



Letter to stakeholders

Dear shareholders and stakeholders,

The macroeconomic environment continued to be highly volatile in 2023, with commodity prices remaining high in response to ongoing global tensions and a sharp rise in the price of oil. This was accompanied by high inflation and restrictive monetary policies imposed by central banks.

Despite this backdrop, **Terna saw an improvement in all its key financial performance measures**, confirming our Company's ability to achieve the targets set and the **excellent work of the over 5,900 people** who, with passion and skill, are engaged in managing the national grid. These people represent our most important asset.

The **Group has also boosted investment to both provide the country with energy security and an increasingly efficient and reliable electricity system**, and to enable the integration of renewable sources and the achievement of decarbonisation targets. Investment also focused on **digitalisation** in an effort to make the grid ever more secure and resilient.

We have observed an **acceleration in the growth of renewables**: last year, Italy saw the installation of approximately 6 GW of new photovoltaic and onshore and offshore wind capacity, compared with 1 GW in 2021 and 3 GW in 2022. There is strong interest in the market, as shown by the significant number of requests for connection to the national transmission grid which, as the system operator, we received: over 328 GW at 31 December 2023. The increased integration of renewables means that there is a growing need for a major switch to these new sources, also from the point of view of energy independence and security.

There is a need for infrastructure and quickly. To this end, Terna is playing its part in **constant collaboration with the authorities**, making the Company an example of European best practice. The last year saw a **record number of consents for investment projects** from the Ministry of the Environment and Energy Security and regional and self-governing provincial authorities: 23 grid development projects, amounting to investment of more than €3 billion, up 20% on 2022 and triple the figure for 2021.

The main contribution to this major achievement was the green light given to the **West Section** (Sicily-Sardinia) of the **Tyrrhenian Link**, amounting to over €1.8 billion, which will set a new depth record at over two thousand metres below sea level. The strategic nature of this infrastructure was confirmed by the European Investment Bank's decision to provide financing of approximately €1.9 billion, covering around 50% of the total cost of €3.7 billion that Terna expects to spend on the link that will connect Sicily with Sardinia and the Italian mainland via a double underwater cable.

Terna's projects bring major environmental, social and economic benefits: over 700 km of new infrastructure will entail the use of submarine or underground cables. The management of our business is based 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. In the current environment, we are convinced that it is of fundamental importance to not only bear in mind environmental aspects but also the social dimension, putting people at the heart of an increasingly fair and inclusive **just transition**.

Last year, the submarine cable connection between the **island of Elba** and **Piombino** and the fully underground cable between Italy and Austria entered service. The **interconnection with Austria** marks further progress in the development of an increasingly secure, efficient and interconnected European electricity network. In our **2023-2032 Development Plan**, Terna has targeted total investment of €2 billion to strengthen cross-border interconnections, which to date number 30. These will include the **invisible Elmed energy bridge**, a submarine connection between Italy and Tunisia linking Europe with North Africa, which will be the first direct current power line between the two continents. In August 2023, Terna and Steg, the Tunisian electricity and gas company, signed the Grant Agreement with the European Commission, which will provide €307 million in financing for the project.

Work also continued in 2023 on preparations for the start of work on the **East Section** (Sicily-Campania) of the **Tyrrhenian Link**, which will boost interzonal exchange capacity in Sicily with the **Paternò-Pantano-Priolo connection** and between Sicily and Calabria with the **Sorgente-Rizziconi connection**. Preparations were also made for work to begin on the **connections between Colunga and Calenzano**, linking Emilia-Romagna with Tuscany, and on the **Cerignola and Magenta electricity substations**.

Proof of the growing degree of coordination between Terna and all the various authorities involved was provided by the launch of the **new digital portal** provided for in the so-called *Sicurezza Energetica* (Energy Security) legislation. The portal, which can be accessed by the Ministry of the Environment and Energy Security, the Ministry of Culture, the regulator (ARERA), all the regional authorities and the self-governing provinces of Bolzano and Trento, will ensure efficient, coordinated planning of grid infrastructure, renewable energy plants and storage systems. Among other things, it will provide access to reports on the state of progress of the procedures for connecting to the national grid.

Innovation and digitalisation will be key to operating an increasingly complex electricity system: solutions such as IoT (Internet of Things) and Artificial Intelligence will enable us to securely manage the quantity and quality of the information carried over our grid, in addition to making it more resilient. This is why Terna is looking to Silicon Valley, the place with the greatest density of innovative businesses in the world. Last year, the Company entered into agreements with institutional partners in San Francisco to **promote and develop the Italian innovation ecosystem overseas**, supporting the development of both innovative start-ups and SMEs from our country and enabling them to access the US market.

In keeping with the Group's strategy, designed to combine investment with sustainability to drive growth and value creation, Terna aims to become a leader in the **sustainable finance market**. This strategy was confirmed in July with the successful launch of a new green bond worth €650 million and with a 10-year term to maturity.

During the period, Terna reconfirmed its **leadership in the field of sustainability** with inclusion, among others, in the **ESG STOXX and Dow Jones Sustainability indexes**. We were also recognised as a **global leader in climate action** by CDP (formerly the Carbon Disclosure Project), receiving an upgraded rating of 'A-' compared with the previous 'B'. For the fourth year running, our Company was also ranked top in Europe for the quality of our digital communication by **Webranking by Comprend**. Terna is also committed to promoting and developing Italian culture: in 2023, the **second edition of the "Driving Energy Award – Contemporary Photography"** met with great success in terms of the quantity and quality of participants.

The Group remains focused on the growth and wellbeing of our people and on the insourcing of key competencies, as well as on the development of a people strategy combining proactivity inclusion and performance. In this connection, Terna has received **"Italy's Best Employers 2024" award for the energy sector**, based on the survey conducted by the international research company, Statista. Through the research and training hub, **Terna Academy**, we have also stepped up efforts to develop our people and fully leverage their distinctive skills.

The development of excellent, specialist and cross-cutting expertise is also at the heart of the **Tyrrhenian Lab** project, which has launched the second edition of the **Master in "Digitalisation of the electricity system for the energy transition"**, promoted by Terna in collaboration with the universities of Cagliari, Palermo and Salerno.

This initiative is a further example of how our Company is determined to **fully develop the talents** of the people who work for the Group. Because **behind the energy that the public uses every day is Terna**, in its role in leading the current, complex transition process.



Igor De Biasio

Chairman

Giuseppina Di Foggia

Chief Executive Officer and General Manager