expenses		*(23,184,874)*	*(19,104,008)*
of which: related parties		*1,739,882*	*1,458,975*
4 Amortisation, depreciation and impairment losses	6	794,951,108	719,320,420
5 Other operating costs	7	27,697,184	29,688,540
of which: related parties		*2,407,906*	*144,779*
Total operating costs		**1,504,703,057**	**1,373,839,163**
A-B OPERATING PROFIT/(LOSS)		**1,518,435,458**	**1,260,937,137**
C - FINANCIAL INCOME/(EXPENSES)			
1 Financial income	8	165,258,772	142,007,633
of which: related parties		*10,630,158*	*27,385,018*
2 Financial expenses	8	(296,446,241)	(232,825,258)
of which: related parties		*8,193,645*	*7,119,867*
D - PROFIT/(LOSS) BEFORE TAX		**1,387,247,989**	**1,170,119,512**
E - INCOME TAX EXPENSE	9	**416,891,150**	**335,462,844**
F - PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**970,356,839**	**834,656,668**
G - PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE	10	**-**	**140,000**
H - PROFIT FOR THE YEAR		**970,356,839**	**834,796,668**
Earnings per share	**11**		
Basic earnings per share		0.478	0.404
Diluted earnings per share		0.478	0.404

Statement of comprehensive income*

(€)

	NOTES	2024	2023
PROFIT FOR THE YEAR		**970,356,839**	**834,796,668**
Other comprehensive income for the year reclassifiable to profit or loss			
- Cash flow hedge	21	(30,390,975)	(37,470,529)
- Financial assets at fair value through other comprehensive income	21	2,309,378	1,011,643
- Cost of hedges	21	91,927	246,085
Other comprehensive income for the year not reclassifiable to profit or loss			
- Actuarial gains/(losses) on provisions for employee benefits	21	169,733	(642,245)
COMPREHENSIVE INCOME FOR THE YEAR		**942,536,902**	**797,941,622**

** Amounts are shown net of tax, where applicable.*

Statement of financial position

(€)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
A – NON-CURRENT ASSETS			
1 Property, plant and equipment	12	17,275,611,907	15,612,445,163
of which: related parties		*177,238,638*	*145,758,709*
2 Goodwill	13	190,228,231	190,228,231
3 Intangible assets	14	692,471,050	573,282,035
4 Deferred tax assets	15	156,225,426	112,962,270
5 Non-current financial assets	16	1,534,323,658	1,587,322,763
6 Other non-current assets	17	7,751,230	7,926,548
of which: related parties		*2,647,428*	*2,773,538*
Total non-current assets		**19,856,611,502**	**18,084,167,010**
B – CURRENT ASSETS			
1 Trade receivables	18	2,936,121,097	1,928,810,157
of which: related parties		*273,457,205*	*355,583,234*
2 Current financial assets	16	447,019,478	368,573,965
3 Cash and cash equivalents	19	2,415,330,402	1,456,303,637
of which: related parties		*259,993,378*	*216,717,235*
4 Income tax assets	20	3,257,130	3,277,022
of which: related parties		-	*1,192,624*
5 Other current assets	17	60,428,521	61,518,479
of which: related parties		*350,000*	*350,000*
Total current assets		**5,862,156,628**	**3,818,483,260**
TOTAL ASSETS		**25,718,768,130**	**21,902,650,270**

(€)

	NOTES	AT 31 DECEMBER 2024	AT 31 DECEMBER 2023
C - EQUITY			
1 Share capital		442,198,240	442,198,240
2 Other reserves		2,668,718,705	1,851,226,767
3 Retained earnings/(accumulated losses)		3,134,404,824	2,973,143,405
4 Interim dividend		(239,591,046)	(230,345,083)
5 Profit for the year		970,356,839	834,796,668
Total equity	21	**6,976,087,562**	**5,871,019,997**
D - NON-CURRENT LIABILITIES			
1 Long-term borrowings	22	11,378,181,589	9,369,221,337
2 Employee benefits	23	11,179,059	11,247,559
3 Provisions for risks and charges	24	120,429,770	108,368,153
4 Non-current financial liabilities	22	58,844,889	164,499,824
5 Other non-current liabilities	25	453,632,258	373,057,942
of which: related parties		*22,622,976*	*24,178,449*
Total non-current liabilities		**12,022,267,565**	**10,026,394,815**
E - CURRENT LIABILITIES			
1 Short-term borrowings	22	1,631,202,990	1,190,390,479
2 Current portion of long-term borrowings	22	665,192,742	1,368,961,833
3 Trade payables	26	3,565,568,625	2,669,674,313
of which: related parties		*1,257,392,789*	*940,637,485*
4 Tax liabilities	26	90,474,159	2,905,520
of which: related parties		*(39,677,869)*	-
5 Current financial liabilities	22	110,174,155	113,681,019
6 Other current liabilities	26	657,800,332	659,622,294
of which: related parties		*48,896,830*	*33,245,713*
Total current liabilities		**6,720,413,003**	**6,005,235,458**
TOTAL LIABILITIES AND EQUITY		**25,718,768,130**	**21,902,650,270**

Statement of changes in equity

31 December 2023 - 31 December 2024

(€m)

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	INTERIM DIVIDEND	PROFIT FOR THE YEAR	EQUITY
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**44.6**	**(29.8)**	**989.0**	**739.0**	**2,973.1**	**(230.3)**	**834.8**	**5,871.0**
Profit for the year										**970.4**	**970.4**
Other comprehensive income:											
- Change in fair value of cash flow hedges				(30.4)							(30.4)
- Financial assets at fair value through other comprehensive income							2.3				2.3
- Cost of hedges				0.1							0.1
- Actuarial gains/(losses) on employee benefits							0.2				0.2
Total other comprehensive income	**-**	**-**	**-**	**(30.3)**	**-**	**-**	**2.5**	**-**	**-**	**-**	**(27.8)**
Comprehensive income	**-**	**-**	**-**	**(30.3)**	**-**	**-**	**2.5**	**-**	**-**	**970.4**	**942.6**
Transactions with shareholders:											
- Appropriation of profit for 2023											
- Retained earnings								*152.2*		*(152.2)*	-
- Dividends									*230.3*	*(682.6)*	*(452.3)*
- Interim dividend 2024									(239.6)		(239.6)
- Purchase of treasury shares					(1.6)						(1.6)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(1.6)**	**-**	**-**	**152.2**	**(9.3)**	**(834.8)**	**(693.5)**
Share option reserve							0.3				0.3
Equity instruments – Perpetual hybrid bonds						842.1					842.1
Coupons payable to holders of hybrid bonds								(2.6)			(2.6)
Other changes						4.5		11.7			16.2
Total other changes	**-**	**-**	**-**	**-**	**-**	**846.60**	**0.3**	**9.1**	**-**	**-**	**856.0**
EQUITY AT 31 DECEMBER 2024	**442.2**	**88.4**	**20.0**	**14.3**	**(31.4)**	**1,835.6**	**741.8**	**3,134.4**	**(239.6)**	**970.4**	**6,976.1**

31 December 2022 - 31 December 2023

(€m)

	SHARE CAPITAL	LEGAL RESERVE	SHARE PREMIUM RESERVE	CASH FLOW HEDGE RESERVE	RESERVE FOR TREASURY SHARES	RESERVE FOR EQUITY INSTRUMENTS - PERPETUAL HYBRID BONDS	OTHER RESERVES	RETAINED EARNINGS/ ACCUMULATED LOSSES	INTERIM DIVIDEND	PROFIT FOR THE YEAR	EQUITY
EQUITY AT 31 DECEMBER 2022	**442.2**	**88.4**	**20.0**	**81.9**	**(29.5)**	**989.0**	**738.4**	**2,794.9**	**(213.3)**	**834.1**	**5,746.1**
Profit for the year										**834.8**	**834.8**
Other comprehensive income:											
- Change in fair value of cash flow hedges				(37.5)							(37.5)
- Financial assets at fair value through other comprehensive income							1.0				1.0
- Cost of hedges				0.2							0.2
- Actuarial gains/(losses) on employee benefits							(0.6)				(0.6)
Total other comprehensive income	**-**	**-**	**-**	**(37.3)**	**-**	**-**	**0.4**	**-**	**-**	**-**	**(36.9)**
Comprehensive income	**-**	**-**	**-**	**(37.3)**	**-**	**-**	**0.4**	**-**	**-**	**834.8**	**797.9**
Transactions with shareholders:											
- Appropriation of profit for 2022											
- Retained earnings								*202.1*		*(202.1)*	-
- Dividends									*213.3*	*(632.0)*	*(418.7)*
- Interim dividend 2023									(230.3)		(230.3)
- Purchase of treasury shares					(0.3)			-			(0.3)
Total transactions with shareholders	**-**	**-**	**-**	**-**	**(0.3)**	**-**	**-**	**202.1**	**(17.0)**	**(834.1)**	**(649.3)**
Share option reserve							0.2				0.2
Coupons payable to holders of hybrid bonds								(23.8)			(23.8)
Other changes								(0.1)			(0.1)
Total other changes	**-**	**-**	**-**	**-**	**-**	**-**	**0.2**	**(23.9)**	**-**	**-**	**(23.7)**
EQUITY AT 31 DECEMBER 2023	**442.2**	**88.4**	**20.0**	**44.6**	**(29.8)**	**989.0**	**739.0**	**2,973.1**	**(230.3)**	**834.8**	**5,871.0**

Statement of cash flows

(€m)

	NOTES	2024	2023
PROFIT FOR THE PERIOD		**970.4**	**834.8**
ADJUSTED BY:			
Amortisation: depreciation and impairment losses / (reversals of impairment losses) on non-current property, plant and equipment and intangible assets*		787.0	710.7
Accruals to provisions (including provisions for employee benefits) and impairment losses		33.0	31.4
(Gains)/Losses on sale of property, plant and equipment		(11.3)	(15.7)
Financial (income)/expense	8	131.1	90.7
Income tax expense	9	416.8	335.4
Other non-cash movements	21	4.5	4.0
CASH FLOW FROM OPERATING ACTIVITIES BEFORE CHANGES IN NET WORKING CAPITAL		**2,331.5**	**1,991.3**
Increase/(decrease) in provisions (including provisions for employee benefits and taxation)		(21.4)	(20.6)
(Increase)/decrease in trade receivables and other current assets		(964.9)	247.5
Increase/(decrease) in trade payables and other current liabilities		835.7	(696.6)
(Increase)/decrease in other non-current assets		(85.2)	30.4
Increase/(decrease) in other non-current liabilities		(46.2)	(18.9)
Interest income and other financial income received		163.3	113.2
Dividends collected	8	2.2	18.3
Interest expense and other financial expenses paid		(360.1)	(264.9)
Income tax paid		(339.8)	(411.0)
CASH FLOW FROM OPERATING ACTIVITIES [A]		**1,515.1**	**988.7**
- of which: related parties		*331.3*	*197.1*
Capital expenditure in non-current property, plant and equipment after grants received	12	(2,346.3)	(1,951.6)
Revenue from sale of non-current property, plant and equipment and other changes in tangible and intangible assets		53.8	19.0
Capital expenditure in non-current intangible assets after grants received	14	(263.6)	(214.5)
Intercompany (additions)/sales of property, plant and equipment		(2.8)	(6.7)
Capitalised financial expenses		74.1	48.3
(Increase)/decrease in investments		(4.0)	(25.9)
Movements in short- and medium/long-term financial investments		55.8	(99.3)
CASH FLOW FOR INVESTING ACTIVITIES [B]		**(2,433.0)**	**(2,230.7)**
- of which: related parties		*(31.5)*	*(24.5)*
Movement in the reserve for treasury shares	21	(8.0)	(7.0)
Movement in the reserve for equity instruments	21	842.1	-
Dividends paid		(690.9)	(665.8)
Movements in short- and medium/long-term financial liabilities (including short-term portion)**		1,733.7	1,168.5
CASH FLOW FROM/(FOR) FINANCING ACTIVITIES [C]		**1,876.9**	**495.7**
INCREASE/(DECREASE) IN CASH AND EQUIVALENTS [A+B+C]		**959.0**	**(746.3)**
Cash and cash equivalents at beginning of year		1,456.3	2,202.6
Cash and cash equivalents at end of year		2,415.3	1,456.3

* *After grants related to assets recognised in the income statement for the year.*
** *After derivatives and impact of fair value adjustments, including cash movements in right-of-use assets.*



Notes

A. Material accounting policies and measurement criteria

Introduction

Terna S.p.A., which provides electricity transmission and dispatching services, is a joint-stock company and its registered office is at Viale Egidio Galbani 70, Rome, Italy.
These Separate Financial Statements were authorised for publication by the Board of Directors convened on 25 March 2025.

The separate financial statements at and for the year ended 31 December 2024 are available for inspection on request at Terna S.p.A.'s registered office at Viale Egidio Galbani 70, Rome, or on the Company's website at www.terna.it.
In addition, the Board of Directors authorised the Chairman and Chief Executive Officer to make any formal amendments to the Separate Financial Statements that may be necessary in the drafting of the final text to be submitted to the Annual General Meeting for approval, as well as additions and adjustments to the sections concerning significant events after the reporting date.

As of the financial statements for the year ended 31 December 2021, Terna has complied with the requirement introduce by the European Transparency Directive and publishes its Annual Report using the European single electronic format (ESEF), tagging all the numbers in the consolidated financial statements and the issuer's basic financial information using the iXBRL format. In addition, as of 31 December 2022, all the notes to the consolidated financial statements have been block tagged.

Compliance with IAS/IFRS

The separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB) and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC), as endorsed by the European Commission ("IFRS").

This document has also been prepared taking into account the provisions of Legislative Decree 38 of 28 February 2005, of the Italian Civil Code and CONSOB Resolutions 15519 ("Provisions governing financial statements in implementation of art. 9, paragraph 3 of Legislative Decree 38/2005") and 15520 ("Amendments and additions to the implementing rules for Legislative Decree 58/1998"), as well as CONSOB Communication DEM/6064293 ("Disclosure requirements for listed issuers and issuers of financial instruments that are widely held among the public pursuant to art. 116 of the Consolidated Law on Finance").

The separate financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments, and on a going concern basis.

Basis of presentation

The separate financial statements consist of the statement of financial position, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the notes thereto.
In the statement of financial position, assets and liabilities are classified on a "current/non-current" basis, with separate reporting of assets and liabilities held for sale. Current assets, which include cash and cash equivalents, are those held for realisation, sale or consumption in the Company's normal operating cycle; current liabilities are those expected to be settled in the Company's normal operating cycle or within one year of the end of the financial year.
The income statement is classified based on the nature of costs. The income statement is presented as two statements, the first of which (the income statement) presents revenue and expense items for the year; the second (the statement of comprehensive income) starts with the result for the year and then presents the revenue and expense items that are recognised in equity rather than the income statement for the year.
The statement of cash flows has been prepared using the indirect method.

The financial statements are produced together with the Report on Operations for Terna S.p.A. and the Group. Since financial year 2008, it has been prepared as a single document, in accordance with the option granted under Legislative Decree 32 of 2 February 2007, which amended Article 40 (Report on Operations) of Legislative Decree 127 of 9 April 1991. From 2024, the Terna Group's Annual Report contains the Report on Operations, which by virtue of recent regulatory obligations in the area of reporting information of an ESG nature includes the Consolidated Sustainability Statement in a separate section, as well as the Consolidated Financial Statements, the Parent Company's separate financial statements. The Consolidated Sustainability Statement is prepared in accordance with the provisions of Legislative Decree No. 125 of 6 September 2024, which transposes into Italian law the provisions of the (EU) 2022/2464 Corporate Sustainability Reporting Directive ("CSRD"), replacing the previous non-financial reporting requirements. In 2023, the Terna Group prepared the Integrated Report, which coincided with the Report on Operations, the Sustainability Statement and the Consolidated Non-financial Statement.

The separate financial statements are presented in euros, whilst amounts in the statement of changes in equity, the statement of cash flows and these notes are presented in millions of euros to the first decimal place, unless otherwise stated.
The separate financial statements have been prepared on a historical cost basis, with the exception of certain items that, in accordance with IFRS, are recognised at fair value, as indicated in the measurement criteria for individual items.

Use of estimates

In application of IFRS, preparation of the statement of financial position and the income statement requires the Company to use estimates and assumptions that affect the carrying amounts of assets and liabilities and the related disclosures, in addition to contingent assets and liabilities at the reporting date. These estimates are based on the information available to management at the date of preparation of the financial statements. These estimates and the associated assumptions are based on previous experience and various factors that are believed to be reasonable under the circumstances. The resulting estimates form the basis for making the judgements about the carrying amounts of assets and liabilities that are not readily apparent from other objective sources Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed periodically and the effects of any changes are recognised in the income statement for the year, if they relate solely to that period. In the case that the revision affects both current and future years, the change is recorded in the year in which the estimate is reviewed as well as in the relevant future years.
The assets and liabilities subject to key estimates and assumptions used by the Company in applying the IFRS endorsed by the European Commission, and that could have a significant impact on the separate financial statements, or that could give rise to risks that would entail significant adjustments to the carrying amounts of assets and liabilities in subsequent years, are summarised below.
External and systemic aspects are assessed based on a group-wide integrated approach. As a result, an overview is provided below outlining the Terna Group's considerations on the conflict in Ukraine, the situation in the Middle East, the macroeconomic environment and climate change.

Revenue related to incentives

Recognition in the financial statements of output-based incentives requires management to use estimates and assumptions based on judgements made using actual data and estimates of the quantity and likelihood of future events. In the case of incentive mechanisms where the performance obligation is satisfied over a period of time, the Group estimates how to allocate the reward in the period, estimating the potential for the return of all or part of the accrued amounts. The amount recognised as revenue in the accounting period is the amount that is most likely not to be returned in the future. For the purpose of recognition, the Group also evaluates, for each incentive mechanism, whether or not the right (or obligation) is subject to confirmation or verification by the regulator, ARERA.
If the mechanism includes a significant financial component, the Group determines a discount rate that takes into account the credit risk associated with the asset which, given the way in which the mechanisms work and the guarantees provided to Terna under the regulatory framework, broadly coincides with the electricity system.
Certain incentive mechanisms may result in penalties for underperformance.

Impairment losses

Property, plant and equipment and intangible assets with finite useful lives are tested at least once a year to check for evidence of impairment. If there is evidence that an asset may be impaired, its recoverable amount is estimated.
The recoverable amount of goodwill is estimated at least annually. The recoverable amount is equal to the greater of the fair value less costs to sell and value in use. Value in use is measured by discounting estimated future cash flows considering information available at the time of estimate and on the basis of estimates of the performance of future variables, such as prices, costs, demand growth rates, production profiles, and discounted at a pre-tax rate that reflects current market assessments of the time value of money for the investment period and risks specific to the asset.
If the intangible asset does not generate cash inflows that are largely independent, the asset's recoverable amount is calculated as part of the Cash Generating Unit ("CGU") to which it belongs.
An impairment loss is recognised in the income statement when the asset's carrying amount, or the net invested capital of the CGU to which it belongs, is greater than its recoverable amount.
Impairment losses on CGUs are first taken as a reduction in the carrying amount of any allocated goodwill and then as a reduction in other assets allocated to the CGU on a pro rata basis. Except for goodwill, impairment losses may be reversed up to the recoverable amount or the original cost of the asset if there is an indication that the impairment loss no longer exists or when there is a change in the methods used to measure the recoverable amount.

Allowance for doubtful accounts

Trade receivables are initially recognised at fair value net of any losses relating to sums considered non-recoverable, for which specific provisions have been made in the allowance for doubtful accounts. Credit losses are determined in application of IFRS 9 (a model based on expected credit losses). This requires the Company to assess expected credit losses, and the related changes, at each reporting date.
Specifically, the Company has applied the simplified approach permitted by IFRS 9 to trade receivables, in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Company has thus determined the amount of expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Provisions for risks and charges

Provisions for risks and charges are allocated when a disbursement of cash, for an amount which can be reliably estimated, will be necessary to fulfil a legal or constructive obligation arising as a result of a past event. Where the time value of money is significant, provisions are discounted using a rate that the Company believes to be appropriate (a rate is used gross of taxes, which reflects current market conditions and the specific risks connected with the liability). After initial recognition, the value of the provisions for risks and charges is updated to reflect the passage of time and any changes in the

estimate changes in the estimate that result from alterations to the forecasted amounts, timing, and discount rates used. Any increase in provisions associated with the passage of time is recognised in the income statement under "Financial expenses".
Liabilities that can be associated with legal and tax disputes, early retirement incentives, urban and environmental restoration projects and other sundry charges are estimated by the Company. The measurement of provisions for legal disputes is based on the probability of incurring an expense, including through the use of external legal advisors supporting the Company; the estimate of provisions to be set aside for urban and environmental restoration projects which are the offsets aimed at compensating for the environmental impact of the construction of new infrastructure, is based on an analysis of the agreements entered into with the local authorities concerned and the progress of work on construction of the new infrastructure.

Employee benefits

Post-employment benefits are defined on the basis of plans, even if not formalised, that are classified as either "defined benefit" plans or "defined contribution" plans depending on their nature.
The liability for employee benefits paid upon or following termination of employment in relation to defined benefit plans or other long-term benefits is recognised net of any plan assets and is measured on the basis of actuarial assumptions, estimating the amount of future benefits that employees have vested at the reporting date and is recognised on an accruals basis in line with the period of service necessary to obtain the benefit.
Changes in the value of the net liabilities (revaluations) deriving from actuarial gains or losses, resulting from changes in the actuarial assumptions used or adjustments based on experience, are recognised in other comprehensive income in the year in which they occur. If a plan is modified, curtailed or extinguished, the related effects are recognised in profit or loss.
Net financial expenses include the component of the return on plan assets and the interest cost to be recognised in profit or loss and are measured by multiplying the liabilities, net of any plan assets, by the discount rate applied to the liabilities; net interest on defined benefit plans is recognised in "Financial income/(expenses)".
The actuarial valuations used to quantify employee benefits (of all plans except termination benefits or *TFR*) were based on "vested benefits", applying the projected unit credit method. These valuations are based on the following economic and demographic assumptions: the discount rate (used to determine the present value of the obligation, determined considering returns on high quality bonds in line with the duration of the group of workers measured), the inflation rate, the rate at which future salary levels are expected to rise, the rate of increase for average health reimbursements, rate of increase for electricity prices and demographic factors, such as mortality and invalidity, retirement, resignation, advances and household composition. The method of calculation used for *TFR* consists of discounting to present value, at the measurement date, each estimated payment due to every employee, projected through to the estimated period in which the *TFR* will be paid.
The obligation under defined contribution plans, limited to the payment of contributions to the state or to a legally separate entity (a fund), is measured on the basis of the contributions payable. The cost of such plans is recognised in profit or loss based on the contribution paid during the period.

Macroeconomic environment

The Terna Group closely monitors the current macroeconomic environment and the recent international political events, particularly focusing on geopolitical developments, linked above all to the ongoing conflict in Ukraine and heightened tensions in the Middle East, and the relevant legislation.
The progressive fall in inflation and reduced commodity price volatility, compared with the peaks seen in 2022, brought a certain degree of stability to a macroeconomic backdrop that, however, remains uncertain. Moreover, economic growth slowed down, with the geopolitical situation and trade tensions making it more uncertain, as they could cause new inflationary pressure, potentially affecting the monetary policies of central banks. The main risks that could potentially increase financial market volatility in the coming months include the trade policies of the new US administration and the global extension of tariffs and duties. Against this backdrop, the Group continues to focus on capex delivery and implementing its Industrial Plan. To date, we are not aware of any circumstances requiring an in-depth assessment of the validity of application of the going concern basis.

This assumption is based on the fact that (i) revenue generated by our Regulated Activities in Italy accounts for the largest part of the Group's income and (ii) this revenue consists of remuneration to cover both operating and capital expenditure, with both components revised annually based on the indexing rates established by the regulator. In addition, the return on invested capital is based on a WACC that is periodically revised by ARERA to enable the parameters used in calculating the cost of equity and debt to be updated.
Assessment of the impact of the current macroeconomic environment and the ongoing conflicts did not result in such trigger events as to require the conduct of an impairment test of the value of the property, plant and equipment owned by the Group or of intangible assets with finite useful lives.
More specifically, with regard to the recoverable amount of property, plant and equipment and intangible assets with finite useful lives forming part of the RAB (Regulated Asset Base), the assessment of expected future cash flows generated by these assets showed that the macroeconomic effects, including those resulting from the above conflicts, did not give rise to impacts constituting trigger events requiring the conduct of an impairment test.
In addition, neither the impact of the changed macroeconomic environment, nor of the geopolitical crises, has resulted in an increase in credit risk and has not affected the outcome of the measurement of expected credit losses. The Group's trade receivables fall within the hold to collect business model, primarily fall due within 12 months and do not include a significant financial component. The effect of these events has not, therefore, had any impact, including with regard to the identified business model for financial instruments, thus avoiding any changes to the chosen classification.
In addition, fair value measurement of the financial assets and liabilities held by the Group has not undergone changes in terms of an increase in the related risks (market, liquidity and credit). Similarly, movements in the underlying assumptions have not altered the sensitivity analyses linked to their measurement.
In terms of recoverable amount, it should be noted that there has not been any deterioration in 2024 in the receivables due from the Group's main counterparties (dispatching customers for injections or for withdrawals and distributors), considered solvent by the market and therefore assigned high credit ratings.
As described in more detail in the section, "Credit risk", management of this risk is also driven by the provisions of ARERA Resolution 111/06, which introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. The assessment conducted has, moreover, not provided evidence of the need to modify the model used following an evaluation of the impact of the conflicts.
Terna is not exposed to any risk of greater contract expenses due to rising inflation or increased costs incurred as a result of rising commodity and energy prices and salaries, or to the possibility that, as an issuer of financial instruments, it is unable to pass such increases on by raising the prices of its own services or goods. This is because any price increases agreed by law are covered by tariff revisions, which envisage adjustments for inflation, and its capex is recognised in full in the RAB.
It should, moreover, be noted that Terna S.p.A. and its subsidiaries do not have offices or significant operations in the regions affected by the conflicts.

Climate change

Awareness of the progress of climate change and its effects has led to a growing need to provide disclosure in Report on Operations. Although there is no international accounting standard governing how the impact of climate change should be taken into account in the preparation of financial statements, the IASB has issued certain documents providing support for IFRS-adopters seeking to satisfy the demand for disclosure from interested parties. Similarly, in its European Common Enforcement Priorities of 24 October 2024, ESMA recalled that the priorities of previous years in relation to climate-related issues remain relevant for the 2024 financial statements, and emphasised the need for issuers to consider climate changes when preparing their IFRS financial statements to the extent that such risks are material, whether or not this is explicitly required by the relevant accounting policies.
The Terna Group describes its considerations regarding actions to mitigate the effects of climate change mainly in the Climate Change section as part of the Consolidated Sustainability Statement of the Report on Operations. In this context, as a TSO providing transmission and dispatching services, the Terna Group undoubtedly plays an active role in supporting the system in achieving the challenging targets linked to efforts to reduce CO_2 emissions. Indeed, in addition to the emissions connected with electricity consumption, the most significant component relating to Terna's indirect emissions is linked to grid losses, which can also be associated with the indirect impact of the need to produce

more energy. In themselves, a TSO's emissions (scopes 1 and 2 in the 'GHG emission protocol') are extremely modest when compared with the potential system-level reduction resulting from the integration of renewable sources and electrification.
The Group has chosen to report its considerations on climate change in a single note. The following is a summary of management's considerations on aspects deemed material.

IAS 1 – Presentation of Financial Statements

In the event of uncertainties, IAS 1 requires entities to analyse potential impacts in terms of the entity's ability to continue as a going concern and, with regard to the assumptions and estimates made in preparing the Annual Report. Entities are required to provide disclosure of the forward-looking estimates used and that have a significant risk of resulting in a material adjustment within the next financial year. As recommended by ESMA, which, as mentioned above, requires entities to take into account climate risks when preparing financial statements, disclosures are provided that, despite not being specifically required by IFRS, are relevant to an understanding of the financial statements.
In terms of the short term, management has not identified any specific effects of climate-related risks to be considered when applying the accounting policies.
With regard to the medium to long term, management has identified potential risks primarily linked to the Company's role as a TSO, deriving from the need to adapt the electricity grid in the form of work designed to boost resilience and allow it to handle the new profile and mix of the energy injected into the grid. However, as described in greater detail in the specific sections that follow, the steps planned with the aim of mitigating such risks do not require further consideration during application of the accounting policies used in preparation of these financial statements.
It should be noted, however, that assessment and, more specifically, quantification of climate-related risks generally requires the use of highly uncertain future-oriented assumptions, such as future technological and policy developments and Government measures.

IAS 16 – Property, Plant and Equipment

With specific regard to the grid and the related transmission service, the action plan requires a commitment to the planning, approval and delivery of investment projects related to work in response to current and future needs to integrate renewable sources, guarantee the reliability, security, adequacy and efficiency of the electricity system, such as, for example, cross-border interconnections and the development of infrastructure to enable the growing integration of renewable energy sources.
In addition, as described in the Group's Risk Framework, the Group is exposed to the risks linked to the increased intensity of weather events (tornados, heavy snowfall, ice, flooding) with a resulting impact on the continuity and quality of the service provided by Terna and/or damage to equipment, machinery, infrastructure and the grid. In response, the Group continues to carry out new investment designed to increase the grid resilience of the electricity grid and identify mitigation strategies.
In line with our role in driving the country's energy transition, Terna's strategic plans — as described in greater detail in the section covering the value creation strategy in the Report on Operations — include actions to be taken to tackle climate change, including:

- the works needed to develop and strengthen the electricity grid in the ten-year Development Plan, including overseas interconnections, to ensure the integration of renewable sources;
- tools to ensure the security and reliability of the electricity system in the Security Plan, in a scenario where renewable sources are increasingly more widespread and thermoelectric plants are decommissioned, resulting in issues relating to system inertia and voltage regulation;
- the works needed to improve the reliability of electricity assets in the Maintenance and Renewal Plan for electricity assets, which involves the preventive identification and resolution of initial signs of an issue that could lead to a malfunction.

Common to all these plans is the Resilience Plan, annexed to the Security Plan, which includes all the initiatives designed to increase grid resilience to enable it to withstand increasingly intense and frequent severe weather events, damaging infrastructure and resulting in outages at plants connected to the NTG. The Resilience Plan involves a preventive approach to managing infrastructure, using capital light technological solutions to mitigate the risks to which the grid is exposed and solutions for repairing and monitoring the electricity system.
This also involves the development of innovative technologies through structured collaborations with start-ups ("Open Innovation"), designed to monitor weather events and increase NTG resilience.
Mitigating climate-related risk also involves the need to plan maintenance of NTG infrastructure to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational.
In addition to initiatives falling within the scope of the Group's routine maintenance programmes, in this regard, Terna is increasingly required to carry out work on the grid that calls for the maintenance of specific components. Aside from renewing grid infrastructure, this enables the Company to mitigate the risk arising from the increased intensity and frequency of disruptive weather events. Management considers that this investment does not reduce or modify the expected economic benefits deriving from use of the existing grid accounted for in property, plant and equipment. In the light of the above, it has not been necessary to conduct a critical review of the useful lives of the fixed assets recognised in the financial statements.
The Group also considers that there may be a risk connected with the supply chain due to significant changes in the strategies of key suppliers. This risk is heightened by the (i) crisis in the global supply chain following the conflicts, duties, drop in supply and (ii) energy transition launched in many countries, with a potential impact on construction and maintenance projects, and a resulting impact on the continuity and quality of service and on the time needed to complete infrastructure. The Group constantly monitors developments in the supply chain and has not so far identified any critical issues.

IAS 38 – Intangible Assets

With regard to non-regulated activities, the Group is committed to developing innovative, digital technological solutions to support the ecological transition. These activities include the offerings of the Tamini Group and Brugg Cables Group, the subsidiaries that produce power transformers and terrestrial cables, respectively (Equipment activities), involving the development of expertise throughout the value chain, and the offer of Energy Services and Connectivity. In addition, the Group is also committed to investing in digitalisation and innovation, involving the development of solutions for the remote control of electricity substations and key infrastructure. This involves the installation of sensor, monitoring and diagnostic systems, including predictive solutions, improving the security of the grid and the surrounding area.
The Group has also developed tools for studying and planning new works designed to respond to issues relating to climate change. Through its Resilience Methodology, as set out in Annex A76 to the Grid Code, Terna has equipped itself with a tool that makes the Group a leader in the conduct of climate-change assessments in Italy and Europe. This innovative and probabilistic tool for planning work will increase the resilience of the NTG. This involves measuring the related benefit in terms of reducing expected energy not supplied, above all due to ice, snow and strong winds.
To promote the spread of a well-informed energy culture and facilitate broad awareness of the issues faced by the electricity sector, in 2021, the Group developed a new Development Plan application and the digital platform called Terna4Green with a view to monitoring the progress made towards Italy's decarbonisation. Via these two new initiatives, Terna continues and strengthens its commitment to ever greater transparency and the spread of information and data, specific expertise and in-depth knowledge of the national electricity system.
In response to the risk linked to the greater intensity and frequency of extreme weather events (tornados, heavy snowfall, ice, flooding), the Group could also benefit from the "Patentability" of the above innovative solutions, with resulting non-regulated business opportunities.
Investment in research is expensed as incurred, whilst development costs that meet certain requirements may be recognised as intangible assets. For more information regarding the criteria for recognising a non-current asset arising from development, please refer to the section 'Intangible Assets', while for more details on the possible impacts of the initiatives implemented, please refer to the section 'Climate Change' in the 'Environmental information' section of the Report on Operations.

IAS 36 – Impairment of Assets

As indicated above with regard to tangible and intangible assets, management did not identify factors requiring a critical review of useful lives. Similarly, with regard to the risk of impairment losses on property, plant and equipment, management considers that, whilst the steps taken to mitigate climate-related risk involve the need to plan maintenance work on NTG infrastructure, in keeping with the past, so as to ensure quality of service, the security of the assets operated (power lines and electricity substations) and their ability to remain fully operational, these activities do not, in any event, have a negative impact on the measurement of fair value less costs of disposal. This is because a market operator would take this investment into account as part of the fair value measurement process.

IFRS 9 – Financial Instruments

With regard to borrowings and bond issues, the Group has obtained certain bank borrowings containing ESG-linked conditions, entered into a commercial paper programme (short-term notes issued to qualified investors), enabling Terna to issue conventional short-term bonds as well as "ESG Notes". In addition, a number of Green bonds were issued, as described in greater detail in "Sustainable finance". The ESG-linked bank borrowings (different from the Green Bond issues) include a bonus/penalty mechanism, applicable to the payment of accrued interest, linked to the achievement of specific environmental, social and governance (ESG) objectives. As a result of the above, the Group believes that there may be a risk, albeit not significant, connected with the achievement of such objectives. Failure to achieve the objectives within a contractually agreed date would result in a slight increase in the cost of debt. Nevertheless, the impact of this risk on financial expenses is entirely negligible. The Group constantly monitors activities relating to climate change and has not so far identified any critical issues.

IAS 37 - Provisions, Contingent Liabilities and Contingent Assets

The legislation introduced in response to climate change may give rise to new obligations that did not previously exist. To this end, the Terna Group has adopted an Integrated Management System Policy following Terna S.p.A.'s Board of directors' desire to rely on a tool that would help them define strategic objectives, in line with the principles of the Code of Ethics and the Sustainable Development Goals ("SDGs") promoted by the United Nations, the requirements of the ISO Standards and the organisation's context.

With reference to the issue of Climate Change, the Integrated Management System Policy also reflects Terna's commitments with respect to UNI EN ISO 14001:2015 "Environmental Management Systems" and UNI CEI EN ISO 50001:2018 "Energy Management Systems" , describing its adherence to practices aimed at limiting and reducing environmental impact even beyond legal limits, without compromising the protection of other general interests set out in the concession. Full implementation of this policy, which also covers efforts to reduce greenhouse gas emissions, also involved energy efficiency initiatives and the adoption of measures designed to protect biodiversity. Terna also extends the issue of environmental protection to both its supply chain and local stakeholders directly affected by NTG development projects, through increasingly eco-sustainable offsets.

Finally, Terna has adopted a Circular Economy Strategy that has led to the definition of a Roadmap of actions to 2030 with a view to implementing a circular economy model.

Given the regulatory framework, management does not believe that such policies give rise to the need to recognise liabilities not previous accounted for. The same conclusion has also been reached with regard to the previously mentioned risk linked to the supply chain due to significant changes in the strategies of key suppliers. As a result, it has not been necessary to carry out a critical review of provisions in the financial statements.

IFRS 15 – Revenue from Contracts with Customers

In terms of Regulated Activities, part of the remuneration for transmission and dispatching services derives from regulatory incentive mechanisms linked to specific targets. The achievement of these targets may be influenced by climate change risks, as for example the intensification of extreme weather events could have an impact on the continuity and quality of the service offered by Terna. The Group monitors these risks, which did not have an impact on the accrued portion of these incentives during the year.

With regard to Non-regulated Activities, above all Energy Services, given the portfolio of products and services offered to promote the development of renewable energy in Italy, for example through the construction and operation of photovoltaic plants, infrastructure connecting the photovoltaic plants to the grid and services offered to industrial clients, and with regard to the production of cables and transformers, the Group is not exposed to new uncertainties having an impact on the current revenue recognition model. In addition, the Group did not deem it necessary to conduct a review of existing contracts.

Climate change and the subsequent adoption of policies designed to reduce CO_2 emissions and achieve Net Zero Emissions targets by most industrial clients could result in increased business opportunities.

IFRS 2 – Share-based Payments

The current long-term incentive plans, so called Performance Share Plans, are linked to a series of ESG indicators with a percentage weighting that rises over time.
The 2021-2025 plan consists of an indicator linked to Terna's annual inclusion and ranking in the *Dow Jones Sustainability Index (DJSI-World)* with a weighting of 20%.
The ESG indicators for the 2022-2026 plan, with a higher 25% weighting than in the previous plan, include KPIs referring to inclusion in a basket of ESG indexes selected to represent the Group's ability to guarantee an all-round sustainability performance, including the Dow Jones Sustainability Index World, Stoxx ESG Leaders and the MIB 40 ESG. An important part of these three assessments is explicitly linked to climate-related issues: specifically, to be included in the selected ESG indexes every year, and for the whole duration of the Performance Share Plan, performance and positioning in terms of, for example, climate strategy, the assessment and management of climate risks, cuts in greenhouse gas emissions and public disclosures on relevant metrics, are of great importance.
The Performance Share Plan 2023-2027 is linked to ESG indicators with an overall weighting of 30%, of which 15% relates to KPIs linked to inclusion in the above ESG basket and the remaining 15% to Overgeneration, representing the reduction in the modulation of generation from Non-Programmable Renewable Sources requested by Terna, due to the security requirements of the National Electricity System.
Finally, the Performance Share Plan 2024-2028 - includes, consistent with the 2023-2027 Plan, the Overgeneration indicator with a weight of 30%.
Bearing in mind the expected development of renewable generation capacity in the coming years, absent appropriate mitigation initiatives, overgeneration will become a growing issue, cancelling out (at least in part) the benefits of the energy transition.

Investments in subsidiaries and associates

Investments in subsidiaries are investments where Terna has the power to directly or indirectly govern the financial and operating policies of the investee so as to obtain benefits from its activities. Associates are investees over which Terna exercises significant influence.
In assessing whether or not Terna has control or significant influence, being the ability to participate in the determination of these companies' financial and operating policies, without having control or joint control, potential voting rights that are exercisable or convertible are also taken into account.
Investments in subsidiaries and associates are recognised at cost, written down in the event of an impairment loss. If the circumstances that gave rise to the impairment cease to exist, the value of the investments is restored to the extent of the impairment loss recognised and the reversal is recognised in the income statement.
In the event that the loss attributable to the Company exceeds the carrying amount of the equity interest, and the Company is required to meet the legal or constructive obligations of the investee or, in any case, to cover its losses, any excess is recognised in a specific provision.

Joint arrangements

Investments in joint arrangements, in which the Group exercises joint control with other entities, are recognised initially at cost and subsequently measured using the equity method. The Company recognises its share of the assets and liabilities attributable to joint arrangements in accordance with IFRS 11.
In assessing the existence of joint control, it is ascertained whether the parties are bound by a contractual agreement and whether this agreement attributes to the parties the joint control of the agreement itself. Joint control exists when an entity has control over an arrangement on a contractual basis, and only when decisions relating to the relevant activities require the unanimous consent of all parties that jointly control the arrangement.

Translation of foreign currency items

Terna's financial statements are prepared in euros, the Company's functional currency. In the financial statements, all transactions in currencies other than the functional currency are recognised at the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in currencies other than the functional currency are subsequently adjusted at the exchange rate prevailing at year end. Any translation differences are taken to the income statement.
Non-monetary assets and liabilities in foreign currency stated at historical cost are converted at the exchange rate prevailing when the transaction was initially recognised. Non-monetary assets and liabilities in foreign currency stated at fair value are converted at the exchange rate prevailing when fair value was measured.

Property, plant and equipment

Property, plant and equipment is recognised at historical cost, including costs directly attributable to preparing the asset for its intended use. In the event of legal or constructive obligations, cost also includes the present value of the estimated cost of dismantling or removing the asset. The corresponding liability is recognised in provisions for risks and charges.
Penalties receivable from suppliers relating to the purchase or construction of an asset are accounted for as a direct reduction in the cost of the asset, unless the penalty is accounted for as a refund, or when the refunded costs are clearly identifiable and have been incurred due to a delay incurred by the purchaser, the compensation is payable regardless of delivery or otherwise of the asset and the agreement expressly provides for settlement of the claim to compensate for the loss of earnings resulting from the contract delays.

Borrowing costs directly attributable to the purchase, construction or production of an asset that qualify for capitalisation pursuant to IAS 23 are capitalised as part of the cost of the asset. Costs incurred after purchase are recognised as an increase in the carrying amount of the asset to which they relate if it is probable that the future benefits of that cost will flow to the Company, and if the cost can be reliably measured. All other costs are expensed as incurred.
Each element of an item of property, plant and equipment of material value, with respect to the total value of the item to which it belongs, is recognised and depreciated separately.
Property, plant and equipment is shown net of accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful economic life of the asset, which is reviewed annually, with revisions applied on a prospective basis. Depreciation of an asset begins when the asset becomes available for use.
Liabilities associated with items of property, plant and equipment are taken to a specific provision as a contra account of the related asset. The amount is taken to the income statement through the depreciation of the asset.
Property, plant and equipment is written off either at the time of disposal or when no future economic benefit is expected from their use or disposal. Any profit or loss, recognised in the income statement, is determined as the difference between the net proceeds deriving from disposal and the net carrying amount of the assets eliminated.

The main rates of depreciation, calculated on the basis of the useful lives of the relevant assets, are as follows:

RATES OF DEPRECIATION

Buildings - Civil and industrial buildings	2.50%
Plant and equipment - Transmission lines	2.22%
Plant and equipment - Transformer substations:	
- Electrical machinery	2.38%
- Electrical devices and equipment	3.13%
- Automation and control systems	6.70%
Plant and equipment - Central systems for remote management and control:	
- Devices, electrical equipment and ancillary plant	5.00%
- Computers	10.00%

Land, regardless of whether it is free of constructions or related to civil and industrial buildings, is not depreciated, since it has an indefinite useful life.

This asset class also includes right-of-use assets, recognised under IFRS 16, arising from lease arrangements where the Company is lessee and relating to the use of property, plant and equipment. A lease arrangement is, or contains, a lease, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Applying this standard, the lessee recognises: (i) a right-of-use asset in its statement of financial position and a liability representing its obligation to make the payments provided for under the arrangement, for all leases with terms in excess of twelve months where the asset cannot be considered of low value (Terna has elected to apply the practical expedient provided for in the standard, recognising payments relating to arrangements that do not fall within the scope of this type of lease in the income statement); (ii) depreciation of the recognised assets and interest expense on the lease liability separately in the income statement.
In determining the lease term, the Company considers the non-cancellable period of the lease and the additional periods resulting from any options to extend the lease, or from the decision not to exercise the option to terminate the lease early (where there is reasonable certainty that such options will be exercised).
The lease liability is initially recognised at the present value of the remaining lease payments at the commencement date: (i) fixed payments; (ii) variable lease payments that depend on an index or a rate; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and finally (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease. The present value of the payments is determined using a discount rate equal to the Company's incremental borrowing rate, bearing in mind the frequency and duration of the payments provided for in the lease contract.

Following initial recognition, the lease liability is accounted for at amortised cost and remeasured, with a matching change in the value of the related right-of-use asset, when there is a change in future lease payments as a result of: (i) a renegotiation of the contract; (ii) changes in the index or rate; or (iii) changes in the assessment of whether or not the options contained in the contract will be exercised (e.g., the purchase of the leased asset, extension or termination of the lease). The right-of-use asset is initially recognised at cost, measured as the sun of the following components: (i) the amount of the initial measurement of the lease liability; (ii) any initial direct costs incurred by the lessee; (iii) any lease payments made at or before the commencement date, less any lease incentives received; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located (or restoring the underlying asset to the condition required by the terms and conditions of the lease). Following initial recognition, the right-of-use asset is adjusted to take into account (i) any accumulated depreciation, (ii) any accumulated impairment losses, and (iii) the effects of any remeasurement of the lease liability.

Intangible assets

Intangible assets, which all have finite useful lives, are recognised at cost, and shown net of accumulated amortisation and any impairment losses. Amortisation begins when the asset becomes available for use and is calculated on a straight-line basis over the estimated useful life of the related asset, which is reviewed annually. Any revisions to estimated figures are applied on a prospective basis.
Intangible assets essentially consist of the concession to exclusively provide electricity transmission and dispatching services, granted to the Parent Company Terna S.p.A., on 1 November 2005, with the acquisition of the TSO business unit. As established in the Decree issued by the Ministry of Productive Activities on 20 April 2005, this concession has a 25-year term, renewable for another 25 years, from the date of effective transfer of the activities, functions, assets and legal arrangements of the concession from GSE (formerly GRTN) to Terna S.p.A.. This intangible asset was initially recognised at cost, which reflected fair value.
Other intangible assets essentially refer to software developments and upgrades with a useful life of three years.
Development costs are capitalised by the Company only if they can be reliably estimated and there is the technical possibility and intention to complete the intangible asset so that it will be available for use, and the asset can be used and it is possible to demonstrate that it will generate probable future economic benefits.
Financial expenses directly attributable to the acquisition, design or production of a non-current asset which justifies capitalisation pursuant to IAS 23 are capitalised to the asset as part of its cost.
All other development costs and research expenses are recognised in the income statement when incurred. These intangible assets are amortised over their estimated residual useful life, which is normally three years, given their rapid obsolescence.

Infrastructure rights

Infrastructure includes the property, plant and equipment and intangible assets employed in dispatching activities in Italy. These activities are carried out under concession arrangements, which fall within the scope of application of IFRIC 12, since the services provided are regulated and control exists over the residual interest. More specifically, infrastructure rights have been recognised as an intangible assets, as valued on the basis of the Intangible Asset model, given the return generated by dispatching activities thanks to the charges paid by users. These assets have a useful life of three years.
The revenue and costs relating to investment in dispatching activities are recognised with reference to the contracts concerned on a stage-of-completion basis; revenue recognised during the construction phase is limited to the amount of the internal and external construction costs incurred, considering that the fair value of the construction services is equivalent to the construction cost paid to third-party contractors plus the internal cost of the technical personnel employed on such construction activities. The assets continue to be amortised and depreciated in accordance with the initial schedule.
By contrast, dispatching revenue continues to be recognised in accordance with IFRS 15 and financial expenses continue to be capitalised pursuant to IAS 23.
IFRIC 12, instead, is not applicable to the part of the Parent Company's concession arrangement relating to transmission activities, since neither the concession nor the related legislation envisages that ownership of the NTG is to be restored to the public grantor, even for a consideration.

Goodwill

Goodwill, deriving from the acquisition of subsidiaries, is allocated to each of the cash generating units (CGU) identified, corresponding with Terna S.p.A.'s regulated activities. Goodwill is not amortised after initial recognition but is adjusted to reflect impairment losses, measured as described above. Goodwill relating to investments in associates and joint arrangements is included in the carrying amount of those companies. Where negative goodwill arises, it is recognised in the income statement at the time of acquisition.

Financial instruments

Financial assets

The new standard, IFRS 9 – Financial Instruments, effective from 1 January 2018, is divided into the following phases: classification and measurement, derecognition, impairment and hedge accounting.

In order to classify and measure financial instruments, the Company recognises financial assets at fair value inclusive of transaction costs.

Financial assets represented by debt instruments and falling within the scope of application of the standard, may be measured at amortised cost, at fair value through other comprehensive income or at fair value through the income statement of comprehensive income, depending on the business model adopted to manage the financial assets and the characteristics of the contractual cash flows.

In accordance with the provisions of IFRS 9, the Company correctly classifies these assets based on the results of co-called SSPI ("solely payments of principal and interest") tests. Under this test, assets may be recognised at amortised cost or fair value through other comprehensive income if they generate cash flows that are solely payments of principal and interest on the principal amount outstanding. This measurement is applied at the level of each individual instrument.

Specifically, the Company measures financial assets:

- at amortised cost, if the financial asset is held with the aim of collecting the contractual cash flows that meet the SPPI test, as the cash flows represent solely payments of principal and interest;
- at fair value through other comprehensive income ("FVOCI"), if the financial asset is held within a business model whose objective is achieved by collecting the contractual cash flows and by selling the financial asset, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Changes in fair value after initial recognition are recognised in other comprehensive income and recycled through profit or loss on derecognition. The government securities held by the Company are included in this category;
- at fair value through profit or loss ("FVTPL"), of the asset is not held in one of the above business models. This category primarily includes derivative financial instruments held for trading and debt instruments with contractual cash flows that are not solely payments of capital and interest.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, using the effective interest method. Receivables with due dates that reflect normal commercial terms are not discounted.
In accordance with the provisions of IFRS 9, the Company's trade receivables fall within the hold to collect business model, as these assets are held with the objective of collecting the cash flows primarily by collecting the contractual cash flows, the receivables primarily fall due within 12 months and do not include a significant financial component, and the Company does not intend to sell such receivables.

Trade receivables are recognised net of any losses recognised in a specific allowance for doubtful accounts (identified on the basis described in the paragraph, "Allowance for doubtful accounts"). The new standard, IFRS 9, has introduced application of a model based on expected credit losses. This requires the Company to assess expected credit losses, and the related changes, at each reporting date. Specifically, the Company has applied the simplified approach permitted by IFRS 9 to trade receivables, finance lease receivables and assets deriving from contracts with customers, in order to measure the allowance for doubtful accounts based on expected losses over the life of the receivable. The Company has thus determined the amount of expected credit losses using a provisioning matrix, based on information regarding historical credit losses for similar past due exposures, adjusted to take into account current conditions and forward-looking elements.

Cash and cash equivalents

Cash and cash equivalents are recognised at nominal value and include amounts that are available on demand or can be readily converted into a known amount of cash and are subject to an insignificant risk of changes in value.

Trade payables

Trade payables are initially recognised at fair value and subsequently stated at amortised cost. If their due dates reflect normal commercial terms, they are not discounted.

Financial liabilities

Financial liabilities are recognised at the settlement date and measured at fair value, net of directly related transaction costs. Subsequently, financial liabilities are measured at amortised cost, using the original effective interest method. If the liabilities are covered by fair value hedges, they are adjusted to reflect changes in fair value with respect to the hedged risk.
Subsequent measurement of financial liabilities depends on their classification as financial liabilities at amortised cost and at fair value through the income statement.

Derivative financial instruments

Derivatives are recognised at fair value at the trade date.

The qualifying criteria applied in classifying derivatives as eligible for hedge accounting are as follows:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge. That documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and how it determines the hedge ratio);
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria. This includes instances when the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such a replacement or rollover is part of, and consistent with, the entity's documented risk management objective.

For hedge accounting purposes, there are three types of hedge:

- fair value hedges when the hedge regards the exposure to changes in the fair value of the recognised asset or liability or there is an unrecognised firm commitment;
- cash flow hedges when the hedge regards the exposure to variability in cash flows that is attributable to a particular risk associated with all of the recognised asset or liability or a highly probable forecast transaction or the exchange rate risk on an unrecognised firm commitment;
- the hedge of a net investment in a foreign operation.

When derivatives cover the risk of changes in the cash flows of the hedged instruments (cash flow hedges), the portion of changes in the fair value qualifying as effective is initially recognised in "Other comprehensive income" (accumulated in equity) and subsequently in profit or loss, as the cash flows from the hedged item affects the income statement. The portion of the fair value of the hedging instrument that does not qualify as effective is recognised in profit or loss.
When hedging derivatives cover the risk of changes in the fair value of hedged instruments (fair value hedges), they are recognised at fair value in profit or loss. Accordingly, the hedged items are adjusted to reflect changes in the fair value associated with the hedged risk.
Changes in the fair value of derivatives that do not meet hedge accounting requirements in accordance with the IFRS are recognised in profit or loss.
Fair value is measured on the basis of official quotations for instruments traded in regulated markets. The fair value of instruments not traded in regulated markets is measured by discounting projected cash flows along a yield curve prevailing in the market at the reporting date, and by translating amounts in currencies other than the euro at closing exchange rates.
Financial and non- financial contracts (which are not already measured at fair value) are also analysed to identify any embedded derivatives, which must be separated and measured at fair value.
This analysis is conducted at the time the entity becomes party to the contract or when the contract is renegotiated in a manner that produces a material change in the original associated cash flows.

Hybrid bonds

Issues of non-convertible, perpetual hybrid bonds are classified as equity instruments. These are in fact instruments that allow Terna to defer coupon payments over time and whose early redemption is permitted on the occurrence of certain events or at the reset date. These instruments cannot be converted into shares and, in the event of the Company's liquidation, winding up or insolvency, interest payments are subordinated to all the issuer's other payment obligations.
The proceeds received from the sale of the instruments and subsequent returns of capital are accounted for as an increase or a reduction in equity, respectively, in compliance with the requirements applicable to equity instruments in IAS 32. Interest expense, at the time the payment obligation arises, is recognised as a reduction in equity.

Employee benefits

The liability associated with employee benefits payable on or after termination of employment relate to defined benefit plans (deferred compensation benefits, additional months' pay[1], payment in lieu of notice[2], energy discounts, ASEM health cover and other benefits) or with other long-term employee benefits (loyalty bonuses) is recognised net of any plan assets. The liability is measured separately for each plan on the basis of actuarial calculations that estimate the amount of vested future benefits that employees have accrued at the reporting date. The liability is recognised on an accruals basis over the vesting period. The valuation of the liability is performed by independent actuaries.

Share-based payments

Given that they are substantially a form of remuneration, labour expenses include the cost of share-based incentive plans. The cost of the incentive is measured on the basis of the fair value of the equity instruments granted and the expected number of shares to be effectively awarded. The accrued amount for the period is determined on a straight-line basis over the vesting period, being the period between the grant date and the date of the award. The fair value of the shares underlying the incentive plan is measured at the grant date, based on the expected satisfaction of the performance conditions associated with market conditions and is not subject to adjustment in future periods. When receipt of the benefit is linked to non-market conditions, the estimate relating to these conditions is reflected and the accrual's number of shares expected to be awarded is adjusted over the vesting period. If, at the end of the vesting period, the plan does not result in the award of any shares to beneficiaries due to the failure to satisfy the performance conditions, the portion of the cost linked to market conditions is not reversed through the income statement.

Provisions for risks and charges

Provisions set aside for risks and charges are recognised when, at the reporting date, the Company has a legal or constructive obligation as the result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the disbursement. Where the effect is material, provisions are made by discounting estimated future cash flows using a discount rate that reflects current market rates and the specific risk applicable to the obligation, if any. Where discounting is used, the increase in the provisions due to the passage of time is recognised in the income statement as a financial expense. If it relates to property, plant and equipment (site disposal and restoration, for example), the provision is recognised as a contra entry to the asset to which it relates. The expense is recognised in the income statement through depreciation of the item of property, plant and equipment to which it relates.
Changes in the estimates are recognised in the income statement for the year in which the change occurs, except for the expected costs of dismantling, removal and restoration resulting from changes in the timing and use of the economic resources necessary to extinguish the obligation or are attributable to a material change in the discount rate. These costs are recognised as an increase or reduction in the related assets and recognised in the income statement through depreciation.

Government grants

Government grants are recognised when there is a reasonable certainty that they will be received and that the Company will comply with all the conditions required for disbursement. Grants received in relation to specific assets whose value is recognised under non-current assets are recognised, in the case of plant already in operation at 31 December 2002, among other liabilities and taken to the income statement over the depreciation period for the assets in question. As of the 2003 financial year, grants related to new plant entering service are recognised as a direct reduction in the non-current asset concerned.
Grants related to income are recognised in the income statement when the conditions for recognition are met.

[1] Additional months' pay.
[2] Payment in lieu of notice.

Revenue

The Company's revenue can be categorised as follows:

- **Revenue from sales and services**, including revenue from contracts with customers and therefore falling within the scope of IFRS 15.

  In accordance with the provisions of IFRS 15, revenue from contracts with customers is recognised when the performance obligations identified in the contract are satisfied and control over the goods or services is transferred to the customer for an amount that reflects the consideration that the Company expects to receive in exchange for the goods or services.

  The standard envisages two methods for identifying the correct time at which to recognise the revenue attributable to each performance obligation: at contract inception, the Company determines if the goods or services covered by the performance obligation will be transferred to the customer over a period of time or at a point in time:

  - Revenue from the sale of goods is recognised when control of the goods is transferred to the customer (at a point in time). The Company determines if there are other promises in the contract representing a performance obligation to which a part of the transaction consideration must be allocated. In determining the sale price, the Company takes into account the effects of a variable consideration, significant financial components, non-monetary components and amounts to be paid to the customer (if present);
  - Revenue from services is recognised with reference to the stage of completion of the activity, in accordance with the provisions of IFRS 15 (over a period of time).

  Revenue from sales and services also includes "pass-through" revenue and expenses originating from the purchase and sale of energy from and to electricity market operators. The regulatory framework requires that such expenses and revenue must always amount to zero, via a pro rata charge to each consumer for the net cost resulting from the measurement of imbalances and purchase and sale transactions, carried out by Terna on the Dispatching Services Market, through a specific fee known as an uplift payment. Terna receives compensation for this activity through specific revenue for providing the dispatching service. Given that Terna does not have the power to set the prices of DSM transactions, this revenue is presented net of the related costs.

  Revenue from sales and services also includes output-based incentives, as defined by ARERA, for both transmission and dispatching activities. The incentive mechanisms fall within the scope of application of IFRS 15. If the counterparties through which Terna collects an incentive are not active in the market in the year in which achievement of the targets underlying the incentive scheme is confirmed, IFRS 15 is applied in accordance with the analogy-based approach provided for in IAS 8, as confirmed with reference to the Conceptual Framework for Financial Reporting.

  If the mechanism includes a significant financial component, the amounts recognised in the financial statements are discounted to present value. Based on the specific nature of each mechanism, the Group assesses whether the performance obligation is satisfied over a period of time or at a point in time, also taking into account whether or not the right is subject to confirmation or verification by the regulator, ARERA.

- **Other revenue and income**, which includes revenue from lease arrangements and other residual forms of revenue, included within the scope of application of IFRS 15, deriving from sales of goods not forming part of the Group's core business.

Costs

Costs are recognised on an accruals basis. They are recognised in the accounting period when they relate to goods and services sold or consumed in the same period or are allocated in a systematic way when it is not possible to identify a future use for them.

Financial income and expenses

Financial expenses directly attributable to the acquisition, construction or production of an asset that qualify for capitalisation are capitalised as part of the cost of the asset. The property, plant and equipment and intangible assets involved are those that require at least one year in order to prepare them for use. The directly attributable financial expenses are expenses that would not have been incurred had the expenditure for the asset not been incurred.
Where funds are borrowed specifically, the costs eligible for capitalisation are the actual costs incurred less any income earned on the temporary investment of such borrowings. Where loans are obtained for general purposes, the eligible amount is determined by applying a capitalisation rate to the expenditure on that asset equal to the weighted average of the financial expenses applicable to the borrowings outstanding for the year, excluding any specifically borrowed funds. The amount of capitalised financial expenses during a year will in any case not exceed the amount of financial expenses incurred during that year.
Capitalisation commences as from the date all the following conditions are first met: (a) expenditure has been incurred for the asset; (b) financial expenses have been incurred; and (c) the activities involved in preparing the asset for its intended use or sale are in progress.
Capitalisation ceases when the activities involved in preparing the asset for its intended use or sale are substantially complete.
The average capitalisation rate used for 2024 is approximately 2.6% (2.0% for 2023).
Financial income and expenses other than capitalised amounts are recognised on an accruals basis in respect of the interest on the net value of the related financial assets and liabilities, using the effective interest rate.

Treasury shares

Treasury shares, including those held to service share-based incentive plans, are recognised at cost and accounted for as a reduction in equity. Any gains or losses resulting from the later sale of such shares are recognised in equity.

Dividends

Dividends from investees are recognised when the shareholders' right to receive payment is established. Dividends and interim dividends payable to shareholders are shown as changes in equity at the date in which they are approved by the General Meeting of shareholders and the Board of Directors, respectively.

Income taxes

Current income taxes are recognised as "Tax liabilities", net of advances paid, or "Income tax assets" where the net balance of the items is positive. They are based on the estimated taxable income and in accordance with current legislation, taking account of applicable exemptions.
Deferred tax assets and liabilities are calculated on temporary differences between the carrying amounts of assets and liabilities recognised in the separate financial statements and the corresponding amounts recognised for tax purposes, using current tax rates or the rates expected to be in effect when the temporary differences reverse, based on rates approved at the reporting date.
Deferred tax assets are recognised when their recovery is considered probable, i.e. when future taxable income will be available against which the asset can be used. The recoverability of deferred tax assets is reviewed at the end of each year.
Deferred tax liabilities are recognised in any case if they exist. Taxes relating to items recognised directly in the income statement are also allocated to the income statement.

Discontinued operations and non-current assets held for sale

Where the carrying amount of non-current assets (or disposal groups) is to be recovered primarily through sale rather than through continued use, these items are classified as held for sale and shown separately from other assets and liabilities in the statement of financial position. Non-current assets (or disposal groups) classified as held for sale are initially recognised under the specific IFRS/IAS applicable to each asset and liability and subsequently accounted for at the lower of the carrying amount and fair value less costs to sell. The carrying amounts of each asset and liability not falling within the scope of application of the measurement criteria provided for in IFRS 5, but that are held for sale, are remeasured in accordance with the applicable IFRS before remeasurement of the fair value less costs to sell. Any subsequent impairment losses are recognised directly as an adjustment to non-current assets (or disposal groups) classified as held for sale with a matching entry in profit or loss. The matching amounts for the previous year are not reclassified. A discontinued operation is a component of an entity that either has been disposed of or is classified as held for sale, represents a major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or, finally, is an investment acquired exclusively with a view to resale.

New accounting policies

International accounting policies effective as of 1 January 2024

A number of new amendments to standards already applied, none of which have had a significant impact, came into effect from 1 January 2024. The relevant standards are as follows:

Amendment to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements

The amendment, endorsed by Regulation 2024/1317 of the European Commission, adds new disclosure requirements and guidance within existing disclosure obligations, requiring entities to provide qualitative and quantitative information on supplier financing arrangements. The document requires an entity to provide additional disclosures on any reverse factoring agreements to enable users of financial statements to assess how supplier finance arrangements affect an entity's liabilities and cash flows and understand the effect of supplier finance arrangements on an entity's exposure to liquidity risk. The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Company's financial statements.

Amendment to IAS 1: Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Noncurrent - Deferral of Effective Date e Non-current Liabilities with Covenants

The amendment, approved by Regulation 2023/2822 of the European Commission, aims to clarify how payables and other short- or long-term liabilities should be stated. In addition, the amendments also improve the disclosures that an entity must provide when its right to defer the settlement of a liability for at least twelve months is subject to compliance with specified conditions (i.e., covenants). The amendments are effective from 1 January 2024, although early adoption is permitted.
The changes have not had a significant impact on the Company's financial statements.

Amendment to IFRS 16 Leases: Lease Liability in a Sale and Leaseback

The amendment, approved by Regulation 2023/2579 of the European Commission, requires the seller-lessee to measure the lease liability resulting from a sale and leaseback transaction so that any gain or loss relating to the right of use retained is not recognised.
The changes have not had a significant impact on the Company's financial statements.

International accounting policies, amendments and interpretations endorsed but yet to come into effect

Amendment to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability

On 15 August 2023, the IASB published an amendment entitled "Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability". The document clarifies when a currency is exchangeable, how to estimate the exchange rate and the disclosure to provide in the notes to financial statements. The document requires an entity to apply a method on a consistent basis to determine if a currency is exchangeable and, when this is not possible, specifies how to determine the exchange rate to use and the disclosure to provide in the notes to the financial statements. The amendment is effective from 1 January 2025, although early adoption is permitted. The Company is currently assessing the potential impact of the introduction of these amendments on the financial statements.

International accounting policies, amendments and interpretations awaiting endorsement

For newly issued amendments, standards and interpretations that have not yet been endorsed by the EU, but which address issues that affect or could affect the Group, assessments are currently being conducted of the possible impact of their application on the financial statements, taking into account the date on which they will take effect. In particular:

IFRS 19 Subsidiaries without Public Accountability: Disclosures

The standard, published on 9 May 2024, aims to simplify the requirements in terms of disclosures in the notes to the financial statements for companies without public accountability controlled by groups applying international accounting policies. The amendment sets out simplifications designed to reduce the costs of preparing the financial statements of subsidiaries, while maintaining the usefulness of the information for users of financial statements.
The amendment is effective from 1 January 2027, although early adoption is permitted.

IFRS 18 Presentation and Disclosure in Financial Statements

The standard, published on 9 April 2024, aims to improve the disclosure of corporate performance in terms of comparability, transparency and usefulness of the information published through the financial statements, and introduces significant changes in its structure, with special reference to the income statement.
The amendment is effective from 1 January 2027, although early adoption is permitted.

Annual Improvements Volume 11

On 18 July 2024, the IASB published Annual Improvements to IFRS Accounting Standards - Volume 11, which contains clarifications, simplifications, corrections and amendments to IFRS accounting policies aimed at improving their consistency. The accounting policies affected are: IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 7 Financial Instruments: Disclosures and its accompanying Guidance on implementing IFRS 7, IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements and IAS 7 Statement of Cash Flows. The amendments will become effective from 1 January 2026, although early adoption is permitted.

Amendment to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments

The amendment, published on 30 May 2024, clarifies a number of problematic issues arising from the post-implementation review of IFRS 9, including the accounting treatment of financial assets whose returns vary when ESG objectives are met (e.g. green bonds).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026.

Amendment to IFRS 9 and IFRS 7: Contracts Referencing Nature-dependent Electricity

This amendment, published on 18 December 2024, aims to help companies provide a better disclosure of the financial effects of contracts structured as Power Purchase Agreements (PPAs).
The amendments will apply to financial statements for financial years beginning on or after 1 January 2026, although early adoption is permitted.

B. Notes to the income statement

Revenue

1. Revenue from sales and services - €2,960.6 million

(€m)

	2024	2023	CHANGE
Transmission charges billed to grid users and incentives	2,242.2	1,955.6	286.6
Dispatching and metering fees and other energy-related revenue	153.8	127.1	26.7
Incentives for dispatching activities	345.9	303.8	42.1
Revenue from services performed under concession	112.9	80.6	32.3
Quality of service	20.5	11.2	9.3
Other sales and services	85.3	89.0	(3.7)
TOTAL	**2,960.6**	**2,567.3**	**393.3**

Transmission charges billed to grid users and incentives

This item, amounting to €2,242.2 million, includes revenue from the core business relating to the allowed return due to the Company for use of the National Transmission Grid.
The increase in this item (up €286.6 million) is mainly due to the increase in the WACC recognised for 2024 (pursuant to Resolution 556/2023, from 5% in 2023 to 5.8% in 2024), the expansion of the Regulated Asset Base (RAB) and the related depreciation recognised, in view of the new 2024-2027 Tariff Regulation criteria introduced by ARERA Resolution 615/2023 (up €353.4 million), net of the lower incentives related to the increase in transportation capacity between market zones as pursuant to Resolution 567/2019, totalling -€66.8 million.

Dispatching and metering fees and other energy-related revenue

This item regards fees received in return for providing dispatching and metering services (the dispatching component, amounting to €149.4 million, and the metering component, amounting to €2.6 million) and other energy-related revenue of €1.8 million.
The item is up €26.7 million compared with the previous year, broadly due to the increase in dispatching fees introduced by Resolution 632/2023.

Incentives for dispatching activities

This item represents the output-based incentives for dispatching activities, amounting to €345.9 million.
These incentives essentially consist of the mechanisms introduced by Resolutions 597/2021 and 132/2022, designed to cut DSM costs, the shortfall in wind production and essential plants (€345.9 million), representing the accrued present value of the incentive for the period 2022-2024, which takes into account the final figure of the 2024 performance and the adjustment of the estimated present value of the incentive in the three-year period carried out in the financial years 2022 and 2023 (amounting to €924.7 million before the effect of discounting given the timing of payment).
This item shows a year-over-year increase of €42.1 million, due to the recognition of the share pertaining to the period, recognised taking into account the final figure of the 2024 performance (the last year of the 2022-2024 period) and the adjustment of the estimated present value of the incentive in the three-year period carried out in the two previous financial years.

Revenue from services performed under concession

This item includes revenue from infrastructure construction and upgrade services performed under concession, recognised in application of IFRIC 12, amounting to €112.9 million.
The increase compared with the previous year, amounting to up €32.3 million, regards greater investment in dispatching infrastructure during the period.

Quality of service

This item, amounting to €20.5 million, regards the RENS (Regulated Energy Not Supplied) incentive mechanism introduced by Resolution 653/2015/r/eel, calculated on a pro rata basis taking into account the estimated overall results expected in the 2020-2025 regulatory period.
This item showed an increase of €9.3 million compared to the previous year, due to the 2024 performance (€6.8 million) and contingencies for the requalification of certain events that occurred in the FY2023 and identified as force majeure events (€2.5 million).

Other sales and services

The item, "Other sales and services", amounting to €85.3 million mainly regards revenue from administrative, support and consultancy services provided to subsidiaries (€25.8 million, including €20.6 million from services rendered to Terna Rete Italia S.p.A.), from connections to the NTG (€15.9 million) and from Non-regulated Activities (€58.0 million), primarily support and housing services for fibre networks (€23.2 million) and progress on construction of the private Italy-Austria interconnector (€3.4 million).
The year-over-year change (down €3.7 million) was mainly due to lower revenue from the completion of work on the private Italy-Austria Interconnector (down €7.7 million) and lower revenue from Connectivity activities in the Non-regulated Activities business (down €0.4 million), partially offset by higher revenue from NTG connection services (up €5.1 million).
Lower revenue was also posted in respect of (i) the SA.CO.I.3 project relating to O&M activities (down €0.1 million) and (ii) subsidiaries (down €0.6 million) mainly due to administrative services for scope adjustment, as well as other non-recurring effects.

Pass-through revenue/expenses

This item regards "pass-through" revenue and expenses (the balance of which amounts to zero). These items result from purchases and sales of electricity from electricity market operators carried out each day. Measurements for each point of injection and withdrawal are taken and the differences, with respect to energy market schedules are calculated. These differences, known as imbalances, are then measured using algorithms established by the regulatory framework. The net charge resulting from calculation of the imbalances and the purchases and sales, carried out by Terna, on the DSM, is billed on a pro rata basis to each end consumer via a specific uplift payment.
This item also reflects the portion of the transmission charge that Terna passes on to other grid owners.

The components of these transactions are shown in greater detail below.

(€m)

	2024	2023	CHANGE
Power Exchange-related revenue items	**4,914.1**	**5,244.2**	**(330.1)**
- Uplift	468.4	479.3	(10.9)
- Electricity sales	396.0	442.6	(46.6)
- Imbalances	1,573.0	1,673.9	(100.9)
- Congestion revenue	235.9	355.4	(119.5)
- Load Profiling for public lighting	324.0	348.0	(24.0)
- Charges for right to use transmission capacity and market coupling	1,384.3	1,209.8	174.5
- Interconnectors/shippers	50.5	57.6	(7.1)
- Other Power Exchange-related pass-through revenue items	482.0	677.6	(195.6)
Total over-the-counter revenue items	**3,828.3**	**3,742.9**	**85.4**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.40	181.4
- Coverage of wind farm costs	22.1	20.6	1.5
- Transmission revenue passed on to other NTG owners	181.9	153.0	28.9
- Charge to cover cost of essential plants	1,176.2	1,019.6	156.6
- Consumption reduction service	2.00	-	2.0
- Charge to cover cost of interruptibility service	453.7	329.3	124.4
- Charge to cover cost of LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through revenue for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH REVENUE	**8,742.4**	**8,987.1**	**(244.7)**
Total Power Exchange-related cost items	**4,914.1**	**5,244.2**	**(330.1)**
- Electricity purchases	1,147.9	1,185.1	(37.2)
- Imbalances	1,757.7	1,624.6	133.1
- Congestion revenue	136.0	170.1	(34.1)
- Load Profiling for public lighting	344.5	447.3	(102.8)
- Charges for right to use transmission capacity and market coupling	759.4	559.0	200.4
- Interconnectors/Shippers	305.7	599.7	(294.0)
- Other Power Exchange-related pass-through cost items	462.9	658.4	(195.5)
Total over-the-counter cost items	**3,828.3**	**3,742.9**	**85.4**
- Transmission and dispatching service Penalties from auxiliary service providers	-	0.1	(0.1)
- Capacity market	1,651.8	1,470.4	181.4
- Shortfall in wind production	22.1	20.6	1.5
- Transmission costs passed on to other NTG owners	181.9	153.0	28.9
- Fees paid for essential units	1,176.2	1,019.6	156.6
- Consumption reduction service	2.0	-	2.0
- Fees paid for interruptibility service	453.7	329.3	124.4
- Fees paid for LV capacity and protection service	208.2	328.6	(120.4)
- Other pass-through costs for over-the-counter trades	132.4	421.3	(288.9)
TOTAL PASS-THROUGH COSTS	**8,742.4**	**8,987.1**	**(244.7)**

In 2024, the uplift cost totalled approximately at €445 million (provisional data), showing a slight increase compared to on the previous year (€401 million). This increase is due to a reduction in revenue generated by congestion revenue within the Italian and foreign market zones[3], an increase in the countervalue associated with the cost of Start-up Fees and Set-up Change Fees[4] partly offset by the reduction in the cost for the Dispatching Services Market and the cost for the virtual interconnection service.

[3] Congestion Income is revenue and is generated when different equilibrium prices are formed in different market zones in Energy Markets.
[4] Start-up Fees and Set-up Change Fees are payments made to production plants who have the right to receive them when Terna requests them to fire up the plant or change their structure.

2. Other revenue and income – €62.5 million

(€m)

	2024	2023	CHANGE
Payment for lease of operations	22.6	22.7	(0.1)
Sundry grants	7.6	8.5	(0.9)
Revenue from IRU contracts for fibre	7.0	4.2	2.8
Gains on sale of infrastructure components	5.0	12.4	(7.4)
Rental income	3.4	2.9	0.5
Sales to third parties	3.0	1.5	1.5
Insurance proceeds as compensation for damages	2.6	4.9	(2.3)
Contingent assets	0.2	0.2	-
Other revenues	11.1	10.2	0.9
TOTAL	**62.5**	**67.5**	**(5.0)**

The most significant components of "Other revenue and income" primarily regard the revenue received from the subsidiary, Terna Rete Italia S.p.A., as payment for the year made under the agreement for the lease of certain operations (€22.6 million), gains on the sale of infrastructure components (€5.0 million), sundry grants (€7.6 million) primarily in relation to the re-routing of lines for third parties, the sale of IRU contracts for fibre (€7.0 million), in addition to other revenues and contingent assets totalling €11.3 million, including €9.7 million from subsidiaries for services rendered under existing intercompany contracts.
The decrease in this item of (down €5.0 million) compared to the previous year primarily reflects lower revenue from gains on the sale of infrastructure components (down €7.4 million, essentially scrap, transformers and motor vehicles), partially offset by increased revenue from Connectivity services linked to IRU contracts for fibre (up €2.8 million).

Operating costs

3. Raw and consumable materials used - €10.6 million

This item, amounting to €10.6 million, includes the value of the various materials and supplies, including fuel for the vehicle fleet. This item was up €3.3 million over the previous year, broadly due to an increase in equipment purchased for the Cyber Security infrastructure.

4. Services – €546.3 million

(€m)

	2024	2023	CHANGE
Intercompany services, including technical and administrative services	442.0	390.6	51.4
Maintenance and sundry services	55.0	61.5	(6.5)
Lease expense	19.1	14.5	4.6
Insurance	11.8	10.6	1.2
IT services	11.7	5.5	6.2
Tender costs for plant	5.8	14.9	(9.1)
Remote transmission and telecommunications	0.9	0.8	0.1
TOTAL	**546.3**	**498.4**	**47.9**

The item, "Intercompany services, including technical and administrative services" regards the accrued costs incurred under specific intercompany contracts (€442.0 million), largely regarding the subsidiary Terna Rete Italia S.p.A., which maintains and operates the infrastructure owned by the Company (€313.0 million), to investment in the development of the Company's transmission and dispatching infrastructure (€96.5 million) and activities and services relating to plant owned by third parties (€3.6 million). This item also includes bonuses relating to the quality of the transmission service attributable to Terna Rete Italia S.p.A. (€10.0 million).
Fees payable to members of the Board of Statutory Auditors amount to €0.2 million, whilst those payable to members of the Supervisory Board set up in compliance with Legislative Decree 231/2001 amount to €0.1 million.

Net of the costs recognised in accordance with IFRIC 12 for dispatching infrastructure development activities (which increased by €27.2 million), the increase in "Services" stood at €47.9 million, mainly referring to higher costs incurred with respect to the subsidiary Terna Rete Italia S.p.A. (up €17.0 million), notably relating to increased maintenance activities and the operation of owned plants (up €18.7 million) as well as to the higher performance bonus related to the quality of the transmission service attributed to the Company (up €4.1 million), partially offset by a decrease in activities and services performed on third-party plants on behalf of the Company (down €7.5 million, essentially related to the completion of the private Italy-Austria Interconnector project). Costs for IT services also rose (up €6.2 million) due to provision for right-of-way fees (up €3.9 million), Terna's investments in GRIT and CORESO (up €1.8 million) and insurance costs (up €1.2 million), net of lower costs for advertising expenses (down €8.3 million, mainly related to the "*noi siamo energia*" advertising campaign launched in the previous year).

Under the Terna Group's current organisational structure, responsibility for the activities involved in investment in the development and upgrade of dispatching infrastructure lies with both Terna S.p.A. itself and the subsidiary Terna Rete Italia S.p.A.. The related cost is held entirely under "Services" as a service received from the subsidiary. The following table shows details of the costs recognised in application of IFRIC 12 and within the scope of the item under review.

(€m)

	2024	2023	CHANGE
IT services	6.3	0.8	5.5
Tender costs for plant	5.1	14.0	(8.9)
Maintenance and sundry services	3.3	3.4	(0.1)
Cost of services relating to investment in dispatching infrastructure (IFRIC 12)	***14.7***	***18.2***	***(3.5)***
Cost of services recognised in application of IFRIC 12 – Services from Terna Rete Italia S.p.A.	88.2	57.5	30.7
Total cost of services relating to investment in dispatching infrastructure (IFRIC 12)	**102.9**	**75.7**	**27.2**

5. Personnel expenses - €125.1 million

(€m)

	2024	2023	CHANGE
Salaries, wages and other short-term benefits	123.4	105.0	18.4
Directors' remuneration	2.2	2.1	0.1
Termination benefits (*TFR*), energy discounts and other employee benefits	7.9	14.0	(6.1)
Early retirement incentives	14.8	17.2	(2.4)
Gross personnel expenses	***148.3***	***138.3***	***10.0***
Capitalised personnel expenses	(23.2)	(19.1)	(4.1)
TOTAL	**125.1**	**119.2**	**5.9**

Personnel expenses stood at €125.1 million in 2024. They essentially refer to costs for wages, salaries and other short-term benefits (€123.4 million), post-employment benefits (€7.9 million), leaving incentives (€14.8 million), directors' emoluments (€2.2 million) and capitalised personnel costs (down €23.2 million).
Personnel expenses showed an increase of €5.9 million, mainly due to the increase in the average value, higher accrued incentives, extraordinary incentives paid out in 2024, and higher capitalisations.

The following table shows the Company's workforce by category at the end of the year and as the average for the year.

(unità)

	AVERAGE WORKFORCE		WORKFORCE AT	
	2024	2023	31.12.2024	31.12.2023
Senior managers	57	56	58	54
Middle managers	365	342	387	347
Office staff	813	717	907	742
Total	**1,235**	**1,115**	**1,352**	**1,143**

The net increase in the average workforce compared with 2023 is up 120. This is essentially linked to the requirements relating to delivery of the investment programme included in the 2024-2028 Industrial Plan.

6. Amortisation, depreciation and impairment losses – €795.0 million

(€m)

	2024	2023	CHANGE
Amortisation of intangible assets	154.7	118.7	36.0
- of which rights on infrastructure	*45.7*	*34.8*	*10.9*
Depreciation of property, plant and equipment	625.3	591.8	33.5
Write-downs of property, plant and equipment	14.6	8.7	5.9
Impairment losses on trade receivables	0.4	0.1	0.3
TOTAL	**795.0**	**719.3**	**75.7**

Amortisation, depreciation and impairment losses for the period stood at €795.0 million, showing an increase of €75.7 million compared to 2023, essentially due to the commissioning of new plants.

7. Other operating costs - €27.7 million

(€m)

	2024	2023	CHANGE
Fees paid to regulators and membership dues	9.6	9.7	(0.1)
Indirect taxes and local taxes and levies	9.5	8.8	0.7
Quality of service costs	2.5	5.3	(2.8)
of which mitigation and sharing mechanisms	*4.3*	*2.3*	*2.0*
of which Fund for Exceptional Events	*(1.6)*	*2.8*	*(4.4)*
of which compensation mechanisms for HV users	*(0.2)*	*0.2*	*(0.4)*
Adjustment of provisions for litigation and disputes	(0.3)	(0.9)	0.6
Losses on sales/disposal of plant	0.7	0.8	(0.1)
Other operating costs	5.7	6.0	(0.3)
TOTAL	**27.7**	**29.7**	**(2.0)**

The most significant components of this item regard the costs incurred by the Company for membership dues and fees paid to trade bodies and associations relating to the Group's activities (€9.6 million), indirect taxes, local taxes and levies (€9.5 million, including €7.6 million in council tax), quality of service costs (€2.5 million), and other operating costs (€5.7 million), which include donations and other expenses.

This item dropped by €2.0 million essentially due to lower charges related to service quality (down €2.8 million, mainly related to higher charges incurred for outages that occurred in the first half of 2023), partially offset by the adjustment of provisions related to past provisions pursuant to the Land Registry's Circular 6/2012 and to disputes and litigation (up €0.6 million).

8. Financial income/(expenses) – (€131.2) million

(€m)

	2024	2023	CHANGE
FINANCIAL EXPENSES			
Financial expenses attributable to subsidiaries	(8.2)	(7.1)	(1.1)
Interest expense on medium/long-term borrowings and related hedges	(348.6)	(235.5)	(113.1)
Adjustments to bonds in issue and the related hedges	(0.4)	(2.8)	2.4
Discounting, employee benefits and operating leases	(0.8)	-	(0.8)
Foreign exchange losses	(0.1)	(0.1)	-
Capitalised financial expenses	74.1	48.3	25.8
Other financial expenses	(12.5)	(35.6)	23.1
Total expenses	**(296.5)**	**(232.8)**	**(63.7)**
FINANCIAL INCOME			
Dividends from subsidiaries	-	17.3	(17.3)
Dividends from associates	2.2	1.8	0.4
Financial income from subsidiaries	8.4	8.3	0.1
Implementation of output-based incentives	31.0	30.9	0.1
Discounting of receivables, termination benefits (*TFR*) and operating leases	-	0.7	(0.7)
Interest income and other financial income	123.7	83.0	40.7
Total income	**165.3**	**142.0**	**23.3**
TOTAL	**(131.2)**	**(90.8)**	**(40.4)**

Net financial expenses for the year stood at €131.2 million. The increase in net financial expenses compared with the previous year, amounting to €40.4 million, primarily reflects the following:

- higher financial expenses (€113.1 million) related to borrowings following the new debt incurred in the period and the increase in interest rates on these new transactions and on existing variable-rate loans, partially offset by lower inflation related to the inflation-linked bond (maturing in September 2023);
- a decrease of €23.1 million in other financial expenses, essentially related to the uplift component;
- an increase in capitalised financial expenses (up €25.8 million) due to increased investment during the period;
- dividends distributed by the subsidiaries Terna Interconnector (down €11.7 million) and Terna Gora (down €5.6 million) in the previous year;
- higher dividends distributed by the associate CGES A.D. (up €0.4 million);
- a €40.7 million increase in financial income on cash and other financial assets due to higher liquid assets invested under improved market conditions;

9. Income tax for the year – €416.8 million

(€m)

	2024	2023	CHANGE
Income tax for the year			
Current tax expense:			
- IRES (corporate income tax)	364.2	299.0	65.2
- IRAP (regional tax on productive activities)	85.9	67.3	18.6
Total current tax expense	**450.1**	**366.3**	**83.8**
New temporary differences:			
- deferred tax assets	(41.2)	(41.3)	0.1
Reversal of temporary differences:			
- deferred tax assets	6.8	9.9	(3.1)
Total deferred tax (income)/expense	**(34.4)**	**(31.4)**	**(3.0)**
Adjustments of taxes for previous years	1.1	0.5	0.6
TOTAL	**416.8**	**335.4**	**81.4**

,Current taxes for the year totalled €450.1 million, showing an increase compared to the previous year, essentially due to the higher pre-tax result and higher non-deductible expenses recognised in the year as a result of, among other things, the repeal of the benefits deriving from the Economic Growth Aid (ACE - Law Decree 50/2017) regulations as of the 2024 tax period.
Net deferred tax expense of €34.4 million was down €3.0 million, primarily due to higher net provisions for deferred taxes essentially connected with the impact of taxation on depreciation and amortisation.
Adjustments to taxes for previous years, amounting to €1.1 million, reflect the overpayment of current tax expense in previous years and increased by €0.6 million.

The effective tax charge for the year (€416.8 million) results in a tax rate of 30.0%, showing an increase compared to 2023 (28.7%), as highlighted earlier. For a clearer presentation of the differences between the theoretical and effective tax charges, the table below reconciles the theoretical and effective tax rates for the year.

(€m)

	TAXABLE INCOME	TAX	% CHANGE
Profit before tax	1,387.2		
IRES – Theoretical tax charge (rate of 24.0%)		332.9	
IRAP – theoretical tax charge (rate of 5.08% on the operating profit of €1,518.4 million)		77.1	
		410.0	
THEORETICAL TAX RATE			**29.6%**
Permanent differences in IRES			
Non-deductible remuneration		0.4	0.1%
Contingent assets and liabilities		0.4	0.1%
Membership fees		0.2	-
Other increases		1.8	0.1%
Accelerated depreciation		(3.3)	(0.2%)
Dividends		(0.3)	(0.1%)
Other decreases		(0.1)	-
IRAP at a rate of 10%		(1.7)	(0.1%)
Non-deductible remuneration		0.4	0.1%
Permanent differences in IRAP			
Capitalised financial expenses		3.8	0.3%
Personnel expenses		0.3	-
Other movements		4.2	0.4%
Effective tax rate after adjustments of taxes for previous years			**30.2%**
Income tax for previous years		1.1	(0.2%)
Total income tax expense for the year		**416.8**	
EFFECTIVE TAX RATE			**30.0%**

10. Profit/(loss) from discontinued operations and assets held for sale

Profit/(loss) from discontinued operations and assets held for sale was nil, and was substantially in line with the previous year.

11. Earnings per share

The amount of basic earnings per share, corresponding to diluted earnings per share, totalled €0.478 (numerator totalling €970.4 million — corresponding to the profit for the year, net of the effect of interest paid to the holders of perpetual subordinated hybrid bonds and the related tax effect (down €12.4 million) — and denominator being 2,006,064,004.0 shares, equal to the weighted average number of shares outstanding during the year).

C. Operating segments

In line with the requirements of "IFRS 8 – Operating segments", companies that publish a parent company's consolidated financial statements in a single document, together with the company's separate financial statements, only have to present segment information in the consolidated financial statements.

D. Notes to the statement of financial position

Assets

12. Property, plant and equipment – €17,275.6 Million

(€m)

	LAND	BUILDINGS	PLANT AND EQUIPMENT	INDUSTRIAL AND COMMERCIAL EQUIPMENT	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
COST AT 31 DECEMBER 2023	**146.2**	**2,368.1**	**20,717.7**	**146.0**	**232.3**	**2,511.4**	**26,121.7**
Investments	0.8	7.8	0.1	5.5	3.4	2,344.0	2,361.6
of which right-of-use assets	-	*2.0*	-	-	*2.0*	*2.7*	*6.7*
Assets entering service	6.5	125.1	934.9	5.8	33.5	(1,105.8)	-
of which right-of-use assets	-	-	-	-	*0.3*	*(0.3)*	-
Intercompany purchases	-	-	3.9	-	-	0.3	4.2
Intercompany sales	-	-	(1.1)	-	-	-	(1.1)
Disposals and impairments	-	(3.6)	(112.1)	(1.3)	(1.1)	(13.9)	(132.0)
of which right-of-use assets	-	*(3.4)*	-	-	*(1.1)*	-	*(4.5)*
Other movements	3.5	(8.0)	(28.5)	(0.2)	(15.7)	(13.8)	(62.7)
COST AT 31 DECEMBER 2024	**157.0**	**2,489.4**	**21,514.9**	**155.8**	**252.4**	**3,722.2**	**28,291.7**
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2023	**(1.5)**	**(800.7)**	**(9,440.0)**	**(101.5)**	**(165.5)**	**-**	**(10,509.2)**
Depreciation	(0.3)	(59.4)	(537.9)	(7.4)	(20.3)	-	(625.3)
of which right-of-use assets	*(0.3)*	*(1.7)*	-	-	*(1.4)*	-	*(3.4)*
of which for financial lease	-	-	*(2.2)*	-	-	-	*(2.2)*
Intercompany purchases	-	-	(0.6)	-	-	-	(0.6)
Intercompany sales	-	-	0.3	-	-	-	0.3
Disposals	-	3.6	108.8	1.3	1.1	-	114.8
of which right-of-use assets	-	*3.4*	-	-	*1.1*	-	*4.5*
Other movements	-	-	(0.4)	-	4.3	-	3.9
ACCUMULATED DEPRECIATION AND IMPAIRMENT AT 31 DECEMBER 2024	**(1.8)**	**(856.5)**	**(9,869.8)**	**(107.6)**	**(180.4)**	**-**	**(11,016.1)**
Carrying amount							
AT 31 DECEMBER 2024	**155.2**	**1,632.9**	**11,645.1**	**48.2**	**72.0**	**3,722.2**	**17,275.6**
of which right-of-use assets	*4.1*	*4.7*	*13.8*	-	*3.0*	*2.5*	*28.1*
AT 31 DECEMBER 2023	**144.7**	**1,567.4**	**11,277.7**	**44.5**	**66.8**	**2,511.4**	**15,612.5**
of which right-of-use assets	*4.4*	*4.4*	*16.0*	-	*2.1*	*0.1*	*26.9*
CHANGE	**10.5**	**65.5**	**367.4**	**3.7**	**5.2**	**1,210.8**	**1,663.1**

The category, "Plant and equipment", essentially includes the electricity transmission grid and transformer substations in Italy.

"Property, plant and equipment" is up €1,663.1 million, compared 31 December 2024, broadly due to the following movements:

- investment for the period (up €2,361.6 million), including €2,334.0 million in Regulated Activities;
- acquisition — from the subsidiary Rete S.r.l. on 10 October 2024 — of two 132 kV power lines "Roseto RT - Pescara Porta Nuova RT" and 06 kV "Avezzano RT - Carrito RT" for a consideration of €3.6 million;
- amortisation and depreciation for the year (down €625.3 million);
- other movements during the year in "Property, plant and equipment", resulting in a reduction of €59.6 million. This includes grants related to assets (down €48.5 million, primarily for the re-routing of power lines at the request of third parties and projects financed by the Ministry of Enterprises and Made in Italy and the EU) and disposals and impairment losses resulting in a reduction of €17.2 million.

With reference to the main projects undertaken during the year in the area of Regulated Activities, those particularly worthy of note were the continuation of activities for the construction of the Tyrrhenian Link (€654.7 million), the commencement of executive design activities related to the construction of the Adriatic Link (€118.5 million) and to the construction of the SA.CO.I.3, (€83.4 million), the progress in the construction of the Paternò-Pantano-Priolo power line (€22.5 million), the Olympic Projects (€99.4 million), Colunga-Calenzano (€38.6 million), Bolano-Annunziata (€31.3 million), Cassano-Chiari (€27.3 million), the construction of the reactors and stabilising resistors (€16.2 million and €9.4 million, respectively), the installation of the synchronous compensators (€21.8 million) and the expansion of the "'Fiber for the Grid" project (€9.6 million).

13. Goodwill – €190.2 Million

Goodwill (€190.2 million) pertains to the goodwill resulting from the mergers with the subsidiaries RTL (€88.6 million, merged into the Company in 2008) and Terna Rete Italia S.r.l. (€101.6 million incorporated in 2017).
The balance is unchanged with respect to the previous year.

Impairment testing

Cash Generating Unit – Terna S.p.A.'s transmission activities

For impairment testing purposes, Terna S.p.A.'s Regulated Activities were considered to be a cash generating unit (CGU). Measurement of the recoverable amount of the goodwill allocated to the transmission activities was based on fair value less costs of disposal. Determination of the carrying amount of the CGU represented by the NTG was based on Terna S.p.A.'s net invested capital at 31 December 2024, appropriately adjusted for the assets and liabilities not falling within the scope of Transmission activities (e.g., Dispatching, Non-regulated and International activities). The recoverable amount was based on fair value after applying an EBITDA multiple to the operating profit of the CGU represented by the NTG. This multiple was calculated at the level of the Company, as the ratio between the enterprise value (the sum of the stock market capitalization and net debt) and the Company's EBITDA. The result obtained is significantly higher than the carrying amount recognised in the financial statements inclusive of goodwill.

14. Intangible assets – €692.5 Million

(€m)

	INFRASTRUCTURE RIGHTS	CONCESSIONS	OTHER ASSETS	ASSETS UNDER CONSTRUCTION AND PREPAYMENTS	TOTAL
Cost	665.1	135.4	634.0	129.8	1.564.3
Accumulated amortisation	(456.4)	(101.7)	(432.9)	-	(991.0)
BALANCE AT 31 DECEMBER 2023	**208.7**	**33.7**	**201.1**	**129.8**	**573.3**
Investments	-	-	0.2	264.1	264.3
Assets entering service	61.9	-	137.3	(199.2)	-
Disposals and impairments	-	-	-	(0.7)	(0.7)
Depreciation	(45.6)	(5.7)	(103.4)	-	(154.7)
Other movements	10.3	-	-	-	10.3
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**235.2**	**194.0**	**692.5**
Cost	741.3	135.4	771.5	194.0	1.842.2
Accumulated amortisation	(506.0)	(107.4)	(536.3)	-	(1.149.7)
BALANCE AT 31 DECEMBER 2024	**235.3**	**28.0**	**235.2**	**194.0**	**692.5**
CHANGE	**26.6**	**(5.7)**	**34.1**	**64.2**	**119.2**

Intangible assets amount to €692.5 million and include:

- the infrastructure used in provision of the dispatching service in Italy accounted for in accordance with "IFRIC 12 – Service Concession Arrangements", with the carrying amount, at 31 December 2024 of infrastructure entering service during the year amounting to €235.3 million and of those under construction, included in the category "Assets under development and prepayments", amounting to €76.2 million (at 31 December 2023, the matching figures were €208.7 million and €41.7 million, respectively);
- the concession for electricity transmission and dispatching activities in Italy (with a carrying amount of €28.0 million at 31 December 2024). This 25-year concession was recognised in 2005, initially at fair value and subsequently at cost.

Other intangible assets primarily include software applications, either produced internally or purchased as part of systems development programmes. Investment in these assets during the year (€167.7 million) essentially regards internal development programmes.
The increase compared with the previous year (up €119.2 million) reflects the net effect of investment (up €264.3 million, including €96.4 million in infrastructure rights) and amortisation (down €154.7 million).
Investment in intangible assets during the year (€264.3 million, entirely within the scope of Regulated Activities) included expenditure on the development of software applications for the Remote Management System for Dispatching (€47.1 million), the Power Exchange (€15.3 million), the Metering System (€2.8 million) and for protection of the electricity system (€4.6 million), as well as software applications and generic licences (€154.9 million).

15. Deferred tax assets – €156.2 million

(€m)

	31.12.2023	PROVISIONS	USES AND OTHER MOVEMENTS	EFFECTS RECOGNISED IN COMPREHENSIVE INCOME	31.12.2024
DEFERRED TAX ASSETS					
Property, plant and equipment	89.2	32.9	-	-	122.1
Provisions for risks and charges	16.4	4.5	(1.7)	-	19.2
Amounts due to employees	1.3	3.8	(2.1)	-	3.0
Cash flow hedges and financial assets	(13.4)	-	-	8.8	(4.6)
Tax relief on goodwill	11.9	-	(3.0)	-	8.9
Other	10.7	-	-	-	10.7
Total deferred tax assets	**116.1**	**41.2**	**(6.8)**	**8.8**	**159.3**
DEFERRED TAX LIABILITIES					
Employee benefits and financial instruments	(3.1)	-	-	-	(3.1)
TOTAL DEFERRED TAX LIABILITIES	**(3.1)**	**-**	**-**	**-**	**(3.1)**
NET DEFERRED TAX ASSETS	**113.0**	**41.2**	**(6.8)**	**8.8**	**156.2**

The balance of this item, amounting to €156.2 million, includes the net impact of movements in the Company's deferred tax assets and liabilities.

Deferred tax assets (€159.3 million) are up by a net €43.2 million compared with the previous year, reflecting the following movements:

- provisions of €8.8 million, reflecting the tax effect on the statement of comprehensive income, primarily of movements in cash flow hedges;

- provisions of €32.9 million due to provisions for accelerated depreciation;
- net provisions totalling €2.8 million related to the changes during the period in provisions for risks and charges mainly due to the tax effect on right-of-use fees (€2.3 million);
- net provisions totalling €1.7 million relating to movements during the year in provisions for risks and charges linked to amounts payable to employees;
- release of deferred tax assets recognised in relation to tax relief on the goodwill resulting from the merger with Terna Rete Italia S.r.l. (€3.0 million).

Deferred tax liabilities of €3.1 million are in line with the figure for 31 December 2023.

16. Financial assets

(€m)

	MEASUREMENT	31.12.2024	31.12.2023	CHANGE
Investments in subsidiaries	at cost	1,115.1	1,119.0	(3.9)
Investments in associates	at cost	46.8	46.8	-
Guarantee deposits	Amortised cost	372.4	285.0	87.4
Government securities	FVTOCI	-	119.1	(119.1)
Cash flow hedges	FVTOCI	-	17.4	(17.4)
NON-CURRENT FINANCIAL ASSETS		**1,534.3**	**1,587.3**	**(53.0)**
Government securities	FVTOCI	121.9	96.8	25.1
Other securities	FVTPL-FVTOCI	104.6	100.4	4.2
Time deposits	Amortised cost	200.0	150.0	50.0
Deferred assets on cash flow hedges		1.2	7.3	(6.1)
Other current financial assets		19.3	14.1	5.2
CURRENT FINANCIAL ASSETS		**447.0**	**368.6**	**78.4**

“Non-current financial assets” includes the items described below.

“Investments in subsidiaries” (€1,115.1 million) relates to investments in subsidiaries held directly by Terna S.p.A.. They decreased by €3.9 million compared to the year ended 31 December 2023, due to the impairment loss recognised on the investment in Terna Plus following the adjustment of the investment to the company’s shareholders’ equity value at 31 December 2024.

The figure posted for “Investments in associates” (€46.8 million) mainly relates to the investments in associates CGES – CrnoGorski Elektroprenosni Sistem AD (€26.7 million), CESI S.p.A. (€17.5 million), CORESO S.A. (€0.2 million) and joint arrangements ELMED Etudes S.a.r.l. (€0.3 million) and Selene CC S.A. (€2.1 million). The figure is in line with the previous year.

The following table shows key information on investments in subsidiaries, associates and joint ventures owned directly by Terna S.p.A. at 31 December 2024. Amounts relate to the latest approved financial statements.

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL	% INTEREST	CARRYING AMOUNT (€)
SUBSIDIARIES CONTROLLED DIRECTLY BY TERNA S.P.A.					
Terna Rete Italia S.p.A.	**Rome**	**Euro**	**300,000**	**100%**	**21,461,425**
Assets	Design, construction, management, development, operation and maintenance of power lines and grid infrastructure and other grid-related infrastructure, plant and equipment used in the above electricity transmission and dispatching activities and in similar, related and connected sectors.				
Terna Crna Gora d.o.o.	**Podgorica (Montenegro)**	**Euro**	**208,000,000**	**100%**	**208,000,000**
Assets	Authorisation, construction and operation of the transmission infrastructure forming the Italy-Montenegro interconnector on Montenegrin territory.				
Terna Plus S.r.l.	**Rome**	**Euro**	**16,050,000**	**100%**	**73,292,803**
Assets	Design, construction, management, development, operation and maintenance of plant, equipment and infrastructure for grids and systems, including distributed storage and pumping and/or storage systems.				
Terna Interconnector S.r.l.	**Rome**	**Euro**	**10,000**	**65%***	**19,926**
Assets	Responsible for construction and operation of the private section of the Italy-France interconnector and civil works on the public section.				
Rete S.r.l.	**Rome**	**Euro**	**387,267,082**	**100%**	**790,178,808**
Assets	Design, construction, management, development, operation and maintenance of high-voltage power lines.				
Terna Energy Solutions S.r.l.	**Rome**	**Euro**	**2,000,000**	**100%**	**12,282,156**
Assets	Design, construction, management, development, operation and maintenance of distributed energy storage systems, pumping and/or storage systems, plant, equipment and infrastructure, including grids; research, consultancy and assistance in matters relating to the core business; any other activity capable of improving the use and development of plant, resources and expertise.				
ESPERIA-CC S.r.l.	**Rome**	**Euro**	**10,000**	**1%****	**100**
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.				
Terna Forward S.r.l.	**Rome**	**Euro**	**10,000**	**100%**	**9,810,000**
Assets	Development of new technological solutions for the Terna Group, investing in start-ups and small, medium and large enterprises with high innovation and technological potential.				

* *5% is held by Terna Rete Italia S.p.A. and 30% by Transenergia S.r.l..*
** *99% is held by Selene CC S.A.*

NAME	REGISTERED OFFICE	CURRENCY	SHARE CAPITAL*	% INTEREST	CARRYING AMOUNT (€)
ASSOCIATES					
Cesi S.p.A.	**Milan**	**Euro**	**8,550,000**	**42.68%**	**17,563,381**
Assets	Experimental research and provision of services related to electro-technology.				
Coreso S.A.	**Brussels (Belgium)**	**Euro**	**1,000,000**	**15.84%**	**210,742**
Assets	Technical centre owned by several electricity transmission operators, responsible for coordinating joint operations of TSOs, in order to improve and upgrade the security and coordination of the electricity system in central and western Europe.				
CGES A.D.	**Podgorica (Montenegro)**	**Euro**	**155,108,283**	**22.08%**	**26,694,419**
Assets	Provision of transmission and dispatching services in Montenegro.				
Equigy B.V.	**Arnhem (Netherlands)**	**Euro**	**50,000**	**20.00%**	**10,000**
Assets	Provision of support for electricity balancing by TSOs through the development and implementation of blockchain technology.				
JOINT ARRANGEMENTS					
ELMED Etudes S.a.r.l.	**Tunis (Tunisia)**	**Tunisian dinar**	**2,016,120**	**50.00%**	**274,917**
Assets	Conduct of preparatory studies for construction of the infrastructure required to connect the Tunisian and Italian electricity systems.				
SEleNe CC S.A.	**Thessaloniki (Greece)**	**Euro**	**6,210,000**	**33.33%**	**2,071,219**
Assets	A technical centre owned by a number of transmission system operators, which acts as the regional security coordinator for the TSOs, with the aim of improving and upgrading the security and coordination of the electricity system in south-eastern Europe.				

** Figures taken from the latest approved financial statements at the date of preparation of this document.*

This item also includes:

- security deposits (€372.4 million), including the Interconnector Guarantee Fund (€180.2 million) set up to fund investment in interconnections by Article 32 of Law 99/09 and up €19.1 million compared to the previous year.

Security deposits also include €192.2 million received from operators participating in the capacity market in accordance with Resolution Del.98/2011/R/eel[5], as amended, showing a year-over-year decrease of €68.3 million;

- a €17.4 million reduction in cash flow hedges hedging borrowings due to changes in the market interest rates and derivatives held. The balance was measured by discounting expected cash flows using market interest rates at the measurement date;
- a €119.1 million reduction in Government Securities following their restatements under current financial assets.

"Current financial assets" increased by €78.4 million compared to the previous year, primarily in view of an increase in short-term time deposits during the period (up €50.0 million, net), an increase in unpaid accrued interest on financial investments (up €5.2 million) and a change in Italian government securities and other securities holdings (up €29.3 million), partially offset by recognition of interest accrued but not yet paid on derivative contracts (down €6.1 million).

17. Other assets

(€m)

	31.12.2024	31.12.2023	CHANGE
Loans and advances to employees	3.7	3.8	(0.1)
Deposits with third parties	1.4	1.3	0.1
Non-current receivables due from subsidiaries	2.7	2.8	(0.1)
OTHER NON-CURRENT ASSETS	**7.8**	**7.9**	**(0.1)**
Current receivables due from subsidiaries	0.4	0.4	-
Other tax credits	40.4	42.4	(2.0)
Amounts due from partners selected for Interconnector projects	3.4	2.9	0.5
Prepayments to suppliers	2.6	1.8	0.8
Prepayments of operating expenses and accrued operating income	10.0	9.5	0.5
Amounts due from others	3.7	4.6	(0.9)
OTHER CURRENT ASSETS	**60.5**	**61.6**	**(1.1)**

"Other non-current assets" stood at €7.8 million are in line with the previous year and include essentially receivables due from subsidiaries in relation to incentive plans benefiting the Company's employees through share-based payments (the Performance Share Plans 2021-2025, 2022-2026 and 2024-2028[6]).

"Other current assets" (€60.5 million) were down €1.1 million year-over-year, essentially reflecting:

- a change in "other tax credits" (down €2.0 million) mainly due to a decrease in refundable VAT (down €13.0 million), offset by an increase in withholding tax paid on interest income (up €4.9 million) and an increase of amounts due from Inland Revenue for corporate income tax (IRES) (up €6.0 million);
- a decrease of €0.9 million in "Amounts due from others", broadly due to other items to be settled recognised during the year and collected in early 2024.

[5] The regulations regarding the system of remuneration for availability of production capacity was approved by a Ministerial Decree of 28 June 2019. The deposits were paid by the energy-intensive operators after the competition held by Terna on 6 and 28 November 2019. These provide a guarantee for the entire capacity market from 2022, with the aim of ensuring the achievement and maintenance of the adequacy of the national electricity system, in order to structurally fulfil expected electricity consumption and the power reserve margins needed to meet predetermined levels of safety and quality of service.

[6] On 16 June 2021, 15 June 2022, 14 June 2023 and 26 June 2024, Terna S.p.A.'s Board of Directors approved the Terms and Conditions of the Performance Share Plans for 2021-2025, 2022-2026, 2023-2027 and 2024-2028 in accordance with the terms established by the Annual General Meeting of shareholders held on 30 April 2021, 29 April 2022, 9 May 2023 and 10 May 2024, respectively. Under the four LTI Plans, the right to receive a number of Terna S.p.A. shares (Performance Shares) will be granted free of charge at the end of the performance period, provided that the performance targets to which the Plans are linked are achieved.

18. Trade receivables – €2,936.1 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Energy-related receivables	2,186.9	1,268.5	918.4
Transmission charges receivables	682.1	576.3	105.8
Other trade receivables	21.5	60.6	(39.1)
Amounts due from subsidiaries	45.6	23.4	22.2
TRADE RECEIVABLES	**2,936.1**	**1,928.8**	**1,007.3**

Trade receivables amounted to €2,936.1 million and were accounted for net of impairment losses pertaining to receivables deemed as uncollectable and, as such, held under allowance for doubtful accounts (€70.6 million for energy-related receivables, of which €73.6 million pertained to non-recoverable dispatching receivables in respect of which an application for compensation was submitted pursuant to ARERA Resolution No. 5/2024[7], and €8.3 million pertaining to other receivables related to 2024, compared to €13.3 million for energy-related receivables and €10.2 million for other receivables related to 2023). More details available in section "E". The carrying amount shown broadly approximates to fair value.

The measurement of expected credit losses is described in the section, "A. Accounting policies and measurement criteria".

Energy-related/regulated receivables – €2,186.9 million

This item includes so-called "pass-through items" relating to the Parent Company's activities (€1,415.9 million) and receivables from users of dispatching services forming part of Regulated Activities (€750.5 million). It also includes the amount due from the Fund for Energy and Environmental Services (Cassa per i Servizi Energetici e Ambientali - CSEA) (€20.5 million), relating to quality of service.

These receivables were up €918.4 million compared to 2023 year-end, primarily reflecting:

- an increase in receivables for the procurement of dispatching resources ("Power Exchange") to the extent of €718.2 million, essentially referring to the uplift fee, which was mainly affected by the recovery and ensuing transfer of the benefit to the users of the credit balances accrued as a result of the cost reduction in the DSM area;
- an increase of €91 million in Capacity Market-related items due to higher receivables relating to hedging fees compared to the reference cost at the end of 2024;
- an increase in receivables (€58.8 million) arising from incentive mechanisms aimed at reducing dispatching costs (DSM incentive, Resolutions 597/2021 and 132/2022) as a result of the recognition of the bonus accruing in 2024 (€374.1 million[8], gross of the effect of discounting) net of the collections for the year in accordance with the methods set forth in the applicable regulations (€315.3 million, of which €50 million referred to intra-zonal incentives pursuant to Resolution 699/2018);
- receivables recognised as a result of the compensation of stranded receivables resolved pursuant to ARERA Resolution No. 5/2024[9] (€36.3 million, net of collections for the period).

Transmission charges receivable – €682.1 million

Transmission charges receivable, amounting to €682.1 million, represent the amount due to the Parent Company and other grid owners from electricity distributors for use of the National Transmission Grid. This receivable is up €105.8 million compared with 31 December 2023, reflecting the revised tariff (Resolution 632/2023)[10], recognition of the accrued return on digital substation systems in accordance with ARERA Resolution 565/2020, and recognition of the amount due to cover the added costs incurred in 2024 that were not covered by the specific tariff component relating to the Inter-TSO Compensation (ITC) scheme[11], recognised from 2020 through the transmission charge.

[7] With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA RESOLUTION NO. 179/09).

[8] Includes discount income totalling €28.2 million.

[9] With Resolution no. 5/2024, ARERA defined the procedures for enabling Terna to recognise receivables that, despite the discharge of the necessary debt collection actions, are not recoverable due to the insolvency of dispatching users and holders of contracts for the virtual import service (lenders of interconnectors and shippers - ARERA RESOLUTION NO. 179/09).

[10] "Determination of the reference revenue from the transmission and dispatching service and of the electricity transmission tariffs for 2024" whereby the reference revenue from the transmission and dispatching service and the electricity transmission tariffs for 2024 are determined, reflecting the adjustment set out in ARERA Resolutions 556/2023 and 615/2023.

[11] Inter-TSO Compensation: a payment to TSOs for use of their national transmission grids (infrastructure and losses) to transport energy, including those relating to cross-border flows. The related charges are allocated to "Energy-related non pass-through payables".

Other trade receivables – €21.5 million
Other trade receivables, totalling €21.5 million, are down €39.1 million compared with the previous year. This primarily reflects a decrease in receivables resulting from Non-regulated Activities in the final quarter of the year.

Amounts due from subsidiaries – €45.6 million
This item, standing at €45.6 million, essentially relates to services provided in the last period of the year in accordance with contracts entered into with subsidiaries Terna Rete Italia S.p.A. (€23.7 million), mainly pertaining to the business unit lease fee (€8.8 million) and administrative services (€7.2 million), and Terna Energy Solutions S.r.l. (€18.4 million).
This item increased compared to the previous year (up €22.2 million), essentially due to an increase in amounts due from subsidiaries Terna Energy Solutions S.r.l. (up €12.6 million, related to the sale of fibre optic) and Terna Rete Italia S.p.A. (up €8.9 million), recognised in the last quarter of the year.

19. Cash and cash equivalents – €2,415.3 million
Cash totalled €2,415.3 million at 31 December 2024, having decrease by €956.0 million compared with 31 December 2023. This item consists of €2,013.0 million invested short-term readily convertible deposits, €142.4 million deposited in bank current accounts and as cash in hand and €259.9 million representing the net amount receivable on intercompany current accounts held by the Company on behalf of its subsidiaries.

20. Income tax assets – €3.3 million
Income tax assets, amounting to €3.3 million, are in line with the figure for the previous year.

Equity and liabilities

21. Equity – €6,976.1 million

Share capital – €442.2 million

Terna's share capital consists of 2,009,992,000 ordinary shares with a par value of €0.22 per share.

Legal reserve – €88.4 million

The legal reserve accounts for 20% of the Company's share capital and is unchanged with respect to the previous year.

Reserve for treasury shares - (€31.4) million

In accordance with the purchase of treasury shares programme linked to the new Performance Share Plan 2024-2028, approved by the Annual General Meeting of shareholders held on 10 May 2024, in the period between 4 September 2024 and 4 October 2024, the Company purchased 998,428 treasury shares (equal to 0.050% of the share capital), at a total cost of approximately €8.0 million. These are in addition to those purchased in previous years to service the Performance Share Plan 2020-2023, the Performance Share Plan 2021-2025, the Performance Share Plan 2022-2026 and the Performance Share Plan 2023-2027.

In addition, in the period between 10 May 2024 and 4 June 2024, the Parent Company allotted 1,060,240 treasury shares to the beneficiaries of the Performance Share Plan 2021-2025, amounting to a total of approximately €6.4 million.

As a result, at 31 December 2024, Terna S.p.A. now holds a total of 4,151,848 treasury shares (equal to 0.207% of the share capital), purchased at a cost of €31.4 million, thereby reducing other reserves by this amount.

Reserve for equity instruments – €1,835.6 million

The value of this reserve reflects non-convertible hybrid perpetual subordinated green and fixed-rate bonds ("hybrid green bonds") issued by Terna S.p.A.:

- Bond issued on 2 February 2022, for a face amount of €1 billion (€989.0 million net of ancillary costs). This bond, which is non-callable for six years, will pay coupon interest of 2.375% until 9 February 2028, the first reset date. After this date, the bonds will pay annual interest equal to the 5-year Euro Mid-Swap rate plus a spread of 212.1 basis points. This will be increased by a further spread of 25 basis points from 9 February 2033 and by an additional 75 basis points from 9 February 2048.
- Bond issued on 4 April 2024, for a total face amount of €850 million (€842.1 million net of related ancillary costs). This bond, which is non-callable for six years, has an issue price set at 99.745%, with a spread of 214.2 basis points over the Mid-Swap rate. It features a fixed annual coupon of 4.750%, which will be paid until the first reset date (not included) on 11 April 2030 and will have an effective rate of 4.800%. From this date, unless the bond has been redeemed early, the hybrid bond will pay interest at the 5-year Euro Mid-Swap rate, increased by an initial spread of 214.2 basis points, rising by a further 25 basis points from 11 April 2035 and by another 75 basis points from 11 April 2050.

The tax effect on the ancillary costs of the aforementioned bonds was held under this item for a total amount of up €4.5 million.

Share premium reserve, Cash flow hedge reserve and Other reserves – €776.1 million

The "Share premium reserve", "Cash flow hedge reserve" and "Other reserves" at 31 December 2024 amount to €776.1 million, having fallen €27.5 million compared with 31 December 2023, broadly as a result of other comprehensive income. This reflects:

- fair value adjustments to the Parent Company's cash flow hedges (down €30.3 million, including the related hedging costs of -€0.1 million, after the related taxation);
- fair value adjustments to the value of financial assets represented by securities (up €2.3 million, after the related taxation);
- the change in actuarial gains and losses on provisions for employee benefits (up €0.2 million, after the related taxation).

Retained earnings and accumulated losses – €3,134.4 million

The increase in "Retained earnings and accumulated losses", amounting to €161.3 million, primarily regards the remaining portion of profit for 2023 (up €152.2 million), following the Company's payment of the dividend for 2023 (totalling €682.6 million), recognition of the interest accruing on the hybrid green bonds (down €2.6 million) and the recognition of the tax effect on such interest relating to the hybrid bond issued on 2 February 2022 accrued up to 31 December 2024 (up €11.4 million).

Interim dividend for 2024 and final dividend for 2023

On 6 November 2024, the Company's Board of Directors, having obtained the Independent Auditor's opinion required by article 2433-*bis* of the Italian Civil Code, decided to pay an interim dividend of 11.92 euro cents per share. The dividend was payable from 20 November 2024, with an ex-dividend date for coupon 41 on 18 November 2024. The dividend was paid to the holders of each ordinary share outstanding, with the exception of the amount payable on treasury shares held at the record date of 19 November 2024.

The Annual General Meeting of shareholders held on 10 May 2024 approved payment of a dividend for full-year 2023 of 33.96 eurocents per share, and the payment – before any withholdings required by law – of a final dividend of 22.50 eurocents per share (payable from 26 June 2024, with an ex-dividend date for coupon 40 of 24 June 2024), of which 11.46 eurocents paid in the form of an interim dividend payable from 22 November 2023.

The individual components of equity at the end of the year are shown below, specifying their origin, availability and distributability.

(€m)

	31.12.2024	POTENTIAL USE	AVAILABLE AMOUNT
Share capital	442.2	-	-
Legal reserve:			
- equity instruments – Perpetual hybrid bonds	1,835.6	-	-
- other	416.1	A,B,C	416.1
Revenue reserves:			
- legal reserve	88.4	B	88.4
- actuarial gains (losses) on employee benefits, cash flow hedges and financial assets after taxation	15.0	-	-
- reserve for share-based payments (LTI Plan)	11.2	-	-
- negative reserve for treasury shares	(31.4)	-	-
- other	333.8	A,B,C	333.8
Retained earnings/(accumulated losses)	3,134.4	A,B,C	3,134.4
Interim dividend	(239.6)	A,B,C	-
TOTAL	**6,005.7**		

Key:
A – for capital increases
B – to cover losses
C – for distribution to shareholders

The available amount includes €493.2 million in untaxed revenue reserves.

22. Borrowings and financial liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Bond issues	6,048.3	5,664.2	384.1
Bank borrowings	5,329.9	3,705.0	1,624.9
LONG-TERM BORROWINGS	**11,378.2**	**9,369.2**	**2,009.0**
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
NON-CURRENT FINANCIAL LIABILITIES	**58.8**	**164.5**	**(105.7)**
SHORT-TERM BORROWINGS	**1,631.2**	**1,190.4**	**440.8**
Bond issues	499.5	826.4	(326.9)
Bank borrowings	165.7	542.6	(376.9)
CURRENT PORTION OF LONG-TERM BORROWINGS	**665.2**	**1,369.0**	**(703.8)**
CURRENT FINANCIAL LIABILITIES	**110.1**	**113.7**	**(3.6)**
TOTAL	**13,843.5**	**12,206.8**	**1,636.7**

Borrowings and financial liabilities have increased by €1,636.7 million compared with the previous year to €13,843.5 million. The change primarily reflects:

- an increase in bonds to the extent of €57.2 million, mainly as a result of the €850 million bond issue launched by Terna in January 2024 and the adjustment to amortised cost, partially offset by the repayment of an €800 million bond issue in October 2024. The change also reflects fair value adjustments of these financial instruments;
- an increase in bank borrowings, amounting to €1,248.0 million, following the drawdown of new EIB loans, totalling €2,400.0 million, after repayments of bank loans amounting to €1,000.0 million and repayments falling due on existing EIB loans. The change also reflects fair value adjustments of these financial instruments;
- a decrease in the fair value of derivative financial instruments (down €105.7 million) due to the change in the related portfolio and market interest rate curve;
- an increase in short-term borrowings (€440.8 million) due to the use of short-term facilities and the issue of commercial paper by the Company;

The latest official prices at 31 December 2024 and 31 December 2023 for the bonds listed on the Luxembourg Stock Exchange are detailed below:

(€m)

	ISIN	PRICE AT 31 DECEMBER 2024	PRICE AT 31 DECEMBER 2023
Bond maturity 2024:	XS0203712939	-	100.92
Bond maturity 2025:	XS2033351995	98.53	94.95
Bond maturity 2026:	XS1371569978	98.14	95.96
Bond maturity 2026:	XS1980270810	97.99	95.51
Bond maturity 2027:	XS1652866002	96.81	94.40
Bond maturity 2027:	XS2536846236	101.19	100.33
Bond maturity 2028:	XS1503131713	94.02	91.46
Bond maturity 2029:	XS2357205587	89.43	86.53
Bond maturity 2029:	XS2607193435	102.57	102.26
Bond maturity 2030:	XS2237901355	85.82	82.94
Bond maturity 2031:	XS2748847204	101.66	-
Bond maturity 2032:	XS2209023402	83.82	81.82
Bond maturity 2033:	XS2655852726	103.41	103.26

External sources from BNP Paribas, Bloomberg and Morgan Stanley.

Long-term borrowings

The table below shows movements in long-term debt during the year, including also the nominal amount:

(€m)

	31.12.2023			REPAYMENTS AND CAPITALISATIONS	DRAWDOWNS	OTHER	CHANGE CARRYING AMOUNT	31.12.2024		
	NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE					NOTIONAL DEBT	CARRYING AMOUNT	FAIR VALUE
Bond maturing 2024	800.0	826.4	807.4	(800.0)	-	(26.4)	(826.4)	-	-	-
Bond maturing 2025	500.0	498.5	474.7	-	-	1.0	1.0	500.0	499.5	492.6
Private Placement 2026	80.0	79.7	76.8	-	-	0.1	0.1	80.0	79.8	78.5
Bond maturing 2026	500.0	499.2	477.6	-	-	0.3	0.3	500.0	499.5	489.9
Bond maturing 2027	100.0	99.8	100.3	-	-	0.1	0.1	100.0	99.9	101.2
Private Placement 2027	1,000.0	988.0	944.0	-	-	3.3	3.3	1,000.0	991.3	968.1
Bond maturing 2028	750.0	712.9	685.9	-	-	7.6	7.6	750.0	720.5	705.2
Bond maturing 750_2029	750.0	742.7	766.9	-	-	1.3	1.3	750.0	744.0	769.3
Bond maturing 2029	600.0	597.6	519.2	-	-	0.4	0.4	600.0	598.0	536.6
Bond maturing 2030	500.0	437.0	414.7	-	-	13.0	13.0	500.0	450.0	429.1
Bond maturing 2031	-	-	-	-	850.0	(7.4)	842.6	850.0	842.6	864.1
Bond maturing 2032	500.0	366.3	409.1	-	-	13.2	13.2	500.0	379.5	419.1
Bond maturing 2033	650.0	642.5	671.2	-	-	0.7	0.7	650.0	643.2	672.2
Total bond issues	**6,730.0**	**6,490.6**	**6,347.8**	**(800.0)**	**850.0**	**7.2**	**57.2**	**6,780.0**	**6,547.8**	**6,525.9**
Borrowings	3,799.4	4,237.6	4,237.6	(1,139.9)	2,400.0	(12.9)	1.247.2	5,609.5	5,484.8	5,484.8
Lease liabilities	10.0	10.0	10.0	(3.4)	-	4.2	0.8	10.8	10.8	10.8
Total borrowings	**3,809.4**	**4,247.6**	**4,247.6**	**(1,143.3)**	**2,400.0**	**(8.7)**	**1,248.0**	**5,620.3**	**5,495.6**	**5,495.6**
Total debt	**10,539.4**	**10,738.2**	**10,595.4**	**(1,943.3)**	**3,250.0**	**(1.5)**	**1,305.2**	**12,400.3**	**12,043.4**	**12,021.5**

At 31 December 2024, Terna had access to additional financing of €3,905.0 million consisting of two fully available revolving credit facilities.

In addition, as provided for in IFRS 7, the table shows the fair value of borrowings and bond issues. In the case of bond issues, this is market value based on prices at the reporting date, whilst variable rate loans are measured by discounting expected cash flows based on the market interest rate curve at the reporting date.

The following table shows an analysis of bond issues and other borrowings by maturity, showing the related short-term portions.

(€m)

	MATURITY	31.12.2023*	31.12.2024*	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS	2026	2027	2028	2029	2030	AFTER	OTHER**	AVERAGE INTEREST RATE AT 31 DECEMBER 2024	AVERAGE INTEREST AFTER HEDGES AT 31 DECEMBER 2024
Bonds	2024	826.4	-	-	-	-	-	-	-	-	-	-	4.90%	0.89%
	2025	498.5	499.5	500.0	-	-	-	-	-	-	-	(0.5)	0.13%	0.32%
	2026	499.2	499.5	-	500.0	500.0	-	-	-	-	-	(0.5)	1.00%	1.29%
	2026	79.7	79.8	-	80.0	80.0	-	-	-	-	-	(0.2)	1.60%	1.80%
	2027	988.0	991.3	-	1,000.0	-	1,000.0	-	-	-	-	(8.7)	1.38%	1.92%
	2027	99.8	99.9	-	100.0	-	100.0	-	-	-	-	(0.1)	3.44%	2.78%
	2028	712.9	720.5	-	750.0	-	-	750.0	-	-	-	(29.5)	1.00%	1.31%
	2029	597.6	598.0	-	600.0	-	-	-	600.0	-	-	(2.0)	0.38%	1.71%
	2029	742.7	744.0	-	750.0	-	-	-	750.0	-	-	(6.0)	3.63%	3.71%
	2030	437.0	450.0	-	500.0	-	-	-	-	500.0	-	(50.0)	0.38%	3.79%
	2031	-	842.6	-	850.0	-	-	-	-	-	850.0	(7.4)	3.50%	3.65%
	2032	366.3	379.5	-	500.0	-	-	-	-	-	500.0	(120.5)	0.75%	3.16%
	2033	642.5	643.2	-	650.0	-	-	-	-	-	650.0	(6.8)	3.88%	3.82%
EIB	2046	2,407.2	3,270.4	47.7	3,340.7	58.5	117.1	156.0	192.1	192.1	2,624.9	(118.0)	2.65%	2.63%
Terna's borrowing	2024	300.0	-	-	-	-	-	-	-	-	-	-	-	(1.25%)
Total fixed rate		**9,197.8**	**9,818.2**	**547.7**	**9,620.7**	**638.5**	**1,217.1**	**906.0**	**1,542.1**	**692.1**	**4,624.9**	**(350.2)**		
EIB	2041	836.3	721.0	115.3	605.7	115.3	115.3	115.3	96.0	103.3	60.5	-	4.31%	2.16%
Terna's borrowing	2029	699.4	1,498.5	-	1,500.0	-	-	-	1,500.0	-	-	(1.5)	4.36%	4.81%
Total variable rate		**1,535.7**	**2,219.5**	**115.3**	**2,105.7**	**115.3**	**115.3**	**115.3**	**1,596.0**	**103.3**	**60.5**	**- 1.5**		
TOTAL		**10,733.5**	**12,037.7**	**663.0**	**11,726.4**	**753.8**	**1,332.4**	**1,021.3**	**3,138.1**	**795.4**	**4,685.4**	**(351.7)**		

* *The balance does not include prepaid fees of €5.1 million at 31 December 2024 and of €5.3 million at 31 December 2023.*
** *Includes portions measured at amortised cost and fair value adjustments at 31 December 2024.*
*** *This is the average of the rates fixed in the sub-periods.*

(€m)

	31.12.2023	31.12.2024	PORTION FALLING DUE WITHIN 12 MONTHS	PORTION FALLING DUE AFTER 12 MONTHS
Operating leases	10.0	10.8	2.7	8.1
TOTAL	**10.0**	**10.8**	**2.7**	**8.1**

At 31 December 2024, payments on operating leases recognised in application of IFRS 16 amount to €3.4 million.

The total value of the Terna Group's borrowings at 31 December 2024 is €12,037.7 million (€663.0 million falling due within 12 months and €11,726.4 million falling due after 12 months net of portions measured at amortised cost and fair value adjustments), of which €4,685.4 million maturing after five years.

Non-current financial liabilities – €58.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Cash flow hedges	11.8	-	11.8
Fair value hedges	47.0	164.5	(117.5)
TOTAL	**58.8**	**164.5**	**(105.7)**

Non-current financial liabilities, amounting to €58.8 million at 31 December 2024, reflect the fair value of fair value hedges and cash flow hedges.

Fair value was measured by discounting the expected cash flows using the market yield curve at the reporting date. The decreases of €105.7 million, compared with 31 December 2023 reflects the change in the market interest rate curve.

Short-term borrowings – €1,631.2 million

"Short-term borrowings", amounting to €1,631.2 million at 31 December 2024, have increased €440.8 million compared with the previous year, essentially due to the use of short-term credit facilities and the issue of commercial paper by the Company.

Current financial liabilities – €110.1 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Other current financial liabilities	-	38.5	(38.5)
DEFERRED LIABILITIES ON:			
Hedging derivatives	-	1.3	(1.3)
Bond issues	75.1	53.5	21.6
Borrowings	35.0	20.4	14.6
TOTAL	**110.1**	**113.7**	**(3.6)**

Current financial liabilities at 31 December 2024, amounting to €110.1 million, showed a €3.6 million decrease compared to 31 December 2023 essentially due to the payment to the Tunisian operator STEG of the accrued portion of the advance on the Italy-Tunisia interconnection project (down €38.5 million), offset by the value of the net financial expenses accrued on bonds, loans and derivatives not yet settled (up €35.0 million).

Net debt

Pursuant to the CONSOB Communication of 28 July 2006 and in compliance with ESMA Recommendation no. 32-382-1138 of 2021, the Company's net debt is as follows:

(€m)

	31.12.2024
A. Cash	402.3
B. Cash and cash equivalents*	2,013.0
C. Other current financial assets**	445.8
D. Liquidity (A) + (B) + (C)	**2,861.1**
E. Current financial liabilities (including debt instruments, but excluding the current portion of non-current financial liabilities)	1,631.2
F. Current portion of non-current debt***	774.1
G. Current debt (D+E+F)	**2,405.3**
H. Net current debt (G) - (D)	**(455.8)**
I. Non-current financial liabilities (excluding the current portion and debt instruments)****	5,341.7
J. Debt instruments*****	6,095.3
K. Non-current net debt (I) + (J)	**11,437.0**
L. Net debt (H) + (K)	**10,981.2**

* *Corresponds with "Cash and cash equivalents" with regard to the value of deposits and short-term investments. **Corresponds to "Current financial assets'" with regard to the value of government securities (€226.5 million), time deposits (€200.0 million) and accrued interest income (€19.3 million).*

*** *Corresponds with "Current portion of long-term borrowings" relating to the short-term portion of long-term borrowings (€163.0 million), the short-term portion of bond issues (€499.5 million) the short-term portion of lease liabilities (€2.7 million) and " Current financial liabilities" relating to the value of accrued liabilities (€110.1 million) and "Current financial assets" relating to the value of derivative assets (down €1.2 million).*

**** *Corresponds with the item, "Long-term borrowings" relating to the value of borrowings (€5,321.8 million) and the long-term portion of lease liabilities (€8.1 million) and "Non-current financial liabilities" relating to the value of derivative liabilities (€11.8 million).*

***** *Corresponds with "Long-term borrowings" relating to the value of bond issues (€6,048.3 million) and "Non-current financial assets" relating to the value of derivative liabilities on bonds (€47.0 million).*

Information on the provisions in outstanding loan agreements at 31 December 2024 is provided in the notes to the consolidated financial statements.

23. Employee benefits – €11.2 million

Terna provides its employees with benefits during their period of employment (loyalty bonuses), on termination of employment (*TFR*, energy discounts, additional months' pay) and after termination in the form of post-employment benefits (ASEM health cover).
Loyalty bonuses are payable to the Company's employees and senior managers once certain requirements have been met regarding length of service (on completing 25 and 35 years of service).
Termination benefits (*TFR*) are payable to all employees, whilst employees hired by 30 June 1996 receive energy discounts, and employees (blue-collar workers, office staff and middle managers) employed prior to 24 July 2001 are due additional months' pay on termination.
Post-employment benefits consist of a form of supplementary health cover in addition to that provided by the Italian national health service, as provided for in the national collective contract for industrial managers (the ASEM health plan).

The following table shows the composition of provisions for *TFR* and other employee benefits and movements during the year ended 31 December 2024:

(€m)

	31.12.2023	PROVISIONS	INTEREST COST	USES AND OTHER MOVEMENTS	ACTUARIAL GAINS/ (LOSSES)	31.12.2024
Benefits during the period of employment						
Loyalty bonuses	0.9	0.1	-	(0.1)	-	0.9
Total	**0.9**	**0.1**	**-**	**(0.1)**	**-**	**0.9**
Termination benefits						
Deferred compensation benefits (*TFR*)	3.6	-	0.1	(0.1)	-	3.6
Energy discounts	0.2	-	-	(0.1)	-	0.1
Additional months' pay	0.5	-	-	(0.1)	-	0.4
Total	**4.3**	**-**	**0.1**	**(0.3)**	**-**	**4.1**
Post-employment benefits						
ASEM health plan	6.0	0.3	0.2	(0.2)	(0.2)	6.1
Total	**6.1**	**0.3**	**0.2**	**(0.2)**	**(0.2)**	**6.2**
Total	**11.3**	**0.4**	**0.3**	**(0.6)**	**(0.2)**	**11.2**

This item, amounting to €11.2 million, was down €0.1 million compared to 31 December 2023, due primarily to the change in actuarial gains and losses and provisions (up €0.2 million relating essentially to the ASEM health plan).

The following table shows the current service cost and interest income and expense.

(€m)

	LOYALTY BONUSES	*TFR*	ADDITIONAL MONTHS' PAY	ASEM HEALTH PLAN	TOTAL
Net impact recognised in profit or loss					
- current service cost	0.1	-	(0.1)	0.3	0.3
- curtailment (revenue) and other costs	-	-	0.1	-	0.1
- interest income and expense	-	0.1	-	0.2	0.3
TOTAL RECOGNISED IN PROFIT OR LOSS	**0.1**	**0.1**	**-**	**0.5**	**0.7**

Revaluation of the net liability for employee benefits is shown in the following table, which provides details of the type of actuarial gain or loss recognised in other comprehensive income.

(€m)

	ASEM HEALTH PLAN	TOTAL
Actuarial gains/(losses)		
- due to changes in discount rate	(0.2)	(0.2)
TOTAL IMPACT ON COMPREHENSIVE INCOME	**(0.2)**	**(0.2)**

Finally, the following tables show the main actuarial assumptions applied, a sensitivity analysis of movements in the assumptions and the payment schedule for the plan. In line with 2023, the interest rate used to determine the present value of the obligation was calculated on the basis of the yield on the Iboxx Eurozone Corporates AA index at 31 December 2024, matching the duration of the relevant group of plan participants.

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN
Discount rate	3.17%	3.18%	2.93%	3.18%	3.38%
Inflation rate	2.00%	2.00%	-	-	2.70%
Duration (in years)	17.71	6.00	3.37	4.71	13.80

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
Discount rate +0.25%	0.8	3.5	0.3	0.2	5.9	**10.8**
Discount rate -0.25%	0.8	3.6	0.3	0.3	6.3	**11.3**
Inflation rate +0.25%	0.1	3.6	-	-	-	**4.5**
Inflation rate -0.25%	0.8	3.5	-	-	-	**4.4**
Annual rate of increase in health costs +3%	-	-	-	-	6.2	**6.2**
Annual rate of increase in health costs -3%	-	-	-	-	6.0	**6.0**

(€m)

	LOYALTY BONUSES	TFR	ADDITIONAL MONTHS' PAY	ENERGY DISCOUNTS	ASEM HEALTH PLAN	TOTAL
By the end of 2024	-	0.8	0.3	0.1	0.3	**1.5**
By the end of 2025	-	0.5	-	-	0.3	**0.9**
By the end of 2026	-	0.1	-	-	0.5	**0.6**
By the end of 2027	0.1	0.4	-	-	0.4	**0.9**
By the end of 2028	-	0.3	0.1	-	0.5	**0.9**
After 5 years	0.8	1.5	0.0	-	4.1	**6.4**
TOTAL	**0.9**	**3.6**	**0.4**	**0.1**	**6.1**	**11.2**

24. - Provisions for risks and charges – €120.4 million

(€m)

	PROVISIONS FOR LITIGATION AND DISPUTES	SUNDRY PROVISIONS FOR RISKS AND CHARGES	PROVISIONS FOR EARLY RETIREMENT INCENTIVES	TOTAL
Amount at 31 December 2023	**10.4**	**64.4**	**33.6**	**108.4**
Provisions	2.2	15.9	11.8	29.9
Uses and other movements	(2.9)	(8.9)	(6.1)	(17.9)
Amount at 31 December 2024	**9.7**	**71.4**	**39.3**	**120.4**

Provisions for litigation and disputes – €9.7 million

These provisions, set aside to cover outstanding liabilities that, at the end of the year, could result from court judgements and out-of-court settlements regarding the activities of Group companies, have been assessed partly on the basis of recommendations from internal and external legal advisors. The balance at 31 December 2024, totalling €9.7 million, primarily regards disputes involving the Company in relation to the payment of damages relating to operation and maintenance, requests for compensation for easements and labour and social security disputes. This is down by a net €0.7 million compared with the previous year as a result of lower net provisions during the year.

Provisions for sundry risks and charges – €71.4 million

These provisions amount to €71.4 million at 31 December 2024 and essentially regard liabilities associated with urban and environmental restoration projects, regulation of the quality of the electricity service, staff incentive plans, right-of-way fees and tax-related aspects.
Compared with the previous year, the provisions are up by a net €7.0 million, reflecting:

- net provisions referring to right-of-way fees (€7.5 million);
- net provisions totalling €1.3 million linked to regulation of the quality of the electricity service (the mitigation and sharing mechanism introduced by ARERA Resolution 653/2015/R/eel) which, after uses for estimated penalties linked to outages during the year, reflects payments to distribution companies and releases following final determination of the penalties due to previous years.
- net uses to the extent of €2.2 million for urban and environmental restoration schemes.

Provisions for early retirement incentives – €39.3 million

Provisions for early retirement incentives reflects the estimated extraordinary expenses to be incurred in relation to the cost of the scheme for the year, linked to the early retirement of the Company's employees who have reached pensionable age and where the Company has an obligation. This item has increased by a net €5.7 million, reflecting payments in coming years in relation to the existing plan for generational turnover.

25. Other non-current liabilities – €453.7 million

This item, amounting to €453.7 million at 31 December 2024, regards the amount payable to Terna Rete Italia S.p.A., resulting from the transfer of net liabilities included in the operations leased to this subsidiary (€22.6 million), accrued grants related to assets receivable (€59.1 million) and the Interconnector Guarantee Fund (€182.8 million) set up by the 2016 Stability Law, in order to fund investment in interconnections by art. 32 of Law 99/09. This item also includes guarantee deposits received from operators participating in the capacity market and electricity market operators guaranteeing their obligations assumed in dispatching and virtual interconnection agreements (€189.1 million).

The increase in this item compared to the previous year, amounting to €80.7 million, essentially reflects an increase in the security deposits received from operators and subsequent modifications and additions (up €68.4 million) and movements in Interconnector Guarantee Fund (up €18.9 million), after settlement of a part of the liabilities included in the leased business unit (down €1.6 million), with special reference to the termination benefits (*TFR*) payable to personnel participating in the generational turnover plan launched by the Company, and the release of portions of grants related to assets (down €5.2 million).

26. Current liabilities

(€m)

	31.12.2024	31.12.2023	CHANGE
Short-term borrowings*	1,631.2	1,190.4	440.8
Current portion of long-term borrowings*	665.2	1,369.0	(703.8)
Trade payables	3,565.6	2,669.7	895.9
Tax liabilities	90.5	2.9	87.6
Current financial liabilities*	110.1	113.7	(3.6)
Other current liabilities	657.8	659.6	(1.8)
TOTAL	**6,720.4**	**6,005.3**	**715.1**

(*) Information on these items is provided in note 25. Borrowings and financial liabilities

Trade payables – €3,565.5 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Trade payables:			
- Energy-related payables	2,199.5	1,675.6	523.9
- Non-energy-related payables	151.7	139.3	12.4
Non-energy-related payables due to subsidiaries	1,212.9	852.3	360.6
Amounts due to associates	0.7	1.7	(1.0)
Contract work in progress payables	0.7	0.8	(0.1)
TOTAL	**3,565.5**	**2,669.7**	**895.8**

Trade payables

Energy-related payables

The €523.9 million increase in this item compared to the year-end figure for 2023 was essentially due to payables for pass-through energy items (€529.7 million), such change reflecting mainly:

- an increase in payables relating to the Essential Units ensuring the security of the electricity system - UESS (€353.6 million) due to lower payments in 2024 to reimburse the costs decided by ARERA to the owners of the plants[12];
- higher payables related to the Interruptibility Service Fee (€96.9 million) as a result of charges related to adjustment transactions to be settled with service licensees;
- an increase in payables (€80.6 million) related to costs for procurement of dispatching resources.

Non-energy related payables

The exposure to suppliers regards invoices received and to be received for contract work, services and purchases of materials and equipment.
The increase compared with the previous year (down €12.4 million) is largely due to an increase in activity towards the end of the year.

Non-energy-related payables due to subsidiaries

This item, totalling €1,212.9 million, is up €360.6 million compared with the previous year, primarily due to the increased amount payable to Terna Rete Italia S.p.A. (up €356.6 million) as a result of the greater volume of capital expenditure carried out towards the end of the year, compared with the same period of 2023.

Amounts due to associates

This item, amounting to €0.7 million, is down €1.0 million compared with the previous year, primarily reflecting a reduction in amounts payable to the associate, CESI S.p.A., for services provided to the Company, relating to electro technical studies and research.

The commitments assumed by the Company towards suppliers amount to approximately €315.5 million and regard purchase commitments linked to the normal “operating cycle” projected for the period 2024-2028.

Tax liabilities – €90.5 million

This item stood at €90.5 million at 31 December 2023, showing a reduction of €87.6 million compared to 31 December 2023. This change reflects the net impact of income tax for the year, as highlighted earlier, the settlement of taxes relating to the previous year and an increase in payments on account made during the period.

[12] ARERA ordered payments to Essential Unit owners through Resolutions No. 32-44-65-166-293-308-399-440-460-461-469-470-471-485-486-487-502-503-519-520-537-541-542/2024.

Other current liabilities – €657.8 million

(€m)

	31.12.2024	31.12.2023	CHANGE
Prepayments	327.2	259.2	68.0
Other tax liabilities	91.3	76.2	15.1
Social security payables	10.8	8.7	2.1
Amounts due to subsidiaries	6.0	1.1	4.9
Amounts due to personnel	24.3	16.8	7.5
Other payables due to third parties	198.2	297.6	(99.4)
TOTAL	**657.8**	**659.6**	**(1.8)**

Prepayments

This item (€327.2 million) regards grants related to assets collected by the Company to fund the construction of non-current assets in progress at 31 December 2024.

Compared with the balance at 31 December 2023 (€259.2 million), the balance is up €68.0 million, essentially due to the impact of grants deducted directly from the carrying amount of the related assets, totalling €50.8 million, and new prepayments from third parties.

Other tax liabilities

Other tax liabilities, amounting to €91.3 million, regard withholding tax payable on salaries paid at the end of the year, in addition to the balance of the Group's VAT at the end of the year.

This item was up €15.1 million, broadly due to an increase in VAT payable at 31 December 2024 (up €14.7 million).

Social security payables

Social security payables, essentially relating to employee contributions payable to INPS (the National Institute of Social Security), stood at €10.8 million. This item increased by €2.1 million over the previous year, mainly due to an increase in contributions regarding early retirement incentives (up €0.8 million).

Amounts due to personnel

Amounts due to personnel, amounting to €24.3 million, primarily regard:

- staff incentives and early retirement incentives payable in the subsequent year (€17.9 million);
- amounts due to employees in the form of accrued and unused annual leave and bank holiday entitlements (€4.8 million).

The increase of €7.5 million in this item compared to the previous year primarily reflects an increase in staff incentives (up €6.0 million).

Amounts due to subsidiaries

Amounts due to subsidiaries, totalling €6.0 million, mainly relate to amounts due to Terna Energy Solutions S.r.l. (€5.6 million, in relation to commercial activities concerning fibre optics), and Terna Interconnector S.r.l., mainly relating to compensation recognised in connection with the interconnection with France (€0.4 million).

This item showed an increase compared to the figure posted at 31 December 2023 (up €4.9 million), mainly due to an increase in amounts due to the subsidiary Terna Energy Solutions S.r.l.

Other payables due to third parties

Other payables due to third parties, totalling €198.2 million, essentially relate to security deposits (€180.8 million) received from electricity market operators to guarantee their contractual obligations under dispatching and virtual interconnection contracts. This item also includes deferred income (€10.2 million, primarily attributable to Non-regulated Activities) and coupon interest payable to the holders of hybrid instruments issued during the year 2022 (€21.1 million).

The change in this item (down €99.4 million) over the previous year was essentially due to a decrease in security deposits received during the year to the extent of €76.4 million and a decrease in coupon interest payable on hybrid securities issued (€21.1 million).

E. Commitments and risks

Risk management

In the course of its operations, Terna is exposed to different financial risks: market risk, liquidity risk and credit risk.
This section provides information regarding the Terna's exposure to all the above risks, along with a presentation of the objectives, policies and processes for managing those risks and the methods used to assess them, with further quantitative disclosures concerning the separate financial statements for 2024.
Terna's risk management policies are aimed at identifying and analysing the risks to which the Company is exposed, establishing appropriate limits and controls, and monitoring risks and compliance with such limits. These policies and the related systems are reviewed on a regular basis, in order to take account of any changes in market conditions or in the Company's operations.
As a part of the financial risk management policies approved by the Board of Directors, Terna S.p.A. has established the responsibilities and operating procedures for financial risk management, specifically as concerns the instruments to be used and the precise operating limits to apply in managing them.

The following table shows financial statement items exposed to the above risks.

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Assets						
Derivative financial instruments	-	-	-	-	17.4	17.4
Cash on hand, securities and deposits	2,615.3	226.5	2,841.8	1,606.3	316.3	1,922.6
Trade receivables	2,936.1	-	2,936.1	1,928.8	-	1,928.8
TOTAL	**5,551.4**	**226.5**	**5,777.9**	**3,535.1**	**333.7**	**3,868.8**

(€m)

	31.12.2024			31.12.2023		
	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL	RECEIVABLES AT AMORTISED COST	FAIR VALUE	TOTAL
Liabilities						
Long-term debt	13,674.6	-	13,674.6	11,928.6	-	11,928.6
Derivative financial instruments	-	58.8	58.8	-	164.5	164.5
Trade payables	3,565.6	-	3,565.6	2,669.7	-	2,669.7
TOTAL	**17,240.2**	**58.8**	**17,299.0**	**14,598.3**	**164.5**	**14,762.8**

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in financial market conditions. Market risk mainly includes interest rate risk and exchange rate risk.

Risk management must be performed with the objective of minimising the related risks by selecting counterparties and instruments compatible with the Company's Risk Management Policy. Speculative activity is not form part of the Company's activities.

The Terna Group seeks to adopt a dynamic approach to financial risk management. This approach is characterised by risk aversion, aimed at minimising risk through continuous monitoring of financial markets in order to obtain new financing and conclude hedging transactions in favourable market conditions. The dynamic approach enables the Group to intervene in order to improve existing hedges should there be a change in market conditions or changes in the hedged item, making the hedges inappropriate or excessively costly.

The fair value of financial instruments is determined in accordance with the fair value hierarchy envisaged under IFRS 7 (Level 2), by means of appropriate valuation techniques for each category of financial instrument, using market data at the closing date (such as interest rates, exchange rates and volatility) and discounting projected cash flows on the basis of the market yield curve at the reporting date.

Interest rate risk

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or future cash flows of financial instruments.
In the course of its operations, Terna is exposed to the risk of fluctuations in interest rates. Its main source of interest rate risk is associated with its borrowings and the related hedges in the form of derivative instruments that generate financial expenses. Terna's borrowing strategy focuses on long-term borrowings, whose term reflects the useful life of the Company's assets. It pursues an interest rate risk hedging policy that aims to guarantee that the percentage of debt represented by fixed rate liabilities is at least 40%, as provided for in the relevant policies. Considering the low level of interest rates and the new regulatory review, all debt is now fixed rate.

At 31 December 2024, interest rate risk is hedged by cash flow hedges, which hedge the risk connected with movements in interest rates relating to long-term borrowings.

Below are the notional amounts and fair values of the derivative financial instruments entered into by Terna:

(€m)

	31.12.2024		31.12.2023		CHANGE	
	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE	NOTIONAL	FAIR VALUE
Fair value hedges	950.0	(47.0)	1,853.0	(164.5)	(903.0)	117.5
Cash flow hedges	1,886.6	(11.8)	2,362.8	17.2	(476.2)	(29.0)

The notional amount of outstanding cash flow hedges at 31 December 2024, amounting to €1,886.6 million, breaks down as follows:

- €436.6 million (fair value loss of €0.3 million) maturing 2027;
- €650.0 million (fair value loss of €11.6 million) maturing 2029;
- €200.0 million (fair value loss of €0.1 million) maturing 2033;
- €300.0 million (fair value loss of €0.2 million) maturing 2035;
- €300.0 million (fair value loss of €0.2 million) maturing 2036.

The notional amount of fair value hedges at 31 December 2024, amounting to €950.0 million, breaks down as follows:

- €950.0 million (fair value loss of €47.0 million) maturing 2030.

Sensitivity to interest rate risk

Terna has floating-to-fixed interest rate swaps in place to manage the risk of movements in interest rates.

Since the hedging relationship between the derivative and the hedged item is formally documented and the effectiveness of the hedge, as verified initially and periodically over its life, is high, the Company has elected to use hedge accounting to ensure a perfect match between the maturities of the hedge and the hedged item. The aim of hedge accounting is to recognise the effects of the hedges and the hedged items in profit or loss at the same time. As a result:

- in the case of fair value hedges, changes in the fair value of the hedged item, attributable to the hedged risk, must be accounted for in the income statement, where they are offset against changes in the fair value of the derivative;
- in the case of cash flow hedges, changes in the fair value of the derivative must be recognised in "Other comprehensive income" (in equity, recognising any ineffective portion immediately through the income statement) and then recycled through profit or loss in the same period in which the cash flows of the hedged instrument materialise.

The following table reports the amounts recognised through profit or loss and in "Other comprehensive income" for positions that are sensitive to changes in interest rates, in addition to the theoretical value of the positions following a positive or negative shift in the yield curve and the differential impact of such changes recognised through profit or loss and in "Other Comprehensive Income". A hypothetical 10% movement in interest rates with respect to market interest rates at the reporting date was assumed:

(€m)

	PROFIT OR LOSS			OCI		
	CURRENT RATES +10%	CURRENT VALUES	CURRENT RATES -10%	CURRENT RATES +10%	CURRENT VALUES	CURRENT RATES -10%
31.12.2024						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.2)	**(0.6)**	(1.0)	(4.8)	**(29.1)**	(53.8)
Hypothetical change	*0.4*	-	*(0.4)*	*24.3*	-	*(24.8)*
31.12.2023						
Positions sensitive to interest rate variations (FVHs, bond issues, CFHs)	(0.7)	**(2.8)**	(4.9)	(48.5)	**(58.3)**	(68.2)
Hypothetical change	*2.1*	-	*(2.1)*	*9.8*	-	*(9.9)*

Regulators around the world have launched a reform of IBOR (Interbank Offered Rates), which are used as the benchmark for most financial instruments sold throughout the world, with the aim of restoring confidence in the benchmark. The transition from EONIA to ESTER took place in 2022 without any significant impact. The Group is continuing to closely monitor the market and the results produced by the various working groups overseeing the transition to the new benchmark rates for the other maturities (EURIBOR). Management is aware of the associated risks and, for this reason, the Group plans to complete the transition in step with the change in the related legislation. At the same time, all the new financial contracts contain fallback provisions governing the transition period.

Inflation risk

Regarding inflation risk, the rates established by the regulator to provide a return on Terna S.p.A.'s activities are determined so as to cover the allowed costs. Such cost components are updated on an annual basis to take into account the impact of inflation.

Exchange rate risk

The management of exchange rate risk must aim to protect a company's earnings from the risk of currency fluctuations by keeping a close eye on market movements and constantly monitoring the existing exposures. In managing this risk,

Terna from time to time selects hedging instruments with structures and durations matching the Company's exchange rate exposure. The instruments used by Terna are of limited complexity, highly liquid and easy to price, such as forwards and options. Such contracts have a notional amount and maturity date less than or equal to that of the underlying financial liability, or the expected cash flows, so that any change in the fair value and/or estimated cash flows deriving from a rise or fall in the euro against other currencies is fully offset by a corresponding change in the fair value and/or estimated cash flows of the underlying position.
At 31 December 2024, the component of financial instruments associated with exchange rate risk is zero.

Liquidity risk

Liquidity risk is the risk that Terna might encounter difficulty in discharging its obligations in respect of its financial liabilities and operating cycle. Liquidity risk management seeks to ensure adequate coverage of borrowing requirements by obtaining adequate credit lines and appropriate management of any surplus liquidity.
At 31 December 2024, Terna's short-term credit facilities available totalled approximately €525.0 million (out of total facilities of approximately €991.5 million), while revolving credit facilities stood at €3,905 million (out of a total of €4,155.0 million). Finally, Terna S.p.A. has launched a Euro Commercial Paper Programme (ECP), amounting to up to €2,000 million, including €830 million still available at 31 December 2024.

Credit risk

Credit risk is the risk a customer or one of the counterparties to a transaction in financial instruments could cause a financial loss by failing to discharge an obligation. It is mainly generated by the Company's trade receivables and financial investments.

The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

Credit risk management is driven by the provisions of ARERA Resolution 111/06, which, in art. 49, introduced instruments designed to limit the risks related to the insolvency of dispatching customers, both on a preventive basis and in the event of an actual insolvency. In particular, the Resolution establishes three instruments to safeguard the electricity market: a guarantee system (bank guarantees provided by individual dispatching customers, based on their turnover); the option of terminating dispatching contracts (in the event of insolvency or failure to replace enforced guarantees); and, finally, the possibility of recovering uncollected debts, after having taken all other possible collection actions, through a specific fee to be fixed by the regulator.

The following table summarises the exposure to such risk at the reporting date:

(€m)

	31.12.2024	31.12.2023	CHANGE
Derivative financial instruments	-	17.4	(17.4)
Cash on hand, securities and deposits	2,841.8	1,922.6	919.2
Trade receivables	2,936.1	1,928.8	1,007.3
TOTAL	**5,777.9**	**3,868.8**	**1,909.1**

The total value of the exposure to credit rate risk at 31 December 2024 is represented by the carrying amount of trade receivables, cash and cash equivalents, securities and deposits and cash flow hedges.

The following tables provide qualitative information on trade receivables regarding the geographical distribution and type of customer.

Geographical distribution

(€m)

	31.12.2024	31.12.2023
Italy	2,612.6	1,670.1
Euro-area countries	309.4	238.8
Other countries	14.1	19.9
Total	**2,936.1**	**1,928.8**

Customer type

(€m)

	31.12.2024	31.12.2023
Distributors	682.0	576.2
CSEA	34.5	72.2
Dispatching customers for injections	465.9	314.5
Dispatching customers for withdrawals	1,673.5	868.0
Parties which have signed virtual import contracts and virtual import services (interconnectors and shippers)	12.2	11.7
Sundry receivables	68.0	86.2
Total	**2,936.1**	**1,928.8**

The following table breaks down customer receivables by due date, reporting any potential impairment.

(€m)

	31.12.2024		31.12.2023	
	IMPAIRMENT	GROSS	IMPAIRMENT	GROSS
Current	(0.4)	2,855.9	(0.4)	1,738.8
0-30 days past due	(0.0)	3.1	-	17.3
31-120 days past due	(0.2)	6.3	(0.2)	3.2
Over 120 days past due	(78.3)	149.8	(22.9)	193.0
Total	**(78.9)**	**3,015.0**	**(23.5)**	**1,952.3**

Movements in the allowance for doubtful accounts in the course of the year were as follows.

(€m)

	31.12.2024	31.12.2023
Balance at 1st January	(23.5)	(29.7)
Release of provisions	18.9	6.3
Provisions pursuant to Resolution No. 5/2024	(73.6)	-
Impairments for the year	(0.7)	(0.1)
Balance at 31 December	**(78.9)**	**(23.5)**

During the period, an impairment loss of €73.6 million was recognised in respect of dispatching receivables that could not be recovered and in respect of which an application for compensation was submitted, as pursuant to ARERA Resolution No. 5/2024.

The value of guarantees received from eligible electricity market operators is illustrated below.

(€m)

	31.12.2024	31.12.2023
Dispatching - injections	230.1	240.4
Dispatching - withdrawals	1,735.8	1,893.0
Transmission charges due from distributors	426.8	351.0
Virtual imports	125.4	273.4
Capacity market (*)	197.1	175.3
Balance	**2,715.2**	**2,933.1**

(*) Guarantees relating to Capacity Market contracts to be executed from 2025.

Non-regulated Activities are exposed to "counterparty risk", in particular in relation to the entities with which sales contracts are entered into, in consideration of the credibility and solvency of the parties in question and the impact that their possible insolvency could have on the financial strength of the business. Counterparty risk is mitigated by implementing special procedures to assess counterparties, measuring operating, financial and reputational aspects of the counterparties in question.

Default risk and debt covenants

This risk is associated with the possibility that the loan agreements or bond terms and conditions to which the Company is a party may contain provisions authorising counterparties to call in such loans immediately upon the occurrence of certain events, thereby generating liquidity risk. More information on the aforesaid contract provisions set out in financial contracts in place at 31 December 2024, is provided under “Borrowings and financial liabilities” in the notes to Terna S.p.A.’s consolidated financial statements.

Parent company guarantees issued on behalf of subsidiaries

The Company issued parent company guarantees to third parties to guarantee the fulfilment of certain contractual and/or tax obligations assumed by its subsidiaries, with the Company’s maximum exposure at 31 December 2024 amounting to €914.2 million, This breaks down as follows: €2.3 for Terna Interconnector S.r.l., €836.6 million for Terna Rete Italia S.p.A., €69.7 million for Rete S.r.l., €4.6 million for Terna energy solutions S.r.l, €1.0 million for Terna Plus S.r.l.

Bank guarantees

Bank guarantees issued to third parties on behalf of Group companies totalled €165.1 million at 31 December 2024, broken down as follows: €77.3 million on behalf of Terna S.p.A., €46.7 million on behalf of Terna Rete Italia S.p.A., €19.9 million on behalf of Terna Interconnector S.r.l., €15.8 million on behalf of Terna Energy Solutions S.r.l., €0.1 million on behalf of Terna Chile S.p.A., €0.5 million on behalf of Rete S.r.l, and €4.8 million on behalf of Terna Peru S.a.c..

Litigation

Below is a description of the main commitments and risks relating to the Company not disclosed in the statement of financial position at and for the year ended 31 December 2024, the outcome thereof being identified as possible.

Litigation regarding the legitimacy of construction permits and plant operations

Another aspect of litigation connected with the plant owned by the Company derives from legal actions brought before the competent administrative courts, aimed at obtaining the annulment of decisions granting consent for the construction and operation of infrastructure.

Litigation relating to activities carried out under concession

As the operator of transmission and dispatching activities since 1 November 2005, the Parent Company has been a party in several court cases, contesting determinations adopted by ARERA (Italy’s Regulatory Authority for Energy, Networks and the Environment), and/or the Ministry of Enterprises and Made in Italy, and/or Terna itself, in relation to these activities. In cases in which the plaintiffs have, in addition to inherent defects in the contested determinations, alleged violation of the regulations laid down by the aforementioned authorities, or in cases in which the determination has had an impact on Terna, the Company has also taken action to defend its interests through the legal system. Within the scope of such litigation – even though some cases have been concluded, at first and/or second instance, with the annulment of ARERA’s resolutions and, when applicable, of the consequent determinations adopted by Terna – any negative outcomes for the Company itself may be deemed unlikely, as these disputes normally relate to pass-through items.

F. Business combinations

There were no business combinations in 2024.

G. Related party transactions

Given that Terna S.p.A. is subject to the de facto control of Cassa Depositi e Prestiti S.p.A. (registered office at Via Goito 4, 00185 Rome, Italy and consolidated financial statements available on the website at www.cdp.it), a situation ascertained in 2007, related party transactions entered into by Terna during the year include transactions with the subsidiaries, the associates (Cesi S.p.A., Coreso S.A. and CGES A.D.) and employee pension funds (Fondenel and Fopen), as well as transactions with Cassa Depositi e Prestiti itself, with CDP Reti S.p.A. and with the companies directly or indirectly controlled by the Ministry of the Economy and Finance ("MEF").
Given that Terna S.p.A. and the above companies meet the definition for classification as "government-related entities", in accordance with IAS 24 – *Related Party Disclosures*, the Company has elected to adopt the partial exemption – permitted by the standard – from the disclosure requirements in respect of other companies controlled, influenced or jointly controlled by the same government entity. The remainder of this section provides qualitative and quantitative disclosures on transactions with government-related entities having a significant impact on the Company's results. Amounts relating to pass-through items are not included in these disclosures.
Related party transactions in 2024 broadly regard the provision of services in the course of ordinary activities and conducted on an arm's length basis.
Under the Terna Group's current organisational structure, the subsidiary, Terna Rete Italia S.p.A., which has entered into an agreement with the Company covering the lease of certain operations and a number of related intercompany agreements. In accordance with these arrangements, the subsidiary is responsible for the traditional activities involved in operation and routine and extraordinary maintenance of the owned portion of the NTG, and for management and implementation of the grid development initiatives included in the related concession arrangement for transmission and dispatching operations, as set out in Terna's Development Plan.
Terna is responsible for managing the operations of all its subsidiaries under specific service agreements which, in addition to covering administrative and financial coordination and the coordination of relations with government bodies and other institutions, give the Company the right to act on behalf of its subsidiaries, or in their name and on their behalf.
The Company's Non-regulated Activities are conducted in Italy and overseas through the subsidiaries, Terna Energy Solutions S.r.l., Terna Plus S.r.l. and Terna Forward S.r.l. under existing intercompany service agreements.

From a financial viewpoint, Terna is responsible for subsidiaries' cash management in accordance with specific treasury management arrangements. These cover the conduct and coordination of all the transactions carried out from time to time, in order to manage financial resources and meet subsidiaries' cash and treasury requirements, and the execution of any other related transaction.

The following table shows the contractual terms and conditions governing financial relations with subsidiaries

	DEPOSITS*	WITHDRAWALS
Terna Rete Italia S.p.A.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Rete S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Terna Energy Solutions S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Terna Plus S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%
Avvenia the Energy Innovator S.r.l.	monthly average 1-month Euribor+0.30%	monthly average 1-month Euribor+0.80%

** If the sum of the average "1-month Euribor" plus the spread of 0.30% is negative, the interest rate applied will be 0.01%.*

Existing intercompany agreements at 31 December 2024 are summarised below.

(€)

COUNTERPARTY	TYPE	ANNUAL FEE
Terna Rete Italia S.p.A.	**Service agreement:**	
	Operation & Maintenance	€312,968,649
	Upgrade and development	equal to costs in-curred + allowed margin on personnel expenses incurred
	Administrative, support and consultancy services	
	- from Terna S.p.A. to Terna Rete Italia S.p.A. (revenue-generating)	€20,597,428
	- from Terna Rete Italia S.p.A. to Terna S.p.A. (cost-generating)	€3,742,566
	Rental of workstations for staff	
	- from Terna S.p.A. to Terna Rete Italia S.p.A. (revenue-generating)	€652,944
	- from Terna Rete Italia S.p.A. to Terna S.p.A. (cost-generating)	€761,880
	Lease of operations	€22,600,000
Rete S.r.l.	**Service agreement:**	
	Upgrade and development	equal to costs in-curred up 6.15% of personnel expenses incurred
	Admin., support and consultancy service agreement (revenue-generating)	€801,073
Terna Plus S.r.l.	**Service agreement:**	
	Management fee (revenue-generating)	€362,312
	Rental of workstations for staff (revenue-generating)	€17,568
Terna Energy Solutions S.r.l.	**Service agreement:**	
	Terna's Non-regulated Activities (cost-generating)	€13,883,245
	Management fee (revenue-generating)	€1,013,154
	Rental of workstations for staff (revenue-generating)	€243,972
Tamini Group	**Service agreement**	
	Administrative service (revenue-generating)	€49,464
	Technical services	equal to costs in-curred up 6.15%
	Services provided by staff on secondment and on assignment (revenue-generating)	€697,133
Brugg Kabel AG	**Administrative Service agreement (revenue-generating)**	€100,717
	Services provided by staff on secondment and on assignment (revenue-generating)	€582,107
Terna Interconnector S.r.l.	**Administrative Service agreement (revenue-generating)**	€29,852
	Management and coordination of civil works for Italy-France Interconnector (cost-generating)	equal to costs in-curred up 6.15% of personnel expenses incurred
Esperia CC S.r.l.	**Administrative Service agreement (revenue-generating)**	€130,789
	Services provided by staff on secondment and on assignment (revenue-generating)	€296,177
	Rental of workstations for staff (revenue-generating)	€66,740
Terna Crna Gora d.o.o.	**Service agreement:**	
	Technical services	equal to costs in-curred up 6.15%
	Administrative services	€49,872
Avvenia The Energy Innovator S.r.l.	**Administrative Service agreement (revenue-generating)**	€35,469
Terna Forward S.r.l.	**Service agreement:**	
	Terna's Non-regulated Activities (cost-generating)	€569,996
	Management fee (revenue-generating)	€67,244
	Rental of workstations for staff (revenue-generating)	€7,863
	Services provided by staff on secondment and on assignment (revenue-generating)	€229,739

It should be noted that from a tax perspective, Terna S.p.A. is the consolidating company within the IRES (corporate income tax) tax consolidation scheme, in which the following subsidiaries participate: Terna Rete Italia S.p.A., Rete S.r.l., Terna Plus S.r.l., Terna Energy Solutions S.r.l., Tamini Trasformatori S.r.l., Avvenia The Energy Innovator S.r.l and Terna Forward S.r.l..
The nature of sales to and purchases from related parties[13] by the Company is shown in the tables below, followed by details of the revenue and costs resulting from such transactions during the year and the related assets and liabilities outstanding at 31 December 2024.

[13] The nature of the items related to centralised treasury management and the tax consolidation arrangement already described above are excluded from the table.

RELATED PARTY	REVENUE-GENERATING TRANSACTIONS	COST-GENERATING TRANSACTIONS
Parent		
Cassa Depositi e Prestiti S.p.A.		Credit facilities.
Related parties: subsidiaries operating in Regulated Activities		
Terna Rete Italia S.p.A.	Rental for leased operations, admin-istrative services, rental of work-stations and other services.	Maintenance and other technical services, grid upgrade and development, quality of service allowance, administrative services, rental of workstations for staff.
Rete S.r.l.	Provision of technical and adminis-trative services	Transmission charge.
Terna Crna Gora d.o.o.	Administrative services, services provided by seconded personnel and staff on temporary transfers.	Transmission charge.
Esperia CC S.r.l.	Administrative services, services provided by seconded personnel, rental of workstations.	
Related parties: subsidiaries operating in Non-regulated Activities		
Terna Energy Solutions S.r.l.	Technical, administrative and finan-cial services, rental of spaces and workstations.	Operation of Non-regulated Activities.
Terna Plus S.r.l.	Technical, administrative and finan-cial services, rental of spaces and workstations.	Operation of Non-regulated Activities.
Tamini Group	Administrative services, services provided by seconded personnel, other services.	
Terna Forward S.r.l.	Administrative services and other services, rental of spaces and work-stations, services provided by se-conded personnel.	Operation of Non-regulated Activities.
Brugg Kabel AG	Administrative services and other services, services provided by se-conded personnel.	
Terna Interconnector S.r.l.	Administrative and consultancy ser-vices, loan agreement.	Management and coordination of perfor-mance of civil works for Italy-France interconnector.
Avvenia The Energy Innovator S.r.l.	Administrative services and other services.	
LT Group	Administrative services and other services.	
Associates		
Cesi S.p.A.	Rental income on laboratories and other similar facilities for specific uses, dividends.	Technical studies and consultancy, re-search, design and experimentation.
CGES A.D.	Dividends	
CORESO S.A.		Technical coordination service for the TSO.
Other related parties		
GSE Group	Metering charge, dispatching charge.	Rental of spaces and workstations.
Enel Group	Transmission charge and aggrega-tion of meter readings, dispatching charge, leases and rentals, power line maintenance, movement/ re-routing of power lines, housing of fibre cable and maintenance of communications carried over proprie-tary power lines.	Recovery of energy discount, building ser-vices, MV power to new substations, spe-cialist services for connection to Terna's control and protection systems.
Ferrovie Group	Dispatching charge, movement of power lines.	Right-of-way fees.
Open Fiber S.p.A.	IRU agreements for fibre.	Provision of services for the rental of fibre.
Webuild S.p.A.		Movement/re-routing of power lines.
ENI Group	Dispatching charge.	Contributions for NTG connections, sundry services.
ANAS S.p.A.	Movement/re-routing of power lines.	Right-of-way fees.
Snam Rete Gas S.p.A.		Sundry services.
Other related parties of the MEF		Sundry services.
Fondenel and Fopen		Pension contributions payable by the Terna Group.

Revenue and costs

(€m)

	REVENUE COMPONENTS			COST COMPONENTS
	TRANSMISSION CHARGE AND OTHER REVENUE FROM REGULATED ACTIVITIES	NON-ENERGY-RELATED ITEMS	DIVIDENDS	NON-ENERGY-RELATED ITEMS
Subsidiaries				
Terna Rete Italia S.p.A.	-	52.1	-	430.9
Terna Plus S.r.l.	-	1.0	-	4.2
Tamini Group	-	0.8	-	-
Terna Energy Solutions S.r.l.	-	9.4	-	13.9
Rete S.r.l.	-	1.7	-	0.5
Terna Interconnector S.r.l.	-	0.1	-	-
Esperia CC S.r.l.	-	0.5	-	-
Avvenia The Energy Innovator S.r.l.	-	0.2	-	-
Brugg Kabel AG	-	1.0	-	-
LT S.r.l.*	-	0.1	-	-
Terna Forward S.r.l.	-	0.3	-	0.6
Total subsidiaries	**-**	**67.2**	**-**	**450.1**
De facto parent				
Cassa Depositi e Prestiti S.p.A.	-	-	-	2.8
Total de facto parent	**-**	**-**	**-**	**2.8**
Associates:				
Cesi S.p.A.	-	0.4	-	0.2
CGES A.D.	-	-	2.2	-
CORESO S.A.	-	-	-	6.4
Total associates	**-**	**0.4**	**2.2**	**6.6**
Other related parties:				
GSE Group	7.0	-	-	-
Open Fiber S.p.A.	-	1.2	-	-
Enel Group	2,176.2	1.0	-	2.4
Eni Group	10.4	0.1	-	0.1
Ferrovie Group	3.3	0.1	-	0.3
ANAS S.p.A.	-	-	-	0.6
Other related parties of the MEF	-	0.1	-	0.3
Total other related parties	**2,196.9**	**2.5**	**-**	**3.7**
Pension funds:				
Fondenel	-	-	-	0.7
Fopen	-	-	-	0.9
Total pension funds	**-**	**-**	**-**	**1.6**
TOTAL	**2,196.9**	**70.1**	**2.2**	**464.8**

** On 24 February 2025, subsidiary LT S.r.l. changed its name to Altenia S.r.l.*

Assets and liabilities

(€m)

	PROPERTY, PLANT AND EQUIPMENT	RECEIVABLES AND OTHER ASSETS	PAYABLES AND OTHER LIABILITIES	BALANCE ON INTERCOMPANY TREASURY ACCOUNT AND CASH	GUARANTEES**
	CAPITALISED COSTS	OTHER	OTHER		
Subsidiaries					
Terna Rete Italia S.p.A.*	133.0	33.6	1,227.2	200.1	-
Terna Gora	-	-	3.0	-	-
Terna Plus S.r.l.*	-	1.3	0.9	(62.0)	-
Tamini Group*	35.4	8.0	-	-	-
Terna Energy Solutions S.r.l.*	-	18.5	13.9	153.2	-
Rete S.r.l.*	-	26.9	27.9	(35.1)	-
Terna Interconnector S.r.l.	-	0.1	-	-	-
Esperia CC S.r.l.	-	0.3	-	-	-
Avvenia The Energy Innovator S.r.l.*	-	0.2	-	0.9	-
Terna Forward S.r.l.	-	0.3	0.3	2.9	-
LT S.r.l.	-	0.1	-	-	-
Brugg Kabel AG	-	0.8	-	-	-
Total subsidiaries	**168.4**	**90.1**	**1,273.2**	**260.0**	**-**
De facto parent					
Cassa Depositi e Prestiti S.p.A.	-	-	2.0	-	(271.6)
Total de facto parent	**-**	**-**	**2.0**	**-**	**(271.6)**
Associates:					
Cesi S.p.A.	3.1	0.7	-	-	0.4
CORESO S.A.	-	-	0.7	-	-
Total associates	**3.1**	**0.7**	**0.7**	**-**	**0.4**
Other related parties:					
Open Fiber S.p.A.	-	0.1	0.2	-	-
Enel Group	1.0	218.7	13.0	-	951.0
Eni Group	-	0.4	15.1	-	86.5
Ferrovie Group	1.1	7.7	11.1	-	24.2
ANAS S.p.A.	0.1	0.6	1.4	-	-
Snam Rete Gas S.p.A.	-	-	1.8	-	-
Webuild S.p.A.	-	0.0	10.9	-	-
Other related parties of the MEF	3.5	0.2	0.4	-	0.6
Total other related parties	**5.7**	**227.7**	**53.9**	**-**	**1.062.3**
Pension funds:					
Fopen	-	-	0.8	-	-
Total pension funds	**-**	**-**	**0.8**	**-**	**-**
TOTAL	**177.2**	**318.5**	**1,330.6**	**260.0**	**791.1**

* *The balances for the item, "Other", include receivables and payables relating to the tax consolidation arrangement for IRES.*
** *Guarantees regard surety bonds received from contractors, with the exception of the amount relating to Cassa Depositi e Prestiti S.p.A. regarding a Revolving Credit Facility.*

The impact of related-party transactions or positions on the statement of financial position and the income statement is summarised below:

Statement of financial position

(€m)

	31.12.2024			31.12.2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Property, plant and equipment	17,276	177.2	1.0%	15,613	145.8	0.9%
Non-current financial assets	1,587.3	-	-	1,636.7	-	-
Other non-current assets	7.8	2.6	33.3%	7.9	2.8	35.4%
Trade receivables	2,936.1	273.5	9.3%	1,928.8	355.6	18.4%
Cash and cash equivalents	2,415.3	260.0	10.8%	1,456.3	216.7	14.9%
Tax assets*	3.3	-	-	3.2	1.2	37.5%
Other current assets	60.5	0.4	0.7%	61.6	0.4	0.6%
Other non-current liabilities	453.7	22.6	5.0%	373.0	24.2	6.5%
Trade payables	3,565.6	1,257.4	35.3%	2,669.7	940.6	35.2%
Tax liabilities*	90.5	(39.7)	(43.9%)	2.9	-	-
Other current liabilities	657.8	48.9	7.4%	659.6	33.2	5.0%

** The balances for the items include receivables and payables relating to the tax consolidation arrangement for the IRES.*

Income statement

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Revenue from sales and services	2,960.6	2,196.9	74.2%	2,567.3	1,787.6	69.6%
Other revenue and income	62.5	33.8	54.1%	67.5	33.1	49.0%
Raw and consumable materials used	10.6	0.2	1.9%	7.3	0.1	1.4%
Services	546.3	452.3	82.8%	498.4	398.6	80.0%
Personnel expenses	125.1	1.7	1.4%	119.2	1.5	1.3%
Other operating costs	27.7	2.4	8.7%	29.7	0.1	0.3%
Financial income	165.3	10.6	6.4%	142.0	27.4	19.3%
Financial expenses	(296.5)	8.2	(2.8%)	(232.8)	7.1	-3.0%

The impact of related party cash flows is shown below:

Statement of cash flows

(€m)

	2024			2023		
	TOTAL	RELATED PARTIES	% SHARE	TOTAL	RELATED PARTIES	% SHARE
Cash flow from operating activities	1,515.1	331.3	21.9%	988.7	197.1	19.9%
Cash flow from investing activities	(2,433.0)	(31.5)	1.3%	(2,230.7)	(24.5)	1.1%
Cash flow from financing activities	1,876.9	-	-	495.7	-	-

H. Significant non-recurring, atypical or unusual events and transactions

No significant non-recurring, atypical or unusual events or transactions, involving either third or related parties, took place in 2024.

I. Notes to the statement of cash flows

Cash flow from **continuing operations** amounts to €1,515.1 million, with €2,331.5 million in operating cash flow and an outflow of €816.4 million generated by changes in net working capital.

The net cash outflow for investing activities totals approximately €2,433.0 million and regards €2,346.3 million relating to investment in property, plant and equipment (excluding right-of-use assets recognised in application of IFRS 16), €263.6 million invested in intangible assets and €55.8 million relating to the change in investments in securities, after capitalised financial expenses of €74.1 million.

The change in **equity** reflected an increase of €143.2 million, due primarily to the recognition of the reserve of the hybrid green bond to the extent of €842.1 million, partly offset by payment of the final dividend for 2023 and of the interim dividend for 2024 to the Parent Company's shareholders and of dividends paid to non-controlling shareholders (down €690.6 million). The reduction also reflects the purchase of treasury shares to service the new Performance Share Plan 2024-2028 (down €8.0 million). More details are provided in note "20. Equity".

As a result, net cash used in investing activities and to provide a return on equity during the year led to a total outflow of €2,289.8 million, covered in part by cash flow from continuing operations of €1,515.1 million and in part by an increase in net debt.

The following table shows the reconciliation of net changes deriving from financing activities in the statement of cash flows:

(€m)

	31.12.2023	CASH FLOW FROM FINANCING ACTIVITIES	CHANGE IN FV AND OTHER	31.12.2024
- Long-term borrowings (including current portion)	10,738.2	1,315.6	(10.4)	12,043.4
- Short-term borrowings	1,190.4	418.1	22.7	1,631.2
Net change deriving from financing activities	**11,928.6**	**1,733.7**	**12.3**	**13,674.6**

L. Government grants

Article 1, paragraphs 125 to 129, of Law 124 of 4 August 2017 (the annual markets and competition law) has introduced a number of measures designed to ensure the transparency of the government grants system. These measures, later amended by Law Decree 34 of 30 April 2019, include an obligation for companies to disclose amounts and information regarding assistance, subsidies, benefits, grants or aid, whether in cash or in kind, in the notes to the annual financial statements and, where applicable, in consolidated financial statements, where such amounts are not of a general nature and do not have the form of a fee, remuneration or compensation and have been received from a public body (paragraph 125-*bis*). The legislation also requires the disclosure of any grants disbursed (paragraph 126).

In accordance with Assonime circulars, Circular 5 of 22 February 2019 on "Transparency in the government grants system: an assessment of the regulations and interpretation guidance" and Circular 32 of 23 December 2019 on "Enterprise and competition", Terna S.p.A. uses the following criteria and basis of reporting for government grants:

- the regulations only apply to entities resident in Italy;
- grants have the nature of grants or donations, and represent incentives or subsidies designed to give beneficiaries a recognised economic advantage; the grants therefore take the form of donations or giving and public aid for specific purposes, and are not awarded under a general aid regime;
- the public resources used are exclusively "national";
- grants are reported on a cash basis and if the amount is not less than €10,000 (with reference to each individual beneficiary) in the reporting period.

In line with the above, the following table shows government grants collected/disbursed by Terna S.p.A. in 2024:

Grants received (paragraph 125-bis)

	GRANTOR				
BENEFICIARY EN-TITY	NAME	VAT NUMBER	TYPE OF TRANS-ACTION	AMOUNT (€)	NOTES
TERNA SPA	Ministry of Enterprises and Made in Italy	80230390587	State aid*	10,410,060	Grants collected on the basis of a report on the state of work in progress on projects carried out by Terna S.p.A. financed by government grants, with funding provided under the National Operational Programme (NOP) for Enterprises and Competitiveness 2014 - 2020 FESR - ASSE IV – Investment priority 4d - Action 4.3.1
TERNA SPA	Sicily Region	02711070827	State aid*	8,469,056	Contributions received in respect of the reporting of Terna S.p.A. projects financed through public funds from the resources of the Operational Programme (OP) ERDF Sicily 2014-2020 - Specific Objective 4 - Action 4.3.1
TOTAL				**18,879,116**	

** These grants are covered by the obligation to publish them in the national state aid register.*

GRANTS DISBURSED (PARAGRAPH 126)

GRANTOR	BENEFICIARY		TYPE OF TRANSACTION	AMOUNT (€)	NOTES
	NAME	VAT NUMBER			
TERNA SPA	Fondazione Venezia Capitale Mondiale della Sostenibilità	94102820274	GIVING	33,000	Joining the foundation as cofounding member
TERNA SPA	Fondazione Accademia Naz. Santa Cecilia	05662271005	GIVING	160,000	Renewed participation as a founding partner
TERNA SPA	SUSAN G.KOMEN ITALIA ONLUS	06073831007	GIVING	15,000	Prevention day across the whole of Italy
TERNA SPA	Fond. Pol. Univ. A. GEMELLI IRCCS	13109681000	GIVING	65,000	Support for the purchase of equipment or for functional neurosurgery
TERNA SPA	Fondazione Accademica Musicale Chigiana	92035840526	GIVING	20,000	Summer Academy 2023
TERNA SPA	Sistech - Association loi 1901	FR83538232600022	GIVING	60,000	Funding for Programma Boost scholarships
TERNA SPA	ASSOCIAZIONE ITALIANA CONTRO LE LEUCEMIE	10823601009	GIVING	60,000	Support for a non-profit, public interest organisation
TERNA SPA	Fondazione Intercultura ETS	91016300526	GIVING	53,000	Protection and sustainability of the Marcigliana Park
TERNA SPA	Associazione FUKYO O.d.V.	97727100584	GIVING	36,000	Support for study trips abroad and multicultural exchange for sons/ daughters
TERNA SPA	SOCIETÀ BOTANICA ITALIANA ONLUS	00464940485	GIVING	56,314	Tiny Forest project
TERNA SPA	Fondazione TERNA	96603750587	GIVING	200,000	Fondazione TERNA' initial funding for incorporation
Total				**758,314**	

M. Proposal for appropriation of profit for the year

Terna S.p.A.'s Board of Directors proposes to pay a total dividend of €796,358,830.40 for 2024, equal to €0.3962 per share, of which €0.1192 per share was declared in the form of an interim dividend on 6 November 2024.

The Board of Directors thus proposes to appropriate Terna S.p.A.'s profit for 2024, amounting to €970,356,839.31, as follows:

- €239,591,046.40 to cover payment of the interim dividend payable from 20 November 2024 to the holders of each of the ordinary shares outstanding after adjusting for the treasury shares held at the record date of 19 November 2024 (with the relevant amount of €494,900.28 taken to retained earnings);
- €556,767,784.00 as settlement of the dividend to be distributed to the extent of €0.2770 in relation to each of the 2,009,992,000 ordinary shares representing the share capital as at the date of this Board Meeting to be paid on 25 June 2025 with "ex-dividend date" of coupon No. 42 falling on 23 June 2025 (record date pursuant to Article 83-*terdecies* of Legislative Decree No. 58 of 24 February 1998 "CLF" (Consolidated Law on Finance): 24 June 2025). The treasury shares held as of the above record date will not participate in the distribution. The final dividend for 2024 attributable to the treasury shares held by the Company at the record date, will be taken to retained earnings;
- €173,998,008.91 to be taken to retained earnings.

N. Events after 31 December 2024

The project to modernise the 'Patria-Sant'Antimo' power line in the province of Naples has been authorised

On **13 January 2025**, a decree was issued by the Ministry of the Environment and Energy Security authorising **Terna's project to modernise the 220 kV "Patria - Sant'Antimo" power line in the province of Naples**. The project, in which the Company will invest over €20 million, involves the construction of a new 8.5 km line, of which 8 km will be underground. This endeavour will involve the municipalities of Naples, Marano di Napoli, Mugnano di Napoli, Melito di Napoli and Sant'Antimo. It will bring significant benefits: on the one hand, an increase in the quality and reliability of the local electricity service; on the other hand, a drastic reduction in the visual and landscape impact as the overhead infrastructure will be replaced with underground cables. Once completed, it will be possible to demolish over 6 km of existing lines and 18 pylons, clearing around 21 hectares of land in heavily urbanised areas. This project is part of a larger upgrading plan, which will also cover the 220 kV "Sant'Antimo - Fratta" power line. In this case, the new underground line, spanning about 8 km, will cross the municipalities of Sant'Antimo, Grumo Nevano, Frattamaggiore and Frattaminore (Province of Naples) and Sant'Arpino (Province of Caserta). Terna will invest around €18 million in this project, which will allow 5 km of overhead lines to be demolished and 17 pylons to be removed, clearing 17.5 hectares of land in the vicinity of built-up areas.

Terna ranked among the Top Employers 2025

On **16 January 2025**, the **Top Employers Institute** certification organisation, which rates companies based on their HR policies and strategies, **ranked Terna among the Top Employers 2025**. The survey confirmed Terna's high standards in 6 macro-areas in the area of Human Resources, examining 20 topics and best practices, including People Strategy, Work Environment, Talent Acquisition, Learning, Diversity, Equity & Inclusion and Well-being. The Best Employers certification bears the value of Terna's People Strategy, which was launched in 2024 with the aim of (i) consolidating an organisational culture focused on growth, change and performance while emphasising respect for people and diversity, and (ii) reviewing the company's HR processes with a view to enhancing people's value. The new model, focused on capacity and talent building, fosters individual and, therefore, organisation-wide performance, leveraging empowerment and merit to boost motivation, engagement and well-being.

2024: a record year in meeting demand from renewable sources

A note was published on **16 January 2025** informing that **in 2024 Italy's electricity consumption increased by 2.2% compared to 2023, while renewable sources recorded an all-time high in terms of demand coverage** (41.2% compared to 37.1% in 2023). The uptrend was driven mainly by the positive input from hydroelectric and photovoltaic production. Considering all renewable sources, the capacity increase in Italy in 2024 was 7,480 MW, up 29% compared to 2023. On the supply side, 2024 saw significant growth in renewable production (up 13.4%) and a slight decrease in the net foreign balance (down 0.5%), as a result of a strong increase in exports (up 47.9% compared to 2023) and a more moderate increase in imports (up 2.4%). In December, for the first time, Italian electricity exports exceeded 4,000 MW, bearing out the key role of interconnections.

Milan-Montalto connection: Terna's dialogue with the local area begins

A note was published on **20 January 2025** informing that Terna was launching **the public consultation process for the direct current connection between Milan and Montalto di Castro**. The new **Milan-Montalto** electricity backbone, spanning about 500 km, will optimise transit flows of electricity between central and northern Italy. This endeavour, which forms an integral part of the future **Hypergrid**, will use **HVDC** (High Voltage Direct Current) technology, enabling greater integration of renewable capacity. In addition to the **deployment of submarine cables** - up to 525 kV - between Montalto di Castro (Viterbo) and Avenza (Massa-Carrara), the existing **overhead lines** between Tuscany, Liguria, Emilia-Romagna and Lombardy will be to upgraded and converted into direct current.

Authorisation granted for the electricity grid rationalisation project in the provinces of Pescara and Chieti

A note was published on **23 January 2025** informing that the Ministry of the Environment and Energy Security had authorised Terna's project for the rationalisation of the electricity grid in the municipalities of Pescara and Cepagatti (Province of Pescara) and San Giovanni Teatino (Province of Chieti). The project, in which the Company will invest about €11 million, involves the partial burying of the 132 kV "FS Pescara-FS Roseto" power line. More specifically, a new underground cable connection of about 7 km will be built between Pescara and Cepagatti. This infrastructure will allow over 6 km of overhead lines to be demolished and 27 pylons, which currently run through densely populated areas, to be removed. The project will ensure a more efficient and safer operation of the local network and address existing interferences with the Pescara-Chieti railway line. This endeavour is part of the broader rationalisation plan associated with the commissioning of the Italy-Montenegro (Monita) submarine link. The close cooperation between Terna and the local authorities involved has made it possible to optimise the initial project to meet the needs of the local communities.

Terna inaugurates the Innovation Zone in Tunisia

On **29 January 2025**, the new **Terna Innovation Zone in Tunis**, the first innovation hub in Africa managed by our group, was inaugurated in the presence of CEO and President Giuseppina Di Foggia with a view to strengthening the strategic partnership between Italy and Tunisia. The Terna Innovation Zone, which qualifies as a corporate social responsibility project, **sets out to promote technological innovation and drive capacity building in Tunisia's energy sector**, further strengthening ties between the two countries while contributing to the achievement of the objectives outlined in the Mattei Plan for Africa.

Connection works authorised for the electrification of the port of La Spezia

On **4 February 2025**, the Regional Authorities of Liguria **authorised the connection works and the plants planned by Terna** - for a total capacity of 110 MW - for **the cold ironing of the port of La Spezia**, i.e. to reduce polluting emissions from ships while they are stationed. The investment, in the region of **€38 million**, includes the construction of a **new 132 kV "La Spezia Stagnoni" electricity substation** using compact armoured technology to reduce the impact on the local communities. The project also includes **two underground cable links**, spanning 2.5 km, which will connect the new infrastructure to the future "La Spezia - La Pianta" line and to the existing "La Spezia" electricity substation, from which the Port Authority (locally known as AdSP) facilities will be powered up to the docks.

Tyrrhenian Link: laying of submarine cable in Sicily got underway

On **7 February 2025**, work got underway in Fiumetorto, in the municipality of Termini Imerese (Palermo) for the laying of the submarine cable of the eastern branch of the Tyrrhenian Link, one of the country's major electricity infrastructures, which will connect Sicily and Campania. The project, which also includes the western branch between Sicily and Sardinia, requires a total investment in the region of €3.7 billion. The project plays a key role in the decarbonisation process set out in the National Integrated Energy and Climate Plan (locally known as PNIEC), increasing transport capacity and driving energy transition. It will also contribute to improving the security, adequacy and flexibility of the national electricity transmission grid. The Tyrrhenian Link involves the construction of two 500 kV direct current submarine power lines with a total of 970 km of cable and a transport capacity of 1,000 MW for each section.

Reorganisation of the electricity grid in the Novara area, work to begin by summer

A note was published on **10 February 2025** informing that, following the approval of the final project for the construction and operation of a 132 kV underground cable power line section of the existing "Mercallo - Cameri" line, Terna would publish a notice specifying the affected areas in the municipalities of Borgo Ticino, Varallo Pombia, Pombia, Marano Ticino, Oleggio, Bellinzago Novarese and Cameri, in the province of Novara. The project, in which the Company will invest around €50 million, will ensure a more efficient energy transmission service in the area, allowing the infrastructure to blend in the local area to a greater extent, while reducing its carbon footprint. Terna is completing the preliminary activities to enable the construction sites to get underway by the summer as planned. The work involves completing an underground cable bypass of about 22 km of the "Mercallo - Cameri" 132 kV overhead power line between Borgo Ticino and Cameri, followed by the demolition of an overhead section spanning about 21 km. In addition, a further 3 km of the 220 kV Magenta - Pallanzeno power line in the municipality of Borgo Ticino will be dismantled. In total, more than 100 electricity pylons will be decommissioned, including 28 within the Ticino Natural Park, where 5 km of overhead lines will be removed, clearing more than 60 hectares of land. The work will bring significant benefits in terms of security and reliability of the transmission grid, optimising the efficiency and sustainability of electricity supply in the area. In addition, upgrading the grid will make it possible to meet the growing demand for energy and support the transition of the national electricity system towards greater sustainability and resilience.

Successful launch of a new €750 million 7-year green bond

A note was published on **10 February 2025** informing that Terna S.p.A. had successfully launched a green, single tranche, fixed-rate bond issue in euros, intended for at institutional investors, for a face amount of €750 million. The issue, which saw extremely high demand, was almost 5 times oversubscribed and is characterised by high quality and broad geographical diversification of investors. The green bond was launched as part of Terna's €12,000,000,000 Euro Medium Term Notes (EMTN) Programme, which was rated "BBB+" by Standard and Poor's and "(P)Baa2" by Moody's. The green bond has a duration of 7 years and its maturity date was set on 17 January 2032. It will pay an annual coupon of 3.125% p.a. and was issued at a price of 99,975%, with a spread of 90 basis points over the Mid-Swap. The settlement date for the issue was set on 17 January 2025. It is expected that the net proceeds of the issue will be used to finance the Company's "eligible green projects", identified or to be identified on the basis of Terna's Green Bond Framework, which was drafted in compliance with the (i) "Green Bond Principles 2021" published by the International Capital Market Association, and (ii) European Union's Taxonomy with a view to encouraging sustainable investments. At the time of the issue, an application will be made for the bond to be listed on the Luxembourg Stock Exchange. The strategy of the Group led by Giuseppina Di Foggia thus confirms its focus on combining sustainability and growth, in order to foster the energy transition underway and generate ever greater benefits for the country and all its stakeholders. In this regard, Terna prepared and published a Green Bond Framework in order to facilitate the transparency and quality of the green bonds issued. This framework and the "second party opinion" were prepared by independent advisor Moody's. The transaction was supported by a syndicate of banks, under which the following banks acted as joint-bookrunners: Banca Akros, BNP Paribas, BofA Securities, Citi, Deutsche Bank, Goldman Sachs International, IMI-Intesa Sanpaolo, Mediobanca, Santander and UniCredit.

Terna, electricity consumption rose by 1% in January

A note was published on **17 February 2025** informing that the demand for electricity amounted to 26.9 billion kWh in January, showing a 1% increase compared to the same month in 2024. In detail, the previous month had one working day less (21 instead of 22) and an average monthly temperature almost unchanged compared to January 2024, albeit about 1.4°C higher than the average of the last ten years. Demand, seasonally adjusted for the combined effect of calendar and temperature, was up by 1.5%. The year-over-year change seen in January was on the upside across the board: up 0.9% in the North, up 0.8% in the Centre and up 1.3% in the South and Islands. The IMCEI index compiled by Terna, which examines the industrial consumption of "energy-intensive" companies, decreased by 2.4% compared to January 2024. More specifically, the mechanical engineering and foodstuffs sectors were up. Conversely, non-ferrous metals, transport equipment, chemicals, cement, lime and plaster, ceramics and glass, and papermaking were down. In cyclical terms, the value of demand for electricity, seasonally adjusted for calendar and temperature effects was virtually unchanged compared to December 2024 (up 0.2%).

Authorisation process underway for the Electricity Grid Resilience Plan in Fonzaso (Belluno)

On **20 February 2025**, Terna announced the start of the authorisation process, promoted by the Ministry of the Environment and Energy Security (MASE), for the plan of works to be carried out on the National Transmission Electricity Grid in the area of Fonzaso in the province of Belluno, and published a notice showing the parcels of land affected by such works. With an investment of approximately €6 million, the Company led by Giuseppina Di Foggia will bury a 2 km section of the 132 kV Moline-Arsiè power line, which powers the Pedesalto primary substation of the local distributor. Once completed, the new underground cable link will help to improve the reliability and operational safety of the electricity transmission service. In addition, it will be possible to demolish about 6 km of lines and remove 28 pylons, clearing about 18 hectares of land. The project also includes the construction of two overhead lines of approximately 400 metres each and the installation of two motorised switch-disconnectors, which can be controlled manually or remotely, to allow the network to be quickly re-powered in the event of a fault. Being part of Terna's "Resilience Plan" to mitigate the effects of climate change, the project will reduce the risk of local grid outages and damage caused by extreme weather events, such as strong winds, which are particularly frequent in the area due to the orographic conformation and dense vegetation.

Sa.Co.I.3: work gets underway for interconnection between Sardinia, Corsica and Tuscany

On **21 February 2025**, Terna started onshore works for the construction of the Sa.Co.I.3, the 200 kV direct current electricity interconnection that will connect Sardinia, Corsica and Tuscany, contributing to the strengthening of the European electricity market and fostering the integration of renewable sources. A total investment of approximately €1.35 billion is planned for the work pertaining to our Company. The project, which is expected to come on stream in 2029, was authorised by the Ministry of the Environment and Energy Security in 2023.

Elmed: work has begun on uprooting and replanting of over 1,700 olive trees in Partanna (Trapani)

On **24 February 2025**, Terna began work on the uprooting and replanting of over 1,700 olive trees in the municipality of Partanna, in the province of Trapani. The Group's activity is necessary to prepare the area that is to host Elmed converter station, the connection between Italy and Tunisia that is being built in cooperation with STEG, the Tunisian electricity grid operator. The infrastructure, spanning about 220 km, will be largely built using a submarine cable and will connect the Partanna electricity substation to the Capo Bon electricity substation in Tunisia via a 600 MW direct current power line. With the support of agricultural engineers, Terna has drawn up a two-year management plan to ensure constant care and monitoring of the plants, including specific actions intended to encourage their growth. Of the total investment for the electricity connection, €307 million was allocated by the European Commission through the Connecting Europe Facility ("CEF") programme. For the first time, the European Union has financed a project involving a non-member country, bearing out the significance of the interconnection project.

Change of subsidiary's company name: LT becomes Altenia

On **24 February 2025**, the notarial Shareholders' Meeting of the corporate vehicle formerly known as "LT S.r.l." resolved, *inter alia*, to amend its Articles of Association, changing the company name to "Altenia S.r.l." The effective date of the change of company name was set on 4 March 2025. Terna Energy Solutions, the Terna Group's market company, changed its organisational structure, becoming a sub-holding company that coordinates Altenia (formerly LT S.r.l.), Tamini Trasformatori S.r.l. and Brugg Cables, in addition to providing services and infrastructure for fibre optics. This reorganisation is part of the TernaPlan 2024-2028 strategy to accelerate the energy and digital transition, in synergy with Terna's core business, by integrating diversified expertise along the entire energy value chain. The goal is to multiply the value of market assets by 2028, reaching €600 million EBITDA over the plan period. With the production and sale of transformers and cables, a comprehensive portfolio of energy services, coupled with fibre-optic network enhancement, Terna Energy Solutions sets out to be the first Italian One Stop Shop (a single operator offering integrated solutions) for investors and companies operating in the energy and connectivity fields. Leading this corporate reorganisation is CEO Stefano Schiavoni.

Authorisation process underway for new works on the electricity grid in the Metropolitan City of Milan

A notice was published on **5 March 2025** informing that, following the start, by the Ministry of Environment and Energy Security, of the authorisation process for the completion of works on the National Transmission Grid in the area of Milan's Metropolitan City, Terna published a notice containing the list of cadastral parcels of land in the areas potentially affected by the project. To ensure a smoother and better coordinated management of the authorisation process, the individual works were submitted as part of a single procedure, since they both involve new infrastructure to be connected to Terna's existing "Novara RT - Rho RT" power line. The project, in which the Company will invest around €55 million, is designed to power the future data centres planned in the north-west of the region. The project plan was designed with the aim of preserving areas of natural and archaeological value and limiting the footprint of new installations in urbanised or expanding areas by encouraging solutions having a reduced environmental and landscape impact. In the municipality of Mesero, a new 132 kV electricity substation will be built. It will be connected to the "Novara RT - Rho RT" line and to the primary substation in Magenta, owned by the local distributor. To this end, new power lines will be used, one in underground cable 3.3 km long and one overhead of about 800 metres, which will also cross the municipality of Marcallo con Casone. The second infrastructure included in the project is the new Sedriano GIS electricity substation, built using compact armoured technology with reduced land use. It will be connected to the "CP Vittuone - CP Parabiago" and "Novara RT - Rho RT" lines via two cable connections, spanning 4 km, and an overhead connection. The project also includes the laying of an underground power line of about 1 km to connect the existing Terna electricity substation in Sedriano to the National Transmission Grid, which will also be upgraded to prepare it to accommodate the new connections. The municipalities involved will include Arluno and Vittuone. Upon completion of the project, 12 pylons will be removed, covering a total of about 3 km of overhead lines in the municipalities of Marcallo con Casone, Magenta, Arluno and Vittuone.

Terna: the new corporate structure of Terna Energy Solutions for non-regulated activities was presented

A note was published on **6 March 2025** informing that Terna Energy Solutions — the Terna Group company that manages non-regulated activities carried out in competitive markets — is undergoing a reorganising process by integrating diversified expertise along the entire energy value chain. Terna Energy Solutions sets out to act as a blueprint for businesses seeking strategic expertise in the field of energy and digital transition, providing them with technological, innovative and digital solutions in the energy and industrial sectors. This goal will be achieved through its network of subsidiaries: Tamini, the Italian leader in the transformer sector, Brugg, a reference company in the underground cable sector, and Altenia, formerly LT. Altenia brings together all system integrator activities with specialised and diversified expertise in the design, construction, maintenance and efficiency of medium- and high-voltage electrical systems, renewables and storage systems (BESS), which until now were provided separately by LT, Terna Energy Solutions and Avvenia. With the aim of further expanding Altenia's expertise and geographic footprint, a preliminary agreement was entered into for the acquisition of 100% of STE Energy, a company that has gained 30 years of experience in the design, construction and maintenance of renewable energy plants and electrical infrastructure, with an estimated turnover in 2024 of approximately €85 million. The agreement remains subject to the fulfilment of certain conditions, such as authorisation by the Antitrust Authority and certain notices typically required in similar transactions.

Terna's commitment to the "Strategic Plan for Gender Equality"

On **7 March 2025**, on the occasion of International Women's Rights Day, Terna confirmed its commitment to equal opportunities by defining the objectives and specific organisational actions set out in the **"Strategic Plan for Gender Equality"**. By planning an integrated policy based on a holistic approach, in 2024 the Group was able to obtain the IMQ (Istituto Italiano del Marchio di Qualità) Certification on Gender Equality according to the UNI/PDR 125:2022 practice: an acknowledgement that attests to the effectiveness of the specific actions undertaken to reduce differences in the workplace and create a fairer and more inclusive environment that rewards merit and where each person is listened to, respected and valued for their uniqueness. To achieve this goal, Terna has set up a "Steering Committee for Gender Equality", which is responsible for ensuring the implementation of the policy on this matter and defining the Strategic Plan with the objectives to be achieved and monitored by 2026. In line with the Gender Equality Certification, the actions included in the Plan result from the identification of 12 objectives grouped into 6 macro-areas: Culture and Awareness, Research and Selection, Opportunities and Growth Pathways, Salary Equity, Family Support and Work-Life Balance. The objectives therefore define an all-round strategy for the business processes involved, which include in particular: setting up listening systems to gain insights into inclusiveness; diversity and equality training; updating the selection process; collaboration with schools, universities and associations to attract candidates and promote careers in STEM (Science, Technology, Engineering and Mathematics); training staff on inclusive recruitment; organising leadership courses; monitoring and mitigating the gender pay gap; supporting shared parenting and caring, promoting the use of available leave and benefits, launching a programme to improve parenting skills; promoting inclusive working hours and monitoring structural remote working. For each objective, strengths and weaknesses will then be identified analytically by engaging in specific assessment, auditing and monitoring activities; actions to close any gaps will be defined; and implementation timeframes for achieving the objectives being pursued will be set out. By adopting this Strategic Plan, Terna therefore intends to enable a process of cultural transformation for the promotion of equal opportunities and the enhancement of diversity, with the ultimate goal of encouraging responsible growth that generates a positive impact and contributes to reducing the gender gap, not only within the Company, but also in society at large.

Work for the construction of the underground cable power line in the province of Caserta got underway

On **10 March 2025** Terna began construction work on the 150 kV underground cable connection between the "Saint Gobain" primary substation and the "Santa Sofia" electricity substation in the province of Caserta. Work is underway on Via Antonio De Curtis in coordination with the Municipality of Maddaloni. To ensure effective management of operations, the Company has defined a detailed operational plan, adopting solutions designed to minimise the impact on the urban road system and facilitate the smooth flow of traffic. Upon construction work reaching completion, Terna will restore the road surface by asphalting the sections affected by the work. As a whole, the infrastructure, in which the Group will invest €11 million, comprises a 7 km underground power line built using state-of-the-art cables with XLPE (extruded cross-linked polyethylene insulation), a most reliable and sustainable technology. The route was identified on the basis of in-depth technical studies, assessing compatibility with the existing infrastructure and the characteristics of the roadway. This project will involve the municipalities of Caserta and Maddaloni and is considered necessary to cope with the increased energy loads expected in the area. Once completed, it will help strengthen the electricity grid mesh, improving its reliability and resilience, with a positive impact on the local electricity service.

Terna: 2025 Development Plan for the national electricity grid presented

On **14 March 2025** Terna's 2025 Development Plan was presented in Rome in the presence of Terna's Chairman, Igor De Biasio, the Minister of the Environment and Energy Security, Gilberto Pichetto Fratin, and the Chairman of ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment, Stefano Besseghini. Terna's Development Plan 2025-2034, with over €23 billion in investments over the next ten years (up 10% compared to the previous Plan), consolidates Terna's role at the service of the country for a sustainable and carbon-free future. The 2025 Development Plan is consistent with the targets set out in the 2024 National Integrated Energy and Climate Plan, as detailed in the Terna-Snam Scenarios Description Document 2024, which foresees an increase in installed solar and wind capacity of over 65 GW by 2030 and 94 GW by 2035, both with reference to the installed capacity in 2023. Terna's interventions included in the Development Plan 2025 are aimed at fostering the integration of renewable sources and increasing the grid's transmission capacity. By 2030, the main electricity infrastructures supporting the Italy's energy transition will be operational, including the Tyrrhenian Link, the Adriatic Link, the connection between Sardinia, Corsica and Tuscany, as well as the Italy-Tunisia energy bridge. In addition, the Efficient Regional Planning model was adopted to resolve the issue of virtual grid saturation, optimising the management of connections and the implementation of the necessary infrastructure.

Terna, February electricity consumption up 0.6%

On **19 March 2025** it was announced that electricity demand in February amounted to 24.9 billion kWh, a 2.1% decrease compared to the same period in 2024. The figure for demand, compared to the month of February of the year prior, which was a leap year, and adjusted for the effect of one less working day (20 instead of 21) and a lower average monthly temperature of 1.5°C, changes sign and is up 0.6%. The IMSER index prepared by Terna on the monthly electricity consumption data provided by a number of distribution network operators (E-Distribuzione, UNARETI, A-Reti, Edyna and Deval), and presented two months later than the electricity and industrial consumption data, showed a positive change of 4.6% in December 2024 compared to December 2023. Overall, in 2024 the change compared to 2023 was a 4% increase. More specifically, net national production amounted to 21 billion kWh. Renewable sources covered 29.1% of the electricity demand. The photovoltaic (up 10.4%) and thermal (up 21.3%) sources increased. Hydro (down 7.5%), wind (down 44.4%) and geothermal (down 6.2%) decreased. In detail, the decline in coal-fired production continued: down 42.3% compared to the same period last year.

Terna: approval process underway for the works to power the Bologna Tecnopolo

On **19 March 2025** the Italian Ministry of the Environment and Energy Security launched the process to approve Terna's plan to connect the systems of the Bologna Tecnopolo to the National Transmission Grid. The project, in which the company will invest around €14 million, involves the construction of a new 132 kV Electricity Substation called 'Bologna Tecnopolo', using compact gas-insulated technology with a minimal footprint in terms of land consumption. The infrastructure will be connected to the existing 'Battiferro - S. Donato Bolognese' overhead power line, belonging to Terna, via two underground cables. The cable will be produced with insulation in XLPE (extruded cross-linked polyethylene insulation), a latest-generation technology which guarantees absolute reliability and sustainability. The works, whose planning solutions have been identified in collaboration with the Emilia-Romagna Region, the Municipality of Bologna and all stakeholders involved, will contribute to the full development of the Bologna Tecnopolo and will satisfy the demand for energy of the users who submitted the request for connection to the National Transmission Grid. Terna's 2025-2034 Development Plan involves an investment of €2.3 billion for Emilia-Romagna over the next 10 years. The main works will include the Colunga-Calenzano power line, currently under construction, the HVDC Milan-Montalto connection, and the Adriatic Backbone. These projects will make it possible to optimise energy transit and increase energy exchange capacity, strengthen the meshing of the electricity grid, and improve the integration of the renewable capacity expected over the coming years. Terna manages 5,200 km of high-voltage and extra-high-voltage power lines and 65 electricity substations in the Emilia-Romagna region.

Terna: authorisation received for the work required to power the 'Palermo-Catania' rail line in the province of Enna

On **21 March 2025** the Region of Sicily authorised Terna's plans to carry out the necessary interventions on the National Transmission Grid to power the "Palermo-Catania" rail line in the province of Enna. The project, in which the company will invest around €38 million in total, involves a new 150 kV electricity substation called "Villarosa", to be connected to the systems of the Italian Railway Network, and a new underground cable power line of around 13.5 km in length. The latter will be produced with XLPE (extruded cross-linked polyethylene) insulation, a latest-generation technology which guarantees absolute reliability and sustainability. With a designated €3.5 billion in Terna's 2025-2034 Development Plan, Sicily is Italy's leading region in terms of investments in the electricity grid. The main projects include the Tyrrhenian Link, which involves the construction of two DC submarine power lines connecting Sicily with Campania and Sardinia; ELMED, one of the Mattei Plan projects for Africa consisting of an electrical interconnection between Italy and Tunisia; the Bolano-Annunziata power line between Sicily and Calabria; and the Chiaramonte Gulfi-Ciminna between the eastern and western areas of Sicily. These interventions are essential to the pursuit of national and European targets in terms of energy transition and the independence, resilience and efficiency of the electricity system. Terna manages over 4,500 km of high-voltage and extra-high-voltage power lines and 78 electricity substations in the region.

Terna: refinancing of an ESG-linked €1.8 billion revolving credit facility

On **21 March 2025**, Terna signed an ESG-linked Revolving Credit Facility for a total amount of €1.8 billion, aimed at refinancing the ESG-linked revolving credit facility signed on 17 December 2021, for a total amount of €1.65 billion. The Revolving Credit Facility, which is structured in the form of a committed, revolving and ESG-linked facility, consists of the amendment to the previous revolving credit facility of 2021 in order to provide for the extension of its term for a further 5 years from today's date, an increase in the size of the amount and the amendment of the ESG indicators. The pool of banks taking part in the transaction consisted of the same credit institutions involved in the previous revolving facility as Joint Mandated Lead Arrangers: UniCredit, BNP Paribas, Banco BPM, Intesa San Paolo, Mediobanca, Banca Nazionale del Lavoro. Unicredit acted as agent bank, also acting as Sustainability Coordinator. The Revolving Credit Facility envisages the introduction of specific environmental, social and governance ("ESG") objectives, linked to a mechanism based on bonuses and penalties applied to the contractual provisions related to the so-called commitment fee and to the margin, further strengthening the integration of sustainability objectives into the Company's financial strategy. The transaction allows Terna to count on a liquidity appropriate to its current rating, further strengthening the Company's financial structure, and confirms the Group's strong commitment to the introduction of a model which aims to reinforce sustainability as a strategic lever for creating value for all its stakeholders.

Terna: 2024-2028 Industrial Plan update approved

On **25 March 2025** the meeting of the Board of Directors of Terna S.p.A. took place, chaired by Igor De Biasio, in which the Board examined and approved the Group's 2024-2028 Industrial Plan Update and the results for the year ended 31 December 2024, presented by the Chief Executive Officer and General Manager, Giuseppina Di Foggia. With a total of €17.7 billion of investments, Terna consolidates its role as a key enabler for the energy transition while providing significant momentum to the commitment to helping the country towards decarbonisation and reducing its dependence on foreign sources of supply. According to the update approved by the Board of Directors, in five years Terna will invest a total of €17.7 billion, with an increase of €1.2 billion (up 7%) over the same period of the previous Plan; at the heart of the strategy for energy transition and independence are: sustainable infrastructure development, integration of renewable sources and storage systems, interconnections with foreign countries; investments in regulated activities at the highest level in the Group's history: €16.6 billion (up 7% compared to the previous Plan) to make the national electricity grid more efficient, digital and resilient; progress in the execution of the Plan, with around 90% of the projects approved and around 80% covered by procurement contracts (compared to 79% and 70%, respectively, in the previous Plan); increased contribution from Non-regulated Activities and investments in digitalisation and innovation gain further momentum with a view to enabling the Twin Transition - Energy and Digital (over 20% more compared to approximately €2 billion of the previous Plan); all activities included in the Sustainability Plan are confirmed and a commitment made to a programme to reach the Net Zero Science Based target by 2050; new guidance: in 2028, EBITDA is expected to increase to €3.36 billion and Group net profit to €1.19 billion.

Moody's and S&P confirm Terna's rating: Baa2 and BBB+ respectively with stable outlooks

On **25 March 2025**, following the presentation of the 2024-2028 Industrial Plan Update, Moody's Investor Service (Moody's) and S&P Global Ratings (S&P) confirmed the long-term ratings assigned to Terna S.p.A. (Terna), Baa2 and BBB+ respectively, both with stable outlooks, with one notch above that of the Italian Republic. The Plan update calls for significant growth in investments, which set a new record for the Group (over the same period of time as the previous Plan), confirming Terna's increasingly central role as an enabler of the energy transition towards decarbonisation and the reduction of Italy's dependence on foreign sources of supply.

Disclosure

pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers

The following table, prepared pursuant to art. 149-*duodecies* of the CONSOB Regulations for Issuers, shows the fees paid for audit and other services provided by Terna S.p.A.'s independent auditors in 2024.

(€)

	ENTITY PROVIDING SERVICE	FEES DUE FOR THE YEAR
Audit of the accounts and financial statements	Deloitte & Touche S.p.A.	238,902
Attestation and other services[15]	Deloitte & Touche S.p.A.	233,509
Total		**472,411**

[14] Attestation and other services include the services linked to the audit of the regulatory accounts, the opinion on the distribution of interim dividends, the limited review of the Consolidated Sustainability Statement and Comfort Letters for bonds.

Attestation

of the separate financial statements pursuant to art. 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

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Cap. Soc. 442.198.240 Euro interamente versato

Attestation of the separate financial statements pursuant to 81-*ter* of CONSOB Regulation 11971 of 14 May 1999, as amended

"Terna SpA"

1. The undersigned, Giuseppina Di Foggia, as Chief Executive Officer, and Francesco Beccali, as Manager responsible for Terna SpA's financial reporting, having also taken account of the provisions of art.154-*bis*, paragraphs 3 and 4 of Legislative Decree 58 of 24 February 1998, attest to:

- the adequacy with regard to the nature of the Company, and
- the effective application of the administrative and accounting procedures adopted in preparation of the separate financial statements during the year ended 31 December 2024.

2. The administrative and accounting procedures adopted in preparation of the separate financial statements for the year ended 31 December 2024 were drawn up, and their adequacy assessed, on the basis of the regulations and methods adopted by Terna SpA in accordance with the Internal Control–Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission. This Commission has established a body of general principles providing a standard for internal control and risk management systems that is generally accepted at international level.

3. We also attest that:

3.1 the separate financial statements for the year ended 31 December 2024:

a. have been prepared in compliance with the International Financial Reporting Standards endorsed by the European Union through EC Regulation 1606/2002, issued by the European Parliament and by the Council on 19 July 2002 and the statutory requirements implementing the provisions of art. 9 of Legislative Decree 38/2005;

b. are consistent with the underlying accounting books and records;

c. provide a true and fair view of the financial position and results of operations of the issuer.

3.2 the Directors' report on operations includes a reliable analysis of the operating and financial performance and situation of the issuer, as well as a description of the main risks and uncertainties to which it is exposed.

Rome, 25 March 2025

Chief Executive Officer — Manager responsible for financial reporting

(original signed) — *(original signed)*

CERTIFICAZIONI, ACCREDITAMENTI E ATTESTAZIONI SOA

Report of the Board of Statutory Auditors

to the Annual General Meeting of Terna S.p.A.'s shareholders

BOARD OF STATUTORY AUDITORS' REPORT
TO THE ANNUAL GENERAL MEETING OF TERNA S.P.A.'s SHAREHOLDERS
under the terms of art. 153 of Italian Legislative Decree 58/1998 and art. 2429 of the Italian Civil Code

Dear Shareholders,

in this report, prepared under the terms of art. 153 of Legislative Decree 58/1998 (the "CLF") and art. 2429 of the Italian Civil Code, the Board of Statutory Auditors of Terna S.p.A. ("Terna" or also the "Company") details the activities carried out during the year ended 31 December 2024. The report has been prepared in compliance with the applicable legislation, as well as taking into account the "Standards of Conduct for the Boards of Statutory Auditors of Listed Companies" recommended by the Italian Association of Chartered Accountants (*Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili*), the requirements and communications of CONSOB (the *Commissione Nazionale per le Società e la Borsa*, Italy's Securities and Exchange Commission) regarding corporate controls, and the guidelines contained in the Corporate Governance Code published by Borsa Italiana.

In addition, given that Terna has adopted the traditional governance framework, the Board of Statutory Auditors also fulfils the role of "Internal Control and Audit Committee", which is responsible for carrying out further specific controls and oversight over financial reporting, Consolidated Sustainability Statement and statutory auditing, as detailed in art. 19 of Italian Legislative Decree 39/2010, as amended by Italian Legislative Decrees 135/2016 and 125/2024.

The current Board of Statutory Auditors was elected by the Annual General Meeting of Terna Shareholders held on 9 May 2023 and will remain in office until approval of the financial statements for the year ended 31 December 2025. During 2024, the Board of Statutory Auditors performed its responsibilities holding 26 meetings. During that same year, the Chairperson or members of the Board of Statutory Auditors attended 12 meetings of the Board of Directors; 10 meetings of the Audit & Risk and Sustainability Committee; 2 meetings of the Risk Control Committee, established as of 23 October 2024; 13 meetings of the Appointments, Governance and Scenarios Committee; 4 meetings of the Sustainability, Governance and Scenario Committee, established as of 23 October 2024; 9 meetings of the Remuneration Committee; 6 meetings of the Related-Party-Transactions Committee; and the Annual General Meeting of Shareholders held on 10 May 2024.

During the year, the Board of Statutory Auditors, together with the Audit and Risk Committee, met the Supervisory Board in order to exchange information.

The Board of Statutory Auditors has its own Regulations governing the Body's role, organisation and operating methods, in line with the main organisational profiles envisaged by Terna's governance framework, in light of the principles and rules established by the Corporate Governance Code and the Standards of Conduct for the Boards of Statutory Auditors of Listed Companies.
Pursuant to Italian Legislative Decree 39/2010 (as subsequently amended by Italian Legislative Decree 135/2016), the statutory auditing of the accounts is performed by the independent auditors Deloitte & Touche S.p.A. (the "Independent Auditors"), appointed by the Annual General Meeting of 8 May 2019 for the nine-year period 2020 to 2028. The same Independent Auditors, having previously been assigned to verify and issue an attestation regarding the non-financial statement pursuant to Italian Legislative Decree 254/2016, have also been assigned to issue an attestation regarding the compliance of the sustainability report pursuant to Italian Legislative Decree 125/2024, based on the transitional rule contained therein.

1. OVERSIGHT ACTIVITIES

1.1 Oversight of compliance with the law and regulatory and statutory requirements

The oversight tasks assigned to the Board of Statutory Auditors are governed by art. 2403 of the Italian Civil Code, Legislative Decree 58/1998 and Legislative Decree 39/2010. The Board took into account the amendments to Legislative Decree 39/2010 introduced by Legislative Decree 135/2016, in implementation of Directive 2014/56/EU and EU Regulation 537/2014, as well as the amendments also made to Legislative Decree 39/2010 by Legislative Decree 125/2024, in implementation of the CSR Directive.
Based on the indications contained in CONSOB communication DEM/1025564 of 2001, as amended by communication DEM/3021582 of 2003 and, later, by communication DEM/6031329 of 2006, the Board reports the following with regard to the oversight activities carried out during the year.
The Board of Statutory Auditors periodically obtained information from the Directors, including through our attendance of meetings of the Board of Directors and of Board Committees, on their activities and on the most significant transactions, in terms of their impact on the results of operations and financial position, approved and implemented by the Company, and, pursuant to art. 150, paragraph 1 of the CLF, on those carried out by subsidiaries. Based on the available information, the Board of Statutory Auditors is able to provide reasonable assurance that the above

transactions were compliant with the law and the Articles of Association and were not manifestly imprudent, risky or in contrast with resolutions approved by the Annual General Meeting, or such as to compromise the value of the Company.

Furthermore, transactions involving a potential conflict of interest were managed and approved in compliance with the law, the relevant regulations, the Articles of Association and the Guidelines LG006 "*Approval of Significant Transactions and Management of Situations of Interest*".

During the year, the Board has monitored the correct application of the *Corporate Governance* Code and, specifically, confirms implementation of the recommendations announced by the Chairperson of the Corporate Governance Committee for 2024.

Due to their significance, the Board of Statutory Auditors notes the following key events during the year, referring readers to the Report on Operations for more detailed information:

- **Adriatic Link:** authorisation issued by the Italian Ministry of Environment and Energy Security (MASE) for the submarine connection between Marche and Abruzzo;
- **ESG-linked Revolving Credit Facility**: agreement signed with Intesa Sanpaolo, as the Original Lender and Sustainability Coordinator, to increase the amount of the **ESG-linked Revolving Credit Facility** to 2.255 billion euros;
- **Bond issues**: as part of the Euro Medium-Term Notes (EMTN) programme, a fixed-rate bond issue was carried out in euros in the form of a private placement totalling 850 million euros, with a duration of seven years, with the maximum amount for subscription increased to 12 billion euros;
- **European Bank Financing**: the European Investment Bank (EIB) made a total of 1.9 billion euros available to the Tyrrhenian Link. The last *tranche* of this, in the amount of 500 million euros and with a duration of 22 years, was signed in order to support the construction and commissioning of the Tyrrhenian Link;
- **ESG-Linked Term Loans**: two ESG-linked Term Loans have been signed, the first for a total of 200 million euros, the second for a total of 400 million euros, both with a duration of five years;
- **Electrical connections**: MASE has authorised the construction of two new electrical connections in the city of Milan, representing an investment of around 17 million euros, as part of the works planned to increase the reliability of the power supply to the locations where the Milan-Cortina 2026 Winter Olympics and Paralympics will be held;
- **Business Plan**: the 2024-2028 Business Plan has been presented, with total planned investments of 16.5 billion euros;

- **Ordinary Interim Dividend for 2024**: the Board of Directors resolved to pay an ordinary interim dividend for 2024 of €0.1192 per share, payable from 20 November 2024;
- **Latam**: the third closing transaction was completed for the sale of the company "SPE Transmissora de Energia Linha Verde I S.A." to CDPQ, a global investment group, with the transfer of around 150 km of power lines in Brazil, representing a value of approximately 79 million euros;

Among events occurring after the end of the reporting period, the Board of Statutory Auditors notes that:

- On *13 January 2025*, a decree by the Italian Ministry of the Environment and Energy Security authorised Terna's project to modernise the 220 kV "Patria - Sant'Antimo" power line in the province of Naples;
- On *16 January 2025*, the Top Employers Institute, a certification body that evaluates companies based on their HR policies and strategies, recognised Terna as a 2025 Top Employer;
- On *16 January 2025*, it was announced that Italian electricity consumption had increased by 2.2% in 2024 compared to 2023, while renewable sources had reached an all-time peak in terms of demand coverage at 41.2% (compared to 37.1% in 2023);
- On *20 January 2025*, it was announced that Terna would initiate the public consultation phase for the DC connection between Milan and Montalto di Castro. The new 500 km Milan-Montalto electric backbone will optimise energy transits between Central and Northern Italy. The project, an integral part of the future Hypergrid network, will make use of HVDC (High-Voltage Direct Current) technology to better integrate renewable capacity;
- On *23 January 2025*, it was announced that the Italian Ministry of the Environment and Energy Security had authorised Terna's project to streamline the electricity grid in the Municipalities of Pescara and Cepagatti (province of Pescara) and San Giovanni Teatino (province of Chieti);
- On *07 February 2025*, the first stage of installing the submarine cable for the eastern branch of the Tyrrhenian Link, which will connect Sicily and Campania as one of the most important pieces of electrical infrastructure in the country, began in Fiumetorto in the Municipality of Termini Imerese (PA). The project, which also includes a western branch between Sicily and Sardinia, will involve a total investment of around 3.7 billion euros. This intervention has a crucial role to play in the decarbonisation process required by Italy's Integrated National Energy and Climate Plan (INECP), by increasing transport capacity and facilitating the energy transition;
- On *10 February 2025*, the issuance of a new 7-year green bond in the amount of 750 million euros was successfully completed;

- On *19 February 2025*, the Board of Directors appointed a new Supervisory Board, chaired by an independent professional;
- On *25 March 2025*, the Board of Directors approved the "2024 Annual Financial Report", which includes a special section on the Sustainability Report, Consolidated Financial Statements and Annual Financial Statements of the Parent Company as at 31 December 2024, as well as the 2024 Green Bond Report.

Details of other transactions are provided in the notes to the financial statements in the section on events occurring after the end of the reporting period.
In relation to the Corporate Governance Code, it is also noted that the company has continued a process to verify company procedures with a view to continuous improvement.
In the context of participation in the meetings of corporate bodies, and in the context of its own activities in general, the Board of Statutory Auditors has verified compliance with the law and the by-laws, with no critical issues revealed.

1.2 Oversight of compliance with the principles of good governance and the adequacy of the organizational structure

The Board of Statutory Auditors has acquired information on and overseen, within the scope of its responsibilities, the adequacy of the organisational structure and compliance with the principles of good governance, by obtaining information from the Board of Directors, the Chief Executive Officer and the heads of the company departments.
With reference to Italian-registered subsidiaries, and by obtaining information from the Boards of Statutory Auditors, the heads of the relevant company departments and the Independent Auditors as part of the reciprocal exchange of material data and information, the Board of Statutory Auditors has acquired information on and overseen:

- the adequacy of the instructions issued by the Company to its subsidiaries, pursuant to art. 114 of the CLF;
- compliance with the principles of good governance;
- the adequacy of the organisational structure;
- the prompt communication of the information requested.

It should be noted that, starting from 2022, a report was drafted and approved for service subsidiaries, describing the administrative and accounting structure of the company and the

methods and instruments adopted to ensure its correct operation, including in terms of the prompt detection of business crises and loss of the going-concern assumption, under the terms of Italian Legislative Decree 14/2019.

The annual reports prepared by the Boards of Statutory Auditors of the Italian-registered subsidiaries on the subsidiaries' financial statements have not identified any problems. Similarly, no concerns have been raised as a result of the information received from the Boards of Statutory Auditors of the main subsidiaries, including in the form of specific questionnaires completed and signed by their oversight bodies.

The Annual Financial Report, information received during Board of Directors' meetings and from the Chief Executive Officer, from senior managers, from the Boards of Statutory Auditors of subsidiaries and from the Independent Auditors has not provided evidence of transactions of an atypical and/or unusual nature with Group companies, or with third parties or related parties.

On the basis of this information, the Board of Statutory Auditors considers that the organisational structure of the Company, the procedures in place and the composition in terms of roles and responsibilities, are adequate for the size of the company and its type of business.

During the year, the Company took steps to implement or comply with the requirements established by Law, the Supervisory Authorities and the *Corporate Governance* Code.

1.3 Oversight of the internal control and risk management system

The Board of Statutory Auditors has overseen the adequacy of the internal control and risk management systems by taking part in all meetings of board committees and by:

- examining the report of the Audit and Risk Committee on its activities and on the adequacy of the internal control and risk management system;
- examining the Annual Report produced by the Head of Internal Audit on the internal control system;
- examining the reports produced by the Supervisory Board pursuant to Legislative Decree 231/2001;
- holding periodic meetings, including attendance at Audit and Risk Committee meetings with the Internal Audit and Legal and Compliance departments to assess the procedures for planning work, based on the identification and assessment of the main risks present in organizational processes and units;

- holding meetings with the risk management department in order to analyse the Group's strategic risks;
- holding meetings with senior management regarding the organisational and operational impacts of Terna's activities;
- examining the periodic reports prepared by the Audit department in coordination with the Company's Audit and Risk Committee;
- holding meetings with the Manager responsible for financial reporting;
- acquiring information from the oversight bodies of the Italian-registered subsidiaries, pursuant to the first and second paragraphs of art. 151 of the CLF, on material events involving Group companies and on the internal control system, through the completion of specific questionnaires;
- holding meetings with the Company's Supervisory Board;
- discussing the results of the work carried out by the Independent Auditors;
- participating regularly in meetings of the Company's Audit and Risk Committee, the Appointments Committee, the Remuneration Committee and the Related-Party-Transactions Committee;

- meeting with the Company's top management to discuss the adequacy of the administrative and accounting systems, in order to understand the current and potential risks to be managed;

- noting the results of the Board of Directors' assessment of the adequacy of Terna's organisational, administrative and accounting systems and those of its strategic subsidiaries.

The Company's Internal Audit department operates on the basis of a multi-year plan, which is reviewed annually. This defines the activities and processes to be audited using a risk-based approach. The plan was approved by the Board of Directors on 19 February 2025 having consulted the Audit and Risk Committee and the Board of Statutory Auditors.

The activities carried out by the Audit Department during the year covered the range of planned activities. The department's activities did not identify any major concerns, but did find areas for improvement, which are being closely monitored and will be addressed based on an established and verified schedule.

The Board of Statutory Auditors acknowledges that the annual report prepared by the Audit Department states that existing internal controls are reliable, and that the Audit and Risk Committee

has concluded that the internal control and risk management system is adequate with respect to the size and nature of the company.

The Board of Statutory Auditors has acquired information on the adequacy of the organisational, administrative and accounting system of the Company and of its subsidiaries, bearing in mind the nature and size of the enterprise, including for the purposes of the provisions of the Crisis and Insolvency Code and particularly with regard to the instruments in place for risk management and tracking.

On the basis of the activity carried out, the information gathered, the content of the report produced by the Internal Audit Department, also considering the dynamic and evolving nature of the Company's internal audit and risk-management system, and considering the actions planned and implemented, the Board of Statutory Auditors concludes that overall this system can be considered adequate, effective and operational.

1.4 Oversight of the administrative and accounting system and the financial reporting process

The Board of Statutory Auditors has verified the adequacy of the administrative and accounting system and suitability of the latter for correct representation of management facts and actions, under the coordination of the Manager responsible for financial reporting, pursuant to Italian Law no. 262/2005, "Provisions for the protection of savings and the regulation of financial markets", as amended.

The Board of Statutory Auditors held periodic meetings with the Manager responsible for financial reporting in order to exchange information on the administrative and accounting system, and on the system's reliability in providing a true and fair view of operations.

The Board of Statutory Auditors also examined the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting, prepared in accordance with art. 154-bis of the CLF and presented to the Board of Directors on 25 March 2025, in line with the model established by Consob Regulation no. 11971 of 1999.

On 19 February 2025, the Board of Directors approved the Impairment Testing procedure drawn up in accordance with the requirements of IAS 36, with the aim of providing guidelines for the performance of tests on the recoverability of the Terna Group's assets, and on 25 March 2025 the outcome of application of this procedure to the relevant items in the 2024 financial statements.

The Board oversaw (i) the Board of Directors' adoption of the procedure and, subsequently, (ii) the outcomes of the tests carried out by management, which confirmed the recoverability of the assets tested for impairment.

The Manager responsible for financial reporting and the Independent Auditors gave the Board confirmation that the instructions provided by the European Securities and Markets Authority (ESMA) in its document of 24 October 2024 on European common enforcement priorities were taken into account in the performance of the impairment test, as was the Consob Notice of 20 December 2024 regarding the impact of climate-related issues.

For exchanges of information defined by law, the Board of Statutory Auditors held periodic meetings with the independent auditors Deloitte & Touche Spa, receiving updates on auditing of the accounts and the outcomes of checks performed. During these meetings, no critical issues or anomalies were identified regarding the proper keeping of company accounts, nor the proper recording of operations in the accounting records.

The Board of Statutory Auditors has therefore monitored observation of the procedural rules governing the financial disclosure process for financial statements and consolidated financial statements, and has not identified any shortcomings such as to invalidate its judgement of the adequacy and effective application of the administrative and accounting procedures.

1.5 Oversight of sustainability reporting

The Board of Statutory Auditors has examined the sustainability governance structure adopted by the company. The Board of Directors plays a key part in this regard within the scope of its role in providing strategic leadership, examining the medium- and long-term ESG goals set out in the Group's sustainability plan, and evaluating the Impacts, Risks and Opportunities (IROs) emerging from the double materiality analysis.

The Board of Directors also avails of the activities of the Sustainability, Governance and Scenario Committee, which is entrusted with carrying out research and making proposals in terms of ESG topics and processes, including those concerning sustainability reporting.

The Board of Statutory Auditors has verified that the sustainability reporting is structured in a manner consistent with the provisions of Italian Legislative Decree 125/2024 and with the strategic objectives and company policies indicated in the business plan, and that the report contains

information both on the impact of the company's activities on the environment, people and governance (the inside-out approach), and on how the risks and opportunities arising from sustainability matters affect the economic-financial performance of the enterprise (outside-in)

The Board of Statutory Auditors has acquired information on the activities planned and then carried out by the Manager responsible for financial reporting for the purposes of attesting to compliance with the standards imposed by sustainability regulations. Terna has opted to have the same Manager responsible for financial reporting prepare this attestation.

The Board of Statutory Auditors has verified that the Consolidated Sustainability Statement was carried out by the directors in accordance with the reporting principles adopted by the European Commission pursuant to Directive 2013/34/EU (the European Sustainability Reporting Standard), and that the information contained in the "EU Taxonomy" paragraph was compiled in compliance with Regulation EU 852/2020 (the Taxonomy Regulation)

The Board of Statutory Auditors took into account the attestation issued by the Chief Executive Officer and by the Manager responsible for financial reporting regarding the compliance of the sustainability report with the standards applied pursuant to Directive 2013/34/EU and Italian Legislative Decree 125/2024, as well as in relation to its preparation following the specifications of EU Taxonomy Regulation 852/2020.

The Board of Statutory Auditors has therefore monitored observation of the procedural rules governing sustainability reporting, and has not identified any shortcomings such as to invalidate its judgement of the adequacy and effective application of the administrative and accounting procedures.

1.6 Oversight of related-party transactions

Intra-group or related-party transactions are shown in the notes to the financial statements for 2024, under "Related-party transactions", showing transactions with the parent, subsidiaries and associated companies.

Related parties of the Company are identified on the basis of the principles established by IAS 24 and are in principle represented by parent companies, companies connected to the Terna Group, subsidiaries that are not consolidated, associated companies or companies under joint control and other investee companies.

The Board of Statutory Auditors oversaw compliance of the Procedure adopted by TERNA S.p.A. regarding Related-party transactions (i.e. Guideline LG026 "*Related-Party Transactions Procedure*" and the corresponding Operating Instruction IO414CA), as last altered by the Board of Directors on 16/06/2021 as amended, and the correct application of the new regulatory provisions that came into force on 1 July 2021.

2. INTERNAL CONTROL AND AUDIT COMMITTEE

2.1 Oversight of annual and consolidated account auditing

Under the terms of art. 19 of Legislative Decree 39/2010 as amended by Legislative Decree 135/2016, the Board of Statutory Auditors is also assigned the role of Internal Control and Audit Committee and, in this role, conducted the required oversight of the statutory audit of the annual and consolidated accounts.

The Board of Statutory Auditors held periodic meetings with the Independent Auditors, Deloitte & Touche S.p.A., in part pursuant to art. 150, paragraph 3 of the CLF, in order to exchange information. During these meetings, the Independent Auditors did not report omissions, shortcomings or irregularities requiring specific disclosure pursuant to art. 155, paragraph 2 of the CLF.

In conducting oversight of the financial statements, the Board of Statutory Auditors held periodic meetings with the Independent Auditors to examine the results of their assessment of the regular nature of accounting systems, to examine the audit plan for Terna and the Group and progress in implementation of the plan.

The Board of Statutory Auditors and the Independent Auditors also engaged in continuous exchanges of information. In particular, the Board (i) noted an adequate level of professional scepticism; (ii) promoted effective and timely dialogue with the Auditors; (iii) oversaw, without identifying any concerns, the impact of remote working for the Independent Auditors' personnel, availing itself of the support provided by company departments.
The Board of Statutory Auditors (i) analysed the activities of the Independent Auditors and, in particular, the methods used, the audit approach applied to the various material components of the financial statements and to the planning of audit work, and (ii) discussed issues relating to the related business risks with the Independent Auditors, thereby enabling us to assess the adequacy of

the auditors' plans with respect to the structural and risk profiles of the Company and the Group; (iii) continued in-depth examination of the *Audit Quality Indicators*.

The financial statements for the year ended 31 December 2024, accompanied by the Directors' report on operations and the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting, approved by the Board of Directors at the meeting held on 25 March 2025, were at the same time made available to the Board of Statutory Auditors in view of the Annual General Meeting of shareholders called for 21 May 2025. On 25 March 2025, Terna's Board of Directors approved the consolidated financial statements, as prepared by the Manager responsible for financial reporting and, pursuant to art. 154-bis of the CLF, accompanied by the attestation signed by the Chief Executive Officer and the Manager responsible for financial reporting.

On 23 April 2025, pursuant to art. 14 of Legislative Decree 39/2010 as amended by Legislative Decree 139/2016 and art. 10 of Regulation (EU) 537/2014, the Independent Auditors issued their audit reports on the separate financial statements and the Terna Group's consolidated financial statements for the year ended 31 December 2024, prepared in compliance with the International Financial Reporting Standards – IFRS adopted by the European Union.

In terms of opinions and attestations, in their audit reports on the separate and consolidated financial statements the Independent Auditors have:

- issued an opinion stating that Terna's separate financial statements and the Terna Group's consolidated financial statements provide a true and fair view of the financial and equity situation of the Company and Group at 31 December 2024, and of the economic result and cash flows for the year ended on that date, in conformity with the International Financial Reporting Standards adopted by the European Union, as well as with provisions issued in implementation of art. 9 of Legislative Decree 38/2005;
- issued an opinion on the consistency of the Report on Operations accompanying the separate and consolidated financial statements for the year ended 31 December 2024 and certain specific information in the "Report on Corporate Governance and Ownership Structures" indicated in art. 123-*bis*, paragraph 4 of the CLF, responsibility for which lies with the Directors of Terna, with the annual financial statements and the consolidated financial statements, as well as on the legal compliance of their preparation;
- declared that, with regard to potential material errors in the Report on Operations, based on the information obtained and their understanding of the Company and associated context acquired during audit activities, they had nothing to report;

- declared that the annual financial statements were prepared in XHTML format in compliance with the provisions of Delegated Regulation (EU) 2019/815 and that the consolidated financial statements were compiled in all material ways in compliance with the provisions of the Delegated Regulation;

On 23 April 2025, the Independent Auditors also presented the Board of Statutory Auditors with the additional report required by art. 11 of Regulation (EU) 537/2014, in which the auditors do not identify any significant shortcomings relating to the system of internal controls over the financial reporting process to be brought to the attention of persons involved in the governance of the Company. The Board of Statutory Auditors will inform the Company's Board of Directors of the outcome of the statutory audit, providing the Directors with the Additional Report required by art. 11 of Regulation (EU) 537/2014, accompanied by any observations, pursuant to art. 19 of Legislative Decree 39/2010, as extended by Legislative Decree 135/2016 and Regulation (EU) 537/2014.

In the aforementioned Additional Report, the Independent Auditors presented the Board of Statutory Auditors with the declaration regarding their independence, as required by art. 6 of Regulation (EU) 537/2014, which does not contain evidence of any situations that might compromise such independence.

The Independent Auditors received attestation and other engagements during 2024, as described in the Annual Financial Report for 2024, prepared in accordance with art. 149-*duodecies* of the Regulations for Issuers.

The fees for these engagements amount to €233,509, broken down as follows:

- Unbundling audit for ARERA €9,353
- Opinion on payment of interim dividends €18,800
- Issue of EMTN comfort letters and other documents €54,926
- Attestation regarding Consolidated Sustainability Statement €118,430
- Gap analysis for CSRD update €25,000
- Attestation regarding ARERA revenue €7,000

2.2 Oversight of the Consolidated Sustainability Statement process and the abridged audit thereof by the independent auditors

In its role as the Internal Control and Audit Committee, pursuant to art. 19 of Italian Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors has examined the sustainability reporting process and the related procedures put in place by the company for the purposes of compliance with the standards of the European Commission, including the use of an electronic format; moreover, it has checked the effectiveness of the internal control, quality and risk management system as well as that of the internal audit in relation to the sustainability report.

Terna has:

- an Internal Control System on Sustainability Statement - SCIIS;
- a process for preparing the consolidated sustainability statement.

SCIIS has been prepared based on national and international Leading Practices (the COSO Report on sustainability declarations) and is an integral part of the Terna Group's Internal Control and Risk Management System.

SCIIS aims to ensure the reliability of the said sustainability report, and its compliance with the reporting standards set at European level (ESRS) as well as with the specifications adopted pursuant to article 8, paragraph 4, of EU Regulation 2020/852 (the so-called EU Taxonomy).

Terna has already overseen the process of drawing up sustainability information in previous years, setting out the roles and responsibilities of the parties involved in reporting in specific documentation and a description of the key indicators of sustainability in a special manual. These rules are constantly updated for compliance with the latest regulatory developments, particularly in accordance with Italian Legislative Decree No. 125/2024 implementing the new Directive 2022/2464/EU on corporate sustainability reporting.

The Manager responsible for financial reporting, pursuant to Legislative Decree No. 125/2024, which integrated art. 154 bis of the Consolidated Financial Law, provided an attestation of the Sustainability Report's compliance with the reporting standards (European Sustainability Reporting Standard, ESRS) and art. 8 of EU Regulation 2020/852 (Taxonomy Regulation).

The Board of Statutory Auditors has acquired information regarding the structures responsible for the process of drawing up the sustainability report, and verified the existence of:

- an adequate organisational structure responsible for sustainability reporting;
- an adequate administrative and accounting system;

- directives, procedures and operating practices adopted in order to ensure that the Consolidated Sustainability Statement is both complete and reliable;
- adequate, regular flows of information, both in terms of quantity and quality, for the preparation of the sustainability report.

The Board of Statutory Auditors monitored the attestation of the consolidated sustainability statement, engaging in a regular exchange of information with the auditors of the sustainability report, and carried out an analysis of the methodological system which they adopted.

The Manager responsible for financial reporting and the Independent Auditors gave the Board of Statutory Auditors confirmation that their verifications took into consideration the instructions provided by the European Securities and Markets Authority (ESMA) in its document of 24 October 2024 on European common enforcement priorities, as well as the Consob Notice of 20 December 2024 regarding the climate information provided in the Sustainability Report.

On 23 April 2025, the Independent Auditors issued, pursuant to Legislative Decree 125/2024, the report on the limited review of the Consolidated Sustainability Statement , offering the following conclusions:

"On the basis of the work carried out, no matters have come to our attention that would cause us to conclude that:

- the Terna Group's consolidated sustainability statement for the year ended December 31, 2024 has not been prepared, in all material respects, in accordance with the reporting standards adopted by the European Commission pursuant to Directive (EU) 2013/34/EU (European Sustainability Reporting Standards, hereinafter also referred to as the "ESRS");

- the information contained in the paragraph "The EU Taxonomy" of the consolidated sustainability statement has not been prepared, in all material respects, in accordance with art. 8 of Regulation (EU) No. 852 of 18 June 2020 (hereinafter also "Taxonomy Regulation")"

Based on the information acquired through the course of carrying out its oversight activities, the Board of Statutory Auditors has no observations to make in relation to the aspects of this matter which fall within its remit, including in its role as Internal Control and Audit Committee.

3. OTHER ACTIVITIES

3.1 Method for effective implementation of corporate governance rules

In carrying out its duties, as required by art. 2403 of the Italian Civil Code and art. 149 of the CLF, the Board of Statutory Auditors monitored effective implementation of the corporate governance rules provided for in the corporate governance codes Terna has stated that it has adopted. The Company adheres to the Corporate Governance Code drawn up by Borsa Italiana and has prepared, pursuant to art. 123-*bis* of the TUF, the annual "Report on Corporate Governance and Ownership Structures".

The report provides information on, among other things (i) ownership structures; (ii) the corporate governance rules adopted; (iii) the internal control and risk management system; (iv) procedures for General Meetings of shareholders; (v) shareholder rights and how they are exercised; (vi) composition and terms of reference of the management and oversight bodies and board committees.

The Board of Directors approved the "Report on Corporate Governance and Ownership Structures" on 25 March 2025.

The Board of Statutory Auditors has verified correct application of the criteria and procedures adopted by the Board of Directors for assessing the independence of its members in accordance with the procedure adopted by the Board of Directors.

The Board of Directors, with the assistance of an external consulting firm, has conducted a board review, whose findings were discussed at the meeting held on 25 March 2025 and described in Terna's Report on Corporate Governance.

With the support of the consulting firm, the Board of Statutory Auditors performed its annual board review, discussing the findings during the meeting on 20 March 2025.

3.2 Remuneration policies

The Board of Statutory Auditors has audited the processes involved in drawing up the Company's remuneration policies, with particular regard to the criteria used in determining the remuneration of the Chief Executive Officer and Senior Managers with strategic responsibilities, providing, where required by law, the related opinions.

Following the proposal of the Remuneration Committee, the Board of Directors' meeting of 25 March 2025 approved the "*Report on the Remuneration Policy and Remuneration Paid*", prepared pursuant to art. 123-*ter* of the TUF and in compliance with art. 5 of the Code of Corporate Governance.

The Board of Statutory Auditors has examined the Report on Remuneration indicated above, and has verified its compliance with legal and regulatory provisions, its clarity, and the completeness of its information with regard to the remuneration policy adopted by the Company.

3.3 Reports, complaints, omissions or shortcomings, opinions provided and initiatives undertaken

During the 2024 financial year, the Board of Statutory Auditors received no complaints pursuant to art. 2408 of the Italian Civil Code, and no reports from third parties. It also notes that the Company has not been notified of any appeal regarding complaints to the Courts pursuant to the first paragraph of art. 2409 of the Italian Civil Code; nor has the Company itself needed to make any complaints pursuant to the seventh paragraph of art. 2409 of the Italian Civil Code.

On the basis of our activities and the information obtained, the Board of Statutory Auditors is not aware of any omissions, shortcomings, irregularities or any other circumstances that require reporting to the supervisory authorities or mention in this report.

The Board of Statutory Auditors also expressed the opinions required by law.

The Board of Statutory Auditors, in the context and within the limits of its duties and functions, continues to monitor the ongoing procedure for assessment and improvement of the internal organisational structure initiated by the Company.

3.4 Review of the Board of Statutory Auditors

In accordance with Standard Q.1.1 in the Standards of Conduct for the Boards of Statutory Auditors of Listed Companies, the Board has, with the assistance of an external consulting firm, conducted a review of its composition, size and performance, presenting the outcome to the Board of Directors

at the meeting held on 20 March 2025. With regard to the requirements and competencies of individual members and of the Board as a whole, the Review confirmed that:

- in addition to satisfying the related integrity and professional requirements, and there being no evidence of the grounds for disqualification provided for in the relevant legislation, all the Standing Auditors meet the independence requirements provided for in the *Corporate Governance* Code;
- the Board of Statutory Auditors guarantees the gender and age diversity of its members
- each Standing Auditor possesses ample knowledge and experience in several areas of expertise
- the Board of Statutory Auditors possesses an adequate level of expertise overall.

4. CONCLUSIONS

Based on the above, and considering the content of the reports issued by the Independent Auditors and the attestations released jointly by the Chief Executive Officer and the Manager responsible for financial reporting, the Board of Statutory Auditors, within the scope of its responsibilities, expresses a favourable opinion on the approval of Terna's financial statements for the year ended 31 December 2024 and on the appropriation of net profit for the year of € 970,356,839 as proposed by the Board of Directors.

Rome, 23 April 2025

The Board of Statutory Auditors

Mario M. Busso (Chairman)

Lorenzo Pozza (Standing Auditor)

Antonella Tomei (Standing Auditor)

This translation was prepared by TERNA exercising its best diligence. However, TERNA shall not be liable or otherwise responsible for its use and any damages or losses resulting out of its use in any individual case and in whatever jurisdiction. Moreover, it is recalled that the only official version of the Report is the Italian version signed by the members of the Board of Statutory Auditors.

Independent Auditor's Report

pursuant to articles 14 of Legislative Decree 39 of 27 January 2010 and article 10 of Regulation (EU) 537/2014 - Separate financial statements for the year ended 31 December 2024

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INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010 AND ARTICLE 10 OF THE EU REGULATION 537/2014

To the Shareholders of
Terna S.p.A.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Terna S.p.A. (the "Company"), which comprise the statement of financial position as at 31 December 2024, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2024, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Investments for the operation and development of the electricity transmission grid, relevant for the purposes of determining the transmission and dispatching activities charges

Description of the key audit matter	As of 31 December 2024, the Company accounts in "Property, plant, and equipment" and "Intangible assets", respectively equal to Euro 17,276 million and Euro 693 million, the amounts mainly related to investments made for operation and development of the Italian national transmission grid (NTG) for high and extra-high voltage power. Investments made in the financial year relating to these items totaled Euro 2,626 million. The Company operates as a natural monopoly and within a market regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA"), which defines, among the others, the rules for the remuneration of the transmission and dispatching services. In particular, the regulated revenues for these services are determined annually by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized (RAB – Regulated Asset Base), of the relative depreciation and of some operating expenses. The RAB value is determined by ARERA mainly through the revalued historical cost method. We believe that investments for the operation and development of the electricity transmission grid represent a key audit matter for the Company's financial statements as of 31 December 2024 due to: i) the relevance of the tangible and intangible assets related to operation and development of the electricity transmission grid compared to the Company's total assets, ii) the relevance of the investments made during the year, iii) their impact in determining the fees for the transmission and dispatching services. Notes "12. Property, plant, and equipment" and "14. Intangible assets" of the financial statements include the disclosure on the investments for the operation and development of the electricity transmission grid.
Audit procedures performed	With reference to investments for the operation and development of the electricity transmission grid, our audit procedures included, among the others, the following: • understand the processes for recognition of such investments in the financial statements; • understand the relevant controls implemented by the Company in relation to these processes and assessment of their operating effectiveness;

- comparative analysis of the items "Property, plant, and equipment" and "Intangible assets", as well as critical analysis of the composition of investments made during the year related to these items, including the analysis of any unusual item;

- with reference to investments occurred during the year, selection of a sample of transactions and test of the compliance with the capitalization criteria provided by accounting standards;

- test the accurate start of depreciation when the asset is available for use for a sample of assets recorded within accounts in "Property, plant, and equipment" and "Intangible assets" entered into depreciation during the year, also through the analysis of their ageing;

- test the correct application of the depreciation rate with respect to the asset category and recalculation of the amortization and depreciation for the year.

Finally, we assessed the adequacy of the disclosure provided in the notes to the financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The Directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05 and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or for the termination of the operations or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Terna S.p.A. has appointed us on 8 May 2019 as auditors of the Company for the years from 31 December 2020 to 31 December 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815

The Directors of Terna S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the financial statements as at 31 December 2024, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 700B in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at 31 December 2024 have been prepared in XHTML format in accordance with the provisions of the Delegated Regulation.

Opinions and statement pursuant to art. 14, paragraph 2, sub-paragraphs e), e-bis) and e-ter), of Legislative Decree 39/10 [and pursuant to art. 123-bis, paragraph 4, of Legislative Decree 58/98]

The Directors of Terna S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and ownership structure of Terna S.p.A. as at 31 December 2024, including their consistency with the related financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) n. 720B in order to:

- express an opinion on the consistency of the report on operations and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 with the financial statements;

- express an opinion on the compliance with the law of the report on operations, excluding the section related to the consolidated sustainability statement, and of some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98;
- make a statement about any material misstatement in the report on operations and in some specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98.

In our opinion, the report on operations and the specific information contained in the report on corporate governance and ownership structure are consistent with the financial statements of Terna S.p.A. as at 31 December 2024.

In addition, in our opinion, the report on operations, excluding the section related to the consolidated sustainability statement, and the specific information contained in the report on corporate governance and ownership structure set forth in art. 123-bis, n. 4 of Legislative Decree 58/98 are prepared in accordance with the law.

With reference to the statement referred to in art. 14, paragraph 2, sub-paragraph e-ter), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Our opinion on the compliance with the law does not extend to the section related to the consolidated sustainability statement. The conclusions on the compliance of that section with the law governing criteria of preparation and with the disclosure requirements outlined in art. 8 of the EU Regulation 2020/852 are expressed by us in the assurance report pursuant to art. 14-bis of Legislative Decree 39/10.

DELOITTE & TOUCHE S.p.A.

Signed by
Maria Ginevra De Romanis
Partner

Rome, Italy
April 23, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



OTHER DOCUMENTS



Green Bond Report 2024

As at 31 December 2024, Terna had issued six senior Green Bonds under its Euro Medium Term Note (EMTN) programme and two perpetual, subordinated, hybrid, green bonds, based on a stand-alone prospectus, for a combined total of over €5 billion[1] (hereinafter, alternatively referred to as, the "**Green Bonds**" or "**Bonds**"). Details of the individual green issues are provided below:

- on 16 July 2018, Terna launched its first green bond issue, worth €750 million and having a 5-year term (this bond matured on 23 July 2023);
- on 10 January 2019, the Company launched a green bond issue in the form of a private placement, amounting to €250 million, having reopened the bond issue announced to the market on 16 July 2018 (also maturing on 23 July 2023);
- on 3 April 2019, the Company launched an issue of euro-denominated green bonds with a total nominal value of €500 million and a 7-year term;
- on 17 July 2020, the Company placed a green bond amounting to €500 million and having a 12-year term;
- on 16 June 2021, the Company launched a green bond issue amounting to €600 million and having an 8-year term;
- on 2 February 2022, Terna launched its first non-convertible, perpetual subordinated hybrid green bond amounting to €1 billion;
- on 17 July 2023, the Company issued a new green bond amounting to €650 million and having a 10-year term;
- on April 4, 2024, Terna launched an additional issue of a perpetual, subordinated, hybrid, non-convertible, green bond in the amount of €850 million.

The net proceeds from the issues are being used to fund the Company's **Eligible Green Projects**, selected on the basis of the **Green Bond Principles** issued in 2018 and subsequent amendments published by the International Capital Market Association ("ICMA").

At 31 December 2024, Terna had drawn up and published five "**Green Bond Frameworks**" to enhance the transparency and the quality of the green bonds issued.

The first was adopted on 16 July 2018, the second on 15 July 2020, the third on 15 June 2021 and the fourth on 12 January 2022, with the fifth published on 20 October 2023. These Frameworks and the second party opinions provided by the independent advisor, Vigeo Eiris (subsequently taken over by Moody's), are available to the public on the Company's website (www.terna.it).

In this regard, it should be noted that the first three bond issues are covered by the Green Bond Framework drawn up in 2018, the fourth bond issue is covered by the Green Bond Framework of July 2020, the fifth bond issue by the Green Bond Framework of June 2021, the perpetual, hybrid issue dated 2 February 2022 and the bond issued on 17 July 2023 by the Green Bond Framework of January 2022, while the perpetual, hybrid issue dated 4 April 2024 was issued in compliance with the updated Green Bond Framework of October 2023.

[1] It should be noted that a new €750 million green bond issue (the ninth) was launched on 10 February 2025, but is not the subject of this report.

Vigeo Eiris (subsequently taken over by Moody's) has provided Second Party Opinions[2] for all of Terna's green issues, having assessed the contribution of all these bond issues to sustainability and assigned them the best possible rating. Similarly, the assessments of the green bond frameworks show that they are fully aligned with the requirements in ICMA's Green Bond Principles and – as regards the latest versions of the framework – the recommendations in the EU Taxonomy. This alignment was confirmed, with regard to 2024, via the mapping of the activities carried out by the Group to identify those that are eligible and in alignment with the Taxonomy. The analysis revealed that all the investment carried out to deliver the Eligible Green Projects, described in this report, are aligned with the object of mitigating climate change. Finally, Vigeo Eiris/Moody's considered the Eligible Green Projects to be in line with the following UN SDGs:

UN SDGs



Ensure universal access to affordable, reliable, sustainable and modern energy services.



Build resilient infrastructure, promote fair, inclusive and sustainable industrialization and foster innovation.



Take urgent action to combat climate change and its impacts.



Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

With this report, Terna is delivering on its commitment, made at the time of the bond issues, to report annually on its use of the proceeds and the environmental benefits resulting from the projects financed with those proceeds.

In addition to updating the report on the issues of July 2020, June 2021, February 2022, and July 2023, this edition of the Green Bond Report provides information for the first time on the issue carried out in April 2024.

The indicators shown in the following tables have been determined in accordance with the "Green Bond Framework", showing the relevant amounts, how the proceeds have been allocated and the main environmental benefits for each environmental category within which the projects must fall in order to qualify as "eligible".

[2] All Second Party Opinions given with reference to the green bonds issued by Terna are available at the following link: https://www.terna.it/en/investors/debt-rating/sustainable-finance/green-bonds

The various categories of environmental benefit indicated in the five Green Bond Frameworks published as of 31 December 2024 are shown below:

Environmental benefits

CATEGORY OF ENVIRONMENTAL BENEFIT	DESCRIPTION
Renewable energy	Projects designed to boost renewable energy production (primarily wind and photovoltaic): • Connecting renewable energy plants (grid infrastructure designed to directly connect renewable energy plants to the transmission grid). • Integrating renewable energy production, improving the stability of the grid (grid infrastructure that enables a greater volume of renewable energy to be injected into the transmission grid, by, for example, relieving congestion in a certain part of the grid).
Energy efficiency	Projects designed to reduce the CO_2 emissions produced by the electricity system by reducing grid losses: • Grid infrastructure that enhances transmission efficiency (reducing the difference between power produced and energy consumed, all other conditions being equal).
Soil use & Biodiversity	Projects that aim to reduce soil use and the impact on terrestrial biodiversity: • Optimisation of the grid, involving the demolition of kilometres of existing overhead line. Demolition of the lines reduces the permanent occupation of land by overhead lines and the need to cut back the surrounding vegetation. The greatest impact occurs when overhead lines cross areas of environmental interest, such as nature reserves, wetlands and other protected areas. In addition, the demolitions also eliminate the albeit low risk of birds colliding with power lines. Finally, it should be noted that the projects in this category – such as putting cables underground – also reduce the visual impact of electricity infrastructure, an aspect considered one of the most significant impacts by local stakeholders.
Quality, security and resilience of electricity transmission Infrastructure	Projects that aim to ensure the quality, security and resilience of electricity transmission infrastructure: • Projects included in the Development Plan for the national Transmission Grid, focusing on the quality and security of the service by resolving operational issues that are in part linked with the energy transition, involving the decommissioning of thermoelectric plants and the integration of renewable sources. • Investment in the construction of new power lines and/or substations with the aim of boosting the resilience of the national transmission grid ("NTG") in the areas of Italy most exposed to severe weather events (e.g., high winds, snow and ice).

As indicated in Terna's Green Bond Frameworks, the benefit resulting from completion of the green eligible projects included in the categories "Renewable Energy", "Energy efficiency" and "Quality, security and resiliency of electricity transportation Infrastructure" may be measured both in MWh and in terms of greenhouse gas emission savings.

With reference to the green bonds covered by this report, **the associated benefits can be quantified at approximately 10.8 million tonnes of CO_2e per year**[3].

[3] The total value is given by the sum of the contributions of the individual bonds as follows: about 2.7 million tonnes of CO_2 for the issue of 17 July 2020, about 1.5 million tonnes of CO_2 for the issue of 16 June 2021, about 2.2 million tonnes of CO_2 for the issue of 02 February 2022, about 3.6 million tonnes of CO_2 for the issue of 17 July 2023 and about 0.8 million tonnes of CO_2 for the issue of 04 April 2024. The calculation was made taking into account the weight of thermoelectric production on the total Italian electricity production for 2024. The reference for the breakdown of the production mix is the December 2024 issue of the 'Monthly Report on the Electricity System', available on the website www.terna.it.

FOCUS

How we manage our eligible green projects

In planning and delivering investment, Terna adopts a wide range of mitigation controls and measures designed to limit any negative impacts on stakeholders and the environment, guaranteeing:

- **the protection of nature and biodiversity:** Terna's approach is inspired by the mitigation hierarchy and is oriented, from the planning phase - applying the ERPA criteria for the Strategic Environmental Assessment (SEA) of the Development Plan - to the habitat restoration phase, to minimise any negative impacts, also implementing voluntary initiatives aimed at enhancing the interactions of its assets with nature to achieve net positive impacts, developing its own tools, methodologies and measurement techniques (e.g. Ecological Incremental Index)[4];
- **efforts to tackle climate change:** in devising its development strategy and planning its investment, which includes the eligible green projects, Terna focuses on achieving the decarbonisation targets set at Italian and EU level (the development scenarios developed in this regard are based on the trajectories provided for in the EU's Fit For 55 package and the National Integrated Energy and Climate Plan - PNIEC 2024). At the same time, climate change and rising temperatures may impact grid infrastructure, giving rise to the need to ensure the Italian electricity system's ability to withstand increasingly frequent extreme weather events. In this regard, each year Terna prepares a Resilience Plan setting out all the initiatives designed to prevent and/or reduce damage to the power grid caused by weather events[5];
- **respect for social requirements and the needs of local communities:** Terna takes care to respect workers' rights and the needs of the communities affected by its business activities, and has adopted a series of prescriptive operational measures, including policies and guidelines, procedures and management and control systems to ensure respect throughout the supply chain. Stakeholder engagement is a key element; Terna, is continuously committed to devising and implementing the most suitable forms of engagement and participatory design, with particular attention to the needs of the local communities affected by grid development[6].

Allocation reporting

Information on how the proceeds from the bond issues of July 2020, June 2021, February 2022, July 2023 and April 2024 have been used is provided below, showing aggregate amounts and data for each Eligible Green Project at 31 December 2024.

The following tables also show, for the five bonds, the percentage of the proceeds allocated to finance parts of projects yet to be completed and to refinance projects already completed at the date of the bond issue (% refinanced out of the total) and the balance of unallocated funds and/or funds still held by the issuer at 31 December 2024.

In accordance with Terna's green bond frameworks, the report for 2024 takes into account certain changes with respect to the reports for previous years. These are primarily due to the reshaping of a number of interventions included in the original baskets due to updated completion times. Thus, in order to meet the requirements of the green bond frameworks, the following tables show the effects of this change and summarise that which has been allocated to the different projects so far.

Finally, with regard to the issues of July 2018 and January and April 2019, the related proceeds had been fully allocated by the time of the previous reports. As a result, the issues are not covered in this report. Further details are provided on page 7 of the Green Bond Report 2023, on page 5 of the Green Bond Report 2020 and on page 4 of the Green Bond Report 2019, available on the Company website.

[4] See the 'Protecting Biodiversity' section of the Consolidated Sustainability Statement 2024 for more details.
[5] See the 'Climate Change' section of the Consolidated Sustainability Statement 2024 for more details.
[6] See the 'Local Communities' section of the Consolidated Sustainability Statement 2024 for more details.

Issue of 17 July 2020

DESCRIPTION OF INDICATOR	AMOUNT (€000)
Total amount of the basket at the time of the Green Bond's issuance	505,609
- % of basket refinanced	43
Net Green Bond proceeds	496,865
Green Bond proceeds allocated at 31 December 2024	At 31 December 2024, the bond has been fully allocated
Funds/equivalent funds held by the issuer at 31 December 2024	

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	PROCEEDS ALLOCATED AT 31 DECEMBER 2024 (€000)
Renewable energy	380 kV VOLPAGO SUBSTATION	3,281
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BASILICATA	4,663
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN PUGLIA	1,122
	OPPIMITTI CONNECTION	9,126
	ROTELLO SUBSTATION	24,183
	ASCOLI SATRIANO SUBSTATION	4,152
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BETWEEN CAMPANIA AND MOLISE	893
	220 kV GLORENZA SUBSTATION	14,074
	ARVIER HYDROELECTRIC CONNECTION	615
	AW2 WIND FARM CONNECTION	308
	150 kV CASTELNUOVO DI CONZA INTERCONNECTOR SUBSTATION	261
	BELEOLICO TORRE TRIOLO CONNECTION	6,407
	LIGURIA-TUSCANY WIND FARM CONNECTION	2,113
	SYNCHRONOUS COMPENSATORS FOR MAIDA SUBSTATION	32,376
	SYNCHRONOUS COMPENSATORS FOR MATERA SUBSTATION	29,338
	SYNCHRONOUS COMPENSATORS FOR FOGGIA SUBSTATION	20,345
	SYNCHRONOUS COMPENSATORS FOR CANDIA SUBSTATION	17,039
	SYNCHRONOUS COMPENSATORS FOR FANO SUBSTATION	16,165
	SYNCHRONOUS COMPENSATORS FOR GARIGLIANO SUBSTATION	18,762
	380 kV FOGGIA – VILLANOVA POWER LINE	103,406
	RATIONALISATION 220/132 kV IN VALLE SABBIA	315
	SYNCHRONOUS COMPENSATORS FOR BRINDISI PIGNICELLE SUBSTATION	26,716
TOTAL Renewable energy		***335,659***
Energy efficiency	RATIONALISATION IN THE CITY OF MILAN	5,818
	RATIONALISATION OF NORTH-WEST TURIN AREA	2,226
	REORGANISATION OF ROME METROPOLITAN AREA	4,769
	REORGANISATION OF PALERMO METROPOLITAN AREA	38,850
	380 kV MAGENTA SUBSTATION	40,678
TOTAL Energy efficiency		***92,341***
Soil use & Biodiversity	RATIONALISATION IN THE CITY OF TURIN	6,671
	380 kV SORGENTE – RIZZICONI POWER LINE	5,973
	REORGANISATION OF 220 kV GRID IN THE CITY OF NAPLES	38,300
	REORGANISATION OF FLORENCE METROPOLITAN AREA	16,448
	150 kV CASTROCUCCO – MARATEA POWER LINE	1,954
TOTAL Soil use & Biodiversity		***69,346***
GRAND TOTAL		**497,345**

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

Issue of 16 June 2021

DESCRIPTION OF INDICATOR	AMOUNT (€000)
Total amount of the basket at the time of the Green Bond's issuance	615,050
- % of basket refinanced[7]	11
Net Green Bond proceeds	597,594
Green Bond proceeds allocated at 31 December 2024	584,898
Funds/equivalent funds held by the issuer at 31 December 2024	12,696

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	PROCEEDS ALLOCATED AT 31 DECEMBER 2024 (€000)
Renewable energy	SYNCHRONOUS COMPENSATOR VILLANOVA	36,510
	SYNCHRONOUS COMPENSATOR CODRONGIANOS	35,138
	SYNCHRONOUS COMPENSATOR SUVERETO	35,287
	SYNCHRONOUS COMPENSATOR ROSARA	39,506
	132 kV PRATI DI VIZZE-STEINACH POWER LINE	14,703
	132 kV APECCHIO SUBSTATION	2,515
	ENERMAC CONNECTION	30,627
TOTAL Renewable energy		***194,286***
Energy efficiency	REORGANISATION OF HV TERAMO VILLANOVA GRID	11,345
TOTAL Energy efficiency		***11,345***
Quality, security and resiliency of electricity transportation Infrastructure	UPGRADE 132 kV GENOA METROPOLITAN AREA	26,508
	380-150 kV PALO DEL COLLE SUBSTATION	9,262
	UPGRADE OF NORD SCHIO GRID	7,608
	REORGANISATION UPPER BELLUNESE AREA	43,653
	380 kV UDINE WEST-REDIPUGLIA POWER LINE	16,331
	ITALY–FRANCE INTERCONNECTOR	167,597
	132 kV ELBA-MAINLAND POWER LINE	99,083
	REORGANISATION OF SORRENTINE PENINSULA HV GRID	9,225
TOTAL Quality, security and resiliency of electricity transportation Infrastructure		***379,267***
GRAND TOTAL		**584,897**

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

[7] The refinanced projects, consistent with the commitment made in the Green Bond Framework of June 2021, were completed no later than 36 months from the last Annual Financial Statements prior to the date of issue of the Green Bond in question (16/06/2021).

Issue of 2 February 2022

DESCRIPTION OF INDICATOR	AMOUNT (€000)
Total amount of the basket at the time of the Green Bond's issuance	1,033,817
- % of basket refinanced[8]	75
Net Green Bond proceeds	991,360
Green Bond proceeds allocated at 31 December 2024	929,778
Funds/equivalent funds held by the issuer at 31 December 2024	61,584

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	PROCEEDS ALLOCATED AT 31 DECEMBER 2024 (€000)
Renewable Energy	BELCASTRO SUBSTATION	40,379
	SCANDALE-MAGISANO CONNECTIONS	4,071
	ITALY-MONTENEGRO INTERCONNECTOR	632,948
	MORCONE SUBSTATION	10,044
	PONTELANDOLFO SUBSTATION	13,840
	PONTELANDOLFO-CASTELPAGANO POWER LINE	9,677
	RUMIANCA SUBSTATION	1,141
	ENLARGEMENT MATERA SUBSTATION	8,021
	ENLARGEMENT CATANZARO SUBSTATION	455
	AERO TANNA CONNECTION – PARTANNA SUBSTATION	614
	AM CONNECTION FOR RENEWABLE ENERGY	10,150
	METORA CONNECTION	9,379
	PRATI DI VIZZE-STEINACH POWER LINE	2,070
	GRID'S RATIONALISATION IN THE CITY OF AREZZO	13,396
	REMOVAL OF CONSTRAINTS IN THE SOUTH-CENTRAL – NORTH CENTRAL AREAS	28,194
TOTALE Renewable energy		***784,379***
Energy efficiency	PATERNÒ - PANTANO – PRIOLO POWER LINE	27,553
TOTAL Energy efficiency		***27,553***
Quality, security and resiliency of electricity transportation Infrastructure	CELANO SUBSTATION	20,901
	RATIONALISATION IN THE CITY OF MILAN	9,709
	CAMIN-DOLO LINE	7,220
	BARI NORTH SUBSTATION	1,106
	RATIONALISATION IN THE CITY OF NAPLES	17,301
	SCHIO SUBSTATION	19,078
	RATIONALISATION OF ROME WEST-ROME SOUTH-WEST GRID	7,029
	COSTALUNGA PRIMARY SUBSTATION	956
	BORGONOVO - BARDI – BORGOTARO POWER LINE	4,115
	UPGRADE OF GRID BETWEEN NOVARA AND BIELLA	2,702
	S. TERESA-BUDDUSÒ SUBSTATION	7,929
	UPGRADE OF TERNI ROME HV GRID	11,633
	WORK ON RAGUSA GRID	3,717
	COLLECTION OF RENEWABLES ABRUZZO/LAZIO	1,892
	ROME SOUTH-CIAMPINO	2,558
TOTAL Quality, security and resiliency of electricity transportation Infrastructure		***117,846***
GRAND TOTAL		**929,778**

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

[8] The refinanced projects, consistent with the commitment made in the Green Bond Framework of January 2022, were completed no later than 36 months from the last Annual Financial Statements prior to the date of issue of the Green Bond in question (02/02/2022).

Issue of 17 July 2023

DESCRIPTION OF INDICATOR	AMOUNT (€000)
Total amount of the basket at the time of the Green Bond's issuance	657,599
- % of basket refinanced[9]	47
Net Green Bond proceeds	642,571
Green Bond proceeds allocated at 31 December 2024	586,215
Funds/equivalent funds held by the issuer at 31 December 2024	56,355

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	PROCEEDS ALLOCATED AT 31 DECEMBER 2024 (€000)
Renewable Energy	NEW 380/150 kV VIZZINI SUBSTATION	7,302
	MICROPOWER S.R.L. CONNECTION	7,766
	ASJA AMBIENTE ITALIA S.P.A. CONNECTION	396
	SARVE S.R.L. CONNECTION	8,305
	SYNCHRONOUS COMPENSATORS SOUTH SARDINIA	32,454
	380 kV BRINDISI-BRINDISI ENI POWER LINE	36,220
	STATCOM	91,156
	REORGANISATION NORTH CALABRIA GRID	10,766
	UPGRADE OF 150 kV FOR BASILICATA WIND ENERGY COLLECTION	7,198
	REORGANISATION OF FLORENCE METROPOLITAN AREA	5,859
	REORGANISATION TRENTO GRID	16,253
	INERGIA SPA WIND FARM (STORNARA SUBSTATION)	3,369
	220 kV GLORENZA SUBSTATION	11,459
	FOSTER WHEELER STATION - CONNECT. RES	4,913
	380/150 kV SUBSTATION MELFI CONNECTIONS	15,807
	FOIANO-GINESTRA-ARIANO 150 kV POWER LINE	839
	SOLARWIND 2 CONNECTION	5,387
	NEW MONTEMATTINA SUBSTATION FOR CONNECTIONS	4,143
	VGE 01 CONNECTION	7,456
	SANDALIA SOLAR FARM S.R.L CONNECTION	5,874
	E-SOLAR 2 SRL CONNECTION	11,022
	DAUNIA WORK1 CONNECTION	34,361
	SYNCHRONOUS COMPENSATORS LAZIO NORTH	29,955
	REACTORS	69,894
	UPGRADE OF 150 kV FOR CALABRIA WIND ENERGY COLLECTION	6,130
	REMOVAL OF CONSTRAINTS IN THE SOUTH-CENTRAL – NORTH CENTRAL AREAS	14,143
	FOIANO 150 kV SUBSTATION FOR CONNECTIONS	5,637
	ECOENERGIA FRANZESE CONNECTION	9,189
	TRINO BESS 2 CONNECTION	2,278
TOTAL Renewable energy		***465,532***
Energy efficiency	220 kV GLORENZA-TIRANO-PREMADIO LINE	18,293
TOTAL Energy efficiency		***18,293***
Quality, security and resiliency of electricity transportation Infrastructure	220 kV LIVORNO M. SUBSTATION	29,639
	UPGRADE MODENA AREA GRID	4,042
	REORGANISATION OF SORRENTINE PENINSULA HV GRID	4,330
	REORGANISATION ROME SOUTH-LATINA GRID	5,534
	CUNEO/SAVONA GRID	6,360
	RATIONALISATION TRENTO SOUTH	21,327
	REORGANISATION OF ROME METROPOLITAN AREA	6,921
	WORK ON HV GRID IN CATANIA	9,752
	WORK ON HV GRID FOR ABRUZZO/LAZIO RENEWABLE ENERGY COLLECTION	10,988
	220/150 kV CATANIA NORTH SUBSTATION	3,498
TOTAL Quality, security and resiliency of electricity transportation Infrastructure		***102,390***
GRAND TOTAL		**586,215**

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

[9] The refinanced projects, consistent with the commitment made in the Green Bond Framework of January 2022, were completed no later than 36 months from the last Annual Financial Statements prior to the date of issue of the Green Bond in question (17/07/2023).

Issue of 4 April 2024

DESCRIPTION OF INDICATOR	AMOUNT (€000)
Total amount of the basket at the time of the Green Bond's issuance	863,426
- % of basket refinanced[10]	24
Net Green Bond proceeds	843,158
Green Bond proceeds allocated at 31 December 2024	291,334
Funds/equivalent funds held by the issuer at 31 December 2024	551,823

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	PROCEEDS ALLOCATED AT 31 DECEMBER 2024 (€000)
Renewable Energy	CHIARAMONTE GULFI - CIMINNA	34,378
	PATERNÒ - PANTANO - PRIOLO	18,451
	380 150 kV ARIANO IRPINO STATION	4,352
	INERGIA SPA WIND FARM (STORNARA SUBSTATION)	8,573
	FOIANO-GINESTRA-ARIANO 150 kV POWER LINE	16,418
	RESOLUTION OF GALTELLI' ANTENNAE	15,991
TOTAL Renewable energy		***98,163***
Quality, security and resiliency of electricity transportation Infrastructure	NEW LINE 380 kV COLUNGA-CALENZANO	107,899
	RATIONALISATION OF THE 380-132 kV GRID IN BRESCIA	16,347
	220/150 kV CATANIA NORTH SUBSTATION	1,243
	WORK ON RAGUSA HV GRID	38,885
	REORGANISATION OF SORRENTINE PENINSULA HV GRID	28,798
TOTAL Quality, security and resiliency of electricity transportation Infrastructure		***193,172***
GRAND TOTAL		**291,334**

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

The above tables show the names of eligible projects, coinciding with wide-ranging, complex interventions made up of numerous individual projects and minor works. Each bond (July 2020, June 2021, February 2022, July 2023 and April 2024) may have been used to finance different parts of the same intervention; for this reason, a number of eligible projects, represented by different amounts, have been financed by more than one bond.

Given the nature of the projects financed, each intervention may contribute to achieving a number of environmental benefits. In the above table, the inclusion of an individual project in a category of benefit was based on economic criteria.

[10] The refinanced projects, consistent with the commitment made in the Green Bond Framework of October 2023, were completed within a maximum of 24 months from the last Annual Financial Statements prior to the date of issue of the Green Bond in question (04/04/2024).

Impact reporting

Below are details of the impacts and the benefits associated with the four categories of Eligible Green Project - described at the beginning of the document - for each of the five Green Bonds issued by Terna and reported on in this Report. The percentages indicate the proportion of the benefits that can be associated with the stage of completion of the projects (works that have entered service) at 31 December 2024.

For a better understanding of the data relating environmental impacts, the following should be taken into account:

- the impact of the projects in columns A, B, C and F in the following tables that involve “Connections to renewable energy plants”, “Increased production from renewable sources”, “Reduction in grid losses” and “Reduction in energy not supplied” are measured in MW and MWh. The above data does not derive from ex-post measurement of the impact of the projects carried out, but are the result of grid simulations, conducted using models that permit a comparison of the ex-ante operation of the electricity system and the related environmental impacts with and without the individual projects. The results of the grid simulations are then used in the cost-benefit analysis applied to the main projects included in the Grid Development Plan. Given that there may be several years between the planning of a project and the start-up of work, the cost-benefit analysis for a project may be repeated to take into account new scenarios and the environmental impacts may change over time. Where projects are not subject to cost-benefit analysis, the value of the related benefits is measured using an approach in line with this method. If there are significant changes to the environmental benefits connected with the projects financed by the Green Bonds, these will be noted in future Green Bond Reports;
- the environmental benefits underpinning the selection of eligible projects – estimated using the methodological approach described above - are calculated, based on the most conservative scenario, at the level of each project, which, however, generally consists of a series of works that may require many years to complete. The proceeds from the Green Bonds may be used to finance or refinance a part of the previously planned works that have a part to play in completion of the selected projects in the baskets and, in this sense, in obtaining the environmental benefits associated with the projects.

A more detailed description of the benefits outlined in Terna’s Green Bond Framework is provided in the ‘Environmental Benefits’ table of this document (page 622).

None of the selected projects is the subject of significant proceedings (administrative or final court judgements) resulting in Terna being ordered to pay fines or to act or not act (e.g., prohibitions), or in its employees being found guilty of a criminal offence (full compliance in environmental and socio-economic matters).

Issue of 17 July 2020

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	CONNECTIONS TO RENEWABLE ENERGY PLANTS (MW)	% REACHED AT 31/12	INCREASED PRODUCTION FROM RENEWABLE SOURCES (MWh)	% REACHED AT 31/12	REDUCTION IN GRID LOSSES (MWh)	% REACHED AT 31/12	LAYING OF UNDERGROUND CABLE (KM)	% REACHED AT 31/12	DEMOLITION OF LINES (KM)	% REACHED AT 31/12
Renewable energy	2,641	100	6,937,112	87						
Energy efficiency					265,094	91				
Soil use & biodiversity							39	72	255	94

Issue of 16 June 2021

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS							
	A		B		C		F	
	CONNECTIONS TO RENEWABLE ENERGY PLANTS (MW)	% REACHED AT 31/12	INCREASED PRODUCTION FROM RENEWABLE SOURCES (MWh)	% REACHED AT 31/12	REDUCTION IN GRID LOSSES (MWh)	% REACHED AT 31/12	REDUCTION IN ENERGY NOT SUPPLIED (MWh/per year)	% REACHED AT 31/12
Renewable energy	1,620	100	3,796,827	97				
Energy efficiency					12,028	-		
Quality, security and resiliency of electricity transportation Infrastructure							3,469	51

Issue of 2 February 2022

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS							
	A		B		C		F	
	CONNECTIONS TO RENEWABLE ENERGY PLANTS (MW)	% REACHED AT 31/12	INCREASED PRODUCTION FROM RENEWABLE SOURCES (MWh)	% REACHED AT 31/12	REDUCTION IN GRID LOSSES (MWh)	% REACHED AT 31/12	REDUCTION IN ENERGY NOT SUPPLIED (MWh/per year)	% REACHED AT 31/12
Renewable energy	2,479	100	5,728,453	99				
Energy efficiency					13,200	-		
Quality, security and resiliency of electricity transportation Infrastructure							3,019	4

Issue of 17 July 2023

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS							
	A		B		C		F	
	CONNECTIONS TO RENEWABLE ENERGY PLANTS (MW)	% REACHED AT 31/12	INCREASED PRODUCTION FROM RENEWABLE SOURCES (MWh)	% REACHED AT 31/12	REDUCTION IN GRID LOSSES (MWh)	% REACHED AT 31/12	REDUCTION IN ENERGY NOT SUPPLIED (MWh/per year)	% REACHED AT 31/12
Renewable energy	3,550	57	9,429,960	56				
Energy efficiency					3,364	-		
Quality, security and resiliency of electricity transportation Infrastructure							1,060	7

Issue of 4 April 2024

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS					
	A		B		F	
	CONNECTIONS TO RENEWABLE ENERGY PLANTS (MW)	% REACHED AT 31/12	INCREASED PRODUCTION FROM RENEWABLE SOURCES (MWh)	% REACHED AT 31/12	REDUCTION IN ENERGY NOT SUPPLIED (MWh/per year)	% REACHED AT 31/12
Renewable energy	959	0	2,193,083	0		
Quality, security and resiliency of electricity transportation Infrastructure					11,221	2

In addition to the benefits achievable through each category provided for in the Green Bond frameworks, the above tables also show percentages indicating the share of the benefits linked to the stage of progress on projects at 31 December.

It should be noted that, in line with Terna's green bond frameworks and the information provided in the allocation reporting section, the figures for the impacts presented may differ from those reported in previous years. This primarily reflects the reshaping of certain projects due to changes in the project timings and related cost-benefit analyses.

Examples of Eligible Green Projects

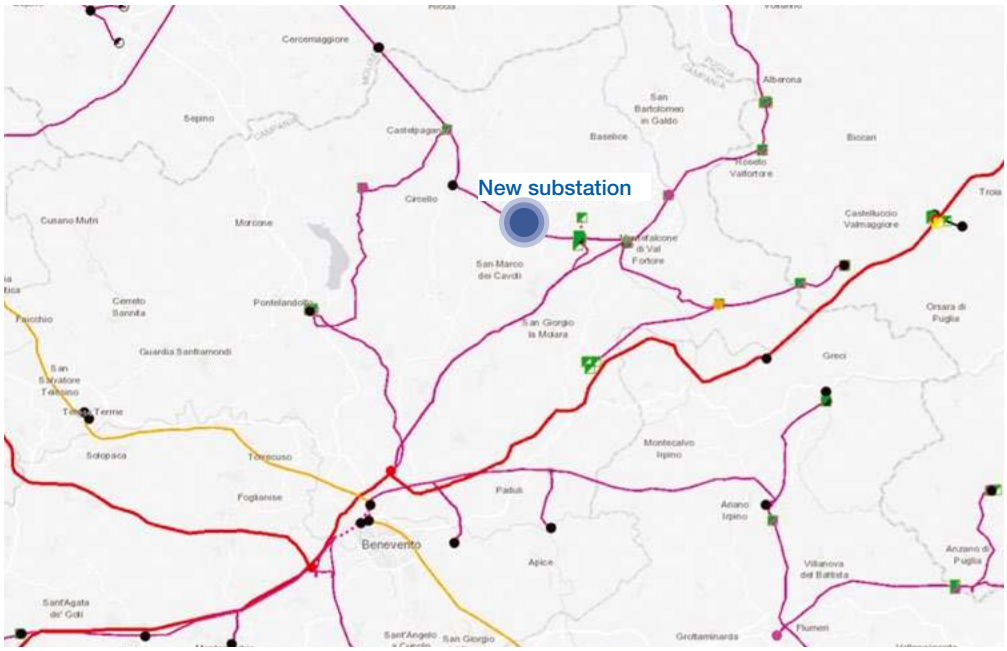
The following pages show key technical and financial data and details of the environmental benefits for four representative projects in the four categories of benefit taken into account.

Category: Renewable Energy - New electricity substation in San Marco dei Cavoti

The new 150 kV San Marco dei Cavoti substation has been built to connect renewable energy plants in the Campania region to the HV Foiano-Colle line.

Applications for the connection of renewable energy plants to the NTG have been received from 5 plants, making a total of 143 MW, of which 37.8 MW has already been connected to the substation. The expected increase in renewable energy integrated into the NTG, linked to plants already connected to the San Marco dei Cavoti substation and future substations, is 325,128 MWh per year.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 17 July 2023 (planned amount)	5,723,308 €
Proceeds from the green bond allocated to the project at 31 December 2024 (final amount)	9,189,239 €
Connections of renewable energy plants	143 MW
Increase in renewable energy production	325,128 MWh



New station in San Marco dei Cavoti - Category: 'Renewable energy'

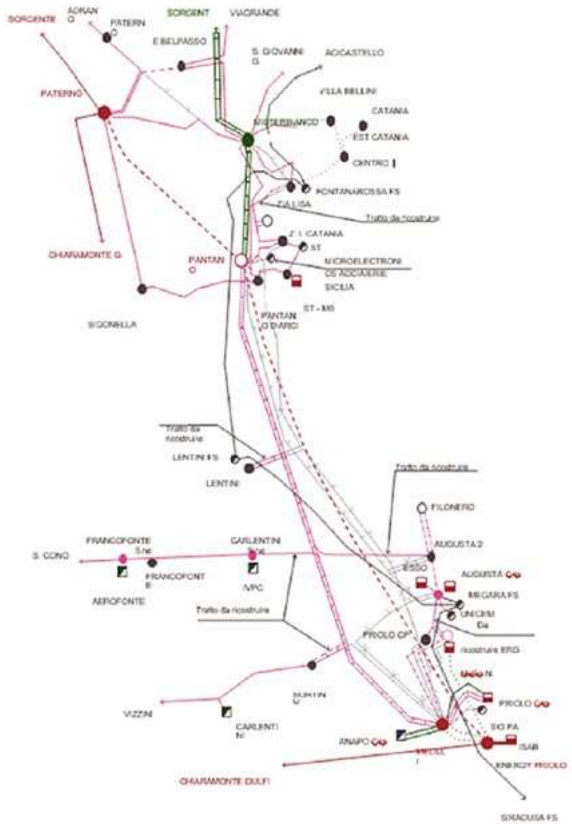
Category: Energy Efficiency - 380 kV Paternò - Pantano - Priolo Power Line (Sicily)

Construction of the 380 kV Paternò-Pantano-Priolo power line will result in interconnection of the 380 kV grid with the 150 kV grid in south-eastern Sicily. This will help to drive not only production at renewable energy plants in the area, but also an increase in service continuity and voltage stability in eastern Sicily.

The upgrade and enlargement of the Melilli, Priolo and Pantano D'Arci electricity substations is also significant as this will strengthen the grid and improve meshing, resulting in further benefits in terms of grid reliability.

Thanks to the above works, we expect to be able to reduce grid losses by at least 13,200 MWh a year, as shown in the following table.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 2 February 2022 (planned amount)	81,273,362 €
Proceeds from the green bond allocated to the project at 31 December 2024 (final amount)	27,553,127 €
Reduction in grid losses	13,200 MWh



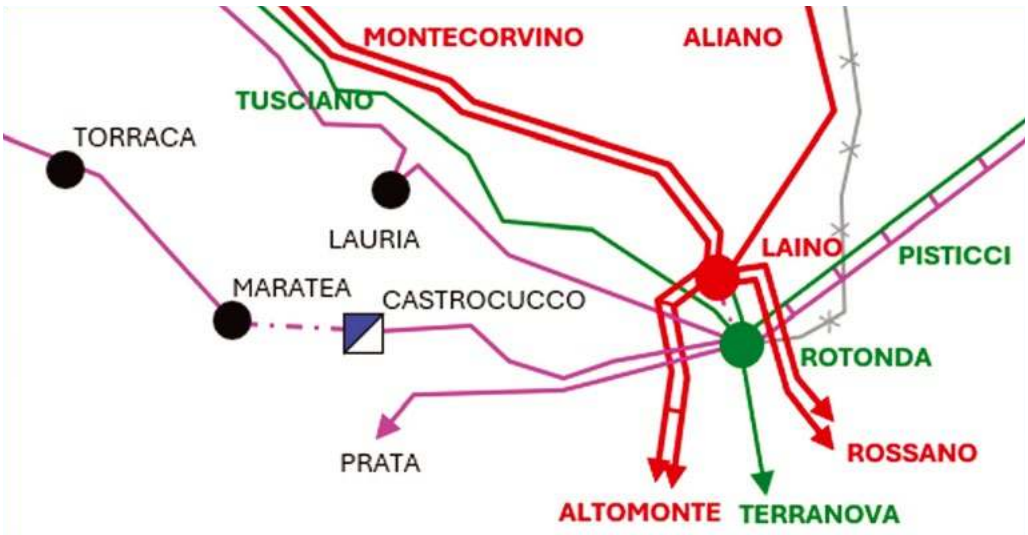
OHL 380 kV Paternò-Pantano-Priolo - Category: 'Energy Efficiency'

Category: Environmentally sustainable management of land use - New 150 kV Castrocucco - Maratea underground power line

In order to increase the efficiency and reliability of the electricity system and ensure the continuity of the area's electricity service even when some power lines are out of service due to maintenance or failure, a new underground power line was planned between the Castrocucco power station and the primary substation in Maratea, in the province of Potenza.

The cable runs for 13 km along a predominantly mountainous terrain with a height difference of about 500 metres and, in some sections, within areas subject to landslides. For this reason, in addition to the geological monitoring of the area during the design phase, three 'inclinometers' were installed in addition to the usual underground cable monitoring instruments, in order to constantly monitor the stability of the new connection. The new underground cable went into operation in 2021.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 17 July 2020 (planned amount)	941,790 €
Proceeds from the green bond allocated to the project at 31 December 2024 (final amount)	1,953,743 €
Construction of underground cable	13 km



New 150 kV Castrocucco - Maratea underground power line - Category: 'Environmentally sustainable land use management'

Category: Quality, security and resiliency of electricity transportation infrastructure - Redevelopment of Sorrento Peninsula

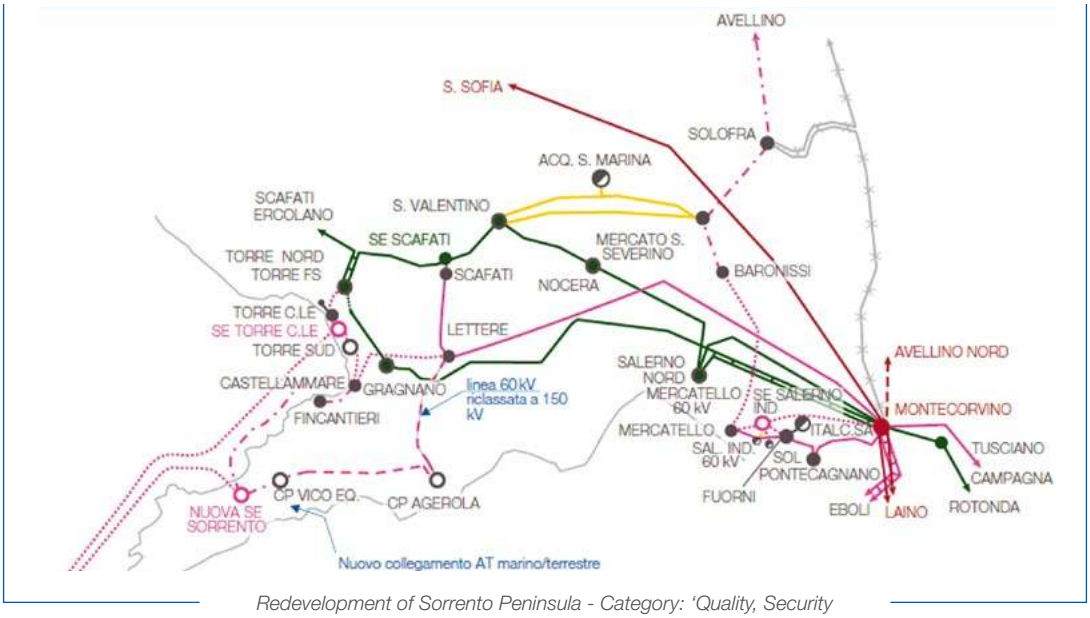
Following the commissioning of the first connection between Capri and Torre Annunziata in 2017 and of the second submarine cable connecting the island with Sorrento (September 2020), the efficiency and adaptation activities for the Campania grid include the 150 kV Sorrento - Vico Equense - Agerola - Lettere interconnection.

The project consists in the construction of the connections between the new electricity substation in Sorrento and the already existing primary substations in Vico Equense, Agerola and Lettere, which will be adapted to allow connection to the National Transmission Grid with the new voltage levels. The new interconnection will increase the reliability of the electricity system on the Sorrento Peninsula and surpass the 60 kV voltage level, which is no longer adequate to ensure the security, resilience and quality of the area's electricity transmission service.

This intervention will also reduce the risk of outages due to severe weather events by increasing the meshing of the local grid and the resilience of the electricity system.

The overall project is expected to reduce the quantity of energy not supplied by at least 10,890 MWh per year, as the following table shows.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bonds of 16 June 2021, 17 July 2023 and 4 April 2024 (planned amount)	57,234,596 €
Proceeds from the green bonds allocated to the project at 31 December 2024 (final amount)	42,353,189 €
Reduction in energy not supplied	10,890 MWh



Redevelopment of Sorrento Peninsula - Category: 'Quality, Security and Resiliency of Electricity Transportation Infrastructure'

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INDEPENDENT AUDITOR'S REPORT ON THE SECTIONS "ALLOCATION REPORTING" AND "IMPACT REPORTING" OF THE GREEN BOND REPORT

To the Management of
Terna S.p.A.

We have been engaged to perform a limited assurance engagement on the sections "*Allocation reporting*" and "*Impact Reporting*" included in the Green Bond Report 2024 (the "Report") as of December 31, 2024. The Report has been prepared by Terna S.p.A. (the "Company") on the basis of the following frameworks: the Framework issued in July 2020 for the Green Bond issued on July 17, 2020 ("GB 4"), the Framework issued in June 2021 for the Green Bond issued on June 16, 2021 ("GB5"), the Framework issued in January 2022 for Green Bonds issued on February 2, 2022 ("GB 6") and July 17, 2023 ("GB 7"), the Framework issued in October 2023 for the Green Bond issued on April 4, 2024 ("GB 8") (hereinafter collectively referred to as the "Frameworks"). These Frameworks were defined by the Company in accordance with, respectively: the Green Bond Principles issued by the *International Capital Market Association* ("ICMA") "2018 edition" for the Framework issued in July 2020 and the Green Bond Principles issued by ICMA "2021 edition" for the Frameworks issued in June 2021, in January 2022 and in October 2023.

Management's Responsibility for the Report

The Management is responsible for the preparation of the Report in accordance with the Frameworks, developed by the Company in accordance with the Green Bond Principles. The Management is also responsible for such internal control is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Auditor's Independence and quality management

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Management 1 which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Auditor's responsibility

Our responsibility is to express a conclusion on sections "*Allocation Reporting*" and "*Impact Reporting*" included in the Report based on the procedures performed. We conducted our work in accordance with the criteria established in the "*International Standards on Assurance Engagements - Assurance Engagements other than Audits or Reviews of Historical Financial Information"* (hereinafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the sections "*Allocation Reporting*" and "*Impact Reporting*" included in the Report are free from material misstatement.

The procedures performed on the sections "*Allocation Reporting*" and "*Impact Reporting*" included in the Report are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of information included in those sections, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following procedures:

- analysis of the Green Bond Frameworks adopted by Terna S.p.A. and the Second Party Opinion, which includes the assessment of the conformity of the Frameworks to the Green Bond Principles defined by ICMA and the applicability of the categories of "*Eligible Green Projects*" for the allocation of proceeds and the definition of environmental impacts;

- interviews with the Management and relevant corporate functions of Terna S.p.A. aimed at understanding the criteria and underlying processes for identifying Eligible Green Projects, as well as the generation, identification, and management of significant qualitative and quantitative information included in the "*Allocation Reporting*" and "*Impact reporting*" sections of the Report;

- analysis of the structure and implementation of reporting processes and controls related to the data on the use of proceeds and environmental benefits of the Green Bonds;

- verification of quantitative data included in the "*Allocation Reporting*" and "*Impact Reporting*" sections of the Report through a sample-based review, conducted through the collection and examination of documentation of Terna S.p.A., with the objective of assessing the consistency of the information included in the "*Allocation reporting*" and "*Impact Reporting*" sections of the Report with the Green Bond Principles;

- obtaining the representation letter regarding the accuracy and the completeness of the information included in the Report and of those provided to us.

The procedures performed in a limited assurance engagement are less in extent than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the "*Allocation Reporting*" and "*Impact reporting*" sections included in the Green Bond Report of Terna S.p.A as of December 31, 2024 are not prepared, in all material respects, in accordance with the criteria established by the Frameworks.

DELOITTE & TOUCHE S.p.A.

Signed by
Maria Ginevra De Romanis
Partner

Rome, Italy
April 23, 2025

This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.





All pictures are the property of Terna.

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Mercurio GP
Milan

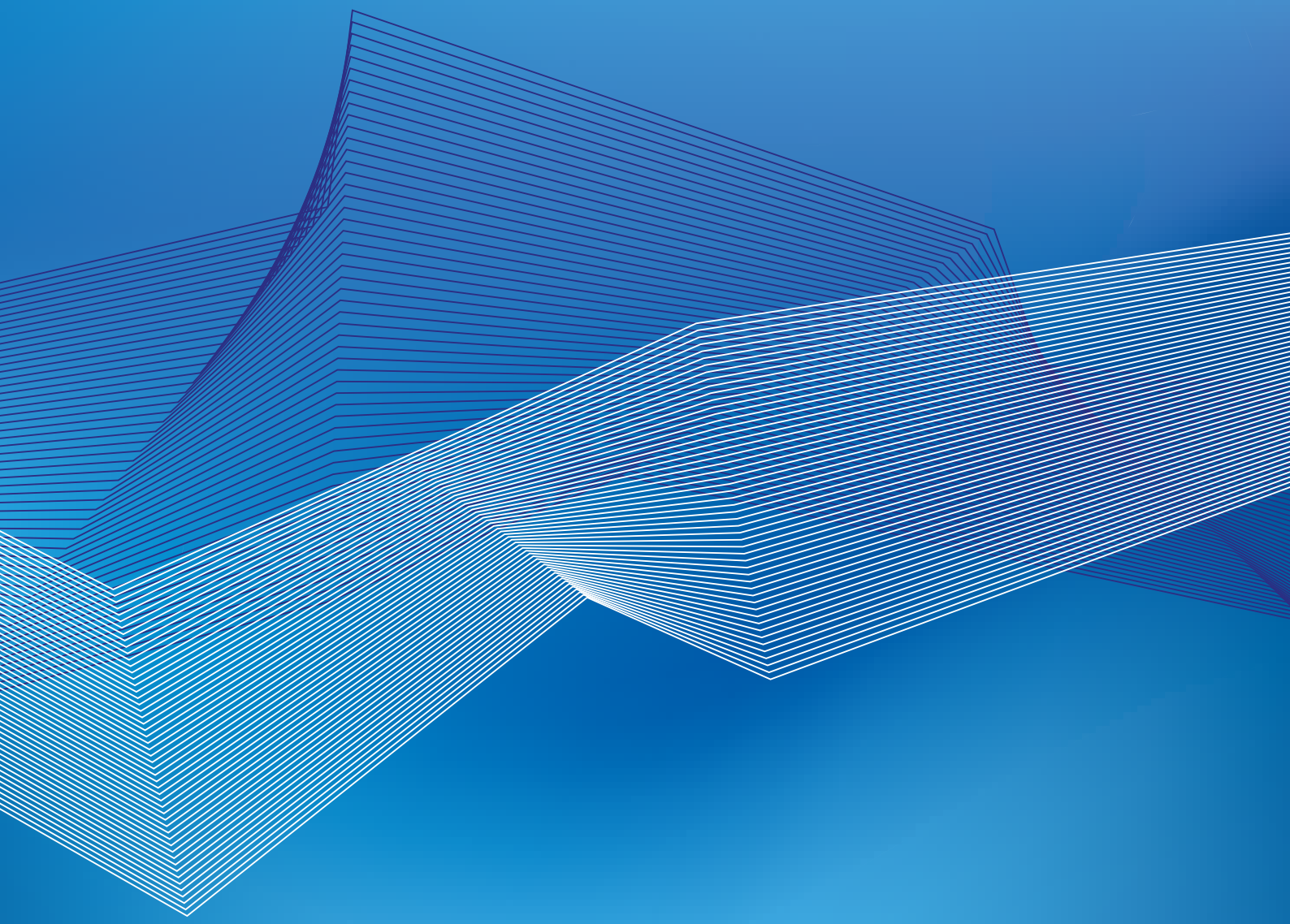
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Driving Energy