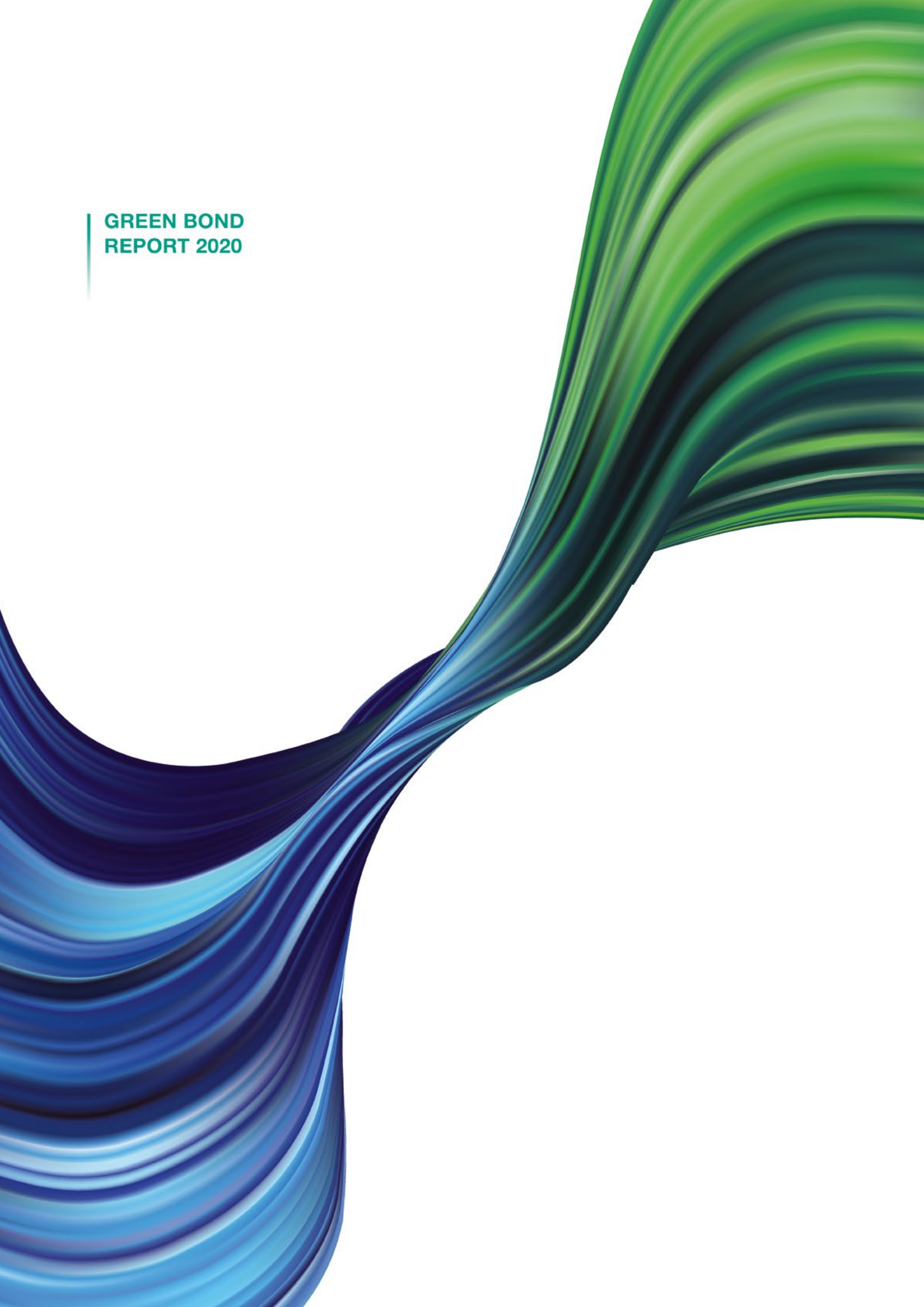


# 2020 GREEN BOND REPORT





**GREEN BOND  
REPORT 2020**





# Driving Energy

*We are engaged in driving and enabling the ecological transition in order to create a new development model based on renewable sources and respect for the environment. Sustainability, innovation and distinctive competencies are behind everything we do, with the aim of providing the generations to come with a clean, accessible and emission-free energy future.*

We are Europe's largest independent electricity transmission system operator.

We have the major responsibility for providing the country with energy, ensuring **security, quality and cost-effectiveness over time**.

We manage Italy's high-voltage electricity transmission grid, one of the most modern and technologically advanced in Europe, which we are working to **develop and integrate with the European grid**, guaranteeing secure and **equal access to all grid users**.

We are developing **Non-regulated Activities** and new business opportunities, making our expertise and experience available in Italy and overseas.



# Green Bond Report 2020

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

- on 16 July 2018, Terna successfully launched its first green bond issue, worth €750 million and having a 5-year term;
- on 10 January 2019, the Company launched a fixed-rate green bond issue in the form of a private placement, amounting to €250 million, having reopened the bond issue announced to the market on 16 July 2018;
- on 3 April 2019, the Company launched an issue of euro-denominated green bonds with a total nominal value of €500 million and a 7-year term;
- on 17 July 2020, Terna successfully placed a new green bond amounting to €500 million and having a 12-year term.

The net proceeds from the issues are being used to fund the Company's Eligible Green Projects, selected on the basis of the "Green Bond Principles 2018" published by the ICMA – International Capital Market Association.

At 31 December 2020, Terna drew up and published two Green Bond Frameworks in order to enhance the transparency and the quality of the green bonds issued. The first was adopted on 16 July 2018, whilst the second was published on 15 July 2020. These Frameworks and the second party opinions provided by the independent advisor, Vigeo Eiris, are available to the public on the Company's website ([www.terna.it](http://www.terna.it)).

In this regard, it should be noted that the first three bond issues are covered by the Green Bond Framework drawn up in 2018, whilst the bonds dated 17 July 2020 were issued in accordance with the new Green Bond Framework, updated in July 2020.



Vigeo Eiris has assessed the contribution of all Terna's bond issues to sustainability, assigning them a "reasonable" level of assurance<sup>1</sup>. Vigeo Eiris also expressed an opinion on the issuer's overall approach to managing ESG issues, judging Terna to be at an "advanced" level<sup>2</sup>. In addition, Vigeo Eiris considered the Eligible Green Projects to be in line with the following UN SDGs:

## UN SDGs



**Ensure universal access to affordable, reliable and modern energy services.**



**Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.**



**Take urgent action to combat climate change and its impacts.**



**Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.**

<sup>1</sup> Level of evaluation used by Vigeo Eiris – Level of Assurance: Reasonable, Moderate, Weak.

<sup>2</sup> Level of evaluation used by Vigeo Eiris – Performance: Advanced, Robust, Moderate, Weak.

With this report, Terna is delivering on its commitment, made at the time of the bond issues, to report annually on its use of the proceeds and the environmental benefits resulting from the projects financed with those proceeds.

In addition to updating the report on the issues of July 2018 and April 2019, this edition of the Green Bond Report provides information for the first time on the issue carried out in July 2020.

As noted in the previous report, the proceeds from the bond issue of 10 January 2019 have been fully allocated and accounted for (Green Bond Report 2019, page 251 of the Sustainability Report 2019).

The indicators shown in the following tables have been determined in accordance with the “Green Bond Framework”, showing the relevant amounts, how the proceeds have been allocated and the main environmental benefits for each environmental category within which the projects must fall in order to qualify as “eligible”.

The various categories of environmental benefit indicated in the Green Bond Framework are shown below:

#### CATEGORY OF ENVIRONMENTAL BENEFIT

#### DESCRIPTION

##### Renewable energy

This category includes projects designed to boost renewable energy production:

- Connecting renewable energy plants (grid infrastructure designed to directly connect renewable energy plants to the transmission grid);
- Integrating renewable energy production, improving the stability of the grid (grid infrastructure that enables a greater volume of renewable energy to be injected into the transmission grid, by, for example, relieving congestion in a certain part of the grid).

##### Energy efficiency

Projects designed to reduce the CO<sub>2</sub> emissions produced by the electricity system by reducing grid losses:

- Grid infrastructure that enhances transmission efficiency (reducing the difference between power produced and energy consumed, all other conditions being equal).

##### Soil use & biodiversity

Projects that aim to reduce soil use and the impact on terrestrial biodiversity:

- Improvements to the grid resulting from its optimisation, involving the demolition of kilometres of existing overhead line. Demolition of the lines reduces the permanent occupation of land by overhead lines and the need to cut back the surrounding vegetation. The greatest impact occurs when overhead lines cross areas of environmental interest, such as nature reserves, wetlands and other protected areas. These projects also eliminate the albeit low risk of birds colliding with power lines. Finally, it should be noted that the projects in this category – such as putting cables underground – also reduce the visual impact of electricity infrastructure, an aspect considered one of the most critical by local stakeholders.



## Allocation reporting

Information on how the proceeds from the bond issues of July 2018, April 2019 and July 2020 have been used is provided below, showing aggregate amounts and data for each Eligible Green Project at 31 December 2020.

The following tables also show, for the three bonds, the percentage of the proceeds allocated to refinance parts of projects yet to be completed and to refinance projects already completed between 1 January 2014 and the date of the bond issue (% refinanced out of the total) and the balance of unallocated funds and/or funds still held by the issuer at 31 December 2020.

With regard to the issue of January 2019, the related proceeds had been fully allocated by the time of the previous report. As a result, the issue is not covered in this report. Further details are provided on page 251 of the Green Bond Report 2019.

### ISSUE OF 16 JULY 2018

DESCRIPTION OF INDICATOR	AMOUNT
Total amount for basket of projects included in the Green Bond	€749,189,085
- % of basket refinanced	92
Net Green Bond proceeds	€745,552,500
Green Bond proceeds allocated at 31 December 2020	€750,351,047
Funds/equivalent funds held by the issuer at 31 December 2020	At 31 December 2020, the bond had been fully allocated

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2020 (€)
Renewable energy	FERRERO S.P.A. WIND FARM	7,830,803	7,730,803
	150kV LANUVIO SUBSTATION	8,385,739	8,394,207
	REORGANISATION OF THE SORRENTO PENINSULA	9,322,958	9,293,052
	UPGRADE OF POWER LINE CAPACITY IN THE NORTH-WEST	60,926,784	61,437,375
	380/150kV GENZANO SUBSTATION	21,196,986	21,062,523
	150kV MAIN POWER LINE BENEVENTO II VOLTURARA CELLE SAN VITO	55,619,662	55,061,733
	150kV MAIN POWER LINE BENEVENTO II -MONTECORVINO	52,232,710	51,426,171
	ASCOLI SATRIANO SUBSTATION	7,609,473	8,589,743
	150kV MACCHIALUPO SUBSTATION	14,508,653	14,592,467
	150kV TURSI SUBSTATION	5,641,361	5,822,366
<b>TOTAL renewable energy</b>		<b>243,275,129</b>	<b>243,410,440</b>
Energy efficiency	NEW 380kV COLUNGA-CALENZANO LINE	1,825,822	1,334,763
	RATIONALISATION IN CITY OF MILAN	7,831,115	8,183,491
	380kV FOGGIA – VILLANOVA POWER LINE	13,591,442	14,703,317
	REORGANISATION OF ROME METROPOLITAN AREA	48,682,974	50,928,181
	REORGANISATION OF 220kV GRID IN CITY OF NAPLES	10,731,274	10,778,083
	REORGANISATION OF PALERMO METROPOLITAN AREA	4,989,791	4,992,583
	NEW 220kV ELECTRICITY SUBSTATION AT MUSOCCO	49,745,876	49,756,174
	WORK ON RENEWABLE ENERGY COLLECTION IN FOGGIA-BARLETTA AREA	17,431,610	17,471,040
<b>TOTAL energy efficiency</b>		<b>154,829,904</b>	<b>158,147,632</b>
Soil use & biodiversity	380kV SORGENTE – RIZZICONI POWER LINE	256,662,235	256,367,944
	380kV TRINO – LACCHIARELLA POWER LINE	75,758,734	76,500,525
	132kV STAZZONA-VERDERIO POWER LINE	18,663,082	15,924,505
<b>TOTAL soil use &amp; biodiversity</b>		<b>351,084,051</b>	<b>348,792,975</b>
<b>GRAND TOTAL</b>		<b>749,189,085</b>	<b>750,351,047</b>

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

## ISSUE OF 3 APRIL 2019

DESCRIPTION OF INDICATOR	AMOUNT
Total amount for basket of projects included in the Green Bond	€528,177,132
- % of basket refinanced	44
Net Green Bond proceeds	€498,430,000
Green Bond proceeds allocated at 31 December 2020	€347,442,498
Funds/equivalent funds held by the issuer at 31 December 2020	€150,987,502

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2020 (€)
Renewable energy	CAPRI-MAINLAND AND SORRENTO INTERCONNECTION	67,446,846	75,165,733
	150kV OPPIDO SUBSTATION	5,419,541	5,560,760
	150kV FOGGIA SUBSTATION/ CONNECTION OF RENEWABLES	3,850,529	3,970,115
	UPGRADE 150kV PUGLIA WIND FARM COLLECTOR	14,430,564	8,186,048
	380kV FOGGIA - BENEVENTO II POWER LINE	74,088,460	75,100,463
	REORGANISATION NORTH CALABRIA GRID	5,998,089	2,924,328
	380kV SORGENTE – RIZZICONI POWER LINE	3,810,065	3,968,233
	CARDANO-NEW ARMoured CABLE	9,611,345	9,840,244
	150kV CASTROCUCO – MARATEA LINE	2,000,000	
	380kV SUBSTATION FOR FOGGIA-BENEVENTO AREA WIND FARMS	55,849,694	14,744,423
	RATIONALISATION 220/132kV IN VALLE SABBIA	35,012,603	1,542,301
	WIND ENERGY S.R.L. BONORVA PLANT	4,578,795	4,589,401
	RENEWABLE ENERGY COLLECTOR IN SICILY	10,674,566	10,727,632
	150kV FIUME SANTO-PORTO TORRES LINE	4,801,527	
	PHOENIX RENEWABLES CANINO PHOTOVOLTAIC PLANT	203,605	260,216
	132kV PIETRAMALA (FI) – ALL. PARCO E SUBSTATION	6,592,286	6,687,357
	220kV GLORENZA SUBSTATION	2,918,236	
	380kV BRINDISI SOUTH SUBSTATION	1,936,947	1,984,610
	380kV GARAGUSO SUBSTATION AND CONNECTIONS	6,490,626	6,633,152
	EISACKWERK RIO PUSTERIA	3,405,397	147,340
	WORK ON GRID IN NAPLES-CASERTA AREA	4,028,000	1,638,501
	150kV PICERNO SUBSTATION FOR CONNECTIONS	233,663	133,200
	GRID TO COLLECT RENEWABLE ENERGY IN FOGGIA-BARLETTA AREA	6,339,481	6,231,543
	150kV SAN SEVERO SUBSTATION FOR CONNECTIONS	12,394,098	12,563,076
	<b>TOTAL renewable energy</b>	<b>342,114,963</b>	<b>252,598,677</b>
Energy efficiency	UPGRADE OF THE GRID IN UMBRIA	5,006,665	4,962,019
	ITALY-AUSTRIA INTERCONNECTION	3,901,548	3,931,584
	RATIONALISATION 132kV PIOMBINO AREA	6,270,246	5,833,803
	MONTECORVINO - BENEVENTO	7,030,552	3,620,842
	PATERNÒ - PANTANO - PRIOLO	66,871,640	20,147,982
	NEW CONNECTION IN PROVINCE OF TREVISO	10,043,436	9,507,442
	RATIONALISATION 220kV CITY OF TURIN	38,997,412	17,635,987
	220kV SCHIO SUBSTATION	347,463	347,463
	REORGANISATION OF HV TERAMO VILLANOVA GRID	4,645,945	4,795,571
	220kV GLORENZA-TIRANO-PREMADIO LINE	8,787,424	
	<b>TOTAL energy efficiency</b>	<b>151,902,332</b>	<b>70,782,694</b>
Soil use & biodiversity	REORGANISATION 220kV GRID CITY OF NAPLES	31,995,143	23,885,144
	REORGANISATION FLORENCE METROPOLITAN AREA	2,164,694	175,982
	<b>TOTAL soil use &amp; biodiversity</b>	<b>34,159,837</b>	<b>24,061,127</b>
<b>GRAND TOTAL</b>		<b>528,177,132</b>	<b>347,442,498</b>

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.



## ISSUE OF 17 JULY 2020

DESCRIPTION OF INDICATOR	AMOUNT
Total amount for basket of projects included in the Green Bond	€505,609,230
- % of basket refinanced	43
Net Green Bond proceeds	€496,865,000
Green Bond proceeds allocated at 31 December 2020	€270,889,073
Funds/equivalent funds held by the issuer at 31 December 2020	€225,975,927

CATEGORY OF ELIGIBLE GREEN PROJECT	ELIGIBLE GREEN PROJECT	AMOUNT INCLUDED IN GB (€)	PROCEEDS ALLOCATED AT 31 DECEMBER 2020 (€)
Renewable energy	380KV VOLTAPAGO SUBSTATION	3,280,832	3,280,832
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BASILICATA	6,214,013	4,248,861
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN PUGLIA	1,138,831	1,121,963
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN CAMPANIA	1,412,125	-
	OPPIMITTI CONNECTION	8,293,917	379,230
	ROTELLO SUBSTATION	23,895,048	24,182,909
	ASCOLI SATRIANO SUBSTATION	4,152,349	4,152,349
	WORK ON THE HV GRID FOR RENEWABLE ENERGY COLLECTION IN BETWEEN CAMPANIA AND MOLISE	892,830	892,830
	220KV GLORENZA SUBSTATION	10,247,198	6,278,602
	150KV GOLETO-AVELLINO NORTH POWER LINE	819,844	720,798
	TERME DI BRENNERO-BOLZANO RAILWAY LINE	370,000	-
	ARVIER HYDROELECTRIC CONNECTION	620,134	610,191
	AW2 WIND FARM CONNECTION	268,363	306,222
	150KV CASTELNUOVO DI CONZA INTERCONNECTOR SUBSTATION	259,340	257,524
	INERGIA STORNARELLA CONNECTION	50,000	-
	BELEOLICO TORRE TRIOLO CONNECTION	4,500,000	-
	LIGURIA-TUSCANY WIND FARM CONNECTION	1,253,825	-
	SYNCHRONOUS COMPENSATORS FOR MAIDA SUBSTATION	27,408,667	2,165,135
	SYNCHRONOUS COMPENSATORS FOR MATERA SUBSTATION	27,368,308	45,899,732
	SYNCHRONOUS COMPENSATORS FOR FOGGIA SUBSTATION	19,456,523	-
	SYNCHRONOUS COMPENSATORS FOR CANDIA SUBSTATION	14,583,015	-
	SYNCHRONOUS COMPENSATORS FOR FANO SUBSTATION	16,005,007	3,738,903
	SYNCHRONOUS COMPENSATORS FOR GARIGLIANO SUBSTATION	17,483,534	-
	380KV FOGGIA – VILLANOVA POWER LINE	103,157,397	103,406,271
	VALLE SABBIA	20,058,007	624,469
	SYNCHRONOUS COMPENSATORS FOR BRINDISI PIGNICELLE SUBSTATION	24,111,378	-
	<b>TOTAL renewable energy</b>	<b>337,300,485</b>	<b>202,266,821</b>
Energy efficiency	RATIONALISATION IN CITY OF MILAN	5,498,475	5,818,251
	RATIONALISATION OF NORTH-WEST TURIN AREA	2,226,968	2,226,968
	REORGANISATION OF ROME METROPOLITAN AREA	2,912,034	604,154
	REORGANISATION OF PALERMO METROPOLITAN AREA	38,893,036	38,844,042
	380KV MAGENTA SUBSTATION	28,199,834	-
	<b>TOTAL energy efficiency</b>	<b>77,730,346</b>	<b>47,493,414</b>
Soil use & biodiversity	RATIONALISATION IN CITY OF TURIN	6,662,775	6,662,775
	380KV SORGENTE – RIZZICONI POWER LINE	35,188,011	5,972,649
	REORGANISATION OF 220KV GRID IN CITY OF NAPLES	36,386,859	4,817,438
	REORGANISATION OF FLORENCE METROPOLITAN AREA	11,398,963	1,833,216
	150KV CASTROCUCO – MARATEA POWER LINE	941,790	1,842,760
	<b>TOTAL soil use &amp; biodiversity</b>	<b>90,578,399</b>	<b>21,128,839</b>
<b>GRAND TOTAL</b>		<b>505,609,230</b>	<b>270,889,073</b>

The sums of the individual items and the sub-totals shown in the table may differ due to the process of rounding the data presented.

The above tables show the names of eligible projects, coinciding with wide-ranging, complex interventions made up of numerous individual projects and minor works. Each bond (July 2018, April 2019 and July 2020) may have been used to finance different parts of the same project. For this reason, a number of eligible projects, represented by different amounts, have been financed by more than one bond<sup>3</sup>.

Given the nature of the projects financed, each intervention may contribute to achieving a number of environmental benefits. In the above table, the inclusion of an individual project in a category of benefit was based on economic criteria.

## Impact reporting

This section details the impact and the benefits associated with the three categories of Eligible Green Project financed by each of the three Green Bonds issued by Terna and reported in this Report. The percentages indicate the proportion of the benefits that can be associated with the stage of completion of the projects (works that have entered service) at 31 December 2020.

For a better understanding of the data relating environmental impacts, the following should be taken into account:

- The impact of the projects in columns A, B and C in the following tables that involve “Connections to renewable energy plants”, “Increased production from renewable sources” and a “Reduction in grid losses” are measured in MW and MWh. The benefit resulting from completion of these projects may also be measured in terms of greenhouse gas emission savings, amounting to over 5 million tonnes of CO<sub>2</sub> a year<sup>4</sup>;

The above data does not derive from ex-post measurement of the impact of the projects carried out, but are the result of grid simulations, conducted using models that permit a comparison of the ex-ante operation of the electricity system and the related environmental impacts with and without the individual projects. The results of the grid simulations are then used in the cost-benefit analysis applied to the main projects included in the Grid Development Plan. Given that there may be several years between the planning of a project and the start-up of work, the cost-benefit analysis for a project may be repeated to take into account new scenarios and the environmental impacts may change over time. Where projects are not subject to cost-benefit analysis, the value of the related benefits is measured using an approach in line with this method. If there are significant changes to the environmental benefits connected with the projects financed by the Green Bonds, these will be noted in future Green Bond Reports;

- The environmental benefits - estimated through the methodological approaches described in the previous point - underpin the selection of eligible projects and are calculated at the level of each project, which, however, generally consists of a series of works that may require many years to complete. The proceeds from the Green Bonds may be used to finance or refinance a part of the previously planned works that have a part to play in completion of the selected projects in the baskets and, in this sense, in obtaining the environmental benefits associated with the projects.

<sup>3</sup> For example: the Sorgente–Rizziconi and Montecorvino–Benevento power lines, the Reorganisation of Florence Metropolitan Area, the reorganisation of the grid serving the city of Naples, the Ascoli Satriano substation, Rationalisation of the City of Milan, the 380kV Foggia – Villanova power line, Reorganisation of Rome Metropolitan Area, Reorganisation of Palermo Metropolitan Area, the 150kV Castrocucco – Maratea power line.

<sup>4</sup> The calculation was made taking into account the weight of thermoelectric production on the total Italian electricity production for 2020. The reference for the distribution of the production mix is the “Monthly Report on the electricity system” final December 2020 available on the website [www.terna.it](http://www.terna.it).



None of the selected projects is the subject of significant proceedings (administrative or final court judgements) resulting in Terna being ordered to pay fines or to act or not act (e.g. prohibitions), or in its employees being found guilty of a criminal offence (full compliance in environmental and socio-economic matters).

## ISSUE OF 16 JULY 2018

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	Connections to renewable energy plants (MW)	% at 31 December	Increased production from renewable sources (MWh)	% at 31 December	Reduction in grid losses (MWh)	% at 31 December	Laying of underground cables (km)	% at 31 December	Demolition of lines (km)	% at 31 December
Renewable energy	1,576	100	3,740,886	100						
Energy efficiency					624,264	35				
Soil use & biodiversity							72	100	644	100

## ISSUE OF 3 APRIL 2019

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	Connections to renewable energy plants (MW)	% at 31 December	Increased production from renewable sources (MWh)	% at 31 December	Reduction in grid losses (MWh)	% at 31 December	Laying of underground cables (km)	% at 31 December	Demolition of lines (km)	% at 31 December
Renewable energy	1,443	85	7,829,323	87						
Energy efficiency					92,404	32				
Soil use & biodiversity							28		46	

## ISSUE OF 17 JULY 2020

CATEGORY OF ELIGIBLE GREEN PROJECT	OUTPUT & IMPACT INDICATORS									
	A		B		C		D		E	
	Connections to renewable energy plants (MW)	% at 31 December	Increased production from renewable sources (MWh)	% at 31 December	Reduction in grid losses (MWh)	% at 31 December	Laying of underground cables (km)	% at 31 December	Demolition of lines (km)	% at 31 December
Renewable energy	1,019	78	5,298,596	78						
Energy efficiency					295,002	84				
Soil use & biodiversity							61	46	306	78

## Examples of Eligible Green Projects

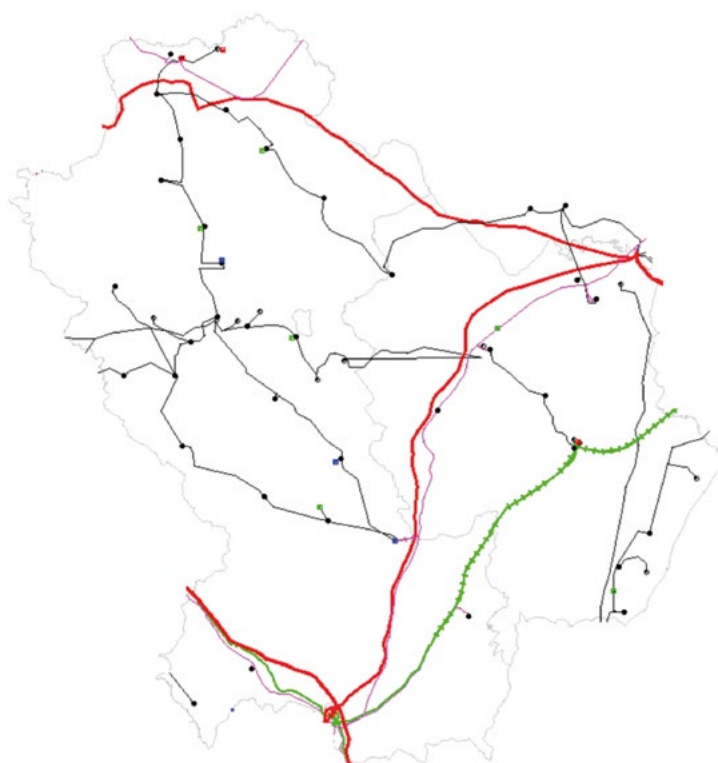
The following pages show key technical and financial data and details of the environmental benefits for three representative projects in the three categories of benefit taken into account.

### CATEGORY: RENEWABLE ENERGY NEW GENZANO ELECTRICITY SUBSTATION

The new 380kV Genzano substation has been built to connect renewable energy plants in the Basilicata region to the HV Matera-Santa Sofia line.

Applications for the connection of renewable energy plants to the NTG (the National Transmission Grid) have been received from 24 plants, making a total of 1 GW. The expected increase in renewable energy integrated into the NTG is **2,252,195 MWh per year**.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 16 July 2018 (planned amount)	€21,196,986
Proceeds from the green bond allocated to the project at 31 December 2020 (final amount)	€21,062,523
Connections of renewable energy plants	988 MW
Increase in renewable energy production	2,252,195 MWh



*New Genzano Electricity Substation – category: “Renewable energy”*



## CATEGORY: ENERGY EFFICIENCY

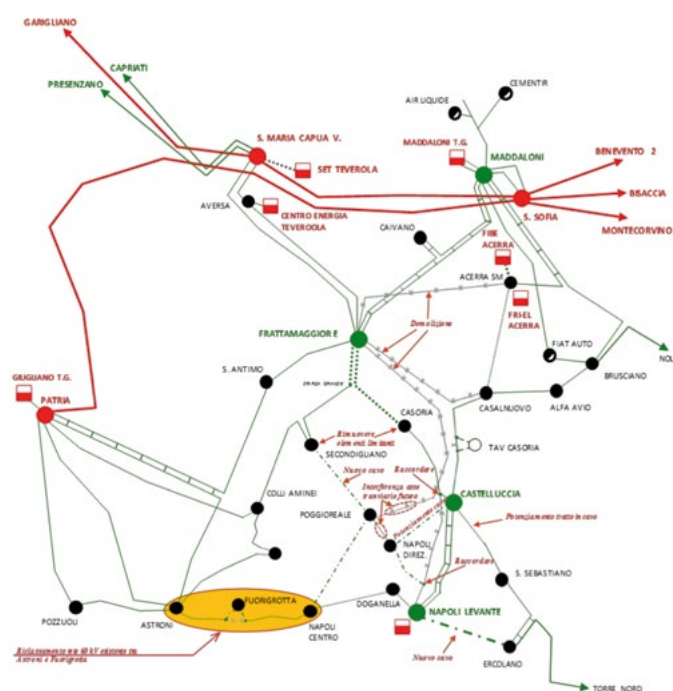
### GRID REORGANISATION IN THE CITY OF NAPLES

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

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

Thanks to the above works, we expect to be able to reduce grid losses by **18,042 MWh per year**. The same project is also bringing benefits in terms of freeing up land, as the following table shows.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 16 July 2018 (planned amount)	€10,731,274
Proceeds from the green bond allocated to the project at 31 December 2020 (final amount)	€10,778,083
Reduction in grid losses	18,042 MWh
Construction of underground cables	18 km
Demolition of lines	31 km



City of Naples 220kV Grid Reorganisation – category: “Energy efficiency”

Following the entry into service of the HV 380kV "Trino-Lacchiarella" line in January 2014, the Company has planned a series of measures designed to rationalise the grid in order to minimise the presence of infrastructure in the area.

In addition, the rationalisation has enabled us to **demolish 114 km of overhead lines** and **lay 63 km of underground cable**.

DESCRIPTION OF INDICATOR	AMOUNT
Total value of the project included in the Bond at 16 July 2018 (planned amount)	€75,758,734
Proceeds from the green bond allocated to the project at 31 December 2020 (final amount)	€76,500,525
Construction of underground cables	63 km
Demolition of lines	114 km



Piedmont and Lombardy 220/132kV High Voltage Grid Rationalization



# Independent

Auditor's Report

## INDEPENDENT AUDITOR'S REPORT ON THE GREEN BOND REPORT

To the Management of  
Terna S.p.A.

We have been engaged to perform a limited assurance engagement on the Use of Proceeds data and the compliance with the framework of the selected eligible projects and the environmental benefits, included in the Green Bond Report 2020 (the "Report"). The Report has been prepared by Terna S.p.A. (the "Company") on the basis of the Green Bond Frameworks (the "Frameworks") issued in July 2018 (for the Green Bonds issued on 16 July 2018 "GB1" and on 3 April 2019 "GB3") and in July 2020 (for the Green Bond issued on 17 July 2020 "GB 4") in accordance with the Green Bond Principles 2018 edition issued by ICMA.

### Management's Responsibility for the Report

The Management is responsible for the preparation of the Report in accordance with the Frameworks developed by the Company, that is in accordance to the Green Bond Principles. In particular, the Management is responsible for the preparation of the Use of Proceeds data and of the compliance with the Frameworks of the selected Eligible Green Projects and of the environmental benefits. The Management is also responsible for such internal control as they determine is necessary to enable the preparation of the Report that is free from material misstatement, whether due to fraud or error.

### Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our firm applies International Standard on Quality Control 1 (ISQC Italia 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the Report with the Frameworks. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* ("ISAE 3000 Revised"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the Report is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed are based on our professional judgement and included inquiries, primarily with company personnel responsible for the preparation of the information included in the Report, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate. Specifically, we carried out the following main procedures:

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



## Conclusion

Based on the work performed, nothing has come to our attention that causes us to believe that the Use of Proceeds data and the compliance with the Frameworks of the selected eligible projects and of the environmental benefits, included in the Report of Terna S.p.A. as of December 31, 2020, are not prepared, in all material aspects, in accordance with the Green Bond Frameworks.

DELOITTE & TOUCHE S.p.A.

**Monica Palumbo**  
Partner

Milan, Italy  
July 16, 2021

Mercurio GP  
Milan

Creative concept  
Graphic design  
Layout  
Editing

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