

BASE PROSPECTUS



**TERNA - Rete Elettrica Nazionale S.p.A.**

*(incorporated with limited liability in the Republic of Italy)*

**€9,000,000,000**

**Euro Medium Term Note Programme**

Under this €9,000,000,000 Euro Medium Term Note Programme (the **Programme**), TERNA - Rete Elettrica Nazionale S.p.A. (the **Issuer** or **Terna**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €9,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*General Description of the Programme*” and any additional Dealer appointed under the Programme from time to time by the Issuer (each a **Dealer**, and together, the **Dealers**), which appointment may be for a specific issue or on an on-going basis. References in this Base Prospectus to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

**An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “Risk Factors”.**

This Base Prospectus has been approved as a base prospectus by the *Commission de Surveillance du Secteur Financier* (the **CSSF**), as competent authority under Regulation (EU) 2017/1129, as amended (the **Prospectus Regulation**). The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CSSF should not be considered as an endorsement of the Issuer or of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

By approving this Base Prospectus, the CSSF assumes no responsibility and gives no undertaking for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in line with the provisions of Article 6 (4) of the Luxembourg Law on Prospectuses for securities. Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

References in this Base Prospectus to Notes being **listed** (and all related references) shall mean that such Notes have been admitted to trading on the Luxembourg Stock Exchange’s regulated market and have been listed to the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU), as amended (the **MiFID II**).

**This Base Prospectus (as supplemented as at the relevant time, if applicable) is valid for 12 months from its approval in relation to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the EEA). This Base Prospectus will expire on 8 June 2024. The obligation to supplement this Base Prospectus in the event of a significant new factor, material mistake or material inaccuracy does not apply when this Base Prospectus is no longer valid.**

The requirement to publish a prospectus under the Prospectus Regulation (as defined under “*Important Information*” below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the EEA) and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 1(4) and/or 3(2) of the Prospectus Regulation. References in this Base Prospectus to **Exempt Notes** are to Notes for which no prospectus is required to be published under the Prospectus Regulation. **The CSSF has neither approved nor reviewed information contained in this Base Prospectus in connection with Exempt Notes.**

Each of S&P Global Ratings Europe Limited (**S&P**) and Moody’s Italia S.r.l. (**Moody’s**) is established in the EEA and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of S&P and Moody’s is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by the relevant rating agency. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency. Please also refer to “*Risks related to the Market Generally – Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes*” in the “*Risk Factors*” section of this Base Prospectus.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will (other than in the case of Exempt Notes, as defined above) be set out in a final terms document (the **Final Terms**) which will be filed with the CSSF. Copies of Final Terms in relation to Notes to be listed on the Luxembourg Stock Exchange will also be published on the website of the Luxembourg Stock Exchange ([www.luxse.com](http://www.luxse.com)). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the **Pricing Supplement**).

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the Issuer and the relevant Dealer. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the **Securities Act**) or any U.S. State securities laws and may not be offered or sold in the United States or to, or for the account or the benefit of, U.S. persons as defined in Regulation S under the Securities Act, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and any applicable securities laws of any state or other jurisdiction of the United States.

Amounts payable under the Notes may be calculated by reference to either EURIBOR, CMS or such other Reference Rate as specified in the relevant Final Terms.

As at the date of this Base Prospectus, the EMMI (European Money Market Institute), as administrator of EURIBOR is included in register of administrators maintained by the European Securities and Markets Authority (**ESMA**) under Article 36 of the Regulation (EU) No. 2016/1011, as amended (the **EU Benchmarks Regulation**). As at the date of this Base Prospectus, the ICE Benchmark Administration (as administrator of CMS) is not included in the register of administrators maintained by ESMA under Article 36 of the EU Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the EU Benchmarks Regulation apply, such that ICE Benchmark Administration (as administrator of CMS) is not currently required to obtain authorization/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

Amounts payable on Inflation Linked Notes will be calculated by reference to CPI or HICP (each as defined below). As at the date of this Base Prospectus, the administrators of CPI and HICP are not included on ESMA's register of administrators under Article 36 of the EU Benchmarks Regulation. As far as the Issuer is aware, CPI and HICP do not fall within the scope of the EU Benchmarks Regulation by virtue of Article 2 of that Regulation.

**JOINT ARRANGERS**

**IMI – Intesa Sanpaolo**

**UniCredit**

**DEALERS**

**BNP PARIBAS**

**IMI – Intesa Sanpaolo**

**Citigroup**

**UniCredit**

The date of this Base Prospectus is 8 June 2023.

## IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 8(1) of the Prospectus Regulation and the UK Prospectus Regulation. When used in this Base Prospectus, Prospectus Regulation means Regulation (EU) 2017/1129, as amended, and UK Prospectus Regulation means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA).

The Issuer (the *Responsible Person*) accepts responsibility for the information contained in this Base Prospectus and the Final Terms for each Tranche of Notes issued under the Programme. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Base Prospectus is to be read in conjunction with any supplement hereto and with all documents which are deemed to be incorporated by reference in it (see “*Documents Incorporated by Reference*”). This Base Prospectus shall be read and construed on the basis that those documents are incorporated and form part of this Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference (see “*Documents Incorporated by Reference*”), the information on the websites to which this Base Prospectus refers does not form part of this Base Prospectus and has not been scrutinised or approved by the CSSF.

None of the Dealers or the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made by any of the Dealers or by any of their respective affiliates (including parent companies) or the Trustee and no responsibility or liability is accepted by any of the Dealers or by any of their respective affiliates (including parent companies) or the Trustee as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or of any other information provided by the Issuer in connection with the Programme. None of the Dealers or any of their respective affiliates (including parent companies) or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.

In relation to Step Up Notes (as defined below) and Notes issued as “Green Bonds”, neither the Joint Arrangers nor any Dealer nor the Trustee nor any of their respective affiliates accepts any responsibility for any environmental or sustainability assessment of any Notes issued as Step Up Notes or “Green Notes” or makes any representation or warranty or gives any assurance as to whether such Notes will meet any investor expectations or requirements regarding such “green”, “sustainable” or similar labels. None of the Joint Arrangers, the Dealers, the Trustee nor any of their respective affiliates have undertaken, nor are they responsible for, any assessment of the Eligibility Criteria for Eligible Green Projects, any verification of whether Notes issued as “Green Bonds” meet the relevant Eligibility Criteria, nor are they responsible for the use of proceeds for any Notes issued as “Step Up Notes” or “Green Bonds”, nor the impact or monitoring of such use of proceeds or the allocation of the proceeds to particular Eligible Green Projects. None of the Joint Arrangers, the Dealers, the Trustee nor any of their respective affiliates will verify or monitor the proposed use of proceeds of the Notes issued as “Green Bonds” issued under the Programme.

This Base Prospectus contains industry and customer-related data as well as calculations taken from industry reports, market research reports, publicly available information and commercial

publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Issuer is aware and is able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.

No person is or has been authorised by the Issuer, any Dealer or the Trustee or any of their respective affiliates (including parent companies) to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, any of the Dealers or the Trustee that any recipient of this Base Prospectus or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Base Prospectus nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the Issuer, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained in it concerning the Issuer is correct at any time subsequent to its date or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in Notes issued under the Programme of any information coming to their attention. Investors should review, *inter alia*, the most recently published documents incorporated by reference into this Base Prospectus when deciding whether or not to purchase any Notes.

**IMPORTANT – EEA RETAIL INVESTORS** – If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to EEA Retail Investors" is applicable, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**IMPORTANT – UK RETAIL INVESTORS** – If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to UK Retail Investors" is applicable, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part

of domestic law by virtue of the EUWA; or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II product governance / target market** – The Final Terms in respect of any Notes may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID II Product Governance rules under EU Delegated Directive No. 2017/593 (the **MiFID II Product Governance Rules**), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID II Product Governance Rules.

**UK MiFIR product governance / target market** – The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled “UK MiFIR Product Governance” which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Joint Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

## **IMPORTANT INFORMATION RELATING TO THE USE OF THIS BASE PROSPECTUS AND OFFERS OF NOTES GENERALLY**

**This Base Prospectus does not constitute an offer to sell or the solicitation of an offer, or an invitation, to buy any Notes in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers and the Trustee do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Dealers or the Trustee which would permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is**

required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the United Kingdom, the EEA (including, for these purposes, France and the Republic of Italy (*Italy*)) and Japan (see “*Subscription and Sale*”).

## SECOND PARTY OPINIONS AND EXTERNAL VERIFICATION

In connection with the Notes issued as “Green Bonds” or Step Up Notes under the Programme, an opinion, report or certification of a third party (whether or not solicited by the Issuer), including the Second Party Opinion (as defined in the section “Use of Proceeds”), may or may not be made available, as the case may be. Any information in such second party opinions or any past or future second party opinions provided pursuant to Condition 15 (*Available Information*) is not part of this Base Prospectus and should not be relied upon in connection with making any investment decision with respect to any Notes to be issued under the Programme. In addition, no assurance or representation is given by the Issuer, any other member of the Group, the Joint Arrangers, the Dealers or any other member of their group (including parent companies), the Trustee, second party opinion providers, the independent auditors or the External Verifier as to the suitability or reliability for any purpose whatsoever of any second party opinion in connection with the offering of any Notes as “Green Bonds” or any Step Up Notes under the Programme. Any such second party opinion and any other document related thereto is not, nor shall it be deemed to be, incorporated in and/or form part of this Base Prospectus.

## PRESENTATION OF FINANCIAL AND OTHER INFORMATION

### Presentation of Financial Information

Unless otherwise indicated, the financial information in this Base Prospectus relating to the Issuer have been derived from the audited consolidated financial statements for the financial years ended on 31 December 2022 and 31 December 2021 and the unaudited consolidated interim financial information for the three months ended on 31 March 2023 (together, the *Financial Statements*).

The Issuers’ financial year ends on 31 December, and references in this Base Prospectus to any specific year are to the 12-month period ended on 31 December of such year. The Financial Statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) issued by the International Accounting Standards Board.

### Certain Defined Terms and Conventions

Capitalised terms which are used but not defined in any particular section of this Base Prospectus will have the meaning attributed to them in “*Terms and Conditions of the Notes*” or any other section of this Base Prospectus. In addition, the following terms as used in this Base Prospectus have the meanings defined below:

All references in this document to euro and € refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended, all references to Sterling and £ refer to pounds sterling and all references to U.S. dollars, U.S.\$ and \$ refer to United States dollars.

References to a *billion* are to a thousand million.

Certain figures and percentages included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown in the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

In this Base Prospectus, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.

### **SUITABILITY OF INVESTMENT**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- i. has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- ii. has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- iii. has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- iv. understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- v. is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to investment laws and regulations, or to review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

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## STABILISATION

**In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) acting as Stabilisation Manager in the applicable Final Terms or Pricing Supplement (in the case of Exempt Notes) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment shall be conducted by the relevant Stabilisation Manager(s) in accordance with all applicable laws and rules.**

## GENERAL DESCRIPTION OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The Issuer may agree with the relevant Dealer and the Trustee that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes, and if appropriate, a new Base Prospectus or a supplement to the Base Prospectus, will be published.

This overview constitutes a general description of the Programme for the purposes of Article 25(1) of Commission Delegated Regulation (EU) No. 2019/980, as amended (the **Delegated Regulation**).

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this general description.

|                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Issuer:                               | TERNA - Rete Elettrica Nazionale S.p.A.                                                                                                                                                                                                                                                                                                                                                                                                   |
| Issuer Legal Entity Identifier (LEI): | 8156009E94ED54DE7C31                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Description:                          | Euro Medium Term Note Programme                                                                                                                                                                                                                                                                                                                                                                                                           |
| Joint Arrangers:                      | Intesa Sanpaolo S.p.A.<br>UniCredit Bank AG                                                                                                                                                                                                                                                                                                                                                                                               |
| Dealers:                              | BNP Paribas<br>Citigroup Global Markets Europe AG<br>Citigroup Global Markets Limited<br>Intesa Sanpaolo S.p.A.<br>UniCredit Bank AG<br><br>and any other Dealers appointed in accordance with the Programme Agreement.                                                                                                                                                                                                                   |
| Certain Restrictions:                 | Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”), including the following restrictions applicable at the date of this Base Prospectus. |

### Notes having a maturity of less than one year

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 (FSMA) unless they are issued to a limited class of

|                         |                                                                                                                                                                                                                                                                                                                                          |
|-------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                         | professional investors and have a denomination of at least £100,000 or its equivalent (see “ <i>Subscription and Sale</i> ”)                                                                                                                                                                                                             |
| Trustee:                | Deutsche Trustee Company Limited                                                                                                                                                                                                                                                                                                         |
| Principal Paying Agent: | Deutsche Bank AG, London Branch                                                                                                                                                                                                                                                                                                          |
| Programme Size:         | Up to €9,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.                                                                                    |
| Distribution:           | Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.                                                                                                                                                                                                                 |
| Currencies:             | Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.                                                                                                                                                                                                              |
| Redenomination:         | The applicable Final Terms (or, in the case of Exempt Notes, the Pricing Supplement) may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4 ( <i>Redenomination</i> ).                                                                  |
| Maturities:             | The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency. |
| Issue Price:            | Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par, as specified in the applicable Final Terms.                                                                                                                    |
| Form of Notes:          | The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.                                                                                                                                                                                                                                                    |
| Fixed Rate Notes:       | Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.                                                                           |

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (b) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer(s) for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Step Up Notes:

Fixed Rate Notes and Floating Rate Notes may be subject to a Step Up Option if the applicable Final Terms indicates that the Step Up Option is applicable. The Rate of Interest for Step Up Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that, for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Step Up Note.

If the applicable Final Terms specifies that a Collective Step Up Event is applicable (comprising more than one Step Up Event), upon the occurrence of the first Step Up Event comprising the Collective Step Up Event, the Rate of Interest (in the case of

Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), shall be increased by the Collective Step Up Margin from the next following Interest Period, provided that, once the Rate of Interest (in the case of Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), has been increased by the relevant Step Up Margin upon the occurrence of a Collective Step Up Event, no further Step Up Event may occur.

If the applicable Final Terms specifies that more than one Step Up Event is applicable but specifies that a Collective Step Up Event is not applicable, upon the occurrence of any Step Up Event so specified, the Rate of Interest (in the case of Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), shall be increased by the relevant Step Up Margin for each Step Up Event that may occur from the next following Interest Period.

**Inflation Linked Notes:**

Payments in respect of interest and/or principal in respect of Inflation Linked Notes will be calculated by reference to one or more inflation indices as set out in Condition 5.5 (*Inflation Linked Note provisions*) and Conditions 7.12 (*Inflation Linked Redemption Notes*) and 7.13 (*Calculation of Inflation Linked Redemption*).

**Zero Coupon Notes:**

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

**Exempt Notes:**

The Issuer may issue Exempt Notes which are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Index Linked Notes, Inflation Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments (Instalment Notes).

**Redemption and interest in respect of Exempt Notes:**

***Index Linked Notes:*** Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the Issuer and the relevant Dealer may agree.

***Inflation Linked Notes:*** Payments in respect of interest and/or principal in respect of Inflation Linked Notes will be calculated by reference to one or more inflation indices as set out in Condition 5.5 (*Inflation Linked Note provisions*) and Conditions

7.12 (*Inflation Linked Redemption Notes*) and 7.13 (*Calculation of Inflation Linked Redemption*).

**Dual Currency Notes:** Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the Issuer and the relevant Dealer may agree.

**Partly Paid Notes:** The Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

**Notes redeemable in instalments (Instalment Notes):** The Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the Issuer and the relevant Dealer may agree.

The Issuer may agree with the Trustee and any Dealer that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, (see “*Certain Restrictions – Notes having a maturity of less than one year*” above).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer, save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, (see “*Certain Restrictions – Notes having a maturity of less than one year*” above), and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a currency other than euro, the equivalent amount in such currency).

Taxation:

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction, unless such withholding or deduction is required by law. In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay

|                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                            | additional amounts to cover the amounts so deducted.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Negative Pledge:           | The terms of the Notes will contain a negative pledge provision as further described in Condition 3 ( <i>Negative Pledge</i> ).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| Cross Default:             | The terms of the Notes will contain a cross default provision as further described in Condition 10 ( <i>Events of Default and Enforcement</i> ).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| Status of the Notes:       | The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 ( <i>Negative Pledge</i> )) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for such obligations as may be preferred by mandatory provisions of law) equally with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.                                                                                                                                                                                                           |
| Benchmark discontinuation: | If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.4(b) ( <i>Successor Rate or Alternative Rate</i> )) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.4(c) ( <i>Adjustment Spread</i> )) and any Benchmark Amendments (in accordance with Condition 5.4(d) ( <i>Benchmark Amendments</i> )). |
| Redemption:                | The applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments in the case of Exempt Notes, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.                                                                      |

Clean-Up Call Option and Maturity Par Call Option: The applicable Final Terms will also indicate whether the Issuer has a Clean-up Call Option or an Issuer Maturity Par Call. See Condition (7.4) (*Redemption at the option of the Issuer (Issuer Maturity Par Call)*) and Condition (7.5) (*Redemption at the option of the Issuer (Clean-Up Call)*).

Rating: As of the date of this Base Prospectus:

- (i) S&P has issued a long-term rating of “BBB+” with a stable outlook and a short-term rating of “A-2” in respect of Terna; and
- (ii) Moody’s has issued a senior unsecured long-term rating of “Baa2” and a short-term rating of “Prime-2” in respect of Terna, each rating with a negative outlook.

Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing, Approval and Admission to Trading: Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange.

Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.

The applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

|                                     |                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governing Law:                      | The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 16 (Meetings of Noteholders, Modification and Waiver) and Schedule 3 of the Trust Deed are subject to compliance with the laws of the Republic of Italy.        |
| Selling Restrictions:               | There are restrictions on the offer, sale and transfer of the Notes in the United States, the United Kingdom, the EEA (including, for these purposes, France and Italy) and Japan, and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes (see “ <i>Subscription and Sale</i> ”). |
| United States Selling Restrictions: | Regulation S, Category 2. TEFRA C or D or TEFRA not applicable, as specified in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes).                                                                                                                                                                         |

## **RISK FACTORS**

*In purchasing Notes, investors assume the risk that the Issuer may become insolvent or otherwise be unable to make all payments due in respect of the Notes. There is a wide range of factors which, either individually or together could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuer may not be aware of all relevant factors and certain factors which it currently deems not to be material may become material as a result of the occurrence of events outside the Issuer's control. The Issuer has identified in this Base Prospectus a list of the factors which could materially adversely affect its business and ability to make payments due.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE ISSUER'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME**

**The risks below have been classified into the following categories:**

- ***Risks relating to the Issuer's financial position;***
- ***Risks relating to the Issuer's business activity and industry;***
- ***Risks related to the internal control of the Issuer; and***
- ***Risks related to the political, environmental, social and governance environment of the Issuer.***

#### **Risks relating to the Issuer's financial position**

##### ***The Issuer may be exposed to financial risks***

The Terna Group is exposed to financial risks: market risk (interest rate risk, exchange rate risk and inflation risk), liquidity risk and credit risk. If such risks materialise, the Issuer's cash flows may be affected. In accordance with the policies approved by its Board of Directors, the Issuer has established responsibilities and operational procedures in order to manage such financial risks and agree the measures to be adopted. Terna's risk management policies aim to identify and analyse the risks to which the Terna Group is exposed, setting appropriate limits and controls and monitoring risks and compliance with such limits. These policies and their relevant systems are reviewed on a regular basis in order to reflect any changes in market conditions and in the activities of the Terna Group.

##### ***Liquidity risk***

Liquidity risk is the risk that the Terna Group might encounter difficulty in discharging its obligations in respect of its financial liabilities and operating cycle. Liquidity risk management seeks to ensure adequate coverage of borrowing requirements by obtaining adequate credit lines and appropriate management of any surplus liquidity.

### ***Ratings associated risk***

Terna is currently rated by S&P and Moody's. Generally, a credit rating assesses the creditworthiness of an entity and informs investors about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities, it may be revised or withdrawn by the rating agency at any time and does not comment on the market price, marketability, investor preference or suitability of any security.

Credit ratings play a critical role in determining the costs for entities accessing the capital markets in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings by S&P and Moody's may increase borrowing costs or even jeopardise further issuance.

The price of the existing bonds may deteriorate following a downgrade of the Issuer's credit ratings. In addition, the Issuer's credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy. On the basis of the methodologies used by S&P and Moody's, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit ratings of Italian issuers such as the Issuer and increase the likelihood that the credit ratings of Notes issued under the Programme could be downgraded, with a consequent adverse effect on their market value.

### ***Interest Rate Risk***

Interest rate risk is represented by the uncertainty associated with interest rate fluctuations. This is the risk that a change in market interest rates may produce effects on the fair value or on the future cash flows of financial instruments. Terna's main source of interest rate risk is associated with its borrowings and related hedges in the form of derivative instruments that generate financial expenses.

Terna's borrowing strategy focuses on long-term loans whose maturities reflect the useful life of company assets and the regulation on revenues. The Issuer pursues an interest rate risk hedging policy that aims at guaranteeing that the percentage of debt represented by fixed rate liabilities is at least 40 per cent., as provided for in the relevant policies.

Interest rate risk is mitigated through derivatives, which hedge the risk connected with movements in interest rates relating to long-term borrowing, however there can be no assurance that such transactions will be successful in eliminating the risks deriving from changes in interest rates, or that Terna will be able to further implement transactions to hedge interest rate risk related to new debt and this may have an adverse effect on the Issuer's business and results of operations.

### ***Credit Risk***

Credit risk is the risk that one of the counterparties of a financial or commercial transaction could cause a financial loss by failing to discharge an obligation. It is mainly generated by trade receivables and by the financial investments of the Issuer.

The credit risk originated by open positions on transactions in derivatives is considered to be marginal since the counterparties, in compliance with the financial risk management policies adopted, are leading international banks with high ratings.

Terna provides its services essentially to counterparties considered solvent by the market, and therefore with a high credit standing, and does not have high concentrations of credit risk.

With specific reference to credit risk associated with trade receivables, the management of such risk is driven by the applicable regulations, including provisions of the Regulatory Authority for Energy, Networks and the Environment (*Autorità di Regolazione per Energia Reti e Ambiente*, hereinafter referred to as the **ARERA**) Resolution 111/06.

### ***Exchange risk***

Although the focus of the Terna Group is investing in the domestic grid, Terna aims to take advantage of opportunities for international expansion by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country. Due to these activities, Terna has a marginal exposure to exchange rate risks in relation to cash flows related to investments, revenues, costs, financial income or expenses denominated in foreign currencies, such as cash flows related to the purchase or sale of equity participations. Such exposure is mitigated through highly liquid and easy-to-price derivatives, such as forwards and options however there can be no assurance that such instruments eliminate exchange rate risks.

### ***Inflation risk***

As regards inflation risk, the rates established by the regulator to provide a return on Terna's activities are determined to cover the allowed costs. Such cost components are updated on an annual basis to take into account the impact of inflation.

### **Risks relating to the Issuer's business activity and industry**

#### ***The Issuer's revenues and the conduct of Regulated Activities substantially depend on the actions and decisions of the regulatory authorities in Europe and Italy***

Remuneration criteria for the electricity transmission, distribution, metering and dispatching services, as well as the regulation related to the quality of the transmission service and to other output based incentive mechanisms, are set by ARERA. Within the scope of these regulations there are a number of variables that could impact the Terna Group's performance (*for further details please see section "Description of the Issuer – Tariff System"*).

In addition, with respect to electricity transmission, the payments due to the Terna Group are collected directly by the Terna Group invoicing the Italian electricity distributors. Accordingly, any failure or delay in collecting tariffs from the Italian electricity distributors may have an adverse effect on the Terna Group's financial condition and results of operations. Also, distributors or other participants in the electricity sector may request the recalculation of tariffs invoiced to them. If any such recalculation is required, it is possible that the annual fees related to the recalculation period may be reduced as a result and/or such recalculation may have an adverse effect on the Terna Group's revenues, financial position or results of operations.

The Terna Group is also required to comply with the guidelines and directives of the Ministry of the Environment and Energy Security relating to the operation, maintenance and development of the Terna Group's Grid, including the level of capital expenditure required for such activities. Future guidelines or directives by the Ministry of the Environment and Energy Security, over which the Issuer has no control, including those requiring investments or the incurrence of capital expenditures, may increase the Terna Group's costs or, otherwise, adversely affect its financial condition and results of operations.

The Issuer may be affected by appeals against provisions adopted by it following Resolutions by the ARERA. The Issuer, as a concessionaire of transmission and dispatching services, may adopt measures or undertake actions in order to comply with the relevant legislation which bind the concessionaire to guarantee the third party access to the National Transmission Grid (EU Directive 2019/944 and Italian Legislative Decree n. 79/1999), as well as with the Resolutions of the ARERA. Third parties affected by such measures and actions may seek to appeal against such measures and actions in administrative proceedings. In the event that such proceedings lead to the annulment of measures and actions taken by the Issuer, the Issuer is unable to predict the impact of such judgments on its business, financial situation or performance, even if the relevant economic costs may be recognised, under certain conditions, by the ARERA.

The failure of the Terna Group's Grid or any impairment in the quality of the Issuer's services may adversely affect the Issuer's revenues and expose the Issuer to uncapped liabilities. The Terna Group's operations are exposed to the risk of unexpected service interruptions caused by external events that are beyond Terna's control, such as accidents, defects or breakdowns involving control systems or other equipment, deteriorating plant performance, natural disasters, terrorist attacks and other extraordinary events of such kind. Repairs to the sections of the National Transmission Grid owned by the Terna Group and any claims for compensation by third parties as a result of such events could give rise to expenses if the Terna Group is found to be responsible. As a consequence of any of these factors, the Issuer's results may be adversely affected by the dynamics of the volume of electricity transmitted and/or dispatched by the National Transmission Grid.

Moreover, the Terna Group may incur penalties and damage requests with reference to the quality of the transmission services (see also section "*Description of the Issuer – Tariff System*").

***Risks related to the concession governing the transmission and dispatching activities conducted by the Issuer***

The Issuer conducts the transmission and dispatching activities, including the management of the National Transmission Grid pursuant to a concession (see also sections "*Description of the Issuer – History and development*" and "*Description of the Issuer – Legislative and Regulatory Framework*").

The concession will expire in 2030 and may be renewed for the same duration (i.e. 25 years). The Ministry of Economic Development can impose suspension or revocation of such concession in the case of an event of default or a breach by the Issuer that can seriously affect the performance of the electrical service. It can also order the revocation of the concession if it is no longer appropriate for the pursuit of the public interest (see also section "*Description of the Issuer – Legislative and Regulatory Framework*").

The Issuer's inability to retain ownership of the concession or a renewal thereof at less favourable terms could materially and adversely affect its future results of operations and cash flows, as well as its financial condition.

***The Issuer may be exposed to risks deriving from Non-Regulated and International Activities***

Through Non-Regulated domestic activities, the Terna Group is oriented to support energy transition, leveraging on its competences so to offer a portfolio of products/services in line with the market opportunities then available. Furthermore, the small average size of the deals and the selection of strategic counterparties for any large deal limit the impact of any possible adverse effect on the results of Non-Regulated Activities.

In relation to International Activities the Terna Group/Issuer has acquired, and will acquire, the necessary financial resources to execute the relevant project finance documentation. In this respect, it is worth noting that the Issuer may be required to compensate, indemnify and hold harmless the counterparties involved in the international projects, from damages suffered by them, as result of any inaccuracy or breach of any representation or warranty given by the Issuer and/or of any breach of any covenant or agreement or in relation to any claim, contingency or liability of the Terna Group/Issuer. Such claims could materially and adversely affect the Issuer's business, results of operations and financial condition and reputation.

In addition, possible changes to the relevant legislative or regulatory framework (in Italy or abroad) may make investments in this sector less attractive and, consequently, lead to a decrease in market opportunities for the Terna Group's Non-Regulated Activities and International Activities, affecting its revenues and results.

With regard to the Tamini and Brugg Kabel businesses (both as defined in section “*Description of the Issuer – Organisational Structure*”) although this is of a relatively small size within the Terna Group, any changes on the market conditions and any possible claims related to the production and/or the supply of industrial and power transformers and cables could have a material adverse effect on the revenues and results of these specific businesses. For further details on such Non-Regulated and International businesses please see section “*Description of the Issuer – Issuer’s Business*”.

### ***Risks connected with failing to meet infrastructure development objectives***

The Issuer’s ability to develop its infrastructure and to implement its projects is subject to many unforeseeable events linked to operational, economic, and regulatory factors which are outside its control. In addition, the Issuer is unable to guarantee that all the relevant authorisations and permits will be granted or issued within the expected timeframe and that, once granted or issued, these will not be revoked.

Moreover, the Issuer cannot guarantee that any planned projects will be started, completed or lead to the expected benefits in terms of tariffs. Furthermore, any such development projects may require greater investments or longer timeframes than those originally planned, affecting the Issuer’s financial position and results.

Public authorities, residents and local communities may oppose new developments or projects to be executed by the Issuer, on the grounds that new infrastructures may impact the land that will host them. Such opposition may take the form of legal proceedings or protests and/or public opposition. The occurrence of any such challenges or protests during the approval process or the execution of new projects could lead to significant delays, increases in investment costs, and, potentially, legal proceedings.

### ***Sanctions risks associated with Terna Group’s transactions involving certain countries and activities***

As better described in section “*Description of the Issuer – Organisational Structure*”, in 2014 Terna Group acquired Tamini Group, being a group of companies producing transformers (and, in certain cases, reactors, spare parts and related maintenance and/or repair services) for installation mainly in steel manufacturing plants and electric utilities. Several clients of Tamini Group were located in Belarus, Cuba, Iraq, Libya, Russia, China, Ukraine, Democratic Republic of Congo, Egypt, Iran, Tunisia, Venezuela and Zimbabwe.

Upon completion of such acquisition, Terna Group started an in-depth sanctions screening exercise of the transactions performed by the Tamini Group by reference to the trade, economic and financial sanctions laws, regulations or orders, embargoes or restrictions administered, enacted or enforced from time to time by or in: (a) the Security Council of the United Nations; (b) the United States of America; (c) the European Union; (d) any Member State of the European Union; (e) the United Kingdom (including, without limitation, His Majesty’s Treasury); or (f) the respective governmental institutions, legislative and regulatory authorities of any of the foregoing (from letter (a) to (f), the **Authorities**) (the **Sanctions**).

In this respect, the amount of revenues generated by the Tamini Group and derived from the above mentioned transactions, for the first quarter of 2023, was less than 0.5 percent of the consolidated revenues of the Terna Group.

Such screening activity was aimed at (A) gradually ending any transactions with counterparties resident or located in any country or territory that is subject to comprehensive country wide or territory wide Sanctions which create a general, export, import, financial or investment embargo (being, as of the date of this Prospectus Cuba, the Crimea region of Ukraine, the so-called Donetsk People’s Republic and the so-called Luhansk People’s Republic, the non-government controlled areas of Zaporizhzhia and

Kherson, Iran, North Korea and Syria, jointly the **Embargoed Jurisdictions**) and/or (B) monitoring any other different and/or new activities and different and/or new contracts.

As of the date hereof, to the best of Issuer's knowledge, the Tamini Group has no exposure *vis-à-vis* counterparties resident or located in Embargoed Jurisdictions.

The same approach has been adopted *vis-à-vis* Brugg Kabel AG further to its acquisition in February 2020. In this regard, the process identified that transactions had been performed by the Brugg Kabel Group involving the supply of cables, cable accessories and services involving many foreign countries subject to Sanctions (currently in particular Iraq, Libya, Lebanon, China, Democratic Republic of Congo and Turkey). In this respect the amount of revenues generated by the Brugg Kabel Group and derived from the above mentioned transactions, for the first quarter of 2023, was less than 0.5 percent of the consolidated revenues of the Terna Group. As a consequence of such processes and as of the date hereof, and to the best of Issuer's knowledge, the Brugg Kabel Group has no exposure *vis-à-vis* counterparties resident or located in Embargoed Jurisdictions.

In light of the above, considering the international business relationships involving the Tamini Group and the Brugg Kabel Group as well as the ordinary conduct of business of the Issuer in a national and/or global market, Terna Group's activities may involve (on a marginal basis) – directly or indirectly – countries subject to potential sectorial sanctions, provided that, in any case, also considering the complex legislation in continuous evolution and not always consistent across jurisdictions (such as the Blocking Regulation), the Issuer, directly or indirectly through its subsidiaries, including the Tamini Group and the Brugg Kabel Group, cannot exclude that the related transactions and activities, will be determined to be prohibited by Sanctions.

Finally, in response to the Russia-Ukraine crisis, inter alia, the European Union, the United Kingdom, and the United States have already enacted and implemented a wide ranging set of sanctions and measures and could enact and implement further sanctions targeting, inter alia, the banking and financial and energy sector in Russia by restricting the supply of certain items and services from/to Russia and Belarus and certain forms of financing or other banking transactions. Further sanctions imposed on Russia and/or Belarus, Russian and/or Belarussian citizens and/or Russian and/or Belarussian companies by the international community, such as measures restricting dealings with Russian and/or Belarussian counterparties, among others, could adversely impact Terna Group.

Furthermore, an escalation of the international crisis, resulting in a tightening or expanding of Sanctions, could entail a significant disruption of energy supply, financial services and trade flows globally, which could have a material adverse effect on the Terna Group's business, financial conditions, results of operations and prospects.

In light of the above circumstances, Terna Group carefully evaluates on a case by case basis the adoption of adequate measures to minimize its exposure to any Sanctions risk which may affect its business operations, but it cannot be excluded that certain transactions performed by Terna Group are determined to be prohibited by applicable laws or regulations, and that the Terna Group may be subject to penalties and/or Sanctions, in which case the Terna Group's reputation, financial condition and future business prospects could be adversely affected.

The Terna Group is also aware of initiatives by certain U.S. States and U.S. institutional investors, such as pension funds, to adopt laws, regulations or policies requiring divestment from, or reporting of interests in, companies that do business with countries designated as States sponsoring terrorism. If any of the Terna Group's transactions and activities are determined to fall within the scope of these laws, regulations or policies, resulting sales of the Terna Group's securities could have an adverse effect on the price of the Terna Group's securities. Furthermore, investors in the Terna Group's securities could

incur reputational risk or other risks as the result of the Terna Group's dealings in or with countries or persons that are the subject of Sanctions.

Changes in the above-mentioned regulatory environment or in the implementation thereof are unpredictable and consequently the potential effects of these events on the Issuer's business, financial condition, results of operations or cash flows cannot be foreseen.

For further details please see "*Description of the Issuer –Business Reputation Intelligence*".

### ***Risks associated with pending legal proceedings***

The Terna Group is involved, both as plaintiff and defendant, in civil and administrative proceedings, including contractual, human resources, environmental, regulatory and health matters that arise in the ordinary course of the Terna Group's business, as well as in criminal proceedings.

Due to their nature, the Issuer is not able to predict the ultimate outcomes of the proceedings currently pending against members of the Terna Group, some of which may be unfavourable and may require the Terna Group to pay damages to the plaintiff, incur costs for the modification of parts of the Terna Group's Grid or temporarily remove parts of the Terna Group's Grid from service (see also section "*Description of the Issuer – Litigation and arbitration proceedings*").

Accordingly, the Issuer's business, financial condition, results of operations or cash flows could be adversely affected by the outcome of one or more of such proceedings. Although the Issuer has taken out insurance policies specifically to cover these risks and has established provisions for those considered the most critical disputes and litigations, such insurance coverage and provisions may not be sufficient to cover all of the Issuer's losses, increased costs or liabilities that may arise, or which the Issuer may incur, as a result of these proceedings.

### ***Acquisitions could have an adverse effect on Terna's business***

Terna may expand its business through acquisitions, which may involve significant risks that could have a material adverse effect on its business, financial condition and operations. Such risks include, but are not limited to, difficulties in the assimilation or integration of the operations, services and corporate culture of the acquired companies, failure to achieve expected synergies, adverse operating issues that Terna fails to discover prior to the acquisition, insufficient indemnification from the selling parties for legal liabilities incurred by the acquired companies prior to the acquisitions and the incurrence of significant indebtedness.

### ***Risk associated with suppliers***

The Issuer relies on a number of key suppliers to realise its infrastructure objectives. Given the complexity of the infrastructure works and the increasing demand in the market, the Issuer may not be able to find sufficient suppliers to follow a demanding programme and/or such suppliers may not be able to rapidly adjust its supply chain to meet Terna's increased demands, resulting in delays to the construction of infrastructure.

In addition, the Issuer is also exposed to the risk that their respective suppliers, when facing financial difficulties, may not be able to comply with their contractual obligations, or that such suppliers change their strategies to other more attractive sectors, with a potential for increase in cost or delays in infrastructure works. Any cancellation of or delay in the completion of the infrastructure works of the Issuer or the relevant affiliates of the Issuer could have an adverse effect on the business of the Issuer or on the business of the relevant affiliates of the Issuer.

***The Group's reputation may be damaged in various circumstances, including in case of a shortage of energy supply***

The current geopolitical instability, induced by Russia's weaponization of energy sources that followed its invasion of Ukraine, has resulted in an increased uncertainty about the security of supply in the European and Italian power sectors. Since coal- and gas-fired plants are still pivotal to ensure that national electricity demand and the required level of reserves are met, a substantial decrease in the availability of these primary energy sources is likely to severely affect system adequacy. In addition, the increasing frequency and intensity of extreme weather events could impact the Issuer's system resilience, assets and supply chain, with the potential for cascading failures triggering overloads, line failures and substation outage. The risk connected with the intensification of extreme weather events (tornados, heavy snowfall, ice, flooding) may have a resulting impact on the continuity and quality of the service provided by the Issuer and/or damage to equipment, machinery, infrastructure and the grid. Terna has developed, with the support of RSE (Ricerca sul Sistema Energetico), a probabilistic, predictive Resilience Methodology to identify the National Transmission Grid critical areas at higher risk of failure and load disruptions due to wet snow and strong wind events, using prospective climatological models to determine the probability of occurrence of severe weather events, defining vulnerability assessment of overhead lines and calculating substation outages with a contingency analysis approach. The new methodology is in the Resilience Plan, a plan that includes infrastructure interventions as well as grid mitigation, reinforcement and monitoring to enhance the grid's resilience in severe weather events, such as strong wind and ice/snow. The occurrence of any or a combination of these events could damage the reputation of the Issuer, and materially and adversely affect the Issuer's business, results of operations and financial condition.

**Risks related to the internal control of the Issuer**

***Information and cyber risk***

The Issuer depends on its Information Technology (IT) and Operation Technology (OT and, together with IT, IT/OT) and data processing systems to securely process, transmit, and store electronic information, and to communicate internally and with its clients, partners, and vendors. As the breadth and complexity of this infrastructure continues to grow, including as a result of the increased use of mobile technologies, social media and cloud-based services in recent years, the potential risk of security breaches and cyberattacks increases. Such breaches and cyberattacks could lead to shutdowns or disruptions of the Issuer's systems and potential unauthorised disclosure of sensitive or confidential information, including personal data of, among others, its employees, clients, contractors, vendors, and other business partners, as well as personal data stored on its products or through services by its clients, which may result in damage to the Issuer's reputation and brand and adversely affect its relationships with its clients. Cybersecurity threats are constantly evolving and have increased in sophistication and speed in recent years, thereby increasing the difficulty of detecting and defending against them. In addition, the fast-paced, evolving, pervasive, and sophisticated nature of certain cyber threats and vulnerabilities, as well as the scale and complexity of the business and infrastructure, make it possible that certain threats or vulnerabilities will be undetected or unmitigated in time to prevent an attack.

Cyberattacks and cybercrime are increasing in both quantity and sophistication; a trend destined to grow in the future. The pandemic has further accelerated the digitization process, bringing out all the risks associated with cybersecurity even more clearly. The issue was even more amplified with the Russia-Ukraine conflict, in which a scenario of threat and, more generally, of hybrid warfare was clearly manifested in which the traditional physical approach is combined with cyber attacks involving state actors (so-called "State Sponsored" attacks).

The Energy sector is once again confirmed as one of the first places among the “most-attacked industries” with a trend that requires an increase in cyber security safeguards by strengthening processes, people and technologies.

The risk of such attacks includes breaches and attempted breaches not only of the Issuer’s own products, services and systems, but also of those of its clients, employees, contractors, business partners, vendors, and other third parties, as well as of third-party systems on which the Issuer relies to operate its digital platforms. Successful breaches, employee malfeasance, or human or technological error could result in, for example, unauthorised access to, disclosure, modification, misuse, loss, or destruction of the Issuer’s data or systems or those of its clients or other third parties, theft of sensitive, regulated, or confidential data including personal information and intellectual property, loss of access to critical data or systems through ransomware, destructive attacks or other means, and business delays, service or system disruptions or denials of service.

In the event of such actions, the Issuer, its clients, and other third parties could be exposed to potential liability, litigation, and regulatory or other government action, as well as to the loss of existing or potential clients, damage to brand and reputation, and other financial loss. In addition, the cost and operational consequences of responding to breaches and implementing remediation measures could be significant.

This would have a negative impact on the Issuer’s business and reputation, and could subject the Issuer to fines, with consequent negative effects on its business, results of operations or financial condition.

Risks faced by the Issuer relating to the management of IT systems include possible violations of its systems due to unauthorised access to the corporate network or IT resources, the introduction of viruses into computers or any other form of abuse committed via the Internet. As with attempted hacking, such violations have become more frequent over the years throughout the world and therefore can threaten the protection of information relating to the Issuer and its customers and can have negative effects on the integrity of the Issuer’s IT systems, as well as on the confidence of the customers and on the Issuer’s reputation, with possible negative effects on the Group’s capital and financial condition.

In addition to the cyber threat landscape described above, from a regulatory point of view, in recent years the cyber context has seen increasing attention at national and European levels by the competent authorities with the introduction of specific sector legislation (e.g. Network & Information Security – NIS Directive EU 2016/1148, Italian “*Perimetro di Sicurezza Nazionale Cibernetica – PSNC*”, Legislative Decree no.105/2019), with ever greater risks of incurring sanctions and regulatory compliance issues.

In order to prevent such risks, Terna has an Information Security Governance Model, which enables it to identify the most significant cyber risks. For further details please see section “*Description of the Issuer – Information and Cyber Security Risk*”.

### **Risks related to the political, environmental, social and governance environment of the Issuer.**

#### ***The interests of the controlling shareholder may differ from those of the other shareholders***

The interests of CDP RETI S.p.A. (or any of its shareholders) (hereinafter referred to as CDP RETI), which is the majority shareholder of Terna (~30 per cent.), in any decisions may differ from those of other Issuer’s shareholders and may have an impact on the Issuer’s business decisions.

For a more detailed analysis please refer to the following sections: “*Description of the Issuer – Overview*”, “*Description of the Issuer – History and development*”, “*Description of the Issuer – Share*

*capital of Terna, major shareholders and related party transactions” and “Description of the Issuer – Share capital of Terna, major shareholders and related party transactions – Limitations on shareholding – Shares granting special powers”.*

***Risks connected to the effects of the international financial crisis on the Issuer’s business, results of operations and financial condition***

In the near future the stability of the European financial system might be adversely impacted by several events, including those related to the COVID-19 epidemiologic crisis, Russia’s invasion of Ukraine or to the banking industry (e.g. Credit Suisse or some US regional banks). In any event, the European Central Bank has confirmed its commitment to continue to preserve the smooth functioning of monetary policy transmission and to provide liquidity support to the euro area financial system if needed.

As a result, the Issuer’s ability to access the capital and financial markets and to refinance debt to meet financial requirements of the Issuer and its Terna Group may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the Issuer’s business, results of operations and financial condition.

***International political and economic developments or terrorist incidents may adversely affect the results of the Issuer***

Recent years have been marked by a series of negative geopolitical, economic and financial events. The potential effects of these events on economic growth in Europe may result in lower consumption of electricity by industrial users in Italy, thus adversely affecting the Issuer’s revenues and prospects for growth.

In addition, the events mentioned above may increase the volatility of equity valuations and share/debt trading prices, including the market price of any Notes issued pursuant to the Programme.

***The Issuer may incur substantial costs to comply with environmental laws***

The activities of the Terna Group are also affected by environmental legislation at national, European and international level, including in relation to electromagnetic fields and landscape.

The Terna Group may incur increased costs due to the implementation of, and compliance with, environmental regulations calling for preventive measures or other requirements.

Furthermore, in the future, the European Union or the Italian Government may adopt stricter laws that would require the Terna Group to upgrade, relocate or make other changes to some of its existing electricity transmission networks and systems and would result in the Terna Group incurring significant expenditures in order to do so. The Issuer cannot ensure that such costs will not arise in the future. These costs may adversely impact the Issuer’s financial performance and results of operations.

Also, local opposition to these required actions could further increase the Terna Group’s costs due to delays in the completion of the necessary upgrades, relocations or any other changes as described above or due to civil action.

The same could occur with respect to preliminary environmental impact assessments that could require further time to gain authorisation, leading to a delay.

***The Issuer may be affected by changes in energy laws, tax laws and public sector laws***

The activities of the Terna Group (and accordingly, the revenues deriving from such activities) may be affected by changes in the rules governing the electricity market, strategic infrastructures or the

authorisation procedures for transmission infrastructures or have an impact on the relationships between the companies of the Terna Group and other stakeholders (producers, distributors, etc.).

More particularly, European institutions completed in 2019 a new legal framework for the energy sector, the so-called “Clean Energy Package”, and Terna is working on the European Green Deal, a roadmap that seeks to make the EU the first climate-neutral continent by 2050. As a result, further legislative initiatives at national level are expected in the near future to transpose the EU regulation.

This roadmap has been progressively refined in these years, first with the NEXT GENERATION EU (NGEU) aid programme issued in 2020 to consider the COVID-19 impact on the EU economy, and then with the Fit for 55 package (2021) to achieve the 55% GHG reduction target by 2030 and its update REPowerEU (May 2022), which considers the impact of the Russia-Ukraine war on EU Security of Supply.

As of the date of this Base Prospectus, the Terna Group cannot predict what effect, if any, such developments may have on its business.

The energy industry is subject to the payment of income taxes which can be higher than those payable in many other commercial activities. In addition, in recent years, the Issuer has experienced adverse changes in the tax regimes applicable to electricity companies. These companies are not permitted by law to pass on the increased tax liability to customers via a tariff increase and this therefore may result in additional costs for the Issuer.

Any future adverse changes in the income tax rate or other taxes or charges applicable to the Terna Group would have a negative impact on the Issuer’s future results of operations and cash flows.

### ***Employees and key personnel***

The Issuer’s ability to operate its business effectively depends on the capabilities and performance of its personnel. Loss of key personnel or an inability to attract, train or retain appropriately qualified personnel (in particular for technical positions where availability of appropriately qualified personnel may be limited) or if significant disputes arise with employees, may affect the Issuer’s ability to implement its long-term business strategy and there may be a material adverse effect on its business, financial condition, results of operations and prospects.

Furthermore, there is a risk that an employee or an individual acting on behalf of the Issuer may breach anti-bribery legislation or otherwise breach the Issuer’s internal controls or internal governance framework (unfaithful employee). This could impact on the Issuer’s results of operations, its reputation and, as a consequence, its ability to meet its obligations on the Notes.

In addition, the Issuer’s ability to recruit, develop and retain personnel with appropriate skills is affected by global competition for skilled labour. Any failure to retain skilled employees or to recruit new staff may lead to increased costs, interruptions to existing operations and delays to new projects.

For further details and an analysis of the policies implemented by the Issuer please see section “*Description of the Issuer – Senior Management and Employees*”.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

**The risks below have been classified into the following categories:**

- ***Risks applicable to all Notes;***

- *Risks related to the structure of a particular issue of Notes;*
- *Risks applicable to certain types of Exempt Notes;*
- *Risks related to Notes generally; and*
- *Risks related to the Market Generally.*

**Risks applicable to all Notes**

***If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.***

An optional redemption feature is likely to limit the market value of Notes. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally will not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed, and may only be able to do so at a significantly lower rate. Potential investors should consider the risk of reinvestment in light of other investments available at that time.

In addition, with respect to Condition (7.5) (Redemption at the option of the Issuer (Clean-Up Call)), there is no obligation under the Condition for the Issuer to inform investors if and when 80 per cent. of the initial aggregate principal amount of the Notes has been purchased and cancelled, and the Issuer's right to redeem will exist notwithstanding that immediately prior to the serving of a notice in respect of the exercise of the Clean-Up Call, the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested.

***If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned.***

Fixed/Floating Rate Notes are Notes which bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

***Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.***

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

### **Risks related to the structure of a particular issue of Notes**

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

#### ***Risks relating to Inflation Linked Notes***

The Issuer may issue Inflation Linked Notes (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) where the amount of principal and/or interest or the settlement amount payable are dependent upon the level of an inflation/consumer price index or indices.

Potential investors in any such Notes should be aware that depending on the terms of the Inflation Linked Notes (i) they may receive no interest or a limited amount of interest, (ii) payment of principal, interest or the settlement amount may occur at a different time than expected and (iii) they may lose a substantial portion of their investment. In addition, the movements in the level of the inflation/consumer price index or indices may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices and the timing of changes in the relevant level of the index or indices may affect the actual return to investors, even if the average level is consistent with their expectations.

Inflation Linked Notes may be subject to certain disruption provisions or extraordinary event provisions. Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Calculation Agent (as defined in the Conditions) determines that any such event has occurred this may delay valuations under, and/or settlements in respect of, the Notes and consequently adversely affect the value of the Notes. Any such adjustments may be by reference to a Related Bond, as defined in the applicable Final Terms or Pricing Supplement, as the case may be if so specified therein. In addition, certain extraordinary or disruption events may lead to early termination of the Notes which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Inflation Linked Notes Conditions in conjunction with the applicable Final Terms or Pricing Supplement, as the case may be.

If the amount of principal and/or interest or the settlement amount payable are determined in conjunction with a multiplier greater than one or by reference to some other leverage factor, the effect of changes in the level of the inflation/consumer price index or the indices on principal or interest payable will be magnified.

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the Notes (if applicable) or, in the case of Notes with a redemption amount or settlement amount linked to inflation, in a reduction of the amount payable on redemption or settlement which in some cases could be less than the amount originally invested.

The timing of changes in the relevant consumer price index or other formula linked to the measure of inflation comprising the relevant index or indices may affect the actual yield to investors on the Notes, even if the average level is consistent with their expectations.

An inflation or consumer price index to which interest payments and/or the redemption amount or settlement amount of Inflation Linked Notes are linked is only one measure of inflation for the relevant

jurisdiction or area, and such Index may not correlate perfectly with the rate of inflation experienced by Noteholders in such jurisdiction or area.

The market price of Inflation Linked Notes may be volatile and may depend on the time remaining to the maturity date or expiration and the volatility of the level of the inflation or consumer price index or indices. The level of the inflation or consumer price index or indices may be affected by the economic, financial and political events in one or more jurisdictions or areas.

***In respect of the Notes issued as “Green Bonds”, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The Issuer’s intention is to allocate the net proceeds from the issue of Notes issued as “Green Bonds” to the financing and/or refinancing of the Eligible Green Projects which meet the Eligibility Criteria (such terms as defined in the “Use of Proceeds” section). Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes, together with any other investigation such investor deems necessary. In particular, no assurance is given that the use of such net proceeds for any Eligible Green Projects will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law, regulations or standards (including, amongst others, Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment (the **EU Taxonomy Regulation**) or any standards resulting from the proposal for a European green bond standard (EUGBS) adopted by the European Commission on 6 July 2021). Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or a “social” or a “sustainable” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green”, “social” or “sustainable” or such other equivalent label. The EU Taxonomy Regulation is subject to further developments by way of implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation (the **EU Sustainable Finance Taxonomy Delegated Acts**). A first delegated act on sustainable activities for climate change adaptation and mitigation objectives was approved in principle on 21 April 2021 and formally adopted on 4 June 2021. A second delegated act for the remaining objectives will be published. On 6 July 2021, a delegated act supplementing Article 8 of the EU Taxonomy Regulation was adopted by the Commission, then published in the Official Journal on 10 December 2021 and it is applicable since January 2022. This delegated act specifies the content, methodology and presentation of information to be disclosed by financial and non-financial undertakings concerning the proportion of environmentally sustainable economic activities in their business, investments or lending activities. On March 2022, the European Commission adopted a complementary climate delegated act including, under strict conditions, specific nuclear and gas energy activities in the list of economic activities covered by the EU Taxonomy Regulation. It was published in the Official Journal on 15 July 2022 and it is applicable since January 2023. The criteria for the specific gas and nuclear activities are in line with EU climate and environmental objectives and will help accelerate the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion, report or certification of any third party (whether or not solicited by the Issuer) which may be made available in connection with the issue of the Notes and in particular with any Eligible Green Projects to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion, report or certification is not, nor shall be deemed to be, incorporated in to and/or form part of the Base Prospectus. Any such opinion, report or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold the Notes. Any such opinion, report or certification is only current as of the date that opinion was initially issued.

Prospective investors must determine for themselves the relevance of any such opinion, report or certification and/or the information contained therein and/or the provider of such opinion, report or certification for the purpose of any investment in the Notes. Currently, the providers of such opinions, report and certifications are not subject to any specific regulatory or other regime or oversight.

In the event that any such Notes are listed or admitted to trading on any dedicated “green”, “environmental”, “sustainable” or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Green Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the net proceeds of Notes issued as “Green Bonds” so specified for Eligible Green Projects in, or substantially in, the manner described in the Base Prospectus, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Green Projects will be capable of being implemented in or substantially in such a manner and/or accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for such Eligible Green Projects. Nor can there be any assurance that such Eligible Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer. Any such event or failure by the Issuer will not constitute an Event of Default under the Notes.

Any such event or failure to apply the proceeds of any issue of Notes for any Eligible Green Projects as aforesaid and/or withdrawal of any such opinion or certification or any such opinion or certification attesting that the Issuer is not complying in whole or in part with any matters for which such opinion or certification is opining or certifying on and/or any such Notes no longer being listed or admitted to trading on any stock exchange or securities market as aforesaid may have a material adverse effect on the value of such Notes and also potentially the value of any other Notes which are intended to finance Eligible Green Projects and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

No Dealer nor any of their respective affiliates (including parent companies) makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by prospective investors. The Dealers and any of their respective affiliates (including parent companies) have not undertaken, nor are responsible for, any assessment of the Eligibility Criteria, any verification of whether the Eligible Green Projects meet the Eligibility Criteria, or the monitoring of the use of proceeds. Investors should refer to the Issuer’s website ([www.terna.it](http://www.terna.it)), the green bond framework of the Issuer and the second party opinion for information. The second party opinion provider has been appointed by the Issuer. The second party opinion and the green bond framework will be made available on the Issuer's website ([www.terna.it](http://www.terna.it)).

***Step Up Notes (Sustainability-linked Bonds) may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics***

Although the interest rate relating to the Step Up Notes is subject to upward adjustment in certain circumstances specified in the Conditions, such Notes may not satisfy an investor's requirements or any future legal or *quasi* legal standards for investment in assets with sustainability characteristics. Step Up Notes are not being marketed as green bonds since the Issuer expects to use the relevant net proceeds for general corporate purposes and therefore the Issuer does not intend to allocate the net proceeds specifically to projects or business activities meeting environmental or sustainability criteria, or be subject to any other limitations associated with green bonds.

In addition, the interest rate adjustment in respect of Step Up Notes depends on a definition of KPI#1 - Absolute Scope 1 and 2 GHG Emissions, KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%) and KPI#3 - SF6 Gas Leakages as the case may be (each, a **KPI** and together, the **KPIs**) that may be inconsistent with investor requirements or expectations or other definitions relevant to each KPI.

In relation to KPI#1 - Absolute Scope 1 and 2 GHG Emissions, the Issuer defines such KPI as the release of GHG into the atmosphere, related to Scope 1 and Scope 2 and reported in the form of amount of emissions in metric tonnes of CO<sub>2</sub>eq.

In relation to KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%), the Issuer calculates such KPI by reference to the proportion (expressed as a percentage) of total Group Capital Expenditure accounted over a stated period which is reported in the Integrated Report in activities that qualify as environmentally sustainable according to the criteria set out in Article 3 of the EU Taxonomy Regulation.

In relation to KPI#3 - SF6 Gas Leakages, the Issuer defines such KPI as the SF6 Gas Leakages rate expressed as a percentage of total SF6 Gas Installed.

The issuer has so far annually disclosed the KPIs in accordance with GRI standards' requirements, as evidenced in the Independent Auditor's Report on the Consolidated Non-Financial Statement of Terna Group. Indeed, Terna Group's Consolidated Non-Financial Statement, prepared using the new GRI reporting standards, provides a complete picture of the most significant impact generated by Terna on the economy, the environment and people, including its impact on human rights. See the section "*Scope of reporting and indicators*" on page 292 of the Terna Annual Report 2022.

The Group's Non-Financial Disclosure is subject of third-party verification in compliance 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" issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements.

Furthermore, any information on, or accessible through, the Issuer's website and the information in such certifications or reports or any past or future reports, certifications, opinions, Limited Assurance Reports and/or External Verifier Assurance Reports is not part of the Base Prospectus and should not be relied upon in connection with making any investment decision with respect to any Notes to be issued under the Programme.

Although the Issuer targets decreasing its direct greenhouse gas emissions and/or the SF6 gas emissions into the atmosphere and/or increasing the total Group Capital Expenditure accounted over a stated period in activities that qualify as environmentally sustainable according to the criteria set out in the EU Taxonomy Regulation (the **Sustainability Targets**), there can be no assurance by the Issuer, any other member of the Group, the Joint Arrangers, the Dealers, any of their respective affiliates or the External Verifier of the extent to which it will be successful in doing so or that any future investments it makes in furtherance of these targets will meet investor expectations or any binding or non-binding legal standards regarding sustainability performance, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in

particular with regard to any direct or indirect environmental, sustainability or social impact. Adverse environmental or social impacts may occur during the design, construction and operation of any investments the Issuer makes in furtherance of these targets or such investments may become controversial or criticized by activist groups or other stakeholders. Indeed, a Step Up Event shall not occur in the case of the failure of the Issuer to satisfy the relevant Sustainability Linked Note Step Up Condition as a result of certain events better described in the Conditions. Lastly, no Event of Default shall occur under the Step Up Notes, nor will the Issuer be required to repurchase or redeem such Notes, if the Issuer fails to reach its relevant Sustainability Targets.

Any of the above could adversely impact the trading price of Sustainability-Linked Notes and the price at which a holder of Sustainability-Linked Notes will be able to sell its Sustainability-Linked Notes in such circumstance prior to maturity may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Noteholder.

In addition, a failure to satisfy the relevant Sustainability-Linked Note Step Up Condition, or any such similar sustainability performance targets the Group may choose to include in any future financings would not only result in increased interest payments under Sustainability-Linked Notes issued under the Programme or other relevant financing arrangements, but could also harm the Issuer and the Group's reputation. Furthermore, the Issuer's efforts in satisfying a Sustainability-Linked Note Step Up Condition, may become controversial or be criticised by activist groups or other stakeholders. Each of such circumstances could have a material adverse effect on the Group, its business prospects, its financial condition or its results of operations.

Finally, in relation to the occurrence of a Step Up Event, the Conditions specify that no such event shall occur in case of the failure to satisfy the relevant Sustainability-Linked Note Step Up Condition, due to certain events as set out in the Conditions.

*Calculation and reporting of the Issuer's key performance indicators may change over time including due to a change in standards and guidelines or due to a Recalculation Event*

Each KPI is calculated internally by the Issuer based on broadly accepted industry standards and guidelines, as set out in the Conditions. These standards and guidelines may change over time, which may affect the way in which the Issuer calculates such key performance indicators. The standards and guidelines continue to be reviewed by expert groups and include contributions from industry bodies, which may change going forward.

The occurrence of any event which may lead the Issuer to recalculate the relevant Sustainability Target for each KPI, which includes a recalculation following a structural change in Terna and/or the Group including as a result of acquisitions or mergers, and/or any other event such that any recalculation is evaluated by Terna (such event referred to under the Conditions as a Recalculation Event) may result in a change of its Sustainability Targets and may cause a fixing by Terna, on a unilateral basis, acting in good faith as detailed further in Condition 6.3 (Step Up Option) of a new target (referred to in the Conditions as "Updated Targets").

Any such recalculation may be made without the prior consultation of the Noteholders, as further specified in Condition 6.3 (Step Up Option) and may then result in any such target, being considered for the purpose of ascertaining whether or not a Step Up Event, has occurred in respect of the

Sustainability-Linked Notes. As a consequence, any of these changes to the standards, guidelines or in the calculation methodology may not be in line with investors' expectations.

The occurrence of a Recalculation Event may impact, positively or negatively, the ability of the Issuer to satisfy the relevant Sustainability-Linked Note Step Up Condition, which could in turn adversely affect the market value of the Notes.

The Issuer expects to report on an annual basis on progress on its key performance indicators, including an explanation of methodologies used in such calculations, but any failure to do so will not constitute a default or an Event of Default under the Notes, any document under this Programme or any other agreement.

*A portion of Terna Group's indebtedness may include certain triggers linked to sustainability key performance indicators*

A portion of Terna Group's indebtedness may include certain triggers linked to KPIs set out in the Conditions (see "*Step Up Notes (Sustainability-linked Bonds) may not be a suitable investment for all investors seeking exposure to assets with sustainability characteristics*") which must be complied with by the Issuer, and in respect of which a Step Up Option applies if specified as being applicable in the relevant Final Terms. The failure to meet such KPIs will result in increased interest amounts under such Notes, which would increase Terna Group's cost of funding and which could have a material adverse effect on Terna Group, its business prospects, its financial condition or its results of operations.

#### **Risks applicable to certain types of Exempt Notes**

***There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.***

The Issuer may issue Notes with principal or interest payable in respect of the Notes being determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or to other factors (each, a **Relevant Factor**). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;
- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) the effect of any multiplier or leverage factor that is applied to the Relevant Factor is that the impact of any changes in the Relevant Factor on the amounts of principal or interest payable will be magnified; and

- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of the future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment.

The Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

***Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities.***

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those of securities that do not include those features.

***The value of Fixed Rate Notes may be adversely affected by movements in market interest rates***

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

#### **Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

***The Conditions contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders.***

The Conditions contain provisions for calling meetings of Noteholders to consider and vote upon matters affecting their interests generally, or to pass resolutions in writing or through the use of electronic consents. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend or vote at the relevant meeting or, as the case may be, did not sign the written resolution or give their consent electronically, and including those Noteholders who voted against the majority.

As provided under article 2415, first paragraph, number 2, of the Italian Civil Code, the Noteholders may, by an Extraordinary Resolution passed by a specific majority, modify the Conditions (these modifications may relate to, without limitation, the maturity of the Notes or the dates on which interest is payable on them; the principal amount of, or interest on, the Notes; or the currency of payment of the Notes). These and other changes to the Conditions of the Notes may adversely impact Noteholders' rights and may adversely impact the market value of the Notes.

The Conditions also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, agree to (i) any modification of, or the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such, in the circumstances described in Condition 10 (*Events of Default and Enforcement*), including in respect of any amendment to the Notes.

The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.

### ***U.S. Dividend Equivalent Withholding***

Section 871(m) of the U.S. Internal Revenue Code of 1986 (the **Code**) causes a 30 per cent. withholding tax on amounts attributable to U.S. source dividends that are paid or "deemed paid" under certain financial instruments if certain conditions are met (such instruments, **Specified Securities**). If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor such withholding agent will be required to pay any additional amounts with respect to amounts so withheld. Prospective investors should refer to the section "*Taxation – U.S. Dividend Equivalent **Withholding***".

For purposes of withholding under the U.S. Foreign Account Tax Compliance Act, commonly known as FATCA, Specified Securities are subject to a different grandfathering rule than other Notes. Prospective investors should refer to the section "*Taxation – Foreign Account Tax Compliance **ACT***".

### ***The value of the Notes could be adversely affected by a possible judicial decision, a change in English law or administrative practice***

The Conditions are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in English law or administrative practice after the date of this Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

### ***Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

### ***Trading in the clearing systems***

In relation to any issue of Notes which have a minimum denomination and are tradable in the clearing systems in amounts above such minimum denomination which are smaller than it, should definitive Notes be required to be issued, a holder who does not have an integral multiple of the minimum denomination in his account with the relevant clearing system at the relevant time may not receive all of

his entitlement in the form of definitive Notes unless and until such time as his holding becomes an integral multiple of the minimum denomination.

***The regulation and reform of “benchmarks” may adversely affect the value of Notes linked to or referencing such “benchmarks”***

Interest rates and indices which are deemed to be “benchmarks”, are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes referencing such a “benchmark”, such as Floating Rate Notes.

The EU Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed). Regulation (EU) 2016/1011 as it forms part of domestic law by virtue of the EUWA (the **UK Benchmarks Regulation**) among other things, applies to the provision of benchmarks and the use of a benchmark in the UK. Similarly, it prohibits the use in the UK by UK supervised entities of benchmarks of administrators that are not authorised by the FCA or registered on the Financial Conduct Authority (FCA) register (or, if non-UK based, not deemed equivalent or recognised or endorsed).

The EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable, could have a material impact on any Notes linked to a rate or index deemed to be a “benchmark”, including any Floating Rate Notes linked to or referencing EURIBOR, in particular, if the methodology or other terms of the “benchmark” are changed in order to comply with the requirements of the EU Benchmarks Regulation and/or the UK Benchmarks Regulation, as applicable. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements.

The euro risk free-rate working group for the euro area has published a set of guiding principles and high level recommendations for fallback provisions in, among other things, new euro denominated cash products (including bonds) referencing EURIBOR. The guiding principles indicate, among other things, that continuing to reference EURIBOR in relevant contracts (without robust fallback provisions) may increase the risk to the euro area financial system. On 11 May 2021, the euro risk-free rate working group published its recommendation on EURIBOR fallback trigger events and fallback rates.

Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark”; or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a “benchmark”.

Investors should be aware that, if an Original Reference Rate were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference such Original Reference Rate

will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the relevant Original Reference Rate is to be determined under the Conditions, this may in certain circumstances result in (i) if ISDA Determination applies, the application of a backward-looking, risk-free overnight rate, whereas the Original Reference Rate is expressed on the basis of a forward-looking term and includes a risk-element based on inter-bank lending, or (ii) if Screen Rate Determination applies, the effective application of a fixed rate based on the rate which applied in the previous period when the relevant Original Reference Rate was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference the relevant Original Reference Rate.

The Conditions provide for certain fallback arrangements in the event that a published benchmark (including any page on which such benchmark may be published (or any successor service)) becomes unavailable or a Benchmark Event (as defined in the Conditions) otherwise occurs, including the possibility that the rate of interest could be set by reference to a Successor Rate or an Alternative Rate determined by an Independent Adviser in consultation with the Issuer and that such Successor Rate or Alternative Rate may be adjusted (if required) in order to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as applicable) to investors arising out of the replacement of the relevant benchmark. The application of a Successor Rate or an Alternative Rate or an Adjustment Spread may result in the relevant Notes performing differently (which may include payment of a lower interest rate) than they would do if the relevant Original Reference Rate were to continue to apply in its current form. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the rate of interest. In certain circumstances the ultimate fallback of interest for a particular Interest Period may result in the rate of interest for the last preceding Interest Period being used. This may result in the effective application of a fixed rate for Floating Rate Notes based on the rate which was last observed on the Relevant Screen Page. In addition, due to the uncertainty concerning the availability of Successor Rates and Alternative Rates and the involvement of an Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have an adverse effect on the value of and return on any such Notes. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Issuer to meet its obligations under the Floating Rate Notes or could have a material adverse effect on the value or liquidity of, and the amount payable under, the Floating Rate Notes. Investors should consider these matters with their own independent advisers when making their investment decision with respect to any Floating Rate Notes linked to or referencing a benchmark.

### **Risks related to the Market Generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

### ***An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes***

Notes may have no established trading market when issued, and one may never develop. If a market for the Notes does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

***If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.***

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (hereinafter referred to as the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

***Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those Notes***

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances.

If the status of the rating agency rating the Notes changes for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Notes may have a different regulatory treatment, which may impact the value of the Notes and their liquidity in the secondary market. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus.

***Legal investment considerations may restrict certain investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Potential conflicts of interest with the Calculation Agent***

Potential conflicts of interest may exist between the Calculation Agent (if any) and Noteholders (including where a Dealer acts as a calculation agent), including with respect to certain determinations and judgments that such Calculation Agent may make pursuant to the Conditions that may influence amounts receivable by the Noteholders during the term of the Notes and upon their redemption.

## DOCUMENTS INCORPORATED BY REFERENCE

The previous Base Prospectus dated 8 June 2022, including the relevant Terms and Conditions of the Notes at pages 85-134 (inclusive) of the same, prepared by the Issuer in connection with the Programme, the auditors' reports and the audited consolidated annual financial statements of the Issuer as at and for the financial years ended on 31 December 2021 and 31 December 2022 and the unaudited consolidated interim financial report of the Issuer as at and for the three months ended 31 March 2023, all of which have previously been published and have been filed with the CSSF, shall be incorporated by reference in, and form part of, this Base Prospectus. Following the publication of this Base Prospectus a supplement to the Base Prospectus may be prepared by the Issuer and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement to the Base Prospectus (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

This Base prospectus will be published on the website of the Luxembourg Stock Exchange, [www.luxse.com](http://www.luxse.com). Copies of documents incorporated by reference in this Base Prospectus can be obtained free of charge from the registered office of the Issuer or from the specified office of the Principal Paying Agent.

The following documents shall be incorporated by reference in, and form part of, this Base Prospectus:

| Document                                                                                                                                                                                            | Information incorporated by reference          | Page number |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|-------------|
| Base Prospectus dated 8 June 2022 prepared by the Issuer in connection with the Programme                                                                                                           | Terms and Conditions                           | 85-134      |
| <a href="https://download.terna.it/terna/Terna_EMTN_2022_Update_Base_Prospectus_8da4a2f35dc03d7.pdf">https://download.terna.it/terna/Terna_EMTN_2022_Update_Base_Prospectus_8da4a2f35dc03d7.pdf</a> |                                                |             |
| Issuer's Audited Consolidated Financial Statements as at and for the Financial Year Ended on 31 December 2021                                                                                       | Integrated Report                              | 10-273      |
|                                                                                                                                                                                                     | Consolidated income statement                  | 304         |
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| <a href="https://download.terna.it/terna/Terna_2021_Integrated_Report_8da29f7108019d7.pdf">https://download.terna.it/terna/Terna_2021_Integrated_Report_8da29f7108019d7.pdf</a>                     |                                                |             |

| <b>Document</b>                                                                                                                                                                                                                                                                                                                                                           | <b>Information incorporated by reference</b>             | <b>Page number</b> |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------|--------------------|
| Issuer's Audited Consolidated Financial Statements as at and for the Financial Year Ended on 31 December 2022<br><br><a href="https://download.terna.it/terna/Terna_2022_Integrated_Report_8db3f8253051f1d.pdf">https://download.terna.it/terna/Terna_2022_Integrated_Report_8db3f8253051f1d.pdf</a>                                                                      | Consolidated statement of cash flows                     | 310-311            |
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| Issuer's Unaudited Condensed Consolidated Interim Financial Report as at and for the three months ended on 31 March 2023<br><br><a href="https://download.terna.it/terna/Terna_Consolidated_Interim_Financial_Report_March_31_2023_8db4d83f7d7d1d1.pdf">https://download.terna.it/terna/Terna_Consolidated Interim Financial Report March 31 2023_8db4d83f7d7d1d1.pdf</a> | Auditors' report                                         | 434-440            |
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|                                                                                                                                                                                                                                                                                                                                                                           | Cash flow                                                | 31                 |
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The documents incorporated by reference in the Base Prospectus dated 8 June 2022 prepared by the Issuer in connection with the Programme are not incorporated by reference in the Base Prospectus because these are not considered to be relevant for investors.

Any non-incorporated parts of a document referred to herein (which, for the avoidance of doubt, means any parts not listed in the cross-reference list above) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus.

## FORM OF THE NOTES

*Any reference in this section to “applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant.*

Each Tranche of Notes will be in bearer form and will initially be issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note** and, together with a Temporary Global Note, each a **Global Note**) which, in either case, will:

- (a) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, S.A. (**Clearstream, Luxembourg**); and
- (b) if the Global Notes are not intended to be issued in NGN Form, be delivered on or prior to the original issue date of the Tranche to a common depositary (the **Common Depositary**) for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such Global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the Global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in the Temporary Global Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg, and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Principal Paying Agent (as defined under “*Terms and Conditions of the Notes*”).

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either (i) for interests in a Permanent Global Note of the same Series or (ii) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon (a) not less than 60 days' written notice being given to the Principal Paying Agent by Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Global Note) or (b) the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10 (*Events of Default and Enforcement*)) has occurred and is continuing or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg, have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Principal Paying Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Principal Paying Agent.

The following legend will appear on all Notes (other than Temporary Global Notes), receipts and interest coupons relating to such Notes where TEFRA D is specified in the applicable Final Terms:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Principal Paying Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails so to do within a reasonable period, or (ii) is unable for any reason so to do, and the failure or inability shall be continuing.

The Issuer may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes

are Exempt Notes, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

## APPLICABLE FINAL TERMS

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes which are not Exempt Notes and which have a denomination of at least €100,000 (or its equivalent in any other currency) or more issued under the Programme.*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (**EEA**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently, no key information document required by Regulation (EU) No. 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No. 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97][the Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No. 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>2</sup>

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

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<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the EEA or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>2</sup> Legend to be included on the front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No. 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (UK MiFIR); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Date]

**TERNA - Rete Elettrica Nazionale S.p.A.**

**Legal entity identifier (LEI): 8156009E94ED54DE7C31**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the  
€9,000,000,000 Euro Medium Term Note Programme**

## **PART A - CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the terms and conditions of the Notes (the **Conditions**) set forth in the Base Prospectus dated 8 June 2023 [and the supplement[s] to it dated [date] [and [date]] which [together] constitute[s] a base prospectus for the purposes of Article 8 of the Prospectus Regulation (the **Base Prospectus**). This document constitutes the Final Terms of the Notes described herein for the purposes of the Prospectus Regulation and must be read in conjunction with the Base Prospectus in order to obtain all the relevant information. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.luxse.com).

*[The following alternative language applies if the first tranche of an issue which is being increased was issued under a Base Prospectus with an earlier date.]*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 8 June 2022 which is incorporated by reference in the Base Prospectus dated 8 June 2023. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with the Base Prospectus dated 8 June 2023 [and the supplement[s] to it dated [date] and [date]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Regulation (the **Base Prospectus**), including the Conditions incorporated by reference in the Base Prospectus, in order to obtain all the relevant information. The Base Prospectus has been published on the website of the Luxembourg Stock Exchange (www.luxse.com).]

*[Include whichever of the following apply or specify as “Not Applicable”. Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs (in which case the subparagraphs which are not applicable can be deleted). Italics denote directions for completing the Final Terms.]*

1.
  - (a) Series Number: [   ]
  - (b) Tranche Number: [   ]
  - (c) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 26 below, which is expected to occur on or about [date]]][Not Applicable]
2. Specified Currency or Currencies: [   ]
3. Aggregate Nominal Amount:
  - (a) Series: [   ]
  - (b) Tranche: [   ]
4. Issue Price: [   ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5.
  - (a) Specified Denominations: [   ]  
  
*(N.B. Notes must have a minimum denomination of at least €100,000 (or equivalent).)*  
  
*(Note - where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*  
  
*“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)*
  - (b) Calculation Amount (in relation to calculation of interest in global form see Conditions): [   ]  
  
*(If only one Specified Denomination, insert the Specified Denomination.*  
  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6.
  - (a) Issue Date: [   ]

- (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
- (N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]]
8. Interest Basis: [[ ] per cent. Fixed Rate][, subject to the Step Up Option]  
 [[[ ] month [EURIBOR]] +/- [ ] per cent. Floating Rate][, subject to the Step Up Option]  
 [Zero Coupon]  
 [Inflation Linked]  
 (see paragraph [13]/[14]/[16]/[17] below)
9. Redemption/Payment Basis: [100 per cent.] [●]
10. Change of Interest Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 16 and 17 below and identify there][Not Applicable]
11. Put/Call Options: [Not Applicable]  
 [Investor Put]  
 [Issuer Call]  
 [Issuer Maturity Par Call]  
 [Clean-up Call]  
 [(see paragraph [19]/[22] below)]
12. Date Board approval for issuance of Notes obtained: [ ] [and [ ], respectively] [registered in the Companies' Register of Rome on [●]]/[Not Applicable]
- (N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)*

#### **PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

13. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable delete the remaining subparagraphs of this paragraph.)*
- (a) Rate(s) of Interest: [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]

- [The Initial Rate of Interest is – *delete unless the Notes are subject to the Step Up Option*][ ] per cent. per annum payable in arrear on each Interest Payment Date
- [(further particulars specified in paragraph 15 below) - *delete unless the Notes are subject to the Step Up Option*]
- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date
- (N.B. Amend appropriately in the case of irregular coupons.)
- (c) Fixed Coupon Amount(s): [ ] per Calculation Amount  
for Notes in definitive form (and in relation to Notes in global form see Conditions):
- (d) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]
- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[ ] in each year][Not Applicable]
- (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon.)
14. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)
- [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]
- [(further particulars specified in paragraph 15 below) - *delete unless the Notes are subject to the Step Up Option*]
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ][, subject to adjustment in accordance with the Business Day Convention set out in (b) below/, not subject to adjustment, as the Business Day Convention in (b) below is specified to be Not Applicable]

- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
- (c) Additional Business Centre(s): [ ]/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount are to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [ ]/[Not Applicable]
- (f) Screen Rate Determination: [Applicable]/[Not Applicable]
- (If not applicable, delete the remaining items of this subparagraph)*
- (i) Reference Rate: [ ] month [EURIBOR].
- (ii) Interest Determination Date(s): [ ]
- (Second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)*
- (iii) Relevant Screen Page: [ ]
- (In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately.)*
- (g) ISDA Determination: [Applicable]/[Not Applicable]
- (i) Floating Rate Option: [ ]
- (ii) Designated Maturity: [ ]
- (iii) Reset Date: [ ]
- (In the case of a EURIBOR based option, the first day of the Interest Period)*
- (h) Margin(s): [The initial Margin is – delete unless the Notes are Step Up Notes][+/-][ ] per cent. per annum
- (i) Minimum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]

- (j) Maximum Rate of Interest: [[ ] per cent. per annum]/[Not Applicable]
- (k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)]
15. Step Up Option: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (a) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph) [:*
- (i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date: [●]
- (ii) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target: [●]
- (iii) KPI#1 - Absolute Scope 1 and 2 GHG Emissions External Verifier: [●]
- (iv) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Margin: [[●] per cent. per annum]/[Collective Step Up Margin is applicable]]
- (b) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Event: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date: [●]
- (ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target: [●]
- (iii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage External Verifier: [●]
- (iv) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Margin: [[●] per cent.

per annum]/[Collective Step Up Margin is applicable]]

- (c) KPI#3 - SF6 Gas Leakages Event: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) KPI#3 - SF6 Gas Leakages Reference Date: [●]

(ii) KPI#3 - SF6 Gas Leakages Target: [●]

(iii) KPI#3 - SF6 Gas Leakages External Verifier: [●]

(iv) KPI#3 - SF6 Gas Leakages Margin: [[●] per cent. per annum]/[Collective Step Up Margin is applicable]]

- (d) Collective Step Up Event: [Applicable] / [Not Applicable]

*(If not applicable, delete the remaining text of this paragraph)*

[The KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event][and][the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%)Event][and][The KPI#3 - SF6 Gas Leakages Event] shall [be a Collective Step Up Event] [together constitute a Collective Step Up Event]

Collective Step Up Margin: [Applicable] / [Not Applicable]

*(If not applicable, delete the remaining text of this paragraph)*

[[●] per cent. per annum upon the occurrence of any Step Up Event comprising the Collective Step Up Event]

16. Zero Coupon Note Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph.)*

- (a) Accrual Yield: [ ] per cent. per annum

- (b) Reference Price: [ ]

- (c) Day Count Fraction in relation to Early Redemption Amounts and late payment: [30/360]  
[Actual/360]  
[Actual/365]
17. Inflation Linked Interest Note Provisions: [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Inflation Index/Indices: [ ]
- [Amounts payable under the Notes will be calculated by reference to [CPI/HICP] which is provided by [●]. [As at [●], [●] [appears/does not appear] on the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority pursuant to Article 36 of the Regulation (EU) 2016/1011 (the **EU Benchmarks Regulation**).] [As far as the Issuer is aware, [CPI/HICP] [does/do] not fall within the scope of the Benchmarks Regulation by virtue of Article 2 of that Regulation.]]
- (b) Inflation Index Sponsor(s): [ ]
- (c) Reference Source(s) [ ]
- (d) Related Bond: [Applicable]/[Not Applicable]
- The Related Bond is: [ ] [Fallback Bond]
- The issuer of the Related Bond is: [ ]
- (e) Fallback Bond: [Applicable]/[Not Applicable]
- (f) Reference Month: [ ]
- (g) Cut-Off Date: [ ]/[Not Applicable]
- (h) End Date: [ ]/[Not Applicable]
- (This is necessary whenever Fallback Bond is applicable)*
- (i) Additional Disruption Events: [Change of Law]  
[Increased Cost of Hedging]  
[Hedging Disruption]  
[None]

- (j) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): *[name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]*
- (k) DIR(0): [ ]
- (l) Lookback Period 1: *[insert number of months/years]*
- (m) Lookback Period 2: *[insert number of months/years]*
- (n) Initial Ratio Amount: [ ]/[Not Applicable]
- (o) Trade Date: [ ]
- (p) Minimum Rate of Interest: [ ] per cent. per annum/[Not Applicable]
- (q) Maximum Rate of Interest: [ ] per cent. per annum/[Not Applicable]
- (r) Rate Multiplier: [Not Applicable]/[[ ] per cent.]
- (s) Interest Determination Date(s): [ ]
- (t) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (u) Business Day Convention: *[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]*
- (Note that this item adjusts the end date of each Interest Period (and, consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 6.6 (Payment Day).)*
- (v) Additional Business Centre(s): [ ]/[Not Applicable]
- (w) Day Count Fraction: *[Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/365 (Sterling)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]*

## PROVISIONS RELATING TO REDEMPTION

18. Notice periods for Condition 7.2  
(Redemption for tax reasons): Minimum period: [ ] days  
Maximum period: [ ] days
19. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph.)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount] [Make-Whole Amount] [ ]  
*[Set out appropriate variable details in this pro forma, for example reference obligation]*
- (c) Redemption Margin: [[ ] per cent.] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (d) Reference Bond: [*insert applicable reference bond*] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (e) Reference Dealers: [[ ]] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (f) Redeemable in part: [Applicable/Not Applicable/[*provide details*]]
- (i) Minimum Redemption Amount: [ ]
- (ii) Maximum Redemption Amount: [ ]
- (g) Notice periods: []/[Not Applicable]  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*
20. Clean-Up Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

Notice periods (if other than as set out in the Conditions): [Minimum period: [ ] days]

[Maximum period: [ ] days]

Early Redemption Amount: [ ] per Calculation Amount

21. Issuer Maturity Par Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

Notice periods (if other than as set out in the Conditions): [Minimum period: [ ] days]

*(provide for a minimum period of at least 10 days to allow sufficient notice and time for set up of the payment event)*

[Maximum period: [ ] days]

Maturity Par Call Period: From (and including) [●] (the **Par Call Period Commencement Date**) to (but excluding) the Maturity Date

*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*

Early Redemption Amount [[ ] per Calculation Amount]

22. Investor Put: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph.)*

(a) Optional Redemption Date(s): [ ]

(b) Optional Redemption Amount: [ ] per Calculation Amount

*(NB: If the Optional Redemption Amount is other than a specified amount per Calculation Amount, the Notes will need to be Exempt Notes)*

(c) Notice periods: [ ]/[Not Applicable]

*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*

23. Inflation Linked Redemption Note Provisions: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(a) Inflation Index: [ ]

(b) Inflation Index Sponsor(s): [ ]

(c) Related Bond: [Applicable]/[Not Applicable]

The Related Bond is: [ ] [Fallback Bond]

The issuer of the Related Bond is: [ ]

(d) Fallback Bond: [Applicable]/[Not Applicable]

(e) Reference Month: [ ]

(f) Cut-Off Date: [ ]/[Not Applicable]

(g) End Date: [ ]/[Not Applicable]

*(This is necessary whenever Fallback Bond is applicable)*

(h) Additional Disruption Events: [Change of Law]  
[Increased Cost of Hedging]  
[Hedging Disruption]  
[None]

(i) Party responsible for calculating the Redemption Amounts (if not the Principal Paying Agent): [name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]

(j) DIR(0): [ ]

(k) Lookback Period 1: [insert number of months/years]

- (l) Lookback Period 2: [insert number of months/years]
- (m) Trade Date: [ ]
- (n) Redemption Determination Date: [ ]
- (o) Redemption Amount Multiplier: [ ] per cent.
24. Final Redemption Amount: [[ ] per Calculation Amount / (in the case of Inflation Linked Notes:) as per Condition 7.12 (Inflation Linked Redemption Notes)]
25. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. Form of Notes:

- (a) Form: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be said to be applicable if the Specified Denomination of the Notes in paragraph 5 above includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including[€199,000]."*

*Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

- (b) New Global Note: [Yes] [No]

27. Additional Financial Centre(s) [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not to the end dates of Interest Periods for the purposes of calculating the amount of interest, to which paragraph 14(c) above relates.)*
28. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No.]
29. Redenomination applicable: Redenomination [not] applicable
- [(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)).]*

### THIRD PARTY INFORMATION

[*Relevant third party information*] has been extracted from [*specify source*]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of TERNA - Rete Elettrica Nazionale S.p.A.:

By:.....  
Duly authorised

## PART B - OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify (i) relevant regulated market (for example the regulated market of the Luxembourg Stock Exchange) and also any third country market, SME growth market or MTF, and (ii) if relevant, listing on an official list (for example, the Official List of the Luxembourg Stock Exchange)*] with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [*specify (i) relevant regulated market (for example the regulated market of the Luxembourg Stock Exchange) and also any third country market, SME growth market or MTF, and (ii) if relevant, listing on an official list (for example, the Official List of the Luxembourg Stock Exchange)*] with effect from [ ].]

[Not Applicable]

- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated]/[The following rating reflect ratings assigned to Notes of this type issued under the Programme generally]:

*[insert details by insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].*

Each of [*defined terms*] is established in the [European Union/United Kingdom] and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). Each of [*defined terms*] is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation.

*[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]*

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

### **3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE**

[Save for the fees [of [*insert relevant fee disclosure*]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests.*]

[(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Base Prospectus under Article 23 of the Prospectus Regulation.)]

### **4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[Not Applicable]

|                                |                                                                                                                                               |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|
| [ (i) Reasons for the offer: ] | [ General corporate purposes/To<br>[finance/refinance] Eligible Green Projects (See<br>“Use of Proceeds” wording in the Base<br>Prospectus) ] |
|--------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|

|                                   |       |
|-----------------------------------|-------|
| [ (ii) [Estimated net proceeds: ] | [   ] |
|-----------------------------------|-------|

|                                      |       |
|--------------------------------------|-------|
| [ (iii) [Estimated total expenses: ] | [   ] |
|--------------------------------------|-------|

### **5. YIELD *(Fixed Rate Notes only)***

|                      |                        |
|----------------------|------------------------|
| Indication of yield: | [   ] [Not Applicable] |
|----------------------|------------------------|

### **6. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING UNDERLYING, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS<sup>3</sup>**

*(N.B. The requirements below only apply if the Notes are derivative securities to which Annex 17 of Commission Delegated Regulation (EU) No. 2019/980 applies)*

|                                                                        |                                                                                                                                                             |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (i) The exercise price or the final reference price of the underlying: | [As per Condition 5.2(C) ( <i>Rate of Interest – Inflation Linked Interest Notes</i> )/As per Condition 7.12 ( <i>Inflation Linked Redemption Notes</i> ) ] |
|------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|

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<sup>3</sup> Required for derivative securities to which Annex 17 to the Commission Delegated Regulation (EU) No. 2019/980 applies.

- (ii) An indication where ☐ information about the past and the further performance of the underlying and its volatility can be obtained by electronic means, and whether or not it can be obtained free of charge
- (iii) The name of the index: ☐ [CPI - ITL / HICP] as defined in Annex 1 to the Base Prospectus
- (iv) The place where information about the index can be obtained: ☐ the place where information about the index can be obtained [Bloomberg Page ITCPIUNR or its replacement / Eurostat's internet site]

*[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Prospectus under Article 23 of the Prospectus Regulation)]*

## 7. OPERATIONAL INFORMATION

- (i) ISIN: ☐
- (ii) Common Code: ☐
- (iii) CFI: ☐ *[[include code]*, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available
- (iv) FISN: ☐ *[[include code]*, as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available
- (v) Any clearing system(s) other than Euroclear and Clearstream Luxembourg, and the relevant identification number(s): ☐ [Not Applicable/give name(s), address(es) and number(s)]
- (vi) Delivery: ☐ Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): ☐ ☐ [Not Applicable]
- (viii) Deemed delivery of clearing system notices for the purposes of Condition 14 (*Notices*): ☐ Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the *[insert]* [business] day after the day

on which it was given to Euroclear and Clearstream, Luxembourg.

- (ix) Intended to be held in a manner which would allow Eurosystem eligibility:
- [Yes.
- Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] [Include this text if “yes” selected, in which case the Notes must be issued in NGN form.]
- [No.
- Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 8. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (v) U.S. Selling Restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA C/TEFRA not applicable]
- (vi) United States Tax Considerations [The Notes are [not] Specified Securities for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986. [Additional information regarding the application of Section 871(m) to

the Notes will be available from [give name(s) and address(es) of Issuer contact].]] [As at the date of these Final Terms, the Issuer has not determined whether the Notes are Specified Securities for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified Securities for these purposes. This is indicative information only, subject to change, and if the Issuer's final determination is different then it will give notice of such determination. [Please contact [give name(s) and address(es) of Issuer contact] for further information regarding the application of Section 871(m) to the Notes.]]<sup>4</sup> *(The Notes will not be Specified Securities if they (i) are issued prior to 1 January 2025 and are not delta-one for U.S. tax purposes or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Notes reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities and (i) are issued prior to 1 January 2025 and provide a return that does not differ significantly from the return on an investment in the underlying or (ii) are issued on or after 1 January 2025, further analysis would be required.)]*

- (vii) Prohibition of Sales to EEA [Applicable/Not Applicable]  
Retail Investors:

*(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the EEA, "Not Applicable" should be specified. If the Notes may constitute "packaged" products and no key information document will be prepared, "Applicable" should be specified.)*

- (viii) Prohibition of Sales to UK [Applicable/Not Applicable]  
Retail Investors:

*(If the Notes clearly do not constitute "packaged" products or the Notes do constitute "packaged" products and a key information document will be prepared in the UK, "Not Applicable" should be*

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<sup>4</sup> This formulation to be used if the Issuer has not made a determination regarding whether the Notes are Specified Securities as of the date of the Final Terms.

*specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

- (ix) [EU Benchmarks Regulation: [Applicable: Amounts payable under the Notes are calculated by reference to *[insert name[s] of benchmark(s)]*, which *[is/are]* provided by *[insert name[s] of the administrator[s]]* – *if more than one specify in relation to each relevant benchmark]*.

EU Benchmark Regulation: [As at the date of these Final Terms, *[insert name[s] of the administrator[s]]* *[is/are]* *[not]* included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority **[(ESMA)]** pursuant to article 36 of the Benchmark Regulation (Regulation (EU) 2016/1011) **[(the BMR)]**. [As far as the Issuer is aware, *[[insert name of the benchmark]* does not fall within the scope of the BMR by virtue of Article 2 of the BMR.]/[the transitional provisions in Article 51 of the BMR apply, such that the administrator is not currently required to obtain authorisation/registration]]. *(repeat as necessary)]]*

*(if Not Applicable, delete this subparagraph)*

## APPLICABLE PRICING SUPPLEMENT

### EXEMPT NOTES OF ANY DENOMINATION

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (EEA). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); (ii) or a customer within the meaning of Directive (EU) 2016/97 (as amended, the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>5</sup>

**[PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (UK). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (EUWA); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement [Directive (EU) 2016/97][the Insurance Distribution Directive], where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA. Consequently, no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.]<sup>6</sup>

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes, whatever the denomination of those Notes, issued under the Programme.*

**[MiFID II product governance / Professional investors and ECPs only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, **MiFID II**)]**[MiFID II]**; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.]

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<sup>5</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared in the EEA, or the issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>6</sup> Legend to be included on the front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared in the UK or the issuer wishes to prohibit offers to UK retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

[UK MIFIR product governance / Professional investors and ECPs only target market – Solely for the purposes of [the/each] manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (UK MiFIR); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. *[Consider any negative target market]*. Any person subsequently offering, selling or recommending the Notes (a **distributor**) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Date]

**TERNA - Rete Elettrica Nazionale S.p.A.**

**Legal entity identifier (LEI): 8156009E94ED54DE7C31**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]  
under the  
€9,000,000,000 Euro Medium Term Note Programme**

## **PART A – CONTRACTUAL TERMS**

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to [either of][Article 3 of the Prospectus Regulation][or][section 85 of the FSMA] or to supplement a prospectus pursuant to [either of][Article 23 of the Prospectus Regulation][or][Article 23 of the UK Prospectus Regulation], in each case, in relation to such offer.]<sup>7</sup>

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Base Prospectus dated 8 June 2023 [as supplemented by the supplement[s] dated [date[s]]] (the **Base Prospectus**). Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. Copies of the Base Prospectus may be obtained from [Viale Egidio Galbani, 70, 00156 Rome, Italy].

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Base Prospectus dated 8 June 2022, which is incorporated by reference in the Base Prospectus.]

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination [must/may need to] be €100,000 or its equivalent in any other currency.]*

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<sup>7</sup> Include relevant legend wording here for the EEA and UK if the "Prohibition of Sales" legend and related selling restriction for that regime are not included/not specified to be "Applicable" (because the Notes do not constitute "packaged" products, or a key information document will be prepared, under that regime).

1. Issuer: TERNA - Rete Elettrica Nazionale S.p.A.
2. (a) Series Number: [     ]  
(b) Tranche Number: [     ]  
(c) Date on which the Notes will be consolidated and form a single Series: The Notes will be consolidated and form a single Series with [provide issue amount/ISIN/maturity date/issue date of earlier Tranches] on [the Issue Date/the date that is 40 days after the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 29 below, which is expected to occur on or about [date]] [Not Applicable]
3. Specified Currency or Currencies: [     ]
4. Aggregate Nominal Amount:  
(a) Series: [     ]  
(b) Tranche: [     ]
5. Issue Price: [     ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: [     ]  
(b) Calculation Amount (in relation to calculation of interest in global form see Conditions): [     ]  
*(If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (a) Issue Date: [     ]  
(b) Interest Commencement Date: [specify/Issue Date/Not Applicable]  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating rate notes - Interest Payment Date falling in or nearest to [specify month and year]] [specify other]
9. Interest Basis: [[     ] per cent. Fixed Rate][, subject to the Step Up Option]  
[[specify Reference Rate] +/- [     ] per cent. Floating Rate][, subject to the Step Up Option]

- [Zero Coupon]  
[Index Linked Interest]  
[Inflation Linked]  
[Dual Currency Interest]  
[specify other]  
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
[Index Linked Redemption]  
[Inflation Linked Redemption]  
[Dual Currency Redemption]  
[Partly Paid]  
[Instalment]  
[specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [Specify the date when any fixed to floating rate change occurs or cross refer to paragraphs 15 and 17 below and identify there][Not Applicable]
12. Put/Call Options: [Investor Put]  
[Issuer Call]  
[Issuer Maturity Par Call]  
[Clean-up Call]  
[(further particulars specified below)]  
[Not Applicable]
13. (a) Status of the Notes: Senior
- (b) [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ]], respectively]  
[registered in the Companies' Register of Rome on [●]]]  
(N.B. Only relevant where Board (or similar) authorisation is required for the particular tranche of Notes)

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]  
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]  
  
[The Initial Rate of Interest is – delete unless the Notes are subject to the Step Up Option][ ] per cent. per annum payable in arrear on each Interest Payment Date  
  
[(further particulars specified in paragraph 16 below) - delete unless the Notes are subject to the Step Up Option]

- (b) Interest Payment Date(s): [ ] in each year up to and including the Maturity Date  
(Amend appropriately in the case of irregular coupons)
- (c) Fixed Coupon Amount(s) [ ] per Calculation Amount  
for Notes in definitive form (and in relation to Notes in global form see conditions):
- (d) Broken Amount(s) [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]][Not Applicable]  
for Notes in definitive form (and in relation to Notes in global form see Conditions):
- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA)/specify other]
- (f) [Determination Date(s): [[ ] in each year][Not Applicable]  
(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
15. Floating Rate Note Provisions: [Applicable/Not Applicable]  
  
(If not applicable, delete the remaining subparagraphs of this paragraph)  
  
[The Notes are subject to the Step Up Option]/[The Notes are not subject to the Step Up Option]  
[(further particulars specified in paragraph 16 below) - delete unless the Notes are subject to the Step Up Option]
- (a) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in paragraph (b) below/, not subject to adjustment, as the Business Day Convention in paragraph (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[specify other]] [Not Applicable]

- (c) Additional Business Centre(s): [      ]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/*specify other*]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Principal Paying Agent): [      ]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- (If not applicable, delete the remaining items of this subparagraph)*
- Reference Rate: Reference Rate: [      ] month [EURIBOR].
  - Interest Determination Date(s): [      ]  
*(Second day on which the T2 is open prior to the start of each Interest Period if EURIBOR)*
  - Relevant Screen Page: [      ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*
- (g) ISDA Determination: [Applicable]/[Not Applicable]
- Floating Rate Option: [      ]
  - Designated Maturity: [      ]
  - Reset Date: [      ]  
*(In the case of a EURIBOR based option, the first day of the Interest Period)*
- (N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for EURIBOR which, depending on market circumstances, may not be available at the relevant time)*
- (h) Margin(s): [The initial Margin is – *delete unless the Notes are Step Up Notes*] [+/-] [      ] per cent. per annum
- (i) Minimum Rate of Interest: [      ] per cent. per annum
- (j) Maximum Rate of Interest: [      ] per cent. per annum

(k) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
 Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 [30/360][360/360][Bond Basis]  
 [30E/360][Eurobond Basis]  
 30E/360 (ISDA)  
*Other]*  
*(See Condition 5 (Interest) for alternatives)*

16. Step Up Option:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(a) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event: [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date: [●]

(ii) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target: [●]

(iii) KPI#1 - Absolute Scope 1 and 2 GHG Emissions External Verifier: [●]

(iv) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Margin: [[●] per cent. per annum]/[Collective Step Up Margin is applicable]

(b) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Event:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date: [●]

(ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target: [●]

(iii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage External Verifier: [●]

(iv) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Margin: [[●] per cent.

per annum]/[Collective Step Up Margin is applicable]]

- (c) KPI#3 - SF6 Gas Leakages [Applicable/Not Applicable]  
Event:

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

(i) KPI#3 - SF6 Gas Leakages Reference Date: [●]

(ii) KPI#3 - SF6 Gas Leakages Target: [●]

(iii) KPI#3 - SF6 Gas Leakages External Verifier: [●]

(iv) KPI#3 - SF6 Gas Leakages Margin: [[●] per cent. per annum]/[Collective Step Up Margin is applicable]]

- (d) Collective Step Up Event: [Applicable] / [Not Applicable]

*(If not applicable, delete the remaining text of this paragraph)*

[The KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event][and][the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%)Event][and][The KPI#3 - SF6 Gas Leakages Event] shall [be a Collective Step Up Event] [together constitute a Collective Step Up Event]

Collective Step Up Margin: [Applicable] / [Not Applicable]

*(If not applicable, delete the remaining text of this paragraph)*

[[●] per cent. per annum upon the occurrence of any Step Up Event comprising the Collective Step Up Event]

17. Zero Coupon Note Provisions:

[Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (a) Accrual Yield: [ ] per cent. per annum

- (b) Reference Price: [ ]

- (c) Any other formula/basis of determining amount payable for [ ]

Zero Coupon Notes which are  
Exempt Notes:

- (d) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]  
[specify other]
18. Index Linked Interest Note: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Index/Formula: [give or annex details]
- (b) Calculation Agent: [give name]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Principal Paying Agent): [ ]
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (e) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): [ ]
- (h) Minimum Rate of Interest: [ ] per cent. per annum
- (i) Maximum Rate of Interest: [ ] per cent. per annum
- (j) Day Count Fraction: [ ]
19. Inflation Linked Interest Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Inflation Index/Indices: [ ]
- (b) Inflation Index Sponsor(s): [ ]

- (c) Reference Source(s): [ ]
- (d) Related Bond: [Applicable]/[Not Applicable]  
The Related Bond is: [ ] [Fallback Bond]  
The issuer of the Related Bond is: [ ]
- (e) Fallback Bond: [Applicable]/[Not Applicable]
- (f) Reference Month: [ ]
- (g) Cut-Off Date: [ ]/[Not Applicable]
- (h) End Date: [ ]/[Not Applicable]  
*(This is necessary whenever Fallback Bond is applicable)*
- (i) Additional Disruption Events: [As per Conditions]/[specify other]
- (j) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Principal Paying Agent): [name] shall be the Calculation Agent *(no need to specify if the Principal Paying Agent is to perform this function)*
- (k) DIR(0) [ ]
- (l) Lookback Period 1: [insert number of months/years]
- (m) Lookback Period 2: [insert number of months/years]
- (n) Initial Ratio Amount: [ ]/[Not Applicable]
- (o) Trade Date: [ ]
- (p) Minimum Rate of Interest: [ ] per cent. per annum
- (q) Maximum Rate of Interest: [ ] per cent. per annum
- (r) Rate Multiplier: [Not Applicable]/[ [ ] per cent.]
- (s) Interest Determination Date(s): [ ]
- (t) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (u) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] /[specify other]

*(Note that this item adjusts the end date of each Interest Period (and, consequently, also adjusts the length of the Interest Period and the amount of interest due). In relation to the actual date on which Noteholders are entitled to receive payment of interest, see also Condition 6.6 (Payment Day).)*

- (v) Additional Business Centre(s): [ ]/[Not Applicable]
- (w) Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
[30E/360 (ISDA)]  
[specify other]
20. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Principal Paying Agent): [ ]
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[need to include a description of market disruption or settlement disruption events and adjustment provisions]*
- (d) Person at whose option Specified Currency(ies) is/are payable: [ ]

## PROVISIONS RELATING TO REDEMPTION

21. Notice periods for Condition 7.2 *(Redemption for tax reasons)*: [Applicable/Not Applicable]
22. Issuer Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount: [[ ] per Calculation Amount] [Make-Whole Amount] [ ]

*[Set out appropriate variable details in this pro forma, for example reference obligation]*

(c) Redemption Margin: ☐ ☐ per cent.] [Not Applicable]

*(Only applicable to Make-Whole Amount redemption)*

(d) Reference Bond: *[insert applicable reference bond]* [Not Applicable]

*(Only applicable to Make-Whole Amount redemption)*

(e) Reference Dealers: ☐ ☐ [Not Applicable]

*(Only applicable to Make-Whole Amount redemption)*

(f) Redeemable in part: [Applicable/Not Applicable/*[provide details]*]

(i) Minimum Redemption Amount: ☐ ☐

(ii) Maximum Redemption Amount: ☐ ☐

(g) Notice periods: ☐ ☐  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*

23. Clean-Up Call: [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

Notice periods (if other than as set out in the Conditions): [Minimum period: ☐ ☐ days] [Maximum period: ☐ ☐ days]

- Early Redemption Amount: [ ] per Calculation Amount
24. Issuer Maturity Par Call: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- Notice periods (if other than as set out in the Conditions): [Minimum period: [ ] days]  
*(provide for a minimum period of at least 10 days to allow sufficient notice and time for set up of the payment event)*  
 [Maximum period: [ ] days]
- Maturity Par Call Period: From (and including) [●] (the **Par Call Period Commencement Date**) to (but excluding) the Maturity Date  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*
- Early Redemption Amount [[ ] per Calculation Amount]
25. Inflation Linked Redemption Note Provisions: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Inflation Index: [ ]
- (b) Inflation Index Sponsor(s): [ ]
- (c) Related Bond: [Applicable]/[Not Applicable]  
 The Related Bond is: [ ] [Fallback Bond]  
 The issuer of the Related Bond is: [ ]

- (d) Fallback Bond: [Applicable]/[Not Applicable]
- (e) Reference Month: [ ]
- (f) Cut-Off Date: [ ]/[Not Applicable]
- (g) End Date: [ ]/[Not Applicable]
- (This is necessary whenever Fallback Bond is applicable)*
- (h) Additional Disruption Events: [As per Conditions]/[specify other]/[Not Applicable]
- (i) Party responsible for calculating the Redemption Amounts (if not the Principal Paying Agent): [name] shall be the Calculation Agent (no need to specify if the Principal Paying Agent is to perform this function)]
- (j) DIR(0): [ ]
- (k) Lookback Period 1: [insert number of months/years]
- (l) Lookback Period 2: [insert number of months/years]
- (m) Trade Date: [ ]
- (n) Redemption Determination Date: [ ]
- (o) Redemption Amount Multiplier: [ ] per cent.
26. Investor Put: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [ ]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
- (c) Notice periods: [ ]  
*(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Principal Paying Agent or Trustee.)*

- ## GENERAL PROVISIONS APPLICABLE TO THE NOTES

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33. Details relating to Instalment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Instalment Amount(s): [give details]
- (b) Instalment Date(s): [give details]
- (c) Redenomination applicable: Redenomination [not] applicable
- [(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates)).]*
- [(If Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms).]*
34. Other final terms: [Not Applicable/give details]

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement. *[[Relevant third party information]* has been extracted from *[specify source]*.] [The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by *[specify source]*, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [name of the Issuer]:

By: .....

*Duly authorised*

## PART B – OTHER INFORMATION

### 1. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [*insert details*] by [*insert the legal name of the relevant credit rating agency entity(ies)*].  
(The above disclosure is only required if the ratings of the Notes are different to those stated in the Base Prospectus)

### 2. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees [of [*insert relevant fee disclosure*]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates (including parent companies) have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business - *Amend as appropriate if there are other interests*]

### 3. USE OF PROCEEDS

Use of Proceeds: [ ]  
(Only required if the use of proceeds is different to that stated in the Base Prospectus)

### 4. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (iv) FISN: [[*include code*], as updated, as set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN/Not Applicable/Not Available]
- (v) Any clearing system(s) other than Euroclear and Clearstream Luxembourg, *société anonyme* and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (vi) Delivery: Delivery [against/free of] payment

- (vii) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (viii) Deemed delivery of clearing system notices for the purposes of Condition 14 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the *insert*] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (ix) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes.  
 Note that the designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]  
 [No.  
 Whilst the designation is specified as "no" at the date of this Pricing Supplement, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/*give name*]

- |       |                                                |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|-------|------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (v)   | U.S. Selling Restrictions:                     | Reg. S Compliance Category 2; [TEFRA D/TEFRA C/TEFRA not applicable]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| (vi)  | Additional United States selling restrictions: | [Not Applicable/give details]<br><i>(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)</i>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| (vii) | United States Tax Considerations:              | [The Notes are [not] Specified Securities for the purposes of Section 871(m).] [Additional information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].] [As at the date of this Pricing Supplement, the Issuer has not determined whether the Notes are Specified Securities for purposes of Section 871(m) of the U.S. Internal Revenue Code of 1986; however, indicatively it considers that they will [not] be Specified Securities for these purposes. This is indicative information only, subject to change, and if the Issuer's final determination is different then it will give notice of such determination. Further information regarding the application of Section 871(m) to the Notes will be available [provide appropriate contact details or location of such information].] <sup>8</sup> <i>(The Securities will not be Specified Securities if they (i) are issued prior to 1 January 2025 and are not delta-one for U.S. tax purposes or (ii) do not reference any U.S. equity or any index that contains any component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities. If the Securities reference a U.S. equity or an index that contains a component U.S. equity or otherwise provide direct or indirect exposure to U.S. equities and (i) are issued prior to 1 January 2025 and provide a return that does not differ significantly from the return on an investment in the underlying or (ii) are issued on or after 1 January 2025, further analysis would be required.)</i> ] |

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<sup>8</sup> This formulation to be used if the Issuer has not made a determination regarding whether the Notes are Specified Securities as of the date of the Pricing Supplement.

- (viii) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (ix) Prohibition of Sales to UK Retail Investors: [Applicable/Not Applicable]
- (If the Notes clearly do not constitute “packaged” products or the Notes do constitute “packaged” products and a key information document will be prepared in the UK, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

## TERMS AND CONDITIONS OF THE NOTES

*Any reference in these Terms and Conditions to “Applicable Final Terms” shall be deemed to include a reference to “applicable Pricing Supplement” where relevant.*

*The following are the Terms and Conditions of the Notes, which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to “Applicable Final Terms” for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by TERNAL - Rete Elettrica Nazionale S.p.A. (the **Issuer**) constituted by a Sixteenth Supplemental Trust Deed (such Sixteenth Supplemental Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 8 June 2023 and made between the Issuer and Deutsche Trustee Company Limited (the **Trustee**, which expression shall include any other trustee or successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of the lowest Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of a Sixteenth Amended and Restated Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 8 June 2023 and made between the Issuer, the Trustee, Deutsche Bank AG, London Branch as issuing and principal paying agent and agent bank (the **Principal Paying Agent**, which expression shall include any successor principal paying agent) and the other paying agents named therein (together with the Principal Paying Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents). The Principal Paying Agent and the Paying Agents, together hereinafter referred to as the **Agents**.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms (or of the Pricing Supplement, in the case of Exempt Notes) attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and, in the case of a Note which is neither admitted to trading on (i) a regulated market in the European Economic Area or (ii) a UK regulated market as defined in Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018, nor offered to the public (i) in the European Economic Area or (ii) the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation or the Financial Services and Markets Act 2000, as the case may be (an **Exempt Note**), may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the applicable Final Terms are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest-bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available to the Noteholders for inspection during normal business hours at the principal office for the time being of the Trustee being at the date of this Base Prospectus at Winchester House, 1 Great Winchester Street, London EC2N 2DB, England and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the website of the Luxembourg Stock Exchange ([www.luxse.com](http://www.luxse.com)). If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. FORM, DENOMINATION AND TITLE**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denominations (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Inflation Linked Note (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Inflation Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, an Inflation Linked Redemption Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes, in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Trustee and any Agent will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the following paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, S.A. (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error or proven error) shall be treated by the Issuer, the Trustee and the Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Trustee and any Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note, and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. Without limitation to the foregoing, in determining whether a particular person is entitled to a particular nominal amount of notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error or proven error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be.

References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Principal Paying Agent and the Trustee.

## 2. STATUS OF THE NOTES

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu*

among themselves and (save for certain obligations as may be preferred by mandatory provisions of law) equally with all other unsecured and unsubordinated obligations of the Issuer, from time to time outstanding, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

### 3. **NEGATIVE PLEDGE**

So long as any of the Notes remains outstanding, the Issuer will not, and will ensure that none of its Material Subsidiaries will, create or permit to subsist any Security upon the whole or any part of its assets or revenues, present or future, to secure any Indebtedness, except for Permitted Encumbrances, unless:

- (A) the same Security shall forthwith be extended equally and rateably to secure all amounts payable under the Notes, any related Receipts and Coupons and the Trust Deed to the satisfaction of the Trustee; or
- (B) such other Security or guarantee (or other arrangement) as (i) the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (ii) shall be approved by an Extraordinary Resolution, shall previously have been or shall forthwith be extended equally and rateably to secure all amounts payable under the Notes, any related Receipts and Coupons and the Trust Deed.

As used herein:

**Group** means the Issuer and its Subsidiaries;

**Indebtedness** means any present or future indebtedness for borrowed money which is in the form of, or represented by, bonds, notes, debentures or other securities and which is or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or regulated securities market;

**Material Subsidiary** means any consolidated Subsidiary of the Issuer, located or domiciled in an OECD Member Country:

- (a) whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated total assets of the Issuer and its Subsidiaries taken as a whole, as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Issuer which immediately before the transfer is a Material Subsidiary of the Issuer.

A report by two Directors of the Issuer addressed to the Trustee and stating that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest or (to the satisfaction of the Trustee) proven error, be conclusive and binding on all parties;

**OECD Member Country** means a country that is a member of the Organisation for Economic Cooperation and Development or any successor organisation thereof (or, to the extent that the

Organisation for Economic Cooperation and Development or a successor organisation no longer exists, that was a member thereof at the time the relevant organisation ceased to exist);

**Permitted Encumbrances** means:

- (a) any Security arising pursuant to any mandatory provision of law other than as a result of any action taken by the Issuer; or
- (b) any Security in existence as at the date of issuance of the Notes; or
- (c) in the case of any entity which becomes a Subsidiary of any member of the Group after the date of issuance of the Notes, any Security existing over such entity's assets at the time it becomes such a Subsidiary, provided that the Security was not created in contemplation of, or in connection with, its becoming such a Subsidiary and provided further that the amounts secured have not been increased in contemplation of, or in connection with, its becoming such a Subsidiary; or
- (d) any Security securing Project Finance Indebtedness; or
- (e) any Security which is created in connection with, or pursuant to, a limited-recourse financing, securitisation or other like arrangement where the payment obligations in respect of the indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by the assets over which such Security is created (including, without limitation, receivables) provided that the aggregate book value of the assets over which such Security is created shall not exceed at any time €400,000,000 (or its equivalent in any other currency) or, if greater, 10 per cent. of the consolidated net worth of the Group, in each case as shown in the then latest audited consolidated accounts of the Issuer and its Subsidiaries; or
- (f) any Security created after the date of issue of the Notes on any asset acquired by the person creating the Security and securing only Indebtedness incurred for the sole purpose of financing or re-financing that acquisition, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that acquisition;

**Person** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**Project Finance Indebtedness** means any present or future Indebtedness incurred in financing the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets, whether or not an asset of a member of the Group:

- (a) which is incurred by a Project Finance Subsidiary; or
- (b) in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Project Finance Subsidiary) for the repayment thereof other than:
  - (i) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or

- (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any Security given by such borrower over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness,

provided that (A) the extent of such recourse is limited solely to the amount of any recoveries made on any such enforcement and (B) such Person or Persons is or are not entitled, by virtue of any right or claim arising out of or in connection with such Indebtedness, to commence any proceedings of whatever nature against any member of the Group (other than a Project Finance Subsidiary);

**Project Finance Subsidiary** means any Subsidiary of the Issuer either:

- (a) (i) which is a single-purpose company whose principal assets and business are constituted by the ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets; and
- (ii) none of whose Indebtedness in respect of the financing of such ownership, acquisition, construction, development, leasing, maintenance and/or operation of an asset or assets is subject to any recourse whatsoever to any member of the Group (other than such Subsidiary or another Project Finance Subsidiary) in respect of the repayment thereof, except as expressly referred to in subparagraph (b)(ii) of the definition of Project Finance Indebtedness; or
- (b) at least 70 per cent. in principal amount of whose Indebtedness is Project Finance Indebtedness;

**Security** means any mortgage, lien, pledge, charge or other security interest;

**Subsidiary** means, in respect of any Person (the **first Person**) at any particular time, any other Person (the **second Person**):

- (a) whose majority of votes in ordinary Shareholders' Meetings of the second Person is held by the first Person; or
- (b) in which the first Person holds a sufficient number of votes giving the first Person a dominant influence in ordinary Shareholders' Meetings of the second Person; or
- (c) whose accounts are required to be consolidated with those of the first Person pursuant to article 26 of Law 127 of 1991,

in the case of paragraphs (a) and (b) above, pursuant to the provisions of article 2359, first paragraph, No. 1 and No. 2, of the Italian Civil Code.

## 4. REDENOMINATION

### 4.1 Redenomination

Where redenomination is specified in the applicable Final Terms or Pricing Supplement, as the case may be, as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders, but after prior consultation with the Trustee, on giving prior notice to the Principal Paying Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14 (*Notices*), elect that,

with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of €0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Principal Paying Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes held (or, as the case may be, in respect of which Coupons are presented for payment) by the relevant holder and the amount of such payment shall be rounded down to the nearest €0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer: (i) in the case of Relevant Notes in the denomination of €100,000 and/or such higher amounts as the Principal Paying Agent may determine and notify to the Noteholders, and any remaining amounts less than €100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6 (*Payments*); and (ii) in the case of Notes which are not Relevant Notes, in the denominations of €1,000, €10,000, €100,000 and (but only to the extent of any remaining amounts less than €1,000 or such smaller denominations as the Principal Paying Agent and the Trustee may approve) €0.01 and such other denominations as the Principal Paying Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the Exchange Notice) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro-denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or

transfer to a euro account (or to any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;

- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
  - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and
  - (ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

- (g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

## 4.2 Definitions

In the Conditions, the following expressions have the following meanings:

**Established Rate** means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Union regulations) into euro established by the Council of the European Union pursuant to Article 140 of the Treaty;

**euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

**Redenomination Date** means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 (*Redenomination*) and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

**Relevant Notes** means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least €100,000 and which are admitted to trading on a regulated market in the European Economic Area; and Treaty means the Treaty on the Functioning of the European Union, as amended.

## 5. INTEREST

### 5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where a Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note; or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (A) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

- (B) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
  - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
  - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Conditions:

**Determination Period** means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

## 5.2 Interest on Floating Rate Notes and Inflation Linked Interest Notes

### (A) General

Each Floating Rate Note and Inflation Linked Interest Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date, and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period.

In these Conditions, **Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(B) below, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of paragraph (ii) above shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In these Conditions, **Business Day** means a day which is both:

- a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in each Additional Business Centre (other than T2) specified in the applicable Final Terms;
- b) if T2 is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer System or any successor or replacement for that system (**T2**) is open; and
- c) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open.

**(B) Rate of Interest – Floating Rate Notes**

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(i) **ISDA Determination for Floating Rate Notes**

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Principal Paying Agent or other party specified in the Final Terms under an interest rate swap transaction if the Principal Paying Agent or that other party were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the day specified in the applicable Final Terms.

The definition of "**Fallback Observation Day**" in the ISDA Definitions shall be deemed deleted in its entirety and replaced with the following: "**Fallback Observation Day**" means, in respect of a Reset Date and the Calculation Period (or any Compounding Period included in that Calculation Period) to which that Reset Date relates, unless otherwise agreed, the day that is five Business Days preceding the related Payment Date.

For the purposes of this subparagraph (i), **Floating Rate**, **Calculation Agent**, **Floating Rate Option**, **Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Investors should consult the Issuer should they need to consult the 2006 ISDA Definitions.

Where the ISDA IBOR Fallbacks Supplement (the **IBOR Supplement**) applies to any Notes where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and where Deutsche Bank AG, London Branch as Principal Paying Agent is required to determine the Rate of Interest or Deutsche Bank AG, London Branch is appointed as Calculation Agent, notwithstanding anything to the contrary in the IBOR Supplement the Principal Paying Agent or the Calculation Agent (as applicable) will have no obligation to exercise any discretion (including in determining the fallback rate), and to the extent the IBOR Supplement requires the Principal Paying Agent or the Calculation Agent (as applicable) to exercise any such discretion, the Issuer, will provide written direction to the Principal Paying Agent or the Calculation Agent (as applicable) specifying how such discretion should be exercised, and the

Principal Paying Agent or the Calculation Agent (as applicable) will be entitled to rely on that direction conclusively and without any liability to any party in connection therewith and shall not be obliged to act unless so directed.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

**(ii) Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject to Condition 5.4 (Benchmark Discontinuation) and as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being the Euro-zone interbank offered rate (**EURIBOR**)) which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Brussels time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Principal Paying Agent or other party as specified in the Final Terms. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Principal Paying Agent or that other party for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of paragraph (A) above, no such offered quotation appears or, in the case of paragraph (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph. In particular, if the Relevant Screen Page is not available or if, in the case of paragraph (i) above, no offered quotation appears or, in the case of paragraph (i) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Financial Adviser shall request each of the Reference Banks to provide the Principal Paying Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question. If two or more of the Reference Banks provide the Principal Paying Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Principal Paying Agent.

**Definitions**

For the purposes of the Conditions:

**Financial Adviser** means an independent and internationally recognised financial adviser selected by the Issuer;

**Reference Banks** means the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Financial Adviser.

**(C) Rate of Interest – Inflation Linked Interest Notes**

The Rate of Interest payable from time to time in respect of Inflation Linked Interest Notes, for each Interest Period, shall be determined by the Calculation Agent, or other party specified in the Final Terms, on the relevant Interest Determination Date in accordance with the following formula:

$$\text{Rate of Interest} = [\text{Rate Multiplier}] * \left( \frac{DIR(t)}{DIR(0)} \right)$$

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (D) below shall apply as appropriate.

The Rate of Interest and the result of  $DIR(t)$  divided by  $DIR(0)$  shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards.

**Definitions**

For the purposes of the Conditions:

**DayOfMonth** means the actual number of days since the start of the relevant month;

**DaysInMonth** means the number of days in the relevant month;

**DIR(0)** means the value specified in the applicable Final Terms and being the value as calculated in accordance with the following formula (where month "t" is the month and year in which the Trade Date falls):

$$DIR(0) = \text{Inflation Index}(t - \text{Lookback Period 1}) + [\text{Inflation Index}(t - \text{Lookback Period 2}) - \text{Inflation Index}(t - \text{Lookback Period 1})] * [(\text{DayOfMonth} - 1) / \text{DaysInMonth}],$$

rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards;

**DIR(t)** means in respect of the Specified Interest Payment Date falling in month "t", the value calculated in accordance with the following formula:

$$DIR(t) = \text{Inflation Index}(t - \text{Lookback Period 1}) + [\text{Inflation Index}(t - \text{Lookback Period 2}) - \text{Inflation Index}(t - \text{Lookback Period 1})] * [(\text{DayOfMonth} - 1) / \text{DaysInMonth}],$$

rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards;

**Inflation Index** means the relevant inflation index set out in Annex 1 to this Base Prospectus specified in the applicable Final Terms;

**Inflation Index (t-Lookback Period 1)** means the value of the Inflation Index for the month that is the number of months in the Lookback Period 1 prior to the month (t) in which the relevant Specified Interest Payment Date falls;

**Inflation Index (t-Lookback Period 2)** means the value of the Inflation Index for the month that is the number of months in the Lookback Period 2 prior to the month in which the relevant Specified Interest Payment Date falls; and

**Rate Multiplier** has the meaning given to it in the applicable Final Terms, provided that if Rate Multiplier is specified as "Not Applicable", the Rate Multiplier shall be deemed to be equal to one.

**(D) Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above or, as the case may be, paragraph (C) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specify a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (B) above or, as the case may be, paragraph (C) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

**(E) Determination of Rate of Interest and calculation of Interest Amounts**

The Principal Paying Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Inflation Linked Interest Notes, will at or promptly after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Inflation Linked Interest Notes, the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period promptly after calculating the same.

The Principal Paying Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Inflation Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (i) in the case of Floating Rate Notes or Inflation Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note; or
- (ii) in the case of Floating Rate Notes or Inflation Linked Interest Notes in definitive form, the Calculation Amount,

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or, an Inflation Linked Interest Note in definitive form comprises more than one Calculation Amount, the Interest Amount payable in respect of such Note shall be the aggregate of the amounts (determined in the manner provided above) for each

Calculation Amount comprising the Specified Denomination without any further rounding.

If an Initial Ratio Amount is specified in the applicable Final Terms as applicable, the amount payable on the first Interest Payment Date in respect of the relevant Aggregate Nominal Amount of the Notes shall be the sum of the relevant Interest Amount (in respect of the period from and including the Interest Commencement Date to but excluding the first Interest Payment Date) plus an amount equal to the product of the Initial Ratio Amount multiplied by  $\text{DIR}(t)/\text{DIR}(0)$  (or in the event the Interest Amount referred to above is calculated in respect of Notes in definitive form, a pro rata proportion of such amount) (such sum shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards).

**Day Count Fraction** means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360 calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

$Y_1$  is the year, expressed as a number, in which the first day of the Interest Period falls;

$Y_2$  is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$M_1$  is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D<sub>1</sub> is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

D<sub>2</sub> is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y<sub>1</sub> is the year, expressed as a number, in which the first day of the Interest Period falls;

Y<sub>2</sub> is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M<sub>1</sub> is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

M<sub>2</sub> is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

D<sub>1</sub> is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

D<sub>2</sub> is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

Y<sub>1</sub> is the year, expressed as a number, in which the first day of the Interest Period falls;

Y<sub>2</sub> is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

M<sub>1</sub> is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

$M_2$  is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

$D_1$  is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case  $D_1$  will be 30; and

$D_2$  is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case  $D_2$  will be 30.

**Initial Ratio Amount** means the value specified in the applicable Final Terms, if applicable; and

**(F) Notification of Rate of Interest and Interest Amounts**

The Principal Paying Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee and any stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed to the Trustee and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(G) Certificates to be final**

All certificates, communications, opinions, determinations, calculations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Principal Paying Agent, or, if applicable, the Calculation Agent shall (in the absence of wilful default, fraud or manifest error or proven error) be binding on the Issuer, the Principal Paying Agent, the Calculation Agent (if applicable), the other Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and fraud) no liability to the Issuer, the Noteholders, the Receiptholders, the Couponholders or the Trustee shall attach to the Principal Paying Agent, or, if applicable, the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

### **5.3 Step Up Option**

This Condition 5.3 is applicable to Notes (**Step Up Notes**) only if the Step Up Option is specified in the applicable Final Terms as being applicable.

The Rate of Interest for Step Up Notes will be the Initial Rate of Interest specified in the applicable Final Terms, provided that for any Interest Period commencing on or after the Interest Payment Date immediately following a Step Up Event, if any, the Rate of Interest shall be increased by the Step Up Margin specified in the applicable Final Terms. The occurrence of a Step Up Event will be notified by the Issuer to the Principal Paying Agent and, in accordance with Condition 14 (Notices), the Noteholders on the Step Up Event Notification Date. Such notice shall be irrevocable and shall specify the Rate of Interest, the Step Up Margin and the Step Up Date.

The applicable Final Terms shall specify whether one or both the Step Up Events shall apply in respect of each Series of Step Up Notes<sup>9</sup> and the relevant Step Up Margin in respect of each such event.

If the applicable Final Terms specifies that a Collective Step Up Event is applicable (comprising more than one Step Up Event), upon the occurrence of the first Step Up Event comprising the Collective Step Up Event, the Rate of Interest (in the case of Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), shall be increased by the Collective Step Up Margin from the next following Interest Period, provided that, once the Rate of Interest (in the case of Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), has been increased by the relevant Step Up Margin upon the occurrence of a Collective Step Up Event, no further Step Up Event may occur.

If the applicable Final Terms specifies that more than one Step Up Event is applicable but specifies that a Collective Step Up Event is not applicable, upon the occurrence of any Step Up Event so specified, the Rate of Interest (in the case of Fixed Rate Notes) or the Initial Margin (in the case of Floating Rate Notes), shall be increased by the relevant Step Up Margin for each Step Up Event that may occur from the next following Interest Period.

For the avoidance of doubt, an increase in the Rate of Interest may occur no more than once in respect of the relevant Step Up Notes.

For the purposes of this Condition 5.3:

**CO<sub>2</sub>** means carbon dioxide;

**CO<sub>2</sub>eq** means carbon dioxide equivalent;

**Collective Step Up Event** means more than one of (i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions; and/or (ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%); and/or (iii) KPI#3 - SF6 Gas Leakages, as indicated as applicable in the relevant Final Terms and, in each case, as so specified as being the Collective Step Up Event in the relevant Final Terms;

**Collective Step Up Margin** means the amount specified in the applicable Final Terms as being the Collective Step Up Margin;

**EU Taxonomy Climate Delegated Act** means the technical screening criteria adopted by the European Commission on 21 April 2021;

**EU Taxonomy Regulation** means Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020, as may be amended or supplemented from time to time;

**Exceptional Disapplication Event** means either:

(A) an amendment to, or change in, any applicable laws, regulations, rules, guidelines and policies, or, without limitation, any decision of a competent authority or court; or

(B) the relevant concessions, authorisations, licences and/or clearances applicable to and/or relating to and/or granted to the Group being amended, revoked and/or the relevant expiration date being shortened, in each case, which has a direct or indirect impact on the Group's ability to satisfy the relevant Sustainability-Linked Note Step Up Condition, as the case may be;

**External Verifier** means a qualified provider of third-party assurance or attestation services appointed by the Issuer on or prior to the Issue Date of the Notes to review the Issuer's statement of the relevant KPI, as specified in the applicable Final Terms;

**External Verifier Assurance Report** has the meaning given to it in Condition 15 (*Available Information*);

**KPI** means (i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions; (ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%); and (iii) KPI#3 - SF6 Gas Leakages (together, the **KPIs** and each such a KPI, the **relevant KPI**);

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions** means the release of GHG into the atmosphere, related to Scope 1 and Scope 2 and reported in the form of amount of emissions in metric tonnes of CO<sub>2</sub>eq;

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions Step Up Condition** means the notification in writing by the Issuer to the Principal Paying Agent and the Noteholders in accordance with Condition 14 (*Notices*) on the Step Up Event Notification Date that the KPI#1 - Absolute Scope 1 and 2 GHG Emissions as of the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date was equal to or lower than the relevant KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target or the Updated KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target, and that such KPI#1 - Absolute Scope 1 and 2 GHG Emissions as of the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date has been confirmed by the External Verifier in accordance with its customary procedures;

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event** means the failure of the Issuer to satisfy the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Step Up Condition, *provided that* no KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event shall occur in case of the failure of the Issuer to satisfy the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Step Up Condition due to an Exceptional Disapplication Event;

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions Margin** means the amount specified in the applicable Final Terms as being the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Margin;

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date** means the date specified in the applicable Final Terms as being the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date;

**KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target** means the target expressed in metric tonnes of CO<sub>2</sub>eq (tCO<sub>2</sub>eq), specified in the applicable Final Terms as being the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target, subject to the occurrence of a Recalculation Event;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%)** means the proportion of Total Capital Expenditure accounted over a stated period in activities that qualify as environmentally sustainable according to the criteria set out in Article 3 of the EU Taxonomy Regulation, and in the relevant delegated acts and/or regulations, published from time to time including, without limitation, the EU Taxonomy Climate Delegated Act and Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage** means the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%) (expressed as a percentage) calculated in good faith by the Issuer, confirmed by the External Verifier and published by the Issuer in accordance with Condition 15 (Available Information);

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Step Up Condition** means the notification in writing by Terna to the Principal Paying Agent and the Noteholders in accordance with Condition 14 (Notices) on the Step Up Event Notification Date that the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage as of the relevant KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date was equal to or exceeded the relevant KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target or the Updated KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target, and that such KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage has been confirmed by the External Verifier in accordance with its customary procedures;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Event** means the failure of the Group to satisfy the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Step Up Condition, provided that no KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Event shall occur in case the failure of the Group to satisfy the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Step Up Condition is due to an Exceptional Disapplication Event;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Margin** means the amount specified in the applicable Final Terms as being the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Margin;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date** is the date specified as the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date in the relevant Final Terms;

**KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target** means the target specified in the applicable Final Terms as being the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target, subject to the occurrence of a Recalculation Event;

**KPI#3 - SF6 Gas Leakages** means the SF6 Gas Leakages rate expressed as a percentage of total SF6 Gas Installed;

**KPI#3 - SF6 Gas Leakages Step Up Condition** means the notification in writing by the Issuer to the Principal Paying Agent and the Noteholders in accordance with Condition 14 (*Notices*) on the Step Up Event Notification Date that KPI#3 - SF6 Gas Leakages as of the KPI#3 - SF6 Gas Leakages Reference Date was equal to or lower than the relevant KPI#3 - SF6 Gas Leakages Target or the Updated KPI#3 - SF6 Gas Leakages Target, and that such SF6 Gas Leakages as of the KPI#3 - SF6 Gas Leakages Reference Date has been confirmed by the External Verifier in accordance with its customary procedures;

**KPI#3 - SF6 Gas Leakages Event** means the failure of the Issuer to satisfy the KPI#3 - SF6 Gas Leakages Step Up Condition, *provided that* no KPI#3 - SF6 Gas Leakages Event shall occur in case of the failure of the Issuer to satisfy the KPI#3 - SF6 Gas Leakages Step Up Condition due to an Exceptional Disapplication Event;

**KPI#3 - SF6 Gas Leakages Margin** means the amount specified in the applicable Final Terms as being the KPI#3 - SF6 Gas Leakages Margin;

**KPI#3 - SF6 Gas Leakages Reference Date** means the date specified in the applicable Final Terms as being the KPI#3 - SF6 Gas Leakages Reference Date;

**KPI#3 - SF6 Gas Leakages Target** means the target specified in the applicable Final Terms as being the KPI#3 - SF6 Gas Leakages Target, subject to the occurrence of a Recalculation Event;

**GHG** means greenhouse gases, being gases which absorb and emit radiation in the atmosphere contributing to the greenhouse effect, including (among others) carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), hydrofluorocarbons (HFC), perfluorocarbons (PFC), sulfur hexafluoride (SF<sub>6</sub>) and nitrogen trifluoride (NF<sub>3</sub>);

**GHG Report** is a section included in the Integrated Report providing Terna Group's physical emissions;

**Initial Rate of Interest** means the initial Rate of Interest specified in the applicable Final Terms;

**Integrated Report** has the meaning given to it in Condition 15 (*Available Information*);

**Limited Assurance Report** has the meaning given to it in Condition 15 (*Available Information*);

**Recalculation Event** means the occurrence of either of the following events:

(a) an event that may require the Group to change its methodology for calculating the relevant KPI including – without limitation – (i) as a consequence of a change in law, regulations, rules, standards, guidelines and policies, and/or (ii) following a significant change in data due to better data accessibility or the discovery or correction of data errors or any correction of a number of cumulative errors;

(b) an event which results in a significant structural change to the Group, including as a result of acquisitions or mergers; or

(c) in relation to the value of the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy (%) only, an event that may require the Group to change the qualification of the activities relating the transmission and distribution of electricity from eligible aligned to eligible not aligned according to the criteria for environmentally sustainable economic activities set out in article 3 of the EU Taxonomy Regulation and the technical screening criteria set out for electricity transmission and distribution activity in the EU Taxonomy Climate Delegated Act,

in any case leading to an increase or decrease in the value of such KPI of 5% or greater since the most recent value of such KPI published by Terna according to Condition 15 (*Available Information*), such that Terna may, acting in good faith, set the relevant Updated Target;

**Recalculation Event Notice** means the notice prepared by the Issuer in relation to any Recalculation Event and disclosed in accordance with Condition 15 (Available Information) and notified by the Issuer according to Condition 14 (Notices) and to the Trustee. As of the date of the relevant Recalculation Event Notice in respect of any Updated Target, the relevant Updated Target shall replace the relevant Target and any reference to the relevant Target in these Conditions thereafter shall be deemed to be a reference to the relevant Updated Target, it being understood that failure to satisfy the Updated Target Confirmation Requirements shall result in the relevant Target continuing to apply and therefore no change shall be made to the relevant Target as a result of the Recalculation Event;

**Reference Date** means the (i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Reference Date; and/or (ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Reference Date; and/or (iii) KPI#3 - SF6 Gas Leakages Reference Date, in each case as set out in the relevant Final Terms, and each such date, a **relevant Reference Date**;

**Scope 1 GHG Emissions** means GHG Emissions which occur from fossil fuels consumption for internal use and company operations including buildings heating, company vehicles, back-up generators and GHG losses from electrical equipment (in particular, SF6 for electrical insulation purposes);

**Scope 2 GHG Emissions** means GHG Emissions which occur from purchase of electricity from the grid and transmission losses along the high-voltage lines managed by Terna, as required by the GHG Protocol Corporate Standard with respect to the role of Transmission System Operators;

**SF<sub>6</sub>** means sulphur hexafluoride;

**SF<sub>6</sub> Gas Installed** means the SF<sub>6</sub> gas installed in the assets that are owned by and operated by the Issuer or its Subsidiaries (with the exclusion of Brugg Kabel Group and Tamini Group), for any fiscal year, expressed as a total amount in Kg;

**SF<sub>6</sub> Gas Leakages** means the SF<sub>6</sub> gas emissions which are released into the atmosphere which occur from assets that are owned by and operated by the Issuer or its Subsidiaries (with the exclusion of Brugg Kabel Group and Tamini Group) for any fiscal year, expressed as a total amount in Kg;

**Step Up Date** means, in relation to (i) any Step Up Event, or (ii) any Collective Step Up Event, in each case, the first day of the next Interest Period following the date on which the Issuer is required to publish the Integrated Report as of and for the period ending on the relevant Reference Date pursuant to Condition 15 (Available Information);

**Step Up Event** means (i) the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event, or (ii) KPI#2 – Proportion of CAPEX aligned to the EU Taxonomy Percentage Event, (iii) KPI#3 - SF6 Gas Leakages Event, or (iv) a Collective Step Up Event, as specified in the Final Terms and, each such event, the **relevant Step Up Event**;

**Step Up Event Notification Date** means a Business Day falling no later than 30 days prior to the Step Up Date;

**Step Up Margin** means (i) in relation to the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Event, the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Margin, (ii) in relation to the KPI#2 – Proportion of CAPEX aligned to the EU Taxonomy Percentage Event, the KPI#2 – Proportion of CAPEX aligned to the EU Taxonomy Percentage Margin, (iii) in relation to the KPI#3 - SF6 Gas Leakages Event, the KPI#3 - SF6 Gas Leakages Margin, and (iv) in respect of any Step Up

Event comprising a Collective Step Up Event the Collective Step Up Margin, as indicated as applicable in the relevant Final Terms and, each such margin, the **relevant Step Up Margin**;

**Sustainability-Linked Note Step Up Condition** means any or both the (i) KPI#1 - Absolute Scope 1 and 2 GHG Emissions Step Up Condition; and/or (ii) KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Step Up Condition; and/or KPI#3 - SF6 Gas Leakages Step Up Condition, as may be applicable in correspondence with the relevant Step Up Event specified in the relevant Final Terms;

**Total Capital Expenditure** means, for the purpose of the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy, the total amount of capital expenditure of the Group as of a given date, accounted based on the conditions established by the EU Taxonomy Regulation and the EU Taxonomy delegated act supplementing Article 8 of the EU Taxonomy Regulation (Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021);

**Updated KPI#1 - Absolute Scope 1 and 2 GHG Emissions** means the KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target as recalculated in good faith by Terna as a consequence of a Recalculation Event, as disclosed by way of a Recalculation Event Notice, provided that the Updated Target Confirmation Requirements have been satisfied;

**Updated KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target** means the KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Target as recalculated in good faith by Terna as a consequence of a Recalculation Event, as disclosed by way of a Recalculation Event Notice, provided that the Updated Target Confirmation Requirements have been satisfied;

**Updated KPI#3 - SF6 Gas Leakages** means the KPI#3 - SF6 Gas Leakages Target as recalculated in good faith by Terna as a consequence of a Recalculation Event, as disclosed by way of a Recalculation Event Notice, provided that the Updated Target Confirmation Requirements have been satisfied;

**Updated Target** means the (i) Updated KPI#1 - Absolute Scope 1 and 2 GHG Emissions Target; (ii) Updated KPI#2 - Proportion of CAPEX aligned to the EU Taxonomy Percentage Target; and (iii) Updated KPI#3 - SF6 Gas Leakages, and each such Target, a **relevant Updated Target**;

**Updated Target Confirmation Requirements** means a qualified second party opinion provider independently confirming to the Group in writing that the relevant Updated Target:

(i) is consistent with the Group's sustainability strategy; and

(ii) is in line with the initial level of ambition of, or more ambitious than, relevant Target;

and notice of such confirmation is provided to the Trustee and to the Noteholders and to the Principal Paying Agent pursuant to Condition 14 (Notices).

Neither the Trustee nor the Issuing and Paying Agent shall be obliged to monitor or inquire as to whether any event under this Condition 5.3 has occurred or have any liability in respect thereof and the Trustee shall be entitled to rely absolutely on any notice given to it by the Issuer pursuant to this Condition 5.3 without further enquiry or liability. The Trustee and the Issuing and Paying Agent shall not be charged with knowledge of any change in the Rate of Interest or, as the case may be, Margin or any other event pursuant to this Condition 5.3 unless it receives notification from the Issuer pursuant to this Condition 5.3 detailing such change or other event.

## **5.4 Benchmark Discontinuation**

This Condition 5.4 is applicable to Notes only if the Floating Rate Note Provisions are specified in the form of Final Terms as being applicable.

### **(a) Independent Adviser**

If the Issuer determines that a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, then the Issuer shall use its reasonable endeavours to appoint and consult with an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 5.4(b) (*Successor Rate or Alternative Rate*)) and, in either case, an Adjustment Spread if any (in accordance with Condition 5.4(c) (*Adjustment Spread*)) and any Benchmark Amendments (in accordance with Condition 5.4(d) (*Benchmark Amendments*)).

An Independent Adviser appointed pursuant to this Condition 5.4(a) shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of bad faith, fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, the Trustee, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 5.4.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5.4(a) and notify the Agents and the Calculation Agent of such determinations prior to the date which is ten Business Days prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. If no Adjustment Spread is determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the rate of interest. For the avoidance of doubt, this Condition 5.4(a) shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, this Condition 5.4(a).

### **(b) Successor Rate or Alternative Rate**

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 5.4(c) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.4); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 5.4(c) (*Adjustment Spread*)) subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5.4).

**(c) Adjustment Spread**

If the Independent Adviser determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

**(d) Benchmark Amendments**

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 5.4 and the Independent Adviser determines (i) that amendments to these Conditions, the Trust Deed and the Agency Agreement, including but not limited to Relevant Screen Page, are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the **Benchmark Amendments**) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 5.4(e) (*Notices*), without any requirement for the consent or approval of Noteholders, vary these Conditions, the Trust Deed and the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 5.4(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

At the request of the Issuer, but subject to receipt by the Trustee of a certificate signed by two Directors of the Issuer pursuant to Condition 5.4(e) (*Notices*), the Trustee shall (at the expense of the Issuer), without any requirement for the consent or approval of the Noteholders or Couponholders, be obliged to concur with the Issuer using its reasonable endeavours to effect any Benchmark Amendments (including, inter alia, by the execution of a deed supplemental to or amending the Trust Deed), provided that the Trustee shall not be obliged to agree to any Benchmark Amendments which, in the sole opinion of the Trustee, would have the effect of: (i) exposing the Trustee to any liability against which it has not been indemnified and/or secured and/or prefunded to its satisfaction; or (ii) increasing the obligations, responsibilities or duties, or decreasing the protections, of the Trustee under the Trust Deed and/or the Conditions in any way.

Notwithstanding any other provision of this Condition 5, if in the Calculation Agent's opinion there is any uncertainty between two or more alternative courses of action in making any determination or calculation under this Condition 5, the Calculation Agent shall promptly notify the Issuer thereof and the Issuer shall direct the Calculation Agent in writing as to which alternative course of action to adopt. If the Calculation Agent is not promptly provided with such direction, or is otherwise unable to make such calculation or determination for any reason, it shall notify the Issuer thereof and the Calculation Agent shall be under no obligation to make such calculation or determination and shall not incur any liability for not doing so.

**(e) Notices**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 5.4 will be notified promptly by the Issuer to the Trustee, the Calculation Agent, the Principal Paying Agent and each Paying Agent and, in accordance with Condition 14 (*Notices*), the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Trustee of the same, the Issuer shall deliver to the Trustee a certificate signed by two Directors:

- (i) confirming (x) that a Benchmark Event has occurred, (y) the Successor Rate or, as the case may be, the Alternative Rate and (z) where applicable, any Adjustment Spread and/or the specific terms of any Benchmark Amendments, in each case as determined in accordance with the provisions of this Condition 5.4;
- (ii) certifying that the Benchmark Amendments are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread; and
- (iii) certifying that the Issuer has duly consulted with an Independent Adviser with respect to each of the matters above.

The Trustee shall be entitled to rely on such certificate (without inquiry and without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread (if any) and the Benchmark Amendments (if any) and without prejudice to the Trustee's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Trustee, the party responsible for determining the Rate of Interest (being the Principal Paying Agent, the Calculation Agent or such other party specified in the form of Final Terms, as applicable), the Paying Agents and the Noteholders and Couponholders.

**(f) Survival of Original Reference Rate**

Without prejudice to the obligations of the Issuer under Condition 5.4(a) (*Independent Adviser*) to Condition 5.4(d) (*Benchmark Amendments*), the Original Reference Rate and the fallback provisions provided for in Condition 5.2(B)(ii) (*Screen Rate Determination for Floating Rate Notes*) will continue to apply unless and until a Benchmark Event has occurred.

**(g) Definitions**

For the purposes of this Condition 5.4:

**Adjustment Spread** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Adviser determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders and Couponholders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate);
- (b) in the case of a Successor Rate for which no such recommendation has been made or in the case of an Alternative Rate, the relevant Independent Adviser or the Issuer (as applicable) determines is recognised or acknowledged as being in customary market usage in international debt capital markets transactions which reference the Original Reference Rate, where such rate has been replaced by such Successor Rate or Alternative Rate (as applicable);
- (c) the Independent Adviser determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the

Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); (or if the Issuer determines that no such industry standard is recognised or acknowledged);

- (d) the Independent Adviser determines (acting in good faith and in a commercially reasonable manner) to be appropriate;

**Alternative Rate** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5.4(b) (*Successor Rate or Alternative Rate*) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes and with an interest period of a comparable duration to the relevant Interest Period;

**Benchmark Amendments** has the meaning given to it in Condition 5.4(d) (*Benchmark Amendments*);

**Benchmark Event** means:

- (a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the Original Reference Rate that it will, by a specified date within the following six months, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes, in each case within the following six months; or
- (e) it has become unlawful for the Paying Agents, the Calculation Agent, the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate;

provided that in the case of sub-paragraphs (b), (c) and (d), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

**Independent Adviser** means an independent financial institution of international repute or an independent financial adviser with appropriate expertise in the international debt capital markets appointed by the Issuer under Condition 5.4(a) (*Independent Adviser*);

**Original Reference Rate** means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (i) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (ii) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (iii) a group of the aforementioned central banks or other supervisory authorities, or (iv) the Financial Stability Board or any part thereof;

**Successor Rate** means the rate that the Independent Adviser determines is a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## 5.5 Inflation Linked Note provisions

### 5.5.1 Definitions

For the purposes of the Inflation Linked Interest and Redemption Notes:

**Additional Disruption Event** means any of Change of Law, Hedging Disruption and/or Increased Cost of Hedging, in each case if specified in the applicable Final Terms.

**Change in Law** means that, on or after the Trade Date (as specified in the applicable Final Terms):

- (a) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law); or
- (b) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority),

the Calculation Agent determines in its discretion that (i) it has become illegal to hold, acquire or dispose of any relevant hedging arrangements in respect of the Inflation Index or (ii) any Hedging Party will incur a materially increased cost in performing its obligations in relation to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on the tax position of the Issuer, any of its Affiliates or any other Hedging Party).

**Cut-Off Date** means, in respect of a Determination Date, five (5) Business Days prior to any due date for payment under the Notes for which valuation on the relevant Determination Date is relevant, unless otherwise stated in the applicable Final Terms.

**Delayed Index Level Event** means, in respect of any Determination Date and an Inflation Index, that the relevant Inflation Index Sponsor fails to publish or announce the level of such Inflation Index (the **Relevant Level**) in respect of any Reference Month which is to be utilised in any calculation or determination to be made by the Issuer in respect of such Determination Date, at any time on or prior to the Cut-Off Date.

**Determination Date** means each of the Interest Determination Date and the Redemption Determination Date, as the case may be, specified as such in the applicable Final Terms.

**End Date** means each date specified as such in the applicable Final Terms.

**Fallback Bond** means, in respect of an Inflation Index, a bond selected by the Calculation Agent and issued by the government of the country to whose level of inflation the relevant Inflation Index relates and which pays a coupon or redemption amount which is calculated by reference to such Inflation Index, with a maturity date which falls on (a) the End Date specified in the applicable Final Terms, (b) the next longest maturity after the End Date if there is no such bond maturing on the End Date or (c) the next shortest maturity before the End Date if no bond defined in (a) or (b) is selected by the Calculation Agent. If the relevant Inflation Index relates to the level of inflation across the European Monetary Union, the Calculation Agent will select an inflation-linked bond that is a debt obligation of one of the governments (but not any government agency) of France, Italy, Germany or Spain and which pays a coupon or redemption amount which is calculated by reference to the level of inflation in the European Monetary Union. In each case, the Calculation Agent will select the Fallback Bond from those inflation-linked bonds issued on or before the Issue Date and, if there is more than one inflation-linked bond maturing on the same date, the Fallback Bond shall be selected by the Calculation Agent from those bonds. If the Fallback Bond redeems, the Calculation Agent will select a new Fallback Bond on the same basis, but notwithstanding the immediately prior sentence, selected from all eligible bonds in issue at the time the original Fallback Bond redeems (including any bond for which the redeemed bond is exchanged).

**Hedging Disruption** means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

**Hedging Party** means at any relevant time, the Issuer, or any of its Affiliates or any other party providing the Issuer directly or indirectly with hedging arrangements in relation to the Notes as the Issuer may select at such time.

**Increased Cost of Hedging** means that any Hedging Party would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (a) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the market risk (including, without limitation, price risk, foreign exchange risk and interest rate risk) of the Issuer issuing and performing its obligations with respect to the Notes or (b) realise, recover or remit the proceeds of any such transaction(s) or asset(s), provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer and/or any of its Affiliates shall not be deemed an Increased Cost of Hedging.

**Interest Determination Date** means the date specified in the applicable Final Terms, if applicable.

**Inflation Index Sponsor** means, in relation to an Inflation Index, the entity that publishes or announces (directly or through an agent) the level of such Inflation Index which, as of the Issue Date, is the Inflation Index Sponsor specified in the applicable Final Terms.

**Redemption Determination Date** means the date specified in the applicable Final Terms, if applicable.

**Reference Month** means the calendar month for which the level of the Inflation Index is reported as specified in the applicable Final Terms, regardless of when this information is published or announced, except that if the period for which the Relevant Level was reported is a period other than a month, the Reference Month shall be the period for which the Relevant Level is reported.

**Related Bond** means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is "Fallback Bond", then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if "Fallback Bond: Not Applicable" is specified in the applicable Final Terms, there will be no Related Bond.

**Relevant Level** has the meaning set out in the definition of "Delayed Index Level Event" above.

### 5.5.2 Inflation Index delay and disruption provisions

#### (a) Delay in publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the **Substitute Index Level**) shall be determined by the Calculation Agent as follows:

- (i) if "Related Bond" is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- (ii) if (I) "Related Bond" is not specified as applicable for such Inflation Index in the relevant Final Terms or (II) the Calculation Agent is not able to determine a Substitute Index Level under paragraph (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

$$\text{Substitute Index Level} = \text{Base Level} \times (\text{Latest Level/Reference Level}); \text{ or}$$

- (iii) in the case of Inflation Linked Notes which are Exempt Notes, in accordance with any formula specified in the applicable Pricing Supplement,

in each case as of such Determination Date,

where:

**Base Level** means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

**Latest Level** means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

**Reference Level** means, in respect of an Inflation Index, the level of such Inflation Index (excluding any "flash" estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 14 (*Notices*) of any Substitute Index Level calculated pursuant to this Inflation provision.

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut-off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this Condition 5 will be the definitive level for that Reference Month.

**(b) Cessation of publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the **Successor Inflation Index**) (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

- (i) if at any time (other than after an early redemption or cancellation event has been designated by the Calculation Agent pursuant to this Condition 5.5), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a "Successor Inflation Index" notwithstanding that any other Successor Inflation Index may previously have been determined under paragraph (ii), (iii) or (iv) below;
- (ii) if a Successor Inflation Index has not been determined pursuant to paragraph (i) above, and a notice has been given or an announcement has been made by the Inflation Index Sponsor, specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;
- (iii) if a Successor Inflation Index has not been determined pursuant to paragraph (i) or (ii) above, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the "Successor Inflation Index". If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this paragraph (iii), the Calculation Agent will proceed to paragraph (iv) below; or

- (iv) if no replacement index or Successor Inflation Index has been determined under paragraph (i), (ii) or (iii) above by the next occurring Cut-Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut-Off Date, and such index will be deemed a "Successor Inflation Index"; or
- (v) If the Calculation Agent determines that there is no appropriate alternative inflation index to Inflation Linked Interest Notes, the Issuer may redeem the Notes early at the Early Redemption Amount.

**(c) Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the **Rebased Index**) will be used for purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if "Related Bond" is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

**(d) Material modification prior to last occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if "Related Bond" is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if "Related Bond" is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

**(e) Manifest Error in publication**

With the exception of any corrections published after the day which is fifteen (15) Business Days prior to the relevant Redemption Determination Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 14 (*Notices*).

**(f) Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

- (a) require the Calculation Agent to determine in its sole and absolute discretion the appropriate adjustment, if any, to be made to any terms of the Conditions and/or the applicable Final Terms to account for the Additional Disruption Event and determine the effective date of that adjustment; or
- (b) redeem or cancel, as applicable, all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 14 (*Notices*) by payment of the relevant Early Redemption Amount, as at the date of

redemption or cancellation, as applicable, taking into account the relevant Additional Disruption Event.

### **5.5.3 Inflation Index disclaimer**

The Notes are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. The Issuer shall not have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor its Affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its Affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

### **5.6 Exempt Notes**

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 5.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Principal Paying Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Principal Paying Agent of the Rate of Interest for the relevant Interest Period promptly after calculating the same.

#### *Partly Paid Notes*

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

#### *Inflation Linked Interest Notes*

In the case of Inflation Linked Interest Notes which are Exempt Notes interest will be paid as set out in Conditions 5.2(C) (*Rate of Interest – Inflation Linked Interest Notes*) and 5.5 (*Inflation Linked Note provisions*) or as otherwise specified in the applicable Pricing Supplement.

### **5.7 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal

is improperly withheld or refused or default is otherwise made in the payment thereof. In such event, interest will continue to accrue until whichever is the earlier of:

- (A) the date on which all amounts due in respect of such Note have been paid; and
- (B) as provided in the Trust Deed.

## **6. PAYMENTS**

### **6.1 Method of payment**

Subject as provided below:

- (A) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (B) payments in euro will be made by credit or transfer to a euro account (or to any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or (without prejudice to the provisions of Condition 8 (*Taxation*)) any law implementing an intergovernmental approach thereto, and (iii) any withholding or deduction required pursuant to Section 871(m) of the Code (**871(m) Withholding**). In addition, in determining the amount of 871(m) Withholding imposed with respect to any amounts to be paid on the Notes, the Issuer shall be entitled to withhold on any “dividend equivalent” (as defined for purposes of Section 871(m) of the Code) at the highest rate applicable to such payments regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law.

Payments on the Notes that reference U.S. securities or an index that includes U.S. securities may be calculated by reference to dividends on such U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

### **6.2 Presentation of definitive Notes, Receipts and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 (*Method of payment*) against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4 (*Specific provisions in relation to payments in respect of certain types of Exempt Notes*)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A Long Maturity Note is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### **6.3 Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable, against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note either by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **6.4 Specific provisions in relation to payments in respect of certain types of Exempt Notes**

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 (*Method of payment*) only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the

definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

## **6.5 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or of Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (A) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (B) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or by other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (C) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences for the Issuer.

## **6.6 Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9 (*Prescription*)) is:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
  - (i) in the case of Notes in definitive form only, the relevant place of presentation;
  - (ii) each Additional Financial Centre (other than T2) specified in the applicable Final Terms; and

- (iii) if T2 is specified as an Additional Financial Centre in the applicable Final Terms, a day on which T2 is open; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which T2 is open

## **6.7 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (A) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (B) the Final Redemption Amount of the Notes;
- (C) the Early Redemption Amount of the Notes;
- (D) the Optional Redemption Amount(s) (if any) of the Notes;
- (E) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts; and
- (F) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

## **7. REDEMPTION AND PURCHASE**

### **7.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

#### *Inflation Linked Interest Notes*

With regards to Inflation Linked Interest Notes which are not Exempt Notes please see Condition 5.5 (*Inflation Linked Note provisions*).

### **7.2 Redemption for tax reasons**

Subject to Condition 7.7 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating

Rate Note or an Inflation Linked Interest Note), on giving not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Principal Paying Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (A) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (B) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition 7.2, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and legal opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.7 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **7.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given:

- (A) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*); and
- (B) not less than 15 days before the giving of the notice referred to in paragraph (A) above, notice to the Trustee and to the Principal Paying Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms.

For the purposes of this Condition 7.3 (*Redemption at the option of the Issuer (Issuer Call)*) the Optional Redemption Amount will either be:

- (i) the specified percentage of the nominal amount of the Notes specified in the applicable Final Terms which, in the case of the redemption of some only of the Notes then outstanding, shall be a nominal amount of not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms; or
- (ii) if Make-Whole Amount is specified in the applicable Final Terms, an amount which is the higher of:
  - a. 100 per cent. of the Early Redemption Amount of the Note to be redeemed; or
  - b. as determined by the Reference Dealers (as defined below), the sum of the then current values of the remaining scheduled payments of principal and interest to maturity (or, if Maturity Par Call Period is specified in the applicable Final Terms, to the Par Call Period Commencement Date) (not including any interest accrued on the Notes to, but excluding, the relevant Optional Redemption Date) discounted to the Optional Redemption Date on an annual basis (based on the actual number of days elapsed divided by 365 or (in the case of a leap year) by 366) at the Reference Bond Rate (as defined below) plus the Redemption Margin.

As used in this Condition (*Redemption at the option of the Issuer (Issuer Call)*):

“**Par Call Period Commencement Date**” has the meaning given to it in the Final Terms;

“**Maturity Par Call Period**” has the meaning given to it in the Final Terms;

“**Redemption Margin**” shall be as set out in the applicable Final Terms;

“**Reference Bond**” shall be as set out in the applicable Final Terms;

“**Reference Dealers**” shall be as set out in the applicable Final Terms; and

“**Reference Bond Rate**” means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg, as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition

7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

#### **7.4 Redemption at the option of the Issuer (Issuer Maturity Par Call)**

If Issuer Maturity Par Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than 30 nor more than 50 days' notice (or such other period of notice as is specified in the applicable Final Terms) in accordance with Condition 14 (*Notices*), to the Noteholders (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem the Notes then outstanding in whole, but not in part, at any time during the Maturity Par Call Period specified in the applicable Final Terms, at the Early Redemption Amount specified in the applicable Final Terms, together (if appropriate) with interest accrued but unpaid to (but excluding) the date fixed for redemption.

#### **7.5 Redemption at the option of the Issuer (Clean-Up Call)**

If the Clean-up Call Option (defined herein) is specified in the relevant Final Terms as being applicable, in the event that at least 80 per cent. of the initial aggregate principal amount of the Notes has been purchased and cancelled by the Issuer, the Issuer may, at its option (the **Clean-Up Call Option**) but subject to having given not less than thirty (30) nor more than sixty (60) days' notice (or such other period of notice as is specified in the applicable Final Terms) to the Noteholders, redeem all, but not some only, of the outstanding Notes. Any such redemption of Notes shall be at their Early Redemption Amount (as specified in the applicable Final Terms) together with interest accrued to the date fixed for redemption.

#### **7.6 Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition 7.4 and the Put Notice must be accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Principal Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be for them to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4.

## 7.7 Early Redemption Amounts

For the purpose of Condition 7.2 (*Redemption for tax reasons*) and Condition 10 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (A) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (B) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (C) in the case of a Zero Coupon Note, at its Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

## 7.8 Specific redemption provisions applicable to certain types of Exempt Notes

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 7.2 (*Redemption for tax reasons*), Index Linked

Redemption Notes and Dual Currency Redemption Notes may be redeemed only on an Interest Payment Date.

#### *Instalment Notes*

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

#### *Partly Paid Notes*

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition 7.8 and the applicable Pricing Supplement.

#### *Index Linked Notes and other Structured Notes*

The Issuer may, as indicated in the applicable Pricing Supplement, be entitled to redeem Index Linked Notes or other structured Notes, including where the amount of principal and/or interest in respect of such Notes is based on the price, value, performance or some other factor relating to an asset or other property (the **Reference Asset**), by physical delivery of all or part of the Reference Asset or of some other asset or property (the **Physically-Settled Notes**).

#### *Inflation Linked Redemption Notes*

Inflation Linked Redemption Notes which are Exempt Notes will be redeemed as set out in Conditions 7.12 (*Inflation Linked Redemption Notes*) and 7.13 (*Calculation of Inflation Linked Redemption*) or as otherwise specified in the applicable Pricing Supplement.

### **7.9 Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. If purchases are made by tender, tenders must be available to all Noteholders alike. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.

### **7.10 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.9 (*Purchases*) (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Principal Paying Agent and cannot be reissued or resold.

### **7.11 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1 (*Redemption at maturity*), 7.2 (*Redemption for tax reasons*), 7.3 (*Redemption at the option of the Issuer (Issuer Call)*) or 7.6 (*Redemption at the option of the Noteholders (Investor Put)*) or upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcement*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated

as provided in Condition 7.7(C) as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (A) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (B) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Principal Paying Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

## 7.12 Inflation Linked Redemption Notes

In respect of Inflation Linked Redemption Notes which are not Exempt Notes, the Calculation Agent will calculate such Final Redemption Amount or Early Redemption Amount (as the case may be) promptly after each time such amount is capable of being determined and will notify the Principal Paying Agent thereof promptly after calculating the same. The Principal Paying Agent will promptly thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 14 (*Notices*).

## 7.13 Calculation of Inflation Linked Redemption

The Final Redemption Amount payable in respect of each Note shall be determined by the Calculation Agent on the Redemption Determination Date (utilising the  $DIR(T)$  value applicable to the Final Redemption Amount) in accordance with the following formula:

$$\text{Final Redemption Amount} = \text{Specified Denomination} * \text{Max} \left[ 100\%; \left[ \text{Redemption Amount Multiplier} \right] * \left( \frac{DIR(T)}{DIR(0)} \right) \right]$$

The result of  $DIR(T)$  divided by  $DIR(0)$  shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards and the Final Redemption Amount shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards.

The Early Redemption Amount payable in respect of each Note shall be the sum of (i) a principal amount determined by the Calculation Agent promptly after the time the Early Redemption Amount is capable of being determined in accordance with the formula set out above, provided that the reference to “Final Redemption Amount” shall be replaced by a reference to “Early Redemption Amount” and the  $DIR(T)$  value applicable to the Early Redemption Amount shall be utilised; and (ii) interest accrued but unpaid in respect of the period from, and including, the most recent Interest Payment Date to, but excluding, the date for redemption of the Notes where the Rate of Interest for such period shall be calculated in accordance with the applicable Final Terms.

Defined terms used in this Condition 7.13 shall have the same meanings as set out in Condition 5.2(C) provided that,  $DIR(T)$  means the value of the Inflation Index for (i) in the case of the calculation of the Final Redemption Amount, the Maturity Date and (ii) in the case of the calculation of the Early Redemption Amount, the date for redemption of the Notes, in each case calculated in accordance with the following formula where month “t” is the month and year of the Maturity Date in the case of (i) above and the month and year in which the date for redemption falls in the case of (ii) above:

$$DIR(t) = \text{Inflation Index}(t - \text{Lookback Period } 1) + [\text{Inflation Index}(t - \text{Lookback Period } 2) - \text{Inflation Index}(t - \text{Lookback Period } 1)] * [\text{DayOfMonth} - 1] / \text{DaysInMonth}$$

Rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards

If the date for redemption occurs prior to the first Interest Payment Date, a pro rata proportion of an amount equal to the product of the Initial Ratio Amount multiplied by  $DIR(T)/DIR(0)$  shall be added to the relevant Interest Amount (in respect of the period from and including the Interest Commencement Date to but excluding the date of redemption of the Notes) (such sum shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards).

**Redemption Amount Multiplier** has the meaning given to it in the applicable Final Terms, provided that if Redemption Amount Multiplier is specified as "Not Applicable", the Redemption Amount Multiplier shall be deduced to be equal to 100 per cent.

The provisions of Condition 5.5 (*Inflation Linked Note provisions*) shall apply *mutatis mutandis*.

## 8. TAXATION

All payments in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes, duties, assessment or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (A) presented for payment by or on behalf of a holder who is liable for such Taxes in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (B) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to a declaration of residence or non-residence, but fails to do so; or
- (C) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5 (*General provisions applicable to payments*)); or
- (D) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes, Receipts or Coupons on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 and any related implementing regulations (as the same may be amended or supplemented from time to time); or
- (E) where such withholding or deduction is required pursuant to Italian Law Decree No. 512 of 30 September 1983, converted into Law No. 649 of 25 November 1983 as amended from time to time;

- (F) in the event of payment to a non-Italian resident legal entity or a non-Italian resident individual, to the extent that interest or other amounts are paid to a non-Italian resident legal entity or a non-Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy; or
- (G) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to (i) Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, or official interpretations thereof or (ii) Section 871(m) of the Code.

As used herein:

- (i) **Tax Jurisdiction** means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject in respect of payments made by it of principal and interest on the Notes, Receipts and Coupons; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

## 9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless demand for payment in respect of principal and/or interest is made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 (*Presentation of definitive Notes, Receipts and Coupons*) or any Talon which would be void pursuant to Condition 6.2 (*Presentation of definitive Notes, Receipts and Coupons*).

## 10. EVENTS OF DEFAULT AND ENFORCEMENT

### 10.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall, subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction (but in the case of the happening of any of the events described in paragraphs (C), (D), (F) and (G) below, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an **Event of Default**) shall occur:

- (A) if default is made in the payment of any principal or interest due in respect of the Notes or any of them and the default continues for a period of ten calendar days; or

- (B) if the Issuer fails to perform or to observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may agree in writing) next following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (C) if any Indebtedness for Borrowed Money of the Issuer becomes due and repayable prematurely by reason of an event of default (however described), or the Issuer fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or default is made by the Issuer in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), provided that no such event shall constitute an Event of Default so long as and to the extent that the Issuer is contesting, in good faith, in a competent court in a recognised jurisdiction or before a competent arbitration panel that the relevant Indebtedness for Borrowed Money or any such guarantee and/or indemnity shall be due or enforceable, as appropriate, and provided further that no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall exceed at any time €20,000,000 (or its equivalent in any other currency); or
- (D) any Security (other than any Security securing Project Finance Indebtedness), present or future, created or assumed on or against all or a material part of the property, assets or revenues of the Issuer, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) which is not discharged within 30 days of such enforcement; or
- (E) if the Issuer shall be wound up or dissolved (otherwise than for the purpose of a solvent amalgamation, merger, de-merger or reconstruction (a **Solvent Reorganisation**) (i) to be adopted or implemented pursuant to any mandatory provisions of law or (ii) on terms approved in writing by the Trustee or by an Extraordinary Resolution, and (in the case of (i) and (ii)) under which the assets and liabilities of the Issuer are assumed by the entity resulting from such Solvent Reorganisation and such entity assumes all the obligations of the Issuer in respect of the Notes, the Coupons and the Trust Deed and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Trustee confirming the same prior to the effective date of such Solvent Reorganisation); or
- (F) if the Issuer shall cease or announce that it shall cease to carry on all or substantially all of its business or shall dispose of all or substantially all of its assets (in each case otherwise than for the purpose of a Solvent Reorganisation (i) to be adopted or implemented pursuant to any mandatory provisions of law or (ii) on terms approved in writing by the Trustee or by an Extraordinary Resolution, and (in the case of (i) and (ii)) under which the assets and liabilities of the Issuer are assumed by the entity resulting from such Solvent Reorganisation and such entity assumes all the obligations of the Issuer in respect of the Notes, the Coupons and the Trust Deed and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Trustee confirming the same prior to the effective date of such Solvent Reorganisation); or

- (G) if the Issuer fails to pay a final judgment (*sentenza passata in giudicato*, in the case of a judgment issued by an Italian court) of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Issuer has been entered against it or an execution is levied, enforced upon or sued out against the whole or any substantial part of the assets or property of the Issuer pursuant to any such judgment; or
- (H) if the Issuer shall be adjudicated or becomes insolvent or shall stop payment or announce that it shall stop payment or shall be found unable to pay all or substantially all of its debts, or any order shall be made by any competent court or other competent body for, or any resolution shall be passed by the Issuer for judicial composition proceedings with its creditors or for the appointment of a receiver, administrative receiver or trustee or other similar official in insolvency proceedings in relation to the Issuer.

## 10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding and (b) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, (i) fails to do so within 60 days or (ii) is unable for any reason so to do and the failure or inability shall be continuing.

## 10.3 Definitions

For the purposes of the Conditions:

**Indebtedness for Borrowed Money** means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

## 11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## 12. AGENTS

The Issuer is entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Agent and/or appoint additional or other Agents and/or approve any change in the specified office through which any Agent acts, provided that:

- (A) there will at all times be a Principal Paying Agent;
- (B) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (C) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4 (*Specific provisions in relation to payments in respect of certain types of Exempt Notes*). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders by the Issuer in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Agents act solely as agents of the Issuer and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholder, Receiptholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor agent.

### 13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

### 14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London and (b) if and for so long as the Notes are listed on the Official List of, the Luxembourg Stock Exchange and admitted to trading on the regulated market of the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, [www.luxse.com](http://www.luxse.com). It is expected that any such publication in a newspaper will be made in the *Financial Times* in London and the *Luxemburger Wort* or the *Tageblatt* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for

communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice has been given to Euroclear and/or Clearstream, Luxembourg.

Without prejudice to the above, the Issuer shall give notice in the manner required by the Issuer's bylaws and the law and regulations applicable from time to time.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Principal Paying Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Principal Paying Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 15. AVAILABLE INFORMATION

This Condition 15 is applicable to Notes (**Step Up Notes**) only if the Step Up Option is specified in the applicable Final Terms as being applicable.

Beginning with the annual financial statements of the Issuer for the fiscal year ending on 31 December published after the Issue Date, in relation to Step Up Notes in respect of which the applicable Final Terms specifies one or both the Step Up Events being applicable, the Issuer will publish on its website and in accordance with applicable laws (i) its relevant KPI, as indicated in Terna Group's report, including, amongst others, consolidated disclosure of non-financial information of the Group pursuant to Legislative Decree 254/2016 and the sustainability report of the Group and audited by the independent auditor (the **Integrated Report**) and (ii) an independent auditor's report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018 (the **Limited Assurance Report**). Each Limited Assurance Report and Integrated Report will be published concurrently with the publication of the independent auditor's reports on the annual financial reports and will have the same reference date as the relevant independent auditor's report; provided that to the extent the Issuer reasonably determines that additional time is required to complete any Limited Assurance Report and the Integrated Report, then the relevant Limited Assurance Report and the Integrated Report may be published as soon as reasonably practicable, but in no event later than 60 days, subsequent to the date of publication of the independent auditor's report.

Furthermore, on or before the relevant Step Up Event Notification Date following a Reference Date, the Issuer will publish on its website an assurance report issued by the External Verifier in respect of its KPI at the relevant Reference Date (the **External Verifier Assurance Report**). The External Verifier Assurance Report will be published as soon as reasonably practicable following each relevant Reference Date but in no event later than the Step Up Event Notification Date.

In addition, if applicable and if specified in the applicable Final Terms, upon the occurrence of any Recalculation Event, the Issuer will publish on its website the relevant Updated Target and/or the Recalculation Event Notice.

## **16. MEETINGS OF NOTEHOLDERS, MODIFICATION AND WAIVER**

### **16.1 Meetings of Noteholders**

The Trust Deed contains provisions consistent with the laws, legislation, rules and regulations of the Republic of Italy (including without limitation Legislative Decree No. 58 of 24 February 1998, as amended) for convening meetings of the Noteholders to consider any matter affecting their interests, including any modifications of the Conditions or of any provisions of the Trust Deed. According to the laws, legislation, rules and regulations of the Republic of Italy: (a) if Italian law and the Issuer's by-laws provide for multiple calls, such meetings will be validly held if: (i) in the case of a first meeting, there are one or more persons present being or representing Noteholders holding not less than one-half in nominal amount of the Notes for the time being outstanding; (ii) in case of an adjourned meeting, there are one or more persons present being or representing Noteholders holding more than one-third in nominal amount of the Notes for the time being outstanding; and (iii) in the case of any further adjourned meeting, one or more persons present being or representing Noteholders holding more than one-fifth in nominal amount of the Notes for the time being outstanding, provided that the Issuer's by-laws may in each case (to the extent permitted under the applicable laws and regulations of the Republic of Italy) provide for a higher quorum; and (b) if Italian law and the Issuer's by-laws provide for a single call, the quorum under (iii) above shall apply, provided that a higher majority may be required by the Issuer's bylaws. The majority to pass a resolution at any meeting (including, where applicable, an adjourned meeting) will be not less than two-thirds of the nominal amount of the Notes represented at the meeting; provided however that (A) in order to adopt certain proposals, as set out in article 2415 of the Italian Civil Code the favourable vote of the higher of (i) one or more persons holding or representing not less than one half of the aggregate principal amount of the outstanding Notes and (ii) one or more persons holding or representing not less than two thirds of the Notes represented at the meeting pursuant to paragraph 3 of article 2415 of the Italian Civil Code shall also be required and (B) if the Issuer's by-laws in each case (to the extent permitted under applicable Italian law) provide for higher majorities, such higher majorities shall prevail. Resolutions passed at any meeting of the Noteholders shall be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

### **16.2 Noteholders' Representative**

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**) (who might, subject to the mandatory provisions of Italian law, also be the same legal entity as the Trustee) may be appointed pursuant to article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of Noteholders, the Noteholders' Representative shall be appointed by a decree of the Court where the Issuer has its registered office at the request of one or more Noteholders or at the request of the directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

### **16.3 Modification, Waiver, Authorisation and Determination**

The Trustee may agree, without the consent of the Noteholders or Couponholders or Receiptholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Notes, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders, or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error or an error which is, in the opinion of the Trustee, proven. In addition, the Trustee shall be obliged to concur with the Issuer in using its reasonable endeavours to effect any Benchmark Amendments in the circumstances and as otherwise set out in Condition 5.4(d) (*Benchmark Amendments*) without the consent of Noteholders or Couponholders.

### **16.4 Trustee to have Regard to Interests of Noteholders as a Class**

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person, any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

### **16.5 Notification to the Noteholders**

Any modification, abrogation, waiver, authorisation or determination shall be binding on the Noteholders, the Couponholders and the Receiptholders and, unless the Trustee agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 14 (*Notices*).

## **17. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer and/or any of its Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer and/or any of its Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders,

Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

## **18. FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this note under the contracts (rights of third parties) act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that act.

## **20. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **20.1 Governing law**

The Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. Condition 16 (Meetings of Noteholders, Modification and Waiver) and Schedule 3 of the Trust Deed are subject to compliance with the laws of the Republic of Italy.

### **20.2 Submission to jurisdiction**

- (A) The English courts are to have exclusive jurisdiction to settle any dispute arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons, including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them (a **Dispute**) and accordingly each of the Issuer and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute submits to the exclusive jurisdiction of the English courts.
- (B) For the purposes of this Condition 20.2, each of the Issuer and the Trustee and any Noteholders, Receiptholders or Couponholders in relation to any Dispute waives any objection to the English courts on the grounds that they are an inconvenient or inappropriate forum to settle any Dispute.

### **20.3 Appointment of Process Agent**

The Issuer appoints Law Debenture Corporate Services Limited at 100 Wood Street, London EC2V 7EX as its agent for service of process in any proceedings before the English courts in relation to any Dispute, and agrees that, in the event of Law Debenture Corporate Services Limited ceasing so to act or being unable or unwilling for any reason to be registered in England, it will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Dispute. Nothing herein shall affect the right to serve process in any other manner permitted by law.

#### **20.4 Other documents**

The Issuer has in the Trust Deed and the Agency Agreement submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## USE OF PROCEEDS

An amount equal to the net proceeds from each issue of Notes will be allocated by the Issuer, as indicated in the applicable Final Terms, either:

- (i) for its general corporate purposes; or
- (ii) to refinance and/or finance, in whole or in part, existing and/or future Eligible Green Projects which meet the Eligibility Criteria (as defined below).

### Use for Eligible Green Projects

**Eligible Green Projects** means projects with a positive impact in terms of environmental sustainability, in accordance with the Eligibility Criteria.

**Eligibility Criteria** means the criteria prepared by the Issuer as per its Green Bond Framework. A second party consultant appointed by the Issuer has reviewed the Green Bond Framework and has issued a second party opinion (the **Second Party Opinion**).

The Green Bond Framework and the Second Party Opinion will be made available on the Issuer's website ([www.terna.it](http://www.terna.it)). None of these documents are incorporated into, or form part of, the Base Prospectus.

The net proceeds of the Green Bonds issued will be credited to the Treasury liquidity portfolio of the Issuer. The Issuer will track the net proceeds via its internal accounting system and will monitor the allocation to prevent any double counting in the allocation of proceeds. Pending the allocation to the Eligible Green Projects, unallocated proceeds will temporally be invested in accordance with the Issuer's investment guidelines in treasury investment portfolio (cash and cash equivalents, tradable government bonds or other cash investments instruments, etc). An external auditor appointed by the Issuer will verify, on an annual basis, the allocation of proceeds to the Eligible Green Projects and the remaining balance of unallocated proceeds, until full allocation of the funds occurs.

The Issuer is expected to issue a report annually until full allocation occurs, and as necessary thereafter in the event of material developments on: (i) allocated amounts by Eligible Green Projects, including a brief description of the largest and most representative projects from each category; (ii) main technical data referring to the single project, when available (e.g. peak power of wind or solar plants connected); (iii) division of the allocation between refinancing and new projects; and (iv) the outstanding amount of net proceeds yet to be allocated to projects at the end of the reporting period. Where feasible, the Issuer will also report project impacts and environmental benefits linked to the single Eligible Green Project or aggregated by the categories of eligibility. The report will be made available on the Issuer's website ([www.terna.it](http://www.terna.it)). The report will be reviewed by an external auditor.

If, in respect of an issue of Notes, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF THE ISSUER

### OVERVIEW

TERNA - Rete Elettrica Nazionale Società per Azioni (hereinafter referred to as **Terna** or the **Issuer**) is the Italian electricity transmission company responsible for planning, development and maintenance of the grid, contributing its expertise, technology and innovation (as the Transmission Operator). In addition, Terna is responsible for the transmission and dispatching of electricity (as the System Operator), with the aim of ensuring access to electricity for everyone with the highest level of quality and at the lowest possible cost.

Terna was incorporated as a joint-stock company under the laws of the Republic of Italy on 31 May 1999, and, pursuant to its By-laws, its term ends on 31 December 2100 unless such term is extended by a resolution of the Shareholders' General Meeting. Terna operates in accordance with the Italian civil code and other laws of Italy applicable to it. Terna's registered address is Viale Egidio Galbani 70, 00156 Rome, Italy, telephone number +39 06 8313 8111 and it is registered with the Register of Enterprises of Rome under number 05779661007. Terna's website is [www.terna.it](http://www.terna.it).

As at 31 December 2022, Terna's share capital of Euro 442,198,240 consisted of 2,009,992,000 ordinary shares with a nominal value of Euro 0.22 each unchanged at the date of this Base Prospectus. Terna's shares are listed on the Euronext Milan market organized and managed by Borsa Italiana S.p.A. (**Borsa Italiana**).

As of the date of this Base Prospectus, on the basis of (i) the shareholders' book, (ii) the communications received pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended and (iii) available information, the only shareholder of Terna with an interest greater than 3% in Terna's share capital is: **CDP RETI S.p.A.** (a joint-stock company controlled by Cassa Depositi e Prestiti S.p.A. – hereinafter referred to as CDP – which is, in turn, owned 82.77 per cent. by the Ministry of Economy and Finance of the Italian Republic) owning 29.851 per cent. of the share capital.

The Terna Group's main business comprises the Regulated segment, which includes the development, operation and maintenance of the National Transmission Grid, in addition to dispatching and metering, and the activities involved in the construction of storage systems. These activities are all regulated by ARERA and have similar characteristics, in terms of the remuneration model and the method for setting the related tariffs.

The Non-Regulated segment includes deregulated activities and specific business initiatives, above all relating to Industrial activities, which includes the operating results of the Tamini Group, relating essentially to the construction and commercialisation of electrical equipment, above all power transformers, and the Brugg Kabel Group, which operates in the terrestrial cable sector, specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high-voltage cables. The Non-Regulated segment includes initiatives linked above all to the provision of services to third parties in the areas of Energy Solutions, consisting of the development of technical solutions and the supply of innovative services, including EPC (Engineering, Procurement and Construction) services, operation and maintenance of high-voltage and very high-voltage infrastructure, and the supply of energy efficiency services, broadly attributable to the subsidiary, Avvenia The Energy Innovator S.r.l.. This segment also includes Connectivity (support and housing services for fibre networks and IRU contracts for fibre). This segment includes the activities carried out in relation to the private interconnectors launched by Law 99/2009, legislation that assigned Terna responsibility for selecting undertakings, on the basis of public tenders, willing to finance specific cross-border interconnectors in exchange for the benefits resulting from a decree granting a third-party access exemption with regard to the transmission capacity provided by the new infrastructure. The Non-

Regulated Activities segment also includes the results of the LT Group, acquired in October 2021 and a leading provider of operation and maintenance (**O&M**) services for photovoltaic plants.

On the other hand, the International segment includes the results deriving from opportunities for international expansion, which the Terna Group aims to exploit by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country.

Terna is the main owner of the National Transmission Grid. As of 31 December 2022, the Terna Group's Grid consisted of 74,910 kilometres of electricity lines and 901 substations.

As of 31 December 2022, the Terna Group's total consolidated revenues amounted to Euro 2,964.5 million (as of 31 December 2021 these amounted to Euro 2,604.8 million)<sup>10</sup> while EBITDA (Gross Operating Profit) was Euro 2,059.2 million increasing by 11.0 per cent., as compared to the previous year (Euro 1,854.8 million) (see also section "*Alternative Performance Measures (APMs)*" below).

Terna has been consolidating its position in the Italian transmission sector since the end of 2005 in connection with the integration of the ownership and management of the National Transmission Grid pursuant to the Decree of the President of the Council of Ministers 11 May 2004 (hereinafter referred to as the **DPCM**). In 2005, Terna acquired the transmission and dispatching sector of the Italian Independent System Operator (*Gestore della Rete di Trasmissione Nazionale S.p.A.*), an entity wholly-owned and controlled by the Ministry of Economy and Finance (hereinafter referred to as the **Italian ISO**). Please see also section "*History and Development*" below.

## HISTORY AND DEVELOPMENT

Terna's principal activities are rooted in Italy's history: Law No. 1643 of 1962 paves the way for nationalisation of the electricity industry, handing Ente Nazionale Energia Elettrica (**ENEL**) responsibility for all stages of the electricity supply chain, previously in private hands. The monopoly operator is able to complete electrification of the Italian Peninsula, but the driving force behind the changes that have led to the current operating environment is the process of deregulation promoted by the European Union aimed at making grid management independent. In implementation of Decree 79 of 16 March 1999, focused on separation of ownership the National Transmission Grid from management of the grid itself (involving transmission and dispatching) along the lines of the so-called "Independent System Operator" model, two new companies are established: Terna, owner of the Italian transmission grid, and GRTN (the national transmission grid operator).

In 1999, Enel established Terna as a wholly-owned subsidiary and subsequently transferred all of its electricity transmission systems and other assets that formed the Terna Group's grid (as it then existed) to Terna. The management and the operation of the National Transmission Grid were entrusted to the Italian ISO (as defined in section "*Legislative and Regulatory Framework*" below) pursuant to Legislative Decree 16 March 1999 No. 79 (hereinafter referred to as the **Bersani Decree**).

The Bersani Decree, which required the separation of the ownership and management of the National Transmission Grid, was reversed by Law Decree 29 August 2003 No. 239 (hereinafter referred to as **Decree 239/2003**), as converted with amendments into law by Law 27 October 2003 No. 290 (hereinafter referred to as **Law 290/2003**) and the implementing measures of the DPCM (as defined in section "*Legislative and Regulatory Framework*" below). Law 290/2003 and the DPCM require the integration of the ownership and management of the National Transmission Grid and place certain restrictions on the ownership of the entity resulting from the integration as well as on the voting rights of the shareholders of the resulting entity. The current regulatory structure of the electricity sector is

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<sup>10</sup>Given that the requirements of IFRS 5 have been met, the total results for 2022 and 2021 attributable to the South American subsidiaries included in the planned sale of assets have been classified in the item "Profit/(Loss) for the year from assets held for sale" in the Group's reclassified income statement.

determined also by Legislative Decree 93/2011 implementing EU Directive 2009/72/EC concerning common rules on the internal market in electricity (see also “*Legislative and Regulatory Framework*” below).

On 23 June 2004, Enel launched an initial public offering of Terna’s ordinary shares to retail investors in Italy and a private placement with certain institutional investors in accordance with Rule 144A and Regulation S under the United States Securities Act of 1933 as amended. After the initial public offering, Enel’s stake of Terna’s share capital was reduced to 50 per cent. Pursuant to Law 290/2003 and the DPCM, which provides for the integration of the ownership and management of the National Transmission Grid and imposes certain restrictions on control of the resulting entity, Enel was required to reduce its shareholding in Terna to 20 per cent. or less by 1 July 2007 (see also “*Legislative and Regulatory Framework*” below). On 31 March 2005, Enel completed the sale of 13.86 per cent. of the share capital of Terna through an accelerated book-building process. In addition, on 15 September 2005, CDP acquired its 29.99 per cent. controlling stake in Terna from Enel. On 2 February 2012, Enel completed the sale of its remaining 5.1 per cent. of the share capital of Terna through an accelerated book-building procedure and, as at the date of this Base Prospectus, Enel no longer holds any stake in the share capital of Terna.

In 2009, Terna acquired 18,600 km of high voltage lines from Enel, thereby becoming the leading independent grid operator in Europe and the seventh largest in the world. Terna now owns 98.6 per cent. of Italy’s national grid. In the same year, Terna sold 66 per cent. of the Brazilian subsidiary, Terna Participações, to Cemig, recording a gain of over €400 million, some of which is invested in development of the Italian electricity network and some is returned cash to shareholders.

In 2011, Terna developed infrastructure of international excellence. The SA.PE.I. line (Sardinia to the mainland) starts operating, as does the Chignolo Po-Maleo line in Lombardy. Work begins on the Sorgente-Rizziconi line (linking Sicily and Calabria). Two new operating companies were established in 2012: Terna Rete Italia S.p.A. (**TRI S.p.A.**), responsible for Regulated Activities, and Terna Plus S.r.l. (**Terna Plus**), with responsibility for expanding the Non-Regulated services.

On 27 October 2014, CDP announced that its entire interest in Terna, composed of 599,999,999 shares, equal to 29.851 per cent. of the share capital, was transferred to CDP RETI. As a result of this transfer, CDP RETI currently controls 29.851 per cent. of Terna (see also section “*Share capital of Terna, major shareholders and related party transactions*”).

In the context of the reorganisation of the Terna Group, from 1 April 2012, Terna became the parent company of the group providing guidelines and coordinating activities of the operating companies of the Terna Group such as TRI S.p.A., being the operating company in charge of the core business activities of the Terna Group, and Terna Plus, being originally the operating company in charge of carrying out projects which are not core business activities of the Terna Group.

On 20 May 2014, the Terna Group signed the closing for the acquisition, originally by Terna Plus, of the entire capital of Tamini Trasformatori S.r.l. (**Tamini**) and of its subsidiaries. Tamini is a group of companies that produces and sells electrical transformers for industrial applications (e.g. steel and aluminium production plants) as well as for the electrical utilities (power transformers, mainly targeted to transmission and distribution networks) in Italy and in other international markets. Tamini owns four production facilities in Italy and sells its products either directly to the end customer or through Engineering and Construction (EPC) companies. Tamini is also present in the USA through a wholly-owned subsidiary. On 30 October 2015, under the scope of Non-Regulated Activities, Terna finalised the business combination process between Tamini, a subsidiary of Terna Plus, and TES (which owns a company originally called TES Asia as defined below, an Indian company, considering that one share is held by Antonio Fasano on behalf of TES as a “nominee” under the Indian legislation about “one person companies”). The operation, announced to the market on 16 September 2015, has been

carried out through an increase in Tamini's share capital of around Euro 26.4 million, reserved for Holdco TES S.r.l. (**Holdco TES**) (controlled by the Xenon Private Equity V fund, Riccardo Reboldi and Giorgio Gussago) and the consequent transfer of all TES shares to Tamini. Following the agreement, Terna Plus held 70 per cent. of the share capital of Tamini while Holdco TES held the remaining 30 per cent. In fact, after the demerger of Terna Plus, the ownership of Tamini is held by Terna Energy Solutions (as defined and better explained below). On 5 August 2021, Terna Energy Solutions (as defined below) became the sole shareholder of Tamini following the acquisition of the 30 per cent. share capital previously held by Holdco TES.

In 2015, Terna acquired the Ferrovie dello Stato group's high voltage grid for €757 million, consolidating its leadership in Europe with approximately 72,600 km of grid managed. In 2016, Terna focused on new strategic power lines: the Villanova-Gissi and Sorgente-Rizziconi lines entered into operation. The latter is a record-breaking power line, connecting Sicily with the rest of Europe via the high voltage electricity system of Calabria and of the Italian peninsula.

In 2018, in line with the guidance provided by the United Nations (COP21), EU guidelines (Clean Energy Package) and the objectives set out in the National Energy and Climate Plan (Piano Nazionale Italiano Energia e Clima), Terna has stepped up the pace of investment, focusing on development of the national transmission grid in order to facilitate the integration of renewable sources and improve the system's security. At the same time, it intends to renew the Group's asset base in order to mitigate the risk of interruptions to supply, boost environmental sustainability, and improve the performance of maintenance activities through the use of digital grid technologies, all to the benefit of the quality of the electricity service. The Clean Energy Package targets have been revised upwards with the publication at the end of 2019 of the Green Deal, aimed at transforming the European Union into a net zero emissions economy by 2050. For 2030 the Green Deal aims to reduce greenhouse gas emissions of at least 55 per cent. compared to 1990 levels. This translates in more ambitious national targets, in particular in renewable electricity generation (+60/70 GW of new renewable capacity in 2030, with an installation rate of about 6-8 GW/year when to date it is around 1 GW/y). In the wake of these new ambitions, on 19 November 2020 the "Driving Energy" Industrial Plan for the period 2021-2025 was presented by the CEO and General Manager, Stefano Antonio Donnarumma. The plan provided approximately 9 billion euros of investments in the National Transmission System in five years and has been updated in March 2022 with an upward revision of Terna's efforts and investments (+7 per cent. in Domestic Regulated Capex) in order to address the new challenges and the growing pace of the energy transition more effectively.

In order to optimise and integrate dispatching with long-term planning activities, on the one hand, and to maximise the operational efficiency of design, implementation, operations and maintenance, on the other hand, Terna has adopted an organisational structure with two key areas. Both areas report directly to the Chief Executive Officer: one being the System Operator, embodied in the "Grid Development Strategies & Dispatching" division, the other being the Transmission Operator of the National Transmission Grid.

In August 2018, the partial demerger of Terna Plus and the transfer of the demerged assets to a newly established company, named Terna Energy Solutions (as defined below), came into effect. The latter's business is focused on Non-Regulated Activities and energy solutions activities. Terna Plus was originally responsible for the Group's development and plant construction activities in South America, and more generally for the development of new businesses around the world.

On 29 February 2020, as part of the growth strategy for Non-Regulated Activities, Terna, acting through its subsidiary, Terna Energy Solutions (as defined below), completed the acquisition of a 90 per cent. interest in Brugg Kabel AG (**Brugg Kabel**), one of Europe's leading manufacturers of terrestrial cables. Then, in March 2021 Brugg Kabel split into three different entities in order to better meet the needs of the business, with Brugg Kabel Services AG being the holding company of Brugg Kabel Manufacturing

AG and Brugg Kabel. See the section "*Terrestrial Cables – Brugg Group*" on page 120 of the Terna Annual Report 2021.

On 22 May 2020, the Company established SEleNe CC S.A. (**SEleNe**), a joint venture among Terna and other European TSOs. The company will operate as a Regional Security Coordinator, in accordance with European Regulation 2017/1485, for the TSOs who own shares in it.

On 11 August 2020, Terna, acting through its subsidiary, Terna Plus, completed the transaction with Construtora Quebec that has led to the acquisition of a 51 per cent. interest in the Brazilian-registered company, SPE Transmissora de Energia Linha Verde I S.A. On 9 September 2020, a further interest was acquired, increasing the Group's interest to 75 per cent. In relation to a similar project with the aforementioned Construtora Quebec, Terna, acting through its subsidiary, Terna Plus acquired an interest in the SPE Transmissora de Energia Linha Verde II S.A., that as of May 2021 was more than 99 per cent..

In execution of the agreement signed on 29 April 2022 with CDPQ (a global investment group), on 7 November 2022 Terna Group's companies Terna Plus S.r.l. and Terna Chile S.p.A. completed the first closing for the sale to CDPQ of the companies "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", that own three power lines in Brazil for a total of 670km, and on 12 December 2022, TERNA S.p.A. completed the second closing for the sale to CDPQ of the Difebal S.A., the company that holds a power line in Uruguay, for a total of 214 km.

On 20 November 2020, Terna and the joint venture, SEleNe, established ESPERIA-CC S.r.l., a subsidiary as a result of its corporate governance structure, despite Terna holding a 1 per cent. interest and SEleNe a 99 per cent. interest. The company provides support services for dispatching activities (in accordance with European Regulations 2017/1485, 2015/1222 and 2019/943), but is not included among companies that carry out regulated activities which are, therefore, regulated by ARERA.

On 1 December 2020, Terna acquired partial interest in Equigy B.V. (**Equigy**), a limited liability company registered in the Netherlands and jointly controlled by Terna and the other TSOs who hold its shares. The investment represents a joint operation under IFRS 11 – Joint Arrangements.

On 17 March 2021, Terna has awarded the tender for the total amount of €360 million for new substations across the entire Italian territory. The 22 firms awarded the contracts, in the form of Temporary Joint Ventures, are all Italian and highly specialised for the complexity of the works. The tender procedure was carried out in accordance with current legislation on contracts for special sectors and assigned 5 batches from the electromechanical and civil works to the 22 winning firms (6 from the North of Italy, 10 from the Centre, 6 from the South). In particular, the tender procedure is part of the performance of the activities provided for in Terna's 2021-2025 Industrial Plan and aims to enable, also such as during the COVID-19 crisis, an efficient and secure resumption of the production of small and medium-sized companies in the sector, in support of the economic recovery of the entire industrial supply chain involved and therefore of the country.

On 16 July 2021, Terna announced the launch of its first euro commercial paper programme for issuances of notes and ESG notes. Such programme has a duration of 3 years, a maximum amount equal to Euro 1,000,000,000 and is STEP compliant. Furthermore, the commercial paper will be designated as "ESG Notes", for so long as Terna would achieve and maintain an award in the S&P Sustainability Yearbook in the electric utilities sector equal to, or higher than, Top 10% Global ESG Score.

On 18 October 2021, Terna announced its inclusion in the MIB 40 ESG, the first Italian blue-chip index dedicated to environmental, social and governance (**ESG**) best practices. This new index integrates ESG impacts into the measurement of economic performance in line with the principles of the United

Nations Global Compact and bases the selection of companies on the outcome of the periodic assessment conducted by the ESG rating agency, Moody's ESG Solutions. Following the periodical index rebalances, Terna has always been reconfirmed within the MIB 40 ESG.

On 18 October 2021, Terna, through its subsidiary, Terna Energy Solutions (as defined below), has signed an agreement to acquire 75 per cent. of LT Group. This has created the first national operator in the O&M sector for photovoltaic systems, with about 1,000 MW under management. The parent company LT S.r.l. is one of the main Italian operators in the maintenance of photovoltaic systems and is also active in the design and execution of revamping and repowering projects for existing systems as well as in the construction of new systems for third parties.

On 30 November 2021, Terna signed two framework contracts for the supply and installation of submarine and underground cables related to the Tyrrhenian Link with Prysmian Powerlink and Nexans Norway (in association with Roda and Mive), leading companies in the energy cables and systems industry. The project provides for the realization of up to four high-voltage direct current (HVDC) submarine cables. The two framework contracts have a maximum value of €1.7 billion as regards Prysmian and €664 million for Nexans.

As communicated to the market on 29 April 2022, Terna Group signed an agreement with Caisse de Dépôt et Placement du Québec (CDPQ), a global investment group, for the sale of Terna Group's portfolio of power transmission assets in Brazil, Peru and Uruguay, for an equity value of over 265 million euros (as better detailed in paragraph "Recent Events" below). Transaction closing, due to take place in phases, took place for the most part in the second half of the 2023. On 7 November 2022, the first transaction closing for the Brazilian companies, "SPE Santa Maria Transmissora de Energia S.A.", "SPE Santa Lucia Transmissora de Energia S.A." and "SPE Transmissora de Energia Linha Verde II S.A.", owners of three power lines in Brazil, totalling 670 km, was completed. The value of the assets being sold (the equity value) was more than €145 million. On 22 December 2022, the transaction closing for Difebal S.A., the owner of a power line in Uruguay totalling 214 km, was completed. The equity value of the transaction was more than €27 million. Both transaction closings are in line with the agreement (as better detailed in the paragraph "Recent Events" below).

In October 2022, Terna, through Terna USA LLC, a company fully owned by its subsidiary Terna Plus, signed a partnership agreement with Meridiam and Boundless Energy to develop joint initiatives in the United States in the field of power grids. Terna Forward was established in November 2022 with the aim of identifying the best technology opportunities and transferring them to other Group companies.

## ORGANISATIONAL STRUCTURE

Terna is the parent company of the Terna Group.

The structure of the Terna Group includes, as of 18 May 2023, the following companies:

### SUBSIDIARIES

- Terna Rete Italia S.p.A. (hereinafter referred to as **TRI S.p.A.**),
- Rete S.r.l. (hereinafter referred to as **Rete S.r.l.**),
- Terna Forward S.r.l. (hereinafter referred to as **Terna Forward**),
- Terna Plus S.r.l. (hereinafter referred to as Terna Plus) which includes the following subsidiaries:
  - Terna Chile S.p.A. (hereinafter referred to as **Terna Chile**),

- SPE Transmissora de energia Linha Verde I S.A. (hereinafter referred to as **Linha Verde I**),
- Terna Peru S.A.C. (hereinafter referred to as **Terna Peru**),
- Terna 4 Chacas S.A.C. (hereinafter referred to as **Terna 4 Chacas**),
- Terna USA L.L.C. (hereinafter referred to as **Terna USA**),
- Terna Energy Solutions S.r.l. (hereinafter referred to as **Terna Energy Solutions**) which includes the following subsidiaries:
  - LT S.r.l. (hereinafter referred to as **LT**), which includes the following subsidiary:
    - Halfbridge Automation S.r.l. (hereinafter referred to as **Halfbridge Automation**, together with LT hereinafter referred to as the **LT Group**),
    - Omnia S.r.l. (hereinafter referred to as **Omnia**),<sup>11</sup>
  - Avvenia the Energy Innovator S.r.l. (hereinafter referred to as **ATEI**),
  - Tamini Trasformatori S.r.l. (hereinafter referred to as **Tamini**) which includes the following subsidiaries:
    - Tamini Transformers USA L.L.C. (hereinafter referred to as **Tamini Transformers USA**),
    - Tamini Trasformatori India Private Limited (hereinafter referred to as **Tamini Asia**, together with Tamini and Tamini Transformers USA hereinafter referred to as **Tamini Group**),
  - Brugg Kabel Services AG which includes the following subsidiaries:
    - Brugg Kabel Manufacturing AG which includes the following subsidiary:
      - Brugg Cables Italia S.r.l.
    - Brugg Kabel AG which includes the following subsidiaries (together with the above Brugg companies hereinafter referred to as **Brugg Kabel** or the **Brugg Kabel Group**):
      - Brugg Cables Middle East DMCC (hereinafter referred to as **Brugg Middle East**),
      - Brugg Kabel GmbH (hereinafter referred to as **Brugg Germany**),
      - Brugg Cables (Shanghai) Co., Ltd. (hereinafter referred to as **Brugg Shanghai**), which includes the following subsidiary:
        - Brugg Cables (Suzhou) Co., Ltd. (hereinafter referred to as **Brugg Suzhou**),

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<sup>11</sup> Please note that the Board of Directors of LT S.r.l. meeting held on 12 May 2023 approved the merger project of Omnia S.r.l. into LT S.r.l., which will be implemented in the coming months.

- Brugg Cables (India) Pvt., Ltd. (hereinafter referred to as **Brugg India**)
  - Brugg Cables Inc. (USA) (hereinafter referred to as **Brugg USA**),
  - Brugg Cables Company Saudi Arabia (KSA) (hereinafter referred to as **Brugg KSA**),
  - Brugg Cables Middles East (ME) Contracting LLC (hereinafter referred to as **Brugg ME**),
- Terna Interconnector S.r.l. (hereinafter referred to as **Terna Interconnector**),
- Terna Crna Gora d.o.o. (hereinafter referred to as **Terna Crna Gora**),
- Electricity Service Provider Entity Region Italia - Coordination Center S.r.l. or ESPERIA-CC S.r.l. (hereinafter referred to as **ESPERIA-CC**).

## JOINT CONTROLLED

- ELMED Etudes S.a.r.l. (hereinafter referred to as **Elmed**),
- SOUTHEAST ELECTRICITY NETWORK COORDINATION CENTER S.A. or SEleNe CC S.A., (hereinafter referred to as **SEleNe**),
- BMT Energy Transmission Development LCC (hereinafter referred to as **BMT**),

## AFFILIATES

- CESI S.p.A. (hereinafter referred to as **CESI**),
- Crnogorski Elektroprenosni Sistem AD (hereinafter referred to as **CGES**),
- CORESO S.A. (hereinafter referred to as **CORESO**),
- Equigy B.V.

## ISSUER'S BUSINESS

The Terna Group's identified operating segments are described below:

- Regulated;
- Non-Regulated; and
- International.

The Regulated segment includes the development, operation and maintenance of the National Transmission Grid, in addition to dispatching and metering, and the activities involved in the construction of storage systems. These activities have been included in one operating segment, as they are all regulated by ARERA and have similar characteristics, in terms of the remuneration model and the method for setting the related tariffs.

The Non-Regulated segment includes activities and specific business initiatives, above all relating to Industrial activities, which includes the operating results of the Tamini Group, relating essentially to the construction and commercialisation of electrical equipment, above all power transformers, and the Brugg Cables Group, which operates in the terrestrial cable sector, specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high-voltage cables.

The Non-regulated segment includes initiatives linked above all to the provision of services to third parties in the areas of Energy Solutions, consisting of the development of technical solutions and the supply of innovative services, including EPC (Engineering, Procurement and Construction) services, operation and maintenance of high-voltage and very high-voltage infrastructure and the supply of energy efficiency services, broadly attributable to the subsidiary Avvenia The Energy Innovator S.r.l..

This segment also includes Connectivity (support and housing services for fibre networks and IRU contracts for fibre) and the activities carried out in relation to the private interconnectors launched by Law 99/2009, legislation that assigned Terna responsibility for selecting undertakings (the “**selected undertakings**”), on the basis of public tenders, willing to finance specific cross-border interconnectors in exchange for the benefits resulting from a decree granting a third-party access exemption with regard to the transmission capacity provided by the new infrastructure.

The Non-regulated Activities segment also includes the results of the LT Group, acquired in October 2021, a leading provider of O&M services for photovoltaic plants.

The International segment derives from the opportunities for international expansion, which the Terna Group aims to exploit by leveraging its core competencies developed in Italy as a TSO, where such competencies are of significant importance in its home country. Overseas investment focuses on countries with stable political and regulatory regimes and a need to develop their electricity infrastructure. This segment includes SPE Transmissora de Energia Linha Verde I S.A. and Terna Perú SAC in Latam and Terna USA LLC, created in August 2022.

## ALTERNATIVE PERFORMANCE MEASURES (APMs)

In accordance with the ESMA/2015/1415 guidelines, Terna Group uses Alternative Performance Measures which management considers useful in assessing the performance of the Group, and representative of the business’s operating results and financial position.

### ***EBITDA (Gross Operating Profit)***

EBITDA (Gross Operating Profit/(loss)) is an indicator of operating performance obtained by adding “Amortisation, depreciation and impairment losses” to Operating profit/(loss) (EBIT).

EBIT (Operating profit/(loss)) is an indicator of operating performance obtained by adding Net financial income/(expenses) to Profit/(Loss) before tax.

The following table sets forth the calculation of EBITDA (Gross Operating Profit) for the years ended on 31 December 2022 and 31 December 2021 and for the quarters ended on 31 March 2023 and 31 March 2022, respectively:

|                              | 2022 | 2021 | Q1 2023 | Q1 2022 | per<br>cent.<br>Change<br>(years) | per<br>cent.<br>Change<br>(Q1) |
|------------------------------|------|------|---------|---------|-----------------------------------|--------------------------------|
| <i>Data in million euros</i> |      |      |         |         |                                   |                                |

|                                                                   |                |                |              |              | 2021-<br>2022)        | 2022-<br>2023)      |
|-------------------------------------------------------------------|----------------|----------------|--------------|--------------|-----------------------|---------------------|
| <b>EBITDA (Gross Operating Profit)</b>                            | <b>2,059.2</b> | <b>1,854.8</b> | <b>500.0</b> | <b>461.3</b> | <b>11.0 per cent.</b> | <b>8.4 per cent</b> |
| Amortisation, depreciation and impairment losses                  | 725.7          | 654.4          | 186.6        | 167.6        | 10.9 per cent.        | 11.3 per cent       |
| <b>EBIT (Operating Profit)</b>                                    | <b>1,333.5</b> | <b>1,200.4</b> | <b>313.4</b> | <b>293.7</b> | <b>11.1 per cent.</b> | <b>6.7 per cent</b> |
| Net financial expenses                                            | (100.1)        | (78.9)         | (32.1)       | (24.4)       | 26.9 per cent.        | 31.6 per cent       |
| Income tax expenses                                               | 355.4          | 317.9          | 81.3         | 76.2         | 11.8 per cent.        | 6.7 per cent        |
| <b>Profit for the period</b>                                      | <b>857.7</b>   | <b>790.8</b>   | <b>199.5</b> | <b>192.0</b> | <b>8.5 per cent.</b>  | <b>3.9 per cent</b> |
| Profit/(Loss) attributable to non-controlling interests           | 0.7            | 1.4            | (0.7)        | 0.2          | -50.0 per cent.       | -                   |
| <b>Profit for the period attributable to owners of the parent</b> | <b>857.0</b>   | <b>789.4</b>   | <b>200.2</b> | <b>191.8</b> | <b>8.6 per cent.</b>  | <b>4.4 per cent</b> |

## Regulated Activities

The Terna Group's main Regulated Activities are the transmission and dispatching of electricity in Italy. Terna performs these activities in its role as the Italian TSO (Transmission System Operator) and ISO (Independent System Operator), under a monopoly arrangement and a government concession.

### *Electricity Transmission*

Development, security and resilience of the National Transmission Grid, the performance of construction services and the maintenance of electricity infrastructure are the three areas of responsibility included in the regulated electricity transmission business.

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

In respect of the planning process of the national electricity grid, the analysis of the state of the current and future, taking into account the evolution of the energy context, enables Terna to identify critical issues and development opportunities and, consequently, to plan the new projects required to ensure the adequacy of the electrical system (meeting the electricity demand even in the medium and in the long term), to increase the security of supply, service quality and continuity, to facilitate renewables (RES) integration and to improve the market efficiency by reducing congestion and ancillary services cost.

The new projects to be carried out are included in the National Transmission Grid Development Plan (**NTG Development Plan**), which sets out the grid development initiatives envisaged over the next ten years, as well as the state of progress of the development works planned in previous years. The NTG Development Plan is submitted to the Ministry of the Environment and Energy Security (MASE) for approval. Law Decree no. 76 of 16 July 2020 (article 60, paragraph 3) requires Terna to prepare the NTG Development Plan every two years instead of annually. The approval process also includes a public consultation of the NTG Development Plan by ARERA. The approval process also includes adoption by the Ministry for the Ecological Transition (MiTE) in agreement with the Ministry of the Culture (MiC) of the final opinion relating to the Strategic Environmental Assessment procedure (SEA) pursuant to Legislative Decree 152/06.

In addition, the NTG Development Plan contains all the investments that Terna is committed to carrying out in order to guarantee the efficiency of the grid, the security of supply and of the service and the integration of production from renewable sources in keeping with the objectives identified in the National Integrated Plan for Energy and Climate (**PNIEC**), published at national level by the Italian Government at the end of 2019.

The investments in development of the grid are subject to a prior cost-benefit analysis, comparing the related expenditure with the resulting benefits, expressed in monetary terms, resulting from its implementation, and calculated according to a methodology developed in agreement with ARERA.

### ***Connecting new plants***

Terna engages in connecting all potential users requesting connection to the grid, identifying connection solutions in terms of criteria that guarantee the continuity and safe operation of the grid to which an applicant's new plant will be connected. In particular, Terna is responsible for high and very high voltage connections to the NTG of plants with a capacity of 10 MW or more. As of 31 December 2022, Terna handles around 4,450 applications for connection to the grid in relation to future or existing initiatives. More than 3,100 applications for connection with released general minimum technical solution, relating in particular to the connection of plants using renewable energy sources (RES) to the NTG and representing total capacity of more than 164 GW, are in progress.

### ***2023 Development Plan***

The 2023 Development Plan was submitted to the Ministry of the Environment and Energy Security on 27 January 2023, following its approval by Terna's Board of Directors on 25 January, in line with the requirements of Legislative Decree 93/11, as amended by Law 120/2020, and then published on 15 March 2023. See page 38 of the Annual Report 2022, including footnote 17.

This 2023 Development Plan, which follows on from the previous version of 2021, has been drawn up at a particular time in history when issues surrounding energy provision are even more the focus of attention. In a period of rapid geopolitical upheaval, the energy system is faced with a series of unprecedented and highly ambitious challenges.

Against this backdrop, Terna must design a grid capable of handling progressive decarbonisation and the growing integration of renewables, whilst at the same time the efficiency and security of supply.

The 2023 Development Plan must guarantee the sustainable development of the National Transmission Grid (NTG), by enabling the implementation of RES, and supporting the energy transition and the phase-out of coal. It contains the investments that Terna is committed to carrying out in order to guarantee the efficiency of the grid, the security of supply and of the service and the integration of production from renewable sources, in line with the goals set in the Fit-for-55 package and included in

the 2022 Scenario Description Document (a 55% cut in CO2 emissions by 2030 compared with 1990 levels and a share of final consumption met from renewable energy sources of at least 65%).

To achieve these challenging objectives, in addition to the projects previously included in the 2021 Development Plan, the 2023 Development Plan envisages the launch of innovative initiatives as part of the Hypergrid project, amounting to approximately €11 billion, to meet future targets. This marks an increase and acceleration in investment for the benefit of the country, with total capital expenditure over the life of the Plan from 2023 to 2032 up at an all-time high of over €21 billion.

Hypergrid projects, marking the principal addition to the Plan, are innovative projects that will exploit HVDC technologies to achieve energy transition and security objectives: in brief, Terna aims to carry out a major programme of modernisation of existing power lines forming the country's eastern and western backbones, extending them to include the southern regions and the islands, accompanied by new 500kV submarine connections. This will boost the lines' performance, reducing their environmental impact to a minimum and transferring a growing amount of renewable energy generated in southern Italy to areas where demand is highest in the north.

### **Security and Resilience**

The National Electricity System Security Protection Plan (the "Security Plan") is a four-year programme of interventions to protect the security of the electricity system. Prepared by Terna pursuant to Law No. 290 of 27 October 2003, the Security Plan is submitted to the Ministry of Environmental and Energy Security for approval by 31 May of each year. The Security Plan is fully in line with the evolution of the energy sector towards scenarios characterised by increased use of renewable energy sources, the decommissioning of thermoelectric plants and climate change. In particular, the Security Plan includes measures to regulate the system's voltage and the dynamic stability, to manage the dispatching system, to adapt the control and protection systems, and to increase the physical and cyber security of grid infrastructure. Since 2021, attached to Security Plan, has been defined the Resilience Plan, a plan completely dedicated to the increase of the resilience of the Italian high voltage electricity grid, based on the Resilience Methodology, Annex A76 of the Grid Code. In particular, Resilience Plan includes infrastructure interventions as well as grid mitigation, reinforcement and monitoring to enhance the grid's resilience in severe weather events, such as strong wind and ice/snow.

### ***Infrastructure Maintenance***

Maintenance of electricity grid infrastructure is essential in order to guarantee quality of service, security of the assets managed and extension of their useful lives. These operations are carried out by Terna mainly on condition, but the Company is developing and testing a portfolio of projects for a predictive approach on some maintenance activities. The tools used to support maintenance activities are subject to continuous innovation. In particular, the maintenance engineering "engine" is the expert decision support system (DSS) called MBI (Monitoring and Business Intelligence) whose engineering models are continuously updated. It is important to underline that the company is procuring a new enterprise asset management platform to have an even more advanced DSS for the entire asset management process. For scheduling and execution of operations (WFM – Work Force Management) software is used, and aerial inspection techniques for the electricity grid have now been consolidated. Terna has, for many years, participated in international benchmarking for the sector, with the aim of sharing best maintenance practices. It has consistently ranked as one of the best TSOs in terms of fault rates and the efficiency of its maintenance process.

The maintenance activities include all the actions performed on the National Transmission Grid and its components in order to preserve or to restore their effective and proper operation without making changes to their technical or functional characteristics (known as "routine maintenance") or to renew

or to extend the useful life of any component by making changes to its technical (but not functional) characteristics (known as “extraordinary maintenance”).

In particular, repairs are carried out when signs of deterioration are identified as a result of the monitoring process or by on-line sensors. These indications and any problems identified are processed by the expert system used to support decision-making MBI. The outcomes of the engineering models are used to draw up the maintenance plan designed to ensure that assets continue to be fit for purpose over time.

In addition, Terna put in place a renewal plan, which is based on an analytical method that, starting from consistent, objective technical criteria, identifies and evaluates extraordinary maintenance works assessing the state of repair and technical status of line components and substation equipment, using a priority clustering approach with the aim of improving the quality of the electricity service and prolonging the useful lives of assets. Renewal work is associated with three types of benefit:

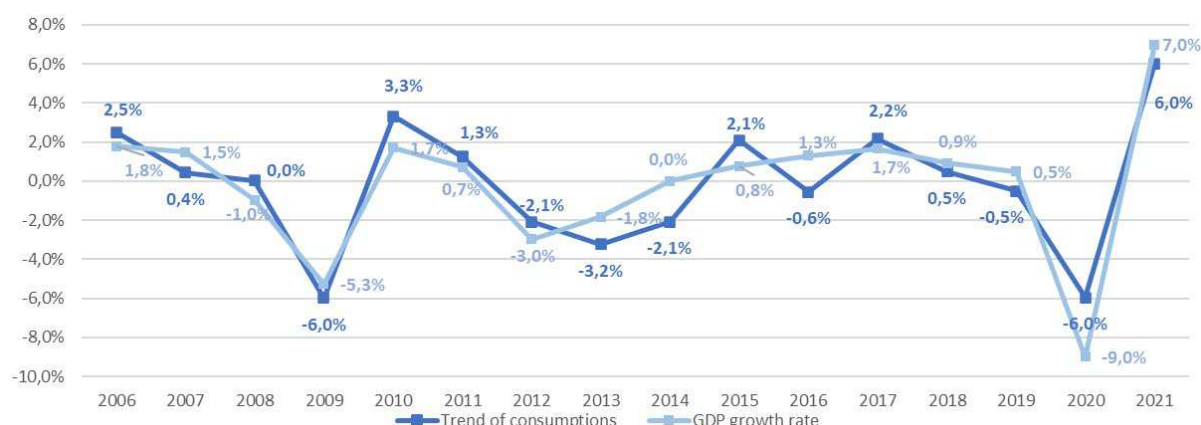
- ***Sustainability:***
  - **Environmental quality:** introduction of more eco-friendly assets that are environmentally sustainable. These include, for example, investment in vegetable-oil transformers, fluid-oil cables and certain types of cable terminals, technical adjustments to lines/underground cables and the replacement of current and voltage transformers;
  - **Service quality:** solutions to improve the reliability of assets, based on asset management analysis (designed to assess the asset’s technical conditions). By improving their reliability, the works reduce the Health Index score and the risk of outages. These include, for example, investment in the renewal of lines, the RIGEL (Reduction of Power Line Failures) programme and substation renewal (equipment and machinery).
- ***Innovation and digitalisation:***
  - **Quality of the O&M process:** the introduction of new solutions and technologies to increase the effectiveness of the operating and maintenance process. These include, for example, investment in the new digital control system for substations, online diagnostics for substation equipment, cable monitoring and functional separations for substations, online diagnostics for substation equipment, cable monitoring and functional separations.
- ***Resilience:***
  - Strengthening the grid’s ability to withstand the effects of the snow risk, the exposure of lines to hydrogeological risk and substation exposure to seismic risk. These include, for example, investment in ice/snow line resilience, ice/snow substation resilience, hydrogeological risk resilience for power lines and substation resilience to exposure to seismic risk.

### ***Dispatching of electricity***

“Dispatching” is the set of activities necessary to ensure that there is a balance between supply and demand in the National Electricity System. The high degree of complexity and coordination necessary to guarantee the correct operation of the system require the presence of a central coordinator, the provider of the dispatching service. This coordinator has control over a high number of both supply-side and demand-side players, and in the last few years also over production from non-programmable renewable sources. Dispatching includes planning for the unavailability of the grid and of production plants over different timeframes, forecasting national demand for electricity, comparing demand for consistency with planned production in the free energy market (the Power Exchange and

over-the-counter contracts), the acquisition of resources for dispatching and monitoring power transfers for all the power lines that make up the grid.

This area of operation also includes management of the Ancillary Services Market and Balancing Market (MSD), through which the resources for dispatching services are procured. In particular the Ancillary Services Market is controlled by the Market Operation Center which provides to ensure that the National Electricity System has the resources to be balanced in each moment. Otherwise the “real-time” control of the National Electricity System is ensured by the National Control Centre, the nerve centre for Italy’s National Electricity System, which coordinates the other centres around the country, monitors the system and dispatches electricity. The Centre intervenes, by issuing instructions to producers and Remote Centres, in order to modify supply and capacity on the grid. To avoid the risk of prolonged power outages, it may also intervene in an emergency to reduce demand.



Starting from 23 September 2019, the historical series of national accounts, based on the European System of Accounts (ESA 2010), have been revised in coordination with Eurostat and with most of the EU countries. For this reason, the historical GDP series has been updated.

### ***Business relations with electricity service operators***

In providing the public electricity transmission and dispatching services operated by Terna 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; and
- distribution companies and other private grid operators in relation to transmission and aggregate metering, required with regard to regulate the dispatching service.

In addition, 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 MSD. In 2022, transactions in the MSD amounted to approximately €2.3 billion. Since 2017, Terna is also responsible for the settlement of amounts due to and from balancing service providers (BSPs) that provide services on the Ancillary Services Market and Balancing Market (MSD), as part of pilot projects launched by Terna in accordance with ARERA resolution 300/2017, including the Mixed Enabled Virtual Units (UVAM) project. In particular, as part of the latter project, Terna procured forward balancing resources with an average monthly contracted capacity of 385 MW in 2022, while the capacity procured for May 2023 is equal to 314 MW and related to 13 BSPs.

## ***Terna Group's Grid***

A general overview of the number of NTG owned by the Terna Group is reported in the table below:

### **DETAILS OF ELECTRICAL SUBSTATIONS OWNED BY THE TERNA GROUP (20)**

|                                | Unit of measurement | 31/12/2022 | 31/12/2021 | Δ     | Δ%    |
|--------------------------------|---------------------|------------|------------|-------|-------|
| <b>380 kV</b>                  |                     |            |            |       |       |
| Substations                    | No.                 | 168        | 167        | 1     | 0.60% |
| Power transformed              | MVA                 | 123,288    | 121,408    | 1,880 | 1.55% |
| <b>220 kV</b>                  |                     |            |            |       |       |
| Substations                    | No.                 | 150        | 150        | -     | -     |
| Power transformed              | MVA                 | 34,503     | 33,710     | 793   | 2.35% |
| <b>Lower voltages (≤150kV)</b> |                     |            |            |       |       |
| Substations                    | No.                 | 583        | 579        | 4     | 0.69% |
| Transformed power              | MVA                 | 4,489      | 4,388      | 101   | 2.30% |
| <b>Total</b>                   |                     |            |            |       |       |
| Substations                    | No.                 | 901        | 896        | 5     | 0.56% |
| Transformed power              | MVA                 | 162,280    | 159,506    | 2,774 | 1.74% |

### **DETAILS OF POWER LINES OWNED BY THE TERNA GROUP (21)**

|                                                     | Unit of measurement | 31/12/2022 | 31/12/2021 | Δ    | Δ%      |
|-----------------------------------------------------|---------------------|------------|------------|------|---------|
| <b>380 kV</b>                                       |                     |            |            |      |         |
| Circuit length                                      | km                  | 12,911     | 12,873     | 38   | 0.29%   |
| Line length                                         | km                  | 11,730     | 11,692     | 38   | 0.32%   |
| <b>220 kV</b>                                       |                     |            |            |      |         |
| Circuit length                                      | km                  | 11,871     | 11,852     | 19   | 0.16%   |
| Line length                                         | km                  | 9,496      | 9,487      | 9    | 0.09%   |
| <b>Lower voltages (≤150kV)</b>                      |                     |            |            |      |         |
| Circuit length                                      | km                  | 50,128     | 50,130     | (2)  | -       |
| Line length                                         | km                  | 46,880     | 46,876     | 4    | 0.01%   |
| <b>Total</b>                                        |                     |            |            |      |         |
| Circuit length                                      | km                  | 74,910     | 74,855     | 55   | 0.07%   |
| Aerial                                              | km                  | 70,831     | 70,849     | (18) | (0.03%) |
| Underground cable                                   | km                  | 2,317      | 2,244      | 73   | 3.27%   |
| Undersea cable                                      | km                  | 1,762      | 1,762      | (1)  | (0.04%) |
| Line Length                                         | km                  | 68,105     | 68,054     | 51   | 0.07%   |
| Aerial                                              | km                  | 64,026     | 64,048     | (22) | (0.03%) |
| Underground cable                                   | km                  | 2,317      | 2,244      | 73   | 3.27%   |
| Undersea cable                                      | km                  | 1,762      | 1,762      | (1)  | (0.04%) |
| <b>Proportion of DC connections (200-380-500kV)</b> |                     |            |            |      |         |
| Circuits                                            | km                  | 2,440      | 2,440      |      |         |

|       |            |    |       |       |
|-------|------------|----|-------|-------|
|       | % of total | %  | 3.26% | 3.26  |
| Lines |            | km | 2,120 | 2,120 |
|       | % of total | %  | 3.11% | 3.12  |

## Operation and development of the National Transmission Grid

### *Operation*

The operation of the National Transmission Grid is carried out by TRI S.p.A. through the National Control Centre, the Market Operation Centre and the local dispatching centres.

#### *(a) Plant management and control*

TRI S.p.A. determines the configurations and the sequences for the switches, known as “breaker switches”, that connect the various components of the National Transmission Grid. TRI S.p.A. is required to take all necessary actions to implement and maintain the configurations and sequences as applicable to the Terna Group’s Grid. TRI S.p.A. also determines the configurations and sequences for the switches for other National Transmission Grid owners.

Furthermore, TRI S.p.A. defines the unavailability plans for the Terna Group’s Grid and coordinates the unavailability plans of the producers and other users of the National Transmission Grid with its own plans and with the ones of the other owners of the National Transmission Grid in accordance with criteria of security, reliability and efficiency as well as the maintenance of security, continuity of supply of electrical energy and cost control.

#### *(b) Response operations*

TRI S.p.A. is required to promptly respond to all hazardous conditions that arise from any failure or malfunction of any part of the Terna Group’s Grid and, if possible, rectify such failure or malfunction.

#### *(c) Temporary placement out of service for maintenance*

If a part of the Terna Group’s Grid is required to be temporarily taken out of service for maintenance or other projects, TRI S.p.A.’s specialist personnel (i) implements certain procedures to create safe conditions for maintenance or other projects to be conducted and (ii) implements procedures for resumption of service.

TRI S.p.A. has currently three local integrated centres, named CCT, in Turin, Scorzè (Venice) and Naples for dispatching and operation activities.

### *Development*

Terna and TRI S.p.A. also engage in development activities related to the expansion and the upgrade of the National Transmission Grid. Development activities for the National Transmission Grid include:

- identification of network developments aimed at the resolution of the current criticalities of the National Transmission Grid as well as possible problems envisaged in future scenarios of load demand, generation and interconnection with other countries;

- identification of network developments that offer benefits for the electrical system allowing greater use of more competitive generation plants limited in production for network bottlenecks;
- identification of network developments that allow renewable source integration into the decarbonisation scenario in accordance with National and European energy policy target;
- costs/benefits analysis in order to quantify the benefits of network developments on the National Transmission Grid and to prioritize those that lead to greater benefits;
- increasing the transmission capacity of the interconnections with foreign countries, with the aim of promoting the progressive integration of European markets;
- increasing operating flexibility and resilience of transmission grid;
- preventive environmental assessments so as to ensure that network developments are consistent with the maximum respect for the environment.

The development activities for the National Transmission Grid concern mainly the planning, the design and the construction of projects. They are included in the National Transmission Development Plan, prepared every two years (Law Decree no. 76 of 16 July 2020 article 60, paragraph 3) in compliance with the Concession governed by the relevant Convention issued by Ministerial Decree on 15 December 2010 (hereinafter referred to as the Concession; see also “*Legislative and Regulatory Framework*” below) and the Legislative Decree 93/2011.

Terna pays particular attention to national and European energy policy objectives, in terms of decarbonisation, market efficiency, security, resilience and sustainability. The main drivers characterizing the actions implemented by Terna to reach these goals related to the integration of renewable energy sources in the grid, promotion of more and more integrated electricity markets and ensuring security of supply while guaranteeing a sustainable grid development.

Terna is part of ENTSO-E, the European Network of Transmission System Operators composed of 39 European Transmission System Operators from 35 countries. ENTSO-E has been given legal mandates by the EU’s Third Energy Package, a legislative package for consolidating an Internal Energy market in the European Union issued in 2009. This mandate has been further updated by the Clean Energy Package provisions in 2019 aimed at further liberalizing the gas and electricity markets in the EU. The main objectives of ENTSO-E are to set up the internal energy market and to ensure its optimal functioning, to promote reliable operation as well as optimal management and development of the European electricity transmission network. Part of these objectives are achieved by ENTSO-E through the non-binding European Ten-Years Network Development Plan (hereinafter referred to as **TYNDP**), which is the most comprehensive and up-to-date European-wide reference for the development of the transmission networks. TYNDP is updated every two years, the last edition 2022 was published on 15 December 2022 for public consultation. TYNDP points to significant investments in the European power grid in order to help achieve the European energy policy goals. The TYNDP includes European investments in transmission infrastructures and monitors developments in the capacity of transmission networks to promptly identify possible gaps, particularly with regard to cross border capacities. 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 distribution system operators, digitalisation of networks and development of demand response). These activities are 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 and the recently updated with the Fit-for-55 Package and the REPowerEU plan.

Major investments planned by Terna in the short-medium and long term are included in the TYNDP. This development plan recognizes the central and strategic position of Italy in the Mediterranean basin, especially with reference to the integration of the Balkans and North Africa Power Systems in the EU Internal Energy Market.

Terna is also a member of Med-TSO: the association that brings together the TSOs from 20 Mediterranean countries, with the aim of promoting the coordinated development of their national network development plans and the harmonized management of the Mediterranean Power Systems. Med-TSO was established on 19 April 2012 in Rome as a technical platform that, using multilateral cooperation as a strategy of regional development, could facilitate the integration of the Mediterranean Power Systems and foster Security and Socio – economic Development in the Region. Terna hosts the association's registered office and operational headquarters in Rome and currently expresses its Secretary General.

Terna is member of GO15, the association gathering the 17 largest system operators of the world, holding its Presidency for 2022 and the Vice-Presidency for the current year. The association aims to cooperate and share best practices in the electricity transmission field this is done by putting together the different experiences of system operators managing complex energy systems that cover the entire globe.

Other international associations participated by Terna are (i) RGI (Renewables Grid Initiative), an association consisting of 13 European TSOs and 14 environmental NGOs that fosters the integration of renewable energy sources through the development of electricity grids; (ii) CIGRE (Conseil International des Grands Réseaux Electriques), an international nonprofit association that undertakes Research and Development activities on High-Voltage grids; (iii) RES4Africa Foundation (Renewable Energy Solutions for Africa), a non-profit foundation promoting the use of renewable energy and the dissemination of energy efficiency measures, as well as supporting the creation of a favorable environment for renewable energy investment in the MENA region and in sub-Saharan Africa; and (iv) WEC Italia, the Italian national committee of the World Energy Council, an international organisation that brings together operators from over 90 countries, with the aim of promoting a sustainable energy system worldwide.

### ***Engineering, construction, operation and maintenance***

The gradual liberalisation regarding the production and sale of electricity in Italy has led to greater demand from independent power producers for services relating to the engineering, construction, operation and maintenance of high voltage and very high voltage networks and systems for connection to the National Transmission Grid.

With reference to activities designed to increase the connection capacity of the National Transmission Grid with the electricity systems of neighbouring countries, the so-called “merchant lines”, the Decree of the Ministry of Productive Activities of October 2005 clarifies that concession owners may not participate in merchant lines, in compliance with EU Regulation 1228/2003. Terna will evaluate the possibility of contributing to certain merchant line initiatives as a general contractor.

A further step towards defining opportunities within the sphere of non-traditional activities in Italy was the signing of the Memorandum of Understanding (hereinafter referred to as **the MoU**) on 16 December 2013 with several trade federations, in the presence of the Minister for Economic Development and of Confindustria. The MoU regards the construction and management of interconnection infrastructure with foreign countries (Interconnections or Interconnector) pursuant to article 32 of Italian Law 99/2009 and aimed at providing a basis for negotiation for future agreements with the parties winning the tender

procedures held by Terna in 2009 and 2010. For more details about the development of the Private Interconnectors see the section below.

As part of the ongoing activities linked to development of the electricity interconnector project between Italy and Tunisia (the Elmed project), on 22 October 2019, Terna and STEG, Tunisia's state-owned electrical utility, signed a memorandum of cooperation and a partnership agreement with a view to developing reciprocal exchanges and collaborating on areas of interest in relation to electricity infrastructure, particularly on the submarine interconnection. More specifically, the project foresees the construction of an undersea direct current electricity cable with an output of 600 MW, extending for over 200 kilometres between the Partanna electrical substation (in the province of Trapani – Sicily) with a corresponding substation in the Cape Bon peninsula in Tunisia. Via the Tunisian JV Elmed Etudes Sarl (**Elmed Etudes**), work continued on development of the electricity interconnector project between Italy and Tunisia. In execution of two financing agreements granted by the World Bank to the Republic of Tunisia regarding the project to provide technical assistance for the Tunisia-Italy electricity interconnector, in January 2019 Elmed Etudes signed two subsidiary agreements with the Republic of Tunisia, appointing it as the implementing agency for the project components relating to preparatory studies and project management. Currently, the necessary activities to obtain the authorizations for the construction and operation of the interconnection and the start of the procurement process are underway. In April 2019, the Italian Minister for Economic Development and the Tunisian Minister for Industry signed an "Intergovernmental agreement regarding the development of electricity transmission infrastructure to maximise electricity exchanges between Europe and North Africa", in which the parties commit themselves to "provide institutional support to the Co-Promoters for the timely authorisations, development, construction and operation of the new electrical interconnection between Italy and Tunisia". The Agreement has been ratified by Italian Parliament on December 22, 2021, and entered into force in January 2022.

On 18 November 2021, the Italy-Tunisia interconnection project was included in the 5th list of projects of common interest (**PCI**) pursuant to Regulation (EU) 347/2013 allowing Terna and STEG to apply for financial support under the Connecting Europe Facility (CEF) Energy programme in the call launched by the European Commission in August 2022. In December 2022, the project was granted €307.6 million for the realisation of the works. The grant agreement is expected to be signed in June 2023.

The Terna Group's operations and maintenance services are, for the most part, provided to industrial companies or other power companies that own high voltage and very high voltage transmission networks and systems. As of 31 December 2022, not regulated and international revenue amounted totally to Euro 422.2 million, showing an increase of Euro 70.9 million compared to 31 December 2021. The increase in Non-Regulated revenue, totalling Euro 70.5 million, primarily reflects increased revenue from Energy Solutions (up €29.8 million), which benefitted from the contribution from the LT Group (acquired in October 2021), totalling €19.6 million, and an increase in the contributions from the Industrial segment, with revenue from the Tamini Group up €26.8 million and from the Brugg Cables Group up €17.5 million.

Revenue from International Activities is classified in the "Profit/(Loss) for the year from discontinued operations and assets held for sale", in application of IFRS 5. The loss from discontinued operations and assets held for sale, totalling €20.3 million, has deteriorated by €7.5 million compared with the previous year. This essentially reflects increased losses and the adjustment to the value of discontinued operations and net assets held for sale, partially offset by the gain resulting from the first two transaction closings for the sale to CDPQ of the Latin American assets, which took place in November and December 2022.

## Non-Regulated Activities

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

The main areas of business in this segment are:

- **Connectivity**

Terna Energy Solutions makes its nationwide infrastructure available to meet the increasingly urgent need for fast and reliable digital connections. Terna Energy Solutions also supports its partners in developing smart connectivity solutions via the following services: optical fiber use rights, pylon rental, housing and facilities.

Via optical fiber use rights, Terna Energy Solutions enables customers to acquire new infrastructure, which performs better than underground cable standards, in terms of reliability (far fewer faults per year per km) and quality (low attenuation), with significant savings in terms of length compared to terrestrial connections (>20% over a long distance). Since 2017, indefeasible right of use (IRU) has been granted for a total of approximately 32,500 km of fiber, for which Terna Energy Solutions provides maintenance and housing servicing for regeneration. The main contracts, which continued to be fulfilled in 2022, are with Open Fiber, Retelit, Fastweb and Eolo. Under these contracts, a total of 1,055 km of fibre were delivered in 2022.

An important Agreement was signed in February 2023 with E-Distribuzione for the transfer of IRU rights including the Maintenance service (minimum 20 years, maximum 24 years), Housing is provided as an accessory service on request. At the same time, an order has been signed for approximately 42,000 km optical fiber which will connect 1923 e-distribution CP through 153 Rings whose delivery is expected between 2023 and 2027.

## Energy Solutions

Terna Energy Solutions provides EPC (engineering, procurement and construction), O&M (operation and maintenance) and digital services. Its services include the following activities:

- building and renovating transmission infrastructure (power lines and substations) by developing turnkey solutions to meet the requirements of industrial customers, as well as the demand for connection of new renewable plants to the grid;
- supporting companies in improving energy efficiency by designing and developing innovative solutions to reduce energy costs and optimise production processes;
- offering turnkey solutions to islands and companies that want to evaluate, design and integrate renewable energy systems (photovoltaic or wind power), storage systems (batteries) and cogeneration/trigeneration solutions into their production cycle;
- developing state-of-the-art tools for the maintenance and monitoring of infrastructure (substations, power lines and fiber) and grid installations (renewable energy plants, storage, CHP) with the aim of preventing, reducing and minimising the risks of faults and outages.

- Private Interconnectors pursuant to Law 99/2009

Terna is developing projects relative to interconnectors with other countries. The cross-border interconnectors with Montenegro (completed in December 2019), France (completed in November 2022), Austria (under construction), Switzerland and Slovenia (currently awaiting the necessary consents) are part of this overall project.

The Italy-Montenegro interconnection project (first pole), consisting in a 500 kV HVDC link, partly submarine and partly terrestrial of approximately 445 km, between the substations of Villanova (Italy) and Lastva (Montenegro), entered into commercial operation on 28 December 2019. It allowed to reach a net transmission capacity between Italy and Montenegro of 600 MW, of which 200 MW was available under a third-party access exemption to the private investors selected in accordance with L. 99/2009.

The private part of the project is owned by Monita Interconnector S.r.l. (**Monita**), a company that Terna sold on 17 December 2019 to the Consortium Interconnector Energy Italia S.C.p.A. (Consortium that groups together the private investors having access to the 200 MW exempted cross-border capacity between Italy and Montenegro). Starting from the date of entry into commercial operation of the link, until the end of the 10 years' exemption period, Terna manages operation and maintenance activities (ordinary and extraordinary) of the interconnector on payment of an annual fee by Monita.

In accordance with the provision of Italian Law 99/2009, Terna Group is responsible for maintenance and operating activities of the HVDC private line, exempted for 350 MW to the Piemonte Savoia S.r.l. (company held by private investors selected according to the same law), corresponding to the Italian part of one of the two direct current links of the interconnection project between Piossasco (Italy) and Grande Ile (France) on IT-FR border. The private infrastructure entered into operation on 7 November 2022. The second pole of the Piossasco (Italy) and Grande Ile (France) project, developed as public line, is expected to enter into operation in 2023.

The Italy-Austria interconnector (the Reschenpass project) concerns the realization of a new 220kV AC interconnection line between the Glorenza (Italy) and Nauders (Austria) substations through an underground cable of around 28 km (26 km on the Italian side) and the necessary adaptations of the domestic grid. The project will increase cross-border interconnection capacity between Italy and Austria by around 300 MW, which will almost double the currently available capacity. The investment of the project is expected to be approximately €80 million.

On 16 March 2020, the exemption process was formally started with the exemption request sent to the Ministry for Economic Development (MiSE) by Resia. The exemption request was subsequently forwarded by MiSE to the ARERA for the expression of the relevant opinion. On 6 May 2020, Resia submitted the exemption request, translated into English and German, to the Austrian Regulator, E-Control. On 17 November 2020, ARERA granted its approval for the issue of the exemption decree to Resia.

On 6 May 2021, the European Commission expressed its positive opinion, with Decision C(2021) 3374 final, to release the exemption decree.

On 17 June 2021 Resia received from the Ministry of the Ecological Transition the notification of the exemption decree (for a capacity of 150 MW and a duration of 10 years), taking into account the positive opinion issued by ARERA and the European Commission.

Moreover, on 15 September 2021 the transfer of the shares representing the entire share capital of Resia was finalised from Terna to Interconnector Energy Italia S.C.p.A., Consorzio Toscana

Energia S.C.p.A. and VDP Fonderia S.p.A., together with the signing of the mandate contracts for the construction, operation and maintenance of the interconnector Italy-Austria in accordance with the provisions of Law 99/2009.

It is recalled that, in accordance with the Law n. 99/2009, on 16 July 2018 Terna set up the special purpose vehicle, Resia in order to prepare and submit, on mandate of the private investors, a third-party access exemption request for a transmission capacity of 150 MW and a period of ten years, with reference to the Italian part of the Reschenpass project. On 18 April 2019, Terna obtained the authorization for the realization and operation of the 220kV underground cable between the Italian/Austrian border (at the Resia Pass) and the Glorenza substation, which, together with the extension of the existing Glorenza substation and the related works, constitutes the Italy-Austria interconnector envisaged pursuant to Law 99/2009. On the Austrian side, APG (the Austrian TSO) obtained all the authorizations in the second half of 2019.

Moreover, on 1 October 2019, the MiSE transferred to Resia the authorisations relative to the interconnector.

The interconnector is due to enter service in 2023.

The Italy–Switzerland interconnector project involves the development of new transmission lines between Italy and Switzerland, with the aim of increasing cross-border transmission capacity between Italy and Switzerland.

The Italy–Slovenia interconnector project involves the realization of a HVDC link between the substations of Salgareda (IT) and Divača (SL) and the reinforcement of existing lines 400 kV and 220 kV between Italy and Slovenia. The HVDC project is currently awaiting the necessary authorization on the Italian side. The expected increase in cross-border capacity (Italy-Slovenia) is about 1 GW.

- Transformers through Tamini Group

Tamini Group operates in the electromechanical sector and is a leader in the design, production, commercialisation and repair of power transformers for electricity transmission and distribution grids, of industrial transformers for the steel and metals industry and of special transformers for convertors used in electrochemical production.

With a hundred years of experience, Tamini has a well-established name in Italy and overseas, thanks to its technological and engineering capabilities, combined with the degree of customisation and production flexibility it can offer.

Tamini has six production plants in northern Italy and two trading companies in the United States and India. The Rodengo plant specialises in services, whilst the Novara production plant continues to manufacture coils, operating as a service centre for all the production sites that manufacture for both the Power and Industrial sectors.

- Acquisition of Brugg Kabel

On 29 February 2020, in implementation of the preliminary agreement signed on 20 December 2019, Terna acquired a 90 per cent. interest in Brugg Kabel, one of the leading European operators in the terrestrial cable sector, specialising in the design, development, construction, installation and maintenance of electrical cables of all voltages and accessories for high-voltage cables. The acquisition, which Terna financed with its own funds, was finalised through the

subsidiary Terna Energy Solutions. The preliminary amount paid for acquisition of the equity interest is CHF 25.8 million.

The acquisition of Brugg Kabel provides Terna with a centre of excellence for research, development and testing in one of the core technologies for the TSO, such as terrestrial cable technology.

In particular, the transaction gives Terna the opportunity to rapidly integrate core competencies, by acquiring a company featuring:

- specialisation in 150kV cables with standards in line with those Terna requires;
- HV cable production capacity in line with Terna's requirements;
- expertise consolidated over 120 years, which has been widely verified by Terna;
- significant potential synergies with the Group's Non-Regulated Activities.

It should be noted that Terna's Development Plan, in line with the objectives of greater sustainability and resilience for the NTG, envisages doubling the number of terrestrial cables over the next 10 years. Consequently, the development of distinctive expertise in the underground cable sector to support cable design and construction activities, as well as O&M, may well have a key role to play in Terna's future.

From an organisational point of view, Samuel Ansorge has been confirmed in the role of CEO, while Agostino Scornajenchi has been appointed Executive Chairman.

- Acquisition of LT Group

On 12 October 2021, Terna, acting through its subsidiary, Terna Energy Solutions, completed the acquisition of a 75 per cent. stake in LT Group. The purchase price for the equity interest was based on an equity value of €24 million for the entire company. The acquisition of LT led to the creation of the first Italian operator in the photovoltaic plant operation & maintenance sector, with approximately 1,000 MWp under management, thus confirming Terna's role as driver and enabler of the energy transition and our constant support for the growth of renewables.

LT S.r.l. is also involved in the design and implementation of the revamping and repowering of existing plants, thereby helping to improve production from Italy's installed power assets and to achieve national energy transition goals. The company is also involved in the construction of new photovoltaic plants for third parties.

- Other projects

- Under the contract agreed in 2021 by and between Terna and Eni New Energy S.p.A. work on the engineering, support and construction of an electrochemical storage unit in Assemini (approximately 14 MW) is proceeding. As regards the revamping/repowering contract entered into with EF Solare in 2021, work was completed at five plants during the year, whilst work is still in progress at two other plants.

## **International Activities – Operator on the international market**

The Terna Group offers products and services abroad with a view to diversifying its activities carried out in Italy and collaborates with energy operators with a consolidated international presence. The

development activities focus on geographical areas requiring investments in transmission infrastructures that also have stable political and regulatory frameworks and a risk/return profile in line with that of Terna.

As to the International Activities, Terna is committed to focusing its position within the European continent by strengthening Italy's role as the electricity hub between Europe and the Mediterranean.

Terna's strategic priorities with regard to its overseas operations include:

- Europe: consolidation of the European position;
- Sale of Latin American assets: Launched in the last part of 2021, the plan to extract value from Terna's activities in South America involves the sale of up to 100% of the Group's Latin American assets. On 29 April 2022, Terna S.p.A., Terna Plus S.r.l. and Terna Chile S.p.A. signed an agreement with CDPQ, a global investment group, for the sale of all their power line assets, extending for approximately 1,200 km, in Brazil, Peru and Uruguay. The value of the assets being sold (the equity value) is more than €265 million. Transactions in line with the agreement closed on 7 November 2022 and 22 December 2022. In 2023, construction activities are still ongoing for the SPE Transmissora de Energia Linha Verde I S.A.. This project involves construction of a 150-km long 500kV power line dubbed the "Governador Valadares-Mutum" in the State of Minas Gerais, which is scheduled to be sold in the second half of 2024.  
In Peru, the operation and maintenance of the 132-km 138kV power line between Aguaytia and Pucallpa also continued in 2023, following the line's entry into commercial service on 16 May 2021. The company is scheduled to be sold in 2023.
- North America: On 10 October 2022, Terna USA LLC, a Group company recently established to oversee development activities in North America, Meridiam (an independent investment company) and Boundless Energy (a transmission project development company in the USA) signed a Joint Development Agreement regarding electricity transmission grid projects to be jointly developed in the United States. The partnership, which will benefit from the three partners' distinctive skills, will enable them to take advantage of business opportunities relating to the acquisition, development and construction of large onshore and offshore electricity transmission infrastructure projects in the United States. Following signature of the Agreement, the company, BMT Energy Transmission Development LLC, was established on 2 November 2022.

## RESEARCH AND DEVELOPMENT

The electrification of the energy market is crucial to enable the energy transition. In fact, the electricity vector is intrinsically efficient as it allows to make a direct use of the electricity energy produced by renewable plants such as wind and solar. As both the electrification of the energy system as well as the penetration of renewable generation in the generation mix will increase in the future, driven by the decarbonization targets, further developments in the electricity system will be required to ensure that the electricity produced by renewables plants will be delivered efficiently and safely to the consumption units. In this context, Terna plays a key role in accelerating investments in interconnections and grid technologies and in ensuring the safety of the grid in a system dominated by intermittent renewable technologies.

Innovation & Digitalisation will also be crucial during this path and the reinforcement of R&D activities is a priority for Terna Group; in order to accomplish his mission as a TSO, Terna has to guarantee the fulfilment of key system needs (RES integration, adequacy, reliability) at the lowest possible cost for the system with high quality standards.

A single solution does not exist: a full set of coordinated measures is needed to accomplish this challenging task.

From Terna's point of view, the most relevant "enablers" appear to be:

- **Infrastructure development:** Reinforcement of the national grid (e.g. Tyrrhenian Link, Hypergrid) and interconnections with foreign countries; investments to compensate for the loss of inertia and voltage control (compensators, reactors, statcom) and to increase resilience;
- **Renewables Development:** Increase the installation rates of wind and solar plants from current 2,9 GW per year to around 8 GW per year, in order to meet the targets ;
- **Simplification and Acceptability:** Simplification and acceleration of the permitting processes and more effective awareness campaigns to improve the social acceptability of renewables;
- **Capacity Market:** Capacity Market auctions have already been used in the past few years as a tool for ensuring the adequacy of the system. With increasing RES penetration, further capacity auctions might be needed in order to ensure the adequacy of the system during periods of system stress, typically coinciding with low availability from wind and solar generation and high demand;
- **Storage:** The development of storage technologies is essential, especially in a future scenario characterized by a strong penetration of RES generation in the generation mix. Storage technologies provide active and reactive power control for the system (voltage, frequency, inertia and short circuit power), contribute to the adequacy, limit the overgeneration and ultimately ensure the integration of intermittent renewable generation in the energy system; and
- **Flexibility resources:** The participation of demand, as well as distributed energy resources (such as EVs and heat pumps) in the energy markets will contribute to the integration of the renewable generation. Their participation will lead to significant benefits for the system, both economically and in terms of increased security of supply. To date, the distributed resources, including demand response, are already enabled to participate to Terna's markets through the UVAM pilot project. In the next future, the UVAM pilot projects will be integrated in the Italian grid code.

Digitalisation contributes to further market facilitation and enables new actors and new roles, centering around prosumers and active system management.

A cyber physical grid is in the making. It is composed of the physical part on the one hand – towers, cables, wires, substations etc. – and the increasing digital grid on the other.

The latter will allow for the integration of models, tools, platforms and information.

The Digital Grid will enable the automated and coordinated decision-making process inside the power system. In such context, as a point of reference, Terna has launched several innovative projects:

- Dedicated solutions for **Transmission operator** activities, which include:
  - **Full digitization** of transmission network, which already counts over 200 digital stations, enabling the application of Big Data and Advanced Analytics tools;
  - **Robotization of grid inspection and monitoring.** Currently are in pilot phase new technologies such as **drones** and **magnetic-inductive robots**;
  - **New solutions** to improve monitoring of underground cables health, both for AC and DC High Voltage cable systems (including joints and terminations, the most "delicate" components of a cable system);
- Terna is also investing heavily for the System Operator activities, which include:

- Enhance accuracy of **forecasting for Renewable generation** through state-of-art **probabilistic models**;
- Continuously improve **real-time operations** through **advance analytics applications**. The extensive penetration of distributed resources requires indeed an **increasingly quicker intervention capability** for the TSO;
- Innovative solution for the **observability on the real-time behavior of Distributed Energy Resources**;
- Several pilot projects on **new flexibility resources**, as a **brand-new** testing field for **utility scale storage system**, currently operating in Sardinia and Sicily. Terna has also already **designed** and **regulated** the participation of **aggregators** to ancillary service market, including also **aggregators of electrical vehicles**.

## INNOVATION

Innovation and digital transformation are essential in the current increasingly complex energy context. Terna focuses its model of development on technology trends which are relevant to its business.

The current ecological transition process requires a new systemic and organic approach to innovation, based around the acceleration of a portfolio of effective research, development and innovation initiatives in keeping with the Groups strategies. Terna has decided to further speed up its innovation process, in order to promote research and development into ideas and synergistically manage the innovation ecosystem.

Terna's innovation plan (the **Innovation Plan**), developed in coherence with said context and with Terna's corporate strategy, consists of a portfolio of initiatives and projects aimed at responding to the main business challenges, which are dictated by both the energy transition and the need to digitize the electricity system and the Company itself, through the transformation of the mindset of its people.

In response to the corporate needs and challenges, collected according to a process structured on two main guidelines (top-down: strategic guidelines of the company; bottom-up: intrapreneurship program for employees), Terna has traced the evolution of the technological scenario and identified the emerging issues for the future of the Italian energy system.

Based on their potential impact on the business, five technology clusters have been identified. They represent the main areas of action of the new initiatives and projects included in the Innovation Plan, in response to the set objectives:

- **Digital** – intelligent solutions energy and power management  
e.g.: IoT & Connectivity, Cybersecurity, Blockchain, Artificial Intelligence, Bot & RPA, Wearable Smart Equipment
- **Energy Tech** – innovative solutions developed through more efficient and green technologies  
e.g.: Electric Mobility, System for RES, Power System Protection, Sector Coupling, Distributed Generation System, Charging System, Energy Storage
- **Grid Tech** – core scope technologies for effective development of the grid infrastructure
- **Advanced Materials** – research of eco-friendly materials and solutions, aimed at reducing the impact on the environment  
e.g.: Coatings, Mixed I/E Conductors, Smart Materials, Nonotech Materials, Bio/Eco Materials

**Robotics** – automation of field and administrative processes e.g.: Satellites, Exoskeletons, Drones, Sensors, Augmented & Virtual Reality

The initiatives covered by the Innovation Plan, overseen by the Innovation structure, are not exclusively limited to making processes and solutions that are currently in use more efficient (core innovation), but also evaluating the use of solutions that are not yet mature or are related to different sectors (adjacent innovation), as well as investigating technologies that are currently under development and that could potentially have a high impact on Terna's business (disruptive innovation).

The innovation model adopted and developed by Terna is therefore aimed at responding to needs and to generate value for the company and stakeholders, according to an approach that is:

- **Concrete:** from needs to concrete solutions capable of responding them, through the generation and development of new ideas and the implementation of innovative projects, with a structured process of protection and enhancement of intellectual property.
- **Open:** with the involvement of external actors such as start-ups, universities and other corporations that play the dual role of enablers and recipients of the benefits.
- **Inclusive:** with the involvement of the Company's people, with the aim of disseminating the culture of innovation.
- **Distributed:** with the participation of the various organizational structures for the collection of needs and in the development of ideas and projects.

This approach, based on open innovation, favors openness to new frontiers of development both internal and external to the Company, through dynamic interactions with the innovation ecosystem, made up of universities and research centers, as well as collaborations with peers and large industrial players, startups and small-medium enterprises.

Terna has also developed a process aimed at the protection and protection of Intellectual Property (IP) in its various forms, creating a competitive advantage, as well as new business opportunities.

## STRATEGY AND INDUSTRIAL PLAN

### *2021-2025 “Driving Energy” Industrial Plan*

The updated 2021-2025 Industrial Plan, Driving Energy (the **Industrial Plan 2021-2025** or the **Plan**) approved by the Board of Directors on 24 March 2022, envisages total investment of €10 billion, enabling Terna to accelerate its commitment to the country's ecological transition, energy independence and decarbonization. Moreover, the Industrial Plan 2021-2025 aims to confirm and reinforce Terna's central role in managing and enabling the Italian energy system and the ecological transition, and as the main driving force behind the country's efforts to achieve the targets in the European Green Deal and Italy's Integrated National Plan for Energy and the Climate, above all the 55% reduction in emissions by 2030, marking the first step on the road to achieving zero emissions by 2050.

The key driver in the Industrial Plan 2021-2025 is sustainable investment. Terna's capital expenditure, 99% of which is classified as sustainable based on the eligibility criteria in the EU Taxonomy, targets the development of renewable sources. This will involve strengthening the transmission backbones that transport energy from points of production, increasingly located in Italy's southern regions, to where demand is highest in the north of the country. This will be made possible by resolving issues caused by grid congestion and further development of cross-border interconnections. Thanks to its strategic geographical location, Italy will thus be able to reinforce its role as a European and Mediterranean electricity transmission hub, becoming a leading player at an international level.

Consequently, the strategic guidelines for the various areas (i.e. Regulated Activities, Non-Regulated Activities, International Activities) of the Terna Group have been identified.

### *Regulated Activities*

In terms of regulated activities in Italy, which continue to represent the Group's core business, Terna plans to invest €9.5 billion in developing, modernising and strengthening the national transmission grid, confirming its role in driving the energy transition and enabling an increasingly complex, sustainable and innovative electricity system. This investment, focused on increasing the country's energy security, will generate major benefits for the system as a whole, with a significant multiplier effect.

The updated 2021-2025 Industrial Plan targets increased investment in development of the national transmission grid, which is due to total €5.6 billion. This is primarily linked to the construction of high-voltage direct current lines with the aim of resolving grid congestion, boosting transmission capacity between the various market areas, fully integrating renewable sources and improving quality of service.

The most important projects include the Tyrrhenian Link, the power line that will connect Sardinia, Sicily and Campania and that will contribute to the development of renewable energy production and the phase-out of the most polluting coal- and oil-fired power stations. The other projects include Sa.Co.I.3, the interconnector linking Sardinia with Corsica and Tuscany, and the 'Colunga-Calenzano' power line between Emilia-Romagna and Tuscany.

Investment in renewing and improving the efficiency of assets, covering the reorganisation of existing infrastructure, with the replacement – where technically feasible – of overhead lines with underground cable, will amount to €2.6 billion.

Finally, Terna plans to invest a total of €1.3 billion in the "Security Plan", over the life of the Industrial Plan, with the aim of boosting the system's technical and technological capabilities to increase system functionality.

### *Non-Regulated Activities*

- Non-Regulated Activities will help to generate new business opportunities thanks to the development of innovative, digital solutions in keeping with Terna's public service role in supporting the energy transition. These activities will include:
- *industrial activities* in the field of transformers, thanks to the consolidation of Tamini, and in underground cables, leveraging the distinctive expertise in terrestrial cables acquired with Brugg Cables to respond to the system's growing needs in both sectors and strengthen the supply chain;
- *connectivity offerings*, involving the provision of housing operation & maintenance services for third party TLC operators and dark fiber IRU network, and the installation of telecommunications equipment at Terna's existing sites;
- *energy solutions and energy efficiency services* for industrial customers and O&M activities for third party photovoltaic plants, leveraging the expertise acquired with the LT Group and through the use of innovative technologies to collect and analyse data.

Non-regulated Activities are expected to contribute a cumulative total of approximately €450 million to the Group's EBITDA over the life of the Plan, in return for limited investment and risk exposure.

"Following the decision to extract value from the Group's South American assets, Terna will continue with the strategic assessment of opportunities. These may take the form of partnerships, involving the

careful selection of projects with a view to ensuring a low-risk profile and avoiding the need to tie up large amounts of capital. Terna will look to exploit new opportunities in stable markets from a geopolitical standpoint and with attractive growth potential, such as the United States, where the Terna Group can make available the experience and expertise it has acquired in the design and management of infrastructure, in line with the Company's business strategy."

### *Innovation and Digitalisation*

Over the coming years, innovation, new technologies and digitalisation will acquire ever greater importance, playing an increasingly central part in enabling the energy transition for the benefit of the entire system. In response to the growing complexity of the system, Terna intends to invest approximately €1.2 billion from the total of €10 billion earmarked for capital expenditure in the 2021-2025 Industrial Plan in digitalisation and innovation. We will concentrate our efforts on the use of advanced technology to remotely control electricity substations and transmission infrastructure. The Industrial Plan has identified four technology clusters around which the new projects and initiatives will be focused. The clusters, identified taking into account global technology trends and Terna's needs, are: Digital (intelligent energy and capacity management solutions); Energy Tech (innovative solutions using more efficient, greener technologies); Advanced Materials (research and development resulting in eco-compatible materials to reduce our environmental impact); and Robotics (process automation).

### *Human Resources*

Terna's people, with their unique and distinctive, world-leading technical expertise, are a key asset in enabling the Group to achieve the challenging goals we have set ourselves. The Company has launched an ambitious cultural transformation called NexTerna, involving the definition of a new leadership model and new ways of working and operating that are a response to the current scenario. This innovative approach is based on the digitalisation of processes and tools in order to increase people's efficiency and productivity, bringing logistical benefits and, above all, improving the quality of life for all our workers. Terna's people-centric approach is also reflected in the creation of jobs: over the life of the Plan, we expect the number of employees to rise to approximately 5,900 by 2025.

### *Environmental, Social and Governance (ESG) goals for the 2021-2025 Industrial Plan*

In March 2022, together with the presentation of the "2021-2025 Industrial Plan" to the market, the ESG goals were updated and – in line with the overall presentation of the Group's operations adopted with effect from the 2021 Integrated Report – reorganised in terms of types of capital.

The process of embedding sustainability within the business takes the form of setting objectives aimed at increasing intangible capital and respecting natural capital, including identification of the related risks and definition of appropriate mitigation measures.

The ability to monitor, manage, prevent and minimise ESG risks is assessed annually by the main international sustainability rating agencies, which provide an important third-party benchmark that benefits the Company itself and its financial stakeholders.

The ESG goals help to increase the availability of certain enabling factors needed for full implementation of the Industrial Plan, mitigate the ESG risks linked to the Group's activities, preserving the related capitals and, more in general, reputational capital (common to all), aim to ensure the sustainability of the business and create value over time, further embedding sustainability within the Group's value proposition and maintaining Terna's attractiveness for investors, who increasingly take these issues into account.

In 2023, Terna expects revenues of €3.11 billion, an EBITDA of €2.12 billion and an EPS of €0.43. Regarding Capex, Terna expects a figure of about €2.2 billion in 2023.

The above objectives will be pursued whilst maintaining a commitment to maximising the cash generation, necessary to ensure a sound and balanced financial structure.

## **RECENT EVENTS**

### **Green light for two new underground cables in Salerno**

On 4 January 2023, the Italian Ministry for the Environment and Energy Security gave its consent for Terna's project for the construction of two new 220kV underground power cables that will connect the "Salerno Port" primary cabin to the "Salerno North" primary cabin. For the project, which has also received the green light from Campania Region Authority, the Italian electricity grid operator has plans to invest around €24 million. Terna will build two completely underground cables stretching over 5 km each. The routes for the new power lines will initially run alongside existing roads. They will then diverge before reuniting up to the entrance of the Porta Ovest tunnel, forming part of the Salerno Port Authority's plan, in which the cables will follow up to the Salerno Port primary cabin. The Company will use underground cables with XLPE insulation, a highly efficient and sustainable technology. The project is essential to upgrading energy infrastructure to keep pace with the development of the city of Salerno, whilst also promoting decarbonisation of the port area.

### **Terna acquires asset in Alto Adige region for approximately €14 million**

On 5 January 2023, Terna agreed to acquire a 100% stake in Edyna Transmission Srl, an Alperia Group company operating in the transmission sector. The acquired company, which owns 34 km of high-voltage power lines and 2 electricity substations in Alto Adige, already part of Italy's electricity grid, was acquired for a total consideration of approximately €14 million. The agreement is subject to the fulfilment of certain conditions precedent. The transaction is part of the Terna Group's strategy to unify Italy's national electricity transmission infrastructure, consolidating parts of the high-voltage grid owned by local utilities, with the goal of further improving grid efficiency and reliability.

### **Green light for new Livigno-Premadio underground connection in the province of Sondrio**

On 5 January 2023, the Italian Ministry for the Environment and Energy Security gave its consent for the Livigno-Premadio electricity connection that Terna plans to install in the province of Sondrio. Terna will invest €65 million in the project, which is one of the key projects planned by Terna in order to boost the reliability of energy supplies in the locations due to host the Milan-Cortina Olympic and Paralympic Games in 2026. The new infrastructure foresees the construction of a power line, formed of two underground cables, between the primary cabin in Livigno owned by the local distributor and the Terna substation located in Premadio, in the municipality of Valdidentro. The lines will almost entirely follow the same route, around a total of 20 km in length, partly following state highway 301 at over 1,500 metres above sea level. The plan will ensure greater meshing of the electricity grid in the area, also increasing the resilience of the energy transmission system in areas that have been heavily affected by extreme weather events in recent years. Preparations for work to begin, planned for 2023, will soon be made with the aim of completing and commissioning the connection by the second half of 2025, just in time for the start of the event.

### **€105 million investment in new undersea electricity connection between Sicily and Calabria**

On 10 January 2023, the Italian Ministry for the Environment and Energy Security launched the consents process for the 'Bolano-Annunziata', Terna's new electricity infrastructure that will connect Sicily with Calabria. To complete the project, which is strategic for the entire Italian electricity system,

the Company will invest €105 million. The 380 kV AC infrastructure, part of Terna's ten-year Development Plan for the Italian transmission electricity grid, will make it possible to increase the total electricity exchange capacity between the island and the mainland up to 2000 MW, favouring the development of renewable sources planned in Southern Italy. It will also help improve the grid's meshing and operational flexibility, making the electricity systems of Southern Italy and Sicily even more secure. The project will have several phases. The main phase will consist of laying around 7.5 km of undersea power cables to connect the Bolano (province of Reggio Calabria) and Annunziata (province of Messina) electricity substations. This power line will also have a fiber connection for data transmission. Additionally, Terna will create two underground power lines. The first, about 3 km long, will start at the Sicilian landing site and end at the Annunziata substation. The second, about 500 meters long, will make its way from the Calabrian landing site to the Bolano substation. Terna will adapt the latter by creating a new 380 kV section installed inside a newly constructed building. The entire adaptation will take place in areas near the current plant and will involve the municipalities of Reggio Calabria and Villa San Giovanni.

### **Green light for rationalisation of the electricity grid between Dolo (VE) and Camin (PD)**

On 11 January 2023, the Italian Ministry for the Environment and Energy Security gave its consent for Terna's plan to rationalise the electricity grid between Dolo (Venice) and Camin (Padua), designed to improve reliability, quality of service and the efficiency of the area's power grid. Terna plans to invest €130 million in the construction of a new 380 kV underground cable power line approximately 16.5 km long and the demolition of 32 km of existing overhead power lines. The new connection will make it possible to dismantle 123 pylons and free up approximately 95 hectares of land from electricity infrastructure. The municipalities involved in the project are Dolo, Camponogara, Stra, Fossò and Vigonovo in the Venice province and the municipalities of Padua and Saonara (the latter only involved in removal operations) in the Padua province. The new underground cable connection will facilitate the safe management of energy exchanges between the areas of Venice and Padua and will increase the resilience of the North-Eastern grid, which is increasingly exposed to the effects of extreme weather events, in particular intense snowfall and gusts of wind. At the same time, the work will make it possible to reduce grid losses, resulting in improved efficiency of the energy transmission service. The project, which is part of a wider rationalisation of the high-voltage grid in the Venice and Padua areas, is one of the regional electricity grid development works provided for in the memorandum of understanding signed by Terna and the Veneto Region in 2019 and the result of many meetings and inspections with the Region and the municipalities involved, aimed at identifying shared solutions and defining the route.

### **Consents obtained for new projects amounting to investment of over €2.5 billion in 2022**

On 12 January 2023, Terna achieved a new all-time record: 2022 saw the Italian Ministry for the Environment and Energy Security and regional councils grant consent for 29 projects, representing total investment of over €2.5 billion in development of the national transmission grid. After exceeding the €1 billion in approved investments in 2021 for the first time in history, in 2022, the Company achieved a new record, more than doubling the figure for the previous year and increasing the 2020 number tenfold (€266 million). Getting the green light for the eastern section of the Tyrrhenian Link was the biggest factor in achieving this result. This stretch of undersea power line, worth more than €1.9 billion, will connect Campania and Sicily. With 7 approved projects out of 29 decrees issued (24 from the Italian Ministry of the Environment and Energy Security and 5 from regional councils), the Lombardy Region has the highest number of new projects, totalling about €130 million. Next is Campania, with 5 projects, and then Sicily and the Self-governing Province of Bolzano, with 4. Additionally, 8 new electricity substations were approved, including 2 converter substations for the Tyrrhenian Link. After the record-breaking undersea cable, which will be fully operational in 2028, the most financially significant project approved in 2022 was the Dolo-Camin power line, which will run between the provinces of Venice and Padua. The power line (16.5 km of 380kV underground cable) will make it possible to demolish nearly 32 km of overhead power lines running through 7 municipalities. These are

followed by, in order of investment value, the projects planned the southern quadrant of the Metropolitan City of Rome at a cost of over €70 million, 3 new underground cable lines, amounting to over 30 km, and a new electricity substation, and the €65 million Livigno-Premadio connection, essential for improving the reliability of the power supply and the resilience of the Lombardy grid in anticipation of the Milan-Cortina Olympic and Paralympic Games in 2026.

### **Green light for new cable connection between Rome East and Enea Frascati**

On 20 January 2023, the Italian Ministry for the Environment and Energy Security gave its consent for the new connection between Terna Rome East and ENEA Frascati, in which the Company is to invest more than €70 million. The project involves the construction of a series of works in the eastern quadrant of the Metropolitan City of Rome aimed at fulfilling the connection request submitted by ENEA. ENEA, the Italian National Agency for New Technologies, Energy and Sustainable Economic Development, submitted a connection modification request to the national transmission grid to supply a consumption plant at the Research Centre in Frascati (RM) used to power the Divertor Tokamak Test facility, an experimental machine aimed at the production of renewable, safe and unlimited energy. Specifically, the authorized works will enable the construction of three new 150 kV underground power lines extending for a total of 40 km. For the three power lines, Terna will use cables with XLPE insulation, a highly reliable, efficient and sustainable technology. The planned power lines will almost entirely follow the route of the existing infrastructure. To guarantee the capacity and continuity of supply required by ENEA, Terna will also build a new 150kV switching substation in the municipality of Frascati, and will update the existing “Rome East” substation in the Municipality of Galliciano in Lazio. Once the works are complete, the existing “ENEA Frascati RM - ENEA Frascati UT” 150kV overhead power line, which extends for around 300 metres, will be demolished.

### **Launch of consents process for new cable power line for Messina**

On 25 January 2023, with publication of the parcels of land regarding the area that will potentially host the infrastructure, Terna announced the launch of the consents process for the new 150kV power line that will connect the Messina North and Messina Riviera primary substations. The project, in which the Company will invest approximately €20 million, involves the construction of a completely underground cable connection extending for over 10 km. The route will follow existing road infrastructure for almost its entire length. Terna will use latest-generation cables with XLPE insulation, a particularly reliable and sustainable technology. The works will enable increased meshing of the 150 kV line between the substations of Sorgente and Villafranca, which features four primary cabins for a total load of approximately 60 MW at peak times, when there is a significant tourist population on the coast. Once authorisation is secured, Terna will begin the design, planning and construction of the power line, which is expected to be operational approximately 24 months later.

### **Over €100 million in investment in the Brianza power grid**

On 31 January 2023, the Italian Ministry for the Environment and Energy Security launched the consents process for the rationalisation of the HV electricity grid serving the western part of Brianza. Terna plans to invest over €100 million in this project. The restructuring work, which will involve the municipalities of Seveso, Barlassina, Cesano Maderno, Cogliate and Ceriano Laghetto in the province of Monza-Brianza (Lombardy), will enable an increase in efficiency of the electricity transmission service in the area and, with improved meshing of the local grid, will guarantee greater continuity and security of operation. The Company will create approximately 13 km of new power lines in underground cable, enabling the demolition of 7.3 km of overhead power lines located predominantly in densely populated areas in the municipalities of Seveso and Cesano Maderno. Plans for the new infrastructure will enable the removal of 18 pylons and will free up approximately 30 hectares of land. In addition, Terna will create two new substations in the municipalities of Barlassina and Cesano

Maderno: these systems will be integrated into the landscape, protecting the local area and adopting environmental mitigation measures, including green engineering works.

### **Terna's place in Bloomberg's Gender Equality Index (GEI) confirmed**

On 31 January 2023, Terna confirmed its ranking as one of the world's most inclusive companies. This is because the Company has been included in Bloomberg's Gender Equality Index (GEI) for the fifth successive year. The GEI is an international index of companies' performances regarding gender equality issues and the quality and transparency of their public reporting. Terna is one of only 484 global businesses operating in 45 countries and 11 different sectors, selected from over 11,700 companies, to be included in the final index. This year, Terna saw its GEI score for 2022, that Bloomberg uses to evaluate companies' Gender Equality policies, improve compared with 2021, with a result above the overall average for the companies included in the index and the average for the companies in the utilities sector. The better score is mainly due to the Italian national electricity grid operator's performance in the "Inclusive Culture", "Prowomen brand" and "Female leadership & talent pipeline" areas. Additionally, Terna yet again achieved a perfect score in "Disclosure", a decisive aspect for the total assessment, confirming the Company's commitment to transparency and quality of reporting, distinctive features of the ESG policies pursued by the Company and presented in its Integrated Report.

### **Consents process begins for Adriatic Link, the new submarine cable between Abruzzo and Marche**

On 1 February 2023, the Italian Ministry for the Environment and Energy Security launched the consents process for construction of the Adriatic Link, the new direct current undersea power line that will connect Abruzzo and Marche, in which Terna will invest over €1 billion, involving approximately 120 firms in the project, including contractors and the downstream supply chain, will enable an increase in exchange capacity of approximately 1000 MW between the Centre-South and Centre-North zones of the country, boosting the security, efficiency and resilience of the entire national transmission grid. The Adriatic Link, a project included in Terna's 2018 Development Plan, is highly advanced in both technological and environmental terms. The "invisible" power line, running for a total of approximately 250 km, will be made up of two submarine cables with a length of approximately 210 km and two underground cables of approximately 40 km. The two electrical converter stations will be created near the existing substations of Cepagatti (province of Pescara), for Abruzzo, and Fano (province of Pesaro-Urbino) for the Marche region, and will have a minimal impact on the local environments.

### **Consents process begins for a new cable power line in the province of Viterbo**

On 6 February 2023, following the Italian Ministry for the Environment and Energy Security's launch of the consents process for a new cable power line in the province of Viterbo, Terna published the notice containing the parcels of land regarding the area that will potentially host the infrastructure. The project, in which the Company will invest €23 million, involves creation of a 150kV underground cable running for 9 km, connecting the primary cabins of Viterbo and Pian di Tortora, both in the Municipality of Viterbo. The work will enable improved meshing of the local grid and an increase in efficiency and reliability of the electricity transmission service, guaranteeing greater continuity and security of operation. The connection, which will run primarily along existing roads, will be created using latest-generation cables with XLPE insulation. This is particularly reliable and sustainable technology that guarantees greater transport capacity for the integration of renewable generation plants in the areas. Once authorisation is received from MASE, the new connection is expected to go live within 24 months.

### **Terna completes acquisition of shares in SEleNe CC S.A.**

On 7 February 2023, the acquisition of shares in SEleNe CC S.A. was completed, with the aim of enabling Transelettrica to sell its stake. As a result, the company's shareholders (all of whom hold an equal number of shares: 66,666) are now: IPTO S.A. (the Greek TSO), ESO-EAD (the Bulgarian TSO) and Terna S.p.A.

### **Terna is the world's leading electricity company in S&P's Sustainability Yearbook 2023**

On 9 February 2023, Terna was included among the 'Top 1%' companies in the Sustainability Yearbook 2023, the leading publication produced by S&P Global, the international rating agency that assesses the ESG performance of over 7,800 companies worldwide. Thanks to an excellent score of 91 (out of 100) awarded by S&P Global in its 'Corporate Sustainability Assessment 2022', Terna recorded the best score among the 250 electric utilities assessed who, on average, obtained a score of 50. For the eighth time in 14 years of inclusion in the Dow Jones Sustainability index, the Company has achieved the highest possible ranking in the Sustainability Yearbook.

### **Green light for underground cable linking Moena with Campitello (Trento)**

On 9 February 2023, the Self-governing Province of Trento gave its consent for the 132kV connection between Moena and Campitello, which will cross the municipalities of Moena, Soraga, San Giovanni, Mazzin and Campitello in Val di Fassa. The Company will invest €48 million in the project, one of the main initiatives planned by Terna to increase energy reliability at the Milan-Cortina Olympic and Paralympic Games in 2026. The project involves the construction of 19 km of new underground power lines that will connect the Primary Cabins of Moena and Campitello, owned by the local distributor, with the new Terna Electrical Substation in the Municipality of Moena. The latter will be built using compact gas-insulated technology architecturally in-keeping with the surrounding landscape to maintain the beauty that Val di Fassa is known for. The plan will ensure greater meshing of the local grid and will increase the resilience of the energy transmission system in areas that have been heavily affected by extreme weather events in recent years. All the design solutions are the result of a profitable process of dialogue undertaken by Terna, together with the Self-governing Province of Trento, with all the municipalities involved. All the preliminary activities to begin the works will be launched in early 2023 with the aim to complete and commission the connection by the second half of 2025.

### **Agreement with Greenpeace Italia, Legambiente and WWF for increasingly sustainable electricity infrastructure**

On 14 February 2023, Terna signed a new memorandum of understanding with environmental associations for the development and construction of increasingly sustainable electricity infrastructure, integrated into the local areas and respectful of the environment and biodiversity. Today in Rome, the Chairwoman of Terna, Valentina Bosetti, the President of Greenpeace Italia, Ivan Novelli, the President of Legambiente, Stefano Ciafani, and the President of WWF Italia, Luciano di Tizio, renewed and further extended the existing collaboration established in recent years between them for the next 3 years. The collaboration between Terna, Greenpeace Italia, Legambiente and WWF Italia aims at an increasingly ambitious improvement of the environmental sustainability of the ten-year Development Plan for the Italian transmission grid and of Terna's industrial plan, with a view to the decarbonisation of the electricity system, also through concrete and constant dialogue and institutional discussion on subjects and measures of mutual interest. The agreements between the company led by the CEO Stefano Donnarumma and the environmental associations will make it possible to start a conversation on future energy scenarios and on the technological innovations of the electricity grids to support renewable energy sources, on the basis of the objectives set by European legislative packages and national directives contained in the PNIEC and in the NRRP. Furthermore, they will serve to focus attention on the integration, in local planning, of the other resources necessary for the energy transition, i.e. storage systems and sustainable energy sources, in particular offshore wind farms.

## **Memorandum of Understanding signed for re-routing of the Villavalle– Spoleto power line in the province of Perugia**

On 16 February 2023, the Mayor of Spoleto (PG), Andrea Sisti, signed a memorandum of understanding with Terna for the joint development of a new route for the 132kV Villavalle-Spoleto power line. Signature of the memorandum of understanding confirms the good result of the consultation carried out by the Municipality of Spoleto and Terna, which has always been keen to listen to the needs of local communities, to minimise the impact of the project authorised in 2019 by the Ministry of Economic Development with the Ministry of the Environment (today Ministry of the Environment and Energy Security). The project involves the delocalisation of a 6 km section of the current power line that crosses Spoleto, thanks to the construction of a new line, in part overhead and in part in underground cable, and of a switching station, near the Colacem plant, connected to the 132kV “Giuncano – Foligno” and “Cementir – Spoleto” power lines. The work, as well as making the local power supply more reliable, will bring important environmental benefits thanks to the demolition in the town centre of Spoleto of approximately 4 km of obsolete lines, for a total of 19 pylons, thus returning approximately 10 hectares of land to the community.

## **Launch of new cable power line in Naples**

On 20 February 2023, following the Italian Ministry for the Environment and Energy Security’s launch of the consents process for a new cable power line for Naples, Terna published the notice containing the parcels of land regarding the area that will potentially host the infrastructure. The project, in which the Company will invest around €12 million, involves the creation of a 220kV underground power line running for approximately 5 km, connecting the primary cabins of Doganella and Poggioreale, both in the Municipality of Naples. The project, which will increase the meshing of the electricity grid in the region and provide greater security for the transmission system, will improve power flow distribution in the eastern part of the city. The power line will travel through the fourth and sixth municipalities of Naples and will cross the industrial area in Poggioreale, mainly following the route of the existing infrastructure. The connection will be developed using latest-generation cables with XLPE insulation, a particularly reliable and sustainable technology. Once the consent has been granted, the power line is scheduled to enter service within the next 36 months.

## **Laying of submarine cable between Elba and the Mainland begins**

On 23 February 2023, Terna began laying submarine cable for the 132kV connection between the island of Elba and Piombino (LI). The 34 km of submarine cable, transported by the biggest cable-laying ship in the world, the Leonardo Da Vinci operated by the Prysmian Group, will be placed at a maximum depth of around 70 metres below sea level, starting from the island landing site at Portoferraio and continuing towards the continental coast of Piombino. The works will take approximately 10 days. The undersea cable of the new connection will be protected from possible damage caused by human activity for the entire length of the route thanks to the use of specially designed latest-generation machinery. In designing and implementing the project, Terna has been guided by the highest sustainability standards, taking steps to protect the marine habitat. The new power line between the Island of Elba and Tuscany, in which the Company has invested around €90 million, will represent strategic infrastructure that will double the number of connections between the national electricity system and the grid on the island of Elba. The new power line will contribute to improving the quality of the local infrastructure, guaranteeing important benefits in terms of safety, reliability and sustainability on the entire island, which tends to have high electricity consumption over the summer period.

## **First online digital platform for requesting the connection of renewable energy plants to the grid goes live**

In collaboration with the Ministry of the Environment and Energy Security, on 27 February 2023, Terna inaugurated its digital platform that, for the first time, centralises all information on high-voltage connection requests from renewable plants in Italy. Designed by the Company and the only system of its kind in the world, Econnexion will enable stakeholders and electricity sector operators to view information on the geographic location and authorization status of new, onshore and offshore photovoltaic and wind initiatives across Italy. The data available on the dashboard (<https://www.terna.it/en/electric-system/grid/econnexion>), which is updated every three months, are divided by source and shown in terms of output, and can be viewed by users as a graph or as a table. Specifically, the “Connection Requests” section enables users to filter requests by source (solar, onshore wind, offshore wind) in an aggregated format (number, output and percentage distribution). Using the interactive map, it is possible to view details at a regional, provincial or municipal level, and, thanks to the search filters, to select all active requests in a certain municipality and their authorisation status, for example, and compare renewable energy plant initiatives in various provinces or regions based on the so-called “General Minimum Technical Solution” (GMTS) produced by Terna. The “Fit for 55 Target” section shows the most significant data on photovoltaic and wind power initiatives (onshore and offshore) broken down by market area, with reference to the target set by the “Fit for 55” package for 2030, which envisages a reduction in greenhouse gas emissions of at least 55% by 2030 compared with 1990 levels.

### **Terna strengthens commitment to decarbonisation. The aim is to cut CO2 emissions by 46% by 2030**

On 2 March 2023, Terna announced that it was strengthening its commitment to combatting climate change by setting new targets for cuts in greenhouse gas emissions from its direct and indirect activities. The Company has adopted a new Science-Based Target (SBT) through which it undertakes to cut by 2030 its CO2 emissions by 46%, compared with 2019, improving the previous target that called for a reduction in climate-altering emissions by approximately 30%. In line with its sustainability strategy and the Paris Agreement, Terna had adopted its first Science- Based Target in 2021 when it committed to a cut in emissions from its direct activities (“Scope 1”) and indirect activities (“Scope 2”) in line with the “well below 2°C” scenario, i.e. complying with the guidelines recommended by scientists to keep the global temperature increase well below the limit of 2 degrees centigrade. The new decarbonisation commitment adopted by the national transmission grid operator and approved by SBTi (Science-Based Targets initiative) provides for targets in line with the “1.5°C” scenario, the most ambitious temperature target established by the Paris Agreement, which recommends a limit on the increase in global warming below 1.5 degrees. The Science-Based Target signed by Terna also introduces a target to reduce “Scope 3” indirect emissions, such as those relating to employee mobility or the supply chain. The new target also extends the scope of application to the subsidiaries Brugg and Tamini.

### **Terna: the first and only Italian company to receive compliance management system certification**

On 6 March 2023, Terna became the only company in Italy to have achieved ISO 37301:2021 (International Standards Organization), certification granted by Accredia, Italy’s sole national accreditation body, extended to all relevant compliance obligations of the main Group companies (Terna Rete Italia, Terna Energy Solutions and Terna Plus). The certification, issued by IMQ, Istituto Italiano del Marchio di Qualità, following an assessment, recognises the national electricity grid operator’s ability to guarantee not only processes compliant with national and European regulations, but an important opportunity to grow the compliance culture within the Group. ISO 37301:2021 is a recent international standard which specifies requirements and provides guidelines to develop, maintain and improve compliance management systems. Adoption of this model also contributes to the achievement of three important sustainable development goals: decent work and economic growth, peace, justice and strong institutions and sustainable cities and communities.

## **Terna meets the public in Vico Equense (NA) to discuss restructuring of the grid serving the Sorrentino peninsula**

On 10 March 2023, a well-attended “Terna Incontra” meeting with the public in Vico Equense (NA) came to a successful conclusion. The meetings was held to discuss work on the 150kV “Sorrento - Vico Equense – Agerola - Lettere” electricity connection within the local area. The Mayor of Vico Equense, Giuseppe Aiello, and local councillor Rossella Staiano spoke at the meeting held at the Oratorio San Raffaele. During the meeting, Terna technicians gave citizens all the information about the work that will involve the municipality, also noting comments about the project from local people. The project, in which Terna will invest around €40 million, is part of a larger restructuring plan for the Sorrento peninsula and will make it possible to improve the reliability of the electricity system and provide voltage in excess of 60kV, which is no longer adequate to ensure the security, resilience and quality of the electricity transmission service in the area. Once complete, it will also make it possible to demolish around 60 km of old power lines and more than 160 pylons on the Sorrento peninsula, following their replacement with 23 km of new overhead power lines and 12 km of underground cable.

## **2023 Development Plan for the national transmission grid presented**

The 2023 Development Plan for the national transmission grid was presented on 15 March 2023: investment of over €21 billion in the next 10 years, 17% up on the previous Plan, with the aim of accelerating the energy transition, enable the country’s decarbonisation, reduce Italy’s dependence on overseas sources of energy and make the Italian electricity system more environmentally sustainable. Taking into account total investment in strategic infrastructure over the entire life of the assets, which goes beyond the ten-year period, the figure rises to more than €30 billion. The new Plan drawn up by the Company chaired by Valentina Bosetti and led by Stefano Donnarumma was presented during a press conference attended by Gilberto Pichetto Fratin, Minister of the Environment and Energy Security, and Stefano Besseghini, President of ARERA, the Italian Regulatory Authority for Energy, Networks and the Environment. The main new feature introduced by the 2023 Development Plan is the Hypergrid network, which will leverage the technologies of the HVDC (High Voltage Direct Current) transmission system to achieve the energy transition and security targets. In addition to the development projects that have already been announced, Terna has planned five new electricity backbones designed to integrate renewable energy capacity, backed by investment totalling €11 billion. The project involves a major modernisation of the existing power lines on the Tyrrhenian and Adriatic backbones on the mainland and towards the islands, and – a first for the Company – the construction of new 500kV undersea connections. With the Hypergrid it will be possible to double the exchange capacity between market areas from the current 16 GW to over 30 GW. Development of the direct current backbones will also minimize land use and the impact on the landscape. The projects planned by Terna will make a significant contribution to achieving the targets set at European level in the “Fit-for-55” package of measures, which aims to achieve a 55% reduction in CO2 emissions by 2030 compared to 1990 levels. In Italy, renewable energy will need to cover at least 65% of final consumption in the electricity sector by 2030, compared to the 55% initially set out in the National Integrated Energy and Climate Plan (PNIEC), making a total of 70 GW of additional capacity.

## **Terna: Successful Launch Of A 6-Year Bond Issue For €750 Million**

On 14 April 2023, Terna successfully launched a single tranche, euro-denominated fixed rate bond, amounting to a total of €750 million, as part of Terna’s Euro Medium Term Notes (EMTN) programme. The bond, issued at a price of 99.281%, with a spread of 70 basis points over the midswap rate, has a term of 6 years’ maturity (i.e. 21 April 2029) and pays annual coupon of 3.625%.

The proceeds from the issue will be used by Terna to meet the ordinary financial requirements and to fund the needs of the Group’s Industrial Plan.

## SUSTAINABILITY INITIATIVES

Terna has, since 2002, adopted a voluntary approach designed to foster the involvement of local government in an earlier stage (regional and local authorities, park authorities, etc.). Since 2015, this has been extended to include people from the communities directly affected by Terna's plans through public meetings called "*Terna incontra*". These are planned events that institute a continuous communication channel with people from the communities directly affected by new electricity infrastructure, whether a power line or a substation, in order to enter into a participatory design process.

In 2022, Terna maintained the digital format that was created in 2020 in response to the restrictions imposed by the pandemic. This combines traditional paper communication (leaflets and pamphlets) with digital content on the website (web pages providing digital information for online meetings) and social media (the publication of social media kits among local stakeholders and sponsored campaigns). A total of 26 Terna incontra meetings were held in 2022, of which 10 were in-person and 16 online.

Terna's commitment to the environment and biodiversity led, in 2009, to the conclusion of partnership agreements with critical stakeholders, such as leading environmental organisations, with the aim of arriving at shared solutions designed to boost the environmental sustainability of the National Transmission Grid (NTG). Growing concerns over the impact of climate change, and the accompanying focus on ecological transition initiatives, has led to further cooperation between Terna and these organisations. Terna currently has partnerships with Legambiente, the WWF and Greenpeace.

On 14 February 2023, Terna signed a new Memorandum of Understanding with environmental associations for the development and construction of increasingly sustainable electricity infrastructure, integrated into the local areas and respectful of the environment and biodiversity

Approaches to climate change and the energy transition, within the context of this specific sector, have widened calls from numerous institutional investors for major companies to conduct an informed and full assessment of the business risks linked to ESG issues. Of particular importance, in terms of transparency and reporting, are the recommendations from the Task Force on Climate-related Financial Disclosures (the so-called Bloomberg Task Force) regarding the publication of information on the implications of climate change for business strategies, in terms of risks and opportunities. This is considered of central importance, with regard to both the best possible allocation of investment and efforts to combat climate change. Terna has for some time now implemented these recommendations.

## LEGISLATIVE AND REGULATORY FRAMEWORK

The current legislative and regulatory structure of the electricity sector is determined by the Bersani Decree (as defined above) which, transposing the Directive 1996/92/EC led to the liberalisation of the electricity industry and by the following Legislative Decrees 93/2011 and 210/2021 transposing respectively Directive 2009/72/EC and Directive 2019/944/EU (hereinafter referred to as the **Electricity Directives**).

The Bersani Decree and the following legislation implemented under the Electricity Directives, set forth:

- The liberalisation of the production, import, export, purchase and sale of electricity on the market;
- That the activities of both transmission and dispatching of electric energy are reserved to the State and are carried out by Terna under a concession granted to the Italian ISO and transferred to Terna after the acquisition of the Italian ISO assets on 1 November 2005. The concession of Terna was granted on 20 April 2005 and was amended on

15 December 2010 by the Ministry of Economic Development (now Ministry of the Environment and Energy Security);

- That the activity of electricity distribution is carried out under the concessions issued by the Ministry of Economic Development (now Ministry of the Environment and Energy Security).

After the Bersani Decree, further provisions were issued in order to guarantee and strengthen the separation between the liberalised activities and the transmission and dispatching activities and in order to guarantee that the transmission and dispatching activities are carried out in an objective and non-discriminatory way without distinguishing between users or types of users.

Law Decree 239/03 converted into Law 290/03 set forth further provisions referring to the electricity sector. Moreover, the above-mentioned Decree:

- Provided for integration of the ownership and management of the National Transmission Grid; and
- As of 1 July 2007, prevented companies (including Enel) operating in the production, importation, distribution and sale of electricity or natural gas, and any company controlled, directly or indirectly, by the State, operating in the above-mentioned sectors, from holding, directly or indirectly, more than 20 per cent. of the share capital of any company that both owns and manages any part of the National Transmission Grid or of the gas transmission network.

The Presidential Decree of 11 May 2004, (hereinafter the DPCM – *Decreto del Presidente del Consiglio dei Ministri*), implementing Law 290/03 set forth, among others, that:

- The Italian ISO was required to draft, by no later than 31 December 2004, a document named “Network transmission, dispatch, development and safety code” (hereinafter referred to as the **Grid Code**), which had to contain objective and non-discriminatory rules for the use of, and access to, the National Transmission Grid with respect to the transmission, dispatching and management operations of the same.

The Grid Code was approved by the Ministry of Productive Activities (currently Ministry of the Ecological Transition) and the ARERA. The Grid Code is amended and updated in order to ensure compliance with the evolution of the legal and regulatory framework, and every modification, addition and change is subject to approval (including by acquiescence) by the Ministry of the Environment and Energy Security and the ARERA according to their relevant competences.

- The entity resulting from integration of the ownership and management of the National Transmission Grid should be operated in an objective manner without distinguishing between users or types of users and that the relevant By-Laws should be amended (prior to the earlier of Enel losing control of Terna and the integration) to provide, among others, for the following:
  - Any company operating in the production, importation, distribution, sale or transmission of electricity (or which controlled, was controlled by or was under common control with, any such company) and having a shareholding exceeding 5 per cent. of the shares of the resulting entity would be prohibited from voting, in the election of the resulting entity’s Directors, those shares exceeding 5 per cent. of the voting share capital in the resulting entity;

- No person other than the Italian Government or State or local authorities (or entities controlled by any of them) was allowed to hold more than 5 per cent. of Terna's share capital (which provision was not to be amended for at least three years from the integration). In any event, a shareholder with a shareholding, direct or indirect, of more than 5 per cent. of Terna's share capital, would not be entitled to vote those shares exceeding the 5 per cent. threshold. However, according to Law 474/94, this limitation on holding more than 5 per cent. of Terna's share capital did not apply in the case of a public tender offer with the purpose of acquiring the entire outstanding share capital of Terna in accordance with Articles 106 and 107 of the Italian Legislative Decree No. 58 of 24 February 1998 (TUF).

Legislative Decree 93/2011 implementing Directive 2009/72/EC (as amended by Legislative Decree 210/2021 implementing Directive 2019/944/EC) concerning common rules on the internal market in electricity set forth that:

- Terna is prevented, both directly and indirectly, from carrying out electric energy production or supply activities or from managing, even only on a temporary basis, electric energy production plants;
- Within three months of the entry into force of this legislative decree, the ARERA defines and initiates the procedure pursuant to Article 10 of Directive 2009/72/EC for the certification of the national transmission system operator according to the ownership unbundling model. On the basis of this procedure the ARERA is required to adopt a certification decision on Terna.

Terna has been certified as an independent Transmission System Operator according to the “ownership unbundling” model with Resolution of ARERA 142/2013/R/eel.

Applicable legislation (the general principles and rules of administrative procedure as defined by Law 241/1990 and the Law Decree 239/2003) and the Environmental Law (Legislative Decree 3 April 2006 No. 152) established a procedure for transmission grid development projects that should last for 180 days. Instead, the time limit is usually extended (even to two or three years) since required binding advice (in particular, the Environmental Impact Assessment) is not issued within the applicable deadline. Such delays represent a loss of revenue for Terna and sometimes raise difficulties in investment planning.

Procurement procedures are governed by the Legislative Decree 31 March 2023 No. 36.

The Italian Government has notified the EU Commission of the Integrated National Plan for Energy and Climate (PNIEC), provided for by Regulation 2018/1999 of the European Parliament and of the Council on the Governance of the Energy Union. The PNIEC describes the current situation for each of the five dimensions of the Energy Union (energy security; the internal energy market; energy efficiency; decarbonisation; and research, innovation and competitiveness), including the energy system and greenhouse gas emissions and removals. It consequently sets the main objectives, targets and contributions for the aforementioned dimensions of the energy union, on a 2030 horizon and a 2050 horizon, and describes the measures and policies which the Government intends to implement to achieve them.

In July 2021 the European Commission proposed a new package of initiatives called “Fit-for-55” that was designed to reduce the European Union's greenhouse gas emissions by 55% by 2030 compared to 1990 levels. The package of proposals aims at providing a coherent and balanced framework for reaching the EU's climate objectives: in Italy, renewable energy will need to cover at least 65% of end consumption in the electricity sector by 2030 (compared to the 55% initially set out in PNIEC in 2019),

for a total of 70 GW of additional power plants wind and solar (compared to previous target set out in PNIEC in 2019).

The package “Fit-for-55” was born with 14 proposals legislation, where 5 are new and 9 are amendments of existing regulations. On top of these, 3 more were completed in December 2021. Part of it is:

- the directive about energy efficiency;
- the directive about renewable energy (RED);
- the regulation on the implementation of a fuel infrastructure alternatives (AFIR);
- the regulation establishing a mechanism for carbon border adjustment (CBAM);
- the so-called “hydrogen and gas markets decarbonisation package” establishing a market for hydrogen, promoting investment and enabling the development of dedicated infrastructures, also international ones.

Terna has taken the FF55 package as an input for the definition of joint scenarios between Terna and Snam (654/2017/R/EEL and 689/2017/R/gas) which were considered for the preparation of the new ten-year Development Plan published in March 2023. Development Plan 2023 promotes the energy transition, the integration of renewable sources, the development of international interconnections, the increase of the level of security and resilience of the electricity system and investment in grid digitalization.

A new European regulation called REPowerEU is currently ongoing: it represents the response of the European Commission to the world energy market difficulties caused by pandemic and due to Russia's invasion of Ukraine. The REPowerEU package is divided into 12 documents proposing short-term and medium/long-term measures according to four macro-areas of intervention: (i) efficiency measures and energy saving; (ii) diversification of supplies; (iii) replacement of fossil fuels through acceleration of RES development; (iv) all measures supported through public and private financing and investment. REPowerEU Plan sets new increased targets for Italy. The new PNIEC is currently under review and will be updated based on new targets.

In the framework of the Recovery and Resilience Plan, the legislative framework is subject to important changes for accelerating the realisation of infrastructure in order to enhance and increase RES integration and decarbonisation objectives (i.e. Law Decree 76/2020, Law Decree 77/2021, Law Decree 36/2022 and Law Decree 13/2023). In addition, as mentioned above, the urgency caused by the conflict between Russia and Ukraine is at the basis of new national legislative changes (Law Decree 14/2022) in order to increase the security of energy supply accelerating the realisation of RES power plants and related infrastructure.

## **TARIFF SYSTEM**

### *Revenue structure*

As of 31 December 2022, the Terna Group's total consolidated revenues (excluding pass-through items) amounted to Euro 2,964.5 million. The majority of these revenues (Euro 2,542.3 million) derive from activities regulated by the ARERA whereas the remainder derives from Non-Regulated and International Activities.

### *Regulated revenues*

Regulated revenues are meant to cover the allowed costs for the transmission and dispatching services, according to rules set for a whole regulatory period in specific Resolutions, which are currently (i.e. for 2020-23, the 2<sup>nd</sup> half of the 5<sup>th</sup> regulatory period) Resolution 568/19 for transmission and Resolution 351/07 – as subsequently amended by Resolution 574/19 – for dispatching. There are three main categories of allowed costs: RAB remuneration, allowed depreciation and allowed operational expenditures (opex).

- RAB remuneration: it is calculated by applying the WACC to the value of the Regulatory Asset Base. The RAB is the allowed net value of investments entered into operation, it is revalued annually on the basis of the gross-fixed-investment deflator and is annually updated to account for yearly transmission investments, D&A and decommissioning. The WACC is the Weighted Average Cost of Capital, which is calculated according to criteria set by the NRA for the period 2022-27 through Resolution 614/2021/R/com (which foresees a mid-period review of the WACC at the end of the first three years and the possibility of a further yearly update of the WACC during the first three years – so-called trigger mechanism – in case a change of the main market parameters of WACC formula would lead to a change in WACC of at least 50 bps). For 2022 the WACC has been set at 5.0 per cent and this value has been confirmed for 2023 by ARERA through Resolution 654/2022/R/com, considering the fact that the above mechanism has not been triggered.
- Allowed depreciation: it is calculated on assets entered into operation, according to the regulatory useful life set by the NRA for specific asset categories and annually revalued by applying changes in the gross-fixed-investments deflator.
- Allowed opex: they are set by the NRA at the beginning of each regulatory sub-period, considering the actual annual operating costs of a reference year (i.e. 2018 actual value for the regulatory sub-period 2020-23) and on the residual portions – temporarily left to Terna – of the extra-efficiencies achieved in the preceding regulatory periods. The whole amount is revalued annually through an inflation index and reduced by an efficiency factor aimed at completing, over time, the transfer to final users of the achieved extra-efficiencies.

In addition to the items mentioned above, part of the remuneration of the transmission and dispatching services comes from regulatory output-based incentives and it is linked to achievement of specific targets, such as:

- mechanism for improving the quality of the service, which foresees, in addition to the premium-penalty mechanism related to energy not supplied KPI(so-called “ENSR”, having a +30/-12 million per year. cap and floor), also a “mitigation mechanism” for services provided by distribution companies: some specific types of power outage or voltage asymmetry conditions which affect VHV/MV or HV/MV transformation plants directly connected to the NTG may give rise to mitigation services supplied by the distribution companies; such services are paid by Terna up to caps set both for single outage and for the yearly total amount. Moreover, in specific situations and up to caps set in the regulation, Terna may share penalties/refunds applied to distribution companies when outages under Terna’s responsibility occur affecting customers connected to MV and LV distribution networks and such outages come from not complying with the specific standards established by the Authority (in terms of duration/number of outages). Terna’s share for exceeding the outage duration standards has a maximum annual limit of Euro 70 million (if exceeded, Terna may request that the Authority provides reimbursement of the amount exceeding the cap). Terna’s share for exceeding the standards on the number of outages is limited according to the provisions of the distribution service quality regulation. In certain specific cases, Terna may request the “Fund for Exceptional Events, Resilience and other special project” to refund such payments.
- incentive mechanism which foresees the delivery, in the 2019-2021 period, of grid development projects designed to resolve congestion within market areas, grid constraints due to voltage regulation and conditions for essential service provision, using a reward mechanism based on an incentive resulting from the sum of 50% of the estimated annual benefits using ACB 2.0 and 50% of the reduction in MSD costs, the cost of essential plants and the costs relating to the shortfall in wind production, with an overall cap of €150 million (Resolution 699/2018/R/eel);

- an incentive system for the delivery, in the five-year period 2019-2023, of projects designed to increase transmission capacity between market areas: this involves recognition of an incentive, capped at €150 million, in proportion to the ratio between capacity delivered by 2023 and the target capacity (Resolution 567/2019/R/eel), plus an additional bonus in the event of the deployment of transport capacity using efficient solutions, including those that are capital light. The mechanism also envisages that the award may be reduced by the regulator if the ratio between the average transmission capacity made available for the day-ahead market and winter peak transmission capacity is significantly below historical levels of this ratio, in one or more of the three years following the entry into service of the investment that made available the additional transmission capacity;
- an incentive mechanism, with a three-year duration (2022-2024), aimed at rewarding the efficiency of dispatching activities and, as a result, reducing MSD costs and the cost relating to the shortfall in wind production and essential plants (Resolution 597/2021/R/eel and Resolution 132/2022/R/eel). The incentive is calculated annually based on Terna's performance, assessed by comparing effective dispatching costs in the incentive year with costs in the year in question, suitably adjusted to take into account commodity price movements and other corrective factors (the bonus awarded to Terna is equal to 12% of the total saving obtained over a three-year period).

With reference to the structure of the transmission and the dispatching tariffs:

- The transmission tariff (CTR), invoiced by Terna to distributors connected to the National Transmission Grid (NTG), has a dual structure, made of a power component (so-called CTRP, covering the 90 per cent. of the allowed transmission costs) and an energy component (CTRE, covering the 10 per cent. of the allowed transmission costs). The CTR exposure to volume dynamics is limited to the CTRE component; the CTRP component is not exposed to volume dynamics since the capacity driver considered in order to calculate ex ante the CTRP is the same that is considered ex post to invoice the same component to distributors.
- The dispatching tariff (DIS), remunerating Terna for the activities related to the dispatching service and invoiced by Terna to the withdrawal dispatching users in proportion to the respective quantities of energy dispatched, is monomial, wholly calculated and invoiced on energy only. This means that any difference between the energy forecast (considered to calculate the tariff) and the actual energy values (considered to invoice the tariff to the dispatching users) determines a difference between dispatching allowed costs and dispatching revenues. Such volume exposure is limited to a  $\pm 0.5$  per cent. by a mitigation mechanism, where Terna is compensated for missing revenues up to 99.5 per cent. of recognised costs or returns the revenues exceeding 100.5 per cent.

#### *Pass-through items*

In addition to regulated revenues and those generated by non-regulated activities, Terna manages “pass-through” cost and revenue which do not influence net income on the Terna Group’s Income Statement (revenues equal costs). These items are mainly related to purchases and sales of electricity and services with market operators on the electricity and services markets needed by Terna for the dispatching activities. The pass-through items also include, among others:

- costs and revenues related to the Capacity market which Terna collects from withdrawal dispatching users and passes on to the producers who make the capacity available on the market. This mechanism ensures the adequacy of production capacity to cover the national demand and the necessary reserve margins.

- Payments that Terna collects from the withdrawal dispatching users and passes on to the operators which supply the load interruption service.
- Payments that Terna collects from the withdrawal dispatching users and passes on to the operators which supply virtual import services.

A relevant percentage of pass-through items is related to the uplift, a tariff component billed on a pro rata basis to each operator (dispatching user) to cover the net expenses incurred to procure resources on the Ancillary Services Market and Balancing Market (MSD).

In 2022, pass-through revenues and costs for the Terna Group totalled Euro 14,097.2 million. The components of these transactions are detailed in the Terna Annual Report 2022 (page 370).

## ISSUER'S SECURITY

The electric grid may be affected by a variety of external threats and the system operation may experience several vulnerabilities. Facing these threats, the electric grid is also experiencing an increasing array of cybersecurity risks, as well as significant challenges to addressing those risks. In order to keep a high level of security for its critical infrastructures, Terna adopts advanced solutions in terms of dedicated organization, suitable systems infrastructures and internal processes as well as procedures aimed at preventing and managing critical scenarios.

In particular, the implemented security measures are aimed at protecting the company's infrastructures as well as at promoting actions focused on the prevention and management of specific risks, such as fraud risks, information security risks in line with the objectives set out in Terna's mission.

In order to manage and monitor in real-time security critical situations affecting the most important infrastructures, Terna has adopted an advanced system for physical and cyber protection establishing a Security Operations Centre (hereinafter referred to as **SOC**) and a Computer Emergency Readiness Team (hereinafter referred to as **CERT**), capable of preventing, dealing with and managing these critical situations. In some cases, physical and cyber security turn out to be related, insofar as physical effractions could cause an ICT infrastructure breakdown. The new cyber threats are not easy to contain; therefore, it is necessary to extend the monitoring range to a twenty-four hours a day information security aimed at being ready to detect and to correlate physical break-ins with cyber ones.

In order to reduce this kind of risks, Terna has adopted new platforms that will make it feasible to monitor, in real time, both the physical and the logical status of all critical sites and information systems. In fact, the adoption of the new platforms, and consequently real time monitoring and incident process in place, will allow the reduction of time to identify and solve critical issues and vulnerabilities.

In addition, Terna has adopted cooperative arrangements with the Carabinieri Police Force and the National Police Force for the exchange of information in order to improve the management of security events such as break-ins and cyber-attacks.

### Physical Security

The physical security of substations is assured by using devices, systems and units operating 24 hours a day, seven days a week. To safeguard the security of the Issuer's premises and plant, Terna has also developed a surveillance platform called the Integrated Physical Security System for Terna Substations, which allows the dedicated surveillance centre – the Security Operations Centre or **SOC** – to continuously monitor (VideoBox) any intrusion alarms and video from 292 substations.

Terna has partnered with the Italy's Carabinieri police force to further strengthen its new communications and rapid intervention system, which enables the **SOC** to quickly alert the police in

the event of attempts at forced entry to critical substations, all equipped with video surveillance equipment. The new system has been called “O.D.I.N.O.” (Operational Device for Information, Networking and Observation) and is connected, via a secure link, to the centralised operating system used by Carabinieri operations rooms throughout Italy.

In 2019 the Advanced Enterprise Protection System (SETA) was released. SETA aims to provide an integrated, georeferenced system for managing business threats and emergencies, based on a single infrastructure available to the SOC. SETA will be made available to senior management and the Company’s key departments.

On 7 January 2021, in the presence of the Commander General of the Carabinieri, General Giovanni Nistri, and Terna’s Chief Executive Officer, Stefano Antonio Donnarumma, an agreement was signed between the Carabinieri and Terna, aimed at further boosting physical protection of Italy’s strategic electricity infrastructure. Terna will supply an additional 675 state-of-the-art devices to the units directly involved in monitoring the infrastructure.

Furthermore, on 15 October 2021, Terna CEO Stefano Antonio Donnarumma and the Commander General of the Guardia di Finanza (Italian Financial Police), General Giuseppe Zafarana, signed a protocol that expands and strengthens the existing synergies between the operator of the Italian transmission grid and the Guardia di Finanza. In particular, in order to guarantee the safe and continuous operation of the strategic infrastructure Terna manages, the company will supply additional technologically advanced equipment for the needs of the air, sea and alpine rescue corps in consideration of the widespread distribution over the territory and the ability to operate promptly even in areas that are not easily and ordinarily accessible. The actions aimed at protecting the Italian electricity system include monitoring Terna’s strategic sites and plants, especially those located in the mountains and undersea cables and, in general, in the areas most difficult to reach.

## **RISK MANAGEMENT**

Terna’s risk management is conducted according to a process that is widespread in the organization and that provides for the systematic and iterated risks’ identification, evaluation, treatment and monitoring. Terna’s risk management model is inspired and referred to the best existing practices such as, for example, the international reference model Enterprise Risk Management (**ERM**), issued by the Committee of Sponsoring Organizations of the Treadway Commission (**CoSO**), then applied and customized to Terna business and organization.

This model is periodically reviewed and continuously improved to respond to internal changes, as well as to changes in the external context (also taking into consideration emerging risks) and best practices.

The application of the risk management model is structured and executed through a systemic approach. It integrates in the organization the three control levels required by Corporate Governance Code, each with different objectives and responsibilities. In addition, the Group implements procedures and processes aimed at coordinating the activities of the second and third level control structures, minimizing duplication of activities and maximizing the efficiency of the Internal Control and Risk Management System. The phases of risk management (identification, evaluation, treatment and monitoring of risks) take place according to a cyclical improvement process which involves reviewing, planning and implementing actions. Starting from company’s objectives (divided into strategic and recurring ones), risks are identified in order to consider potential risky events which could affect the achievement of the objectives themselves. Each event is then assessed according to Terna’s risk assessment methodology and the risk management strategy is defined for each significant risk, identifying any specific actions required and the relative implementation timelines.

This cyclic process is executed every year in Terna through two different approaches that cover the entire company perimeter: Top-Down approach and Bottom-Up one. Top-Down approach is focused on the main risks that could compromise the achievement of the Group's objectives. The Bottom-Up is focused on risks related to business processes.

Risk analysis results are collected in different periodic reports made available to the Management and to the Board of Directors. Information on the Risk Management System and the main findings of the Risk Analysis and Management are also reported in the Management Report (financial statements).

## **Management Systems**

Terna and its subsidiaries TRI S.p.A., Terna Plus, Terna Energy Solution, and Terna Crna Gora have adopted an integrated management system that acts as the main management system for all five companies.

The Management Systems Department ensures the implementation of all activities relating to its certified management system and the processes involved according to the UNI EN ISO 9001: 2015 (Quality Management System), UNI EN ISO 14001: 2015 (System of Environmental Management), UNI EN ISO 45001: 2018 (ISO standard health and safety management system), UNI CEI EN ISO 37001: 2016 (Anti-corruption management systems, obtained in 2017 as the first company in Italy; Terna Crna Gora isn't certificated), and UNI CEI EN ISO 50001: 2018 (Energy Management System), UNI EN ISO 37301: 2021 (Compliance Management System).

The Energy Manager of the 4 companies is carrying out an energy management project including the completion of the "Initial Energy Review", which takes into account the energy needs of both power stations and office buildings.

As regards the Information Security Management System, the certification obtained, according to the UNI CEI ISO / IEC 27001: 2013 standard, is limited to the processes relating to the information relating to the TIMM "Integrated Market Monitoring Text".

In June 2018 Terna and its subsidiary TRI S.p.A. have obtained the Management System Certification according to ISO 55001: 2014 (Asset Management Systems) for tangible assets (power lines and stations).

The testing and calibration laboratories and equipment of the company TRI S.p.A. are accredited according to the ISO 17025: 2018 standard.

Furthermore, in July 2021 Terna (for the offices located in Rome 55/68/70 Egidio Galbani St.) obtained the certification of its Management System for the Prevention and Control of Infections according to Biosafety Trust Certification.

The Management Systems Department takes care of the SOA certifications (attestation for participation in public tenders) of the companies Terna, TRI S.p.A., Terna Plus and Terna Solutions.

The Management Systems Structure liaises with the Italian National Accreditation Body (Accredia) for the ISO / IEC 17025 accreditations of laboratories, and with the Certification Body (IMQ SpA). For all ISO certifications, it organizes and carries out internal audits of the management system, checks action plans and supports top management in evaluating the opportunity for new certifications and accreditations.

## **Business Reputation Intelligence**

Terna has implemented a control system, managed by its Third Parties Due Diligence Unit, that is, *inter alia*, dedicated to monitoring its counterparties and improving its corporate security (including with regard to Sanctions). Terna has also introduced additional management tools and prevention measures, and monitors, on a periodic basis, the effectiveness of its strategies and controls in this regard.

In particular, and with regard to Terna Group's international transactions, Terna Group: (i) starting from May 2020 has developed, and is now updating, an internal compliance policy (the **Trade Compliance Policy**) and a set of operating guidelines defining sanctions compliance procedures and (ii) is carrying out due diligence activities on a periodic basis - conducted directly by the Third Parties Due Diligence Unit or by Terna's subsidiaries, under the supervision and/or periodic internal audits of the Third Parties Due Diligence Unit, in order to verify and detect whether any transaction perceived by Terna as being of higher risk could violate Sanctions, if applicable, thereby minimising the risk that any such violation will occur in connection with future transactions.

Moreover, in order to address any potential risk arising from certain transactions, as mentioned in the risk factor "*Sanctions Risks associated with Terna Group's transactions involving certain countries and activities*", Terna has also hired several external consultants to enhance its due diligence processes (the **Processes**) on such transactions. The Processes have been, are and will be, carried out from a worldwide regulatory perspective, with particular focus from a European Union, United States, United Kingdom and United Nations perspective, in order to evaluate such transactions' compliance with Sanctions. The Processes constantly provide Terna Group with updates on the worldwide regulatory Sanctions-related framework and with a view to determining whether or not any breach of Sanctions may result, also taking into consideration any carve-outs and exceptions applicable to Terna Group.

In this context, *inter alia*, the Processes have considered the transactions with a potential sanctions nexus performed by Tamini Group including sales, either directly or indirectly through third parties, of transformers (and, in certain cases, reactors, spare parts and related maintenance and/or repair services) to various end-users for installation mainly in steel manufacturing plants and electric utilities also located in many foreign countries (currently in particular, Iraq, China, Zimbabwe in the past also Ukraine, Democratic Republic of Congo, Iran, and Venezuela). For the first quarter of 2023, the amount of revenues generated by the Tamini Group and derived from the above mentioned transactions was less than 0.5 per cent. of the consolidated revenues of the Terna Group. Furthermore, as a result of such Processes, the Terna Group concluded that, to the best of its knowledge, Tamini Group had no exposure *vis-à-vis* counterparties resident or located in Embargoed Jurisdictions.

The same approach has been adopted *vis-à-vis* Brugg Kabel AG further to its acquisition in February 2020. In this regard, the Processes have concerned transactions with a potential sanctions nexus performed by the Brugg Kabel Group for the supply of cables, cable accessories and services involving many foreign countries (currently in particular Iraq, Libya, Lebanon, China, Turkey and in the past also Belarus. In this respect the amount of revenues generated by the Brugg Kabel Group and derived from the above mentioned transactions, for the first quarter of 2023, was less than 0.5 percent of the consolidated revenues of the Terna Group. Furthermore, as a consequence of such Processes, and as of the date hereof, to the best of Issuer's knowledge, the Brugg Kabel Group has no exposure *vis-à-vis* counterparties resident or located in Embargoed Jurisdictions.

Following the beginning of the Russia-Ukraine conflict and the worsening of the sanctions programs against these countries, Terna Group has also started an assessment in relation to transactions and activities with counterparties located in Russia and Belarus and is continuing to closely monitor potential transactions with counterparties located in Russia and Belarus or that might involve Russian and/or Belarusian counterparties. Indeed, the analysis of the counterparties' risk, are currently conducted directly by Third Parties Due Diligence Unit or by Terna's subsidiaries, under the supervision and/or periodic internal audits of the Third Parties Due Diligence Unit, with the aim of broadly

monitoring the reputational reliability risks of third parties (i.e. with regard to issues such as economic and financial sanctions, and ethics).

The activities of the Business Reputation Intelligence Department and of the Third Parties Due Diligence Unit consist of:

- identifying critical areas of potential reputational risks;
- defining monitoring and control procedures (i.e. in order to establish appropriate tools for preventing misconduct);
- periodically monitoring the efficiency of the compliance measures in place;
- coordinating and periodically monitoring the Due Diligence activities when carried out by subsidiaries of Terna also by means of supervision activities and/or internal audits;
- implementing protocols with Institutions in order to prevent attempts of criminal infiltration, or the improper transmission of data, information and news about contracting and subcontracting firms; and
- the implementation of the Trade Compliance Policy, and the conducting of due diligence procedures, on a structured and periodic basis, on any transaction from a risk based perspective.

### **Management of Supplier Risk**

In order to manage the supplier risk, Terna uses a Supplier Qualification System, set up pursuant to the related EU directives (Legislative Decree 50 of 18 April 2016 “*Public contracts code for the supply of works, services and goods*” and repealed by the Legislative Decree 36 of 31 March 2023, coming into force on 1 April 2023 and valid and effective from 1 July 2023), for all the main core categories of goods, works and services that Terna intends to procure, established on the basis of strategic importance, degree of competitiveness and annual procurement volumes.

### **Information and Cyber Security Risk**

Terna has an Information Security Governance Model which enables it to identify and manage the most significant cyber risks. It is based on policies and procedures, combined with a coordinated Information Risk Management operating programme, led and coordinated by the Group’s CISO (Chief Information Security Officer).

Information Risk Management is the activity of the Information Security Framework, which allows it to identify, assess and treat the risks related to Group Information Systems.

The activity is located downstream of the Information System classification phase and selection of controls and has the objective of containing the risk level within acceptable limits by means of appropriate countermeasures on the assets. In addition to being a good practice for maintaining security, Information Risk Management is also necessary to fulfil legal obligations (e.g. EU Regulation 2016/679) or other obligations related to the security of Critical Infrastructures. The context in which Information Risk Management operates is subject to change over time and includes:

- the organisational set-up of the company;
- the threats and vulnerabilities;
- the impacts on the company.

Information security requires the supervision of the entire life cycle of systems from the planning and start-up phase of the project to the final phase of decommissioning.

Each phase requires specific obligations that accompany system development, operation and decommissioning with targeted information security management and monitoring activities (identification of protection measures, their implementation, verification of their effectiveness, maintenance or improvement of the security level) provided for by the Information Security Framework adopted by Terna.

The framework for the security measures, based on Cyber Security by Design principles, used to mitigate this risk is based to NIST 800.53 standard, thus ensuring alignment with best international practices. Some projects involving Cyber Risk Quantitative Analysis were also completed, with special reference to survey the market prices quoted by insurance brokers for Cyber Risk Assurance policies for certain forms of cyber risk.

Terna designs, implements and promotes corporate initiatives of Cybersecurity Awareness, for the personnel of all Group companies. In addition, it promotes models of cooperation, with other operators in the sector in the cyber field, to contribute to the mitigation of cyber threats by comparing ideas, learning best practices, accessing knowledge, exchanging experiences, developing networking and information sharing.

In addition, Terna's Computer Emergency Readiness Team (CERT) was sued to implement a structured process for identifying and rapidly containing security breaches, minimising any data loss and working to restore the affected services.

In addition to the above, following an innovative approach to risk reduction policies, Terna cooperates with Cyber Security institutional partners (national and international regulatory bodies and authorities) with which to share the risks resulting from its activities. These include CNAIPIC (the National Centre for Combating Cyber Crime and for the Protection of Critical Infrastructure) and Italian CSIRT (Computer Security Incident Response Team) within the National Cybersecurity Agency (ACN). In 2018, Terna and the Civil Protection Department signed a Memorandum of Understanding with a view to achieving maximum operating efficiency and effectiveness in relation to predicting, preventing and mitigating the related risks and managing and overcoming emergencies. In the agreement, attention is paid to the prevention and management of natural and man-made risks that may be detrimental to the continuity of the electricity service in Italy, and for which Company resources may need to be used. The agreement provides for the optimisation of procedures and the flow of communications between Terna and the Department under both ordinary and emergency conditions. This may include potential integration of the respective information systems, and the creation of specific training programmes and exercises for staff engaged in managing emergencies.

Terna continuously focuses attention on Cyber Defence with several projects coordinated with an end-to-end approach of Cyber Security Governance, including:

- Strengthening of Perimeter Defence solutions, through adoption of Technological Perimeter (IT/OT/IoT/Cloud) Defence and Protection technologies, and implementation of new security features to counter new threats;
- Evolution of CERT via the boosting of monitoring, identification and incident response capabilities, in line with new cyber risk and threat intelligence scenarios;
- Cyber protection of the industrial domain (OT), through adoption of technologies and new security solutions to strengthen the capabilities of context visibility, active defence and threat identification in the industrial domain;

- IoT security, through adoption of technologies to defend against cyberattacks on Terna's IoT infrastructure and IT system;
- Design of a Cyber LAB for testing innovative cyber security solutions in a controlled security environment, and to support Terna's cyber security awareness programme, via awareness-raising campaigns on cyber issues with a focus on simulating attacks (e.g. phishing), and related training courses for users; and
- Continuous improvement of the tools and methodologies that support the Information Security Framework within Governance Risk and Compliance (GRC) end to end processes, and security assessment solutions relating to vulnerability assessments, penetration tests and red team attack initiatives.

The operational nerve centre for the management of cyber events is the Computer Emergency Readiness Team (**TERNA-CERT**), which from 1 January 2021 has operated, also with the activity of Cyber Active Defence, within Terna's established Cyber Defence Center. TERNA-CERT provides centralised real-time monitoring of the Group's security, and preventive and reactive monitoring of potential cyber threats.

## LITIGATION AND ARBITRATION PROCEEDINGS

In the ordinary course of its business, as of 31 December 2022, the Terna Group was party to approximately 540 civil and administrative proceedings both as plaintiff and defendant as well as to seven criminal proceedings, relating in particular to deadly or serious work incidents involving employees. Currently, Terna is not a party to any arbitration proceeding. The principal civil and administrative proceedings to which Terna is a party fall within the categories of annulment of authorisations, annulment of ARERA decisions, annulment of acts performed by Terna as Transmission System Operator (TSO), enforcement of ARERA decisions, damage to health and requests for modification of the location or operating conditions of the Terna Group's Grid, lawsuits related to easements, labour rights, non-payment for the performance of contract work, environmental matter, legitimacy of construction permits and plant operations, activities carried out under concession and supply contracts.

The Terna Group established a provision for disputes and litigation which, as of 31 December 2022, amounted to Euro 14.0 million (of which Euro 11.3 million for Terna). This provision does not cover the approximately 280 civil and administrative claims and proceedings brought against the Terna Group for which the damages have not been quantified or in relation to which the plaintiffs' prospects are considered by Terna to be remote.

Due to their nature, Terna is not able to predict the ultimate outcome of the proceedings currently pending against it, some of which may be unfavourable to Terna and may require Terna itself to pay damages to the plaintiff(s), and which may generate costs for modifying parts of the Terna Group's Grid or temporarily removing parts of the Terna Group's Grid from service. However, Terna does not believe that a negative outcome in any of these proceedings would compromise the operation of the Terna Group's Grid as a whole and when taken as a whole and, save as mentioned in the risk factor "*Risks associated with pending legal proceedings*", Terna believes its provisions for litigation and contingent liabilities are adequate.

Terna does not expect the outcome of the pending proceedings to have, individually or as a whole, a material adverse effect on its financial position or results of operations.

## DIRECTORS, SENIOR MANAGEMENT, STATUTORY AUDITORS AND EMPLOYEES

Corporate governance rules for the Italian joint-stock companies (*società per azioni*) like Terna, whose shares are listed on the Euronext Milan market organized and managed by Borsa Italiana S.p.A., are set forth in the Italian Civil Code, CLF and implementing rules and regulations thereof and in the set of disciplinary rules of corporate governance for listed Italian companies (hereinafter referred to as the **Code of Conduct**).

In order to comply with the Code of Conduct, Terna's Board of Directors has approved various amendments to the corporate governance system (described in the Report on Corporate Governance and Ownership Structure) including to align with the principles contained in the Corporate Governance Code drawn up by the Corporate Governance Committee of listed companies promoted by Borsa Italiana which came into effect on 1 January 2021 (hereinafter referred to as the **Corporate Governance Code**), in particular:

- A Board of Directors responsible for company management which may delegate some of its powers to an Executive Committee and/or one of its Members. As recommended by the Corporate Governance Code, Terna's Board of Directors has set up internal committees which have proposal and advisory duties, such as the Nominations, Governance and Scenarios Committee, the Audit and Risk and Sustainability Committee, the Remuneration Committee and the Related-Party Transactions Committee (see also below);
- A Board of Statutory Auditors responsible for monitoring: (i) that the company complies with the law, the By-laws and the principles of correct administration in performing company activities; and (ii) the adequacy of the company's organisational structure, internal control system and administrative/accounting system as well as those of the foreign subsidiaries outside of the EU. It is also responsible for carrying out all duties assigned to the Board of Statutory Auditors by law and the code of conduct for listed companies. Pursuant to the provisions of article 19 of Italian Legislative Decree 39/2010, it is the responsibility of the Board of Statutory Auditors to supervise the financial disclosure process, the efficiency of the internal control systems, of internal reviews and of risk management, the statutory audit of annual and consolidated results and the independence of the auditing company;
- The Shareholders' Ordinary and Extraordinary Meetings that resolve on, *inter alia*, the (i) appointment and revocation of the members of the Boards of Directors and Statutory Auditors and their fees and duties, (ii) approval of the financial statements and allocation of the profit for the year, (iii) amendments to the By-laws, (iv) authorizations for actions carried out by Directors concerning transactions with related parties for which there was no favourable opinion by the competent independent body, in compliance with governing regulations and based on procedures adopted by the Board of Directors as well as on urgent transactions submitted by the Directors to an advisory vote of the Shareholders' Meeting and (v) during consultations pursuant to article 123-ter, paragraph 6 of the TUF, on company policy, matters of remuneration of Members of administration bodies, of general Directors and of Executives with strategic responsibilities in compliance with the provisions of said regulations.

Auditing activities are conferred on an auditing firm enrolled in the register of Legal Auditors which was appointed by a Shareholders' General Meeting on a proposal of the Board of Statutory Auditors.

The members of Terna's Board of Directors and Board of Statutory Auditors as well as Terna's External Auditors are directly and separately appointed by the shareholders at a General Meeting.

A detailed description of Terna's corporate governance is provided in the Report on Corporate Governance and Ownership Structure 2022 published on the Company website and incorporated by reference in this Base Prospectus.

The business address of the Members of Terna's Board of Directors and Senior Management is Viale Egidio Galbani 70, 00156 Rome, Italy.

## Board of Directors

Terna's Board of Directors is responsible for the management of the Company and has the power to take all actions consistent with the corporate purpose described in Terna's By-laws.

The members of Terna's current Board of Directors were elected at the Shareholders' General Meeting held on 9 May 2023. The Board of Directors should remain in office until the approval of the financial statements for the year ending on 31 December 2025. The current Board of Directors has 13 members.

Igor De Biasio was elected as Chairman of Terna's Board of Directors at the Shareholders' General Meeting held on 9 May 2023.

Currently as to the independence requirements, 9 Directors qualify as such pursuant to both the CLF and the Corporate Governance Code.

| <b>Name</b>           | <b>Position with Terna</b>             | <b>Shareholder list</b>                                                                           | <b>Year of initial appointment</b> |
|-----------------------|----------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------|
| Igor De Biasio        | Independent Non-Executive Director     | CDP Reti S.p.A.                                                                                   | 2023                               |
| Giuseppina Di Foggia  | Non-Independent Executive Director     | CDP Reti S.p.A.                                                                                   | 2023                               |
| Karina Audrey Litvack | Independent Non-Executive Director     | Group of shareholders constituted by asset management companies and other institutional investors | 2023                               |
| Anna Chiara Svelto    | Independent Non-Executive Director     | Group of shareholders constituted by asset management companies and other institutional investors | 2023                               |
| Qinjing Shen          | Non-Independent Non-Executive Director | CDP Reti S.p.A.                                                                                   | 2022                               |

|                      |           |                                              |                                                                                                               |      |
|----------------------|-----------|----------------------------------------------|---------------------------------------------------------------------------------------------------------------|------|
| Francesco Mele       | Renato    | Non-Independent<br>Non-Executive<br>Director | CDP Reti S.p.A.                                                                                               | 2023 |
| Regina D'Arienzo     | Corradini | Non-Independent<br>Non-Executive<br>Director | CDP Reti S.p.A.                                                                                               | 2023 |
| Angelica Donati      | Krystle   | Independent<br>Non-Executive<br>Director     | CDP Reti S.p.A.                                                                                               | 2023 |
| Marco Giorgino       |           | Independent<br>Non-Executive<br>Director     | Group of shareholders<br>constituted by asset<br>management<br>companies and other<br>institutional investors | 2019 |
| Enrico Cucchiani     | Tommaso   | Independent<br>Non-Executive<br>Director     | CDP Reti S.p.A.                                                                                               | 2023 |
| Gian Luca Gregori    |           | Independent<br>Non-Executive<br>Director     | CDP Reti S.p.A.                                                                                               | 2023 |
| Jean-Michel Aubertin |           | Independent<br>Non-Executive<br>Director     | Group of shareholders<br>constituted by asset<br>management<br>companies and other<br>institutional investors | 2020 |
| Simona Signoracci    |           | Independent<br><br>Non-Executive<br>Director | CDP Reti S.p.A.                                                                                               | 2023 |

The principal business activities, experience and other principal Directorships, if any, of each of Terna's current Directors are summarised below.

- **Igor De Biasio, Chairman**

Born in Milan on 18 November 1977

Chairman of Terna since 9 May 2023.

In December 2022, he received the honorary distinction of Officer of the Order Al merito della Repubblica Italiana from the President of the Italian Republic.

He has been a member of the Board of Directors of RAI SpA since July 2018 and Fondazione Innovazione Trasferimento Tecnologico since December 2022. He previously held the same position at RAI COM between February and June 2019. Since January 2022, he has been Vice President of Confindustria Radio Televisioni.

In July 2019, he was appointed CEO of Arexpo SpA, a publicly owned company that regenerates areas in innovative urban districts and the owner of the Expo2015 site.

He earned a political science degree with a focus on international studies at Università Cattolica of Milan in 2001 and went on to earn several post-graduate qualifications in marketing (SDA Bocconi, Milan), marketing and digital economics (Università Cattolica, Milan), design thinking (Politecnico di Milano, Milan), and business finance (International Institute for Management Development, Lausanne, Switzerland).

He has more than 15 years of managerial and international executive experience at leading global companies in various business sectors, including media real estate, tech, luxury and lifestyle. In July 2001, he became an account executive for the software company Eurobusiness Srl, and in 2004, he joined GfK Retail and Technology, a multinational market research and strategic consultancy services company, where he was Group Account Manager until 2010. He later joined Philips Lighting SpA, a global leader in lighting, where he was responsible for international operations in the Mediterranean area. Between 2017 and 2019, he was Commercial Manager for Europe, the Middle East and Africa at Moleskine Srl, an iconic brand in the paper and fashion sector.

He is married and has three children.

- **Karina Audrey Litvack**

Born in Montreal (Canada) on 7 December 1962

Karina Litvack joined Terna's Board of Directors on 9 May 2023.

Holding degrees in political economy from the University of Toronto and finance and international business from the Columbia University Graduate School of Business, she is Ambassador & Founding Chair of the Climate Governance Initiative and a member of the Senior Advisory Panel of Critical Resource and the International Advisory Council of Transparency International.

She served on the Eni Board of Directors from 2014 to 2023 and, during her extensive career, has been a member of the Investment Banking team of PaineWebber Incorporated (1986-1988), the Board of the Extractive Industries Transparency Initiative (2003-2009), the London Stock Exchange Primary Markets Group (2006-2012) and the Board of Governors of the CFA Institute (2019-2022).

She has also been a member of the CEO Sustainability Advisory Panel of Lafarge (2003-2014), Groupe Danone (2011-2013) Veolia (2008-2010), ExxonMobil and IPIECA (2010) and SAP AG (2010-2017).

She was Project Manager at the New York City Economic Development Corporation (1991-1993). In 1998, she joined F&C Asset Management, where she served as Ethical Research Analyst, Director of Ethical Research and Director & Head of Governance and Sustainable Investments (2001-2013). She

was Non-Executive Chairman of the Sustainability Committee of the Board of Directors of Viridor Waste Management.

- **Qinjing Shen, Director**

Born in Haining, Zhejiang (China), 22 July 1978.

Mr Shen has been a member of the Board of Directors of Terna S.p.A. since 26 January 2022.

He is currently a member of the boards of directors of CDP Reti S.p.A., Snam S.p.A. and Italgas S.p.A. and head of State Grid's representative office in Italy.

From 2016 to 2021, he served as director of the Business Development & Strategy Department of State Grid International Development Co., Ltd, of which he had previously been deputy director from 2013 to 2016 and project manager from 2008 to 2013.

From 2003 to 2008, he worked as an engineer at the Dispatch Communications Center of Zhejiang Electric Power Company (a subsidiary of the State Grid Corporation of China).

He holds a degree in engineering and electrical systems from Zhejiang University, China.

- **Anna Chiara Svelto, Director**

Born in Milan on October 29, 1968

Anna Chiara Svelto joined Terna's Board of Directors on 9 May 2023.

Graduated cum laude in Law from the University of Milan in 1992, she is licensed to practice law. She is an expert in corporate law, M&A and Corporate Governance.

Between 2016 and 2018, she served as Chief General Counsel of UBI Banca Spa. From 2000 to 2016, she worked in the Pirelli Group, where as Director of Corporate Affairs and Compliance and Secretary of the Board of Directors, she played an active role in the main operations of the Pirelli Group, also contributing to the growth of an advanced model of Corporate Governance of the Company. Previously, she worked in the Legal Affairs Department at Edison Spa and was Head of Legal and Corporate Affairs at Shell Italia Spa.

Since 2014, she has taken board positions in leading listed companies including Enel (2014-2023), Astm, Brunello Cucinelli.

She is currently a board member of Credito Emiliano, Technoprobe, Techedge.

She is on the list of Global Board Ready women promoted by the Professional Women Association, is included in the Bellisario Foundation's Thousand Excellent Curricula list and was listed by StartupItalia as one of the top 150 "Unstoppablewomen".

She is married and has two children.

- **Giuseppina Di Foggia, Chief Executive Officer and General Manager**

Born in Rome on 16 July 1969

Chief Executive Officer and General Manager of Terna since 9 May 2023.

Between April 2020 and May 2023, she was CEO and Vice President of Nokia Italia, a company with over 100 years of experience producing telecommunications devices, providing telecommunications services, and researching and developing optical networks, microwave technology and artificial intelligence.

Appointed as a Cavaliere del Lavoro (Knight of Labour) of the Italian Republic in 2021 for her commitment to Information and Communication Technologies, in the same year, she was named by Forbes Italia one of 100 women united by leadership and creativity distinguished for their commitment, tenacity and skill. Furthermore, she was recognised at the CEO Italian Awards 2021 as CEO of the year in the TLC category. In 2022, she received the Margutta Prize, a symbol of creativity and intellectual productivity in the entrepreneurial sector.

After earning a master's in electrical engineering at La Sapienza University of Rome and passing the State examination to qualify as an engineer, she earned a second master's in professional programme management at the Stevens Institute of Technology in New Jersey in the United States and completed specialist courses and general management programmes at SDA Bocconi Business School in Milan and the Luiss Business School in Rome, of which she is a member of the Board of Directors.

With over 25 years of research and development, project management, and operational and strategic management experience gained in various countries, she began to work on research and development projects funded by the European Union to design and implement the third generation (3G) mobile network, before joining Lucent Technologies Bell Labs Innovations in 1998 — later becoming Alcatel-Lucent in 2006 and then Nokia in 2016 — where she held various senior management positions across all areas of the company.

Formerly Chair of the Board of Directors of GPI SpA and a member of the Board of Directors of Cefriel, the digital innovation, research and innovation centre of Politecnico di Milano, Giuseppina Di Foggia is now a member of the board of the Executive MBA of Lumsa University, the Foreign Investors Advisory Board of Confindustria, and the Governing Board of Assolombarda. She is also Chair of the Social Inclusion Steering Committee of Confindustria Digitale and a member of the General Board of Anitec-Assinform.

Having always nurtured an interest in young people and employment, in recent years she has promoted and supported various programmes aimed at improving digital literacy and introducing students to STEM subjects, as well as promoting school-work programmes.

She is married and has two children.

- **Francesco Renato Mele, Director**

Born in Milan on 10 February 1969

Francesco Mele joined Terna's Board of Directors on 9 May 2023.

He graduated with honours in corporate economics from Luigi Bocconi University in Milan.

In September 2022, he was appointed CEO and General Manager of CDP Equity SpA and Head of Investments at CDP SpA.

He was Chief Financial Officer of Illimity Bank (2018-2022) and Banca Monte dei Paschi di Siena (2016-2018). In 2010, he began a six-year career at Nomura, where he became head of Italian investment banking operations.

Prior to this, he worked for Goldman Sachs for 14 years (1996-2010) with increasingly senior roles in London and Milan. His final position was Managing Director with responsibility for the Italian market, having gained previous experience in this role at Banca Commerciale Italiana (1994-1996).

- **Regina Corradini D'Arienzo, Director**

Born in Turin on 30 May 1969

Regina Corradini D'Arienzo joined Terna's Board of Directors on 9 May 2023.

With a degree in psychology, she studied corporate economics at the University of Turin and earned a master's in bank management from Bocconi University in Milan.

In July 2022, she was appointed CEO and Managing Director of Simest SpA, a CDP Group company that supports the growth of Italian businesses abroad by internationalising their activities.

Prior to this, she had worked for BNL since 2013, where she held various positions including North-west Regional Corporate Manager and Corporate Banking Division Manager. She is a member of the G100 of BNP Paribas and a member of the Cash Management Governance Board and the Trade Finance Strategic Board of BNP Paribas Group and has held several roles in other companies within the BNP Paribas Group, including directorships at Arval SpA, Vice-Chairwoman of Ifitalia SpA and Chairwoman of BNP Paribas Leasing Solutions SpA.

She worked for Banco Popolare between 2012 and 2013 where she was Head of the Corporate Division and was previously Head of the Corporate Division and Head of the Turin Region and Province at Banca Popolare di Novara (2008-2011).

Between 1990 and 2008, she worked at Banca San Paolo IMI (Intesa Sanpaolo) where she was appointed as Head of Marketing and Commercial Services within the Corporate Division of Banca dei Territori.

- **Angelica Krystle Donati, Director**

Born in Los Angeles (USA) on 16 September 1985

Angelica Donati joined Terna's Board of Directors on 9 May 2023.

With a BS in Management from the London School of Economics and Political Science, she earned an MBA from Oxford University.

President of ANCE Giovani since 2021 and an entrepreneur and manager in the construction sector, she was a member of the Finance & Infrastructure Task Force of the B20 in 2021 and 2022.

She is Head of Business Development at Donati S.p.A. and CEO of Donati Immobiliare Group, an international property development firm, and collaborates as a columnist with Forbes, AGI and Property Week.

She joined Goldman Sachs in 2006 and was appointed as Retail Marketing Manager at Ralph Lauren in 2012.

- **Enrico Tommaso Cucchiani, Director**

Enrico Tommaso Cucchiani joined Terna's Board of Directors on 9 May 2023.

After graduating with honours in Economics from Bocconi University in Milan, he earned an MBA from Stanford University.

Appointed Cavaliere del Lavoro (Knight of Labour) of the Italian Republic, he has led large banks and insurance companies, and has also gained significant experience in the industrial, healthcare and advanced technology sectors.

Earlier in his career, he was CEO of Intesa Sanpaolo. He was a member of the Executive Council for insurance group Allianz in Munich, responsible for operations in the EU (excluding Germany), Switzerland, Turkey, Latin America and Africa, and worked as a management consultant for McKinsey at the Milan, London and New York offices.

He is a Director of Bocconi University and member of the Executive Committee of the International Advisory Council and Vice-President of the Javotte Bocconi Foundation. He is also on the International Executive Committee of the Trilateral Commission and Chair of the Italian delegation. He is a Director of the Weizmann Institute of Science in Israel, Director of the ISPI and Vice-President of the Amici della Scuola Normale di Pisa association.

He was previously Chairman of the Ospedale San Raffaele in Milan and Director, amongst other roles, of UniCredit, Pirelli, Acegas and Royal Sun Alliance; and Chairman and CEO of RAS, Co-Chair of the Italian-German Forum, and member of the Advisory Council at Stanford University (California).

- **Gian Luca Gregori, Director**

Gian Luca Gregori joined Terna's Board of Directors on 9 May 2023.

Graduated cum laude from the Faculty of Economics "Giorgio Fuà" of the Università Politecnica delle Marche, Full Professor of Economics and Business Management, he has directed the Department of Management, the Doctoral School and chaired the Faculty of Economics in that University; former Deputy Pro-rector, in 2019 he was elected Rector of the Università Politecnica delle Marche.

Author of more than 210 publications on Management issues, he has been the holder of numerous university lectures, including International Marketing and Business Marketing; he is a member of various scientific societies.

He has participated, also as coordinator, in numerous national and international research on economic-management aspects, with reference to various types of companies.

He has collaborated and collaborates with companies in various sectors and also with business associations.

He is currently a member of the board of directors of the CRUI foundation, an Adjunct Professor of Business Administration at Henan University, an honorary member of the Italian Marketing Society, and a Senior Fellow at Luiss Business School.

- **Simona Signoracci, Director**

Born in Mondolfo, Pesaro and Urbino, 30 June 1960

Simona Signoracci joined Terna's Board of Directors on 9 May 2023.

She graduated with honours in Political Science with an Administrative focus from the Faculty of Law of the University of Urbino, and obtained a Master's degree in Business Administration from the SAA

of the University of Turin, Faculty of Engineering. During those years she attended numerous seminars abroad (Boston University and Toronto University).

She is currently President of Vises ETS, the Foundation of Federmanager, and she is a member of the Board of Directors of Q Accademy. He also collaborates with numerous companies.

From 2009 to 2020 she was at Telecom Italia to deal with institutional relations, stakeholder relations and regulatory issues with the Guarantor Authorities: Consob, Isvap, Agcom, Privacy Authority.

She also held the position, from 2015 and for approximately three years, of Executive Chairman of a consortium company then formed by Telecom Italia, Vodafone, Wind. The company was liquidated in 2018.

From 2008 to 2012, she was President of the Gigi Ghirotti National Foundation for home psychological assistance and collaborated with Ania, the International Red Cross, and the Vicariate of Rome. In 2008, she established the Telecom Foundation where she served as Executive Vice President and President.

From 1997 to 2008, she worked in the Mediolanum Group where he created a different model of integrated communication between the world of finance and the media, during the listing of the Mediolanum Group on the stock exchange and the transformation of the Sim Programma Italia into a bank. She held the position of director of external, institutional and regulatory relations in Italy and abroad. She was in charge of foreign acquisitions in Spain, Germany, Ireland and of the Joint Venture with Mediobanca that led to the creation of Banca Esperia.

She set up and chaired the Mediolanum Foundation. Moreover, in those years, she was present in numerous national and international committees and was in charge of seminars in Strategic & Financial Communication at the Luiss University of Rome.

From 1990 to 1996, she supervised European projects for the Milan Chamber of Commerce related to the transfer of technological skills to support Italian small and medium-sized enterprises.

From 1987 to 1990 at Fininvest Comunicazioni she dedicated herself to the analysis and study of emerging digital technologies in the television sector. The business plan, after benchmarking in France and the United States, contributed to the birth of Tele Più, the first Italian Pay TV.

In recent years, she has been a Professor at the Master's degree course at Link University and is currently a guest lecturer at the Master's degree course in Strategic Planning at the Faculty of Economics of the Sapienza University of Rome.

Throughout her professional career, she has acquired expertise and in-depth knowledge of ESG criteria for transformative and inclusive sustainability along with digital in the Banking and Insurance sector, generalist TV and VOD platforms.

She has also delved into the study of technological innovation applied to Supervision: artificial intelligence to support the investigation activities of the Authorities and the related cybersecurity risks, the digital divide, artificial intelligence and privacy challenges in healthcare. She collaborated with Expo 2015 and the organisation of the opening week of the 2006 Winter Olympics in Turin. She has also contributed to and sponsored numerous national and international initiatives.

- **Marco Giorgino, Director**

Born in Bari on December 11, 1969

Mr Giorgino has been a member of the Board of Directors at Terna S.p.A. since May 2019.

Holding a cum laude Degree in Business Administration received in 1991 from Bocconi University, he has been a Full Professor at the Polytechnic Institute in Milan since 2004, where he holds the Chair of Financial Risk Management and Financial Markets and Institutions for the Master's Degree in Management Engineering.

He has nearly thirty years of experience in the field of research and training and has including: MBA Program, Master in Financial Risk Management, Master in Private Equity in partnership with Borsa Italiana and Master in Corporate and Investment Banking. He is the Scientific Director of the Finance Department of the MIP Graduate School of Business.

He carries out numerous management-level training seminars for Italian and international banking groups, institutional investors and industrial groups and provides consultancy in the areas of corporate financial analysis, extraordinary financial operations and governance and risk management systems. He is the Scientific Director of the Fintech & Insurtech Observatory and of the Corporate Governance Observatory of the Polytechnic Institute in Milan. He sits on the Scientific Committee of the Advanced Training School "Luigi Martino", is a member of the Milan Board of Certified Accountants and a member of the Board of the Association of Members of Supervisory Bodies as per Legislative Decree 231/01 (AODV 231).

Mr Giorgino has served and still serves as a director and statutory auditor in listed and non-listed banking and industrial companies as well as a member of oversight bodies. He is currently an independent Director and Chairman of the Risk Committee of Banca Monte dei Paschi di Siena, included on the slate proposed by Generali, and an independent Director of Terna, included on the slate put forward by Assogestioni. In the past he served as an independent Director of the Luxottica Group, GE Capital Interbanca and Mediolanum Gestione Fondi SGR.

He has written articles for the Italian business daily, Il Sole 24 Ore, and been a guest columnist and speaker for television channels (RAI, SKY, La7, CLASS CNBC). He has been a speaker at more than one hundred and fifty conferences and seminars on corporate finance and financial markets, corporate governance, risk management and digital innovation in banking and financial services.

- **Jean-Michel Aubertin, Director**

Born in Nice (France) in 1958.

Mr Aubertin has been a member of the Board of Directors of Terna S.p.A. since 18 May 2020.

With a degree in engineering from the Ecole Nationale Supérieure de l'Aéronautique et de l'Espace (National Higher French Institute of Aeronautics and Space), he boasts extensive experience in business transformation, international business development, and global operations management (Europe, Asia, US).

He has held the office of Operating Advisor at Clayton, Dubilier & Rice, a leading US private equity firm, since July 2018.

From 1994 to present, his experience includes Chief Executive Officer of CG Power Systems in Belgium and Doosan Power Systems Ltd. in the UK; Executive Director of the Alstom Energy & Environment Systems Group in Switzerland and Chairman of the Telecommunications Satellite Division at EADS Astrium in the UK.

***The Audit and Risk and Sustainability Committee; the Nominations, Governance and Scenarios Committee; the Remuneration Committee and the Related-Party Transactions Committee***

As recommended by the Code of Conduct, in 2004 Terna's Board of Directors established an Internal Control Committee which was mainly responsible for assessing the adequacy of its internal control system and accounting standards as well as for the relations with External Auditors adding to the competences of the latter those relative to the system of corporate governance, mainly advising, assisting and making proposals to Terna's Board of Directors with respect to all such matters.

Since 2004 Terna's Board of Directors has also established a specific "Remuneration Committee". The duties of Remuneration Committee had been identified in line with the provisions of the Corporate Governance Code of reference, and the methods for holding meetings were governed by the specific internal Organisational Regulations adopted by the Board of Directors on 24 January 2007 and thereafter updated on 9 November 2011 and on 19 December 2012, to comply with the provisions of the Corporate Governance Code applicable at that time.

During 2010, the Board of Directors created another committee having advisory and consulting tasks, formed by at least three Directors, all independent, according to the provisions of the Corporate Governance Code with the task of expressing its preliminary opinion necessary for the adoption of the "Procedure for Related Party Transactions" as established in accordance with CONSOB Regulation No. 17221 of 12 March 2010, as amended. On 12 November 2010, the Board of Directors identified in this committee, the body in charge of carrying out the role required by the above-mentioned regulations both for approving transactions of greater importance and those of lesser importance as indicated in Terna's procedures.

In the meeting held on 19 December 2012, the Board of Directors resolved on adjustments to the competences of the committees implementing the provisions of the Corporate Governance Code, approving the modifications to the related organizational regulations without changing the Members. As a result, the "Internal Control Committee", already instituted, changed its name into "Control and Risk Committee" and took over the activities provided by the new provisions of the Corporate Governance Code. Following the renewal of the entire Board of Directors, in the meeting of 27 May 2014, with a view to continuous improvement of the corporate governance system, the Board of Directors expanded the duties of the Control and Risk Committee, adding to the latter's duties those related to the corporate governance system and making the consequent changes to the Organisational Regulation appointing the Members in keeping with the indications of the Corporate Governance Code according to what was communicated to the market on the same date. Consequently, the "Control and Risk Committee" was renamed the "Control, Risk and Corporate Governance Committee". The responsibilities indicated were subsequently added to said Committee and the Committee was also assigned tasks relative to Sustainability.

The Board of Directors set up the Nominations Committee at its meeting held on 27 May 2014, at the time of its first re-election following the entry into force of the provisions contained in art. 5.P.1 of the Corporate Governance Code.

On taking office on 18 May 2020, the then-elected Board of Directors adopted a resolution to set up the above-mentioned committees, providing that they would be composed of three directors, all of whom would be non-executive and independent, including the chairs.

During its term of office, in order to ensure that the size of Committees is more in proportion with the size of the Board of Directors, at its meeting of 14 October 2021, the Board of Directors resolved to increase the number of committees' members to four. The inclusion of new competences within the Board of Directors facilitated its strengthening and favoured the enhancement of a constructive dialogue for the entire Board of Directors, in its effort to achieve the challenging objectives in the Industrial Plan.

On 9 May 2023 the Annual General Meeting of the Company appointed the new Board of Directors, whose mandate will expire on approval of the financial statements 2025, composed of thirteen Directors

elected. The Annual General Meeting also elected Igor De Biasio as Chairman of Terna's Board of Directors. The newly elected Board met on the same date and redefined as follows the internal Committees previously established, appointing the Members in line with the indications of the Corporate Governance Code:

- **Audit and Risk and Sustainability Committee** composed of five non-executive directors, four out of five are in possession of the independence requirements required by the legislation, by the By-laws of the Company and by the Corporate Governance Code, the latter implemented in the document "*Application criteria and procedure for assessing the independence (under the terms of art. 2 of the Corporate Governance Code)*". The Committee has the task, among others, of:
  - o defining the guidelines of the internal control and risk management system consistently with the company's strategies,
  - o expressing opinions on specific aspects relating to the identification of the main corporate risks and supports the board of directors' assessments and decisions relating to the management of risks;
  - o assessing whether the periodic financial and non-financial information is suitable to correctly represent the company's business model and strategies;
  - o examining the content of the periodic non-financial information relevant to the internal control and risk management system.
- **Nominations, Governance and Scenario Committee**: composed of five non-executive directors, four out of five are in possession of the independence requirements required by the legislation, by the By-laws of the Company and by the Corporate Governance Code, the latter implemented in the document "*Application criteria and procedure for assessing the independence (under the terms of art. 2 of the Corporate Governance Code)*". The Nominations, Governance and Scenarios Committee supports the Board of Directors by conducting reviews, proving recommendations and advice in relation to corporate governance matters. The Committee's duties include assisting the Board of Directors in the following activities: (a) self-assessment of the Board of Directors and Board Committees; (b) definition of the optimal composition of the Board of Directors and the Committees; (c) identification of candidates for the office of Director in the event of co-option; (d) possible submission of a slate by the outgoing Board of Directors, to be implemented in a manner that ensures its transparent formation and presentation; (e) preparation, update and implementation of succession plans for the Chief Executive Officer and the other executive Directors; (f) particular issues related to application of the prohibition on competition imposed on Directors by art. 2390 of the Italian Civil Code, where the shareholders, for organisational reasons, have authorised general, prior exemptions from such prohibition.
- **Remuneration Committee**: composed of five non-executive directors, all of them in possession of the independence requirements required by the legislation, by the By-laws of the Company and by the Corporate Governance Code, the latter implemented in the document "*Application criteria and procedure for assessing the independence (under the terms of art. 2 of the Corporate Governance Code)*". The Remuneration Committee has the task of:
  - a) supporting the Board of Directors in the development of the remuneration policy;
  - b) submitting proposals or expressing opinions on the remuneration of executive directors and other directors who hold specific responsibilities, as well as on the setting of performance objectives related to the variable component of this remuneration;
  - c) monitoring the actual application of the remuneration policy and verifying the effective achievement of the performance objectives;

d) periodically assessing the adequacy and overall consistency of the remuneration policy for directors and the top management.

- **Related-Party Transactions Committee:** composed of four non-executive directors, all of them in possession of the independence requirements required by the legislation, by the By-laws of the Company and by the Corporate Governance Code, the latter implemented in the document “*Application criteria and procedure for assessing the independence (under the terms of art. 2 of the Corporate Governance Code)*”. The Board has the role required by the CONSOB’s Regulations for Related Party Transactions as indicated in Terna’s procedure for Related Party Transactions. The Committee for Transactions with Related Parties is entrusted with preliminary, advisory and consulting tasks and powers for the evaluation and the decision-making in the above-mentioned Transactions with Related Parties as well as regarding possible amendment proposal to the Procedure adopted by TERNÀ.

### **Manager in charge of drafting financial reports**

In accordance with the TUF, Terna’s By-laws provide for the appointment of a Manager responsible for the preparation of financial reports by the Board of Directors subject to the approval of the Board of Statutory Auditors.

The Manager’s tasks include the implementation of appropriate administrative and accounting procedures for the preparation of the Annual Accounts and the Consolidated Accounts and every other disclosure of a financial nature.

### **Internal Auditing System**

As recommended by the Corporate Governance Code, Terna’s Board of Directors established an Internal Auditing System aimed at controlling and ensuring the fair management of the company, in line with its corporate purposes.

### **Compliance**

Terna, in executing its business activities complies with the principles set out in the Code of Ethics of Terna Group applicable to the Directors, employees and others acting on its behalf and available at [www.terna.it](http://www.terna.it).

Terna has also adopted (i) an Organization, Management and Control Model (**Model 231**) in accordance with Article 6 of the Italian Legislative Decree no. 231/2001, for the purpose of preventing specific crimes, both in Italy and abroad and (ii) a *Global Compliance Program* for the purpose of preventing the corporate liability for business activities carried out abroad; both documents are available at [www.terna.it](http://www.terna.it).

Furthermore, Terna has adopted the Anti-Corruption Guidelines in order to prevent public and private corruption both in Italy and abroad. This document is also available at [www.terna.it](http://www.terna.it).

Moreover, Terna has also adopted (i) a specific Antitrust Compliance Programme in order to be in compliance with the applicable relevant antitrust laws and regulations ; (ii) a specific Guideline on “Conflict of Interest” addressed to all Terna Group personnel which describe the measures adopted by Terna Group in order to avoid or effectively manage all circumstances that could generate possible conflicts of interest; (iii) a Trade Compliance Policy of Terna Group aimed at providing an effective control system on Trade and Export activities.

Finally, Terna has adopted a whistleblowing policy to manage the reporting of any suspected misconduct in compliance with the applicable legislation - as well as with the national and international

*best practices* - Terna has implemented specific reporting channels, including an electronic *whistleblowing* portal in order to receive reports of breaches, also from external parties.

Therefore, any breaches, including potential breaches, of the principles contained, *inter alia*, in the above mentioned documents can be reported via the following link <https://whistleblowing.terna.it/>. The portal is accessible by anyone.

### **Board of Statutory Auditors**

The current Members of the Board of Statutory Auditors, who were elected by Terna's general Shareholders' Meeting held on 9 May 2023, and who will remain in office until the approval of the financial statements for the year ending on 31 December 2025, are the following:

| <b>Name</b>        | <b>Position</b>                             | <b>Year of initial appointment</b> |
|--------------------|---------------------------------------------|------------------------------------|
| Mario Matteo Busso | Chairman of the Board of Statutory Auditors | 2020                               |
| Antonella Tomei    | Standing Auditor                            | 2023                               |
| Lorenzo Pozza      | Standing Auditor                            | 2023                               |
| Barbara Zanardi    | Alternate Auditor                           | 2020                               |
| Lucrezia Iuliano   | Alternate Auditor                           | 2023                               |
| Antonello Lillo    | Alternate Auditor                           | 2023                               |

The principal business activities, experience and other principal positions, if any, of each of Terna's current Statutory Auditors are summarised below.

- **Mario Matteo Busso, Chairman**

Born in Turin, 1 March 1951

Since May 18, 2020 he is Chairman of the Board of Statutory Auditors of TERNA S.p.A.

Graduated in Economics, he is a chartered accountant and registered in the register of statutory auditors.

He holds positions as director and independent auditor in listed companies and in companies of public interest. He held, *inter alia*, the following offices: Chairman of the Board of Statutory Auditors of TERNA, AVIO, Consorzio ENI per l'Alta Velocità (CEPAV 1 e CEPAV2), International Energy Services; Chairman of the Board of Auditors of Compagnia di SAN PAOLO; Statutory Auditor of LIFTT S.r.l. and WAY S.p.A.; Legal Auditor of QUASAR S.p.A.

He was Chairman of the Board of Statutory Auditors of SAIPEM, Ersel and Chairman of Legal Auditor of the IOR and Independent Administrator of Fiat, FCA Bank.

He was a partner at Andersen Worldwide (1988-2003) and at Deloitte & Touche S.p.A. (2003-2011). He has gained significant experience in auditing and certifying the financial statements of listed companies in Italy, Spain, France, the United Kingdom and the United States. In particular, he has supervised industrial and service companies (including FIAT, Ferrari, Acque Potabili Italgas); banks (including Cassa di Risparmio di Torino, San Paolo IMI, Banca Reale, Banca SAI); insurance companies (including Novara Vita, Popolare Vita Reale Mutua, SAI); financial companies (including Finpiemonte, Finaosta, FGA Capital) and asset management companies (including AcomeA Sgr, Unicredit Fondi Sgr, Kairos Sgr); securities and real estate mutual funds and securities brokerage firms (including Ersel SIM, F. R.T., Imiweb Sim). He has drafted fairness opinions for listed companies (including Schroeder, SAI-Fondiaria, San Paolo-IMI, Italgas) as part of merger and spin-off transactions, followed by credit securitization transactions for banks and consumer credit companies (including Firs Italian Auto Transaction, Nixes, Golden Bar). He participated in study groups concerning the IAS-IFRS accounting standards.

He collaborates as an external speaker with the University of Turin.

- **Antonella Tomei, Standing Auditor**

Born in Barberino Val d'Elsa (Florence) on 1 January 1964

Antonella Tomei joined Terna's Board of Statutory Auditors on 9 May 2023.

Registered with the Order of Chartered Accountants of Siena and accredited by the Region of Tuscany as a Qualified Service Provider, Antonella Tomei is included in Mille Curricula Eccellenti, a list of 1,000 leading professional women created by the Bellisario Foundation.

She is enrolled on the Official Auditors Register under Ministerial Decree 07/10/93 and the Local Authority Auditors Register in bands 2 and 3, and is registered as a technical consultant at the Courts of Siena and Florence.

She is a Statutory Auditor for the Municipality of Figline-Incisa (Florence) and a Standing Auditor for Kato Imer SpA. She is an appointed Independent Auditor and a member of the Study Commission on Statutory Auditing and the Responsibilities of Control Bodies in the System of Corporate Governance at the Italian National Council of Chartered Accountants.

She teaches Tax Law at the IED in Florence as well as the Practitioners Programme at the Chartered Accountants Association of Siena.

She has served as Auditor for the Province of Siena Tourism Agency, the Municipality of Poggibonsi (Siena), and several private bodies and companies.

She is an ambassador for Talent D, the Informal Network of Female Entrepreneurship, which promotes including women in management roles and on the boards of private and public companies.

- **Lorenzo Pozza, Standing Auditor**

Born in Milan on 11 October 1966

Lorenzo Pozza joined Terna's Board of Statutory Auditors on 9 May 2023.

Lorenzo Pozza graduated with honours in corporate economics at Bocconi University in Milan, where he is now a Professor of Accounting, International Accounting Principles and Company Valuations. He is also Director of the Master of Science in Business Administration and Law.

He is a Chartered Accountant, Auditor and consultant to numerous listed and unlisted companies operating in the industrial, commercial, financial, insurance and banking sectors. During his career, he has been Director and Auditor at several companies, including Amplifon, Assicurazioni Generali, Edison, Gas Plus, Telecom Italia, Ariston Thermo, Bracco, H3G, and Merloni Holding.

He is co-founder of the advisory boutique Wepartner, a financial and professional advisory firm, where he issues opinions on financial statements and finance, company valuations, and civil and criminal litigation.

He has written numerous publications on financial reporting and corporate capital valuations and is a member of the International Accounting Board established by the Organismo Italiano di Contabilità (OIC). He is also member of the Editorial Board of the Rivista dei Dottori Commercialisti (Journal of Chartered Accountants).

In 2012, the Rector of Bocconi University presented him with the Award for Excellence in Research.

### **Conflicts of Interest**

No potential conflicts of interest have been declared between any duties to Terna of Terna's Board of Directors, Statutory Auditors or Management and the private interest and/or other duties of such persons. No member of Terna's Board of Directors, Board of Statutory Auditors or Management declared to have or have had any interest in any transactions that are or were unusual in their nature or conditions and are or were significant to its business.

### **EXTERNAL AUDITORS**

Under Italian securities regulations, Terna's accounts must be audited by External Auditors appointed by the shareholders. Pursuant to the TUF, the engagement shall last for nine financial years and cannot be renewed if at least four years have not elapsed from the termination of the previous engagement. In the event of renewal, the person responsible for the audit must be replaced by another person.

At the general Shareholders' Meeting of 8 May 2019, Deloitte & Touche S.p.A. was appointed as external statutory auditor for the financial years 2020 to 2028 in accordance with the proposal of the Board of Statutory Auditors.

### **SENIOR MANAGEMENT AND EMPLOYEES**

As of 31 March 2023, the employees of the Terna Group numbered 5,601.

The process of deep transformation undertaken by Terna through its NexTerna program foresees an impact on various areas, including in the management of skills and talent. As for the former, the measurement and development of professional technical competence remains central within the professional system.

During 2022, a new Talent Management process was established, aiming to identify people with abilities and characteristics in line with the talent definition inspired by the leadership model. The process also aims to guarantee talents an opportunity to grow, fuelling the succession pipeline. Two pilot projects aimed at newly hired young graduates and senior specialists were launched.

During 2023, the first session of the Talent Committee was held and the principles of the Talent Policy and the contents of the new process were approved. During the current year, in addition to monitoring the results of the 2 pilot projects, evaluation sessions will be planned for the 3 identified clusters (graduated new hires, senior specialists and managers).

2022 saw continued utilisation of the performance assessment system, People for Performance (P4P), a programme divided into five phases (Goal Setting, Mid-Year, Assessment, Calibration, Feedback). The programme is designed to reinforce the link between the organisation's strategic objectives and those of individuals and teams, dialogue between heads and collaborators, promoting an assessment and feedback culture and the spread of behaviour in line with the Leading NexT Leadership model. During 2023, in continuity with previous years, the performance assessment system (P4P – People for Performance), has been utilised a programme divided into five phases (Goal setting, Mid-Year, Assessment, Calibration, Feedback), whose continued use confirms and reinforces the link between the organisation's strategic objectives and those of individuals and teams, increasing the dialogue between heads and collaborators and promoting an assessment and feedback culture and the spread of behaviours in line with the Leading NexT Leadership model. The process is aimed at the entire corporate population (approximately 4,000) except for people with access to MBO systems. Moreover, to support the process of finding new resources and create a virtuous circle of exchange between the Company and the outside world, Terna has entered into agreements with leading Italian universities and business schools, funding the creation of specialised masters' courses.

In the first four months of 2023, the Terna Group provided 64,446 hours of training.

The above mentioned training activities mainly concerned the development and consolidation of professional and technical skills, the strengthening of specialist know-how, the development of transversal skills and the knowledge related to Compliance issues (in the field of health and safety in the workplace, privacy legislation and GDPR, Legislative Decree 231, code of ethics, cyber security).

Furthermore, courses on Sustainability and Energy Transition are being developed, designed or planned.

Among the many significant activities, the following are detailed:

- **Training offer dedicated to new hired employees:** such activity, revised completely in comparison with the proposal of previous years, facilitates colleagues' onboarding into the company with more flexible training methods and attention to the propaedeutic nature of the contents. These aspects facilitate the acquisition of an overview of Terna's core business. These courses will be launched in June;
- **Training on GDPR and Legislative Decree 231 issues:** these courses, in continuity with previous years, aim to the acquisition of deep knowledge in the subject matter, training specialized employees in the field;
- **Training activities in the Health and Safety field:** in addition to the mandatory courses, Terna Academy realized training program such as “Eccellenza in Sicurezza” and “Brief and Debrief for supervisors and team leaders”, aiming at a larger awareness in the subject matter awareness and accelerating a cultural transformation on occupational safety issues;
- **Training courses on Risk Management,** divided into specific courses by target, involving the entire workforce and mainly those resources who are called to effectively manage risks and opportunities within our organization;
- **Design of new courses on sustainability issues,** in order to implement a "systemic" approach to the matter, integrating the social, environmental and economic aspects;
- **Level UP,** a training path created to enhance soft and strategic skills and knowledge of digital, innovation and planning and control areas (about 40-50 hours both in virtual and in presence classroom).

Development of Energy Transition courses, to understand what changes Energy Transition brings with it, to face the ongoing transformations with increasing awareness, to know the impacts of all these aspects on the electricity and gas network infrastructures.

### **Share ownership by Directors and employees**

Currently, Terna has no share ownership guidelines. Information on interests of members of management and oversight bodies, general managers and key management personnel are in the Report on the Remuneration Policy and the Remuneration Paid, form 7-ter, which is published annually.

The new Terms and Conditions of the Performance Share Plan 2022-2026 were approved by the Board of Directors on 15 June 2022, in implementation of the terms established by the Annual General Meeting of shareholders held on 29 April 2022.

The LTI Plan 2021-2025 involves the grant of the right to the award of a certain number of shares in Terna (Performance Shares) free of charge at the end of a three-year vesting period, provided that the performance objectives to which the Plan is linked have been achieved. At the end of the vesting period, 30% of the shares awarded will be subject to a further lock-up period of two years.

Further details are provided in the Information Circular on the Performance Share Plan 2021-2025 and in the “Report on the remuneration policy and remuneration paid”, published on the Company’s website ([www.terna.it](http://www.terna.it)).

On 23 June 2021, the share buyback programme to service the Plan was completed at a total cost of approximately EUR 10 million.

## **SHARE CAPITAL OF TERNA, MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **Share capital**

As of 31 March 2023, CDP RETI holds 29.851 per cent. of Terna’s share capital.

Terna is subject to the *de facto* control of CDP, (through its subsidiary CDP RETI), as ascertained in 2007.

### **Major shareholders<sup>12</sup>**

#### ***CDP RETI***

CDP RETI is Terna’s main shareholder holding 29.851 per cent. of Terna’s share capital. CDP RETI is an investment vehicle established in October 2012 whose shares are owned by, respectively, CDP (59.1 per cent.), State Grid Europe Limited (35 per cent.), a company owned by State Grid Corporation of China and the remaining by Italian institutional investors (5.9 per cent.).

CDP RETI’s mission is to manage the holdings in Snam, Italgas and Terna monitoring the infrastructure they operate to ensure it is developed and maintained appropriately, and developing the necessary expertise in gas transport, dispatching, distribution, regasification and storage, and electricity transmission, in order to oversee its investments most effectively.

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<sup>12</sup> Shareholders participating in the share capital of Terna in excess of the major thresholds indicated by CONSOB Resolution n.11971/99, on the basis of the information available and CONSOB disclosures.

CDP is a joint-stock company under public control, with the Ministry of Economy and Finance holding 82.77 per cent. and a broad group of bank foundations holding 15.93 per cent., the remaining 1.30 per cent. in treasury shares.

### **Limitations on shareholding**

The transfer of Terna's shares is not subject to any restrictions other than those contained in the shareholders' agreement signed by CDP, SGEL and SGID, last updated on 23 May 2017 and in the By-laws or as contemplated by the terms of this document. Pursuant to article 6.3 of the By-laws in force, with the exception of the Italian Government or State or local authorities (or entities controlled by any of them), no one can own, for any purpose, more than 5 per cent. of Terna's share capital. A shareholder who owns, directly or indirectly, shares that in the aggregate constitute more than 5 per cent. of Terna's share capital may not exercise its vote with regards to the excess shares. If a shareholder votes its shares in violation of the By-laws, the relevant resolution of the relevant Shareholders' Meeting may be contested if the required majority would not have been reached but for the votes attributed to such excess shares. However, the shares may be counted for the purposes of determining whether the Shareholders' Meeting has achieved a quorum.

Pursuant to the relevant provision of the By-laws, shares that count towards the above limit include shares owned by (i) entities that are directly or indirectly controlled by the shareholder (as well as shares controlled by any of these controlled entities), (ii) fiduciaries and/or intermediary entities, (iii) affiliates of the shareholder and (iv) related persons of the shareholder. Related persons of the shareholder include legal spouses or blood relatives up to the second degree.

Pursuant to the DPCM, the By-laws were amended in order to (i) prohibit any company that is involved in the production, import, distribution, sale or transmission of electricity (or which controls, is controlled by, or is under common control with, any such company) and that owns more than 5 per cent. of the shares of Terna, from voting shares that exceed 5 per cent. of the voting share capital in the election of the Terna's Directors and (ii) in accordance with Law Decree 31 May 1994 No. 332 converted into Law No. 474/94 (hereinafter referred to as the **Privatisation Law**), prohibit any person except for the Italian Government or State or local authorities (or entities controlled by any of them) from holding more than 5 per cent. of Terna's share capital. However, according to the Privatisation Law, this limitation on shareholding does not apply in the case of a public tender offer that has the purpose of acquiring the entire outstanding share capital in accordance with articles 106 and 107 of the TUF. See also "*Legislative and Regulatory Framework*" above.

In order to provide a more complete information set, please note that the By-laws do not provide for multiple-vote shares (under the terms of Art. 127-sexies of TUF) or increased-vote shares (under the terms of Art.127- *quinquies* of TUF).

### ***Golden power***

As a result of abrogation of the rules contained in Art. 2, paragraph 1 of the Privatisation Law on the subject of "special powers" exercisable by the Italian State (represented, to this end, by the Ministry for the Economy and Finance, irrespective of the quantity of any Terna shares held by such Ministry), which occurred with entry into force of Law Decree no. 21 of 15 March 2012, converted into law by Art. 1, paragraph 1, of Italian Law No. 56 of 11 May 2012 (the **Golden Power Decree**) and its implementing decrees, the clauses on the subject of "special powers" present in Terna's By-laws ceased to have effect, and were eliminated with a resolution of Terna's Board of Directors of 18 December 2014.

On the basis of the provisions of the Golden Power Decree, Italian Parliament in fact laid down new provisions on the special powers of the Italian Government in relation to strategic activities in the

energy, transport and communications industries, in order to standardise national legislation with the legislation of the European Union, assigning the Italian Government powers of intervention to protect the lawful, essential and strategic interests of the country. The Golden Power Decree was subsequently amended taking into account, as well, the implementation of a common framework for direct investment screening at the European Union level and the legislative changes adopted in 2020 in response to the market volatility linked to the COVID-19 outbreak.

The normative changes, in particular, were brought about by two different trends. On one hand, as a response to the financial crisis of 2008 and to the increasing international tensions, the European Union adopted a common framework on foreign direct investments by way of EU Regulation no. 452/2019. Italy has already partially complied with it, issuing, in September 2019, Law Decree no. 105/2019, notwithstanding the continuing lack of the necessary implementing regulations to be adopted through specific Decrees of the President of the Council of Ministers. The common framework set forth at EU level has entered into force on October 11, 2020. On the other hand, further regulatory changes have been enacted in Italy by means of Law Decree no. 23/2020, following the invitation made by the European Commission, which, in its Communication dated 26 March 2020, urged Member States “*to make full use, as of now, of the control mechanisms for foreign direct investments*” in order to guard against the risk of attempts to acquire strategic businesses and assets during the COVID-19 health emergency, with the consequent “*loss of critical resources and technologies*”).

The economic sectors/targets in/with respect to which the Italian Government may exercise its special powers pursuant to Law Decree no. 21/2012, as amended, are:

- (i) defence and national security (art. 1 of Law Decree no. 21/2012);
- (ii) electronic broadband communication services based on 5G technology (art. 1-*bis* of Law Decree no. 21/2012);
- (iii) energy, transport and communications (art. 2 of Law Decree no. 21/2012); and
- (iv) the economic sectors/targets listed in art. 4 of EU Regulation no. 452/2019 to which art. 2, para. 1-*ter*, of Law Decree no. 21/2012 refers since its amendment through Law Decree no. 105/2019<sup>13</sup>.

For the purpose of applying the “golden powers” regulation, criteria to identify relevant targets have been further defined by specific implementation decrees (so-called “**D.P.C.M.**”) for some of the sectors mentioned above (e.g. that is the case in the defence and national security sectors, as well as in the energy, transport and communication sectors). For the sectors lastly included by Law Decree no. 105/2019 (*i.e.* critical infrastructures, critical technologies and the other sectors included by reference to art. 4 of EU Regulation no. 452/2019) this has been done in 2020.

Indeed, on 30 December 2020 two D.P.C.M. identifying (i) the assets and relationships of national interest in the sectors mentioned by art. 4 of EU Regulation no. 452/2019 (“**D.P.C.M. no. 179/2020**”) and (ii) the relevant assets in the energy, transport and communication sectors (“**D.P.C.M. no. 180/2020**”) were published in the Official Gazette. Both the decrees entered into force on 14 January 2021.

On one side, the D.P.C.M. no. 179/2020 identifies for the first time the assets and the capital relationships deemed as strategic in the so-called “European” sectors to which the “Golden Powers”

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<sup>13</sup> That is, the Italian Government also considers potential effects by investment on:

- a) “critical infrastructures, whether physical or virtual, including energy, transport, water, health, communications, media, data processing or storage, aerospace, defense, electoral or financial infrastructures, and sensitive infrastructures, as well as land and real estate crucial for the use of such infrastructure”;
- b) “critical technologies and dual-use items (...) including artificial intelligence, robotics, semiconductors, cybersecurity, aerospace, defence, energy storage, quantum and nuclear technologies as well as nanotechnologies and biotechnologies”;
- c) “supply of critical inputs including energy or raw materials, as well as food security”;
- d) “access to sensitive information, including personal data, or the ability to control sensitive information”;
- e) “the freedom and pluralism of the media”.

rules have been recently extended by Law Decree no. 23/2020. It is worth noting that among the main sectors affected by the newly enacted implementing regulation are: (i) energy, (ii) water, (iii) health, (iv) treatment, storage, access and control of sensitive data and information, (v) electoral infrastructure, (vi) finance, including credit and insurance, and financial market infrastructure, (vii) artificial intelligence, robotics, semiconductors, cybersecurity, nanotechnologies and biotechnologies, (viii) non-military aerospace infrastructure and technologies, and (ix) supply of critical input and food security, (x) dual use items, (xi) freedom and pluralism of the media.

On the other side, the D.P.C.M. no. 180/2020 updates the implementing regulation laid out by Presidential Decree no. 85/2014<sup>14</sup> as to the identification of relevant assets in the network industries, whose discipline is almost entirely reiterated with some minor modifications.

With reference to the above mentioned approved implementing decrees, it is worth highlighting the following:

- a) The assets described are identified in those new sectors mentioned by EU Regulation in addition to the relevant assets already described in the implementing decrees of the “Golden Powers” rules. With specific reference to energy sector, the assets listed under the D.P.C.M. no. 179/2020 are additional to those identified by the D.P.C.M. no. 180/2020. More specifically, the following assets are deemed to be relevant: critical infrastructure hosting fuels, nuclear materials or radioactive waste (including the properties, the technologies and the infrastructure involved in the management and transportation cycle of these material and waste); coastal storage of petroleum and natural gas storage infrastructures having a certain capacity; some oil pipelines; critical technologies for the management of the wholesale market of natural gas and electricity. It is also identified a residual category, characterized by the co-existence of two quantitative thresholds: reference is made to the strategic economic activities carried out in the energy sector by companies having a net yearly turnover of at least Euro 300,000,000.00 and a yearly average number of employees equal, at least, to 250 units.
- b) Some exclusions from the concrete scope of application of the regulation and from the possibility to exercise the special powers of the Italian Government are set forth by the D.P.C.M. no. 179/2020 under scrutiny: in particular, it is worth mentioning: (i) a specific sectorial regulation in cases where there is a specific concession or privilege granted to private companies which may derive from the agreements between public authorities and private companies, as well as (ii) certain intra-group transactions. Notwithstanding a regulatory choice that takes into account the existence of lower risks, even in these events, the relevant transactions will still have to be notified in accordance with the timing and modalities governed by Law Decree no. 21/2012.
- c) The D.P.C.M. no. 179/2020 outlines the scope of application of the regulation on the special powers of the State through the definition of “critical infrastructures”, “critical technologies”, “critical production factors”, “critical information” and “strategic relationships”. The common denominator of these concepts is their essential nature for the maintaining of the vital functions of the society, the health, the safety and the economic and social wellbeing of the population.
- d) With reference to the most notable innovations to the existing legal framework brought about by the D.P.C.M. no. 180/2020 in the network industries, having separately identified the relevant assets for the energy sector in the energy networks of national interest and in the relating agreements (i.e., agreements between public authorities and private companies related to energy networks of national interest), as specified by the decree itself, the decree at hand includes also the fundamental real estate properties needed to use the strategic networks and infrastructures. These properties are identified in light of the existence of a clear functionality

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<sup>14</sup> It ceased to be effective when the implementing decree. no. 180/2020 entered into force on January 14, 2021.

link. Relevant assets pursuant to Art. 1 of decree no. 180/2020 include: (a) national natural gas transportation network and related compression stations and dispatching centers, as identified pursuant to Article 9 of Legislative Decree No. 164 of May 23, 2000, as well as gas storage facilities; (b) electricity and gas supply infrastructure from other States, including onshore and offshore LNG regasification plants; (c) national electricity transmission grid and related control and dispatching facilities; (d) management activities and key properties related to the use of the networks and infrastructures referred to in letters (a), (b) and (c) above.

- e) Art. 2 of D.P.C.M. no. 180/2020 identifies the strategic networks and plants in the transport sector, namely the major networks and plants of national interest that are functional to ensure the most important trans-European connections (and the relating agreements). In addition to the existing regulatory framework, the new decree lists among the relevant assets also the national spaceports (in accordance with the governmental policies on “space economy”), the interports of national relevance and the road and highway network of national interest.

With respect to the scope of “golden power” regulations, it should be noted that the provisions introduced by Article 15 of Law Decree no. 23/2020 strengthened the enforceability and expanded the scope of the special powers granted to the Italian Government on foreign investments, making fully effective the extension of the scope of the “golden powers” in line with the EU Regulation. Law Decree no. 23/2020, in fact, introduced some temporary provisions aimed at preventing that the adverse economic situation, linked to the ongoing COVID-19 health emergency, allows predatory acquisitions in strategic European sectors. Nonetheless, it also introduced some permanent measures. The time limit for the temporary provisions originally set by Law Decree no. 23/2020 on 31 December 2020, has been extended several times by the Italian Parliament and expired on 31 December 2022. Therefore, such temporary provisions are not applicable anymore.

Furthermore, on September 24, 2022, is entered into force the D.P.C.M. dated August 1, 2022, which replaces the previous D.P.C.M. dated 6 August 2014, simplifying procedural aspects of the Golden Power procedure and aimed at reducing the overall number of the notifications to be submitted to the Presidency of the Council of Ministers. Such Decree, in particular, introduced the so-called “pre-notification” procedure which allows to preliminarily determine whether or not the Golden Power regulations apply to transactions in an early stage of their structuring and if the “formal” notification has to be submitted by the relevant undertakings.

The pre-notification procedure provides that the concerned companies may submit to the Department for Administrative Coordination of the Presidency of the Council of Ministers a report on the proposed establishment, acquisition, resolution, act or operation potentially subject to the Golden Power, providing all documents and information, as available, to be submitted for the formal notification according to the Law Decree no. 21/2012.

Within the following 30 days the Department for Administrative Coordination of the Presidency of the Council of Ministers may adopt the following decisions:

- (i) the pre-notified transaction does not fall within the scope of Law Decree no. 21/2012 and, consequently, the formal notification is not due;
- (ii) the pre-notified transaction falls within the scope of Law Decree no. 21/2012 and, consequently, the company has to submit the formal notification according to Law Decree no. 21/2012; and
- (iii) the pre-notified transaction falls within the scope of Law Decree no. 21/2012 but it is evident that the conditions for the exercise of the special powers are not met.

In case of adoption of the decisions under points (i) and (iii) above, the Department for Administrative Coordination of the Presidency of the Council of Ministers may also give recommendations to the pre-notifying company(/ies).

If no decision has been adopted by the Department for Administrative Coordination of the Presidency of the Council of Ministers within the abovementioned term of 30 days from the pre-notification, then

the pre-notifying company(/ies) has to submit the formal notification to the Presidency of the Council of Ministers according to Law Decree no. 21/2012.

In order to allow the Italian Government to evaluate whether to exercise or not the special powers under Law Decree no. 21/2012, the companies operating in the strategic sectors listed above are required to make a filing to the Presidency of the Council of Ministers in connection with the occurrence of specific events.

The filing duties (and the events triggering them) may vary depending on the specific sector under consideration: therefore, a detailed overview can be provided only on a case-by-case basis. This being said, it is worth highlighting that filing undertakings are generally triggered by (each action including item (i) below, a **Relevant Action**):

- a) Any resolution, action or transaction to be adopted or carried out by the shareholders' meetings or by the board of a company resulting in the loss of ownership, control or availability of the relevant assets that pertain to one of the strategic sectors mentioned above. This includes – but is not limited to – resolutions of the shareholders' meeting or of the board of directors concerning mergers or de-mergers, the transfer of the registered office abroad, or the transfer of a business or business unit abroad which includes any relevant assets;
- b) Any resolution, action or transaction to be adopted or carried out by the shareholders' meetings or by the board of a company resulting in a change of use of the relevant assets, as well as in any change of the corporate purpose, the dissolution of the company, or else in certain amendments to the by-laws; or
- c) Any acquisition by non-EU entities of controlling interests in companies owning any relevant asset, if such equity investment(s) imply a stable position of the purchaser, due to its control of the company.

With specific reference to the sector of electronic broadband communication services based on 5G technology, art. 1-*bis* of Law Decree no. 21/2012, as lastly modified by art. 28 of Law Decree n. 21 of 21 March 2022, identifies the relevant trigger events as follows:

The signing of contracts or agreements having as their object the acquisition, for any cause, of goods or services relating to the design, construction, maintenance and management of networks connected to the services falling into the electronic broadband communication on 5G technology sector.

To this end, elements indicating the presence of vulnerability factors that could compromise the integrity and security of the networks and data passing through them, including those identified on the basis of the principles and guidelines developed at international level and by the European Union, shall also be subject to assessment.

The filings shall be made to the Presidency of the Council of Ministers respectively by the company losing ownership, availability or control of the relevant assets or otherwise implementing a Relevant Action as well as by the purchaser (in case the Relevant Action is an acquisition) within 10 (ten) days from the adoption of the relevant resolution on the Relevant Action by the company or the implementation of the acquisition.

The decision concerning the exercise of the special powers shall be communicated, by the Italian Government, within 45 (forty-five) days starting from the above-mentioned notification (or from the day the Government received all information it may request). With specific reference to the sector of electronic broadband communication services based on 5G technology, such term is of 30 (thirty) days starting from the notification.

Moreover, in connection with the aforementioned common framework at EU level, art. 2-*ter* of the Law Decree no. 21/2012 that has been newly introduced by Law Decree no. 105/2019, provides a specific cause for suspension if other EU Member States or the EU Commission intend to render, respectively, their comments or its opinion on investments undergoing screening under the Italian “golden powers” regulation (EU Regulation no. 452/2019 provides for cooperation mechanisms aimed at strengthening the effectiveness of foreign direct investments screening regulations in the EU states).

The filing imposes a “standstill effect” on the Relevant Action. In other words, pending the notification, (i) the effectiveness of any Relevant Action (other than an acquisition of shares in a relevant company) is suspended, and (ii) in case of an acquisition of shares in a relevant company, the administrative rights (such as voting and information rights) relating to such shares are suspended. The filing does produce a standstill effect on the Relevant Action itself which will be fully effective only once the 45-day term is expired or the competent authority has given its clearance on the Relevant Action. However, once the 45-day term has elapsed, the Relevant Action may be lawfully and effectively implemented, even if the Italian Government has not expressly issued an explicit resolution yet.

Furthermore, with a view to completing the existing sanctioning mechanisms, art. 16 of Law Decree no. 23/2020, extended the powers of intervention vested to the Italian Government, granting the possibility to commence *ex officio* proceedings for the exercise of the “golden powers” in the event that any filing obligations provided under Law Decree no. 21/2012 is breached. In such cases, the term for completion of the relating administrative proceeding and for exercising “golden powers” (i.e. 45-day period) runs not from the filing of the transaction, but from the end of the investigation activities aimed at assessing whether there has been a breach of the notification obligation. The announcement of *ex officio* proceedings to the parties involved has the same standstill effect as the filing. In addition, the authority may impose sanctions for the breach of the filing obligation.

Should the Italian Government see a threat to the essential interests of the country in the relevant sector, it is entitled to exercise the following special powers:

- (i) The power to exercise a veto on the Relevant Action in question, thus prohibiting its consummation; and
- (ii) The power to impose specific conditions or prescriptions (in particular, conditions concerning the security of supplies, the security of information, the technological transfers, etc.). The Government enjoys a great degree of discretion in identifying specific conditions and prescriptions.

The breach of the “golden powers” regulation (reference is made to both failure to notify in time and failure to comply with the measures taken by the Italian Government) potentially gives rise to heavy sanctions.

More specifically, the sanctions entail both civil and administrative consequences:

- a) Civil sanctions: Relevant Actions adopted or implemented in breach of the “golden powers” provisions are null and void (similarly, any resolutions adopted with the decisive vote of the shares acquired as a consequence of the implementation of a Relevant Action are null and void). The Government may also invite the companies involved and any counterparty to reinstate the previous situation at their own expense;
- b) Administrative sanctions: a pecuniary administrative fine up to double the value of the relevant transaction (maximum amount) and, in any case, not less than 1 per cent of the cumulative turnover realized by the involved companies in the last fiscal year (minimum amount) for which the budget has been approved. Please note that with specific reference to the sector of electronic broadband communication services based on 5G technology, failure to comply with notification duties or with the Government prescriptions is subject to an administrative fine up to 3 per cent of the turnover realized by the involved subject.

The procedures for notifications and for activating the “special powers” are regulated by specific decrees, containing rules on coordination activities of the Prime Minister’s Office preparatory to the exercise of special powers.

## **RATINGS**

As of the date of this Base Prospectus:

- (i) S&P has issued a medium/long-term rating of “BBB+” with a stable outlook and a short-term rating of “A-2” in respect of Terna; and
- (ii) Moody’s has issued a medium long-term rating of “Baa2” and a short-term rating of “Prime-2” in respect of Terna, all ratings with a negative outlook.

## TAXATION

*The statements herein regarding taxation are based on the laws in force in Italy, in the European Union and in Luxembourg as at the date of this Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes.*

### ITALIAN TAXATION

#### Tax treatment of the Notes

Legislative Decree No. 239 of 1 April 1996, as subsequently amended and supplemented, (Decree 239) provides for the applicable regime with respect to the tax treatment of interest, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, inter alia, by Italian listed companies, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) issued, inter alia, by Italian companies with shares traded on a regulated market or multilateral trading facility of an EU or EEA Member State which exchanges information with the Italian tax authorities. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at redemption or maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) the management of the Issuer.

#### *Italian resident Noteholders*

Where an Italian resident Noteholder is: (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the *risparmio gestito* regime - see under Capital gains tax" below); (b) a non-commercial partnership; (c) a non-commercial private or public institution; or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income relating to the Notes (hereinafter collectively referred to as Interest), are subject to a withholding tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on Interest relating to the Notes if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Where an Italian resident Noteholder is a company or similar commercial entity, a commercial partnership, or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected, and the Notes are deposited with an authorised Intermediary (as defined below) Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder's income tax return and are therefore subject to general Italian corporate taxation (**IRES**) (and, in certain circumstances, depending on the "status" of the Noteholder, also to the regional tax on productive activities (**IRAP**)).

Where an Italian resident Noteholder is an individual engaged in an entrepreneurial activity to which the Notes are connected, Interest relating to the Notes is subject to *imposta sostitutiva* and will be included in its relevant income tax return. As a consequence, such Interest will be subject to the ordinary income tax and the *imposta sostitutiva* may be recovered as a deduction from the income tax due.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (**Decree 351**), Article 32 of Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the **Real Estate SICAFs**) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF provided that the real estate investment fund or the Real Estate SICAF is the beneficial owner of the payments under the Notes and the Notes are deposited with an authorised Intermediary (as defined below).

If the investor is resident in Italy and is an open-ended or closed-ended investment fund (other than a real estate investment fund), a SICAF (an Italian investment company with fixed share capital) (other than a Real Estate SICAF), or a SICAV (an investment company with variable capital) established in Italy (together, the **Funds**) and either (i) the Fund or (ii) its manager is subject to the supervision of a regulatory authority, and the relevant Notes are held by an authorised Intermediary (as defined below), as clarified by the Italian tax authorities through Circular No. 11/E of 28 March 2012, Interest accrued during the holding period on such Notes will not be subject to *imposta sostitutiva*, but must be included in the management results of the Fund. The Fund will not be subject to taxation on such results but a withholding tax of 26 per cent. will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders or in case of redemption or sale of the units or shares in the Fund (the **Collective Investment Fund Tax**).

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005 – the **Pension Fund**) and the Notes are deposited with an authorised Intermediary (as defined below), Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to a 20 per cent. substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). Subject to certain conditions (including minimum holding period requirement) and limitations, Interest relating to the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Pursuant to Decree 239, the *imposta sostitutiva* is applied by banks, società di intermediazione mobiliare (so-called “**SIMs**”), fiduciary companies, società di gestione del risparmio (“**SGRs**”), stockbrokers and other qualified entities, identified by a decree of the Ministry of Finance (“**Intermediaries**” and each an “**Intermediary**”), which are resident in Italy or by permanent establishments in Italy of Intermediaries resident outside Italy or by organizations or companies non-resident in Italy, acting through a system of centralized administration of securities and directly connected with the Department of Revenue of the Ministry of Finance (which includes Euroclear and Clearstream) having appointed an Italian representative for the purposes of Decree 239. For the purposes of applying *imposta sostitutiva*, Intermediaries or permanent establishments in Italy of foreign Intermediaries are required to act in connection with the collection of Interest or, in the transfer or disposal of the Notes, including in their capacity as transferees. For the purpose of the application of the *imposta sostitutiva*, a transfer of Notes includes any assignment or other act, either with or without consideration, which results in a change in ownership of the relevant Notes or in a change in the Intermediary with which the Notes are deposited.

Where the Notes are not deposited with an Intermediary, the *imposta sostitutiva* is applied and withheld by any Italian financial intermediary paying Interest to a Noteholder or, absent that, directly by the Issuer paying that Interest.

### *Non-Italian resident Noteholders*

Where the Noteholder is a non-Italian resident without a permanent establishment in Italy to which the Notes are connected, an exemption from the *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner (certain types of institutional investors are deemed to be beneficial owners by operation of law) is either: (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy as listed in the Italian Ministerial Decree of 4 September 1996, as amended by Ministerial Decree of 23 March 2017 and possibly further amended by future decree issued pursuant to Article 11(4)(c) of Decree 239 (as amended by Legislative Decree No.147 of 14 September 2015) (the **White List**); or (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence and provided that it timely files with the relevant depository an appropriate self-declaration confirming its status of institutional investor.

In order to ensure gross payment, non-Italian resident Noteholders must be the beneficial owners of payments of Interest and (a) deposit, directly or indirectly, the Notes with a resident bank or SIM or a permanent establishment in Italy of a non-Italian resident bank or SIM or with a non-Italian resident entity or company participating in a centralised securities management system which is in contact, via computer, with the Ministry of Economy and Finance, and (b) file with the relevant depository, prior to or concurrently with the deposit of the Notes, a statement of the relevant Noteholder, which remains valid until withdrawn or revoked, in which the Noteholder declares to be eligible to benefit from the applicable exemption from *imposta sostitutiva*. Such statement, which is not requested for international bodies or entities set up in accordance with international agreements which have entered into force in Italy nor in case of foreign Central Banks or entities which manage, *inter alia*, the official reserves of a foreign State, must comply with the requirements set forth by Ministerial Decree of 12 December 2001, as subsequently amended.

Failure of a non-Italian resident Noteholder to comply in due time with the procedures set forth in Decree 239 and in the relevant implementing rules will result in the application of *imposta sostitutiva* on Interest payments to such non-resident Noteholder.

The *imposta sostitutiva* will be applicable at the rate of 26 per cent. (or at the reduced rate provided for by the applicable double tax treaty, if any, and subject to timely filing of the required documentation) to Interest paid to Noteholders who are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

### *Atypical securities*

Interest payments relating to Notes that are not deemed to fall within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*) under Article 44 of Decree No. 917 and qualify as *titoli atipici* (“atypical securities”) pursuant to Article 5 of Law Decree No. 512 of 30 September 1983, as amended and supplemented, may be subject to a withholding tax, levied at the rate of 26 per cent. For this purpose, debentures similar to bonds are securities that incorporate an unconditional obligation to pay, at maturity, an amount not lower than their nominal value and which do not grant the holder any direct or indirect right of participation to (or control of) the management of the Issuer.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian withholding tax on proceeds received under Notes classifying as atypical securities, if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Where the Noteholder is: (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected; (b) an Italian company or a similar Italian commercial entity; (c) a permanent establishment in Italy of a foreign entity; (d) an Italian commercial partnership; or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax. In all other cases the withholding tax is a final withholding tax. For non-Italian resident Noteholders, the withholding tax rate may be reduced by any applicable tax treaty (to the extent the conditions for its application are met).

### *Capital gains tax*

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income for IRES (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected), an Italian resident commercial partnership or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual holding the Notes not in connection with an entrepreneurial activity, (ii) a non-commercial partnership or (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the sale or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent. Noteholders may set off losses with gains.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale, transfer or redemption of the Notes, if the Notes are included a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

In respect of the application of *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual Noteholder holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. The relevant Noteholder must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

As an alternative to the tax declaration regime, Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale or redemption of the Notes (the *risparmio amministrato* regime). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries (including permanent establishments in Italy of foreign intermediaries and (b) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted only from capital gains subsequently realised, within the same securities

management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.

Any capital gains realised by Italian Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*risparmio gestito*” regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26 per cent. substitute tax, to be paid by the managing authorised intermediary. Under the *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Any capital gains realised by a Noteholder who is an Italian real estate investment fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by Noteholders which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the management results of the Fund. Such result will not be subject to taxation at the level of the Fund, but subsequent distributions in favour of unitholders or shareholders and income realised by the unitholders or shareholders in the event of redemption or sale of the units or shares in the Fund may be subject to the Collective Investment Fund Tax.

Any capital gains realised by a Noteholder who is an Italian Pension Fund will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20 per cent. substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains on the Notes may be excluded from the taxable base of the 20 per cent. substitute tax if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

Capital gains realised by non-Italian-resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes issued by an Italian resident issuer, which are traded on regulated markets (and, in certain cases, subject to filing of required documentation) are neither subject to the *imposta sostitutiva* nor to any other Italian income tax (subject to timely filing of required documentation (in particular, a self-declaration stating that the Noteholder is not resident in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with which the Notes are deposited). The Italian tax authorities have clarified that the notion of multilateral trading facility (MTF) under EU Directive 2014/65/CE (so called MiFID II) can be assimilated to that of “regulated market” for income tax purposes; conversely, organized trading facilities (OTF), not falling in the definition of MTF under MiFID II, cannot be assimilated to “regulated market” for Italian income tax purposes.

Capital gains realised by non-Italian resident Noteholders, not having a permanent establishment in Italy to which the Notes are connected, from the sale or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary (certain types of institutional investors are deemed to be beneficial owners by operation of law) is: (a) resident in a country included in the White List; or (b) an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) an institutional investor which is established in a country included in the White List, even if it does not possess the status of taxpayer in its own country of residence, in any case, to the extent all the requirements and procedures set forth in Decree 239 and in the relevant implementation rules, as subsequently amended, in order to benefit from the exemption from *imposta sostitutiva* are met or complied with in due time, if applicable.

If none of the conditions above is met, capital gains realised by non-Italian resident Noteholders from the sale or redemption of Notes not traded on regulated markets and deemed to be held in Italy may be

subject to the *imposta sostitutiva* at the current rate of 26 per cent. On the contrary, should the Notes be traded on regulated markets, capital gains realized by non-Italian resident Noteholders would not be subject to Italian taxation.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected that may benefit from a double taxation treaty with Italy providing that capital gains realised upon the sale or redemption of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the sale or redemption of Notes provided all the conditions for its application are met.

### **Inheritance and gift taxes**

Pursuant to Law Decree No. 262 of 3 October 2006, converted with amendments into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, notes or other securities) as a result of death or donation are taxed as follows:

- (i) transfers in favour of spouses and direct descendants or direct ancestors are subject to an inheritance and gift tax applied at a rate of 4 per cent. on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 1,000,000;
- (ii) transfers in favour of relatives to the fourth degree or relatives-in-law to the third degree are subject to an inheritance and gift tax at a rate of 6 per cent. on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6 per cent. inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, Euro 100,000; and
- (iii) any other transfer is, in principle, subject to an inheritance and gift tax applied at a rate of 8 per cent. on the entire value of the inheritance or the gift.

If the transfer is made in favour of persons with severe disabilities, the tax is levied at the rate mentioned above in paragraphs (i), (ii) and (iii) above on the value exceeding, for each beneficiary, Euro 1,500,000.

The transfer of financial instruments (including the Notes) as a result of death is exempt from inheritance tax when such financial instruments are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth under Italian tax law, as amended and supplemented from time to time.

### **Transfer tax**

Following the repeal of the Italian transfer tax, contracts relating to the transfer of securities are subject to the following registration tax: (i) public deeds and notarised deeds are subject to fixed registration tax at a rate of €200; and (ii) private deeds are subject to registration tax only in "case of use" (*caso d'uso*) or in the case of "explicit reference" (*enunciazione*) or voluntary registration.

### **Stamp duty**

Pursuant to Article 13 of the tariff attached to Presidential Decree No. 642 of 26 October 1972 (**Decree 642**), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the Notes deposited in Italy. The stamp duty applies at a rate of 0.2 per cent. and cannot exceed €14,000, for taxpayers different from individuals; this stamp duty is determined on the basis of the market value or - if no market value figure is available - the nominal value or redemption amount of the Notes held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory. In case of reporting periods less than 12 months, the stamp duty is payable on a pro-rata basis.

Stamp duty applies both to Italian resident and to non-Italian resident investors, to the extent that the relevant securities (including the Notes) are held with an Italian-based financial intermediary and not directly held by the investor outside Italy, in which case Italian wealth tax (see below under “Wealth tax on securities deposited abroad”) applies to Italian resident Noteholders only.

### **Wealth Tax on securities deposited abroad**

According to Article 19 of Decree No. 201 of 6 December 2011, as amended and supplemented, individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes holding financial products – including the Notes – outside of the Italian territory are required to declare in their own annual tax declaration and pay a wealth tax at the rate of 0.2 per cent. The wealth tax cannot exceed €14,000 per year for taxpayers different from individuals.

This tax is calculated on the market value of the Notes at the end of the relevant year or - if no market value figure is available - the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

Financial assets (including the Notes) held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries pursuant to an administration agreement and the items of income derived from such instruments have been subject to tax by the same intermediaries. In this case, the above mentioned stamp duty provided for Article 13 of the tariff attached to Decree 642 does apply.

### **Italian Financial Transaction Tax**

Italian shares and other participating instruments, as well as depository receipts representing those shares and participating instruments irrespective of the relevant issuer (cumulatively referred to as **In-Scope Shares**), received by a Noteholder upon physical settlement of the Notes may be subject to a proportional Italian financial transaction tax (**IFTT**) calculated on the value of the Notes as determined according to Article 4 of Ministerial Decree of 21 February 2013, as amended (the **IFTT Decree**).

Investors in certain equity-linked notes mainly having as underlying or mainly linked to In-Scope Shares, are subject to IFTT at a rate ranging between EUR 0.01875 and EUR 200 per counterparty, depending on the notional value of the relevant derivative transaction or transferable securities calculated according to Article 9 of the IFTT Decree. IFTT applies upon subscription, negotiation or modification of the derivative transactions or transferable securities. The tax rate may be reduced to a fifth if the transaction is executed on certain qualifying regulated markets or multilateral trading facilities.

### **Tax Monitoring rules**

According to the Law Decree No. 167 of 28 June 1990, converted with amendments into Law No. 227 of 4 August 1990, as amended from time to time, individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with Article 5 of Presidential Decree No. 917 of 22 December 1986) resident in Italy for tax purposes, under certain conditions, are required to report for tax monitoring purposes in their yearly income tax return the amount of investments directly or indirectly held abroad. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through the intervention of qualified Italian financial intermediaries, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries; or (iii) if the foreign investments are only composed by deposits and/or bank accounts and their total aggregate value does not exceed a Euro 15,000 threshold throughout the relevant year.

## LUXEMBOURG TAXATION

*The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax encompasses corporate income tax (impôt sur le revenu des collectivités), municipal business tax (impôt commercial communal), a solidarity surcharge (contribution au fonds pour l'emploi) as well as personal income tax (impôt sur le revenu) generally. Investors may further be subject to net wealth tax (impôt sur la fortune) as well as other duties, levies or taxes. Corporate income tax, municipal business tax as well as the solidarity surcharge invariably apply to most corporate taxpayers resident in Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.*

### **Taxation of holders of the Notes**

#### ***Withholding Tax***

##### *(a) Non-resident holders of Notes*

Under Luxembourg general tax laws currently in force there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

##### *(b) Resident holders of Notes*

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the **Law**), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Law, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Accordingly, payments of interest under the Notes coming within the scope of the Law would be subject to a withholding tax at a rate of 20 per cent.

#### ***Income Taxation***

##### *(i) Non-resident holders of Notes*

A non-resident holder of the Notes, not having a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is not subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue

discounts, under the Notes. A gain realised by such non-resident holder of the Notes on the sale or disposal, in any form whatsoever, of the Notes is further not subject to Luxembourg income tax.

A non-resident corporate holder of Notes or an individual holder of Notes acting in the course of the management of a professional or business undertaking, that has a permanent establishment or permanent representative in Luxembourg to which/whom such Notes are attributable, is subject to Luxembourg income tax on interest accrued or received, redemption premiums or issue discounts, under the Notes and on any gains realised upon the sale or disposal, in any form whatsoever, of the Notes.

(ii) *Resident holders of Notes*

Holders of Notes who are residents of Luxembourg will not be liable to any Luxembourg income tax on repayment of principal.

(a) Luxembourg resident corporate holders of Notes

A corporate holder of Notes must include any interest accrued or received, any redemption premium or issue discount, as well as any gain realised on the sale or disposal, in any form whatsoever, of the Notes, in its taxable income for Luxembourg income tax assessment purposes.

A corporate holder of Notes that is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 23 July 2016 on reserved alternative investment funds and which does not fall under the special tax regime set out in article 48 thereof, is neither subject to Luxembourg income tax in respect of interest accrued or received, any redemption premium or issue discount, nor on gains realised on the sale or disposal, in any form whatsoever, of the Notes.

(b) Luxembourg resident individual holders of Notes

An individual holder of Notes, acting in the course of the management of his/her private wealth, is subject to Luxembourg income tax at progressive rates in respect of interest received, redemption premiums or issue discounts, under the Notes, except if (i) withholding tax has been levied on such payments in accordance with the Law or (ii) the individual holder of the Notes has opted for the application of a 20 per cent. tax in full discharge of income tax in accordance with the Law, which applies if a payment of interest has been made or ascribed by a paying agent established in an EU Member State (other than Luxembourg), or in a Member State of the European Economic Area (other than an EU Member State). A gain realised by an individual holder of Notes, acting in the course of the management of his/her private wealth, upon the sale or disposal, in any form whatsoever, of Notes is not subject to Luxembourg income tax, provided this sale or disposal took place more than six months after the Notes were acquired. However, any portion of such gain corresponding to accrued but unpaid interest income is subject to Luxembourg income tax, except if tax has been levied on such interest in accordance with the Law.

An individual holder of Notes acting in the course of management of a professional or business undertaking must include this interest in its taxable basis. If applicable, the tax levied in accordance with the Law will be credited against his/her final tax liability.

## ***Net Wealth Taxation***

A corporate holder of Notes, whether it is a resident of Luxembourg for tax purposes or, if not, it maintains a permanent establishment or a permanent representative in Luxembourg to which such Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the holder of Notes is governed by the law of 11 May 2007 on family estate management companies, as amended, or by the law of 13 February 2007 on specialised investment funds, as amended, or by the law of 17 December 2010 on undertakings for collective investment, as amended, or by the law of 23 July 2016 on reserved alternative investment funds, or is a securitisation company governed by the law of 22 March 2004 on securitisation, as amended, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles, as amended.<sup>15</sup>

An individual holder of Notes, whether he/she is a resident of Luxembourg or not, is not subject to Luxembourg wealth tax on such Notes.

## ***Other Taxes***

In principle, neither the issuance nor the transfer, repurchase or redemption of Notes will give rise to any Luxembourg registration tax, or similar taxes.

However, a fixed or *ad valorem* registration duty may be due upon registration of the Notes in Luxembourg in the case where the Notes are physically attached to a public deed or to any other document subject to mandatory registration, as well as in the case of a registration of the Notes on a voluntary basis.

Where a holder of Notes is a resident of Luxembourg for tax purposes at the time of his/her death, the Notes are included in his/her taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)**

On 14 February 2014, the European Commission published a proposal (the Commission's Proposal) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the participating Member States). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of the Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

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<sup>15</sup> Please however note that securitisation companies governed by the law of 22 March 2004 on securitisation, as amended, or capital companies governed by the law of 15 June 2004 on venture capital vehicles, as amended, or reserved alternative investment funds governed by the law of 23 July 2016 and which fall under the special tax regime set out under article 48 thereof may, under certain conditions, be subject to minimum net wealth tax.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## FOREIGN ACCOUNT TAX COMPLIANCE ACT

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, withholding may be required on, among other things, (i) certain payments made by “foreign financial institutions” (“foreign passthru payments”) and (ii) dividend equivalent payments (as described below in “*U.S. Dividend Equivalent Withholding*”), in each case, to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Italy) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes.

Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. If withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or before the relevant grandfathering date would be “grandfathered” for purposes of FATCA withholding unless materially modified after such date. The grandfathering date for (A) Notes that give rise solely to foreign passthru payments, is the date that is six months after the date on which final U.S. Treasury regulations defining the term foreign passthru payment are published and (B) Notes that give rise to a dividend equivalent pursuant to Section 871(m) of the U.S. Internal Revenue Code of 1986 and the U.S. Treasury regulations promulgated thereunder, is six months after the date on which obligations of its type are first treated as giving rise to dividend equivalents. If additional notes (as described under Condition 18 (*Further Issues*)) that are not distinguishable from such previously issued grandfathered Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

## U.S. DIVIDEND EQUIVALENT WITHHOLDING

Section 871(m) of the U.S. Internal Revenue Code of 1986 treats a “dividend equivalent” payment as a dividend from sources within the United States. Under Section 871(m), such payments generally would be subject to a 30 per cent. U.S. withholding tax which may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner timely claims a credit or refund from the IRS. A “**dividend equivalent**” payment is (i) a substitute dividend payment made pursuant to a securities lending or a sale-repurchase transaction that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States, (ii) a payment made pursuant to a “specified notional principal contract” that (directly or indirectly) is contingent upon, or determined by reference to, the payment of a dividend from sources within the United States and (iii) any other payment determined by the IRS to be substantially similar to a payment described in (i) or (ii). The final U.S. Treasury regulations issued

under Section 871(m) (the **Section 871(m) Regulations**) require withholding on certain non-U.S. holders of the Notes with respect to amounts treated as dividend equivalent payments. Under the Section 871(m) Regulations, only a Note that has an expected economic return sufficiently similar to that of the underlying U.S. security, based on tests set forth in the Section 871(m) Regulations and applicable guidance, will be subject to the Section 871(m) withholding regime (making such security a **Specified Security**). The Section 871(m) Regulations provide certain exceptions to this withholding requirement, in particular for instruments linked to certain broad-based indices.

Withholding in respect of dividend equivalents will generally be required when cash payments are made on a Specified Security or upon the date of maturity, lapse or other disposition by the non-U.S. holder of the Specified Security. If the underlying U.S. security or securities are expected to pay dividends during the term of the Specified Security, withholding generally will still be required even if the Specified Security does not provide for payments explicitly linked to dividends. Additionally, the Issuer may withhold the full 30 per cent. tax on any payment on the Notes in respect of any dividend equivalent arising with respect to such Notes regardless of any exemption from, or reduction in, such withholding otherwise available under applicable law (including, for the avoidance of doubt, where a non-U.S. holder is eligible for a reduced tax rate under an applicable tax treaty with the United States). A non-U.S. holder may be able to claim a refund of any excess withholding provided the required information is timely furnished to the U.S. Internal Revenue Service. Refund claims are subject to U.S. tax law requirements and there can be no assurance that a particular refund claim will be timely paid or paid at all. If the Issuer or any withholding agent determines that withholding is required, neither the Issuer nor any withholding agent will be required to pay any additional amounts with respect to amounts so withheld.

The Section 871(m) Regulations generally apply to Specified Securities issued on or after 1 January 2017. If the terms of a Note are subject to a "significant modification" (as defined for U.S. tax purposes), the Note generally would be treated as retired and reissued on the date of such modification for purposes of determining, based on economic conditions in effect at that time, whether such Note is a Specified Security. Similarly, if additional Notes of the same series are issued (or deemed issued for U.S. tax purposes, such as certain sales of Notes out of inventory) after the original issue date, the IRS could treat the issue date for determining whether the existing Notes are Specified Securities as the date of such subsequent sale or issuance. Consequently, a previously out of scope Note might be treated as a Specified Security following such modification or further issuance.

In addition, payments may be calculated by reference to dividends on underlying U.S. securities that are reinvested at a rate of 70 per cent. In such case, in calculating the relevant payment amount, the holder will be deemed to receive, and the Issuer will be deemed to withhold, 30 per cent. of any dividend equivalent payments (as defined in Section 871(m) of the Code) in respect of the relevant U.S. securities. The Issuer will not pay any additional amounts to the holder on account of the Section 871(m) amount deemed withheld.

The applicable Final Terms or Pricing Supplement will indicate whether the Issuer has determined that Notes are Specified Securities and may specify contact details for obtaining additional information regarding the application of Section 871(m) to Notes. If Notes are Specified Securities, a non-U.S. holder of such Notes should expect to be subject to withholding in respect of any dividend-paying U.S. securities underlying those Notes. The Issuer's determination is binding on non-U.S. holders of Notes, but it is not binding on the IRS. The Section 871(m) Regulations require complex calculations to be made with respect to Notes linked to U.S. securities and their application to a specific issue of Notes may be uncertain. Prospective investors should consult their tax advisers regarding the potential application of Section 871(m) to the Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in a Sixteenth Amended and Restated Programme Agreement (the **Programme Agreement**) dated 8 June 2023, agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

## SELLING RESTRICTIONS

### United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act) except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a U.S. person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver any Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after later of the commencement of the offering and the closing date (the **Resale Restriction Termination Date**), within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes prior to the Resale Restriction Termination Date a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Each issuance of Exempt Notes which are also Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement.

### Prohibition of Sales to EEA Retail Investors

If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to EEA Retail Investors" is applicable, each Dealer

has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of MiFID II;
  - (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Regulation.
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to EEA Retail Investors" is not applicable, in relation to each Member State of the European Economic Area, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to the public in that Member State, except that it may make an offer of such Notes to the public in that Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation, or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and
- the expression **Prospectus Regulation** means Regulation (EU) 2017/1129, as amended.

## United Kingdom

### *Prohibition of sales to UK Retail Investors*

If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to UK Retail Investors" is applicable, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the EUWA;
  - (ii) customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or
  - (iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation.
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

If the applicable Final Terms in respect of any Notes (or the applicable Pricing Supplement, in the case of Exempt Notes) specify that "Prohibition of Sales to UK Retail Investors" is not applicable, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to the public in the United Kingdom, except that it may make an offer of such Notes to the public in the United Kingdom:

- (a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in paragraphs (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA, or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision:

- the expression an **offer of Notes to the public** in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes; and

- the expression **UK Prospectus Regulation** means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

#### *Other regulatory restrictions*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

#### **France**

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it undertakes to comply with applicable French laws and regulations in force regarding the offer, the placement or the sale of the Notes and the distribution in France of the Base Prospectus or any other offering material relating to the Notes.

#### **Republic of Italy**

The offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Base Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of the Legislative Decree No. 58 of 24 February 1998, as amended (**the Financial Services Act**) and Italian CONSOB regulations; or

- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-*ter* of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under paragraph (i) or (ii) above must:

- (a) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the **Banking Act**); and
- (b) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including, the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

### General

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer, the Trustee nor any of the Dealers shall have any responsibility therefor.

None of the Issuer, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Pricing Supplement.

## GENERAL INFORMATION

### Authorisation

The establishment and update of the Programme have been duly authorised by resolution of the Board of Directors of the Issuer dated 15 March 2006 and 22 March 2023.

### Listing, Approval and Admission to Trading of Notes

Application has been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2014/65/EU).

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from [www.terna.it](http://www.terna.it):

- (a) the By-laws (*statuto*) (with an English translation thereof) of the Issuer;
- (b) the audited consolidated financial statements of the Issuer in respect of the financial years ended on 31 December 2022 and 31 December 2021 (with an English translation thereof), together with the audit reports prepared in connection therewith. The Issuer currently prepares audited consolidated and non-consolidated accounts on an annual basis;
- (c) the unaudited interim consolidated financial statements of the Issuer in respect of the three months ended 31 March 2023;
- (d) the Green Bond Framework and the Second Party Opinion;
- (e) the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons; and
- (f) a copy of this Base Prospectus,

any future base prospectuses, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

Furthermore the above-mentioned documents are also available on the Issuer's website: [www.terna.it](http://www.terna.it).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes). If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium. The address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### **Conditions for Determining Price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### **Significant or Material Change**

There has been no significant change in the financial performance or position of the Issuer or the Group since 31 March 2023 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 December 2022.

### **Litigation**

Save as disclosed on page 194 of this Base Prospectus, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

### **Independent Auditors**

The consolidated financial statements of Terna and its subsidiaries as of and for the year ended on 31 December 2021 and 31 December 2022, incorporated by reference in this Base Prospectus, have been audited by Deloitte & Touche S.p.A., independent accountants, as stated in their reports incorporated by reference herein.

Deloitte & Touche S.p.A. is registered under No. 132587 in the Register of Accountancy Auditors (Registro Revisori Legali) held by the Italian Ministry of Economy and Finance, in compliance with the provisions of the Legislative Decree of 27 January 2010, No. 39. Deloitte & Touche S.p.A., which is located at Via Tortona 25, 20144 Milan, Italy is also a member of ASSIREVI (the Italian association of audit firms).

At the general Shareholders' Meeting of 8 May 2019, Deloitte & Touche S.p.A. was appointed as external statutory auditor for the financial years 2020 to 2028 in accordance with the proposal of the Board of Statutory Auditors.

### **Post-issuance Information**

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

### **Dealers Transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in lending, in investment banking and/or commercial banking transactions (including the provision of loan facilities) and other related transactions with, and may perform services for, the Issuer and its affiliates in the ordinary course of business.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations including (but not limited to)

entering into hedging strategies on behalf of the Issuer, the guarantors, the Group and their affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purpose of this paragraph the term "affiliates" also includes parent companies. In relation to the issue and subscription of any Tranche of Notes, fees and/or commissions may be payable to the relevant Dealer(s).

## **ANNEX 1 – FURTHER INFORMATION RELATED TO NOTES LINKED TO AN INDEX**

### **FURTHER INFORMATION RELATED TO NOTES LINKED TO AN INDEX**

The Issuer can issue Notes which are linked to an index pursuant to the Programme, where the underlying index is CPI or the Eurozone Harmonised Index of Consumer Prices excluding Tobacco as defined below. The following information provides a clear and comprehensive explanation to prospective investors about how the value of Index Linked Notes is affected by the value of the underlying index.

**"CPI" or "ITL – Inflation for Blue Collar Workers and Employees - Excluding Tobacco Consumer Price Index Unrevised"** means, subject to the Conditions, the "Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi" as calculated on a monthly basis by the ISTAT - Istituto Nazionale di Statistica (the Italian National Institute of Statistics) (the "Index Sponsor") which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), provided that for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

### **Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted**

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the **HICP**) is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States' individual harmonised index of consumer prices excluding tobacco (**Individual HICP**). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country's weight in the HICP for the Eurozone equals the share that such country's final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the European Union. This makes it possible to compare inflation among different Member States of the European Union. Emphasis is placed on the quality and comparability of the various countries' indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State's weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat's internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th – 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

### ***Base Year Change***

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are "price updated" to December of the previous year.

More information on the HICP, including past and current levels, can be found at: <http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction>.

## **ISSUER**

### **TERNA - Rete Elettrica Nazionale S.p.A.**

Viale Egidio Galbani, 70

00156 Rome

Italy

## **TRUSTEE**

### **Deutsche Trustee Company Limited**

Winchester House

1 Great Winchester Street

London EC2N 2DB

England

## **PRINCIPAL PAYING AGENT**

### **Deutsche Bank AG, London Branch**

Winchester House

1 Great Winchester Street

London EC2N 2DB

England

## **LEGAL ADVISERS**

*To the Issuer as to English and Italian law*

### **Clifford Chance Studio Legale Associato**

Via Broletto 16

20121 Milan

Italy

*To the Dealers as to English and Italian law*

### **Allen & Overy**

#### **Studio Legale Associato**

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00186 Rome

Italy

### **Allen & Overy**

#### **Studio Legale Associato**

Via Ansperto, 5

20123 Milan

Italy

*To the Trustee as to English law*

### **Allen & Overy LLP**

One Bishops Square

London E1 6AD

England

## **AUDITORS**

*For the financial years 2020-2028*

### **Deloitte & Touche S.p.A.**

Via Tortona 25  
20144 Milan  
Italy

## **JOINT ARRANGERS**

### **Intesa Sanpaolo S.p.A.**

#### **Divisione IMI Corporate & Investment Banking**

Via Manzoni 4  
20121 Milan  
Italy

### **UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Germany

## **DEALERS**

### **BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

### **Citigroup Global Markets Europe AG**

Reuterweg 16  
60323 Frankfurt am Main  
Germany

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### **Intesa Sanpaolo S.p.A.**

#### **Divisione IMI Corporate & Investment Banking**

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### **UniCredit Bank AG**

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81925 Munich  
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## **LISTING AGENT**

### **Deutsche Bank Luxembourg S.A.**

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L-1115 Luxembourg