

Presentation of the Annual Financial Report 2022

2-3 > The Terna Group's Annual Report for 2022 contains Integrated Report to fully espouse an approach based on
2-5 > "Integrated thinking". This means that the Report includes in a single document the Report on Operations, the Sustainability Report and the Consolidated Non-financial Statement^{1 2} (the NFS), in addition to the consolidated financial statements, the Parent Company's separate financial statements and the Green Bond Report. Bringing together all the various disclosures in a single document meets the growing need to provide all the Group's stakeholders with clear, complete and balanced reporting on the Group's business and value creation process.

The value creation process is the only measure of the sustainable wealth and financial and sustainable benefits produced by the Company and is the common thread running throughout this Report. This is why the KPIs measuring the inputs, outputs and outcomes, described in the value creation process and relevant to each section of the Integrated Report, referred to in the document separators, ensuring measurability and comparability of the data over time.

The Integrated Report includes a number of QR codes and hyperlinks providing additional information on certain topics and taking the reader directly to specific pages on Terna's website at www.terna.it.

The Integrated Report also coincides with the Group's Communication on Progress (CoP)³, the document that all members of the United Nations Global Compact are required to publish. The document is designed to inform stakeholders on the actions members have taken during the year to advance and support the values expressed in the ten Principles and on progress towards achieving the sustainable development goals (SDGs) set in the 2030 Agenda.

In line with international best practices, Terna's Integrated Report applies the framework published by the International Integrated Reporting Council (IIRC). The Report presents the operating, financial and sustainability performances within a more complete vision of the process of creating value over time, starting from the Company's specifics. It looks at governance and the resulting ability to define a strategy capable of interacting with the external environment and pursuing the organisation's sustainable success through responsible use of the available capitals and risk management able to mitigate potential threats whilst, at the same time, taking advantage of new growth opportunities.

¹ The Terna Group's NFS has been prepared in compliance with the provisions of Legislative Decree 254/2016, as amended. It contains disclosures on the matters deemed material and provided for in art. 3 of the above Decree, to the extent necessary to enable readers to gain an understanding of the Group's activities, its performance, results and the related impacts. As required by Regulation 852/2020, the NFS also includes the taxonomy disclosure.

² The NFS, prepared using the GRI reporting standards "in accordance with" version, was subject to a limited assurance by Deloitte & Touche S.p.A., resulting in a specific "Assurance report", as required by the provisions of articles 3 and 4 of Legislative Decree 254/2016. The opinion of the auditing firm and the related assurance activities did not concern the disclosure relating to the "material performance indicators envisaged in the supplement for the Electric Utility sector (EUSS)", the "other published GRI performance indicators" reported on page 210, the "Key indicator tables", published in the "Sustainability" section of the website at www.terna.it.

³ See the UNGC site at the following link: <https://www.unglobalcompact.org/what-is-gc/participants/11215>.



Non-financial information is prepared using the GRI (Global Reporting Initiative) reporting standards. When possible, reference is also made to the matching SASB (Sustainability Accounting Standards Board) criteria, the standard used by financial stakeholders located in North America.

The Integrated Report has also been prepared taking into account the Terna Group's membership of the Task Force on Climate-Related Financial Disclosures – TCFD. The document thus includes a reconciliation (page 71) to help the reader identify all the sections containing information on the recommendations.

In addition, in line with the materiality principle, where the methods applied in the IIRC framework, the GRI standards and Legislative Decree 254/2016 meet, all the information reported corresponds with a topic identified as significant in the Materiality Analysis conducted in December 2022. The resulting “materiality matrix”, shown in summary form on page 46, identifies the topics that are significant for Terna and for its stakeholders.

The sustainability performances represented by a GRI KPI are, as is usual, immediately identifiable by a cross-reference to the related code in the margin of the text. Similarly, the topics included in the materiality matrix are also indicated by a cross-reference showing the related classification.

This Annual Report for 2022 was approved by Terna S.p.A.'s Board of Directors on 22 March 2023.