

ASSESSMENT

25 October 2023



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Terna - Rete Elettrica Nazionale S.p.A.

Second Party Opinion – Green Bond Framework Assigned SQS1 Sustainability Quality Score

Summary

We have assigned an SQS1 Sustainability Quality Score (Excellent) to Terna - Rete Elettrica Nazionale S.p.A.'s (Terna) green bond framework dated October 2023. The company has established its use-of-proceeds framework to finance projects across three eligible green categories — renewable energy, energy efficiency, and quality, security and resiliency of electricity transportation infrastructure. Terna has described the main characteristics of the green bond instruments within a formalized framework that is aligned with the four core components of the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2021 (including the June 2022 Appendix 1), and the issuer has also incorporated MIS-identified best practices for all four components. The framework demonstrates a high contribution to sustainability. Limited to our scope, all activities adhere to the European Union (EU) Taxonomy criteria, as detailed in Appendix 3.

Sustainability quality score

SQS1

■ SQS5 Weak
■ SQS4 Intermediate
■ SQS3 Good
■ SQS2 Very good
■ SQS1 Excellent

Alignment with principles USE OF PROCEEDS

Overall alignment

■ Not aligned
■ Partially aligned
■ Aligned
■ Best practices

FACTORS	ALIGNMENT
Use of proceeds	■ ■ ■
Evaluation and selection	■ ■ ■
Management of proceeds	■ ■ ■
Reporting	■ ■ ■

Contribution to sustainability

Overall contribution

■ Poor
■ Limited
■ Moderate
■ Significant
■ High

Expected impact Relevance and magnitude	ADJUSTMENTS
■ ■ ■	ESG risk management No adjustment
	Coherence No adjustment

Scope

We have provided a Second Party Opinion (SPO) on the green credentials of Terna's green bond framework, including the framework's alignment with the ICMA's GBP 2021 (including the June 2022 Appendix 1). Under its framework, the company plans to finance projects across three green categories, as outlined in Appendix 2 of this report. We have also provided a supplementary opinion about whether the eligible categories adhere to the technical screening criteria set out in Annex I of the Commission Delegated Regulation (EU) 2021/2139 (the EU Climate Delegated Act) and the Minimum Safeguards set out in Regulation (EU) 2020/852 (the Taxonomy Regulation), jointly referred to as the EU Taxonomy criteria. Our assessment is based on information provided by the issuer, and is performed at the economic activity level for Substantial Contribution and Do No Significant Harm criteria, and at the entity level for the Minimum Safeguards. Our work does not constitute a verification or audit of taxonomy alignment.

Our assessment is based on the last updated version of Terna's framework dated 20 October 2023, and our opinion reflects our point-in-time assessment of the details contained in this version of the framework, as well as other public and non-public information provided by the company.

We produced this SPO based on our [Framework to Provide Second Party Opinions on Sustainable Debt](#), published in October 2022.

Issuer profile

Terna - Rete Elettrica Nazionale S.p.A. (Terna) was founded in 1999 and is headquartered in Rome, Italy. The company owns and operates almost the whole of the high- and extra-high-voltage electricity transmission grid in Italy, which comprises 74,910 kilometers of electric lines. Terna is also responsible for the grid's planning, operation, maintenance and development. The company ensures a balance between deliveries and withdrawals between the supply of energy and consumption by end users.

Terna faces moderate environmental risks because of the company's exposure to climate risks, including the risks that extreme or unusual weather events could damage physical assets, disrupt operations and increase maintenance costs. Terna's exposure to carbon transition, water management, natural capital, and waste and pollution risks is limited. Typical challenges for the industry are linked to the ongoing energy crisis, with electricity networks required to implement more projects to ensure security of supply and to meet accelerated decarbonization targets. In response, Terna has formulated its sustainability considerations under its 2021-25 Industrial Plan, with a focus on improving the flexibility and resilience of the grid to reduce CO₂ emissions and deliver the energy transition.

Strengths

- » The eligible categories are clearly defined and are linked to the EU Taxonomy criteria
- » Eligible projects address environmental challenges that are highly relevant for the issuer and its sector
- » The process for project evaluation and selection is structured and transparent, and incorporates an assessment of environmental, social and governance (ESG) risks and benefits for each selected project
- » Continued compliance of selected projects is monitored throughout the life of any instrument issued under the framework
- » There is independent verification of the allocation and impact reporting on environmental benefits or externalities associated with the financed projects

Challenges

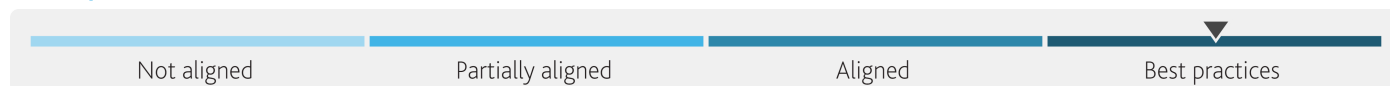
- » The proceeds are expected to be allocated within the time frame of the relevant Industrial Plan, currently lasting five years, which is normal for transmission projects but is longer than the 24 month best practice in the market

Alignment with principles

Terna's green bond framework is aligned with the four core components of the ICMA's GBP 2021 (including the June 2022 Appendix 1) and is in line with MIS-identified best practices:

- Green Bond Principles (GBP)
- Social Bond Principles (SBP)
- Green Loan Principles (GLP)
- Social Loan Principles (SLP)
- Sustainability-Linked Bond Principles (SLBP)
- Sustainability Linked Loan Principles (SLLP)

Use of proceeds



Clarity of the eligible categories – BEST PRACTICES

Terna has clearly communicated the nature of the expenditures, and has clearly detailed the eligibility criteria for the three eligible categories. The company has identified the location of eligible projects as within Italy and in the interconnected networks of the European Interconnected System (that is, the interconnected control areas of the electricity grids of EU Member States, Norway, Switzerland and the UK, and subordinated systems). The definition of the three eligible categories is linked to the substantial contribution criteria contained in the EU Taxonomy Climate Delegated Act, thus constituting a reference to stringent, internationally recognized technical thresholds. Any other types of projects are inherently excluded.

Clarity of the environmental objectives – BEST PRACTICES

Terna has clearly outlined the environmental objective associated with all three eligible categories, which is climate change mitigation. All eligible categories are relevant to the environmental objective to which they aim to contribute. The objective is set coherent with recognized international standards, including the United Nations' (UN) Sustainable Development Goals (SDGs) and the EU Taxonomy.

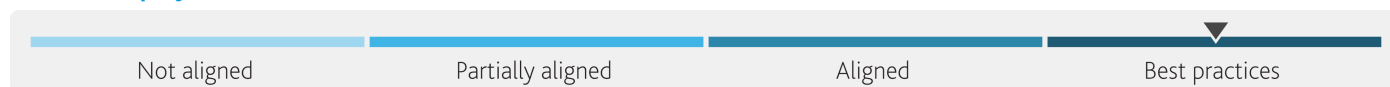
Clarity of expected benefits – BEST PRACTICES

The expected environmental benefits identified are clear and relevant for all three eligible categories. These benefits are measurable and the company will report on these quantitative benefits in its ongoing reporting. The company has committed to disclosing the estimated share of refinancing to investors during each issuance process upon request and to limiting the lookback period for refinanced projects to 24 months.

Best practices identified

- » Eligibility criteria are clearly defined for all project categories
- » Objectives set are defined, relevant and coherent for all project categories
- » Relevant benefits are identified for all project categories
- » Benefits are measurable and quantified for most projects, either ex-ante with clear baselines or with a commitment to do so in future reporting
- » Commitment to transparently disclose the share of proceeds used for refinancing where feasible
- » Commitment to transparently communicate the associated lookback period(s) where feasible

Process for project evaluation and selection



Transparency and quality of the process for defining eligible projects – BEST PRACTICES

Terna has established a clear and structured process for the evaluation and selection of eligible projects, including detailed decision-making criteria, and clearly defined roles and responsibilities formalized in its publicly available framework. The process relies on relevant internal expertise convened in the form of the Green Committee, which is composed of employees holding related roles, including, but not limited to, the head of the finance department, the head of investor relations and sustainability, the head of the planning and control department, and the head of grid planning and interconnections. The Green Committee is responsible for reviewing and validating the selection of eligible green projects, which must first undergo a cost-benefit analysis to be considered sustainable. The committee meets on an annual basis, and additionally as required, to review and validate the selection of green eligible projects.

The company commits to monitoring to ensure that the eligible projects are aligned with the eligibility criteria throughout the life of the outstanding bonds issued under this framework. The traceability of the process is ensured through a continuous exchange of emails between the departments involved in the selection of projects. If a project is deemed to be no longer eligible, it will be replaced by another eligible project.

Environmental and social risk mitigation process – BEST PRACTICES

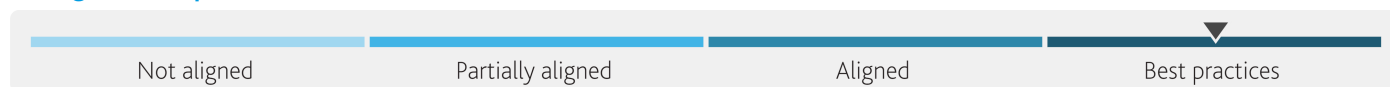
The environmental and social (E&S) risk mitigation process is disclosed in Terna's framework. Significant E&S risks are assessed against various internal policies and international standards such as ISO or in line with the commitments expressed by adhering to the UN Global Compact in 2009. In addition, the company has risk management protocols in place for material areas such as supplier and worksite management.

The company will monitor any ESG controversies in line with the green bond framework's commitments. Information on the ESG management of eligible projects and potential controversies will be provided, where feasible, for the most representative projects. The issuer specifies that monitoring will take place throughout the life of the bonds, and that projects facing controversies may be withdrawn from financing and replaced by other eligible projects.

Best practices identified

- » The roles and responsibilities for project evaluation and selection are clearly defined and include relevant expertise
- » There is evidence of continuity in the selection and evaluation process through the life of the financial instrument(s), including compliance verification and procedures to undertake mitigating actions when needed
- » The process for project evaluation and selection is traceable
- » Material environmental and social risks for most project categories are identified
- » Presence of corrective measures to address environmental and social risks across projects
- » ESG controversies are monitored

Management of proceeds



Allocation and tracking of proceeds – BEST PRACTICES

Terna has clearly defined the process for the allocation and tracking of proceeds in the framework. The net proceeds will be held in the company's treasury investment portfolio and tracked by the issuer in an appropriate manner. While the bonds are outstanding, the balance of tracked net proceeds will be adjusted periodically to match allocations to eligible categories. Terna expects the proceeds to be allocated within the time frame of the relevant Industrial Plan, currently lasting five years, which is normal in transmission projects. The allocation of net proceeds to eligible projects is monitored throughout the period in which investments are made. The progress of the projects is monitored in terms of the amount of capital spending and the time of completion.

Management of unallocated proceeds – BEST PRACTICES

Any temporary unallocated proceeds may be held in the treasury investment portfolio (cash and cash equivalents, tradable government bonds or other cash investment instruments). The framework contains a formalized commitment to not directly invest temporarily unallocated proceeds in defined controversial activities. In the event that a project is postponed, canceled or otherwise becomes ineligible, the company has committed to reallocate the proceeds to similar eligible projects.

Best practices identified

- » Broad disclosure of a clearly articulated and comprehensive management of proceeds policy to external stakeholders; bondholders or lenders at a minimum
- » Short allocation period, for example typically less than 24 months
- » Disclosure on temporary placement and presence of exclusion criteria toward environmentally or socially harmful activities
- » Commitment to reallocate proceeds to projects that are compliant with the framework

Reporting



Transparency of reporting – BEST PRACTICES

Terna will report annually on the bonds issued under its framework, and this reporting will be made publicly available. Allocation reporting will occur until full allocation, and as necessary thereafter in the event of significant developments, whereas impact reporting will occur until maturity of the bonds. The reporting is exhaustive and includes the description of financed projects, the amount allocated at the eligible project or category level, the share of refinancing, the amount of unallocated proceeds and expected sustainable benefits. The issuer has also committed to report on significant developments and controversies related to the eligible projects.

The company has identified relevant environmental indicators for the eligible categories in the project evaluation phase. The methodologies and assumptions used to report on the environmental impact will be publicly disclosed.

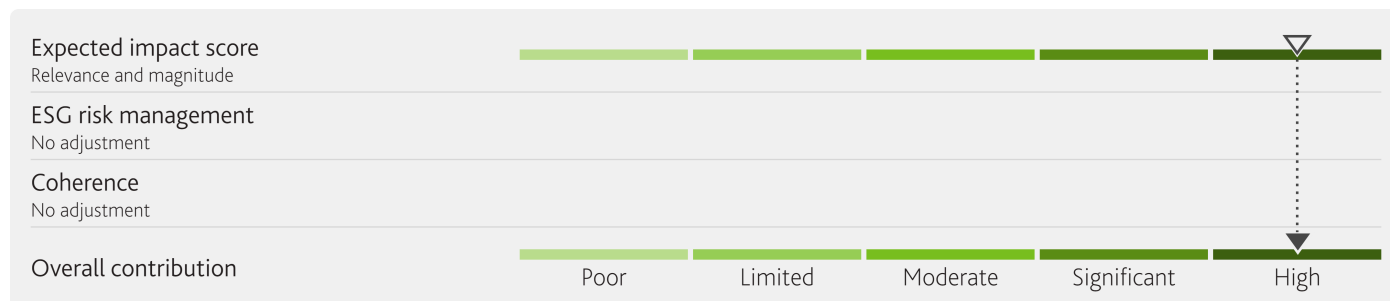
An external auditor will verify the allocation of funds to eligible categories until full allocation and in case of significant changes. For impact reporting, the verification will be carried out by an external auditor until bond maturity.

Best practices identified

- » Reporting until full bond maturity or loan payback
- » Reporting covers material developments and issues related to the projects or assets
- » Reporting on allocation of proceeds and benefits done at least at eligible category level
- » Exhaustive allocation reporting – balance or % of unallocated funds, types of temporary investments (e.g. cash or cash equivalent) and share of financing vs re-financing
- » Clear and relevant indicators to report on the expected environmental/social impact of all the projects, where feasible, or eligible categories
- » Disclosure of reporting methodology and calculation assumptions to bondholders or lenders at a minimum
- » Independent audit of the tracking and allocation of funds at least until full allocation and in case of material changes
- » Independent impact assessment on environmental benefits by a qualified third-party reviewer at least until full allocation and in case of material changes and/or case studies to report on the social impact/benefits

Contribution to sustainability

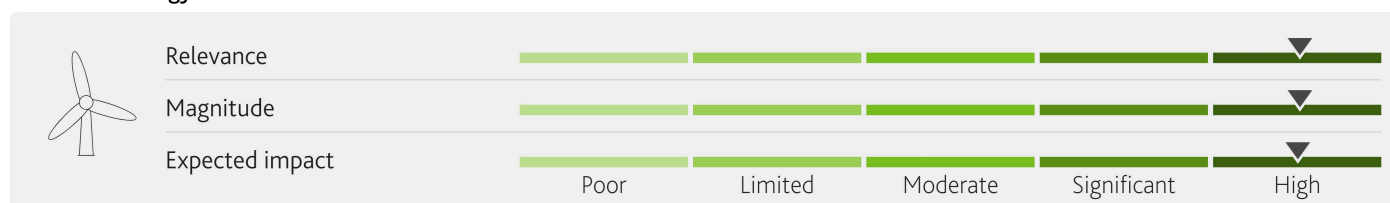
The framework demonstrates high expected contribution to sustainability.



Expected impact

The expected impact of the eligible project categories on the environmental objective is high. To assess the consolidated score for contribution to sustainability, we have weighted the categories according to estimates provided by Terna. In particular, the issuer estimates that most of the proceeds will be allocated to projects in the renewable energy category. A detailed assessment of the three eligible categories is provided below.

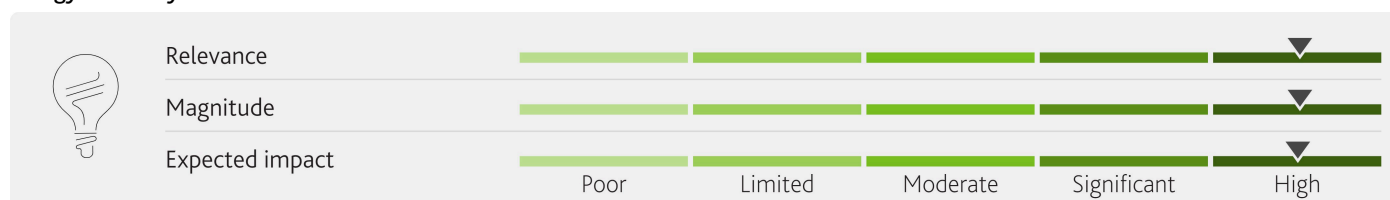
Renewable energy



The relevance of the eligible category is high, as financing the energy transition is considered key to addressing the decarbonization challenges of the Italian and other European economies including Norway, Switzerland and the UK. The Italian energy mix is significantly dependent on fossil fuels for the overall energy supply, where in 2021 renewable energy provided only 19.8% of total generation in the country¹. To steadily increase the share of renewable energy, ensuring stability of the grid system is critical. The projects in this category contribute to Italy's Integrated National Energy and Climate Plan (NECP)², which envisages the complete phaseout of coal by 2025 and 30% of gross electricity consumption from renewable energy sources by 2030.

In terms of magnitude, the eligible category is likely to contribute to a highly positive long-term impact, principally in Italy, but also in other countries in which Terna operates, through construction of grid infrastructure dedicated to the direct connection of renewable sources to the grid, thus enabling higher feed-in of renewable energy. No lock-in effects or significant negative externalities have been identified. In addition, eligible projects meet the EU Taxonomy criteria associated with the economic activity 4.9, and thus relate to stringent, internationally recognized technical thresholds.

Energy efficiency

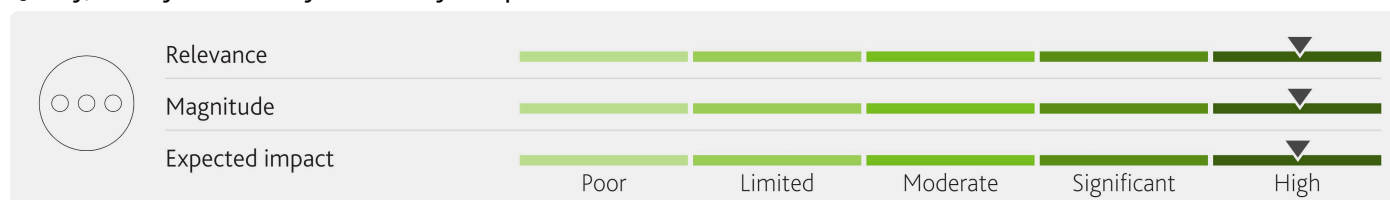


The relevance of the eligible category is high. Although Italy is on track to meet its 2030 energy-efficiency targets of a 43% reduction in primary and 39.7% reduction in final energy consumption set out in the NECP³, recent reports show that the country will need to make additional efforts to align with the more ambitious new 2030 targets resulting from the EU's "Fit-for-55" package⁴. Furthermore, in 2023, 52.5% of Italian electricity demand was met via production from non-renewable energy sources, 29.8% from renewable

energy and the remainder from foreign imports⁵. In addition, given that most of the energy is sourced from non-renewables, it is important to increase energy efficiency to reduce the overall GHG emissions of Terna's grid system.

The magnitude of the eligible category is high. Its main benefit is linked to the reduction in grid losses associated with the increase in the efficiency of the transmission system, leading to less energy waste, and consequently fewer CO₂ emissions. The eligible projects will have an overall long-term positive impact on Italy and on other countries in which Terna operates through increased energy efficiency driven by the development of the grid, new lines and substations. Such efforts will reduce the difference between energy generation and consumption, and consequently grid losses. According to the issuer, the efficiency benefit of each project is a value representing the quantitative impact achieved through implementation (for example, reduction in losses, integration of renewable energy). No lock-in effects or significant negative externalities have been identified. In addition, eligible projects meet the EU Taxonomy criteria associated with the economic activity 4.9, and thus relate to stringent, internationally recognized technical thresholds.

Quality, security and resiliency of electricity transportation infrastructure



The relevance of the eligible category is high, as energy security and infrastructure resilience play a critical role in the European context. To address Italy's high dependence on energy imports and increase the share of renewable energy fed into the national grid, the country needs a stable, interconnected and diversified system of supply routes, that is, an improved electricity grid⁶. The eligible projects will contribute to the NECP⁷, which aims to improve energy security by targeting a 10% increase in the level of electricity interconnectedness by 2030, which is, however, below the overall European target of 15%. On the other hand, investments will contribute to the National Sustainable Development Strategy 2017/2030⁸, thereby building resilience to physical climate risks and other risks.

The magnitude of the eligible category is considered high. The eligible projects will have an overall positive long-term impact, principally in Italy, but also in other countries in which Terna operates, through ensuring better grid meshing levels (overhead lines, underground cables) and the construction of new substations. These efforts are aimed at improving the grid to provide a more secure power supply, increase resilience to physical climate risks, reduce local congestion and improve interconnection between bidding zones or the internal system area. No lock-in effects or significant negative externalities have been identified. In addition, eligible projects meet the EU Taxonomy criteria associated with the economic activity 4.9, and thus relate to stringent, internationally recognized technical thresholds.

ESG risk management

We have not applied any negative adjustment for ESG risk management to the expected impact score. Terna has implemented an ESG risk management procedure to minimize the negative externalities from the eligible projects. The company is ISO 14001 certified and aligned with international UNI ISO standards for environment, health and safety, and the prevention of corruption. Furthermore, Environmental Impact Assessment (EIA) procedures are compliant with the last updated version of Directive 2011/92/EU and Directive 2014/52/EU. This assessment requires all projects to be submitted to the appropriate entities for examination. The environmental impact of Terna Group's assets is monitored through the UNI EN ISO 14001:2015 environmental management systems and energy management systems ISO 50001:2018 standard, which also includes periodical third-party verifications carried out on-site. Monitoring is ensured for compliance with environmental requirements contained in the EIA Decrees, as well as for compliance with legal obligations related to contractors' activities. In terms of business ethics, Terna complies with its Code of Ethics⁹ and the UN's Global Compact Principles¹⁰. The governing bodies of the group's non-Italian companies are required to ensure full compliance with the principles of ethics, integrity and legality set out by the Terna Group.

Coherence

We have not applied any negative adjustment for coherence to the expected impact score. The projects to be financed under this framework correspond to the core activities of the electricity transmission system operator Terna, and aim to increase the share of

renewable energy in the global energy mix as well as ensuring secure, resilient and equal access to all grid users, including boosting cross-border exchange capacity. The targets are reflected in the 2023 Development Plan for the National Electricity Grid¹¹. In addition, by creating a framework to finance or refinance eligible green activities and assets, Terna contributes to the collective EU efforts to reduce CO₂ emissions by 55% by 2030 from the 1990 levels, as set at the European level through the "Fit-for-55" legislative program.

Appendix 1 - Mapping the eligible categories to the United Nations' Sustainable Development Goals

The three eligible categories included in Terna's framework are likely to contribute to three of the UN's SDGs, namely:

UN SDG 17 Goals	Eligible Category	SDG Targets
GOAL 7: Affordable and Clean Energy	<i>Renewable Energy</i>	7.2: Increase substantially the share of renewable energy in the global energy mix
	<i>Energy Efficiency</i>	7.3: Double the global rate of improvement in energy efficiency
	<i>Quality, security and resiliency of electricity transportation Infrastructure</i>	
GOAL 9: Industry, Innovation and Infrastructure	<i>Quality, security and resiliency of electricity transportation infrastructure</i>	9.1: Develop sustainable infrastructure to support economic development and human well-being, focusing on equitable access
		9.4: Upgrade infrastructure and retrofit industries to make them sustainable, with all countries taking action
GOAL 13: Climate Action	<i>Renewable Energy</i>	13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries
	<i>Energy Efficiency</i>	
	<i>Quality, security and resiliency of electricity transportation Infrastructure</i>	

The mapping of the UN's SDGs in this SPO takes into consideration the eligible project categories and associated sustainability objectives/benefits documented in the issuer's green bond framework, as well as resources and guidelines from public institutions, such as the ICMA SDG Mapping Guidance, and the UN SDG targets and indicators.

Appendix 2 - Summary of the eligible categories in Terna's framework

Eligible Project Categories	Description	Sustainability Objectives	Impact Reporting Metrics
Renewable Energy	<ul style="list-style-type: none"> - Connection of renewable sources generation plants (grid infrastructures devoted to directly connecting grid generation plants from renewable sources to the transmission grid). - Integration of production from renewable sources, while enhancing grid stability (Grid infrastructures that allow a higher inflow of production from renewable sources into the transmission grid, for instance by resolving congestions in 	Climate Change Mitigation	<ul style="list-style-type: none"> Connection of RES production plants (MW) Increase in production from RES (MWh and/or TCO₂)
Energy Efficiency	Grid infrastructures that allow higher transmission efficiency (reduction of the difference between energy generation and consumption, other things being equal).	Climate Change Mitigation	<ul style="list-style-type: none"> Reduction of grid losses (MWh and/or TCO₂) Reduction of energy not supplied (MWh/years)
Quality, security and resiliency of electricity transportation Infrastructure	<ul style="list-style-type: none"> - Investments included in the National Development Plan, whose objective are the quality and security of the service (they mainly concern interventions to reinforce and mesh the network), to solve operational issues related also to the energy transition through the decommissioning of the thermoelectric plants and the integration of RES. - Investments in infrastructural interventions related to the construction of new lines or substation aimed to increase the resilience of the National Transmission Grid in those areas of the Italian territory more exposed to severe climatic events (eg. strong wind and ice-snow). 	Climate Change Mitigation	Reduction of energy not supplied (MWh/years)

Appendix 3 - Adherence to the EU Taxonomy

We have provided a supplementary opinion on the framework's adherence to the EU Taxonomy criteria, the boundaries of which have been explained in the Scope section of this report. As detailed in the tables below, we consider all activities to adhere to the EU Taxonomy criteria, with only four applicable DNSH criteria for the economic activity 4.9. Our assessment is based solely on the information provided by the issuer.

The company has implemented planning and monitoring processes to ensure project adherence to applicable technical screening criteria and minimum (social) safeguards set out in the EU Taxonomy regulation. This process is described in the "Process for project evaluation and selection" section, and the issuer has also provided us with the outcome of this review, which is available in the table below.

Note for the tables: We use abbreviations to refer to the six EU climate and environmental objectives, which are climate change mitigation (CCM), climate change adaptation (CCA), sustainable use and protection of water and marine resources (WMR), transition to a circular economy (TCE), pollution prevention and control (PPC), and protection and restoration of biodiversity and ecosystems (PBE).

Exhibit 1

Substantial contribution criteria - Climate change mitigation

All activities under the Framework (4.9)

Eligible Category	Economic Activity	Adherence to "Substantial Contribution" criteria	Related issuer information
Renewable Energy	4.9. Transmission and distribution of electricity	Adhere	<p>The three eligible categories are equally covered by the criterion 1a:</p> <p>Criterion 1a: Terna is a Transmission System Operator (TSO), operating in the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems. Each project under the framework is related to the Italian National Transmission Grid, thus complying with the first criterion.</p> <p>The three eligible categories are linked to several activities at the same time:</p>
Energy Efficiency	4.9. Transmission and distribution of electricity	Adhere	<p>Activity 2a: Terna's activities relate to construction and operation of direct connection, or expansion of existing direct connection, of low carbon electricity generation below the threshold of 100g CO₂e/kWh measured on a life cycle basis to a substation or network.</p> <p>Activity 2c: Terna activities include the installation of transmission and distribution transformers carried out by the Tamini Group and different other suppliers of the same components. The issuer confirms that the transformers installed in its Italian substations meet the requirements specified in the technical screening criteria. The Company has identified the location of eligible projects as only within Italy and the interconnected networks of the European interconnected system.</p>
Quality, security and resiliency of electricity transportation infrastructure	4.9. Transmission and distribution of electricity	Adhere	<p>Activity 2d: Renewable energy investments fall under construction/installation and operation of equipment and infrastructure where the main objective is an increase of the generation or use of renewable electricity generation.</p> <p>Activity 2h: Terna's activities include construction and operation of interconnectors between transmission systems, provided that one of the systems is compliant.</p>

Sources: Moody's Investors Service and Terna

Exhibit 2

Do No Significant Harm - Climate change adaptation

All activities under the Framework (4.9)

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Renewable Energy	4.9. Transmission and distribution of electricity	Adhere	<p>Terna carries out a climate risk and vulnerability assessment for those projects, which are to take place in meteorological critical areas identified according to the internal Resilience Methodology. This allows Terna to identify the areas of the national transmission grid at higher risk of outages and load interruptions due to wet snow and strong wind events by using prospective climatological models to determine the probability of severe weather events occurring and to evaluate the vulnerability of each major subcomponent. In view of other extreme meteorological events (e.g. floods, landslides, etc.) affecting the Italian transmission network, the issuer is engaged in expanding its resilience methodology.</p> <p>The CCA analysis considers the proportionality of the assessment to the scale and expected lifespan of projects. The Resilience Methodology uses a prospective (10 years lifespan which is the time horizon of national transmission grid planning) and probabilistic approach, which aims to estimate the probability of occurrence and possible effects of multiple and simultaneous failures of overhead lines due to severe weather events. In this way, substations connected to the national transmission grid that are at high risk of failure are identified and the probability of failure and the potential impact in terms of expected energy not supplied are assessed.</p> <p>The CCA analysis make reference to best practices for climate projections, assessment impacts and consideration of state of the art sciences. In the Resilience Methodology, the reference climate scenario is RCP 8.5 of the IPCC. Climate projections are obtained for wind through 40 realizations of the CESM-LENS climate model. In the case of the ice-snow phenomenon, the Euro-CORDEX climate models were used with subsequent application of the Makkonen model to estimate the wet snow sleeve phenomenon.</p> <p>Adaptation solutions with corresponding implementation measures are applied for both existing and newly built assets. Based on the resilience methodology, Terna is able to identify and plan new projects to strengthen the resilience network or assess the resilience benefit of planned projects. Terna ensures that the adaptation solutions do not adversely affect other adaptation efforts, and are consistent with local, sectoral, regional, and national adaptation strategies. The solutions to wet snow and strong winds are primarily infrastructural interventions or mitigation measures. If the internal Resilience Methodology is extended to other weather events and nature-based solutions can solve the risk of substation failure, Terna is committed to evaluating this type of solutions.</p>
Energy Efficiency	4.9. Transmission and distribution of electricity	Adhere	
Quality, security and resiliency of electricity transportation infrastructure	4.9. Transmission and distribution of electricity	Adhere	

Sources: Moody's Investors Service and Terna

Exhibit 3

Do No Significant Harm - Transition to a circular economy

All activities under the Framework (4.9)

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Renewable Energy	4.9. Transmission and distribution of electricity	Adhere	<p>Terna's Integrated Management System includes the ISO 14001 certified Environmental Management System with a focus on waste management, and the aim to reuse or recycle materials at the end of their life in accordance with circular economy principles. The Integrated Management System covers all Italian and international activities of Terna S.p.A. and its subsidiaries.</p> <p>In addition, Terna has a Circular Economy Strategy and a Roadmap of actions until 2030, related to the procurement of materials and their proper use, the sustainable use of resources including secondary raw materials and waste management. The Roadmap aims to be aligned with the current Industrial Plan.</p> <p>The results of various circular economy initiatives are reflected in the official documentation.</p>
Energy Efficiency	4.9. Transmission and distribution of electricity	Adhere	
Quality, security and resiliency of electricity transportation infrastructure	4.9. Transmission and distribution of electricity	Adhere	

Sources: Moody's Investors Service and Terna

Exhibit 4

Do No Significant Harm - Pollution prevention and control

All activities under the Framework (4.9)

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Renewable Energy	4.9. Transmission and distribution of electricity	Adhere	For construction site activities linked to overground high voltage lines, eligible activities follow the principles of the International Finance Corporation (IFC) General Environmental, Health, and Safety Guidelines, and the applicable rules and regulations, in order to limit the impact of electromagnetic radiation on human health.
Energy Efficiency	4.9. Transmission and distribution of electricity	Adhere	Terna's Integrated Management System includes the ISO 55001:2014 standard for Asset Management Systems. The company is therefore committed to complying with regulatory requirements on electromagnetic fields, adopts a cautious approach to the construction of new power lines, and focuses on scientific developments coupled with innovative technical solutions to mitigate the effects of magnetic fields. In order to ensure compliance with existing legal limit values, the company regularly carries out checks on its own systems..
Quality, security and resiliency of electricity transportation infrastructure	4.9. Transmission and distribution of electricity	Adhere	

Sources: Moody's Investors Service and Terna

Exhibit 5

Do No Significant Harm - Protection and restoration of biodiversity and ecosystems

All activities under the Framework (4.9)

Eligible Category	Economic Activity	Adherence to DNSH criteria	Related issuer information
Renewable Energy	4.9. Transmission and distribution of electricity	Adhere	Terna carries out Environmental Impact Assessments (EIAs) on individual projects related to transmission and dispatching activities. Where an EIA has been carried out, the required mitigation and compensation measures for protecting the environment are implemented. Terna is committed to minimizing its impact on biodiversity following the so-called "mitigation hierarchy" of potential impacts. First of all, negative impacts on biodiversity should be avoided and prevented. If the desired result does not occur, the effects should be reduced or mitigated or measures should be taken to compensate for any remaining negative effects.
Energy Efficiency	4.9. Transmission and distribution of electricity	Adhere	<p>The company regularly checks the environmental requirements contained in the EIAs and in the statements of the environmental authorities as well as compliance with the law.</p> <p>For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), an appropriate EIA has been conducted, if applicable. Based on its conclusions the necessary mitigation, compensation and rehabilitation measures will be implemented. In addition, the preferred solution will be selected according to internal procedures based on environmental reports, including but not limited to geological and archaeological surveys, habitat assessments and the International Union for Conservation of Nature (IUCN) species assessments.</p> <p>Each project is supervised by a multi-disciplinary team of internal professionals.</p>
Quality, security and resiliency of electricity transportation infrastructure	4.9. Transmission and distribution of electricity	Adhere	

Sources: Moody's Investors Service and Terna

Exhibit 6

Minimum Safeguards

Assessment at the issuer level

Minimum Safeguards	Adherence to Minimum Safeguards	Related issuer information
Human Rights	Adhere	<p>Terna has established a human rights due diligence process in accordance with the steps and procedures outlined in the the OECD Guidelines for Multinational Enterprises (MNEs), the United Nations Guiding Principles (UNGPs) on Business and Human Rights, including the principles and rights established by the eight fundamental conventions identified in the International Labour Organisation's (ILO's) Declaration on Fundamental Principles and Rights at Work and the International Charter of Human Rights. All commitments are included in the publicly available 2022 Integrated Report.</p> <p>Given the cultural, social and economic diversity of the different countries in which Terna operates, the parent company requires each subsidiary to adopt its own code of ethics and to complement it with specific behavioral criteria for its activities in the operating context.</p> <p>Monitoring of the issues underlying the minimum safeguards is ensured through Group policies, guidelines and organizational/operational tools. Terna has never been involved in a case submitted to an OECD National Contact Point (NCP), nor has the the Business and Human Rights Resource Centre (BHRRRC) ever made an allegation against Terna.</p>
Corruption	Adhere	<p>Terna has anti-corruption processes in place, which consider various anti-bribery laws and regulations from numerous relevant jurisdictions. In addition, Terna is ISO 37001 certified for its anti-corruption management system. All commitments are included in the publicly available Terna Group Anti-Bribery Guidelines.</p>
Taxation	Adhere	<p>Terna treats tax governance and compliance as important elements of oversight. Edequate tax risk management strategies and processes are in place. Terna Group's tax approach is determined by full compliance with tax legislation in the countries in which the various Group companies operate. The main processes governing taxation and the related obligations are constantly monitored based on defined procedure. All commitments are included in the publicly available 2022 Integrated Report.</p>
Fair Competition	Adhere	<p>Terna has measures in place to promote employee awareness of the importance of compliance with all applicable competition laws and regulations. The measures are linked to lectures on the ISO 37001 Anticorruption Management System (anticorruption policy, risk analysis, anticorruption due diligence), the Code of Ethics, whistleblowing and the 231 Organisational Model, which defines rules of conduct and of internal organisation, within a structured and organic system of controls and monitoring activities. All commitments are included in the publicly available 2022 Integrated Report.</p>

Sources: Moody's Investors Service and Terna

Moody's related publications

Second Party Opinion analytical framework:

» [Framework to Provide Second Party Opinions on Sustainable Debt](#), October 2022

Topic page:

» [ESG Credit and Sustainable Finance](#)

Endnotes

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- 5 Terna, [Monthly Report on the Electricity System](#), March 2023.
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- 11 Terna Press Releases, [Terna: 2023 Development Plan for the National Electricity Grid presented](#), March 2023.

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REPORT NUMBER

1374828