



GREEN BOND REPORT 2021

Green Bond Report 2021



Since 2018, Terna has issued **five green bonds** as part of its €9,000,000,000 Euro Medium Term Notes (EMTN) programme:

- on 16 July 2018, Terna successfully launched its first green bond issue, worth €750 million and having a 5-year term;
- on 10 January 2019, the Company launched a fixed-rate 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;
- 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, Terna successfully placed a new green bond amounting to €500 million and having a 12-year term;
- on 16 June 2021, Terna launched a new green bond issue amounting to €600 million and having an 8-year term.

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 2021, Terna had drawn up and published three Green Bond Frameworks to enhance the transparency and the quality of the green bonds issued.

The first was adopted on 16 July 2018 and the second on 15 July 2020, whilst the third was published on 15 June 2021. Subsequently, on 31 December 2021, Terna published a further updated version of its **Green Bond Framework**. These Frameworks and the second party opinions provided by the independent advisor, Vigeo Eiris, 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, and the bond issue of 16 June 2021 was issued in accordance with the updated Green Bond Framework of June 2021.

Vigeo Eiris has assessed the contribution of all Terna's bond issues to sustainability, assigning them the best possible rating. Vigeo Eiris has also expressed an opinion on the issuer's overall approach to managing ESG issues, judging Terna to be at an "advanced" level¹. In its latest Second Party Opinion, the rating agency also classed Terna's framework to be consistent with the recommendations in the Taxonomy Climate Delegated Act².

¹ Level of evaluation used by Vigeo Eiris – Performance: Advanced, Robust, Moderate, Weak.

² Delegated Regulation (EU) 2021/2139 of the European Commission, dated 4 June 2021.

Finally, Vigeo Eiris considered the Eligible Green Projects to be in line with the following UN SDGs:

UN SDGs

 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Ensure universal access to affordable, reliable and modern energy services.</p>	 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> <p>Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.</p>	 <p>13 CLIMATE ACTION</p> <p>Take urgent action to combat climate change and its impacts.</p>	 <p>15 LIFE ON LAND</p> <p>Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.</p>
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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 April 2019 and July 2020, this edition of the Green Bond Report provides information for the first time on the issue carried out in June 2021.

As noted in the previous reports, the proceeds from the bond issues of 16 July 2018 and 10 January 2019 have been fully allocated and accounted for (see page 5 of the Green Bond Report 2020 and the Green Bond Report 2019 from page 251 of the Sustainability Report for 2019).

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”.

The various categories of environmental benefit indicated in the three Green Bond Framework published as of 31 December 2021 are shown below:

CATEGORY OF ENVIRONMENTAL BENEFIT	DESCRIPTION
Renewable energy	<p>Projects designed to boost renewable energy production:</p> <ul style="list-style-type: none"> • 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	<p>Projects designed to reduce the CO₂ emissions produced by the electricity system by reducing grid losses:</p> <ul style="list-style-type: none"> • Grid infrastructure that enhances transmission efficiency (reducing the difference between power produced and energy consumed, all other conditions being equal).
Soil use & Biodiversity	<p>Projects that aim to reduce soil use and the impact on terrestrial biodiversity:</p> <ul style="list-style-type: none"> • 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 resiliency of electricity transportation Infrastructure	<p>Projects that aim to ensure the quality, security and resiliency of electricity transportation infrastructure:</p> <ul style="list-style-type: none"> • Projects included in the National Development Plan, focusing on the quality and security of the service by resolving operational issues that are in part linked with the ecological 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 resiliency of the national transmission grid ("NTG") in the areas of Italy most exposed to extreme climate events (e.g., high winds, snow and ice).

Allocation reporting

Information on how the proceeds from the bond issues of April 2019, July 2020 and June 2021 have been used is provided below, showing aggregate amounts and data for each Eligible Green Project at 31 December 2021.

The following tables also show, for the three bonds, the percentage of the proceeds allocated to refinance 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 2021.

Finally, with regard to the issues of July 2018 and January 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 5 of the Green Bond Report 2020 and on page 251 of the Green Bond Report 2019).

ISSUE OF 3 APRIL 2019

DESCRIPTION OF INDICATOR	VALORE (€)
Total amount for basket of projects included in the Green Bond	528,177,132
% of basket refinanced	44
Net Green Bond proceeds	498,430,000
Green Bond proceeds allocated at 31 December 2021	379,094,271
Funds/equivalent funds held by the issuer at 31 December 2021	119,335,729

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2021 (€)
Renewable energy	CAPRI-MAINLAND AND SORRENTO INTERCONNECTION	67,446,846	75,164,232
	150kV OPPIDO SUBSTATION	5,419,541	5,560,760
	150kV FOGGIA SUBSTATION/ CONNECTION OF RENEWABLES	3,850,529	3,970,114
	UPGRADE 150kV PUGLIA WIND FARM COLLECTOR	14,430,564	13,851,980
	380kV FOGGIA - BENEVENTO II POWER LINE	74,088,460	75,093,363
	REORGANISATION NORTH CALABRIA GRID	5,998,089	4,012,235
	380kV SORGENTE – RIZZICONI POWER LINE	3,810,065	3,968,233
	CARDANO-NEW ARMoured CABLE	9,611,345	9,882,571
	150kV CASTROCUCCO – MARATEA LINE	2,000,000	-
	380kV SUBSTATION FOR FOGGIA-BENEVENTO AREA WIND FARMS	55,849,694	14,972,101
	RATIONALISATION 220/132kV IN VALLE SABBIA	35,012,603	1,542,301
	WIND ENERGY S.R.L. BONORVA PLANT	4,578,795	4,589,401
	RENEWABLE ENERGY COLLECTOR IN SICILY	10,674,566	10,727,632
	150kV FIUME SANTO-PORTO TORRES LINE	4,801,527	2,493,877
	PHOENIX RENEWABLES CANINO PHOTOVOLTAIC PLANT	203,605	260,216
	132kV PIETRAMALA (FI) – ALL, PARCO E SUBSTATION	6,592,286	6,688,061
	220kV GLORENZA SUBSTATION	2,918,236	-
	380kV BRINDISI SOUTH SUBSTATION	1,936,947	2,227,907
	380kV GARAGUSO SUBSTATION AND CONNECTIONS	6,490,626	7,586,273
	EISACKWERK RIO PUSTERIA	3,405,397	147,340
	WORK ON GRID IN NAPLES-CASERTA AREA	4,028,000	4,803,729
	150kV PICERNO SUBSTATION FOR CONNECTIONS	233,663	133,200
	GRID TO COLLECT RENEWABLE ENERGY IN FOGGIA-BARLETTA AREA	6,339,481	6,368,740
	150kV SAN SEVERO SUBSTATION FOR CONNECTIONS	12,394,098	12,563,076
TOTAL Renewable energy		342,114,963	266,607,341
Energy efficiency	UPGRADE OF THE GRID IN UMBRIA	5,006,665	4,962,020
	ITALY-AUSTRIA INTERCONNECTION	3,901,548	3,931,584
	RATIONALISATION 132kV PIOMBINO AREA	6,270,246	5,833,803
	MONTECORVINO - BENEVENTO	7,030,552	4,256,042
	PATERNÒ - PANTANO - PRIOLO	66,871,640	20,147,982
	NEW CONNECTION IN PROVINCE OF TREVISO	10,043,436	9,787,123
	RATIONALISATION 220kV CITY OF TURIN	38,997,412	22,179,014
	220kV SCHIO SUBSTATION	347,463	347,463
	REORGANISATION OF HV TERAMO VILLANOVA GRID	4,645,945	4,795,571
	220kV GLORENZA-TIRANO-PREMADIO LINE	8,787,424	2,201,413
TOTAL Energy efficiency		151,902,332	78,442,015
Soil use & biodiversity	REORGANISATION 220kV GRID CITY OF NAPLES	31,995,143	33,868,932
	REORGANISATION FLORENCE METROPOLITAN AREA	2,164,694	175,982
TOTAL Soil use & Biodiversity		34,159,837	34,044,914
GRAND TOTAL		528,177,132	379,094,271

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 17 JULY 2020

DESCRIPTION OF INDICATOR	AMOUNT (€)
Total amount for basket of projects included in the Green Bond	505,609,230
- % of basket refinanced	43
Net Green Bond proceeds	496,865,000
Green Bond proceeds allocated at 31 December 2021	376,799,283
Funds/equivalent funds held by the issuer at 31 December 2021	120,065,717

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2021 (€)
Renewable energy	380KV VOLPAGO SUBSTATION	3,280,832	3,280,832
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BASILICATA	6,214,013	4,248,861
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN PUGLIA	1,138,831	1,121,963
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN CAMPANIA	1,412,125	-
	OPPIMITTI CONNECTION	8,293,917	8,601,760
	ROTELLO SUBSTATION	23,895,048	24,182,909
	ASCOLI SATRIANO SUBSTATION	4,152,349	4,152,349
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BETWEEN CAMPANIA AND MOLISE	892,830	892,830
	220KV GLORENZA SUBSTATION	10,247,198	7,400,669
	150KV GOLETO-AVELLINO NORTH POWER LINE	819,844	720,798
	TERME DI BRENNERO-BOLZANO RAILWAY LINE	370,000	-
	ARVIER HYDROELECTRIC CONNECTION	620,134	610,191
	AW2 WIND FARM CONNECTION	268,363	306,222
	150KV CASTELNUOVO DI CONZA INTERCONNECTOR SUBSTATION	259,340	261,279
	INERZIA STORNARELLA CONNECTION	50,000	-
	BELEOLICO TORRE TRIOLO CONNECTION	4,500,000	-
	LIGURIA-TUSCANY WIND FARM CONNECTION	1,253,825	1,728,500
	SYNCHRONOUS COMPENSATORS FOR MAIDA SUBSTATION ³	27,408,667	-
	SYNCHRONOUS COMPENSATORS FOR MATERA SUBSTATION ³	27,368,308	28,872,246
	SYNCHRONOUS COMPENSATORS FOR FOGGIA SUBSTATION	19,456,523	19,453,235
	SYNCHRONOUS COMPENSATORS FOR CANDIA SUBSTATION	14,583,015	14,028,066
	SYNCHRONOUS COMPENSATORS FOR FANO SUBSTATION	16,005,007	14,326,280
	SYNCHRONOUS COMPENSATORS FOR GARIGLIANO SUBSTATION	17,483,534	17,784,967
	380KV FOGGIA – VILLANOVA POWER LINE	103,157,397	103,406,271
	VALLE SABBIA	20,058,007	624,469
	SYNCHRONOUS COMPENSATORS FOR BRINDISI PIGNICELLE SUBSTATION	24,111,378	21,518,293
	TOTAL Renewable energy	337,300,485	277,522,989
Energy efficiency	RATIONALISATION IN CITY OF MILAN	5,498,475	5,818,251
	RATIONALISATION OF NORTH-WEST TURIN AREA	2,226,968	2,225,677
	REORGANISATION OF ROME METROPOLITAN AREA	2,912,034	604,154
	REORGANISATION OF PALERMO METROPOLITAN AREA	38,893,036	38,844,042
	380KV MAGENTA SUBSTATION	28,199,834	6,377,704
	TOTAL Energy efficiency	77,730,346	53,869,827
Soil use & biodiversity	RATIONALISATION IN CITY OF TURIN	6,662,775	6,662,775
	380KV SORGENTE – RIZZICONI POWER LINE	35,188,011	5,972,649
	REORGANISATION OF 220KV GRID IN CITY OF NAPLES	36,386,859	29,095,065
	REORGANISATION OF FLORENCE METROPOLITAN AREA	11,398,963	1,833,216
	150KV CASTROCUCCO – MARATEA POWER LINE	941,790	1,842,760
	TOTAL Soil use & Biodiversity	90,578,399	45,406,466
GRAND TOTAL		505,609,230	376,799,283

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.

³ Amount adjusted with respect to the Report for 2020 after recalculation following the EIB loan obtained on 13 July 2021.

ISSUE OF 16 JUNE 2021

DESCRIPTION OF INDICATOR	AMOUNT (€)
Total amount for basket of projects included in the Green Bond	615,049,714
- % of basket refinanced ⁴	11
Net Green Bond proceeds	597,594,000
Green Bond proceeds allocated at 31 December 2021	87,231,771
Funds/equivalent funds held by the issuer at 31 December 2021	510,362,229

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2021 (€)
Renewable energy	SYNCHRONOUS COMPENSATOR VILLANOVA	38,754,349	-
	SYNCHRONOUS COMPENSATOR CODRONGIANOS	30,151,656	-
	SYNCHRONOUS COMPENSATOR SUVERETO	27,048,257	-
	SYNCHRONOUS COMPENSATOR ROSARA	28,789,035	-
	132KV PRATI DI VIZZE-STEINACH POWER LINE	10,680,389	11,886,794
	132KV APECCHIO SUBSTATION	2,271,044	2,474,383
TOTAL Renewable energy		137,694,729	14,361,177
Quality, security and resiliency of electricity transportation infrastructure	UPGRADE 132KV GENOA METROPOLITAN AREA	23,441,188	20,941,711
	380-150KV PALO DEL COLLE SUBSTATION	9,260,109	9,262,291
	UPGRADE OF NORD SCHIO GRID	7,654,036	7,608,369
	REORGANISATION UPPER BELLUNESE AREA	30,355,790	16,105,407
	380KV UDINE WEST-REDIPUGLIA POWER LINE	15,853,347	8,877,618
	ITALY-FRANCE INTERCONNECTOR	155,384,449	-
	132KV ELBA-MAINLAND POWER LINE	89,862,355	-
	REORGANISATION OF SORRENTINA PENINSULA GRID	7,027,677	8,899,053
	380KV COLUNGA-CALENZANO POWER LINE	92,938,967	1,176,145
	132KV RICCIONE-RIMINI RING	45,577,068	-
TOTAL quality, security and resiliency of electricity transportation infrastructure		477,354,985	72,870,594
GRAND TOTAL		615,049,714	87,231,771

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 (April 2019, July 2020 and June 2021) may have financed 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 bond⁵.

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..

⁴ In accordance with the commitment given in the Green Bond Framework of June 2021, the refinanced projects were completed within 36 months of the latest annual financial statements prior to the date of issue of the relevant Green Bond (16 June 2021).

⁵ For example: reorganisation of Florence metropolitan area, reorganisation of the grid serving the city of Naples and the 150kV Castrocuoco-Maratea power line.

Impact reporting

This section details the impact and the benefits associated with the four categories of Eligible Green Project financed by each of the three Green Bonds issued by Terna and accounted for 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 2021.

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 and C in the following tables that involve “Connections to renewable energy plants”, “Increased production from renewable sources” and a “Reduction in grid losses” are measured in MW and MWh. The benefit resulting from completion of these projects may also be measured in terms of greenhouse gas emission savings, amounting to 4 million tonnes of CO₂ a year⁶. 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 same 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.

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).

⁶ Calculated taking into account the share of total Italian electricity production represented by thermoelectric production in 2021. Allocation for the purposes of the production mix was based on the December 2021 issue of the “Monthly Report on the Electricity System” available on the website at www.terna.it.

ISSUE 3 APRIL 2019

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	Connections to renewable energy plants (MW)	% At 31 December	Increased production from renewable sources (MWh)	% At 31 December	Reduction in grid losses (MWh)	% At 31 December	Laying of underground cables (km)	% At 31 December	Demolition of lines (km)	% At 31 December
Renewable energy	1,671	86	6,140,509	82						
Energy efficiency					188,269	16				
Soil use & biodiversity							18		31	

ISSUE OF 17 JULY 2020

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	Connections to renewable energy plants (MW)	% At 31 December	Increased production from renewable sources (MWh)	% At 31 December	Reduction in grid losses (MWh)	% At 31 December	Laying of underground cables (km)	% At 31 December	Demolition of lines (km)	% At 31 December
Renewable energy	1,472	94	6,185,497	88						
Energy efficiency					265,092	84				
Soil use & biodiversity							42	67	275	87

ISSUE OF 16 JUNE 2021

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS					
	A		B		F ⁷	
	Connections to renewable energy plants (MW)	% At 31 December	Increased production from renewable sources (MWh)	% At 31 December	Reduction in energy not supplied (MWh per year)	% At 31 December
Renewable energy	10	100	126,141	18		
Quality, security and resiliency of electricity transportation infrastructure					14,453	

⁷ The table shows the reduction, in MWh, in energy not supplied as a result of the projects included in the category, "Quality, security and resiliency of electricity transportation infrastructure".

Examples of Eligible Green Projects

The following pages show key technical and financial data and details of the environmental benefits for three representative projects in the four categories of benefit taken into account.

CATEGORY: RENEWABLE ENERGY NEW ELECTRICITY SUBSTATION AT GARAGUSO (MT)

The new 380/150kV Garaguso substation has been built to connect renewable energy plants in the Basilicata region to the HV Matera–Aliano line.

Applications for the connection of renewable energy plants to the NTG (the National Transmission Grid) have been received from 7 plants, making a total of 209 MW. The expected increase in renewable energy integrated into the NTG is 475,635 MWh per year.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 3 April 2019 (planned amount)	6,490,626 €
Proceeds from the green bond allocated to the project at 31 December 2021 (final amount)	7,586,273 €
Connections of renewable energy plants	209 MW
Increase in renewable energy production	475,635 MWh



New Garaguso substation – Category: “Renewable energy”

CATEGORY: ENERGY EFFICIENCY

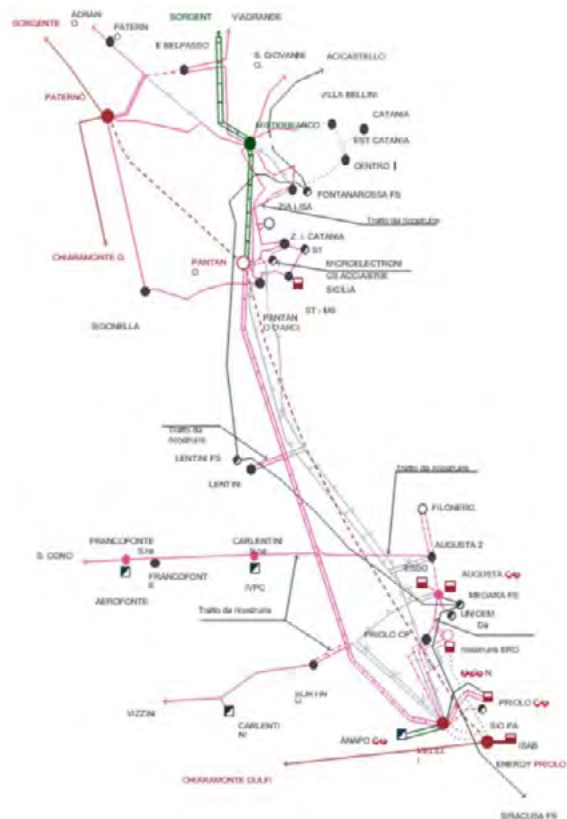
380KV PATERNÒ-PANTANO-PRIOLO POWER LINE (SICILY)

Construction of the 380kV Paternò-Pantano-Priolo power line will result in interconnection of the 380kV grid with the 150kV 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'Arce 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 3 April 2019 (planned amount)	66,871,640 €
Proceeds from the green bond allocated to the project at 31 December 2021 (final amount)	20,147,982 €
Reduction in grid losses	13,200 MWh



380kV Paternò-Pantano-Priolo power line – Category: “Energy efficiency”

CATEGORY: ENVIRONMENTALLY SUSTAINABLE MANAGEMENT OF LAND USE REORGANISATION OF THE GRID IN THE CITY OF NAPLES

In order to improve the security of the grid in Naples and eliminate operational constraints, the Company has devised a development plan involving the construction of three new 220kV power lines, reconstruction of the “Main Naples – Caselluccia” line and the demolition of extensive sections of the “Casoria – Naples Levante” line.

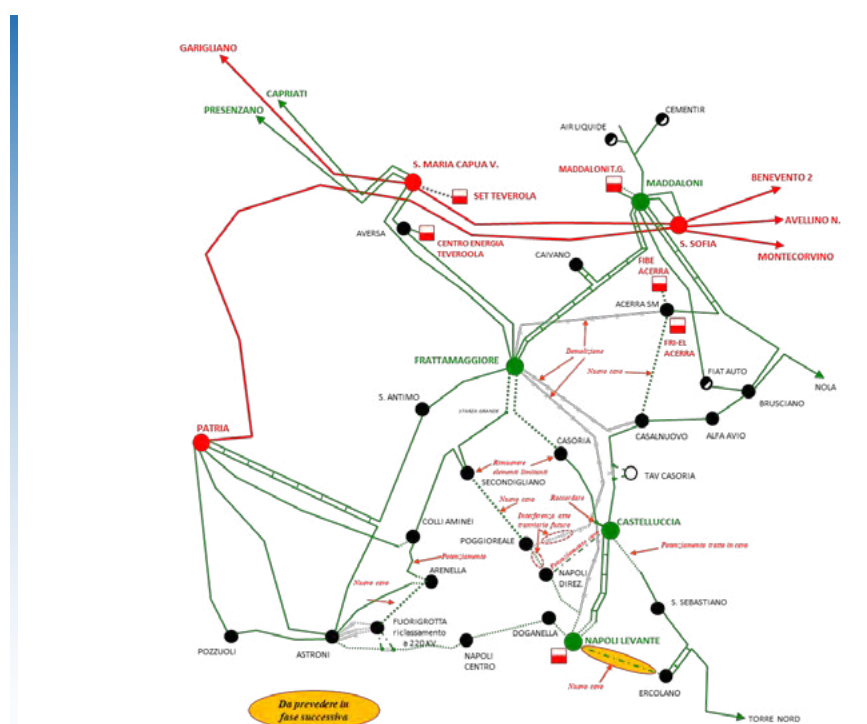
The “Naples Centre” distribution substation is of strategic importance and will be involved in work designed to boost the reliability of the grid.

In addition to laying new cable connections, the project also envisages the decommissioning of a number of 220kV overhead power lines with environmental and social in terms of the reduced amount of land occupied.

Finally, given the age and reliability of the 60kV grid in Naples, many of these lines are due to be reorganised or decommissioned, with major benefits for the quality of electricity supply.

The above works will bring benefits in terms of freeing up land, as the following table shows.

DESCRIPTION OF INDICATOR	VALORE
Total value of the project included in the Bond at 3 April 2019 (planned amount)	31,995,143 €
Proceeds from the green bond allocated to the project at 31 December 2021 (final amount)	33,868,932 €
Construction of underground cable	18 km
Demolition of lines	31 km



Reorganisation of the grid in the city of Naples – Category: “Environmentally sustainable management of land use”

CATEGORY: QUALITY, SECURITY AND RESILIENCY OF ELECTRICITY TRANSPORTATION INFRASTRUCTURE

220KV SCHIO SUBSTATION AND GRID UPGRADE

To boost transformer capacity for the 132kV grid, ensure security at local level and improve the voltage profile in the load area to the west of Vicenza, the grid is to be subject to a wide-ranging reorganisation, with the construction of a new 220/132kV transformer substation, to be appropriately linked to the 132kV grid.

At the same time, the 132kV grid is to be strengthened by removing constraints and increasing quality and security of service.

The overall project is expected to reduce the quantity of energy not supplied by at least 453 MWh per year, as the following table shows.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 16 June 2021 (planned amount)	7,654,036 €
Proceeds from the green bond allocated to the project at 31 December 2021 (final amount)	7,608,369 €
Reduction in energy not supplied	453 MWh



220kV Schio substation and grid upgrade – Category:
“Quality, security and resiliency of electricity transportation Infrastructure”

Independent

Auditor's Report

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 2021 (the "Report"). The Report has been prepared by Terna S.p.A. (the "Company") on the basis of the following frameworks (the "Frameworks"): the Framework issued in July 2018 for the Green Bond issued on April 3, 2019 ("GB 3"), the Framework issued in July 2020 for the Green Bond issued on July 17, 2020 ("GB 4") and the Framework issued in June 2021 for the Green Bond issued on June 16, 2021 ("GB 5"). Those Frameworks were defined by the Company in accordance respectively: with the Green Bond Principles issued by ICMA "2018 edition" for the Frameworks of July 2018 and July 2020, and with the Green Bond Principles issued by ICMA "2021 edition" for the Framework of June 2021.

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, that are in accordance to the Green Bond Principles. In particular, the Management is responsible for the preparation of the sections "Allocation reporting" and "Impact reporting". The Management is also responsible for such internal control as they determine 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 control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* 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 Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the sections "Allocation reporting" and "Impact reporting". We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* ("ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* 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" are free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less 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.

The procedures performed on the sections "Allocation reporting" and "Impact reporting" are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of the information included in the sections "Allocation reporting" and "Impact reporting", analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically, we carried out the following main procedures:

- analysis of the second party opinion which addresses the applicability of the "Eligible Green Project" categories used in the preparation of the use of proceeds data and the environmental benefits;
- analysis of the design and the implementation of the reporting processes and controls regarding the use of proceeds data and the environmental benefits related to the Green Bonds;
- interviews with the Management in order to understand criteria and processes underlying the generation, the detection and the management of relevant qualitative and quantitative information included in the sections "Allocation reporting" and "Impact reporting";
- reconciliation and verification of quantitative data included in the sections "Allocation reporting" and "Impact reporting";
- interviews with relevant staff at corporate and business level responsible for the use of proceeds and the environmental benefits data gathering and consolidation;
- sample analysis performed through the internal and external documentation gathering and analysis, in order to verify the coherence of the information included in the sections "Allocation reporting" and "Impact reporting" to the Green Bond Principles;
- obtaining the representation letter about the accuracy and the completeness of the information included in the Report and of those provided to us.

Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the sections “Allocation reporting” and “Impact reporting” included in the 2021 Green Bond Report of Terna S.p.A., are not prepared, in all material aspects, in accordance with the Frameworks.

DELOITTE & TOUCHE S.p.A.

Signed by
Monica Palumbo
Partner

Milan, Italy
April 7, 2022

This report has been translated into the English language solely for the convenience of international readers.



