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Stakeholder relations based on trust and dialogue are key to optimising the way we manage our activities, starting from implementation of the projects provided for in the Development Plan.



# 5

## Stakeholder engagement

# In brief



Stakeholder relations taking into account interests and legitimate expectations form an integral part of responsible business management.

The direct influence of stakeholders whose local areas are due to host a power line or an electricity substation is also of particular importance, as this can have an impact on the timing of work to be carried out under the National Transmission Grid Development Plan, the principal operational tool that will enable us to fully deliver the energy transition<sup>47</sup>.

Terna further strengthened stakeholder engagement activities in 2019.

In line with the quality principle requiring a "balanced" representation, as provided for in the "GRI 101 Foundation" standards adopted by Terna in our "Non-financial statement", and, more generally, with the transparency typical of sustainability reporting, this section includes information on the most difficult cases at local level<sup>48</sup> and, towards the end, on outstanding investigations and litigation<sup>49</sup>.

Finally, the section provides information on other categories of stakeholder, above all electricity service operators<sup>50</sup>, the media<sup>51</sup>, environmental organisations<sup>52</sup> and the community<sup>53</sup>. Terna's personnel, who are classified as internal stakeholders, are dealt with in the specific section, "People"<sup>54</sup>.

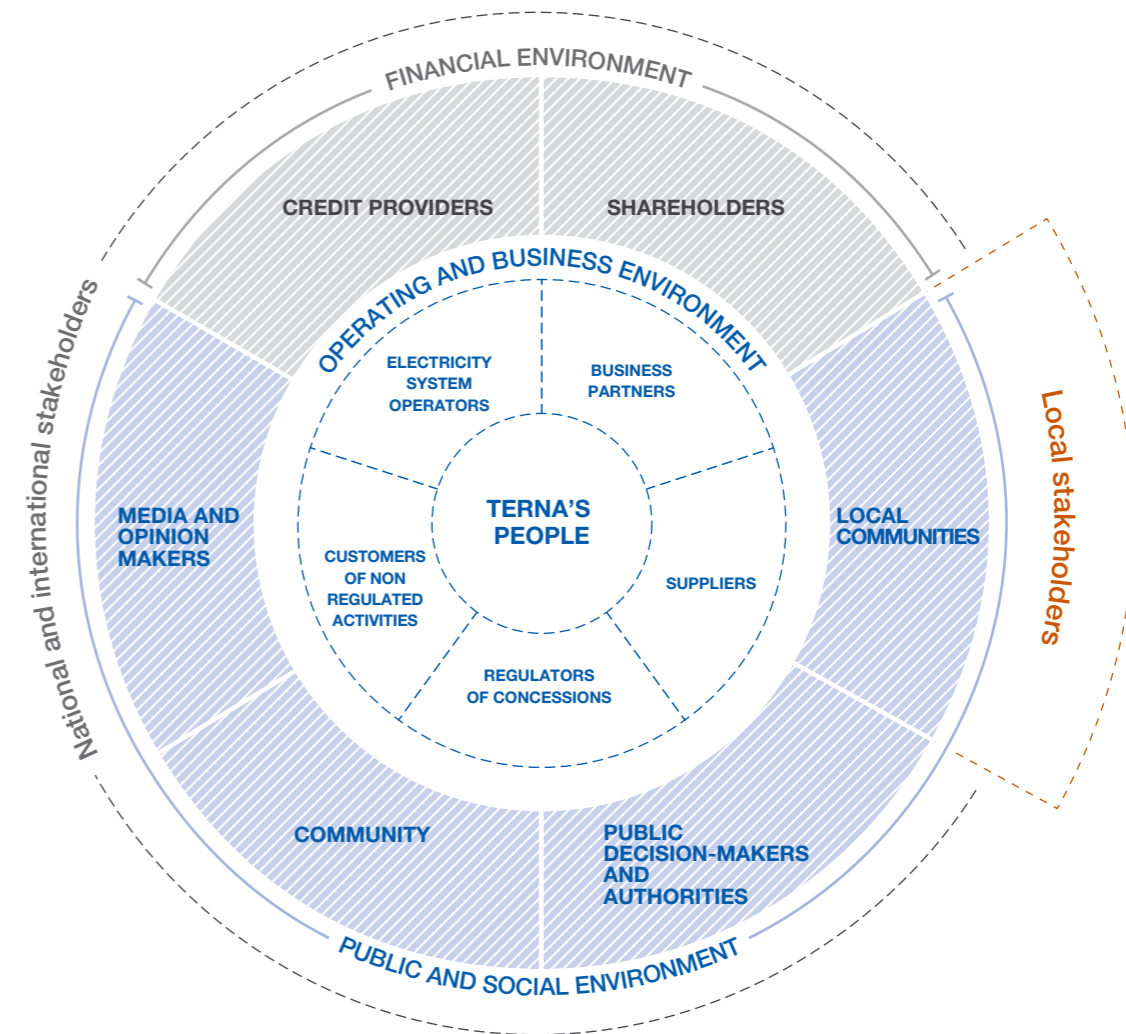
## HIGHLIGHTS:

**469** meetings with local authorities and **40** public meetings with citizens

**76** plots of land returned to landowners following rationalisation of the electricity grid

**71.4%** of community initiatives are aligned with SDGs 4, 7, 9 and 11

# Stakeholder map



Relations based on reciprocal trust between Terna and its stakeholders are the prerequisite for maintaining and increasing the Group's relational capital.

<sup>47</sup> See the paragraph "Dialogue with local communities" on page 105.  
<sup>48</sup> See the paragraph "The most difficult cases and shared solutions" on page 108.  
<sup>49</sup> See the section "Investigations, litigation and sanctions" on page 126.  
<sup>50</sup> See the paragraph "Electricity service operators" on page 113.  
<sup>51</sup> See the paragraph "Media and opinion makers" on page 117.  
<sup>52</sup> See the paragraph "Relations with environmental organisations" on page 118.  
<sup>53</sup> See the paragraph "The community" on page 119.  
<sup>54</sup> Page 169.

# Dialogue with local communities

Terna's engagement with its stakeholders is based on taking their interests into account and analysing their compatibility with the specific interests of the Company, so as to be able to adopt a coherent and transparent course of conduct.

With this awareness, Terna has drawn up a stakeholder map and built specific engagement programmes to identify actions to be undertaken in order to optimise current engagement methods and listen to the most influential stakeholders on a periodic basis.

The outcomes of this mapping, together with indications of the best engagement techniques and tools to use and the ideal frequency of initiatives in order to successfully manage relations with the different categories, thus avoiding the risk of failing to promptly identify any problems, have been incorporated into specific guidelines (the "Stakeholder engagement model").

The resulting stakeholder map takes into account the reference frameworks of the various categories (financial, public and social, operational and business), making a distinction between national and international stakeholders and local stakeholders affected by the presence of electricity infrastructure or construction projects.

In line with the recommendations in the Strategic Plan, which focus on the challenges posed by the energy transition and the Company's enabling role within it, and with the resulting need for new electricity infrastructure investment, Terna further stepped up its already intense engagement with stakeholders in 2019.



Engagement with these stakeholders - who are often critical of Terna's initiatives as they see their impact on their local area but not the systemic benefits they bring - is vital for the acceptance and implementation of infrastructure projects.

## Local communities

This category includes various kinds of stakeholder who are affected by Terna's activities during all operational phases, from development through to network maintenance. It includes parties who are directly or indirectly affected, but also parties with the power to influence politics and decision-making and local opinion makers.

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From the initial planning phase of grid development initiatives, Terna reaches out to local communities in the areas where they will be implemented, involving local authorities (regional and local authorities, park authorities, etc.). For several years, the Company has also reached out to citizens via public meetings called "Terna incontra".

Since 2018, the sharing and listening approach used in relation to the "Terna incontra" meetings has also been applied to engagement with authorities in connection with the Strategic Environmental Assessment (SEA).

During 2019, Terna held a total of 469 meetings with local authorities, involving around 309 bodies, including authorising bodies, local authorities, civil engineering entities, ministries, regional authorities and economic operators, as well as further meetings with 13 associations, 212 citizens and 7 members of parliament.

### MEETINGS WITH LOCAL AUTHORITIES - 2019

AREA	MEETINGS	BODIES INVOLVED
North-west	152	127
North-east	112	39
Centre-South Adriatic	95	78
Centre-South Tyrrhenian	110	65





**“LOCAL COMMUNITY ENGAGEMENT” TARGET**

KPIs AND TARGETS IN THE STRATEGIC PLAN 2020-2024

KPI	2019	
	TARGET	RESULT
STAKEHOLDER ENGAGEMENT		
Stakeholders who changed their opinion* after a meeting with the Company	+15%	+17.9%

\* Changes in local stakeholders’ opinions of Terna are measured on the basis of a summary indicator that shows the level of satisfaction with Terna, weighted to take into account the significance of the stakeholder.

**Landowners affected by NTG development**

The construction of new power lines involves the use of between approximately 30 and 250 square metres of land - usually agricultural - for each pylon.

Although legally authorised to use an expropriation procedure<sup>56</sup> to obtain the use of land, Terna prefers solutions based on mutual consent, involving payment of one-off compensation for easement on private property. Attempts to reach a consensual solution do not always succeed, making enforcement measures necessary.

**POWER LINE EASEMENTS**

LANDOWNERS AFFECTED BY THE CONSTRUCTION OF NEW POWER LINES (NO)

	2019	2018	2017
Total easements	707	1,644	1,817
of which consensual	519	888	1,069
of which enforced	188	756	748

The constant reduction in the number of easements is due to extension of the preparatory phase to the signing of a formal deed, and increased planning and construction of underground cable lines which are normally built close to other pre-existing infrastructure (e.g. along a road). When building a substation that occupies much more land, Terna usually purchases the necessary land. During 2019, in line with the number of kilometres of line demolished as a result of upgrade initiatives, 76 plots of land were returned to their owners (287 in 2018, 117 in 2017).

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**Effectiveness of “Terna incontra” meetings: 2019**

Terna also held 40 public meetings, including 32 “Terna incontra” events, in 11 Italian regions (Piedmont, Lombardy, Veneto, Tuscany, Emilia-Romagna, Campania, Sicily, Basilicata, Abruzzo, Trentino-Alto Adige and Calabria), respectively, in Ponte Gardena, Chiusa, Fortezza, Renon Frazione Auna di Sotto, Bressanone, Tilles, Barbiano, Treviglio, Chiari, Casirate d’Adda, Urago d’Oglio, Malles-Venosta, Curon, Vizzini, Celano, Scafati, Castelnuovo, Reggio-Emilia and Sant’Ilario d’Enza, at which the potential locations for 16 Development Plan initiatives were discussed<sup>55</sup>.

During the “Terna incontra” meetings at Rimini, Bressanone (BZ), Renon (BZ), Barbiano (BZ) and Tilles (BZ), local residents who participated in the events were asked for their opinion via a questionnaire. Six areas were surveyed: familiarity with Terna, information on the project, eventual areas for improvement, usefulness of the meeting, the need for further information and a final opinion.

Overall, 79% of respondents said that they were familiar with Terna. Adequate information on the project was deemed to have been provided at the outset (84% of respondents said they had “sufficient” or “adequate” information a sharp rise compared to the 45% registered in 2018). The meetings were deemed useful by 28% of the participants, very useful by 42% and extremely useful by 26%. 70% of respondents changed their opinion, becoming more favourable towards the project (up on the 61% registered in 2018).

Terna voluntarily consults on the need for grid development with local authorities and listens to stakeholders’ opinions in order to promote the best location for new projects, based on shared classification of land according to so-called “ERP criteria”: (Exclusion, Repulsion, Problems and Attraction), and with the support of GIS (Geographic Information System) technology, which includes all information relating to different types of land use and the related protection constraints (regional, naturalistic, cultural, landscape, etc.).

During 2019, Terna continued its engagement at local level, with a view to raising awareness of the Company and its responsibilities, promoting an electricity culture and decarbonisation objectives, and initiating transparent engagement with all local stakeholders, opinion makers and influencers, in order to gauge their opinions and needs.

Precise and accurate mapping of all local stakeholders in the main areas affected by grid development projects (e.g. committee representatives, local authorities, universities and local associations) was carried out, as well as an assessment of their capacity to influence their respective communities and their perception of Terna and its initiatives.

Continuous listening to stakeholders has generated an overall improvement in engagement.

<sup>55</sup> The 16 Development Plan projects include: restructuring of the Alto Bellunese HV grid, SA.CO.I 3, the 132kV Riccione ring, the 150kV Calusia-Mesoraca-Belcastro-Catanzaro line and reorganisation of the local HV grid, the 132kV “Calenzano-Sesto Fiorentino” power line, Unicem no. 400 branch, the Paternò-Priolo power line, modification of the Trino-Lacchiarella, Matera Grottole Salandra line, restructuring of the 132kV and 380kV grids in the Province of Teramo, Mercallo-Cameri, grid restructuring in Val di Isarco for the VLV connection, the 380kV Cassano-Chiari power line, the 132kV Glorenza-Nauders interconnector, the Italy-Austria interconnector, the new Vizzini electricity substation and 150kV and 380kV connections to the NTG, the new 150kV Celano electricity substation and connections, the new Scafati electricity substation, the Sorrentino Peninsula reorganisation and reorganisation of the 132kV Reggio-Emilia grid.

<sup>56</sup> Law 1775 of 1933; Presidential Decree 327/2001 “Consolidated law on expropriations”.

### Dialogue with local communities overseas

The authorisation process for the design and construction of the 138kV Aguaytía-Pucallpa power line in Peru is similar to the Italian process, including intense stakeholder engagement from the Environmental Impact Assessment phase (EIA, Estudio de Impacto Ambiental).

The process consists of several phases. It begins with a preliminary environmental impact assessment (EVAP, Evaluación Ambiental Preliminar) and, after approval by SENACE<sup>57</sup> (a government agency reporting to the Peruvian Ministry of the Environment), continues with environmental assessment activities (EIA). These activities include a Citizen Participation Plan (PPC, Plan de Participación Ciudadana), comprising a series of workshops with the local people directly affected by the power line, during which the nature of the project, its main impacts (positive and negative) and management strategies are presented.

The procedures for obtaining easements for the construction and operation of overhead power lines are similar to those in Italy.

Normally, Terna prefers solutions based on mutual consent, involving payment of one-off compensation, at market rates, for easement on private property. Only when it is not possible to reach an agreement is it necessary, as in Italy, to adopt enforcement measures (*imposición de servidumbre*).

**POWER LINE EASEMENTS: AGUAYTÍA-PUCALLPA PROJECT IN PERU**  
EASEMENTS RELATING TO CONSTRUCTION  
OF THE 132 KM POWER LINE IN PERU (AGUAYTÍA-PUCALLPA PROJECT)

	TOTAL PLANNED FOR PROJECT	TOTAL AT 22 JANUARY 2020
Total easements	522	501
of which consensual	501	501
of which enforced	21	0

### The most difficult cases and shared solutions

Reaching a consensual solution entails lengthy and difficult mediation procedures.

Outcomes are usually positive, but during the process local opposition may persist. Terna is willing to examine the situation and seek alternative solutions - even ones that are technically more complex than those originally identified - provided that they are compatible with the general interest of maintaining the safety, efficiency and cost-effectiveness of the electricity service.

In 2019, such cases included.

### Difficult cases

#### Italy - Switzerland interconnector and upgrade of the Val Formazza HV network

The consent process for the project began in 2012. Several committees were set up from the outset. In response, Terna scheduled various open meetings ("Terna incontra") with local residents. Over the years, Terna has made a series of voluntary additions to the project, in order to meet demands.

In 2017 and 2018, meetings continued with the Ministry of Cultural Heritage and Activities and the Piedmont and Lombardy regional authorities, aimed at reaching a solution with the broadest possible consensus. To this end, Terna requested and obtained a suspension of the consent process until May 2018. Following the services conferences held in July 2018 and the meetings promoted by the Prefectures of Verbania and Novara, in which the mayors of the municipalities involved took part, Terna announced its willingness to study further design solutions with a view to making technical and environmental improvements.

Following the notification from the Environmental Impact Assessment Technical Committee, which suspended the EIA procedure, the interconnector project has been separated from the Val Formazza upgrade works.

During 2019, Terna met with the local bodies and authorities affected by the project (the MED and regional, provincial and municipal authorities), maintaining constant dialogue with a view to identifying a shared project solution.

#### Restructuring of the 380kV and 132kV grid in the Lucca area

In January 2014, an authorisation procedure was launched regarding construction of a new electricity substation and a new line, and the demolition of other obsolete lines. Although the project was initially coordinated with the municipalities involved, they subsequently rejected it as a result of protests by local residents.

Terna then prepared four alternative solutions and presented them to local residents, and dialogue with the authorities involved continued during 2016. In April 2017, Terna requested a six-month suspension of the consent process in order to produce the documentation required by the EIA (Environmental Impact Assessment) Technical Committee. In April 2018, the Ministry of Cultural Heritage and Activities declared itself against, while the Environmental Impact Assessment Technical Committee declared itself in favour. Therefore, it is necessary to request the intervention of the Cabinet Office to overcome these disagreements between the ministries. The Cabinet has not yet delivered an opinion.

#### Upgrade in the Mid Piave Valley

The authorisation procedure for this project began in 2011 and it is currently at the Environmental Impact Assessment (EIA) phase. Some municipalities, including Belluno and Soverzene, have opposed the identified route and, in response, Terna proposed a project alternative in August 2015.

Dialogue with local authorities and local communities continued in 2016, thanks to the organisation of four meetings with local residents. Following differences of opinion between the Ministry of the Environment and of the Protection of Land and Sea, which was in favour, and the Ministry of Cultural Heritage and Activities and Tourism, which was not, the two ministries have continued to disagree. In January 2018, the Cabinet gave the go-ahead for the project. In March 2018, the environmental compatibility decree was issued, including some restrictions. This initiative is also part of the planning agreement entered into, on 21 January 2019, with Veneto Regional Authority<sup>58</sup>, which, in response to requests from the local communities involved, provides for an underground section of line from Polpet station to the Piave river crossing. During 2019, Terna worked in synergy with local authorities to follow up on the planned project.

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<sup>57</sup> Servicio Nacional de Certificación Ambiental para las Inversiones Sostenibles.

<sup>58</sup> See the 2018 Sustainability Report, page 91.

### Montesano sulla Marcellana electricity substation

These works were authorised in 2010 by Campania Regional Authority. Initially to be carried out by the company, ESSEBIESSE POWER, responsibility was subsequently transferred to Terna. In 2011, immediately after the works had begun, the municipality of Montesano sulla Marcellana ordered their suspension and initiated legal action. Since 2015, when the process of obtaining the necessary consents for the new substation (more compact than the previous one) designed by Terna began, the local committee has organised several demonstrations. In addition, questions have been put in Parliament and strong opposition has been manifested by the mayor of the town of Marcellana, Campania Regional Authority, private citizens and the mountain community, all of which have expressed their opposition, as well as comments and requests for supplementary information. All the alternative proposals presented by Terna were deemed unacceptable by the local authorities and residents. In 2018, in response to the requests from the local community, Terna announced that, together with the town of Montesano sulla Marcellana, it was willing to consider relocation of the substation.

### 380kV Volpago substation

This is the new Volpago substation project, presented in November 2017, regarding which meetings with the councils of Volpago and Scorzè were held in December 2017. A number of committees are already active in the region. They oppose the project because the areas affected by the works include the same municipalities that were involved in the “Cross-Veneto” project<sup>59</sup>, which they strongly opposed. Moreover, some municipalities are engaged in the construction of the “Pedemontana Veneta” expressway (especially Volpago del Montello, where the substation is located), a project that is having a major impact on an area already heavily affected by mining activities (quarries). For the time being, Terna has filed the project with the MED and is proceeding with the formalities involved in beginning the consent process. This project is also included in the planning agreement between Terna and Veneto Regional Authority, signed on 21 January 2019. In addition, efforts have been made to coordinate the committees operating in the area with the aim of safeguarding the local environment and supporting plans to install underground cables.

### The “Cross-Lucana” project

Aimed at connecting plants producing renewable energy from wind power, these works have encountered political problems, due to the position taken by the three councils in the area: Oppido Lucano, Tolve and Avigliano (the latter has requested relocation of the substation, which Terna agreed to and presented a modification to the project). During 2018, the councils of Oppido Lucano and Tolve filed for injunctions suspending work and also requested demolition of two pylons (Oppido Lucano). The latter was then suspended by the Regional Administrative Court, which upheld Terna’s request for interim relief. Finally, Terna has filed an appeal before Basilicata Regional Administrative Court, challenging the Regional Authority’s failure to respond to its application for an extension of the planning consents authorising the power line. During 2019, dialogue continued with the municipalities involved and Basilicata Regional Authority.

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<sup>59</sup> See the 2011 Sustainability Report, page 58.

### Sa.Co.I. 3

The Sa.Co.I.3 project regards renewal and modernisation of the current HVDC electricity connection between Sardinia, Corsica and the Italian mainland, called Sa.Co.I.2, which has reached the end of its useful life. The initiative, which is classified as a Project of Common Interest (PCI), will strengthen the sharing capacity between the countries involved, ensure service continuity and also contribute to the development of the European electricity grid and therefore to the energy transition to more widespread use of renewable energy sources.

In September and November 2018, Terna launched the public consultation process required by the regulations, organising six information days (“Terna Incontra” events) in Sardinia and Tuscany. In the municipality of Suvereto, where the new substation is planned, a “No SACOI3 Committee” has been set up and also has the support of some local politicians.

Terna is committed to implementing the best technical and environmental solutions for the benefit of the new infrastructure’s sustainability, participating in public meetings and technical roundtables in order to engage with local communities. Following meetings with the municipal authority and the Committee, a shared project solution has been arrived at. This will be presented to the EIA Committee in early 2020.

### Shared solutions

#### Agreement between Terna and Veneto Regional Authority regarding a plan to develop and renew the Veneto transmission grid and trial IoT technologies for monitoring it

In January 2019, the lengthy process of dialogue and consultation with local authorities and Veneto residents resulted in a planning agreement regarding extraordinary works relating to the security of the electricity system, development of the region and socio-economic recovery in the areas affected by the exceptional weather events of November 2018.



The agreement provides for substantial investment in the implementation of vital works on the Veneto electricity grid, such as an upgrade between Venice and Padua via construction of the Dolo-Camin 38 0kV underground power line; restructuring of the Mid Piave Valley electricity grid (new Polpet-Scorzé 220 kV line) with an underground cable from the new Polpet substation to the Piave river crossing; construction of the Volpago substation and an upgrade of the existing grid, including 26 km of new underground cable connections and the demolition of 51 km of overhead lines; and restructuring of the electricity grid in Alto Bellunese (Cortina - Auronzo di Cadore 150 kV line) which will be laid entirely underground.

Terna has also undertaken to renew the existing regional electricity grid in order to increase the energy transmission service’s stability and security and the infrastructure’s resilience in the face of exceptional weather events.

The agreement also provides for collaboration with Veneto Regional Authority and the Regional Forestry Authority to develop “green corridors”, an innovative project regarding the creation of ecological corridors along the routes of existing power lines in wooded areas. This will involve the selective planting of native plant species with controlled regrowth. Finally, Terna has undertaken to open centres of technological excellence in the Veneto region and to enter into agreements with universities to promote studies and research regarding the construction of electricity infrastructure, and to provide coworking opportunities.

A second agreement was signed in February 2020. This is in line with the content of the first agreement and regards the launch of a trial, based on Internet of Things (IoT) technology, involving the use of 500 sensors placed on pylons in order to carry out structural monitoring of the transmission grid.

# National and international stakeholders



These include all the other stakeholders whose engagement with Terna is not determined by the presence of electricity infrastructure on their territory and who interact with Terna because they work there (“People”, see the relevant section on page 169), have regulatory, supervisory and authorised power (competent authorities and ministries, see page 119), have an economic interest (shareholders, lenders, see page 46), operate in the electricity supply chain (see page 113), have commercial relations (suppliers - see page 92 - are customers of Non-regulated Activities and business partners), or play a mediating role between Terna and other stakeholders (media and opinion makers, see page 117).

A specific case is communities, namely all the end users of the energy transmission service (see page 119).

## The “States General of the Italian energy transition”

Two days of discussion and analysis regarding the great transformation taking place at global level, and future energy and network scenarios. This was the agenda of the “States General of the Italian energy transition”, organised by Cassa Depositi e Prestiti (CDP), SNAM and Terna, in collaboration with The European House - Ambrosetti, and sponsored by the Prime Minister’s Office and the MED.

With this event, CDP, SNAM and Terna aimed to draw up a shared strategy that brings together authorities and businesses in a joint effort to make the energy transition a great opportunity for investment and employment growth.

In the presence of the Prime Minister, Giuseppe Conte, the Deputy Minister for the Economy and Finance, Laura Castelli, and the Undersecretary of State for Economic Development, Alessandra Todde, Cassa Depositi e Prestiti, a long-term investor, explained how it has widened the scope of its interventions and begun investing in new sectors, to include areas relating to the sustainability issues that feature in its Business Plan 2019-2021.

Terna and SNAM published the results of a joint study on future scenarios for the energy sector, ahead of preparation of ten-year plans for the development of electricity transmission and gas transportation networks.

This study sets out four possible scenarios that highlight the key role of gas and the electricity carrier (the documents are available on Terna’s website)<sup>60</sup>.

This transformation entails a number of challenges if the energy transition process is to take place quickly, effectively and without jeopardising the high levels of service quality achieved, whilst avoiding an excessive increase in costs for the community. Network investment, integration with European markets, increased system flexibility, evolution of the market to allow for the integration of new power generation resources into the system, innovation and digital transformation comprise a set of essential, coordinated and coherent actions.

The second working day, introduced by the presidents of Terna and SNAM, included four thematic workshops, open to external representatives, on research and innovation; the environment; local communities; and business associations. During this session, an assessment was carried out of the initiatives already launched and future projects, where listening to the stakeholders directly involved is of vital importance.

<sup>60</sup> <https://www.terna.it/it/media/news-eventi/stati-general-transizione-energetica-italiana>

## Electricity system operators

Together with Terna, these stakeholders make up the electricity supply chain, operating as producers, distributors, wholesalers and consumers. They engage in multiple relations with Terna, which are highly regulated and characterised by reciprocal impact and influence. These stakeholders also have the potential to influence regulatory authorities and public decision makers.

The My Terna portals (a platform that manages the dispatching users with whom Terna has entered into a contract, supported by a dedicated call centre) and GAUDI, the management system for the Consolidated Power Generation Plant Register at national level, are also used to management relations with these stakeholders.

## Consultation Committee

The Committee is a technical body, chaired by a Terna representative. It is the permanent forum for consultation with operators from the electricity sector, in which the various categories of user (distributors, producers from conventional and renewable sources, large industrial customers, wholesalers and consumers) are represented, and includes the participation of ARERA and MED as observers.

In 2019, the Committee was involved in the process of drawing up the 2019 Development Plan and the 2020 Development Plan<sup>61</sup>. The Committee was also provided with a timely update on the progress of priority development projects.

Discussions with the Committee regarding the Development Plan are published on Terna’s website. The Consultation Committee met twice in 2019.

With a view to sharing knowledge of the sector and promoting opportunities to listen to operators’ requests, during 2019 Terna organised workshops to present projects and changes to the current regulatory framework. These included:

- a seminar on how the bidding tool for the capacity market works;
- a seminar to present the consultation documents relating to the pilot project regarding provision of the ultra-fast frequency regulation service (“Fast Reserve”);
- a workshop on the 2019 Development Plan as part of the public consultation promoted by ARERA;
- a workshop with SNAM on the definition of future energy scenarios.

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<sup>61</sup> The interactions with the Committee regarding the Development Plan are available on Terna’s website (<https://www.terna.it/it/sistema-elettrico/rete/piano-sviluppo-rete/preparazione-pds-consultazioni>)



### The GAUDÌ portal

The GAUDÌ platform, which may be accessed by producers, distributors, dispatching users, authorities and Italy's Energy Services Company (GSE), was created by Terna<sup>62</sup> to manage the Consolidated Power Generation Plant Register at national level.

The Register records all the generation plants and the individual units that comprise them, of any size or source (conventional, renewable, cogeneration), including a total of approximately 870,000 units. It also enables monitoring of the status of each plant - from authorisation to connection, and the market qualification process - as well as all the changes to the plant and to commercial aspects that occur during a plant's operation.

In 2019, the platform implemented important changes regarding an update of upgrade management functions<sup>63</sup> and the management of ASSPC (Other Simple Production and Consumption Systems), aimed at identifying the ones already in operation on 30 April 2017 for which no qualification application had been submitted.

With a view to improving processes, the developments required for various purposes, such as, for example, hydroelectricity auctions, were implemented and notified to distributors and Dispatching Users.

In addition, all the activities needed to adapt the platform to the new European regulations - "Requirements for Generators" and "System Operation Guidelines" - have been launched.

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### Business relations with electricity service operators

In providing the public electricity transmission and dispatching services operated by the Company under concession, Terna maintains business relations with various categories of operator, including:

- dispatching users (producers, wholesalers or end customers) with regard to the provision of dispatching services;
- distribution companies and other private grid operators in relation to transmission and aggregate metering, required with regard to regulate the dispatching service.

Since 2017, Terna is also responsible for the settlement of amounts due to and from balancing service providers (BSPs) that provide services on the Dispatching Services Market (DSM), as part of pilot projects launched by Terna in accordance with ARERA resolution 300/2017.

As part of dispatching activities, as the sole counterparty, Terna procures the resources needed to meet requirements and to guarantee a reserve margin on the DSM.

In 2019, transactions in the DSM amounted to approximately €1.7 billion.

In addition, for dispatching services purposes, Terna checks the consistency between the final programmes of operators (producers and consumers) with the amounts that have actually been withdrawn from/input into the grid. Any deviations represent so-called "imbalances", the value of which entails invoicing the related energy imbalance prices to the individual parties responsible for the imbalance costs. This is done in order to cover the costs generated for the system as a result of their conduct.

Further categories of operator with whom Terna trades include applicants who have requested connection of their plants to the NTG (producers and consumers) and interruptible users, namely customers who are willing to have their electricity supply suspended. Terna signs contracts with these operators regarding the interruptibility service, which is required for the secure operation of the electricity system, and especially with the aim of mitigating the risk of widespread power outages.

Participants in the interruptibility service numbered 221 in 2019, accounting for 4,333 MW of power. The related annual cost amounts to approximately €0.23 billion.

<sup>62</sup> In implementation of ARERA Resolution ARG/elt 124/10.

<sup>63</sup> Pursuant to the Ministerial Decree of 4 July 2019.



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**ELECTRICITY SECTOR OPERATORS IN RELATIONS WITH TERNA - NUMBER OF CUSTOMERS**

CUSTOMERS	2019	2018	2017
Interruptible users	221	243	288
Distributors directly connected with the NTG	54*	51*	27
Supply-side dispatching service users (producers and traders)	130	135	140
Demand-side dispatching service users (traders and end users, including the Single Buyer)	187	187	186

\* In addition to licensed distribution companies, the figure includes operators of closed distribution systems for internal user networks directly connected to the NTG.

#### Agreement between Terna and consumer associations regarding the Cantiere dei consumatori (a focus group)

At the end of January 2020, Terna's Chief Executive Officer, Luigi Ferraris, and representatives from eleven consumer associations (Adiconsum, Adoc, Altroconsumo, Asso-Consum, Assoutenti, Codacons, Federconsumatori, Lega Consumatori, Movimento Consumatori and Udicon) signed a memorandum of understanding to strengthen collaboration between the parties by focusing on listening to citizens' requests and requirements.

In keeping with the attention Terna pays to local communities, this agreement has launched Cantiere dei consumatori, a permanent focus group aimed at stepping up collaboration between the parties during the consultation process in order to identify the best locations for new electricity infrastructure.

The agreement provides for information sharing regarding European, national, regional and local legislative initiatives; the promotion of awareness-raising actions regarding energy transmission issues; the launch of a study of initiatives to decarbonise the electricity and energy systems of Italy's smaller islands; and the dissemination of an energy transition culture among local communities, partly through research and development initiatives supported by European and Italian public grants.

## Other stakeholders

### Media and opinion makers

These stakeholders have a role as mediators between Terna and other stakeholders. This category includes national and international media outlets, national and international opinion leaders, web users, universities and other scientific and research organisations, study groups and national and international influencers, towards whom - with a view to achieving transparency and fostering a widespread electricity culture - Terna has always adopted an approach based on its willingness to share its often unique information content.

The media indirectly influence public opinion, regulatory authorities and public decision makers. They can have a direct impact on Terna's reputation or an indirect effect on its operating and business environment and on political decisions regarding energy.

All communication activities have been developed in such a way as to make coordination between the various departments and the integration of the various tools and activities even more effective, in order to obtain ever more widespread and consistent coverage across all media.

The Group's communication generated coverage via the release of a total of 18,889 items, including traditional (newspapers, periodicals, radio and TV) and online media.

In detail, 4,721 press articles (up 19% on 2018) were registered, 515 items were broadcast on leading TV and radio channels, and 13,653 articles were posted on leading websites. 2,286 articles appeared in the local press (of which 37% expressed positive opinions).

Regarding media coverage of the Chief Executive Officer, 459 articles were published, up 106% on 2018, of which more than half expressed positive opinions. Specific features regarding the CEO also rose, including dedicated photos (up 94%), references in headlines (up 50%) and quotes (up 79%). 14 interviews with the CEO were published in the press (leading national, local and foreign newspapers, and specialist magazines).

In 2019, the leading survey for assessing the transparency of the digital channels of the main Italian listed companies - prepared by Lundquist in collaboration with the Swedish company Comprend - awarded Terna's website ([www.terna.it](http://www.terna.it)) fourth place in the Webranking Italy category (it came fifth in 2017, and tenth in 2016). With 87.3 points out of 100, the Company was also awarded fourth place (fifth in 2018) in the Webranking Europe 500 Comprend 2019 category.

In the first edition of "Lundquist.trust", a study of listed companies' digital communication, Terna was ranked in the Gold Class, which includes only four Italian companies that have managed to strike the best balance between substance, narration and engagement.

According to analysts, Terna was the most consistent communicator of its role and the steps it is taking to implement its strategy. As a result, the Company obtained the best result in terms of "substance".

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In order to facilitate broad awareness of electricity issues and to promote the spread of a well-informed energy culture, two integrated online platforms, representing examples of European excellence, have been launched: "The evolution of the electricity market in numbers", including statistical data since 2000 on national and regional demand, consumption, production, fuel, capacity and energy balances; and the "Transparency Report", which focuses on the latest real-time operating data from the national electricity system.

Finally, Terna's new app with data on system performance and electricity consumption, covering demand, power generation sources, overseas trading flows and news, has been available since December 2019.

## SOCIAL NETWORK

	2019	2018	2017
<b>Facebook</b>			
Fans	20,670	13,153	9,209
Views	2,442,097	3,328,470	3,674,105
Interactions	39,948	46,090	42,870
<b>Twitter</b>			
Followers	5,175	4,500	3,838
Views	575,502	485,288	290,611
Interactions	9,858	8,992	4,930
<b>LinkedIn</b>			
Followers	97,365	61,490	31,990
Views	4,771,527	4,635,262	1,764,035
Interactions	221,572	108,136	18,925

## Relations with environmental organisations

Since 2009, Terna's commitment to further improve the environmental sustainability of the NTG has been implemented in concrete partnership agreements with the main environmental organisations.

The most significant include those with Legambiente, WWF and Greenpeace - which were signed or renewed in 2016 - who support Terna in the identification of grid development solutions in line with national and international environmental targets that are shared with local communities.

Information sharing - for example, regarding the scenarios used for Terna's Development Plan - is constant throughout the year and stepped up during the Plan's preparation phase.

### Terna-RGI workshop on evolution and scenarios for the electricity grid and renewable energy sources

Terna continues to collaborate with RGI (see also page 124), with a view to increasing transparency and dialogue with all the key stakeholders concerned with energy infrastructure.

In April 2019, Terna and RGI-Renewables Grid Initiative held "Network and renewables: evolution and future scenarios", a workshop open to institutions and local authorities, environmental and consumer associations, and research institutes. This focused on the challenges posed by the energy transition and on possible solutions. In particular, Terna provided information on how the electricity grid will evolve to support the growth in renewables and presented the guidelines in the 2019 Development Plan. This envisages investment of more than €13 billion in the NTG over the next ten years and cuts in CO<sub>2</sub> emissions equivalent to approximately 6.3 million tonnes per year.

From an environmental point of view, the measures provided for in the Plan will enable a reduction of CO<sub>2</sub> emissions into the atmosphere of approximately 6.3 million tonnes per year, equivalent to the emissions produced by around 7 million medium-sized cars. Finally, around 60% of the new power lines entering service during the period of the Plan will be "invisible" as they will be underground and/or submarine.

## Regulators of services operated under concession

These are the national and EU institutions and public bodies that by law are granted regulatory and supervisory powers over Terna, in its capacity as the operator of the electricity transmission grid and of dispatching activities.

While carrying out its activities and in full compliance with the respective roles, Terna - in its capacity as an independent system operator - maintains transparent and collaborative relations with these bodies, both with regard to compliance with its obligations under the current legislative and regulatory framework, and in order to make a positive contribution towards development of the framework, playing a proactive role and providing technical support to national and European institutions. Collaboration with institutions specifically involves proposals for solutions that - on the basis of Terna's distinctive know-how - enable more effective pursuit of institutional objectives, such as market efficiency, promotion of the integration of renewable sources, integration of the national market within the European market, and the integrity and security of the Italian electricity system.

## Public decision makers and regulators

These public institutions are responsible for regulation, supervision and authorisation of a general nature, and in particular regarding the construction of infrastructure. They exert an influence over Terna and engage with the Company in the performance of their institutional roles.

Since 2016, Terna has been on the Transparency Register, established by the Ministry for Economic Development to guarantee transparency and the traceability of meetings with the Ministry's top officials.

In 2019, in addition to ordinary communication initiatives and institutional relations, Terna attended the following parliamentary hearings: on 12 March 2019, the Chamber of Deputies' Production Activities Committee hearing into the National Integrated Energy and Climate Plan (PNIEC); on 13 March, the Chamber of Deputies' Joint Budget and Environment Committees' hearing into the Draft Framework Law relating to the development of smaller marine, lagoon and lake islands (AC 1285); on 16 April, the Senate Industry Committee hearing into reform of the intraday electricity market; and on 3 October 2019, the Chamber of Deputies' I and IX Committees' hearing into the Draft Law that is to convert into law Legislative Decree 105 of 2019 relating to urgent provisions regarding the scope of national cybersecurity (C. 2100). On 23 October 2019, Terna also testified before the National Economics and Labour Council's Investigative Committee I - Economic Policy, regarding the economic and employment effects in Italy of the energy policies contained in the new European regulatory framework.

## Community

The concept of the community covers current and future end users of the electricity service and the response to their expectations of the electricity service in keeping with the commitments given in the related concession arrangement.

## Communication channels

The management of relations with key stakeholders presupposes the availability of dedicated communication channels to receive requests for information, suggestions, reports and complaints of various kinds.

The most accessible and user-friendly tool is e-mail, using dedicated addresses to deal with specific matters<sup>64</sup>. This is publicised via the website, [www.terna.it](http://www.terna.it), and in the case of the e-mail address reserved for personnel, also via the intranet.

Via a set of questions, the "Contacts" section in the homepage menu guides visitors who wish to contact Terna. This page also contains certified e-mail addresses, for all communications that are subject to this requirement.

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<sup>64</sup> For example: [sostenibilita@terna.it](mailto:sostenibilita@terna.it), [investor.relations@terna.it](mailto:investor.relations@terna.it); [azionisti.retail@terna.it](mailto:azionisti.retail@terna.it); [ufficio.stampa@terna.it](mailto:ufficio.stampa@terna.it); etc.)

For electricity operators and suppliers, Terna has three separate company portals (GAUDI, MyTerna and the Procurement Portal), as well as a dedicated call centre, which may be reached via a toll-free number (800-999333).

From the website's homepage it is also possible to access Terna's social media profiles, which provide a growing opportunity for interaction with the Company. During 2019, the number of messages received in the Facebook page private mailbox folder (photos sent, support requests for CV submissions, reports and suggestions, requests for information and proposals for cooperation) grew 19.2%, with a private response rate by Terna of over 82%. Overall, during the three-year period 2017-2019, the total number of messages received by private mail from the Facebook page has risen from 168 in 2017 to 248 in 2018, an increase of 47.6%. This growth was driven by the increase in the numbers of support requests for CV submissions (up from 91 in 2018 to 94 in 2019) and photos sent (up from 67 in 2018 to 102 in 2019).

These tools are supplemented by dedicated reporting tools and mechanisms relating to ethical and environmental matters.

203-1 &gt;

### Community initiatives

Terna's contribution to Italy's civic growth goes beyond its role as an infrastructure operator, as expressed through the Company's support for social, cultural and environmental initiatives.

Terna's corporate giving activities primarily consist of financial support for projects with social goals and - preferably - the Company's own organisation of initiatives to benefit the community. In addition, assets no longer of use in operations are donated free of charge, and Terna's employees provide support by spending their working hours on various initiatives, especially paid hours for voluntary work or hours spent on social projects organised directly by Terna, as was the case in 2019 with the third edition and the launch of the fourth edition of the Next Energy programme. All external requests are managed in line with the Group's corporate giving policy and assessed by a special committee comprising the heads of Corporate Affairs, External Relations and Sustainability and Human Resources, Organisation and General Affairs.

415-1 &gt;

In any event, in line with Terna's Code of Ethics, donations are never made to political parties or their representatives.

Terna is a member of the London Benchmarking Group (LBG) and has adopted its model - developing its own customised version - for defining, classifying and accounting for companies' charitable initiatives. The model is geared towards accounting for what companies do via initiatives that generate actual external benefits. Such initiatives may include cash contributions (donations, portions of sponsorships that generate an actual benefit and membership of associations that promote sustainability), in-kind contributions (the donation of assets at the end of their useful lives), or be in the form of working hours. In some cases, the valuation of contributions thus requires the use of non-accounting criteria and is therefore influenced by interpretative factors. Moreover, it has the advantage of consistently linking the costs and benefits of social initiatives, thus enabling strategic planning and effective management of the related activities.

Indeed, an important part of the model regards the measurement of benefits, with the aim of assessing the effective impact on end beneficiaries. In the most important projects, Terna appoints specialist external providers to assess the impact. The community initiatives implemented by Terna in 2019, classified in accordance with the LBG model, are broken down in the following table.

### COMMUNITY INITIATIVES

	2019	2018	2017
<b>Total value of contributions (excluding internal operating costs)</b>	<b>2,027,598</b>	<b>1,956,323</b>	<b>1,817,996</b>
<b>By type of contribution</b>			
- In cash	1,789,727	1,707,603	1,625,685
- In kind (the donation of assets)	25,770	1,700	28,031
- Working hours	212,101	247,020	164,280
<b>By type of initiative*</b>			
- Donations	179,770	110,200	330,000
- Investment in the community	1,407,583	1,303,314	931,433
- Commercial initiatives	440,245	542,808	556,562
<b>By purpose</b>			
- Education and youth	1,299,624	880,630	1,067,497
- Healthcare	9,000	23,000	62,900
- Economic development	125,000	105,300	84,580
- Environment	22,550	242,921	130,721
- Art and culture	273,535	418,575	226,740
- Social well-being	10,000	0	42,000
- Emergency aid	166,489	98,484	100,210
- Other	121,400	187,412	103,347

\* **Donations:** sporadic contributions, typically in response to requests for funds from charitable organisations deemed to be of merit.

**Investment in the community:** expenditure on initiatives coordinated/organised by the Company in accordance with a medium- to long-term programme, often in partnership with non-profit organisations.

**Commercial initiatives:** marketing initiatives with beneficial effects (only the portion of expenditure that constitutes a charitable contribution is accounted for).

Terna's corporate giving policy gives preference to initiatives projects relating to **SDGs 4 ("Quality education"), 7 ("Affordable and clean energy"), 9 ("Industry, innovation and infrastructure") and 11 ("Sustainable cities and communities")**.

In keeping with these guidelines, the most important topics are youth employment - in the form of education and training - and by promoting innovation projects (see the box below on the Next Energy project). Work on the initiatives included in the partnership agreement with the LUISS University continued in 2019. This programme aims to provide high-quality training to talented young students (see page 179).

In 2019, spending on initiatives aligned with priority SDGs 4, 7, 9 and 11 accounted for 71.4% of Terna's expenditure on community initiatives.

For the purposes of full disclosure, it should also be noted that, in 2019, expenditure accounted for as donations and sponsorships amounted to €346,070 and €949,950 respectively.

### Next Energy, the Terna programme focusing on the young and innovation

In April 2019, Terna renewed the three-year partnership with the Cariplo Foundation and Cariplo Factory aimed at implementing initiatives to promote the employability of young people and open innovation, the first of which is Next Energy.

The initiative has the dual aim of facilitating open innovation, in connection with Terna's growing need for innovation and the development of innovative projects, and increasing, again with regard to innovation within the context of the energy transition, opportunities for young, innovative entrepreneurs and talented new university graduates.

In May 2019, the award ceremony for Wind City, the start-up that developed and produced V-Stream, a variable geometry mini-turbine which generates power from wind and water, brought to an end the third edition of Next Energy (see also pages 122 and 165).

The fourth edition of Next Energy was launched in September 2019 and will come to a conclusion in May 2020.

Another topic, which is currently of minor importance, but has potential linked to the growth of the Group's International Activities, is access to energy (see the box below on the "Mato Grosso" project).

### Operation Mato Grosso

In line with the agreement signed in November 2016 between Terna and the Parish of Chacas, in August 2019 the company Terna 4 Chacas was incorporated - which is 99.99% owned by Terna Plus S.r.l. with the remaining stake held by Terna Chile S.p.A. - with responsibility for supervision, engineering and supply of goods and services relating to the construction of the power line envisaged in the "Operation Mato Grosso" project.

This 16.5 km, 60kV power line, with some stretches at an altitude of more than 4,000 metres, will safely connect the local Huallin hydroelectric power plant (3 MW), thereby significantly increasing the availability of electricity, for the benefit of local community development projects.

During 2019, the working group comprising Terna technicians and volunteers from Operation Mato Grosso and the parish defined the route of the line and how it will be connected to the existing 60kV Pomabamba - Huari line.

The authorisation process, which Terna has helped to prepare by supporting the parish in drawing up of technical and design documents, has taken longer than expected and will be completed by the end of the first quarter of 2020.

Ahead of the construction phase, which will start in the second quarter of 2020 and will last approximately one year, an agreement has been signed between Terna Plus - the Terna subsidiary responsible for Non-regulated Activities overseas - and the parish of Chacas regarding implementation of all the planned activities.

Support for environmental causes has not been included in this table as it is usually linked to the construction of new lines and has therefore been classified under environmental expenditure (see "Environmental costs" on page 221).

## Relations with European institutions

Operational since 1 July 2018, the Brussels Office is located in the same building as Cassa Depositi e Prestiti and SNAM, in order to strengthen synergies between their respective activities.

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.

Being in Brussels also allows Terna to strengthen its presence in European and industry associations - especially ENTSO-E, the association of European TSOs - in order to ensure constant dialogue and the adoption of agreed positions versus the related stakeholders.

The main topics that Terna is following include the ones relating to the European Green Deal, the Clean Energy Package for All Europeans and the ones relating to financing under the next financial framework 2021-2027. The latter includes Sustainable Finance, and the Connecting Europe Facility, Horizon Europe and Digital Europe programmes, as well as the European Regional Development Fund and the Cohesion Fund.

## Participation in European and international associations

A further opportunity for engagement and dialogue is provided by Terna's membership of the principal national and international trade associations.

### European associations

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

The European Network of 43 Transmission System Operators for Electricity is involved in the process of integrating national electricity markets, coordinating the secure operation of interconnected electricity systems and developing electricity transmission grids, in implementation of the relative EU legislation (Third Energy Package, CEP-Clean Energy Package).

ENTSO-E's main objectives are to: draw up European network codes, guarantee the coordinated development of the electricity grid at European level by drawing up the European Electricity Grid Development Plan (TYNDP) and the related benchmark scenarios, and draw up the Research, Development and Innovation Plan at European level.

ENTSO-E's activities focus on four courses of action (security of supply, functioning of the energy market, promotion of energy saving, and promotion of the interconnection of energy networks), which generate new tasks for ENTSO-E (implementation of the Regional Coordination Centres - RCC, enhanced cooperation with DSOs, digitisation of networks and development of demand response).

These activities will be developed in line with the new climate policies previously set out by the European Commission with the launch of the so-called European Green Deal, a roadmap that seeks to make the EU the first climate-neutral continent by 2050.

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### **EASE (European Association for Storage of Energy)**

The European association that is responsible for promoting industrial research and development in the field of electricity storage system applications in Europe and around the world and the use of this technology for the transition to a stable, flexible, sustainable and cheaper continental energy system. In particular, EASE is working on the development of a European platform for sharing information in the field of energy storage.

### **RGI (Renewables Grid Initiative)**

An association consisting of 11 European TSOs and 12 environmental NGOs which aims to promote the integration of renewable energy sources through the development of electricity grids. RGI is committed to promoting strategic planning and participating in the construction of new power lines, via a meeting platform involving environmental NGOs and European TSOs (see also page 118).

## **International Associations**

### **CIGRE (Conseil International des Grands Réseaux Electriques - International Council on Large Electric Systems)**

An international non-profit association that conducts research regarding high-voltage grids. It has over 90 member countries, represented by 60 national committees, and Terna is currently the Chair and Vice Chair of the Italian Committee.

### **GO15 (Reliable and Sustainable Power Grids)**

An international association bringing together the 17 leading grid operators worldwide in order to share best practices in the management of electricity transmission grids.

In addition to being on the Steering Board and the Governing Board, Terna co-chairs the Strategic Working Group on "Resilience, infrastructure development and interconnections".

### **Med-TSO (Mediterranean Transmission System Operators)**

This association brings together the TSOs from 19 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 association's registered office and operational headquarters in Rome and appoints its Secretary General, as well as chairing the Technical Committee, which is responsible for planning the Mediterranean electricity grid.

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### **RES4Africa Foundation (Renewable Energy Solutions for Africa)**

This non-profit foundation was established on 7 June 2019, following the transformation of the association with the same name. The association aims to promote 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.

As a founding member, Terna is a member of the Executive Committee.

### **WEC Italia (World Energy Council - Italian committee)**

The Italian 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.

The Company also continued to participate in the activities of organisations with a broader remit (such as Diplomatia, the Council on Foreign Relations, etc.) in order to monitor the socio-political and economic contexts in which to develop or consolidate its business.

In 2019, at bilateral level, Terna initiated a series of contacts with the senior managements of European and non-European system operators, with the aim of concluding cooperation agreements, at bilateral and multilateral level, in areas of common interest, particularly with regard to:

- grid development;
- electricity system operations;
- technological innovation.

In 2019, together with 7 other European TSOs, Terna signed a joint declaration aimed at highlighting the crucial role played by transmission system operators in facilitating the energy transition, ensuring the adequacy and security of the electricity system, promoting the development of networks and guaranteeing the necessary flexibility.

Terna has opened a Brussels Office together with the other entities in which CDP has a stake. Once this is fully operational in 2019, it will enable the Company to strengthen relations with European TSOs, as well as its links with European institutions, including in relation to technical matters. This will enhance Terna's technical contribution regarding European matters ahead of implementation of European legislation reforming the electricity sector (the Clean Energy Package and the European Green Deal) in support of the energy transition and the EU's decarbonisation goals.

# Investigations, litigation and sanctions

## Investigations by ARERA

With regard to the investigations initiated by the Regulatory Authority for Energy, Networks and Environment (ARERA) which are of potential interest to Terna, it should be noted that, based on the information in the Company's possession, the following proceedings are still pending:

- Resolution 450/2013/E/eel of 11 October 2013 - Ruling on electricity price trends in the Sicily area, during the period of maintenance of the Sicily - Mainland interconnector - October 2013;
- Resolution 674/2017/ E/eel Urgent rulings regarding potential problems in the wholesale electricity market deriving from the preventive seizure of the Brindisi Cerano power plant. Formal notice to a market operator and initiation of a fact-finding investigation;
- Resolution 158/2018/E/eel - Initiation of an investigation into the availability of transport capacity between Italy and Greece, partly in view of the launch of market coupling on this border pursuant to Regulation 2015/1222 (CACM).

## Litigation

The main commitments and risks not disclosed in the financial statements at and for the year ended 31 December 2019, relating to the Parent Company, Terna, its subsidiary, Terna Rete Italia S.p.A., and Tamini Group companies, are described below. There are no significant commitments or risks for the other subsidiaries at that date.

### Environmental and urban planning litigation

Part of environmental litigation deriving from the construction and operation of Terna's power plants, consists of legal actions taken against the alleged negative effects of electric and magnetic fields generated by power lines.

In general, this litigation necessarily involves the Parent Company, which owns the infrastructure in question.

Moreover, it cannot be ruled out that the parties concerned may also initiate legal proceedings against the subsidiary, Terna Rete Italia S.p.A., as the electromagnetism generated by power lines relates not only to ownership of the plant, but also to its operation and the quantity and quality of electricity it transports.

Regarding this matter, it should be noted that the issue of the Cabinet Office Decree of 8 July 2003 - which specifically set the values of the three parameters (exposure limits, safety thresholds and quality targets) provided for in Framework Law 36 of 22 February 2001, which electricity infrastructure must comply with - led to a significant reduction in any such litigation.

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Other environmental and urban planning disputes, which do not relate to electromagnetic fields, are also pending with regard to Terna S.p.A. These disputes are connected with the operation of certain Terna-owned plant, which in the event of an unfavourable outcome could also generate immediate effects for Terna Rete Italia S.p.A. (to date unforeseeable and therefore not included in "Provisions for litigation and sundry risks"), both as the entity appointed by Terna S.p.A. to build the related infrastructure and as the entity responsible for its operation. In particular, charges may arise for Terna Rete Italia S.p.A. connected with changes to the infrastructure involved in such disputes and its temporary unavailability. However, after examination of the disputes in question by Terna S.p.A. and external counsel appointed by the Company, it appears that the possibility of any negative outcomes is remote.

In particular, it should be noted that a dispute is pending regarding the new 380kV "Udine West - Redipuglia" line and related works, which has been in operation for two years. If the appeals lodged by the municipalities and/or private parties are upheld, resulting in annulment of the decree authorising the project, this could also have consequences for operation of the infrastructure.

### Litigation regarding the legitimacy of construction permits and the operation of infrastructure

Another aspect of litigation connected with the infrastructure 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 a number of court cases, most of which have contested determinations adopted by ARERA (Italy's Regulatory Authority for Energy, Networks and the Environment), and/or the Ministry for Economic Development, and/or Terna, 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 AREPERA'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.

### Litigation regarding supply contracts

This litigation only refers to Tamini Group companies and relates to supply contracts entered into between Tamini Group companies and its customers, regarding the supply of transformers and/or the related components.

It also concerns certain claims for damages brought against companies, regarding alleged damage caused by machinery and/or components supplied by them.

With regard to these judgements, it is impossible to exclude, in absolute terms, any unfavourable outcomes. Where such outcomes are deemed likely, specific provision is made to the provisions for risks and charges.

Further details on the various categories of litigation are provided in the "Key indicator tables" on page 266.