



## CDP RETI S.p.A.

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

### **€500,000,000 5.875 per cent. Notes due 25 October 2027**

**Issue price: 99.57 per cent.**

The €500,000,000 5.875 per cent. Notes due 25 October 2027 (the **Notes**) are issued by CDP RETI S.p.A. (CDP RETI or the **Issuer**). Interest on the Notes is payable annually in arrear on 25 October in each year from and including 25 October 2023 at the rate of 5.875 per cent. per annum, as described in Condition 4 (*Interest*). Unless previously redeemed or purchased and cancelled, the Issuer will redeem the Notes at their principal amount on 25 October 2027.

The Issuer may, at its option, redeem all, but not some only, of the Notes at any time at par plus accrued interest, in the event of certain tax changes as described in Condition 6.5 (*Redemption for Taxation Reasons*). In the event that at least 80 per cent. of the aggregate principal amount of the Notes has been purchased and cancelled by the Issuer, the Issuer may, at its option, redeem all (but not some only) of the outstanding Notes, at their principal amount, together with interest accrued and unpaid thereon to the date fixed for redemption (see Condition 6.3 (*Redemption at the Option of the Issuer (Clean-Up Call)*)). The Issuer may also, at its option, from (and including) 25 July 2027 to (but excluding) the Maturity Date, redeem all (but not some only) of the outstanding Notes, at their principal amount, together with interest accrued and unpaid thereon to the date fixed for redemption (see Condition 6.4 (*Redemption at the Option of the Issuer (3-Months Par Call)*)). Furthermore, the Issuer may, at its option and at any time from the Issue Date to (but excluding) 25 July 2027, redeem the Notes, in whole but not in part, at the Optional Redemption Amount (see Condition 6.2 (*Redemption at the Option of the Issuer (Make-Whole Call)*)). Noteholders may require the Issuer to redeem their Notes upon the occurrence of a Change of Control Event as described in Condition 6.6 (*Redemption at the Option of the Noteholders following a Change of Control Event*).

This Prospectus (the **Prospectus**) has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under Regulation (EU) 2017/1129, as amended (the **Prospectus Regulation**). The Central Bank only approves this Prospectus as meeting the standard of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the Issuer or of the quality of the Notes that are the subject of the Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Such approval relates only to Notes that are to be admitted to trading on the regulated market (the **Euronext Dublin Regulated Market**) of the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) or on another regulated market for the purposes of Directive 2014/65/EU, as amended, and/or that are to be offered to the public in any member state of the European Economic Area in circumstances that require the publication of a prospectus.

Application has been made to Euronext Dublin for the Notes to be admitted to its official list (the **Official List**) and trading on the Euronext Dublin Regulated Market. This Prospectus is valid until the date of admission of the Notes to trading on the Euronext Dublin Regulated Market. The obligation to prepare a supplement to this Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Prospectus is no longer valid. References in this Prospectus to the Notes being listed (and all related references) shall mean that, unless otherwise specified, the Notes have been admitted to the Official List and trading on the Regulated Market.

The Notes will be rated Baa3 by Moody's France SAS (**Moody's**) and BBB by Fitch Ratings Ireland Limited (**Fitch**). Each of Moody's and Fitch is established in the European Economic Area and is registered under the Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, Moody's and Fitch are 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. A 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 organisation.

The Notes will be held in dematerialised form on behalf of their beneficial owners, until redemption or cancellation by Monte Titoli S.p.A. (**Monte Titoli**), for the account of any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Notes have been accepted for clearance by Monte Titoli. The Notes will at all times be held in book entry form and title to the Notes will be evidenced by book entries, as described in further detail in Condition 1 (*Form, Denomination and Title*).

**An investment in Notes involves certain risks. Prospective investors should have regard to the factors described under the heading "Risk Factors" on page 7.**

*Arranger*

**Mediobanca**

*Joint Lead Managers*

**Bank of China**

**BNP PARIBAS**

**Crédit Agricole**

**HSBC**

**IMI – Intesa Sanpaolo**

**Mediobanca**

**UniCredit**

The date of this Prospectus is 21 October 2022

## IMPORTANT INFORMATION

This Prospectus constitutes a prospectus for the purposes of Article 6 of the Prospectus Regulation.

The Issuer accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Issuer has confirmed to the Joint Lead Managers named under "*Subscription and Sale*" below that this Prospectus contains all information which is (in the context of the issue, offering and sale of the Notes) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the issue, offering and sale of the Notes) not misleading in any material respect; and that all reasonable enquiries have been made to verify the foregoing.

This Prospectus is to be read and construed in conjunction with all documents which are incorporated herein by reference and form part of this Prospectus (see "*Documents Incorporated by Reference*").

The Joint Lead Managers (as described under "*Subscription and Sale*" below) have not independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Joint Lead Managers nor by any of their respective affiliates (including parent companies) as to the accuracy or completeness of the information contained or incorporated in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes. No Joint Lead Manager nor any of their respective affiliates (including parent companies) accepts any liability in relation to the information contained or incorporated by reference in this Prospectus or any other information provided by the Issuer in connection with the offering of the Notes or their distribution.

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 Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the Central Bank of Ireland.

No person is or has been authorised by the Issuer to give any information or to make any representation not contained in or consistent with this Prospectus or any other information supplied in connection with the offering of the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by the Issuer or any of the Joint Lead Managers.

Neither this Prospectus nor any other information supplied in connection with the offering of the 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 or any of the Joint Lead Managers that any recipient of this Prospectus or any other information supplied in connection with the offering of the Notes should purchase any Notes. Each investor contemplating purchasing any of the 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 Prospectus nor any other information supplied in connection with the offering of the Notes constitutes an offer or invitation by or on behalf of the Issuer or any of the Joint Lead Managers to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Prospectus nor the offering, sale or delivery of the Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the offering of the Notes is correct as of any time subsequent to the date indicated in the document containing the same. The Joint Lead Managers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Notes or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**). Subject to certain exceptions, the Notes may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Notes and on distribution of this document, see "*Subscription and Sale*" below.

This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Prospectus and the offer or sale of the Notes may be restricted by law in certain jurisdictions. The Issuer and the Joint Lead Managers do not represent that this Prospectus may be lawfully distributed, or that the 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 or the Joint Lead Managers which is intended to permit a public offering of the Notes or the distribution of this 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 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 Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the Republic of Italy) and the United Kingdom. See "*Subscription and Sale*" below.

**IMPORTANT – 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 point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or (ii) a customer within the meaning of Directive (EU) 2016/97 (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. 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 – 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 (the **EUWA**); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000, as amended (the **FSMA**) and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, 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 Prospectus Regulation 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 / Professional investors and and ECPs only target market** – Solely for the purposes of 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 defined in 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 manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

**UK MiFIR product governance / Professional investors and ECPs only target market** – Solely for the purposes of 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, 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 UK domestic law by virtue EUWA (**UK MiFIR**); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any distributor should take into consideration the manufacturers' 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 manufacturers' target market assessment) and determining appropriate distribution channels.

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.

The language of the Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

## CONTENTS

	<b>Page</b>
Important Information .....	3
Risk Factors .....	7
Documents Incorporated by Reference .....	57
Conditions of the Notes .....	58
Use of Proceeds .....	72
Description of the Issuer .....	73
Taxation .....	102
Subscription and Sale .....	111
General Information .....	114

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## RISK FACTORS

*The following are the risk factors relating to the Issuer and the Notes which prospective purchasers of the Notes should consider prior to making any investment decisions.*

*Words and expressions defined in " Conditions of the Notes" or elsewhere in this Prospectus have the same meaning in this section. Prospective investors should read the whole of this Prospectus, including the information incorporated by reference.*

*In purchasing the Notes investors assume the risk that the Issuer may be unable to make all payments due in respect of the Notes. There are a wide range of factors which, individually or together, could result in the Issuer becoming unable to make all payments due. It is not possible to identify all such factors, 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 Prospectus a number of factors that 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 purchasers of the Notes should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any investment decision.*

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

- 1. Risks relating to the Issuer's financial position;*
- 2. Risks relating to Snam's business activity and industry;*
- 3. Risks relating to Terna's business activity and industry;*
- 4. Risks relating to Italgas' business activity and industry; and*
- 5. Risks relating to the factors which are material for the purpose of assessing the market risks associated with the Notes.*

### **1. RISKS RELATING TO THE ISSUER'S FINANCIAL POSITION**

#### ***Dependence upon the financial performance of Snam, Terna and Italgas***

The Issuer is a holding company whose sole activity consists of the holding and management of its equity interests which represent 31.35 per cent. of the share capital of Snam S.p.A. (**Snam**) as at the date of Snam Base Prospectus (as defined below), 29.85 per cent. of the share capital of Terna – Rete elettrica nazionale S.p.A. (**Terna**) as at the date of Terna Base Prospectus (as defined below), and 26.02 per cent. of the share capital of Italgas S.p.A. (**Italgas**) as at the date of Italgas Base Prospectus (as defined below)<sup>1</sup>. As described in the sub-paragraph "*Business Areas*" set out in the paragraph "*Description of Snam*" of the "*Description of the Issuer*" section, as at the date of the Snam Base Prospectus (as defined below), Snam holds further equity interests, and among others, 13.5<sup>2</sup> per cent. of the share capital of Italgas. As a result, the financial performance

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<sup>1</sup> As at the date of this Prospectus the Issuer holds 26.01 per cent. of the share capital of Italgas.

<sup>2</sup> As at the date of this Prospectus Snam holds 13.48 per cent. of the share capital of Italgas.

## Risk Factors

of the Issuer and its liquidity depends on the ability of Snam, Terna and Italgas to make dividend payments or other distributions to their shareholders, which in turn depends on the financial condition and results of operations of those companies and their respective subsidiaries (respectively, the **Snam Group**, the **Terna Group** and the **Italgas Group**).

In addition, investors should note that, notwithstanding the percentage of share capital held by the Issuer in each of Snam, Terna and Italgas, none of these companies is subject to the management and coordination (*direzione e coordinamento*) of the Issuer pursuant to the provisions of Italian law. Consequently, the Issuer neither manages nor coordinates the businesses of each of Snam, Terna and Italgas and shall refer to the risk factors relating to each of the Snam Group, the Terna Group and the Italgas Group in order to ascertain the risks that may have an impact on their financial conditions and/or results of operations.

Any significant deterioration in the financial condition or results of operations of the Snam Group, the Terna Group and/or the Italgas Group can be expected to have a material adverse effect on the financial condition and results of operations of the Issuer.

### ***Risks connected to the Russia – Ukraine crisis***

In relation to the Russian-Ukrainian military conflict that broke out in February 2022, the tense situation generated at political and military level has led to significant effects and turbulence in markets, both on the financial front and in terms of prices and exports of commodities. Concerning the exposure to the risk profiles of the Issuer it should firstly be noted that the Issuer does not have any production activities or employees located in Russia or Ukraine, does not hold equity investments, including joint ventures, with Russian companies, and does not maintain commercial and/or financial relations with these countries. Also with reference to the tensions in the financial markets, the Issuer is not exposed to the exchange rate risk. In more general terms, however, it should be highlighted that, as the Issuer is a holder of significant equity investments, it is exposed to the risks typically associated with investee companies.

It should be noted however that, given its nature as a financial holding company, the performance and liquidity of the Issuer are conditioned not only by the market values of its investee companies, but also by the ability of subsidiaries to pay dividends (and by their dividend policies), which is in turn influenced by the financial performance and the profit or loss of the Snam Group, the Terna Group and the Italgas Group. Any impact on the economic and financial situation of the investee companies resulting from the continuation of the conflict, could, consequently, have negative effects on the financial performance and profit or loss of the Issuer.

For more details with respect to the impact of the Russia-Ukraine crisis on Snam and Terna, please see sub-paragraph “*Risks associated with the Ukraine War*” under paragraph “*Risks relating to Snam’s business activity and industry*” below, and sub-paragraph “*Sanctions risks associated with Terna Group’s transactions involving certain countries and activities*” under paragraph “*Risks relating to Terna’s business activity and industry*” below.

### ***Limits on the transfer of funds***

As discussed in paragraph “*Dependence upon the financial performance of Snam, Terna and Italgas*” above, the financial condition and results of operations of the Issuer depend on the inflow of sufficient funds from Snam, Terna and Italgas, in the form of distributable profits and dividends. This in turn depends not only on the ability of the Snam Group, the Terna Group and/or the Italgas Group to generate sufficient cash flows but also on whether they can overcome any legal and contractual restrictions on the payment of distributions to their shareholders. These may include regulatory restrictions preventing increases in tariffs or requiring the Snam Group, the Terna Group or the Italgas Group to make investments (for example, on the infrastructure which they are responsible for operating) and covenants in financing agreements restricting the amounts of dividends that may be paid. In addition, current and future taxation may reduce the amount of funds available to the Issuer.

## Risk Factors

Any inability to transfer sufficient funds to the Issuer may have a material adverse effect on the financial condition and results of operations of the Issuer and, in turn, on its ability to meet the payment obligations in respect of the Notes.

### ***Liquidity and funding risks related to the activity of the Issuer***

Due to its business activity, the Issuer is exposed to a possible liquidity risk in that it may be unable to meet payment obligations (or liquidate assets on the market) because it has insufficient cash at its disposal, which may also arise from matters outside its control such as a credit crisis or severe economic conditions. Moreover, there can be no assurance that the Issuer will be able to borrow from banks or in the capital markets to meet its payment obligations and/or to refinance its exposure (or it could be forced to sustain additional costs to meet such commitments). The materialisation of any of the above-mentioned events and the consequent inability to ensure sufficient liquidity, may have a material adverse effect on the financial condition and results of operations of the Issuer and on its ability to meet the payment obligations in respect of the Notes.

Access to the capital market and other forms of financing, and the associated costs, is also dependent on the Issuer's credit rating assigned by the rating agencies. A downgrade in its credit rating could limit the Issuer's access to the capital market and increase the cost of funding. This would negatively affect the Issuer's financial position and performance.

### ***Default risk and debt covenants***

Default risk and debt covenants relate to the possibility that loan agreements or bond rules to which CDP RETI is, or will be in the future, a party may contain provisions that entitle the counterparties to call in such loans or bonds immediately upon the occurrence of certain events, thereby generating a liquidity risk.

## **2. RISKS RELATING TO SNAM'S BUSINESS ACTIVITY AND INDUSTRY**

*The description of the risk factors relating to the business of Snam set out below is based on information set out in the Base Prospectus of Snam dated 29 November 2021 relating to its €12,000,000,000 Euro Medium Term Note Programme as supplemented by the relevant First Supplement dated 10 January 2022, the relevant Second Supplement dated 7 June 2022 and the relevant Third Supplement dated 6 September 2022 (together, the **Snam Base Prospectus**). All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Snam, no facts have been omitted which would render such reproduced information inaccurate or misleading. A copy of the Snam Base Prospectus is available on the website of the relevant company ([www.snam.it](http://www.snam.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

### ***Risks related to the business activities and industries of Snam and subsidiaries***

#### ***Regulatory and legislative risk***

Regulatory and legislative risk for Snam is closely linked to the regulation of activities in the gas sector. The decisions made by the Autorità di Regolazione per Energia Reti e Ambiente (the **ARERA**) and national regulatory authorities in the countries in which the foreign affiliates operate, the directives and regulatory provisions issued on the matter by the EU and the Italian Government and, more generally, a change to the reference regulatory framework, may significantly impact Snam's operations, economic results and financial balance. It is not possible to foresee the effect that future changes in legislative and fiscal policies could have on Snam's business and on the industrial sector in which it operates. Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context with regard to the criteria for determining reference tariffs may have a significant impact on Snam's operations, results, balance sheet and cash flow and, consequently, affect Snam's ability to meet its payments under the notes issued by it.

## Risk Factors

Regarding Snam's non-regulated activities related to energy transition, which, at present, are still very limited compared to revenues of regulated activities, they are closely linked to evolving legislation and incentive schemes, which may impact the evolution of the businesses.

### *Commodity risk linked to changes in the price of gas*

With reference to the risk connected with changes in the price of natural gas, pursuant to the regulatory framework currently in force, changes in the price of natural gas to cover fuel gas and network losses do not represent a significant risk factor for Snam, since all gas for its core activities is provided by Shippers (as defined below in the sub-paragraph "*Limited number of Shippers*" of this paragraph "*Risks related to the business activities and industries of Snam and subsidiaries*"). Similar hedges of risks are guaranteed by the regulations of countries where the foreign affiliates operate or by the related transportation contracts. However, in relation to transportation activities, the ARERA has defined, starting with the third regulatory period (2010-2013), procedures for payment in kind, by users of the service to the leading transportation company, of quantities of gas to cover unaccounted-for gas (UFG), due as a percentage of the quantities respectively injected into and withdrawn from the transportation network based on defined measure formulas. Specifically, the Authority, by means of Resolution no. 514/2013/R/gas, defined the permitted level of the UFG given the average value registered over the last two years, and decided to keep this amount fixed for the entire regulatory period in order to incentivise the main transmission system operator to deliver further efficiency improvements. For the relevant regulatory period, amounts of UFG higher than the permitted level would not be compensated. This criterion also was subsequently confirmed for the years 2018 and 2019 of the transition period. As part of the process of reviewing the criteria for determining the revenues recognised for the natural gas transportation and metering service for the fifth regulatory period (2020-2023), the Resolution no. 114/2019/R/gas also defined the criteria for the recognition of UFG. On the basis of these criteria, starting from 2020, acknowledgement of the quantities of gas required for self-consumption, network losses and UFG will take place in monetary terms in lieu of the recognition in kind by shippers. However, the change in natural gas prices will continue not to be a significant risk factor for Snam, as a mechanism will be envisaged to hedge the risk associated with the differences between the price recognised for the volumes of gas required for self-consumption, network losses and UFG and the effective price of procurement. With reference to the quantities recognised, Resolution no. 114/2019/R/gas confirmed the current criteria relative to gas for self-consumption and losses, while for UFG the level admitted will be updated once a year and will equal the average of the quantities effectively recorded in the last four years available.

In this regard, it should be noted that, as part of the dialogue established with the ARERA with Resolution no. 291/2020/R/gas the higher costs incurred in 2018 and 2019 have been recognised, to the extent that the increase in UFG is derived from operations carried out by Snam in order to improve the quality and reliability of gas metering in some entry points. The resolution has also started a procedure for the refinement of the UFG recognition criteria for the period 2020-2023 (5PRT), aimed at strengthening their coherence and stability providing that the incentive force of the mechanism is determined on the basis of predefined unitary fees proportionate to remuneration of the metering service, instead of the price of gas, applied to volumes of UFG in excess or in defect compared to those approved by tariffs. In December 2020 the Resolution no. 569/2020/R/gas introduced an incentive mechanism relating to the difference between the UFG recognised for a year and the UFG effectively recorded in the same year. The economic incentive is calculated by applying a unitary fee, equal to 3.3 €/MWh (3.5 c€/smc), to the difference between the actual and the recognised UFG, with a cap set at the value of the metering service remuneration.

Notwithstanding the clarity provided by the aforementioned mechanism for the payment of UFG, some degree of volatility remains regarding the difference between the UFG recognised for a year and the UFG effectively recorded in that same year.

In general, the change in the regulatory framework on the recognition of quantities of natural gas to cover self-consumption, network losses and UFG could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. With Resolution no. 474/2019/R/gas, published on 21 November 2019, the ARERA defined the tariff criteria for the fifth regulatory period for the regasification business (1 January 2020

## Risk Factors

– 31 December 2023). With respect to the tariff structure, 100 per cent. of the total revenue is allocated to the capacity component. Around 64 per cent. of the revenues are guaranteed through a revenue coverage factor.

### *Market risk*

With reference to the risk associated with demand for gas, based on the tariff system currently applied by the Authority to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes transported. The ARERA, however, introduced a guarantee mechanism with respect to the share of revenues related to the volumes transported. This mechanism provides for the reconciliation of major or minor revenues, exceeding  $\pm 4$  per cent. of the reference revenues related to the volumes transported. Under this mechanism, approximately 99.5 per cent. of total revenues from transportation activities are guaranteed. This mechanism has also been confirmed for the fifth regulatory period, by Resolution no. 114/2019/R/gas. Based on the tariff system currently applied by the Authority to natural gas storage activities, Snam's revenue, via Stogit S.p.A. (**Stogit**), correlates to infrastructure usage. However, the Authority has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. For 2018 and 2019, the minimum guaranteed level of revenues recorded was approximately 97 per cent.. By Resolution no. 419/2019/R/gas of 23 October 2019, the ARERA confirmed and strengthened the guarantee mechanism for the fifth regulatory period (2020-2025), which provides a 100 per cent. coverage of the reference revenues. In general, the change to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, market risk protection is afforded by French and Greek regulation, and by long-term contracts for TAP and in Austria and France (with different expiries for TAG, Gas Connect and for Teréga starting from 2023) and for Adnoc Gas Pipeline (20 years' tariff-based rights) in the United Arab Emirates. In Austria and the UK (in relation to Interconnector), the regulation does not guarantee coverage of the volume risk; finally, in Egypt (in relation to East Mediterranean Gas Company (EMG)) there is no coverage of the volume risk.

### *Risk of climate change*

Compliance with greenhouse gas regulations in the future may require Snam to adjust its facilities, and to control or limit its greenhouse gas emissions or undertake other actions that could increase the costs of complying with applicable laws and therefore have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

The risks associated with the emissions market fall within the scope of the EU Directives on the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants. With the start of the fourth period of the EU emissions trading system and the regulation (2021 – 2030), representing an additional evolution of the European emission trading system (**ETS**), the updating of the sector regulations has had as its main objective the authorisations for emitting greenhouse gases and a constant reduction of the quotas on emissions released free of charge. The main principles and mechanisms stay unchanged, accordingly to the previous regulation period. However, the allowances assigned to each plant will no longer be constant but gradually decreasing over the years and will also depend on the actual functionality of the plants. The allowances assigned free of charge to Group plants no longer suffice to comply with the regulatory conformity obligations relative to ETS mechanisms, hence Snam will procure the additional allowances required on the market.

By Resolutions no. 114/209/R/gas of 28 March 2019, 419/2019/R/gas of 23 October 2019 and 474/2019/R/gas of 19 November 2019, the ARERA defined the regulatory criteria for the fifth regulatory period respectively of the natural gas transportation and metering service (2020-2023), the storage service (2020-2025) and the

## Risk Factors

regasification service (2020-2023). In particular, these resolutions envisage the recognition of costs relating to the ETS.

Climate change scenarios could lead to a change in population behaviour and could have an impact on natural gas demand and transport volumes, just as they could affect the development of alternative uses of gas, encourage greater use of renewable gases (biomethane, synthetic methane and hydrogen) and the promotion of new business.

Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations), causing worsening of the natural and hydrogeological conditions of the territory with a possible impact both on the quality and continuity of the service provided by Snam, and on the demand for Italian and European gas. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see the previous paragraph “*Market risk*”.

In relation to the global climate agreements (COP21 in Paris 2015, COP22 in Marrakesh in 2017 and the subsequent COP agreements) and in particular to the European decarbonisation goals (climate neutrality by 2050), aimed at encouraging the transition towards a more sustainable economy that favours zero-emission energy sources, Snam may envisage regulatory and legislative risk related to the possible implementation of increasingly stringent regulations at European and national level.

On 14 October 2020, the European Commission published an “EU strategy to reduce methane emissions” to slow down climate change as well as to improve air quality. The strategy outlines a comprehensive policy framework combining concrete cross-sectoral and sector-specific actions within the EU, as well as promoting similar actions internationally. In the Energy sector, the Commission intends to deliver legislative proposals by the end of 2021/beginning of 2022 on: (i) compulsory measurement, reporting, and verification (MRV) for all energy-related methane emissions, based on the Oil and Gas Methane Partnership (**OGMP 2.0**) methodology; (ii) the obligation to improve leak detection and repair (LDAR) of leaks including venting and flaring limitations on all gas infrastructure, as well as any other infrastructure that produces, transports or uses fossil gas, including as a feedstock, venting and flaring limitations.

Matters connected with climate change may also heighten the awareness of public opinion and the various stakeholders, altering the perception of Snam with possible impacts on Group results and investor behaviour.

In order to pre-empt EU policy’s targets and further improve the positive perception of stakeholders, Snam has set quantitative and qualitative targets aimed at reducing the carbon footprint of its industrial activities down to 50 per cent. in 2030 and to achieve carbon neutrality in 2040 (Scope 1 and 2), including a specific target on methane increased at -55 per cent. by 2025 vs. 2015 compared to the previous target of -45 per cent.. The latter is more ambitious than both the OGMP 2.0 recommended target (-45 per cent. at 2025 vs. 2015) and the Global Methane Pledge target (-30 per cent. at 2030 vs. 2020). This commitment is also aligned with the Snam overall goal to become Net Zero Carbon by 2040. Snam also has a target to recover every year at least 40 per cent. of natural gas that can be potentially emitted from maintenance activities of the transmission system.

### *Ownership of storage concessions*

The risk linked to maintenance of the ownership of the storage concessions is attributable by Snam to the business in which the subsidiary Stogit operates on the basis of concessions issued by the Ministry of Ecological Transition (formerly known as the Ministry of Economic Development). Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed a maximum of two times, in each case for a duration of ten years. With regard to these concessions, Stogit has submitted – within the statutory terms - the extension request to the Ministry of Economic Development. The extensions for the concessions in Brugherio, Ripalta,

## Risk Factors

Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022.

With respect to the Alfonsine concession, the relevant proceeding is still pending before the Ministry of Ecological Transition (formerly Economic Development) and Snam's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures that are in progress, as envisaged by the original authorisation, which will be extended automatically on expiry until the completion of such proceedings. One concession (Fiume Trieste) will expire in June 2022 and has already been renewed for the first ten-year extension period in 2011. Furthermore, a request for the second ten-year extension was submitted on 18 May 2020; another concession (Bordolano) will expire in November 2031 and can be extended for a further ten years<sup>3</sup>. If Snam is unable to retain ownership of one or more of its concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on Snam's operations, results, balance sheet and cash flow.

### *Malfunction and unexpected service interruption*

Operating risks consist mainly of the malfunctioning and unforeseen interruption of the service determined by accidental events, including accidents, breakdowns or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people, with potential compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

### *Delays in the progress of infrastructure implementation programmes*

There is also the concrete possibility that Snam could incur delays in the progress of infrastructure construction programmes as a result of several unknowns linked to operating, economic, regulatory, authorisation and competition factors, regardless of its intentions. Snam is therefore unable to guarantee that the projects to upgrade, extend and maintain its network will be started, completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer timeframes than those originally planned, affecting Snam's financial position and economic results.

Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

### *Environmental risks*

Snam and the sites in which it operates are subject to laws and regulations relating to pollution, environmental protection, and the use and disposal of hazardous substances and waste. Snam has implemented the reference international standards for environmental and quality management systems ISO 14001 and ISO 9001 and adopts best available technologies to ensure compliance with environmental laws, regulations and best practices. These laws and regulations, however, expose Snam to potential costs and liabilities related to the

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<sup>3</sup> The Stogit concessions issued before the coming into force of Italian Legislative Decree no. 164/2000 can be extended by the Ministry of Economic Development up to twice for a term of ten years each time, in accordance with art. 1, paragraph 61 of Italian Law no. 239/2004. Pursuant to Article 34 paragraph 18 of Italian Decree Law no. 179/2012, converted by Italian Law no. 221/2012, the duration of the only Stogit concession issued after the coming into force of Italian Legislative Decree no. 164/2000 (Bordolano) is thirty years with the possibility of an extension for another ten years.

## Risk Factors

operation and its assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate corrective actions and shared responsibility and are therefore difficult to estimate.

Snam cannot predict if and how environmental regulations and laws may over time become more binding and cannot provide assurance that future costs to ensure compliance with environmental legislation will not increase or that these costs can be recovered within the tariff's mechanism or the applicable regulation. Substantial increases in costs related to environmental compliance and other aspects related to it and the costs of possible sanctions could negatively impact the business, operating results and financial and reputational aspects.

### *Risk linked to foreign holdings*

Foreign investment companies owned by Snam may be subject to regulatory/legislative risk, under conditions of social and economic political instability, to market risk, cyber security, credit and financial risk and other risks typical of the business of transportation and storage of natural gas highlighted for Snam, such as to adversely affect its activities, economic results and the equity and financial situation. This can have negative impacts for Snam on the contribution towards the profits generated by such investments.

### *Cybersecurity*

Snam carries out its activities through a complex technological architecture relying on an integrated model of processes and solutions capable of promoting the efficient management of the entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, require increasing attention to be focused on aspects of cybersecurity.

For this reason, Snam has developed its own cybersecurity strategy based on a framework defined in accordance with standard principles on the subject and focusing constant attention on Italian and European regulatory developments, especially as far as the world of critical infrastructures and essential services is concerned.

A failure to prevent and/or guarantee prompt remediation against any cybersecurity-related attack may have an adverse impact on Snam's business, results of operations and financial condition and, as a result, its ability to meet its obligations under the notes issued by it.

### *Risks relating to dependence on authorisations in relation to the transport business*

The gas transportation business of Snam Rete Gas S.p.A. (**Snam Rete Gas**) and Infrastrutture Trasporto Gas S.p.A. (**ITG**) is not carried out under a concession regime; however, the construction and operation of new transportation infrastructures are dependent on authorisations mainly granted pursuant to Articles 52-bis to 52-nonies of the Presidential Decree (*Decreto del Presidente della Repubblica*) No. 327 of 8 June 2001 on energy infrastructures.

Pursuant to general principles of administrative law, such authorisations may be revoked by the competent authorities if there are justified grounds for doing so, for overriding reasons of public interest or if there is a change in the situation of fact or a further assessment by the competent authorities of the original public interest. Any such revocation must be adequately described and explained and justified in the relevant decision of the competent authority and in any such case, the affected party is entitled to receive an indemnification amount for any liability incurred. The revocation of any such authorisations may cause operational problems and delays in ongoing projects and operations. Such authorisations may not be given within the terms provided by law due to delays caused by the relevant authorities involved in the process. Furthermore, it should be noted that any such authorisations could also be subject to legal proceedings by private citizens or the competent

## Risk Factors

local authority. As of the date of the Snam Base Prospectus, no authorisation granted to Snam Rete Gas and ITG has been revoked.

### *Limited number of Shippers*

Snam provides its services to a limited number of users of the gas system, referred to as shippers (**Shippers**). Shippers purchase natural gas from producers, importers or other Shippers and sell it to other Shippers or to final users, including electrical production facilities and industrial plants, which in turn are typically directly connected to the transportation system, or to residential and commercial consumers, which are connected to local distribution networks. Shippers use transportation, dispatching, liquid natural gas (**LNG**) regasification and storage services. The existing regulatory framework gives Shippers who satisfy the necessary requirements the right to access the above-mentioned natural gas infrastructure. This right corresponds to an obligation of the operators of the infrastructure to agree to the necessary contracts pursuant to which Shippers are granted access, on the terms and conditions approved by the ARERA.

The Snam Group's major Shipper customers with regard to the transportation, regasification and storage business are ENEL S.p.A. (and its subsidiary) and ENI S.p.A.

A failure or delay of any of these major Shipper customers, whose contracts generated approximately 73 per cent. of the core business revenue of the natural gas transportation business in 2020, to meet their payment obligations could have a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

### *Risk of increasingly high levels of corporate income taxes*

The energy industry is subject to the payment of royalties and income tax which tend to be higher than those payable in many other commercial activities.

Any adverse changes in the income tax rate or other taxes or charges applicable to the Snam Group would have a negative impact on Snam's future results of operations and cash flows. This may have an adverse effect on Snam's ability to pay interest on the notes issued by it or to repay such notes in full at their maturity.

The Snam Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities. On 2 December 2019, Snam and Snam Rete Gas were admitted to the collaborative compliance regime laid out by Legislative Decree no. 128 of 5 August 2015 (so-called "*cooperative compliance*"). The regime enables continuous and preventive dialogue with the Italian tax agency and reflects the constant application of the principles of fairness, transparency and awareness of the fulfilment of the tax obligation defined in the "Tax Control Framework – Tax Strategy" guidelines. These guidelines define the company's policy concerning taxation and are available in an extract on the web page [www.snam.it/en/Sustainability/snam\\_commitments/tax\\_policy.html](http://www.snam.it/en/Sustainability/snam_commitments/tax_policy.html).

### *Risks relating to competition*

As at the date of the Snam Base Prospectus, the Snam Group holds a leading position in the regulated natural gas business in Italy.

In its gas transportation business, Snam Rete Gas does not currently have significant competitors and while there are no regulatory barriers to entry into the gas transportation market, in practice, the construction of a competing network of pipelines would entail substantial investment and lead times.

As regards LNG regasification, GNL Italia S.p.A. (**GNL Italia**) is currently the third-largest operator (3.5 billion cubic metres capacity per year) in the Italian market of LNG regasification in terms of capacity.

In addition to GNL Italia, Snam owns a 49.07 per cent. stake in the share capital of OLT Offshore LNG Toscana S.p.A. (**OLT**), the company which has built and manages the offshore regasification terminal (FSRU

## Risk Factors

– Floating Storage and Regasification Unit) located about 22 km off the Tuscan coast between Livorno and Pisa. With a maximum annual regasification capacity of 3.75 billion cubic metres, OLT is the second-largest LNG terminal in Italy.

In addition, Snam owns 7.3 per cent. of the capital of Terminale GNL Adriatico S.r.l., which is the largest offshore gravity-based structure for LNG unloading, storing and regasification and the largest LNG terminal in Italy.

With respect to the storage business, Stogit is one of three storage operators currently active in Italy and in 2020 its operations represented approximately 94 per cent. of the total capacity in Italy for natural gas storage.

Snam's failure or inability to respond effectively to competition could adversely impact Snam's growth prospects, future results of operations and cash flows.

Risk relating to competition also applies to new businesses carried out by the Snam Group.

### *Risks relating to future acquisitions/equity investments*

Any joint investments realised under joint-venture agreements and any other future investments in foreign or domestic companies may result in increased complexity of the Snam Group's operations and there can be no assurance that such investments will be properly integrated with Snam's quality standards, policies and procedures to achieve consistency with the rest of Snam and the Snam Group's operations. The process of integration may require additional investment and expense. Failure to integrate investment successfully could have a materially adverse effect on Snam's business, financial condition and results of operations which could have an adverse impact on Snam's ability to meet its obligations under the notes issued by it.

Moreover, the value of the investments made or in the process of being made by Snam abroad, in companies operating in the gas transportation, storage and regasification sector, might be negatively affected by the non-certification by the relevant national regulatory authority of the target company.

Finally, failures by the participated companies in achieving positive financial performances might have an impact on Snam's results of operations and therefore on its ability to meet its obligations under the notes issued by it.

### *Implementing the objectives in its strategic plan*

On 29 November 2021, the Board of Directors of Snam approved the strategic plan, which sets out the strategic lines and objectives of the Snam Group for a period of four years, from 2021 to 2025. The strategic plan was announced to the market on 29 November 2021.

The strategic plan contains, and was prepared on the basis of, assumptions and estimates relating to future trends and events that may affect the sector in which it operates, such as estimates of demand for natural gas in Italy over the medium to long term and changes in the applicable regulatory framework. If the events and circumstances projected or estimated to occur by the Board of Directors when preparing the strategic plan should not occur, including the evolution of the regulatory framework, future business, cash flow and results of operations of the Snam Group could be materially different from those envisaged in the strategic plan.

Furthermore, Snam's historical consolidated financial and operational performance may not be indicative of Snam's future operating and financial performance. There can be no assurance of Snam's continued profitability in future periods.

### *Potential impact relating to energy transition business activities*

As climate change shows the concrete effects of global warming, the energy world is facing momentous transformation. Without prejudice to the company's commitment to the core business of regulated activities

## Risk Factors

of transportation, storage and regasification of natural gas, Snam is increasingly investing in activities related to energy transition (in particular, transport and management of renewable energies, such as biomethane and hydrogen, construction and management of plants related to sustainable mobility and energy efficiency).

In this context, and with particular reference to the Snam Group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electrical technologies, and/or delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs; the delay or non-implementation of investments (infrastructures, projects, new acquisitions) as a result of uncertainties related to operational, economic, regulatory, authorisation, competitive and social factors; and the failure to develop the hydrogen market with reference to the value chain that should feed the infrastructure. Finally, the possibility of an evolution of the regulatory framework in favour of intermittent energy sources and at the same time penalising the development of the renewable gas market should be considered. These factors may in fact penalise the achievement of the development objectives of the aforementioned activities and, more generally, the opportunity for Snam to benefit from the new mega-trends of the energy transition.

### *Risks related to modifications in capital investments*

Investment projects may stand still or be delayed due to difficulties in obtaining environmental and/or administrative authorisations, opposition from political groups or other form of organisations, or may be influenced by variations in the price of equipment, materials and labour, changes in the political or regulatory frameworks during construction and by the inability to raise funds at acceptable interest rates. Such delays could have an adverse effect on Snam and the Snam Group's business, financial condition and results of operations which could have an adverse impact on Snam's ability to meet its obligations under the notes issued by it.

### *Employees and staff in key roles*

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. Loss of "key" personnel or inability to attract, train or retain qualified personnel (in particular for technical positions where the availability of appropriately qualified personnel may be limited), or situations in which the ability to implement long-term business strategy is negatively influenced due to significant disputes with employees, could have an adverse effect on business, financial conditions and operating results.

### ***Risks relating to macroeconomic conditions***

#### *Macroeconomic and geopolitical risk*

Because of the specific nature of the business in which Snam operates, there are also risks associated with political, social and economic instability in natural gas supplier countries, mainly related to the gas transportation segment. A large part of the natural gas transported in the Italian national transport network is imported from or passes through countries included in the MENA area (Middle East and North Africa, in particular Algeria, Tunisia, Libya and, from a TANAP-TAP perspective, Turkey, together with States bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), national situations which are subject to political, social and economic instability and which could constitute potential future crisis scenarios, particularly with respect to the Russian Federation and Ukraine following the conflict between these countries started on 24 February 2022.

In particular, the importation and transit of natural gas from/through these countries are subject to a wide range of risks, including: terrorism and common crime; alteration of the political-institutional balance; armed conflicts; socio-economic and ethno-sectarian tensions, unrest and disturbances; deficient legislation on insolvency and protection of creditors; limits on investment and on the import and export of goods and

## Risk Factors

services; introduction of and increases in taxes and excise duties; forced imposition of contract renegotiations; nationalisation of assets; and changes in trade policies and monetary restrictions.

If a Shipper using the transportation service via Snam's networks cannot procure or transport natural gas from/through the aforementioned countries because of said adverse conditions, or in any way suffers from said adverse conditions, or to an extent so as to make it impossible or discourage the fulfilment of its contractual obligations towards Snam, this could have negative effects on the Snam Group's operations, results, balance sheet and cash flow and, consequently, affect Snam's ability to meet its payments under the notes issued by it.

### *Risks associated with the Ukraine War*

With regard to significant events after the end of the financial year, the Russian-Ukrainian conflict escalated, culminating in an attack on Ukraine territory by the Russian Federation on 24 February 2022.

Italy and Europe import from Russia a significant part of their requirement of gas and, to a lesser extent, oil. Until 2021 the volume of gas imported in Italy from Russia amounted to about 30 billion standard cubic metres a year, or about 38% of the national overall consumption. As of the date of the Snam Base Prospectus, uncertainty and fears of possible supply implications, also connected to the significant reduction of gas flows from Russia started from June 2022 even if without total disruptions, are triggering a very significant increase in gas prices.

Snam is not active in the Russian market and does not hold investments in Russian companies, including joint ventures. Trans Austria Gasleitung GmbH (joint control) and Gas Connect Austria GmbH (associate company) are the foreign affiliates of Snam with the greatest exposure to the transportation of Russian gas supplies.

As of the date of the Snam Base Prospectus, the flows to Austria continue without disruptions even if with some reduction in flow. However, in the event of any prolonged interruption of imports and/or the cancellation of existing long term transportation contracts (partly covered by bank guarantees) such foreign affiliates may reduce their economic contribution to the Snam Group which may cause a negative impact on the valuation of the respective Snam's holdings in such companies.

At the same time, in Italy as well as in Europe, a process is underway to decrease dependence from Russian gas with the consequent diversification of import sources and the identification of other routes for gas supply. In this context, Snam is committed to increasing the national regasification capacity, as well as to guaranteeing the conditions for filling the storages for the next delivery campaign (1 November - 31 March) and preparing the appropriate emergency measures to be activated if necessary.

### *Risks associated with the coronavirus (COVID-19) pandemic*

The evolution of the pandemic linked to the spread of SARS-CoV-19, if not adequately contained, may continue to have significant health, social and economic consequences worldwide.

In addition to the worsening global macroeconomic scenario and the risk of deterioration in the credit profile of a considerable number of countries (including Italy), the risk of slowdowns in many commercial activities persists due to negative impacts on supply chains, commodity prices, flows and capital demand.

There is also significant uncertainty in financial markets both nationally and internationally with potential impacts on the business environment.

Snam, which has taken protective measures since 21 February 2020, has equipped itself to take all the necessary steps to protect the safety of its people, both in compliance with the lock-down measures and by taking further precautions.

In particular, Snam has set up an inter-functional team to manage the situation, with two fundamental objectives: the health and safety of its people and the continuity of the essential energy security service for the

## Risk Factors

country.

As early as 24 February 2020, Snam had already ordered working from home for workers whose activities did not require physical presence in the workplace, without prejudice to the necessary supervision of operational activities in the area and those relating to the dispatching of San Donato Milanese, the heart of Snam's infrastructure. As far as the construction activities Snam, also involving its suppliers, has taken all appropriate precautionary measures for avoiding the spread of the infection in its working sites.

With the gradual resumption of Snam's activities, subject to ongoing changes in government guidelines over the recent period and in line with the indications and provisions of the competent authorities, criteria and measures aimed at protecting the health and safety of workers in the workplace have been defined as a priority.

These criteria and measures are updated according to the indications that are progressively communicated by the Institutions and Health Authorities, as well as according to the results of the monitoring of the measures adopted and the health status of the workers that will be carried out by the competent figures.

Expectations regarding the management of the COVID-19 pandemic in Italy confirm a progressive easing of restrictive measures linked to the vaccination campaign against the virus, albeit accompanied by concerns about the spread of variants, which could result in slowdowns in the process of normalisation of the domestic and international economic backdrop.

Snam continues to focus on measures that will ensure safety in its control rooms, plants and local offices, so as to guarantee regular operations and energy security in the country.

Based on the information available as of the date of the Snam Base Prospectus, the impact on the economic and financial results is expected to be limited overall at the end of 2022 by Snam. Any additional further impacts on the Snam Group's economic/financial performance and on its equity situation, as well as on business development plans, will be evaluated in light of the evolution and duration of the pandemic, both in Italy and abroad. The same remarks also apply to possible impacts on development initiatives and on suppliers and clients, as well as on the assets held by the Snam Group outside Italy, in particular in France, Austria, Greece, Albania and the United Kingdom.

### *Exchange rate risk*

Snam's exposure to exchange rate risk relates to both transaction risk and translation risk. Transaction exchange rate risk is generated by the conversion of trade or financial receivables (payables) into currencies other than the functional currency and is caused by the impact of unfavourable exchange rate fluctuations between the time that the transaction is carried out and the time it is settled (collection/payment). Translation exchange rate risk relates to rate fluctuations in the exchange rates of currencies other than the consolidation currency (the euro) which can result in changes to consolidated shareholders' equity. Snam's risk management system aims to minimise transaction exchange rate risk through measures such as the use of derivative financial instruments. It cannot be ruled out that significant future changes in exchange rates may generate negative effects on the Snam Group's operations, balance sheet and cash flow, irrespective of the policies for hedging the risk resulting from exchange rate fluctuations through the financial instruments on the market put in place by Snam.

Snam's exposure is currently limited with regard to transaction risk, while there is still exposure to translation risk with regard to certain foreign investees that prepare their financial statements in currencies other than the euro. At present, it has been decided not to adopt specific hedging policies for these exposures. For instance, it should be noted that the effects of exchange rate differences deriving from the difference in translation into

## Risk Factors

currency presentation (euro) of the functional currencies of these companies are recognised in the comprehensive income statement.

Snam does not take out currency derivatives for speculative purposes.

Snam's exposure to exchange rate risk is mainly related to its indirect investment (through SPVs) in ADNOC Gas Pipeline and East Mediterranean Gas Company (EMG), as defined below (euro/US dollar exchange rate risk).

### *Risks associated with the UK's withdrawal from the EU (Brexit)*

On 23 June 2016, in a public referendum, the UK voted to leave the EU (**Brexit**). On 29 March 2017, by formal notice of the British Prime Minister, the UK triggered official exit negotiations with the EU. In accordance with Article 50 of the Lisbon Treaty, the EU negotiated a withdrawal agreement with the UK. On 24 January 2020, it was announced that the government of the UK and the EU had executed and entered into a withdrawal agreement (the **Withdrawal Agreement**). On 29 January 2020, the European Parliament voted to consent to the Withdrawal Agreement, and on 30 January 2020, the European Council adopted, by written procedure, the decision on the conclusion of the Withdrawal Agreement on behalf of the EU.

On 31 January 2020, the UK withdrew from the European Union. According to Articles 126 and 127 of the Withdrawal Agreement (approved by the European Parliament on 29 January 2020), the UK entered an implementation period during which it negotiated its future relationship with the European Union. During this implementation period – which operated until 31 December 2020 – European Union law continued to apply in the United Kingdom. On 24 December 2020, the EU and UK announced the reaching of an agreement on a trade and cooperation agreement (the **TCA**).

Although the TCA provides a structure for EU and UK cooperation in the future, it may lead to further or reduced cooperation in different areas. As the impact of the TCA begins to unfold and as a result of the ongoing political uncertainty as regards the structure of the future relationship between the UK and the EU, the precise impact on the business of Snam, including as a result of the TCA, is difficult to determine. As such, no assurance can be given that such matters would not adversely affect the ability of Snam to satisfy its obligations under the notes issued by it and/or the market value and/or the liquidity of such notes in the secondary market.

### ***Credit and liquidity risks***

#### *Credit risk*

Credit risk is Snam's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the financial balance and results of Snam. For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any possible disputes is handled by the business units and the centralised Snam departments.

Snam's regulated activities currently represent almost the entirety of its revenues. Snam provides its business services to 230 operators in the gas sector, taking into account that the top 10 operators represent approximately 67% of the entire market (Eni, Edison and Enel Global Trading in the top three places). The rules for client access to the services offered are established by Authorities and set out in the Network Codes. For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in selling and providing said services and contain contractual conditions, which significantly reduce the risk of customer default. The Network Codes require guarantees in coverage of the commitments assumed. In specific

## Risk Factors

cases, if the customer has a credit rating issued by major international organisations, the issue of these guarantees may be mitigated.

Snam's maximum exposure to credit risk at 30 June 2021 is represented by the carrying amount of the financial assets shown in the financial statements commented in Note 5 "Trade and other receivables".

Snam may, however, incur liabilities and/or losses from the failure of its clients to comply with payment obligations, partly because of the current economic and financial situation (in particular following the recent COVID-19 crisis), which makes the collection of receivables more difficult and more important.

### *Liquidity risk*

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that Snam may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect economic results should Snam be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten Snam's future as a going concern.

Under the financial plan, Snam's risk management system aims to establish a financial structure that, in line with the business objectives, ensures sufficient liquidity for the Snam Group, minimising the relative opportunity cost and maintaining a balance in terms of duration and composition of debt.

As shown in the "*Interest rate risk*" paragraph below, Snam had access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the European Investment Bank (**EIB**) bonds and Commercial Papers).

Snam's objective is to maintain a debt structure that is balanced in composition between bonds and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

At 30 June 2021, Snam had unused committed long-term credit lines of approximately €3.35 billion, of which €150 million related to the framework loan signed with the EIB in June. In addition, at the same date, Snam had a Euro Medium Term Notes (**EMTN**) programme, for a maximum total nominal amount of €11 billion, of which approximately €8.7 billion had been drawn, and a Euro Commercial Paper Programme, for a maximum total nominal amount of €2.5 billion, fully drawn at 30 June 2021.

Snam cash and cash equivalents mainly related to current accounts and bank deposits that are readily collectable.

Although the Snam Group entertains relations with diversified counterparties of high credit standing, on the basis of a policy for the active management and continuous monitoring of its credit risk, the default of an active counterparty or difficulty in liquidating assets on the market may have negative effects on the assets and balance sheet situation of the Snam Group.

As of 31 December 2021, Snam had unused committed long-term credit lines of approximately 3.35 billion euros, of which 150 million euros related to the framework loan signed with the EIB in June. In addition, at the same date, Snam had a Euro Medium Term Notes (EMTN) programme for a maximum total nominal amount of 12 billion euros, of which approximately 8.7 billion euros had been drawn, and a Euro Commercial Paper Programme (ECP) for a maximum total nominal amount of 2.5 billion euros, fully drawn as of 31 December 2021.

Snam cash and cash equivalents mainly related to current accounts and bank deposits that are readily available.

Although the Snam Group entertains relations with diversified counterparties of high credit standing, on the basis of a policy for the active management and continuous monitoring of its credit risk, the default of an active

## Risk Factors

counterparty or difficulty in liquidating assets on the market may have negative effects on the assets and balance sheet situation of the Snam Group.

### *Risk of acceleration*

The risk of acceleration consists of the possibility that the loan contracts which have been concluded contain provisions that provide the lender with the ability to activate contractual protections that could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk.

As of 31 December 2021, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Part of such contracts provide, inter alia, for certain commitments customary in international practice, some of which are subject to specific materiality thresholds, such as: (i) negative pledge pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets and shares; (ii) *pari passu* and change of control clauses; (iii) limitations on certain extraordinary transactions that Snam and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

The bonds issued by Snam as of 31 December 2021 provide covenants that reflect international market practices regarding, inter alia, negative pledge and *pari passu*.

Failure to comply with these covenants, and the occurrence of other events, such as cross-default events, could trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees, if Snam's rating is lower than BBB (S&P/Fitch) or Baa2 (Moody's) for at least two of the three rating agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on the Snam Group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues. There are no covenants among these commitments that provide for compliance with ratios of an economic and/or financial nature.

### *International financial markets*

In the recent years several governments, international and supranational organisations and monetary authorities have put in place a number of actions to increase liquidity in financial markets, in order to boost global gross domestic product growth and mitigate the possibility of default by certain European countries on their sovereign debt obligations. It remains difficult to predict the effect of the potential easing of these measures on the economy and on the financial system. As a result, Snam's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of Snam and the Snam Group may be adversely impacted and costs of financing may significantly increase. This could materially and adversely affect the business, results of operations and financial condition of Snam, with a consequent adverse effect on the market value of the notes issued by it and Snam's ability to meet its obligations under such notes.

## ***Risks relating to Snam's credit ratings***

### *Rating risk*

Snam's long term rating is: (i) Baa2 with negative outlook, following the rating affirmation and the outlook change from stable to negative on 9 August 2022 by Moody's Investor Services (**Moody's**); (ii) BBB+ with stable outlook, following the rating affirmation and the outlook change from positive to stable on 29 July 2022 by Standard & Poor's Global Rating (**S&P**); (iii) BBB+ with stable outlook, confirmed on 11 February 2022 by Fitch Ratings (**Fitch**). Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade

## Risk Factors

of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam's current rating.

The company's short-term rating, used under the scope of the Snam commercial paper programme, is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Generally, a credit rating assesses the creditworthiness of an entity and informs an investor about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings either by Moody's and/or S&P and/or Fitch may increase borrowing costs or even jeopardise further issuance. The prices of the existing bonds may deteriorate following a downgrade.

Any downgrades in the rating assigned to the Snam Group could limit the possibility of accessing the capital markets and increase the cost of raising funds and/or refinancing existing debt, with negative effects on the Snam Group's operations, results, balance sheet and cash flow.

### ***Legal risks***

#### *Legal and non-compliance risk*

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations with which Snam must comply in relation to the activities it carries out. While Snam has implemented a number of strategies aimed at preventing any such non-compliance, the violation of the rules and regulations may result in criminal, civil, tax, and/or administrative sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation. With reference to specific cases, *inter alia*, violation of regulations protecting the health and safety of workers and of the environment, and violation of the rules established for the fight against corruption, may also lead to sanctions, even substantial, against Snam based on the administrative liability of the entities (Legislative Decree 231 of 8 June 2001).

#### *Legal proceedings*

Snam is involved in judicial proceedings arising from its ordinary business activities. In addition, criminal investigation proceedings involving Snam and certain members of management are being pursued.

On the basis of the current status of the investigation and on the basis of advice from legal counsel, management does not believe it is possible to predict whether any resulting proceedings will have an economic impact on Snam and, if so, what its extent would be.

If such proceedings were to be resolved unfavourably for Snam, there may be a material adverse effect on its business, cash flow, financial condition and results of operations.

Although Snam has made accounting provisions with respect to pending judicial proceedings, in accordance with its applicable policies, the variability in the outcomes of the existing judicial proceedings may determine a situation in which the provisions set aside may not be sufficient to cover the relevant losses. As a consequence, if future losses arising from the pending judicial proceedings are materially in excess of the

## Risk Factors

provisions made, there may be a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

### ***Risks relating to inflation/deflation, interest rate risks***

#### *Inflation/deflation risk*

Variations in the price of goods, equipment, materials and labour may impact on Snam's financial results. Any such variation as a result of inflation or deflation, to the extent that it is not factored into the tariff system of the ARERA, may materially adversely affect Snam's results of operations and ability to meet its obligations under the notes issued by it.

#### *Interest rate risk*

Fluctuations in interest rates affect the market value of Snam's financial assets and liabilities and its net financial expense. Snam aims to optimise interest rate risk while pursuing financial structure objectives. The Snam Group has adopted a centralised organisational model. In accordance with this model, Snam's various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile is maintained within defined limits.

As of 31 December 2021, the Snam Group used external financial resources in the form of bonds and bilateral and syndicated funding with banks and other financial institutions, in the form of medium and long-term financial payables and bank facilities at interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (**Euribor**), and at fixed rates.

The exposure to interest rate risk as of 31 December 2021 is about 28% of the total exposure of the Snam Group (30% at 30 June 2021). As of 31 December 2021, Snam has interest rate swaps (**IRSs**) in place for a total amount of 256 million euros, referring to the hedge of the entire notional amount of two floating-rate bonds for a total value of 106 million euros, maturing in 2024, and a form of bilateral floating-rate funding for a total value of 150 million euros, maturing in 2023. The IRS derivative contracts are used to convert floating rate loans to fixed rate loans.

Although the Snam Group has an active risk management policy, the rise in interest rates relating to floating rate debt not hedged against interest rate risk could have negative effects on Snam Group's operations, balance sheet and cash flow and, consequently, affect Snam's ability to meet its payment obligations under the notes issued by it.

### **3. RISKS RELATING TO TERNA'S BUSINESS ACTIVITY AND INDUSTRY**

*The description of the risk factors relating to the business of Terna set out below is based on information published by that company, including information taken from the Base Prospectus of Terna dated 8 June 2022 relating to its €9,000,000,000 Euro Medium Term Note Programme as supplemented by the relevant First Supplement dated 5 August 2022, the relevant Second Supplement dated 14 September 2022 and the relevant Third Supplement dated 28 September 2022 (together, the **Terna Base Prospectus**). All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Terna, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectus and of the relevant supplements are available on the website of the relevant company ([www.terna.it](http://www.terna.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

#### ***Risks relating to Terna's financial position***

*Terna may be exposed to financial risks*

## Risk Factors

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, Terna's cash flows may be affected. In accordance with the policies approved by its Board of Directors, Terna 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 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 Terna Group.

### *Liquidity risk*

Liquidity risk is the risk that 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, Moody's and Scope. 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, Moody's or Scope may increase borrowing costs or even jeopardise further issuance.

The price of the existing bonds may deteriorate following a downgrade of Terna's credit ratings. In addition, Terna'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, Moody's and Scope, a potential downgrade of Italy's credit rating may have a potential knock-on effect on the credit ratings of Italian issuers such as Terna and increase the likelihood that the credit ratings of notes issued by it under the Terna Base Prospectus's 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. Terna 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.

### *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 Terna.

## Risk Factors

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 ARERA Resolution no. 111/06.

### *Exchange risk*

Although the focus of 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 transmission system operator (**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.

### *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 Terna's business activity and industry***

Terna'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 the ARERA. Within the scope of these regulations there are a number of variables that could impact on the Terna Group's performance.

In addition, with respect to electricity transmission, the payments due to the Terna Group are collected directly by 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 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 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 IMED (now the Ministry of the Ecological Transition) 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 Ecological Transition over which Terna 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.

Terna may be affected by appeals against provisions adopted by it following Resolutions by the ARERA. Terna, as a concessionaire of transmission and dispatching services, may adopt measures or undertake actions in order to comply with 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

## Risk Factors

proceedings lead to the annulment of measures and actions taken by Terna, Terna 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 Terna Group's Grid or any impairment in the quality of Terna's services may adversely affect Terna's revenues and expose Terna to uncapped liabilities. 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 Terna Group and any claims for compensation by third parties as a result of such events could give rise to expenses if Terna Group is found to be responsible.

Moreover, Terna Group may incur penalties and damage requests with reference to the quality of the transmission services.

Terna's results may be adversely affected by the dynamics of the volume of electricity transmitted and/or dispatched by the National Transmission Grid.

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

Terna conducts the transmission and dispatching activities, including the management of the National Transmission Grid, pursuant to a concession.

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 Terna 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.

Terna'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.

### *Terna may be exposed to risks deriving from Non-Regulated and International Activities*

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

In relation to International Activities Terna Group/Terna has acquired, and will acquire, the necessary financial resources to execute the relevant project finance documentation. In this respect, it is worth noting that Terna 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 Terna and/or of any breach of any covenant or agreement or in relation to any claim, contingency or liability of Terna Group/Terna. Such claims could materially and adversely affect Terna'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 Terna Group's Non-Regulated Activities, affecting its revenues and results of Non-Regulated Activities.

With regard to the Tamini and Brugg Kabel businesses, although they are of a relatively small size within Terna Group, any changes in 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.

## Risk Factors

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

Terna'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, Terna 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, Terna 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 Terna's financial position and results.

Public authorities, residents and local communities may oppose new developments or projects to be executed by Terna, 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*

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 (for further details please make reference to subparagraph "*Risk Management – Business Reputation Intelligence*" in paragraph "*Description of Terna*" in section "*Description of the Issuer*").

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 and 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, Her 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**).

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, 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 Terna's knowledge, the Tamini Group has no exposure *vis-à-vis* counterparties resident or located in Embargoed Jurisdictions, apart from a small number of ancillary ongoing maintenance activities related to fully performed supply contracts which will terminate within the first quarter of 2023.

In this respect the amount of revenues generated by the Tamini Group and derived from the above-mentioned transactions, for the first quarter of 2022, was less than 0.5 percent of the consolidated revenues of Terna Group.

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 Brugg Kabel AG involving the supply of cables, cable accessories and services involving many foreign countries subject to Sanctions (currently in particular Belarus, Iraq, Libya, Lebanon, China, Democratic Republic of Congo and Turkey). In

## Risk Factors

this respect the amount of revenues generated by the Brugg Kabel AG and derived from the above-mentioned transactions, for the first quarter of 2022, was less than 0.5 percent of the consolidated revenues of Terna Group. As a consequence of such processes and as of the date hereof, and to the best of Terna's knowledge, Brugg Kabel AG 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 Brugg Kabel AG as well as the ordinary conduct of business of Terna in a 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), Terna, directly or indirectly through its subsidiaries, including the Tamini Group and Brugg Kabel AG, 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 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 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 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 Terna Group may be subject to penalties and/or Sanctions, in which case Terna Group's reputation, financial condition and future business prospects could be adversely affected.

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 Terna Group's transactions and activities are determined to fall within the scope of these laws, regulations or policies, resulting sales of Terna Group's securities that could have an adverse effect on the price of Terna Group's securities. Furthermore, investors in Terna Group's securities could incur reputational risk or other risks as the result of 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 Terna's business, financial condition, results of operations or cash flows cannot be foreseen.

For further details please see subparagraph "*Risk Management – Business Reputation Intelligence*" in paragraph "*Description of Terna*" in section "*Description of the Issuer*".

### *Risks associated with pending legal proceedings*

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 Terna Group's business, as well as in criminal proceedings.

## Risk Factors

Due to their nature, Terna is not able to predict the ultimate outcomes of the proceedings currently pending against members of Terna Group, some of which may be unfavourable and may require Terna Group to pay damages to the plaintiff, incur costs for the modification of parts of Terna Group's Grid or temporarily remove parts of Terna Group's Grid from service.

Accordingly, Terna'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 Terna 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 Terna's losses, increased costs or liabilities that may arise, or which Terna 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.

### ***Risks related to the internal control of Terna***

#### *Information and cyber risk*

Information and cyber risk is the risk of incurring operating losses, market share losses or suffering reputational damage as a result of the use of information and communications technology or as a consequence of cyber-attacks.

Terna depends on its Information Technology (**IT**) and Operation Technology (**OT** and, together with IT, **IT/OT**) and data processing systems to operate its business, as well as on their continuous maintenance and constant updating. Terna is exposed to the risk that data could be damaged or lost, removed, or disclosed by unauthorised parties and to the risk that business-critical IT/OT services could be damaged or compromised from an attacker. For this reason, the meaning of protection can be defined as the preservation of confidentiality, integrity and availability of information.

**Confidentiality:** the property of information to be accessible only to authorised individuals, entities or processes.

**Integrity:** the property of information to remain complete and accurate, without the possibility of alteration by external events.

**Availability:** the property of a piece of information and services/applications to be accessible and usable (on time) at the request of an authorised individual, entity or process.

In the context of information security, it is common to refer to these three properties as CIA parameters or CIA triad.

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

Risks faced by Terna 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 Terna and its customers and can have negative effects on the integrity of Terna's IT systems, as

## Risk Factors

well as on the confidence of the customers and on Terna's reputation, with possible negative effects on the Terna Group's capital and financial condition.

In order to prevent such risks, Terna has an Information Security Governance Model, which enables it to identify the most significant cyber risks.

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

#### *Risks connected to the effects of the international financial crisis on Terna'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. In any event, the European Central Bank has confirmed its commitment to continue promoting financial stability.

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

#### *COVID-19*

The outbreak of a novel and highly contagious form of coronavirus disease (COVID-19) (and any future outbreaks) has led (and may continue to lead) to disruptions in the global economy and may result in adverse impacts on the global economy in general. The outbreak has been declared as a public health emergency of international concern by the World Health Organization, and the Secretary of Health and Human Services declared a public health emergency in the United States in response to the outbreak; likewise, the Italian Government also declared a state of emergency and passed a number of emergency measures to deal with the outbreak. These included restrictions on travel and the free circulation of people as well as institutional closures, which continued during the second half of 2020 and the beginning of 2021 with "second wave" and "third wave" restrictions. This outbreak (and any future outbreaks) has led (and may continue to lead) to disruptions in the economies of those nations where COVID-19 has arisen and may in the future arise, including Italy, and may result in adverse impacts on the global economy in general.

These circumstances have led to volatility in the capital markets, which may lead to volatility in or disruption of the credit markets at any time and may adversely affect the value of the notes issued by it. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess. If the spread of COVID-19 persists for a significant period of time, or other measures are put in place, this could have a materially negative impact on the global economy. Although the most recent variant of COVID-19, Omicron, transpired to be a mild strain, leading to less stringent measures on mobility and economic activities across the world compared to the past months, concerns about new strains remain.

Moreover, the outbreak of COVID-19, and the measures taken in relation thereto, will directly or indirectly result in increases of defaults under mortgage loans. Payment holidays have been granted and could be granted again in the future pursuant to emergency legislation to borrowers in distress due to the COVID-19 outbreak, under which borrowers are allowed to defer making payments for certain periods of time. This may result in payment disruptions and possibly higher losses in respect of mortgage loans. The impact will strongly depend on the duration and severity of the COVID-19 outbreak.

Investors should note the risk that COVID-19, or any governmental or societal response thereto, may affect the business activities and financial results of Terna and Terna Group, and/or may impact the functioning of the financial system(s) needed to make regular and timely payments under the notes issued by Terna, and therefore the ability of Terna to make payments on the notes.

## Risk Factors

In addition, Terna may have to incur significant costs to mitigate the effects of the foregoing. Terna's prospects, financial condition and results of operations in particular may be materially affected by the above factors, events and developments. Investors should note the risk that the virus, or any governmental or societal response to the virus, may affect the business activities and financial results of Terna and the Terna Group or may impact the functioning of the financial system(s) needed to make regular and timely payments under the notes issued by Terna, and therefore the ability of Terna to make payments on such notes.

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

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 Terna'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 by Terna pursuant to the Programme.

### *Risks connected with the political and economic decisions of EU and Eurozone countries and the United Kingdom leaving the European Union (Brexit)*

On 31 January 2020 (**exit day**), the UK withdrew from the EU. Pursuant to Articles 126 and 127 of the Article 50 Withdrawal Agreement that entered into force on exit day, the UK entered an implementation period during which it negotiated its future relationship with the EU under the political declaration that accompanied the Article 50 Withdrawal Agreement. During such implementation period – which ended at 11 p.m. UK time (midnight CET) on 31 December 2020 (the implementation period completion day, or **IP completion day**) – EU law generally continued to apply in the UK.

Following such negotiations, on 24 December 2020 the UK and the EU concluded a free trade agreement known as the 'UK-EU Trade and Cooperation Agreement' (the **TCA**). The TCA, which entered into force (initially on a temporary basis) on IP completion day, is principally a free trade agreement in goods. It does not address in any detail a number of areas, including the cross-border provision of services, the 'passporting' of UK and EU financial institutions, the determination of equivalence between EU and UK financial market regulations, or judicial cooperation in civil matters. In addition, on IP completion day, as a unilateral matter and in order to mitigate the effect of the EU Treaties no longer applying to the UK, the UK incorporated into its law (*i.e.* grandfathered) the majority of EU law as it stood at IP completion day (**EU retained law**).

Notwithstanding the conclusion of the Withdrawal Agreement and the TCA by the EU and the UK, and the implementation by the UK of EU retained law, there remain significant uncertainties with regard to the political and economic outlook of the UK and the EU and there are likely to be changes in the legal rights and obligations of commercial parties across all industries, particularly in the services sector (including financial services) following the UK's exit from the EU.

There is a risk that other EU Member States could hold referenda as to their membership of, and ultimately leave, the EU, as the UK did, and that one or more EU Member States that adopted the euro as their national currency might decide, in the long term, to adopt an alternative currency, or that there is a prolonged period of uncertainty connected to these eventualities. These risks if they materialised could have a significant negative impact on global economic conditions and the stability of the international financial markets. This could include further volatility in equity markets, in the value of sterling and/or the euro and in financial markets generally, a reduction in global market liquidity with a potential negative impact on asset prices, operating results and capital including as may impact the financial position of Terna and/or the Terna Group and the market value and/or liquidity of the notes issued by Terna in the secondary market.

In addition to the above, and in consideration of the fact that at the date of the Terna Base Prospectus there is no legal procedure or practice aimed at facilitating the exit of a Member State from the Eurozone, the

## Risk Factors

consequences of these decisions are exacerbated by the uncertainty regarding the methods by which a Member State could manage its current assets and liabilities denominated in euro and the exchange rate between the newly adopted currency and the euro. A collapse of the Eurozone could be accompanied by a deterioration of the economic and financial situation of the European Union and could have a significant negative effect on the entire financial sector, creating new difficulties in the granting of sovereign loans and loans to businesses and involving considerable changes to financial activities both at market and retail level. This situation could therefore have a significant negative impact on the operating results and capital and financial position of Terna and/or the Terna Group and/or Terna's ability to pay interest and repay principal under the notes issued by it, as well as the market value and/or the liquidity of such notes in the secondary market.

### *Terna may incur substantial costs to comply with environmental laws*

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

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 Terna Group to upgrade, relocate or make other changes to some of its existing electricity transmission networks and systems and would result in Terna Group incurring significant expenditures in order to do so. Terna cannot ensure that such costs will not arise in the future. These costs may adversely impact Terna's financial performance and results of operations.

Also, local opposition to these required actions could further increase 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.

### *Terna may be affected by changes in energy laws, tax laws and public sector laws*

The activities of 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 a new legal framework for the energy sector in 2019, 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.

As of the date of the Terna Base Prospectus, 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, Terna 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 Terna.

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

### *Employees and key personnel*

Terna'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

## Risk Factors

for technical positions where availability of appropriately qualified personnel may be limited) or if significant disputes arise with employees, may affect Terna'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 Terna may breach anti-bribery legislation or otherwise breach its internal controls or internal governance framework (unfaithful employee). This could impact on Terna's results of operations, its reputation and, as a consequence, its ability to meet its obligations on the notes issued by it.

### **4. RISKS RELATING TO ITALGAS' BUSINESS ACTIVITY AND INDUSTRY**

*The description of the risk factors relating to the business of Italgas set out below is based on information published by that company, including information taken from the Base Prospectus of Italgas dated 7 October 2021 relating to its €6,500,000,000 Euro Medium Term Note Programme as supplemented by the relevant First Supplement dated 28 January 2022 (together, the "Italgas Base Prospectus"). All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Italgas, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectus and of the relevant supplements are available on the website of the relevant company ([www.italgas.it](http://www.italgas.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

#### ***Risks related to the business activity and sector of the Italgas Group***

##### *Risks associated with the concentration of the activities of the Italgas Group in Italy*

Italgas is active, either directly or through its subsidiaries and unconsolidated investee companies, in natural gas distribution in Italy. The future results of Italgas will therefore reflect the economic performance of these activities.

The Italgas Group activities will be influenced by the uncertainty linked to the renewal of gas distribution concessions following the local tender processes<sup>4</sup>, as well as by the quantification of the reimbursements provided for the outgoing operator pursuant to the applicable regulations. Unfavourable developments in these areas could have significant negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

##### *Risks associated with the potential competition in the sector in which Italgas operates*

As at the date of the Italgas Base Prospectus, the Italian natural gas distribution market is fragmented<sup>5</sup>. However, in recent years, it has undergone a process of restructuring and consolidation<sup>6</sup>. It is believed that, in the future, with the implementation of the Local Tender Processes for the allocation of the natural gas distribution service and through M&A activities, this market consolidation process will continue.

In this context, there could be the risk that failure by Italgas to adequately respond in the future to the gas distribution market evolution may result in negative effects on the Italgas Group's operations, results, balance sheet and cash flow.

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<sup>4</sup> Each tender process for the provision of gas distribution services held in each of the 177 minimum geographical areas (ATEM) identified pursuant to Articles 1 and 2 of the Decree of the IMED of 19 January 2011 (the **Local Tender Process**, and all of them the **Local Tender Processes**).

<sup>5</sup> Italgas elaboration based on IMED 2012 data shows that the Italgas Group is the leader in the natural gas distribution segment in Italy, with an estimated market share of approximately 35.2 per cent. (including affiliates) as of the date of the Italgas Base Prospectus, in terms of the percentage of end-customers connected to the network.

<sup>6</sup> As the ARERA's figures confirm (see the 2020 Annual Report of 7 July 2021, Table 3.10) the number of operators decreased from 228 in 2013 to 194 in 2020 (there were more than 700 in 2000), in view of the Local Tender Processes. The number of operators is also expected to decrease substantially after these Local Tender Processes.

## Risk Factors

### *Market and competition risks. Risks associated with the expiration and renewal of gas distribution concessions*

Gas distribution activities, where the Italgas Group is active, are carried out pursuant to concessions issued by individual municipalities. As of 30 June 2021, the Italgas Group held a total of 1,827 concessions, of which 1,429 have expired. Such as other main sector operators, the Italgas Group continues to operate by holding expired concessions. In its strategic plan, the Italgas Group assumes that during the period 2019-2026 the expired concessions will be tendered and therefore assigned to the winner of the tenders. The percentage of the Italgas Group revenues coming from expired concessions represents the maximum risk of potential loss of revenue as at the date of the Italgas Base Prospectus, and, consequently, of the margins of the Italgas Group in the event that it is not awarded the re-assignment of the expired concessions; it must however be noted that, in such a case, the reimbursement value<sup>7</sup> would be paid to the outgoing operator. Italgas assumes a proportional correlation between loss of revenues and EBITDA losses.

For the sake of completeness even after the expiry of the concession, being the gas distribution service considered as a "public service", each gas distribution operator (including the companies of the Italgas Group) is requested to continue and should continue with the management of the service (and be accordingly remunerated), limited to the ordinary administration (*ordinaria amministrazione*), until the start date of the new concession (Article 14.7 of Legislative Decree 164).

According to Ministerial Decree No. 226 of 12 November 2011 (**Ministerial Decree 226** or **Tender Criteria Decree**), the gas distribution service can only be conducted on the basis of tender processes to be held for each of the 177 ATEMs (predominantly of a provincial size), into which the Italian territory has been divided. In turn, each ATEM is made up of a combination of municipalities served by distribution plants that must be managed by a single concession holder (*cessionario*), which shall emerge from the public tender procedures. The maximum length of the concession is 12 years.

The timetable for tenders, initially comprising the years 2015, 2016 and 2017, has been updated on some occasions, most recently with the "*Milleproroghe*" Law Decree (n. 244/2016), converted into law in February 2017, which extended by a further 24 months the time limit to launch the tenders for the ATEMs affected by the 2016 earthquakes.

As at the date of the Italgas Base Prospectus, only 38 invitations have been published for a total of 39 ATEMs (Cremona 2 and Cremona 3 were grouped together), of which three have been withdrawn, two others have been annulled by a judicial decision (Venezia 1 and Alessandria 2) and eight were suspended by the contracting authority. Submissions by operators for eight tenders: Torino 2, Belluno, Udine 2, Valle d'Aosta, Milano 1, Torino 1, Napoli 1 and La Spezia (Torino 2, Valle D'Aosta, Belluno and Torino 1 have been awarded to Italgas Reti S.p.A. (**Italgas Reti**), while La Spezia offer is under evaluation) and four pre-qualifications requests (Prato, Perugia 2, Udine 1 and Udine 3) have occurred. For a further 11 invitations to tender, the bid submission dates, or rather the pre-qualification request dates, were postponed. Finally, the Region of Calabria has appointed commissioners, *ad acta*, in order to start the tender proceedings in two ATEMs (Cosenza 1 and Reggio Calabria – Vibo Valentia).

The criteria to be used for awarding the concessions to a bidder, mainly of a technical nature and also based on economic factors, are set out in Ministerial Decree 226.

Uncertainty surrounding interpretation and therefore application of the rules governing such new regulatory framework does persist at the date of the Italgas Base Prospectus.

When it comes to the tender process, the Italgas Group may not be awarded concessions it plans to retain/win or may be re-awarded its present concessions under conditions that are less favourable than the current conditions, with a possible negative impact on its operations, results, balance sheet and cash flow. It should,

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<sup>7</sup> The amount owed to outgoing operators on the termination of the service pursuant to Article 5 of Ministerial Decree 226 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when Ministerial Decree 226 came into force) (**Reimbursement Value**).

## Risk Factors

however, be pointed out that, if the concessions relating to previously managed municipalities are not awarded, the companies of the Italgas Group will have the right to be paid the Reimbursement Value in favour of the outgoing operator, calculated in accordance with Ministerial Decree 226. It is possible that the Reimbursement Value of the concessions resulting from the tenders, where a third party is an assignee, is below the value of the regulatory asset base (**RAB**). Such a case could have significant negative effects on the assets and on the balance sheet, income statement and financial position of the Italgas Group.

At the same time, the gas distribution companies of the Italgas Group may be awarded new ATEM concessions (*i.e.* concessions previously held by other operators, either wholly or in part). Therefore, it is not possible to rule out that, at the end of each tender procedure, a new concession awarded could, at least initially, require greater running costs and capital expenditure for the gas distribution companies of the Italgas Group compared with their operating standards.

In general, given the complexity of the regulations governing the expiration of the concessions, this and the outcome of any Local Tender Process could give rise to judicial and/or arbitral disputes between concession holders, including the gas distribution companies of the Italgas Group and third parties (including outgoing operators and municipalities), with possible negative effects on the operations, results, balance sheet and cash flow of the Italgas Group.

### *Risks associated with the limited number of Shippers*

The Italgas Group provides its services to the users of its distribution network (*i.e.* companies selling gas to final users) which purchase gas from Shippers or traders and which, in turn, sell to other traders or, usually, to end customers, namely those who consume the gas for their own use and who are connected to the distribution network at the redelivery points (**RPs**), each availed by meters for the measurement of gas redelivered.

Users of distribution access local natural gas distribution infrastructures through the services provided by the Italgas Group, pursuant to the Network Code for distribution approved by the ARERA.

The existing regulatory framework gives distribution users who are in possession of the necessary requirements the right to access the above-mentioned distribution infrastructures. This right is accompanied by the symmetrical obligation of the infrastructure operators to guarantee access on the basis of the terms and conditions defined by the Network Code for distribution approved by the ARERA.

The main clients of the gas distribution companies of the Italgas Group are investment grade companies. Any non-compliance by such distribution users, whose contracts have generated approximately 89 per cent. of the core business revenues of Italgas in the first half of 2021, or a delay in complying with their obligations, could have negative effects on the operations, results, and economic and financial position of the Italgas Group.

### *Risks associated with the execution of Italgas' strategic plan*

On 14 June 2021, the Board of Directors of Italgas approved a new strategic plan defining the guidelines and the targets of the Italgas Group for the 2021-2027 period (the **Italgas Strategic Plan**), updating the strategy announced at the time of the previous strategic plan (2020-2026).

The Italgas Strategic Plan contains, and was drawn up on the basis of, hypotheses and estimates relating to future developments and events that could affect Italgas Reti, Toscana Energia S.p.A. (**Toscana Energia**), Gaxa S.p.A. (formerly Gaxa S.r.l. and before that, Medea Newco S.r.l.) (**Gaxa**), Seaside S.p.A. (**Seaside**), Italgas Acqua S.p.A. (**Italgas Acqua**) and their subsidiaries' operating sectors, such as estimates concerning the demand for natural gas in Italy in the medium to long term or changes to the applicable regulations, or the timetable for future tender processes for gas distribution concessions in the various minimum geographical areas.

## Risk Factors

The Italgas Strategic Plan is the result of a simulation process forecasting the economic, capital, and financial parameters for the Italgas Group and was constructed on the basis of actual data as of 31 December 2020.

The Italgas Strategic Plan provides for objectives identified on the basis of substantial continuity in the existing regulatory environment and of the unfolding of the effects of management actions (the **Forecast Data**).

The Forecast Data is based on assumptions as to the occurrence of a set of future events and actions that include, among other things, general and hypothetical assumptions concerning future events – subject to the risks and uncertainties that characterise the current macroeconomic environment – actions that will not necessarily take place and events or other factors that may have an impact on the performance of the major capital and economic figures of the Italgas Group, and which the directors of Italgas (the **Directors**) and the management of Italgas cannot influence or may only be able to do so partially (in combination, the **Hypothetical Assumptions**).

In particular, these Hypothetical Assumptions envision the following, among other things:

- (i) the success of the transactions for the financing of new debt requirements or refinancing of debt that will expire, including its planned subsequent listed bond issues;
- (ii) the effectiveness of the timetable for future tenders for the awarding of the gas distribution service in the various ATEMs envisioned by the management of Italgas. The timetable provides for completion of the tender processes by the end of 2026;
- (iii) fulfilment of the success rate envisioned by the management of Italgas in relation to future tenders for the awarding of the gas distribution service in the various ATEMs in which the Italgas Group plans to participate;
- (iv) the representative character of the RAB value as an estimator of the Reimbursement Value recognised for outgoing operators within the scope of future tenders for the awarding of the gas distribution service in the various ATEMs for each of the concessions in the Italgas Group's scope of interest in the plan period; and
- (v) realisation of the estimates concerning the demand for natural gas in Italy in the medium to long term or changes in the applicable rules.

Furthermore, the assumptions relating to changes in the macroeconomic and regulatory environment and to the dynamics of the benchmark rates underlying the Italgas Strategic Plan were formulated by working with the currently available forecasts. It is also noted that the Italgas Strategic Plan was developed by referencing the current competitive structure.

For the period of 2021-2027, the Italgas Strategic Plan has scheduled overall investments of €7.9 billion (compared to the €7.5 billion envisaged in the previous 2020-2026 plan), of which about €2 billion related to tenders and about €5.9 billion without considering tenders.

Out of the €5.9 billion above, over €0.6 billion refers to merger and acquisition initiatives in the gas distribution sector and new business opportunities, while about €5.2 billion is related to the 2020 gas distribution base perimeter, of which about €0.3 billion is allocated to the Sardinia project, €3.1 billion refers to other networks and €1.4 billion is aimed at digitalisation (including smart metering).

The Italgas Strategic Plan assumes the existence of conditions for market share growth from the initial approximately 35 per cent. to almost 45 per cent., at the end of the Local Tender Processes, in terms of the number of RPs of the consolidated perimeter of the Italgas Group (considering the full consolidation of Toscana Energia), corresponding to about 10 million RPs managed, compared to about 7.6 million of the starting base of the plan.

The technical investments plan for the current scope of operations, in conjunction with the planned programme of acquisition of new concessions, is intended to support the RAB growth to a targeted compound annual

## Risk Factors

growth rate of around 6 per cent. in the plan period, starting from €7.7 billion at the end of 2020 (in the absence of tenders, the estimated average annual growth rate of RAB is about 4 per cent.). In view of the delay that could affect the timetable of Local Tender Processes, Italgas has taken and could continue to pursue M&A opportunities, with a strict financial discipline, in order to anticipate tenders' timing and enlarge and optimise the concession portfolio, increasing competitiveness in the tender process.

Should the market share growth objectives indicated in the Italgas Strategic Plan not be met, Italgas will continue with its own programme of organic investments and the efficient operation of distribution and measuring activities.

If the events and circumstances envisaged or relied upon by the Board of Directors when drawing up the strategic plan, including the evolution of the regulatory framework, fail to materialise, the future operations, cash flow and results of the Italgas Group may differ from those set out in the Italgas Strategic Plan. This could also have an impact on the ability of Italgas to meet its payment obligations in accordance with the loan agreements and/or to comply with any covenants under the actual agreements.

Furthermore, the historical consolidated results and the historical financial and operating situation may not be indicative of future financial and operating performance. There can be no guarantee whatsoever that, in the future, Italgas Reti and its subsidiaries' profitability will remain at current levels, or that the regulatory system will not evolve in a manner that is unfavourable to the Italgas Group.

### ***Operating risks***

*Risks associated with malfunctioning and unforeseen interruption of the service, and with delays in the progress of infrastructure construction programmes*

Managing regulated gas activities involves a number of risks of malfunctioning and unforeseeable service disruptions due to factors which may be outside of the control of Italgas, such as accidents, breakdowns or the malfunctioning of equipment (including metering tools) or control systems; the underperformance of plants; and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events which may also be beyond the control of Italgas. Such events could result in a reduction in revenue and could also cause significant damage to people and private and public properties, with potential compensation obligations. Although Italgas has taken out specific insurance policies to cover some of these risks, in addition to ordinary and extraordinary maintenance performed on both distribution network and facilities, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

The Italgas Group has developed its own business continuity and crisis management strategy: it includes compliance principles as roles and responsibilities, a crisis management model, crisis activation levels, risk analysis and event management. Furthermore, the business continuity plan section defines how to maintain systems and execute tests and continuous improvement phases, covering all relevant scenarios. Italgas considers the adoption of the business continuity plan essential to implement a structured approach and ensure business continuity in case of disaster events, defining organisational and emergency controls for critical processes and adopting appropriate risk management measures in both operational and business terms.

The Italgas Group's ability to effectively develop its infrastructure is subject to many unforeseeable events linked to operating, economic, regulatory, authorisation and competition factors which are outside of its control. Italgas is therefore unable to guarantee that the projects to build, upgrade and/or extend its network will be started, completed or lead to the expected benefits in terms of tariffs.

The capex plan in the context of the Strategic Plan 2021-2027 envisages a total amount of €3.1 billion for repurposing, developing, improving and upgrading the existing infrastructure, in line with the previous Plan, €0.3 billion devoted to the Sardinia methanisation project and €380 million, in line with the previous Plan, dedicated to growth by external lines through M&A operations in the gas distribution sector.

## Risk Factors

The capex plan may require greater investment and/or longer timeframes than those originally planned, affecting in the future the Italgas Group's financial position and results.

Investment projects can be stopped or delayed because of difficulties in obtaining environmental and/or administrative authorisations and opposition raised by political groups or other organisations, or may be affected by changes in the price of equipment, materials and labour, or by changes in the political or regulatory context in the course of construction, or even by an inability to obtain financing at an acceptable interest rate. Such delays could have adverse effects on the operations, results and economic and financial position of the Italgas Group which could have an adverse impact on Italgas' ability to meet its obligations under the notes issued by it. Furthermore, changes in the prices of goods, equipment, materials availability and workforce could have an impact on the financial results of the Italgas Group.

An additional risk arises from adverse publicity that such events may generate and the consequential damage to Italgas' reputation.

### *Risks associated with the plan for the replacement of traditional meters with smart meters and the increased levels of malfunctioning of smart meters*

The ARERA made remote meter reading compulsory for operators back in 2008 through Resolution no. 155/2008, justifying it through the advantages that this technology brings, especially to end users (e.g. invoicing based on actual consumption, greater awareness of consumption, constant monitoring of the operation of metering units). The initial objective therefore involved the replacement, by 2016, of 80 per cent. of traditional meters with smart meters. Through subsequent Resolutions no. 28/2012 and 631/2013, the ARERA altered the plan for the replacement of smart meters for the mass market, bringing the replacement target down to 60 per cent. in 2018 and updating the interim targets for the period 2014 – 2017.

The replacement plan was updated once again through the ARERA Resolution no. 669/2018 which replaced other Resolutions establishing targets for the previous years and revised the meter replacement plan further setting it to 85 per cent. in 2020. However, due to the COVID-19 pandemic, with Resolution no. 501/2020, the ARERA postponed the 85 per cent. goal to 2021. Excluding the subsidiaries over which it does not exercise control, as at 31 December 2020 the current total of smart meters is around 7.5 million, equal to approximately 88 per cent. of the entire stock of active and inactive meters (8.5 million).

It is difficult to foresee if the implementation of the meter replacement plan, which is still ongoing, could result in an increase in management costs for the new smart meters (which in turn may incur technical and running problems) and expenses related to the decommissioning of the traditional meters being replaced.

The Italgas Group is systematically working together with the “Italian measure instrument suppliers association” to stimulate the insertion of security requirements and mechanisms into intelligent devices such as smart meters, remote terminal units and valves to ensure adequate security and resilience measures against vulnerabilities and cyber-attacks. Notwithstanding Italgas' efforts to design solid security requirements to prevent cyberattacks, the risk associated to cyber-security incidents cannot be completely eliminated.

### *Risks associated with acquisitions and industrial partnerships and supply chain*

The Italgas Group has undertaken, and may undertake in the future, corporate operations, such as joint ventures with strategic partners, acquisitions or investments in Italy and abroad, which may increase the complexity of the Italgas Group's activities and whose success is difficult to predict.

It is not certain that said operations can be carried out in accordance with the planned procedures or produce the expected benefits and synergies. The integration process could also make additional expenditure and investment necessary.

## Risk Factors

If the aforementioned corporate operations fail to produce the expected synergies and benefits, there could be negative effects on the Italgas Group's operations, results, and financial position.

Acquisitions abroad, if any, may entail or result in additional risks including (but not limited to), due to specific integration difficulties, unforeseen costs as well as the impact of any applicable tax, legal and regulatory framework and any related changes.

In the context of corporate operations and supplier management, the Italgas Group also performs reputational due diligence activities, leveraging a consolidated risk-based approach, in order to evaluate and highlight alerts and red flags focused on a proprietary crime taxonomy. Such corporate intelligence activities are based on publicly available open sources collection and paid services. Due to the dynamic nature of the information that is used in order to identify anomalies and alerts according to Italgas' evaluation matrix, there is a limited risk that not all of the possible events of interest may be collected at the specific time when the reputational due diligence is performed.

### *Risks associated with dependence on management and specialised staff*

The Italgas Group's capacity to carry out its business effectively depends on the abilities and effectiveness of its management and staff. The dependence on qualified management and staff, as well as the inability to attract, train or retain management and staff with the necessary qualifications (specifically with regard to technical positions, where availability of qualified staff is generally limited), or the emergence of disputes with employees, could affect Italgas' capacity to implement its long-term strategy and could have a negative impact on the Italgas Group's operations, results and financial position.

### *Risks relating to Italgas' use of information technology to conduct its business*

The Italgas Group's operations are increasingly reliant on information systems and information technology platforms (collectively, **IT**) to maintain and improve its operational efficiency. In fact, since December 2018, all Italgas' assets and processes were migrated to the "cloud" with a positive outcome.

Best practices are adopted in information system management to guarantee business continuity, both in implementing technologies and protecting and securing its information systems. Notwithstanding these preventive measures, Italgas' information systems may be impacted by different operational and security challenges, such as telecommunications or data centre failures, security breaches, hacking and cyber-attacks in general, as well as other types of interference. Any interruptions, failures, or breaches in the security infrastructure of its IT systems, or failure to plan and execute suitable contingencies in the event of their disruption, could have an adverse effect on the Italgas Group's ability to guarantee operations in compliance with the rules of the ARERA and compete with competitors, and may harm its reputation as well as disrupt its business, thereby potentially having an adverse effect on its financial condition, cash flow and/or results of operations as well as the reputation of the Italgas Group.

### *Risks associated with political, social and economic instability in natural gas supplier countries*

A large proportion of the natural gas transported through the Italian national transportation network is imported from or passes through countries that are currently politically, socially or economically unstable, and/or which may also suffer instability in the future. Importing natural gas from these countries, or transiting through them, is subject to risks inherent to these countries, including but not limited to: high inflation; volatile exchange rates; inadequate legislation on insolvency and creditor protection; social tensions and unrest; limits on investment and the import and export of goods; increases in taxes and excises; forced renegotiation of contracts; nationalisation or renationalisation of assets; political unrest; tensions with other countries; changes in trade policies; monetary restrictions; and losses or damage caused by disorder and unrest.

If a Shipper using the distribution service via the Italgas Group networks cannot procure natural gas from the aforementioned countries because of said adverse conditions, or in any way suffers from said adverse

## Risk Factors

conditions, and/or is consequently unable to fulfil contractual obligations towards the Italgas Group, this could have negative effects on the Italgas Group's operations, results, and financial position and consequently affect Italgas' ability to meet its payments under the notes issued by it.

If the supply of natural gas to clients of the Italgas Group is disrupted due to such adverse conditions, or is otherwise materially adversely affected by such adverse conditions, this may have a material adverse effect on the Italgas Group's business, cash flow, financial condition and results of operations and consequently affect Italgas' ability to meet its payments under the notes issued by it.

### ***Risks relating to the applicable regulatory framework***

#### *Regulatory risk*

The Italgas Group conducts its main business in the gas distribution sector, which is a highly regulated sector. The relevant directives and legal provisions issued by the European Union and the Italian government, the Italian Parliament, the resolutions of the ARERA and, more generally, changes to the legislative (including accounting and fiscal legislation) and regulatory framework (including EEC regulation) may have a significant impact on the Italgas Group' operations, results and financial stability.

Considering the specific nature of the Italgas Group's main business and the context in which it operates, changes to the regulatory context with regard to the criteria for determining reference tariffs are particularly significant.

With Resolution no. 570/2019/R/gas, as a result of the consultation process launched with Consultation Documents no. 170/2019/R/gas and 410/2019/R/gas, the ARERA set the criteria for determining the tariffs for gas distribution and metering services for the fifth regulatory period.

The length of the regulatory period has been maintained at six years, from 1 January 2020 to 31 December 2025, divided into two half-periods of three years each.

Analogously, with Resolution no. 571/2019/R/gas, as a result of the consultation process launched with Consultations no. 170/2019/R/gas and 338/2019/R/gas, the ARERA set the rules and the criteria for the gas distribution and metering service quality for the fifth regulatory period.

Future changes to European Union or Italian legislative policies, which may have unforeseeable effects on the relevant legislative framework and therefore on the Italgas Group's operating activities and results, cannot be ruled out. The same applies to the regulatory framework.

#### *Risk associated with subsidies regulatory policy*

With Resolution no. 570/2019/R/gas, public and private subsidies received from 2012 are deducted from the value of fixed assets for the purpose of calculating the remuneration of invested capital and depreciation and, as consequence, subsidies are downgraded proportionally to the depreciation.

Regarding the "frozen subsidies", with Resolution no. 570/2019, the ARERA adopted a time horizon for the full release of these subsidies aligned with the time horizon for the release of the subsidies subject to downgrade (about 34 years) in order to guarantee graduality and tariff stability.

For the subsidies stock existing at 31 December, 2011, the company could choose, in the fifth regulatory period (1 January 2020–31 December 2025), between two alternative methods:

- same approach as the one adopted in the third and fourth regulatory periods, therefore no subsidies downgrade, full deduction from the invested capital and no impact on depreciation, or

## Risk Factors

- same approach as for the contributions received from 2012, therefore subsidies are deducted from the value of fixed assets both in calculating remuneration of the invested capital and depreciation, and then are downgraded gradually.

### *Risk associated with invested capital regulatory remuneration*

Italgas Reti has filed a suit (*ricorso giurisdizionale*) against the Resolution no. 570/2019/R/gas which sets the tariff criteria for the distribution and metering services for the fifth regulatory period.

With Resolution no. 106/2020/R/gas, the ARERA has redetermined the reference tariffs for distribution and metering services for the year 2018 for municipalities with the year of first supply starting from 2017, based on the provisions of Resolution no. 570/2019/R/gas, in relation to the unitary cap on the amount of costs recognised to cover capital costs relating to the distribution service for new investments. In particular, the ARERA has no longer provided for the application of the cap to the amount of recognised costs for investments in municipalities with first supply (*anno di prima fornitura*) in 2017, which are therefore remunerated on the basis of the costs actually incurred.

With respect to municipalities with first supply from 2018 onwards, some elements of uncertainty about the return on new investments arise due to the application of a methodology which has not yet been fully developed by the ARERA.

With Resolution no. 117/2021/R/gas, the ARERA approved the definitive reference tariffs for the distribution and metering services for 2020 and with Resolution no. 122/2021/R/gas the ARERA approved the provisional reference tariffs for the distribution and metering services for 2021.

### *Risks associated with the energy efficiency certificates market*

White certificates, also known as “*Energy Efficiency Certificates*” (EECs), are tradable instruments that certify the achievement of energy savings for end users of energy through projects and works increasing energy efficiency, as evaluated and approved by the Energy Services Operator (GSE).

The GSE, after having evaluated the specific energy efficiency projects, issues a number of EECs in compliance with the provisions of the current law in favour of the entity that has carried out such projects.

Companies that distribute gas and/or electrical energy with a number of users above 50,000 units are defined as covered entities and have a target defined in terms of EECs to be achieved annually (from 1 June to 31 May of the following year).

The target quota that must be achieved by an individual distribution company is determined by the ratio between the quantity of natural gas and/or electrical energy distributed to its end customers, as self-certified, and the quantity of natural gas and/or electrical energy distributed throughout the territory of the nation as determined and reported annually by the ARERA.

Covered entities can achieve the targets assigned by directly performing work for energy savings or, alternatively, acquiring EECs on the market managed by the GME or through bilateral agreements with qualified operators (OTC agreements).

The EEC mechanism was established by the Ministry of Productive Activities, in consultation with the Ministry of the Environment and Protection of the Land through the Ministerial Decree of 20 July 2004 as amended.

Following the record performance of the EECs in the obligation year 2017, which reached the historical maximum price of €480.00 per EEC, the Ministerial Decree was issued on 10 May 2018. This increase in the price of EECs, determined by an “always shortest” market, has caused significant losses to market operators; therefore a regulatory intervention has been necessary to make possible, or in any case to favour, the fulfilment

## Risk Factors

of the energy efficiency targets by electricity and gas distribution companies, to give stability to the market, and to stop the continuous increases in the prices of EECs.

MD 10 May 2018 redefined the operational and technical methods for EECs' release and introduced important innovations within the mechanism of EECs, in particular by:

- a) establishing a maximum unit value for the tariff contribution (**Cap**), equal to €250.00 per EEC, applicable starting from the sessions subsequent to 1 June 2018 and up to the sessions valid for the fulfilment of the national quantitative targets established for 2020;
- b) establishing that the mechanism to determine the tariff contribution, determined by the ARERA, has to take into account the prices of trades made on the organised GME market in the obligation year in reference as well as the prices of the bilateral agreements, if less than €250.00; and
- c) authorising the EECs' short-selling by the GSE. In particular, starting from 15 May of each year and until the end of the year of the obligation in reference, the GSE is authorised to issue, for and upon request of the obliged distributors, EECs not deriving from the implementation of energy efficiency projects, with a unit value equal to the difference between €260.00 and the value of the final tariff contribution for the year in reference. In any case, this amount cannot exceed €15.00. However, this loss may be recovered, overall or partly, in the following obligation years. Before accessing this mechanism, the obliged distributors must purchase at least 30 per cent. of EECs in the obligation year in reference.

Within the framework of this mechanism, the ARERA has set up a specific component of the electricity and/or gas distribution tariff, to enable distribution companies to recover all or part of the costs incurred for the purchase/obtainment of EECs.

Annually, the ARERA decides on the mechanism for calculating the tariff contribution to cover the costs incurred by distributors subject to the obligations involving EECs.

The disbursement of the total annual tariff contribution pertaining to each covered distributor is made by the Energy and Environmental Services Fund (**CSEA**). The tariff contribution paid, according to the weighted average prices of trades, can be lower or higher than the average purchase price of the tradable instruments.

As a consequence of amendments introduced by MD 10 May 2018 to MD 11 January 2017, with the Resolution no. 487/2018/R/efr subsequently updated with the Resolution no. 209/2019/R/efr, the ARERA has updated the criteria for calculating the tariff contribution to cover the costs incurred by distributors subject to energy efficiency targets.

Italgas Reti has decided to bring a proceeding before the competent Administrative Court (TAR Lazio) against such amendments introduced by MD 10 May 2018, also extended to the "Operating Guide for the issue of EECs pursuant to art. 14 bis of the MD 11 January 2017", and to Resolution no. 487/2018/R/efr, also extended to the modifications introduced by Resolution no. 209/2019/R/efr.

By the judgment (*sentenza*) of TAR Lombardia N° 2538/2019 – 28 November 2019, the TAR upheld (*ha accolto*) Italgas Reti judicial complaint (*ricorso*), and in particular it defined:

- a) the cancellation of MD 10 May 2018, only limited to the parts of the Cap of the tariff contribution at €250.00 starting from 1 June 2018; and
- b) the cancellation of the following Resolutions and in particular Resolution no. 487/2018/R/efr, also extended to the modifications introduced by Resolution no. 209/2019/R/efr.

Following such judgment, the ARERA published in February 2020 a Document for Consultation (**DCO**) N° 47/2020/R/efr, in which it proposed a new calculation method of the tariff contribution for the obligation years

## Risk Factors

starting from 2018 and simultaneously asked the distribution system operators (**DSOs**) to send their opinions about it.

The ARERA, with Resolution no. 270/2020/R/efr of 14 July 2020, set the new mechanism related to the tariff reimbursement for distributors involved in the energy efficiency mechanism. In particular the ARERA decided to confirm the €250.00 unitary tariff cap abolished by TAR, but introduced at the same time: (i) a coefficient ( $\sigma$ ) which cushions the negative impact on the tariff contribution arising from a sudden decrease of the average price taking place in the market; and (ii) an additional tariff contribution (only for obligation years starting from 2019 and if the average price observed in the market exceeds €250.00) up to a maximum of €10.00/EEC which operates above €250.00/EEC and based on the lack of white certificates with respect to the annual target of the whole sector. Starting from November 2020, the contribution paid on account by CSEA will be equal to €200.00/EEC.

Italgas brought a proceeding before TAR Lombardia (Milan) against such resolution, as well as Resolution no. 550/2020 which set a unitary tariff contribution to €254.49/EEC for the obligation year 2019. This is because both resolutions, following the cancelled Resolution no. 487/2018, impose new losses on DSOs.

The ARERA proposes to postpone any measures related to the modifications of the annual obligations for each DSO after 2020.

Due to a shortage of EECs in the previous obligation years, in 2021 the maximum price registered on the GME Market has been equal to 299.99 €/EEC. To rebalance the market conditions, with the publication of the Ministerial Decree 21 May 2021, the MET has set the new rules of the mechanism. In particular the new decree:

1. imposes the reduction of the overall 2020 EECs obligation for GAS DSOs from 3.92 million EECs to 1.57 million EECs and for EE DSOs from 3.17 million EECs to 1.27 million EECs and the rescheduling of the future target obligations for the period 2021-2024;
2. establishes the postponement of the 2020 compliance session from 31 May 2021 to 16 July 2021;
3. maintains the maximum CAP for the Contribution Tariff but not a FLOOR; the ARERA will be entitled to reshape its value over the years, taking into account the costs for the system and the obligations established annually by the MITE, thanks to the introduction of a “market stability mechanism” which allows for yearly adjustments in terms of obligations targets according to the availability of EECs on the market;
4. maintains the EECs’ short-selling by the Energy Services Operator (GSE), with the costs of the virtual EEC related to the Contribution Tariff that cannot exceed € 15.00/ EEC, nor be less than € 10.00 / EEC. The share of real certificates required to access the short purchase is reduced to 20 per cent. of the minimum annual obligation target for each DSO;
5. introduces – in parallel to the GME market – a bottom auction system (*Sistema di aste al ribasso*) based on the pay-as-bid mechanism to incentivise particular types of projects (the characteristics of this new model will be defined in the future); and
6. updates the types of projects that can get access to the EECs’ mechanism.

The difference between the average price for acquiring EECs and the tariff contribution recognised, will depend on actual market conditions; if such difference is negative, the consequent economic losses may have negative effects on the operations, results, and economic and financial position of gas distribution companies.

It is worth noting that Italgas has recently acquired Seaside, an ESCo managing a portfolio of EECs that is exposed to the same risk.

## Risk Factors

On 28 June 2018, the GSE started a control procedure pursuant to art. 12 of Ministerial Decree of 11 July 2017 on 55 packets of energy efficiency projects presented by Seaside and on standard projects pertaining to 5T (replacement of single glass with double glass) and 6T (building insulation) forms. Subsequently, with the provisions of 29 March 2019 and 5 April 2019, the disqualification of the right to energy efficiency certificates (*titoli di efficienza energetica*, TEE) in relation to two packets was declared, due to errors attributable to Seaside's contractual counterparty, while the GSE requested the provision of additional documentation in relation to the other packets. A suit before the TAR Lazio was filed against the notification of 5 April 2019 for the annulment of the same.

During 2020, Seaside concluded negotiations with the main counterparty and was able to cover the potential refund request from the GSE. The total obligation of the Italgas Group (Italgas Reti + Toscana Energia) for the obligation year 2020 – update following the publication of the MD 21 May 2021 has been equal to 492.107 EECs (the obligation year has begun on 1 December 2020 and will end on 16 July 2021).

With the publication of Resolution no. 358/2021/R/efr, the ARERA has set the tariff contribution for the obligation year 2020. It is equal to €260.00 EEC and has been determined as the sum of the unit tariff contribution equal to the cap of €250.00 EEC and of an additional contribution unit equal to €10.00 EEC, as defined in Resolution no. 270/2020.

Following the publication of the DCO no. 359/2021- in which it plans to assign an additional and exceptional contribution, only for the obligation year 2020, to all DSO's due to the high prices recorded as a result of the shortage of TEE available on the market- with the Resolution no. 547/2021 ARERA has set the value of this contribution in 7.26 €/EEC for each EEC bought during the period December 2020 – July 2021.

The total obligation of the Italgas Group (Italgas Reti and Toscana Energia) for the obligation year 2021 is equal to 172.808 EECs (the obligation year has begun on 17 July 2021 and will end on 31 May 2022).

### *Risks associated with the reimbursement provided to the outgoing operator*

With regard to gas distribution concessions, Article 14, paragraph 8 of Legislative Decree 164 establishes that the new operator is obliged, *inter alia*, to pay a sum to the outgoing distributor equal to the Reimbursement Value for the plants of which ownership is transferred from the outgoing distributor to the new operator. Specifically, MD 226 provides that the incoming operator acquires ownership of the gas distribution facilities only upon payment of the reimbursement to the outgoing operator, with an exception for any portions of the facilities that are already under municipal ownership or which become municipally owned as a result of any free donations.

As a result of these regulations, there could be cases in which the amount to be reimbursed is lower or higher than the value of the RAB.

The RAB of the Italgas Group with reference to the investments made until 31 December 2020 was approximately €7.8 billion<sup>8</sup>, as the sum of the “local RAB”<sup>9</sup> of approximately €7.5 billion and the “centralised RAB”<sup>10</sup> of approximately €0.3 billion.

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<sup>8</sup> RAB refers to the last RAB defined for regulatory purposes related to the investments made until 31 December 2020, within the definition of the reference tariffs and related to the companies included in the scope of consolidation of Italgas (*i.e.* Italgas Reti, Medea, Toscana Energia).

<sup>9</sup> The local net-invested capital relating to the distribution service made up of the following types of tangible fixed assets: land on which there are industrial facilities, industrial facilities, primary and secondary equipment, street conduits and branch-off equipment (junctions). Local net-invested capital relating to the metering service is made up of the following types of tangible fixed assets: traditional metering units and electronic metering units.

<sup>10</sup> The centralised net-invested capital made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote control systems, equipment, vehicles, IT systems, furniture and furnishings, and software licenses).

## Risk Factors

The Reimbursement Value of the total portfolio of the concessions of the Italgas Group, net of free assignments, is based on the method provided for by Article 5 of MD 226, as amended, and by the Guidelines<sup>11</sup>, making an exception for concessions that, based on the aforementioned regulation, provide for specific contractual stipulations regarding the calculation of the Reimbursement Value (Roma Capitale, City of Venice, Naples and other smaller municipalities). Pursuant to the legislation in force, these specific contractual agreements prevail over the general criteria set out in the Guidelines and result in:

- (i) prior to the issuance of Legislative Decree 164, concessions awarded by direct negotiation;
- (ii) subsequently and until the issuance of Ministerial Decree 226, tender announced by individual municipalities with very different rules between tenders; and
- (iii) with the publication of Ministerial Decree 226 and the obligation to carry out the Local Tender Processes, such differences being overcome through the adoption of a notice and tender specifications, in addition to a standardised service agreement.

It is possible that the Reimbursement Value of the concessions resulting from the tenders, where a third party is an assignee, will be below the value of the RAB. Such a case could have significant negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In 2012, Italgas Reti won the tender awarding the concession for a natural gas distribution service in the municipality of Rome, which represents the most significant concession in Italgas' portfolio (Roma Capitale concession includes about 1.3 million redelivery points out of a total for the Italgas Group of about 7.7 million, equal to approximately 17 per cent.). Upon the outcome of the tender, for which the Local Tender Processes regulation still did not apply, a service agreement was signed for a term of 12 years, which is due to expire on 20 November 2024. The municipality of Rome has made the network, facilities and buildings instrumental to the service available to Italgas Reti for the entire term of the service agreement.

The Reimbursement Value for the Roma Capitale concession was estimated as the sum of:

- (i) the amount paid to the municipality of Rome at the beginning of the concession (November 2012) as a one-off payment for the management of the service, net of amortisation as of 31 December 2021 calculated for the duration of the agreement and on the basis of the remaining Reimbursement Value at the end of the concession, as provided for in the agreement; and
- (ii) the value of cumulative investments starting at the beginning of the concession, in accordance with the provisions set out in the agreement, and, in particular, with reference to their partial acknowledgement within the Reimbursement Value, net of related amortisation. The contractual terms of the concession signed with the Roma Capitale provided that 50 per cent. of the investments made during the first three years of the concession will be free of charge.

It cannot be excluded that, at the time of expiration of the service agreement, the difference between the Reimbursement Value and the RAB value relating to the Roma Capitale concession could be higher than the one estimated as of 31 December 2021.

If concessions for municipalities previously managed by the gas distribution companies of the Italgas Group are awarded, based on the analysis conducted by the regulatory framework in force and under the scope of existing IAS/IFRS international accounting principles, the event would be represented in the financial statements together with the situation before the tender and thus without recording the greater values.

Because of the complexity of the applicable regulations, this could result in the risk of different interpretations, with possible negative effects on the balance sheet, income statement and financial position of the Italgas

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<sup>11</sup> The guidelines on criteria and operating procedures for evaluating the reimbursement provided for by the IMED in connection with a document dated 7 April 2014 and approved with the Ministerial Decree of 22 May 2014 (the **Guidelines**).

## Risk Factors

Group. At the date of the Italgas Base Prospectus, no specific interpretations were noted of the above-mentioned applicable legislation that could cause negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

### ***Legal, compliance and taxation risks***

#### *Risks associated with legal proceedings and disputes*

The Italgas Group is involved in civil (including labour), administrative and criminal proceedings and in legal actions relating to its normal business activities. According to the information currently available and considering the existing risks, Italgas believes that these proceedings and actions will not have material adverse effects on its consolidated financial statements, also considering the provisions set aside in relation to such proceedings, pursuant to the Italgas policies.

With regard to litigation, it is noted that the total amount of the pertinent provision recorded in the consolidated financial statements on 30 June 2021 is €12.7 million (€12.7 million on 31 December 2020).

If said judicial proceedings conclude unfavourably for Italgas and/or the provisions set aside are not sufficient to cover the losses resulting from the outcome of the legal proceedings underway, there could be negative effects on the Italgas Group's operations, results, and financial position. The same risk can also affect future judicial proceedings and the sufficiency of the relevant, even if updated, provisions.

#### *Legal and non-compliance risk*

Legal and non-compliance risk concerns the failure to comply, in full or in part, with the European, national, regional and local rules and regulations that the Italgas Group must comply with for the activities that it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative proceedings and/or sanctions, as well as damage to Italgas' balance sheet, financial position and reputation. Concerning specific cases, the violation of regulations for the protection of workers' health and safety and of the environment, and the violation of anti-corruption rules or data protection rules as well as of certain tax rules, may also result in (potentially significant) sanctions against Italgas and its subsidiaries based on the administrative responsibility of entities (Legislative Decree No. 231 of 8 June 2001).

#### *Risks associated with taxation*

Any unfavourable change in the rate of income tax, other taxes or duties applicable to the Italgas Group could have negative effects on the Italgas Group's operations, results, and economic and financial position. The same can be said in case of negative results of judicial proceedings concerning tax laws and rules, in which Italgas and its subsidiaries are involved.

The Italgas Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities, whose outcome may result in additional tax expenditures and fines.

### ***Financial risks***

#### *Risk of changes in interest rates and inflation and deflation risks*

Fluctuations in interest rates affect the market value of Italgas' financial assets and liabilities and its net financial expense.

As of 30 June 2021, the financial debt at floating rate is 2.2 per cent. and the one at fixed rate is 97.8 per cent..

As of the same date, the Italgas Group uses external financial resources in the following forms: bonds subscribed by institutional investors, bilateral and syndicated loans with banks and other financial institutions

## Risk Factors

in the form of medium-to-long-term loans and bank credit lines at interest rates indexed to benchmark market rates, in particular the Euribor.

Therefore, a rise in interest rates (Euribor) could have adverse effects on the Italgas Group's operations, results, balance sheet and cash flows. Italgas' financial strategy currently includes the use of interest rate hedging instruments.

Changes in the prices of goods, equipment, materials and workforce could have an impact on Italgas' financial results. Any change caused by inflationary or deflationary processes could have a significant impact on the Italgas Group's results. In particular, a prolonged period of deflation or inflation that is lower than forecast could have negative effects, in the long term, on the RAB value and could therefore adversely affect the Italgas Group's operations, results, balance sheet and cash flows.

### *Credit risk*

Credit risk is the exposure of the Italgas Group to potential losses arising from counterparties' failure to fulfil their obligations. Default or delayed payment of consideration for services rendered and/or fees due may have a negative impact on the financial balance and results of the Italgas Group.

For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any disputes are handled by the business units and the centralised Italgas departments.

The Italgas Group provides its distribution services to a small number of sales companies, with Eni the largest by revenue. The rules for user access to the gas distribution service are established by the ARERA and are set out in the Network Codes, or in documents that establish, for each type of service, the rules governing the rights and obligations of the parties involved in providing said services, and have contractual conditions which minimise the risk of non-compliance by the clients.

The maximum exposure of Italgas to credit risk as of 30 June 2021 is represented by the book value of the financial assets recorded in the consolidated half-year financial statements of the Italgas Group as of 30 June 2021. Overdue and non-impaired receivables on 30 June 2021 amounted to €31 million. These receivables are 17 per cent. overdue below 90 days and the remainder is overdue for over 90 days (including, mainly, trade receivables in litigation, receivables with grantors for unrecognised values for compensation of redeemed facilities and incentives by the ARERA on quality of service).

As at 30 June 2021 there were no significant credit risks. Taking into account the effects of the emergency measures as a result of COVID-19, in the first half of the year on average 98 per cent. of trade receivables relative to the distribution of gas were settled by the due date and over 99 per cent. within the following four days, confirming the strong reliability of the business customers. Receivables from other activities represent a non-significant portion for Italgas.

The Italgas Group may, however, incur liabilities and/or losses from the failure of its clients to comply with payment obligations, as well as from the failure to recover, in full or in part, payments, also given the current economic and financial situation, which makes the collection of receivables more complex and critical. Nevertheless, trade receivables deriving from the gas distribution service to customers without an adequate rating are covered, according to the criteria defined in the Network Codes, by a financial guarantee provided by a primary banking or insurance institution.

### *Risks associated with the rating of Italgas*

As at the date of the Italgas Base Prospectus, Italgas' long-term rating is "BBB+ - stable outlook" by Fitch and "Baa2 - stable outlook" by Moody's, endorsed by Moody's Investors Service Ltd, (each a **Rating Agency** and together the **Rating Agencies**). On 30 April 2020, notwithstanding the downgrading announced on 28 April

## Risk Factors

2020 by Fitch of the Italian government bond to “BBB- with stable outlook” from “BBB with negative outlook”, the rating agency has also confirmed Italgas Long-Term Issuer Default Rating (**IDR**) as “BBB+ with stable outlook”.

As at the date of the Italgas Base Prospectus, Fitch and Moody's are established in the European Union and registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**) and included in the list of credit rating agencies published by ESMA on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation. Generally, a credit rating assesses the credit worthiness of an entity and informs an investor about the probability of the entity being able to redeem invested capital. It is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Credit ratings play a critical role in determining the costs for entities accessing the capital market in order to borrow funds and the rate of interest they can achieve. A decrease in credit ratings by Moody's and/or Fitch may increase borrowing costs or even jeopardise further issuance. The prices of the existing bonds may deteriorate following a downgrade.

In addition, Italgas' credit ratings are potentially exposed to risk in reductions of the sovereign credit rating of the Republic of Italy.

Based on the methodologies adopted by the rating agencies, a downgrade of one notch in the Italian Republic's current rating could trigger a downward adjustment in Italgas' current rating.

### *Liquidity risk*

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the company incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the company's future as a going concern.

In addition to the availability of bond issues to be placed with institutional investors under the present EMTN programme, as at 30 June 2021 Italgas has a significant amount of unrestricted cash available in bank accounts (€685 million). These funds may be used to address possible liquidity needs, where necessary, if the actual borrowing requirement is higher than estimated. Italgas aims at establishing a financial structure that, in line with its business objectives, ensures a level adequate for the Italgas Group in terms of the duration and composition of the debt. The achievement of this financial structure will take place through the monitoring of certain key parameters, such as the ratio between debt and the RAB, the ratio between short-term and medium-/long-term debt, the ratio between fixed-rate and floating-rate debt and the ratio between bank credit granted and bank credit used.

### *Risk of acceleration*

The risk of acceleration consists of the possibility that the loan contracts which have been concluded contain provisions that provide the lender with the ability to activate contractual protections that could result in the early repayment of the loan in the event of the occurrence of specific events, thereby generating a potential liquidity risk.

As at the date of the Italgas Base Prospectus, Italgas has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Some of these contracts provide, *inter alia*, for the following: (i) negative pledge commitments pursuant to which Italgas and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) *pari passu* and change-of-control clauses; and (iii) limitations on certain extraordinary transactions that Italgas and its subsidiaries may carry out.

## Risk Factors

The notes to be issued by Italgas as part of the Programme provide for compliance with covenants that reflect international market practices regarding, *inter alia*, negative pledge and *pari passu* clauses.

Failure to comply with these covenants, and the occurrence of other events, some of which are subject to specific threshold values such as cross-default events, could trigger the early repayment of the related loan. The occurrence of one or more of the aforementioned scenarios could have a negative effect on the Italgas Group's operations, results, balance sheet and cash flows.

### *International financial markets*

At the date of the Italgas Base Prospectus, several governments, international and supranational organisations and monetary authorities have put in place a number of actions to increase liquidity in financial markets, in order to boost global gross domestic product growth and mitigate the possibility of default by certain European countries on their sovereign debt obligations. It remains difficult to predict the effect of these measures on the economy and on the financial system. Termination, in whole or in part, of such actions may cause a decrease of liquidity in the financial markets and thus adversely influence Italgas' ability to access the capital markets. This could materially and adversely affect the business, results of operations and financial condition of Italgas, with a consequent adverse effect on the market value of the notes issued by it and Italgas' ability to meet its obligations under such notes.

### ***Social and environmental risks***

#### *Risks associated with the ongoing infectious disease caused by SARS-Cov 2 (COVID-19) and the pandemic resulting therefrom*

The diffusion of the health crisis deriving from the spread of COVID-19, which was qualified as a pandemic by the WHO on 11 March 2020, continues to have, and could have for an unforeseeable period, important health, social and economic consequences at a global level.

In addition to the worsening global macroeconomic scenario and the risk of deterioration of the credit profile of a considerable number of countries (including Italy), the mentioned pandemic has already led to significant slowdowns in many business activities.

COVID-19 has caused and is continuing to cause significant uncertainty in both domestic and global financial markets and could have an impact on the business environment as well as on the legal, tax and regulatory framework.

Italgas has put in place all the necessary measures to safeguard the activities of its employees, contractors and users while maintaining its capacity and operating efficiency in the interest of its stakeholders.

However, the risk that such events may have repercussions on Italgas' operating context and the resulting economic and financial framework in the event of a possible reappearance of pandemic phenomena cannot be ruled out in the future.

#### *Risks associated with climate change*

Climate change entails risks that, if not anticipated and monitored, could impact Italgas' operational continuity and results. As regards to physical risks, the potential increase in the frequency of extremely intense natural events in the places where Italgas operates could cause the more or less prolonged unavailability of assets and infrastructure, an increase in repair and insurance costs, service interruption, a reduction in the number of active redelivery points served, etc. With reference to the ongoing energy transition process, there are elements of uncertainty related to the possible change in the Italian and EU legislative and regulatory context and financial markets, as well as technological development and developments in the energy market and consumption.

## Risk Factors

Italgas is engaged on various fronts with the aim of helping to achieve global climate targets. Regarding current perimeter, *i.e.* excluding M&A and tenders, the Strategic Plan 2021-2027 set a target of -30 per cent. Scope 1<sup>12</sup> and 2<sup>13</sup> GHG<sup>14</sup> emissions reduction compared to 2020 and a target of -25 per cent. net energy consumption compared to 2020. Moreover, Italgas is committed to transforming more than 73,000 kilometres of networks into digital infrastructures, enabling the distribution of gases other than methane, such as hydrogen and biomethane, promoting sustainable mobility by connection compressed natural gas (CNG) charging stations to the network for normal and heavy goods vehicles nationwide, and contributing to the development of power-to-gas technology to produce gas that can be used in the existing networks through renewable energy storage systems and by conducting energy efficiency projects. Italgas continues in its commitment to promoting responsible business practices, confirming its compliance with the “United Nations Global Compact”, the largest global-level voluntary initiative with regard to sustainability aspects. Italgas also joined UNEP’s OGMP 2.0 Initiative for the voluntary reporting of a credible path for the reduction of methane emissions, consistent with the Scope 1 GHG reduction target mentioned above.

### *Risks associated with environmental protection and the restoration of polluted sites*

Environmental risks may affect the activities and/or the building/development of the Italgas Group and of new networks by the newly acquired companies.

The Italgas Group is and may in the future be subject to reclamation obligations relating to certain sites where industrial activity has been carried out in the past, like the distillation of coal for gas production or oil cracking for gas production. The environmental obligations also include the removal and decommissioning of obsolete facilities and machinery and the disposal of material containing asbestos.

As at 30 June 2021, the Italgas Group’s provision for risks associated with the reclamation amounted to €102.9 million (of which €6.5 million was accounted for in “*Liabilities directly associated with non-current assets held for sale*”). This represents the best estimate at the reporting date to cover all the costs and liabilities relating to the fulfilment of requirements set out in the current regulations. To cover the liabilities estimated in relation to the formalities required by the law in effect, a special fund has been set up.

Since 2001, the competent authorities have been notified of the risk provision made for each site, based on the amounts established from specific assessments made by engineering companies specialising in the sector. The amount of the provision is adjusted according to determinations, always certified by independent entities, that might emerge during the process of reclamation required by law. It is possible that, during the planning phases for reclamation, the assessment of the risks associated with the site to be reclaimed, and the estimated resources required to implement the relative action plan, will be updated to cover all the costs and liabilities arising from the environmental restoration activities required by law.

It is possible, however, that if the Italgas Group companies were to incur costs exceeding the amounts budgeted for or established pursuant to the aforementioned agreements, there would be negative effects on the Italgas Group's operations, balance sheet and cash flows.

In addition, Medea S.p.A. (**Medea**), an LPG distribution company based in Sassari, owns LPG storages in Sardinia, totalling approximately 3,500 cubic metres of capacity. Four of these LPG storages have to be operated in compliance with the “*Seveso Directive*” (Directive 2012/18/EU), which was implemented in Italy by Legislative Decree 105/2015 (which has replaced Legislative Decree 334/1999).

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<sup>12</sup> “**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).

<sup>13</sup> “**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 TSO.

<sup>14</sup> “**GHG**” means greenhouse gases, being gases which absorb and emit radiation in the atmosphere contributing to the greenhouse effect, including (among others) carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride (SF6) and nitrogen trifluoride.

## Risk Factors

### *Risks associated with environmental, health and safety protection*

The activities that the Italgas Group engages in present certain hazard profiles. There is also a possibility that the performance of such activities will cause harm to third parties and/or Italgas employees. The Italgas Group is subject to national and European rules and regulations on environmental, and health and safety protection, to safeguard both third parties and the Italgas Group employees.

As part of its activities, Italgas uses hazardous or potentially hazardous products. Furthermore, some of the activities it carries out that are not currently considered harmful, or the hazardous nature of which has not yet been proven, could be considered harmful in the future as a result of amendments to the regulatory framework. The Italgas Group and the sites where it operates are subject to rules and regulations (including town planning regulations) on pollution, environmental protection and the use and disposal of hazardous substances and waste. These rules and regulations expose Italgas to costs and liabilities relating to its activities and facilities, including those relating to sites used for the disposal of waste or the decommissioning of facilities. The costs and expenses generated by the environmental restoration obligations that the Italgas Group may incur are subject to different variables, such as the seriousness of the pollution, the corrective measures necessary and the extent of Italgas liability. These elements are, by their very nature, difficult to estimate.

Italgas cannot predict whether, and to what extent, environmental regulations may become more restrictive over time, and cannot guarantee that the costs and expenses necessary to comply with its obligations under environmental regulations will not increase, or that these costs will be recoverable through the tariff mechanism and the applicable regulations. Substantial increases in the costs and expenses necessary in order to fulfil the obligations referred to in the environmental rules, or other costs and fines, may have adverse negative effects on the reputation, and on the operations, results and economic and financial position, of the Italgas Group.

### **5. RISKS RELATING TO THE FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH THE NOTES**

#### ***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 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 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 be familiar with the behaviour of any relevant indices and financial markets;
- (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; and

## Risk Factors

- (vi) has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

### ***Decisions at Noteholders' meetings bind all Noteholders***

Provisions for calling meetings of Noteholders are contained in the Agency Agreement and summarised in Condition 11 (*Meetings of Noteholders and Modification*). Noteholders' meetings may be called to consider matters affecting Noteholders' interests generally, including modifications to the terms and conditions relating to the Notes. These provisions permit defined majorities to bind all Noteholders, including those who did not attend and vote at the relevant meeting or who voted against the majority. Any such modifications to the Notes (which may include, without limitation, lowering the ranking of the Notes, reducing the amount of principal and interest payable on the Notes, changing the time and manner of payment, changing provisions relating to redemption, limiting remedies on the Notes and changing the amendment provisions) may have an adverse impact on Noteholders' rights and the market value of the Notes.

### ***Noteholders' meeting provisions may change by operation of law or because of changes in the Issuer's circumstances***

As currently drafted, the rules concerning Noteholders' meetings are intended to follow mandatory provisions of Italian law that apply to Noteholders' meetings where the issuer is an Italian unlisted company. As at the date of this Prospectus, the Issuer is an unlisted company but, if its shares are listed on a securities market while the Notes are still outstanding, then the mandatory provisions of Italian law that apply to Noteholders' meetings will be different (particularly in relation to the rules relating to the calling of meetings, participation by Noteholders at meetings, quorums and voting majorities). In addition, certain Noteholders' meeting provisions could change as a result of amendments to the Issuer's By-Laws. Accordingly, Noteholders should not assume that the provisions relating to Noteholders' meetings contained in the Agency Agreement and summarised in the Conditions will correctly reflect mandatory provisions of Italian law applicable to Noteholders' meetings at any future date during the life of the Notes.

### ***Withholding taxes***

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.

### ***Payments under the Notes may be subject to withholding tax pursuant FATCA***

Section 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (commonly known as **FATCA**), impose a new reporting regime and, potentially, a 30 per cent. withholding tax with respect to (i) certain payments from sources within the United States, (ii) "foreign pass-thru payments" made to certain non-U.S. financial institutions that do not comply with this new reporting regime, and (iii) payments to certain investors that do not provide identification information with respect to interests issued by a participating non-U.S. financial institution. The United States has entered into intergovernmental agreements regarding the implementation of FATCA with several jurisdictions, including Italy, that may modify the way in which FATCA applies in those jurisdictions. The Issuer believes that the payments it makes with respect to the Notes should not be within the scope of payments subject to withholding under FATCA; however, since FATCA is complex and its scope is uncertain in some respects, in particular with respect to the definition of so-called "pass-thru payments" the application of FATCA to payments between financial intermediaries is not entirely certain. Indeed, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any

## Risk Factors

information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer will not pay any additional amounts to holders in respect of taxes imposed under FATCA or any law enacted to implement an intergovernmental agreement. Prospective investors should refer to the section “*Taxation - Foreign Account Tax Compliance Act (FATCA)*”.

### ***The value of the Notes could be adversely affected by a change in Italian law or administrative practice***

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

### ***The Notes do not restrict the amount of debt which the Issuer may incur or secure***

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer and its Subsidiaries may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with the Issuer’s other unsecured senior indebtedness and, accordingly, any increase in the amount of the Issuer’s unsecured senior indebtedness in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3 (*Negative Pledge*), do not contain any restriction on the giving of security by the Issuer and its Subsidiaries over present and future indebtedness. Where security has been granted over assets of the Issuer to secure indebtedness, in the event of any insolvency or winding-up of the Issuer, such indebtedness will rank in priority over the Notes and other unsecured indebtedness of the Issuer in respect of such assets.

### ***Early redemption of the Notes***

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

The conditions of the Notes provide that the Issuer may, at its option, redeem all, but not some only, of the Notes at any time in the event of certain tax changes as described under Condition 6.5 (*Redemption for Taxation Reasons*) In the event of an exercise of the above option by the Issuer, Noteholders may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

In addition, pursuant to Condition 6.2 (*Redemption at the Option of the Issuer (Make-Whole Call)*), the Issuer may choose to redeem the Notes at make-whole at times when prevailing interest rates may be relatively low. With respect to the clean-up call option in Condition 6.3 (*Redemption at the Option of the Issuer (Clean-Up Call)*) (the **Clean-up Call Option**), there is no obligation on the Issuer to inform investors if and when 80 per cent. or more of original aggregate principal amount of the Notes has been redeemed or is about to be redeemed, 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 Option the Notes may have been trading significantly above par, thus potentially resulting in a loss of capital invested. Furthermore, the Issuer may also redeem all, but not some only, of the Notes at their principal amount together with interest accrued to but excluding the date of redemption, under Condition 6.4 (*Redemption at the Option of the Issuer (3-Months Par Call)*) from (and including) 25 July 2027 to the Maturity Date.

If the Issuer calls and redeems the Notes in the circumstances mentioned above, which may occur, inter alia, when its cost of borrowing is lower than the interest rate on the Notes, the Noteholders may not be able to

## Risk Factors

reinvest the redemption proceeds in comparable securities offering yield similar to that of the Notes. Prospective investors should consider reinvestment risk in light of other investments available at that time.

### ***The exercise of a put option by Noteholders following a Change of Control Event may adversely affect the Issuer's financial position***

Upon the occurrence of certain change of control events relating to the Issuer, as set out in Condition 6.6 (*Redemption at the Option of the Noteholders following a Change of Control Event*), under certain circumstances the Noteholders will have the right to require the Issuer to redeem all outstanding Notes at their principal amount. However, it is possible that the Issuer will not have sufficient funds at the time of the change of control to make the required redemption of Notes. If there are not sufficient funds for the redemption, Noteholders may receive less than the principal amount of the Notes if they elect to exercise such right. Furthermore, if such provisions were exercised by the Noteholders, this might adversely affect the Issuer's financial position.

### ***No physical document of title issued in respect of the Notes***

The Notes will be in dematerialised form and evidenced at any time through book entries pursuant to the relevant provisions of the Financial Services Act and in accordance with CONSOB and Bank of Italy Regulation. In no circumstance would physical documents of title be issued in respect of the Notes. While the Notes are represented by book entries, investors will be able to trade their beneficial interests only through Monte Titoli and the authorised financial intermediaries holding accounts on behalf of their customers with Monte Titoli. As the Notes are held in dematerialised form with Monte Titoli, investors will have to rely on the procedures of Monte Titoli and the financial intermediaries authorised to hold accounts therewith, for transfer, payment and communication with the Issuer.

### ***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 trading market for the Notes may never develop*

The Notes are new securities which may not be widely distributed and for which there is currently no active trading market. If the Notes are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Issuer. Although applications have been made for the Notes to be admitted to trading on Euronext Dublin and listed on the Official List, there is no assurance that an active trading market will develop, and if a market 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.

#### *An investor may be exposed to movements in exchange rates and exchange controls could result in an investor not receiving payments*

The Issuer will pay principal and interest on the Notes in euro. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the euro. These include the risk that exchange rates may significantly change (including changes due to devaluation of the euro 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 euro would decrease (a) the Investor's Currency-equivalent yield on the Notes, (b) the Investor's Currency-equivalent value of the principal payable on the Notes and (c) the Investor's Currency-equivalent market value of the Notes.

## Risk Factors

Government and monetary authorities may impose (as some have 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.

### *Interest rate risks*

Investment in the Notes, which bear a fixed rate of interest, involves the risk that if market interest rates subsequently increase above the rate paid on the Notes, this will adversely affect the value of the Notes. While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security or during a certain period of time, market interest rates typically change on a daily basis. As market interest rates change, the price of such security moves in the opposite direction. If market interest rates increase, the price of such security typically falls, until the yield of such security is approximately equal to the prevailing market interest rate. Conversely, if market interest rates fall, the price of a security with a fixed interest rate typically increases, until the yield of such security is approximately equal to the prevailing market interest rate. Investors should be aware that the market price of the Notes may fall as a result of movements in market interest rates.

### *Credit ratings may not reflect all the risks associated with an investment in the Notes*

The Notes are rated Baa3 by Moody's and BBB by Fitch. Investors should be aware that:

- (i) such ratings reflect only the views of the rating agency and 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;
- (ii) a rating is not a recommendation to buy, sell or hold securities and may be subject to review, revision, suspension, reduction or withdrawal at any time by the assigning rating agency; and
- (iii) notwithstanding the above, an adverse change in a credit rating could adversely affect the trading price for the Notes.

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

The investment activities of certain investors are subject to 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 (a) the Notes are legal investments for it, (b) the Notes can be used as collateral for various types of borrowing and (c) 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 the Notes under any applicable risk-based capital or similar rules.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Prospectus and have been filed with the Central Bank are incorporated in, and form part of, this Prospectus.

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 below) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Prospectus.

- (a) The auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2021, including the information set out at the following pages in particular:

Corporate bodies.....	Page 2
Report on operations of the Group .....	Pages 3-78
2021 Consolidated financial statements .....	Pages 79-192
Report on operations of CDP RETI S.p.A. ....	Pages 193-202
2021 Separate financial statements .....	Pages 203-276
Resolution of the shareholders' meeting .....	Pages 277-279

- (b) The auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2020, including the information set out at the following pages in particular:

Corporate bodies.....	Pages 3-4
Report on operations of the Group .....	Pages 5-74
2020 Consolidated financial statements .....	Pages 75-184
Report on operations of CDP RETI S.p.A. ....	Pages 185-194
2020 Separate financial statements .....	Pages 195-266
Resolution of the shareholders' meeting .....	Pages 267-269

In particular, the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2021 has been published on the Issuer's website at [https://www.cdp.it/resources/cms/documents/CDP-RETI\\_RFA-2021\\_ENG\\_20220503.pdf](https://www.cdp.it/resources/cms/documents/CDP-RETI_RFA-2021_ENG_20220503.pdf).

In particular, the auditors' report and audited annual financial statements of the Issuer for the financial year ended 31 December 2020 has been published on the Issuer's website at [https://www.cdp.it/resources/cms/documents/CDP-Reti-RFA-2020\\_ENG\\_12-05-2021.pdf](https://www.cdp.it/resources/cms/documents/CDP-Reti-RFA-2020_ENG_12-05-2021.pdf).

Copies of the documents incorporated by reference in this Prospectus can be obtained free of charge from the specified office of the Paying Agent and from the website of the Issuer <http://www.cdpreti.it>.

## CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions of the Notes (the **Conditions** or the **Terms and Conditions**) which will apply to the Notes.*

*In these Conditions, references to the **holder** of a Note or to **Noteholders** are to the beneficial owners of Notes issued in dematerialised form and evidenced in book entry form with Monte Titoli pursuant to the relevant provisions referred to in Condition 1 below. No physical document of title will be issued in respect of Notes. Euroclear and Clearstream, Luxembourg are intermediaries authorised to operate through Monte Titoli.*

The €500,000,000 5.875 per cent. Notes due 25 October 2027 (the **Notes**, which expression shall in these Conditions, unless the context otherwise requires, include any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series with the Notes) of CDP RETI S.p.A. (the **Issuer**) are issued subject to and with the benefit of an Agency Agreement dated 25 October 2022 (such agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) made between the Issuer and BNP Paribas, Italian Branch as principal paying agent (the **Paying Agent** and, together with any other paying agents appointed from time to time, the **Paying Agents** and, each of them, a **Paying Agent**).

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of and definitions in the Agency Agreement. Copies of the Agency Agreement are available for inspection during normal business hours by the Noteholders at the specified office of each of the Paying Agents. The Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. References in these Conditions to the Paying Agent shall include any successor appointed under the Agency Agreement.

### 1. FORM, DENOMINATION AND TITLE

The Notes will be in bearer form and will be held in dematerialised form on behalf of their beneficial owners by Monte Titoli S.p.A. (**Monte Titoli**) for the account of the relevant Monte Titoli Account Holders as of their respective date of issue. **Monte Titoli Account Holders** means any authorised financial intermediary institution entitled to hold accounts on behalf of their customers with Monte Titoli and includes Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg**). The Notes will at all times be held in book entry form and title to the Notes will be evidenced by book entries pursuant to the relevant provisions of Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented (the **Financial Services Act**) and in accordance with CONSOB and Bank of Italy Joint Regulation dated 13 August 2018, as subsequently amended and supplemented. No physical document of title will be issued in respect of the Notes.

The Notes are issued in the denomination of €100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000.

### 2. STATUS

The Notes are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and (subject as provided below) rank and will rank *pari passu*, without any preference among themselves, with all other outstanding unsecured and unsubordinated obligations of the Issuer, present and future, save for such obligations as may be preferred by provisions of law that are both mandatory and of general application.

### 3. NEGATIVE PLEDGE

#### 3.1 Negative Pledge

So long as any of the Notes remains outstanding, the Issuer will not create (other than by operation of law) any mortgage, charge, lien, pledge or other security interest (each a **Security Interest**) (other than a **Permitted Security Interest**, as defined below) upon the whole or any part of its present or future business, undertaking, assets or revenues (including any uncalled capital) of the Issuer to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) at the same time all amounts payable by it under the Notes are secured by the Security Interest equally and rateably with the Relevant Indebtedness; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided as is approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

#### 3.2 Interpretation

For the purposes of these Conditions:

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any money borrowed or raised.

**Relevant Indebtedness** means (i) any present or future Indebtedness for Borrowed Money which is in the form of, or represented by, notes, bonds, debentures or other debt securities which are or are intended to be quoted, listed, traded or ordinarily dealt in on any stock exchange or other regulated securities market and (ii) any guarantee or indemnity in respect of any such Relevant Indebtedness.

**Permitted Security Interest** means:

- (a) any Security Interest (A) over or affecting any asset acquired by or vested in the Issuer after the Issue Date, where such Security Interest already exists at the time that asset is acquired by or vested in the Issuer, *provided that* (A) such Security Interest was not created in connection with or in contemplation of the acquisition or vesting of that asset and (B) the aggregate principal amount of Relevant Indebtedness secured by such Security Interest is not increased at any time thereafter;
- (b) any Security Interest (a **New Security Interest**) created in substitution for any existing Security Interest permitted under paragraph (a) above (an **Existing Security Interest**), *provided that* (A) the principal amount secured by the New Security Interest does not at any time exceed the principal amount secured by the Existing Security Interest and (B) other than by reason of general market trend beyond the control of the Issuer, the value of the assets over which the New Security Interest subsists does not at any time exceed the value of the assets over which the Existing Security Interest subsisted;
- (c) any Security Interest created to secure Project Finance Indebtedness;
- (d) any Security Interest not falling within paragraphs (a) to (c) above, provided that the aggregate principal amount of Relevant Indebtedness secured by such Security Interest does not exceed €50,000,000.

**Project** means the ownership, acquisition (in each case, in whole or in part), development, restructuring, leasing, maintenance and/or operation of an asset or assets, and the equity participations in a company holding such asset or assets.

**Project Finance Indebtedness** means any present or future Relevant Indebtedness incurred by the Issuer to finance a Project, whereby the holders of the instruments representing such Relevant Indebtedness (the **relevant holders**) have no recourse whatsoever to the Issuer for the repayment thereof other than:

- (a) 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 assets or the income or other proceeds deriving from them; and/or
- (b) recourse for the purpose only of enabling amounts to be claimed in respect of such Relevant Indebtedness in an enforcement of any Security Interest given over such assets or the income, cash flow or other proceeds deriving from them to secure such Relevant 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) the relevant holders are not entitled, by virtue of any right or claim arising out of or in connection with such Relevant Indebtedness, to commence proceedings of any nature against the Issuer.

## 4. INTEREST

### 4.1 Interest Rate and Interest Payment Dates

The Notes bear interest on their principal amount from and including 25 October 2022 at the rate of 5.875 per cent. per annum, payable annually in arrears on 25 October (each an **Interest Payment Date**). The first payment (representing a full year's interest) shall be made on 25 October 2023.

### 4.2 Interest Accrual

Each Note will cease to bear interest from and including its due date for redemption unless, upon due presentation, payment of the principal in respect of the Note is improperly withheld or refused or unless default is otherwise made in respect of payment. 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) five days after the date on which the full amount of the moneys payable in respect of such Notes has been received by the Paying Agent and notice to that effect has been given to the Noteholders in accordance with Condition 10 (*Notices*).

### 4.3 Calculation of Broken Interest

When interest is required to be calculated in respect of a period of less than a full year, it shall be calculated on the basis of (a) the actual number of days in the period from and including the date from which interest begins to accrue (the **Accrual Date**) to but excluding the date on which it falls due divided by (b) the actual number of days from and including the Accrual Date to but excluding the next following Interest Payment Date.

## 5. PAYMENTS

### 5.1 Payments in respect of Notes

Payment of principal and interest (and any other amount) in respect of the Notes will be credited, without charge to the Noteholders, according to the instructions of Monte Titoli, by the Paying Agent on behalf of the Issuer to the accounts of those banks and authorised brokers whose accounts with Monte Titoli are credited with those Notes and thereafter credited by such banks and authorised brokers from such aforementioned accounts to the accounts of the beneficial owners of those Notes or to the accounts of those participants to Euroclear and Clearstream, Luxembourg and thereafter to the accounts with Euroclear and Clearstream, Luxembourg of the beneficial owners of those Notes, in accordance with the rules and procedures of Monte Titoli (and, if applicable, Euroclear or Clearstream, Luxembourg, as the case may be).

### 5.2 Method of Payment

Payments will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

### 5.3 Payments subject to applicable laws

Payments in respect of principal and interest (and any other amount) on the Notes are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*).

### 5.4 Payments on a Business Day

If the due date for payment of any amount in respect of any Note is not a Business Day, the holder shall not be entitled to payment of the amount due until the next succeeding Business Day and shall not be entitled to any further interest or other payment in respect of any such delay.

In this Condition, **Business Day** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System is open.

### 5.5 Paying Agent

The Issuer reserves the right at any time to vary or terminate the appointment of the Paying Agent and to appoint additional or other Paying Agents provided that:

- (a) there will at all times be a 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 at least one Paying Agent having a specified office in the place (if any) required by the rules and regulations of the relevant Stock Exchange or any other relevant authority;
- (c) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union who is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction within Europe.

Notice of any variation, termination, appointment and/or of any changes in specified offices will be given to the Noteholders promptly by the Issuer in accordance with Condition 10 (*Notices*).

## 6. REDEMPTION AND PURCHASE

### 6.1 Redemption at Maturity

Unless previously redeemed or purchased and cancelled as provided below, the Issuer will redeem the Notes at their principal amount on 25 October 2027 (the **Maturity Date**).

### 6.2 Redemption at the Option of the Issuer (Make-Whole Call)

The Issuer may, at any time from 25 October 2022 (the **Issue Date**) to (but excluding) 25 July 2027, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 10 (*Notices*); and
- (b) notice to the Paying Agent not less than 15 days before the giving of the notice referred to in (a);

(which notices shall be irrevocable and shall specify the date fixed for redemption (the **Optional Redemption Date**)), redeem all (but not some only) of the Notes then outstanding at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date.

For the purposes of this Condition 6.2, the **Optional Redemption Amount** will be an amount which is the higher of:

- (a) 100 per cent. of the principal amount of the Notes 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 (not including any interest accrued on the Notes to, but excluding, the 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,

*plus*, in each case, any interest accrued on the Notes to, but excluding, the Optional Redemption Date.

As used in this Condition 6.2:

**Redemption Margin** shall be 0.60 per cent. *per annum*;

**Reference Bond** shall be the German government bond bearing interest at a rate of 96.40 per cent. *per annum* and maturing on 15 October 2027 with ISIN code DE0001141869;

**Reference Dealers** shall be each of the four banks selected by the Issuer which are primary European government security dealers, and their respective successors, or market makers in pricing corporate bond issues; and

**Reference Bond Rate** means with respect to the Reference Dealers and the Optional Redemption Date, the average of the four 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 (after prior consultation with the Issuer) 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.

## Conditions of the Notes

All Notes in respect of which any such notice is given under this Condition 6.2 shall be redeemed on the date specified in such notice in accordance with this Condition 6.2.

Unless the Issuer defaults in payment of the redemption price, from and including the Optional Redemption Date interest will cease to accrue on the Notes called for redemption pursuant to this Condition 6.2.

### 6.3 Redemption at the Option of the Issuer (Clean-Up Call)

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 but subject to having given not less than thirty (30) nor more than sixty (60) days' notice to the Noteholders in accordance with Condition 10 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Notes, at their principal amount, together with interest accrued and unpaid thereon to but excluding the date fixed for redemption.

### 6.4 Redemption at the Option of the Issuer (3-Months Par Call)

The Issuer may, at its option, from (and including) 25 July 2027 to (but excluding) the Maturity Date, subject to having given not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 10 (*Notices*) (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all (but not some only) of the outstanding Notes, at their principal amount, together with interest accrued and unpaid thereon to but excluding the date fixed for redemption.

### 6.5 Redemption for Taxation Reasons

If:

- (a) as a result of any change in, or amendment to, the laws or regulations of a Relevant Jurisdiction (as defined in Condition 7 (*Taxation*)), or any change in the application or official interpretation of the laws or regulations of a Relevant Jurisdiction, which change or amendment becomes effective after 25 October 2022, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 7 (*Taxation*); and
- (b) the requirement cannot be avoided by the Issuer taking reasonable measures available to it,

the Issuer may at its option, having given not less than 30 nor more than 60 days' notice to the Noteholders in accordance with Condition 10 (*Notices*) (which notice shall be irrevocable), redeem all the Notes, but not some only, at any time at their principal amount together with interest accrued to but excluding the date of redemption, 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 paragraph, the Issuer shall deliver to the Paying Agent to make available at its specified offices to the Noteholders (i) a certificate signed by a senior officer of the Issuer stating 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 the change or amendment.

### 6.6 Redemption at the Option of the Noteholders following a Change of Control Event

If a Change of Control Event occurs, then the Noteholders shall have the option (a **Put Option**), within 30 days of a Change of Control Event Notice (as defined below) being given to the Noteholders in

accordance with Condition 10 (*Notices*) (the **Exercise Period**), to give to the Issuer through a Paying Agent a Put Notice (as defined below) requiring the Issuer to redeem Notes held by such Noteholder on the Change of Control Event Redemption Date. The Issuer will, on such Change of Control Event Redemption Date, redeem in whole (but not in part) the Notes which are the subject of the Put Notice. The Notes will be redeemed at a redemption price equal to 100 per cent. of their principal amount, together with interest accrued and unpaid to but excluding the Change of Control Event Redemption Date.

Promptly (and in any event within 15 days) upon the Issuer becoming aware that a Change of Control Event has occurred, the Issuer shall give notice (a **Change of Control Event Notice**) to the Noteholders in accordance with Condition 10 (*Notices*) specifying (i) that Noteholders are entitled to exercise the Put Option; (ii) the procedure for exercising the Put Option, including the Change of Control Event Redemption Date; and (iii) such other information relating to the Put Option as may be relevant.

To exercise the Put Option, the Noteholder must deliver at the specified office of any Paying Agent on any Business Day (as defined in Condition 5 (*Payments*)) at the place of such specified office falling within the Exercise Period, a duly signed and completed 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 paragraph. Upon delivery of a Put Notice and up to and including the Change of Control Event Redemption Date, no transfer of title to the Notes for which the Put Notice has been delivered will be allowed. At least 5 Business Days prior to the Change of Control Event Redemption Date, the Issuer and the Paying Agent shall notify Monte Titoli of the amount of Notes to be redeemed on the Change of Control Event Redemption Date and the aggregate redemption amount. A Put Notice given by a holder of any Note shall be irrevocable except where, prior to the Change of Control Event Redemption Date, an Event of Default has occurred and is continuing, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice and instead to give notice that the Note is immediately due and repayable under Condition 9 (*Events of Default*).

For the purposes of these Conditions:

A **Change of Control Event** means the occurrence of any circumstance as a result of which Cassa depositi e prestiti S.p.A. ceases to have the power, either directly or indirectly through one or more intermediate persons controlled by it, to (i) cast or control the casting of more than one half of the votes capable of being cast at an ordinary and extraordinary meeting of the Issuer's shareholders; or (ii) appoint the majority of the directors of the Issuer.

**Change of Control Event Redemption Date** means the date specified in the Change of Control Event Notice, being a date not less than 30 nor more than 60 days after the expiry of the Exercise Period.

### 6.7 Purchases

The Issuer or any of its Subsidiaries (as defined below) may at any time purchase Notes in any manner and at any price. Such Notes may be held, reissued, resold or, at the option of the Issuer, cancelled.

### 6.8 Cancellations

All Notes which are redeemed will forthwith be cancelled. All Notes so redeemed, and any Notes purchased and cancelled pursuant to Condition 6.7 (*Purchases*) may not be reissued or resold.

## 6.9 Notices Final

Upon the expiry of any notice as is referred to in Condition 6.2 (*Redemption at the Option of the Issuer (Make-Whole Call)*), 6.3 (*Redemption at the Option of the Issuer (Clean-Up Call)*), 6.4 (*Redemption at the Option of the Issuer (3-Months Par Call)*), 6.5 (*Redemption for Taxation Reasons*), or 6.6 (*Redemption at the Option of the Noteholders following a Change of Control Event*) the Issuer shall be bound to redeem the Notes to which the notice refers in accordance with the terms of such paragraph.

## 6.10 Interpretation

For the purposes of this Condition:

**Subsidiary** means, in respect of the Issuer at any particular time, any other entity which is controlled by the Issuer in accordance with Article 2359 paragraph no. 1 of the Italian Civil Code and Subsidiaries shall have a corresponding meaning.

## 7. TAXATION

### 7.1 Payment without Withholding

All payments in respect of the Notes by or on behalf of the Issuer shall be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed or levied by or on behalf of the Relevant Jurisdiction, unless the withholding or deduction of the Taxes is required by law. In that event, the Issuer will pay such additional amounts as may be necessary in order that the net amounts received by the Noteholders after the withholding or deduction shall equal the respective amounts which would have been receivable in respect of the Notes in the absence of the withholding or deduction; except that no additional amounts shall be payable in relation to any payment in respect of any Note:

- (a) the holder of which is liable for Taxes in respect of such Note by reason of having some connection with the Relevant Jurisdiction other than a mere holding of the Note; or
- (b) to be made in the Relevant Jurisdiction; or
- (c) held by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union; or
- (d) requested more than 30 days after the Relevant Date (as defined below) except to the extent that a holder would have been entitled to additional amounts if it had requested such payment on the last day of the period of 30 days assuming that day to have been a Business Day (as defined in Condition 5 (*Payments*)); or
- (e) held by a holder who would be entitled to avoid such withholding or deduction by making a declaration of residence or non-residence or other similar claim for exemption and fails to do so in due time; or
- (f) in relation to any payment or deduction on principal, interest or other proceeds of any Note on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996, as amended or supplemented from time to time; or
- (g) in the event of payment to a non-Italian resident legal entity or to a non-Italian resident individual, to the extent that interest or other proceeds are paid to a non-Italian resident legal

entity or to 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.

For the avoidance of doubt, the Issuer shall be permitted to withhold or deduct any amounts required by the rules of US Internal Revenue Code Sections 1471 through 1474 (or any amended or successor provisions) or pursuant to any agreement with the US Internal Revenue Service (**FATCA withholding**) as a result of a holder, beneficial owner or an intermediary that is not an agent of the Issuer not being entitled to receive payments free of FATCA withholding. The Issuer will have no obligation to pay additional amounts or otherwise indemnify a holder for any such FATCA withholding deducted or withheld by the Issuer, a Paying Agent or any other party.

## 7.2 Interpretation

In these Conditions:

- (a) **Relevant Date** means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Paying Agent on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect has been duly given to the Noteholders by the Issuer in accordance with Condition 10 (*Notices*); and
- (b) **Relevant 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.

## 7.3 Additional Amounts

Any reference in these Conditions to any amounts in respect of the Notes shall be deemed also to refer to any additional amounts which may be payable under this Condition.

## 8. PRESCRIPTION

Claims for payment under the Notes will become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the Relevant Date in respect of the Notes, subject to the provisions of Condition 5 (*Payments*).

## 9. EVENTS OF DEFAULT

### 9.1 Events of Default

The holder of any Note may give written notice to the Issuer that the Note is, and it shall accordingly forthwith become, immediately due and repayable at its principal amount, together with interest accrued to the date of repayment, if any of the following events (**Events of Default**) shall have occurred and be continuing:

- (a) *Non-payment*: 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 7 days in the case of principal or 14 days in the case of interest; or
- (b) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other material obligations under these Conditions and (except in any case where the failure is incapable of remedy, when no continuation or notice as is hereinafter mentioned will be required) the

failure continues for the period of 30 days following the service by any Noteholder on the Issuer of written notice requiring the same to be remedied; or

- (c) *Cross-acceleration*: if (i) any Indebtedness of the Issuer is declared to be due and repayable prior to its stated maturity by reason of an event of default (however described); (ii) the Issuer fails to make any payment in respect of any Indebtedness on the due date for payment as extended by any applicable grace period; or (iii) any security given by the Issuer for any Indebtedness is enforced; or (iv) default is made by the Issuer in making any payment when due or (as the case may be) within any applicable grace period under any guarantee and/or indemnity given by it in relation to any Indebtedness of any other person, provided that no such event shall constitute an Event of Default unless the aggregate Indebtedness relating to all such events which shall have occurred and be continuing shall amount to at least €30,000,000 (or its equivalent in any other currency); or
- (d) *Winding up, etc.*: if an order is made by any competent court or an effective resolution is passed for the winding up or dissolution of the Issuer save for (i) the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (ii) the purposes of or pursuant to a Permitted Reorganisation; or
- (e) *Cessation of business or payments*: if the Issuer ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for (i) the purposes of reorganisation on terms previously approved by an Extraordinary Resolution of the Noteholders, or (ii) the purposes of a Permitted Reorganisation; or the Issuer stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) *Insolvency*: if the Issuer stops the payment of, or admits in writing its inability to, pay its debts as they fall due or is adjudicated or found bankrupt or insolvent; or if the Issuer becomes subject to any liquidation, insolvency, composition, reorganisation or other similar proceedings or if an administrative or other receiver, administrator, liquidator or other similar official is appointed in relation to the Issuer or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of the Issuer or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of the Issuer, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the undertaking or assets of the Issuer, and in any such case (other than the appointment of an administrator) is not discharged within 60 days; or
- (g) *Voluntary arrangement*: if the Issuer initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) *Failure to take action*: if at any time any act, condition or thing which is required to be done, fulfilled or performed by the Issuer in order to enable the Issuer lawfully to enter into, exercise its rights under and perform the obligations expressed to be assumed by it under and in respect of the Notes, is not done, fulfilled or performed.

## 9.2 Interpretation

For the purposes of this Condition:

**Fitch** means Fitch Ratings Ltd. and its successors.

**Indebtedness** means any indebtedness for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) amounts raised under any note purchase facility;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days; and
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing.

**Moody's** means Moody's Investors Service, Inc and its successors.

**Permitted Reorganisation** means, in respect of the Issuer, an amalgamation, merger, spin-off, reconstruction, reorganisation, restructuring, transfer or contribution of assets or other similar transaction (a **relevant transaction**) whilst solvent and whereby:

- (a) to the extent that the Issuer is not a surviving entity, the resulting company is a Successor in Business of the Issuer. **Successor in Business** means, in relation to the Issuer, any company which, as a result of relevant transaction, (i) assumes the obligations of the Issuer in respect of the Notes, and (ii) carries on, as a successor to the Issuer, the whole or substantially the whole of the business carried on by the Issuer immediately prior thereto and (iii) beneficially owns the whole or substantially the whole of the undertaking, property and assets owned by the Issuer immediately prior thereto, or (iv) where item (ii) or (iii) is not complied with, no Rating Agency has announced a Rating Downgrade in respect of the Successor in Business or the Notes during the 90-day period following the announcement of a definitive agreement in respect of the relevant transaction, in each case to the extent ratings are assigned at the relevant time; or
- (b) to the extent that the Issuer is the surviving entity, the relevant transaction has no material adverse effect on the ability of the Issuer to perform all its liabilities (payment and otherwise) in respect of all then existing obligations of the Issuer of the Notes. For the purposes of this provision, "**material adverse effect**" will be deemed not to have occurred where no Rating Agency has announced a Rating Downgrade in respect of the Issuer or the Notes during the 90-day period following the announcement of a definitive agreement in respect of the relevant transaction, in each case to the extent ratings are assigned at the relevant time.

**Rating Agency** means any of Fitch, Moody's and S&P.

**Rating Date** means the date one business day (being for this purpose a day on which banks are open for business in London) prior to the first public announcement of the relevant transaction.

**Rating Downgrade** means the rating of the Notes or the Issuer by any Rating Agency is downgraded at least one rating category below the rating of the Notes or, as appropriate, the Issuer by such Rating Agency on the Rating Date, and the official statement issued by such Rating Agency announcing the

## Conditions of the Notes

Rating Downgrade refers to the relevant transaction as a reason, in whole or in part, for such downgrade.

**S&P** means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors.

### **10. NOTICES**

#### **10.1 Notices to the Noteholders**

Any notice regarding the Notes, as long as the Notes are held through Monte Titoli, shall be deemed to have been duly given through the systems of Monte Titoli, and, as long as the Notes are listed on Euronext Dublin and the rules of such exchange so require, published on the Euronext Dublin website (<https://www.euronext.com/en/markets/dublin>). Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made.

#### **10.2 Notices from the Noteholders**

Notices to be given by any Noteholder shall be in writing and given by lodging the same with the Paying Agent.

### **11. MEETINGS OF NOTEHOLDERS AND MODIFICATION**

#### **11.1 Meetings of Noteholders**

The Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution (as defined in the Agency Agreement) of any of these Conditions. Any such meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) at any time at their discretion and they shall without delay convene any such meeting upon a request in writing signed by the Noteholders holding not less than one-twentieth of the aggregate principal amount of the Notes for the time being outstanding. If they delay in convening such a meeting following such a request, the meeting may be convened by the Issuer's Board of Statutory Auditors. If they fail to convene such a meeting following such request, the meeting may be convened by a decision of the competent Court upon request by such Noteholders. Every such meeting shall be held at such time and place as provided pursuant to Article 2363 of the Italian Civil Code.

The convening of meetings and the validity of resolutions thereof shall be governed by the applicable provisions of applicable Italian laws and (if applicable) the Issuer's By-Laws in force from time to time. In particular: a meeting will be validly held if attended by (i) in the case of first call, one or more persons present holding or representing more than one half of the aggregate principal amount of the Notes for the time being outstanding; (ii) in the case of second call or further call, one or more persons present holding or representing more than one third of the aggregate principal amount of the Notes for the time being outstanding.

The majority required to pass an Extraordinary Resolution at any meeting (including an adjourned meeting) will be (subject to the applicable Italian laws and the (if applicable) Issuer's By-Laws in force from time to time) (i) in the case of first call, the favourable vote of one or more persons holding or representing more than half of the aggregate principal amount of the Notes for the time being outstanding and (ii) in the case of second call or further call the favourable vote of one or more persons holding or representing at least two thirds of the aggregate principal amount of the outstanding Notes represented at the meeting *provided that* in order to adopt any proposal at any meeting to modify the Conditions of the Notes, as provided under Article 2415 of the Italian Civil Code (including, to the

extent these are matters that, pursuant to applicable law, can be resolved upon by a meeting of Noteholders, any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the principal amount of, or interest on, the Notes; or to change the currency of payment under the Notes (any such matter, a **Reserved Matter**) the favourable vote of the higher of (1) one or more persons holding or representing in the aggregate not less than one-half of the aggregate principal amount of the Notes for the time being outstanding and (2) one or more persons holding or representing not less than two thirds of the aggregate principal amount of the outstanding Notes represented at the meeting, shall also be required.

Any Extraordinary Resolution duly passed at any such meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting.

## 11.2 Noteholders' Representative

A representative of the Noteholders (*rappresentante comune*) (the **Noteholders' Representative**), subject to applicable provisions of Italian law, may be appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' common 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 an Extraordinary Resolution of such 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 fiscal years but may be reappointed again thereafter.

## 11.3 Modification

The Paying Agent and the Issuer may agree, without the consent of the Noteholders to:

- (a) any modification of, the Notes or any of the provisions of the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law, or
- (b) any modification (except a Reserved Matter (being a matter in respect of which an increased quorum is required as mentioned above)) of the Notes or the Agency Agreement which is not prejudicial to the interests of the Noteholders.

Any modification shall be binding on the Noteholders and, unless the Paying Agent agrees otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 10 (*Notices*).

## 12. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions), all figures resulting from such calculations will be rounded, if necessary, to the nearest euro cent (with half a euro cent being rounded upwards).

## 13. FURTHER ISSUES

The Issuer may from time to time without the consent of the Noteholders create and issue further notes, having the same terms and conditions as those of the Notes, or the same except for the amount and date of the first payment of interest, which may be consolidated and form a single series with the outstanding Notes.

## **14. GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **14.1 Governing Law**

The Agency Agreement, the Notes and any non-contractual obligations arising out of or in connection with the Agency Agreement or the Notes are governed by, and construed in accordance with, Italian law.

### **14.2 Submission to Jurisdiction**

The courts of Rome have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes, 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 the Notes (a **Dispute**) and each of the Issuer and any Noteholders in relation to any Dispute submits to the exclusive jurisdiction of the courts of Rome.

### **14.3 Other Documents**

The Issuer has in the Agency Agreement submitted to the jurisdiction of the courts of Rome.

## **USE OF PROCEEDS**

The net proceeds of the issue of the Notes, amounting to €497,100,000, will be applied by the Issuer for the refinancing of the financial indebtedness deriving from (i) the €375,000,000 facility incurred under the bridge loan agreement executed by and between the Issuer, as borrower, and Cassa depositi e prestiti S.p.A., as lender, and (ii) the €375,000,000 facility incurred under the bridge loan agreement executed by and between the Issuer, as borrower, and UniCredit S.p.A., Intesa Sanpaolo S.p.A., Crédit Agricole Corporate & Investment Bank – Milan Branch and BNP Paribas Italian Branch, as lenders, and currently outstanding for an aggregate overall amount of €750,000,000.

## DESCRIPTION OF THE ISSUER

### Introduction

CDP RETI S.p.A. (the **Issuer** or **CDP RETI**) is a company limited by shares (*società per azioni* or S.p.A.), incorporated under the laws of the Republic of Italy for a period expiring on 31 December 2100, which may be extended by a shareholders' resolution. The Issuer is subject to the direction and coordination of Cassa depositi e prestiti S.p.A. (**CDP**) as more fully described below and is registered at the Companies' Registry (*Registro delle Imprese*) of Rome under registration number 12084871008. Its registered office is at Via Goito 4, 00185, Rome, Italy and the telephone number of its registered office is +39 06 4221 5023.

The Issuer is a holding company whose sole activity consists of the holding and management of an equity interest in (i) Snam, the national operator in the transportation, regasification and storage of natural gas in Italy, (ii) Terna, operator of the Italian national electricity grid and (iii) Italgas, first operator in Italy in the gas distribution. See "*Description of Snam*", "*Description of Terna*" and "*Description of Italgas*" below.

### History

The Issuer was incorporated on 5 October 2012 as a wholly owned subsidiary by CDP. CDP is a company limited by shares under public control, with the Ministry of Economic and Finance holding an 82.775 per cent. stake, a broad group of banking foundations holding 15.925 per cent. and the remaining 1.3 per cent. represented by treasury shares.

The key events in the history of the Issuer since incorporation may be summarised as follows:

October 2012	Acquisition by the Issuer from Eni S.p.A. ( <b>ENI</b> ) and on the market of approximately 30 per cent. of the voting capital of Snam.
May 2014	Conversion of the Issuer from a limited liability company into a company limited by shares (with consequent change of its name from CDP RETI S.r.l. to CDP RETI S.p.A.) and an increase of the share capital to €120,000 and the issuance of 120,000 ordinary shares with no par value.
July 2014	Signing of a share purchase agreement between CDP, State Grid Europe Limited ( <b>SGEL</b> ) and its parent company State Grid International Development Limited ( <b>SGID</b> ), pursuant to which, <i>inter alia</i> , SGEL, a wholly owned subsidiary of SGID, agreed to purchase from CDP 35 per cent. of the share capital of the Issuer, and SGID agreed to remain jointly and severally liable with SGEL for the punctual and exact performance by it of any and all duties and obligations arising under or in connection with the share purchase agreement.
October 2014	Acquisition by the Issuer from CDP of 29.85 per cent. of the share capital of Terna.
November 2014	Sale by CDP of 2.6 per cent. of the Issuer's share capital to Cassa Nazionale di Previdenza e Assistenza Forense (the social security fund for the Italian legal profession) and of a further 3.3 per cent. to 33 banking foundations.
November 2014	Completion of the sale of 35 per cent. of the Issuer's share capital by CDP to SGEL.
May 2015	Placement of a fixed-rate bond issue, unsubordinated and unsecured, for a nominal amount of €750 million. The bonds were listed on the Irish Stock Exchange and addressed to institutional investors.

## Description of the Issuer

November 2016	Following the partial and proportional spin-off of the equity investment held by Snam in Italgas and the listing of the Italgas shares, CDP RETI was assigned 202,898,297 Italgas shares equal to the 25.08 per cent. of the company's share capital.
May 2017	Transfer from CDP to CDP RETI of the 1.12 per cent. stake in Snam and the 0.97 per cent. stake in Italgas.

## Recent Events

### *Approval of financial results by Italgas, Snam, Terna and CDP*

On 9 March 2022, Italgas' Board of Directors approved the financial results as of 31 December 2021 and the shareholders' meeting held on 26 April 2022 approved such results. On 25 July 2022, Italgas' Board of Directors approved the financial results as of 30 June 2022.

On 16 March 2022, Snam's Board of Directors approved the financial results as of 31 December 2021 and the shareholders' meeting held on 27 April 2022 approved such results. On 27 July 2022, Snam's Board of Directors approved the financial results as of 30 June 2022.

On 17 March 2022, Terna's Board of Directors approved the financial results as of 31 December 2021 and the shareholders' meeting held on 29 April 2022 approved such results. On 28 July 2022, Terna's Board of Directors approved the financial results as of 30 June 2022.

On 2 August 2022, CDP's Board of Directors approved the financial results as of 30 June 2022.

## Group Structure

The Issuer is controlled by CDP and depends on CDP to run its business, relying on CDP's business areas that supply certain ancillary services in favour of the Issuer. See "*Organisational Structure and Employees*" below.

CDP's business can be summarised as follows:

- management of a major proportion of the savings of Italians (*i.e.* postal savings), which represents its main source of funding;
- use of its resources to pursue its institutional mission to support Italy's economic growth;
- financing the investments of public entities;
- acting as a catalyst for the development of infrastructure in Italy; and
- providing support to the Italian economy and national firms.

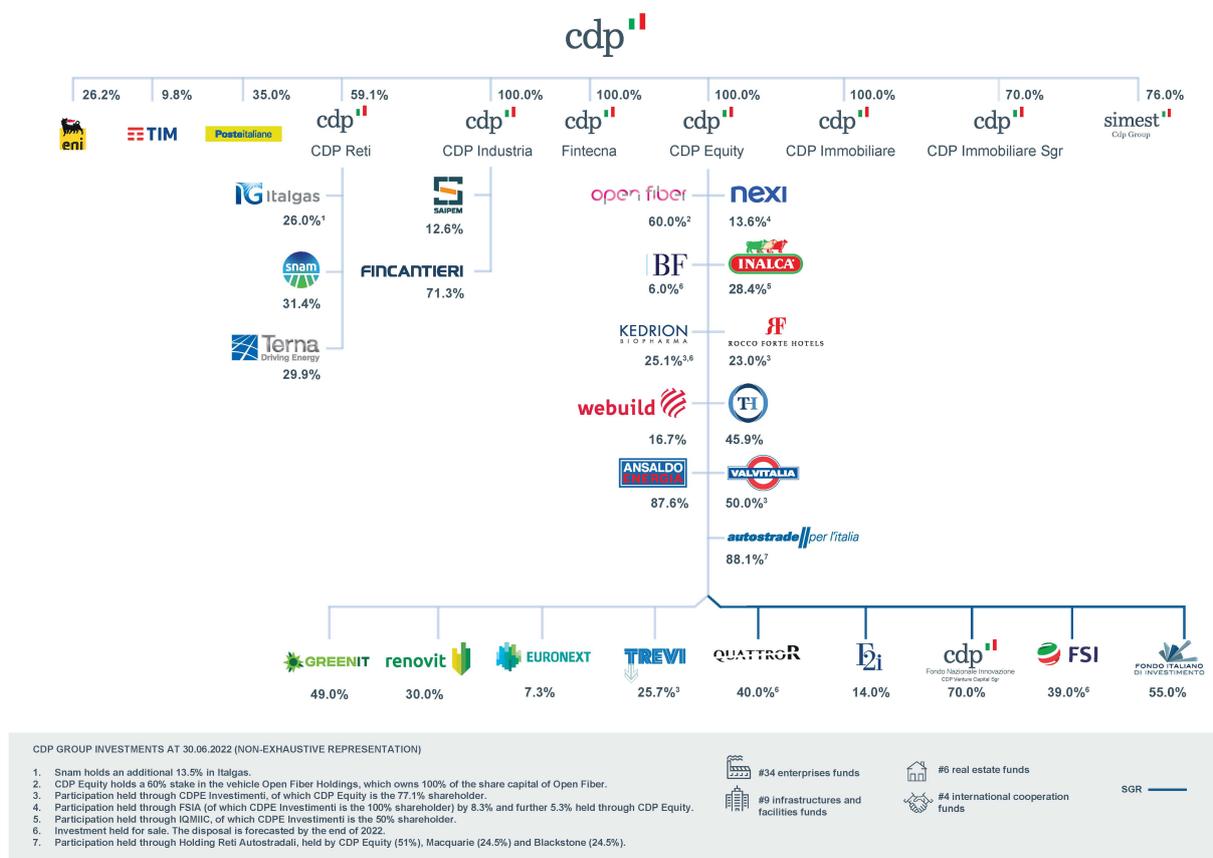
The equity investment portfolio of the CDP Group as at 30 June 2022 is broken down as follows:

- Group companies, functional to acquire and hold equity investments in the long term (CDP Equity, CDP Reti, CDP Industria) and in carrying out the role of "National Promotional Institution" (Simest and Fintecna);
- Listed and unlisted companies that manage key infrastructure or assets or operate in national strategic sectors (e.g. ENI, Poste Italiane, TIM, Open Fiber);
- Investment funds and investment vehicles operating:

## Description of the Issuer

- in support of enterprises throughout the entire life cycle, from venture capital (managed by CDP Venture Capital) to private equity & private debt (mainly managed by Fondo Italiano d'Investimento) and turnaround (managed by Fondo QuattroR);
- in the infrastructure sector, to support the creation of new infrastructure and manage existing infrastructure (mainly through European initiatives in partnership with the EIF and with other National Promotional Institutions);
- in support of International Development Cooperation;
- in support of the NPL market.

The following chart shows the structure of the CDP Group, being the group of which the Issuer forms part, as at 30 June 2022:



As the Issuer is consolidated by CDP, its results of operations and financial data are included in the consolidated financial statements of CDP.

## Share Capital

As of 30 June 2022, the Issuer had a fully paid-up share capital of €161,514.00, consisting of 161,514 special shares, divided into the following:

- 95,458 Class A shares, representing 59.1 per cent. of the Issuer's share capital (the **Class A Shares**);
- 56,530 Class B shares representing 35 per cent. of the Issuer's share capital (the **Class B Shares**); and

## Description of the Issuer

- 9,526 Class C shares representing the remaining 5.9 per cent. of the Issuer's share capital (the **Class C Shares**).

As of the date of this Prospectus, there are no changes to the Issuer's share capital or shareholders.

The three categories of shares have the same rights attached to them, save for specific rules under the Issuer's by-laws (the **By-Laws**) regarding (a) capital increases, (b) voluntary or automatic reclassification of shares (*i.e.* from one class to another), (c) the right to sell the stake and lock-up periods, (d) higher voting majority requirements for the approval of certain resolutions at shareholders' meetings, and (e) the right to appoint Directors and Statutory Auditors, granted to holders of Class A Shares and Class B Shares only.

Class C Shares can only be held by banking foundations, social security entities (*casse private di previdenza ed assistenza*), insurance companies, pension funds and insurance funds with a registered office in Italy (**Qualified Entities**). The holders of the Class A Shares are entitled to convert into Class C Shares a number of Class A Shares such that, following the conversion, Class C Shares will represent a total percentage of the share capital of the Issuer up to a maximum of 14 per cent. and for the sole purpose of their subsequent disposal in favour of Qualified Entities.

The three categories of the Issuer's special shares are all unlisted.

## Shareholders

### *Major shareholdings*

The following table sets out details of the entities which, as at the date of this Prospectus, have shareholdings in the Issuer.

<b>Name</b>	<b>No. of shares</b>	<b>Percentage</b>
Cassa depositi e prestiti S.p.A.	95,458 Class A Shares	59.10
State Grid Europe Limited	56,530 Class B Shares	35.00
Italian banking foundations	5,273 Class C Shares	3.27
Cassa Nazionale di Previdenza e Assistenza Forense	4,253 Class C Shares	2.63
<b>Total</b>	<b>161,514</b>	<b>100</b>

The Issuer's principal minority shareholder is SGEL. SGEL is a fully owned subsidiary of SGID, and the entire capital of SGID is owned by the State Grid Corporation of China (**State Grid**). State Grid is a state-owned enterprise of the People's Republic of China (**China**) and its core business is the construction and operation of power grids and its core mission is to ensure safe, economical, clean and sustainable supply of power to the 26 provinces and municipality cities of China. Within the State Grid group, SGID is State Grid's overseas investment and operation platform. SGID leverages its parent company's operational strengths and financial support to actively pursue investment opportunities worldwide and improve the operating efficiency of its portfolio companies. Besides its investment in the Issuer, SGID currently has investments in the Philippines, Brazil, Portugal, Australia, Hong Kong SAR, Greece, Oman and Chile. SGID has a commercially driven approach and has extensive experience in making long-term investments in electricity regulated assets.

The following measures are in place to protect the minority shareholding of SGEL in the Issuer:

- provisions in the By-Laws, including qualified majority voting in particular, as long as the holder of Class B Shares holds at least 20 per cent. of the Issuer's share capital with voting rights at ordinary

## Description of the Issuer

shareholders' meetings. A majority vote by shareholders representing more than 80 per cent. of the share capital with voting rights at ordinary shareholders' meetings is required to pass resolutions in favour of (i) capital increases disapplying the pre-emption rights of existing shareholders, (ii) certain demergers, (iii) mergers other than those regulated by Articles 2505 and 2505-bis of the Italian Civil Code, and (iv) amendments to provisions in the By-Laws concerning the right to sell shareholdings, the right of first offer, the right to appoint directors and statutory auditors and, in general, the other rights designed to protect the holders of Class B Shares;

- additional provisions in the By-Laws, providing for measures to ensure that control is not abused, are in Article 19.4 (*i.e.* matters which must be approved by the Board of Directors and which cannot be subject to delegation of powers to a single director or to an executive committee, including related parties transactions not entered into at arm's length) and in Article 19.5 (requiring, as long as the holder of Class B Shares holds at least 20 per cent. of the Issuer's share capital with voting rights at the ordinary shareholders' meetings, for certain resolutions of the Board of Directors to be approved, including related parties transactions not entered into at arm's length, a vote in favour of at least one of the two directors appointed by the holders of Class B Shares);
- provisions contained in a shareholders' agreement between CDP, SGEL and its parent company SGID (see "*Shareholders' agreement*" below); and
- miscellaneous provisions under the Italian Civil Code designed to protect minority shareholders.

### ***Shareholders' agreement***

On 7 November 2016, CDP, SGEL and its parent company SGID, as the entity that is jointly and severally liable for the duties and obligations of SGEL, entered into an agreement to amend and restate their existing shareholders' agreement (originally executed on 27 November 2014), aimed at regulating, *inter alia*, the rights and the obligations of CDP and SGEL as shareholders of the Issuer, together with certain aspects of its corporate governance (the **Shareholders' Agreement**).

Unless previously terminated by mutual agreement in writing between CDP, SGEL and SGID, further to the last renewal on 27 November 2020, the Shareholders' Agreement is currently set to expire on 27 November 2023. At the end of this term, the Shareholders' Agreement shall be automatically renewed for further three-year periods, unless terminated by any party by notice, to be delivered to the other party with at least a six-month advance notice.

The Shareholders' Agreement, as of 31 December 2021, covers the following financial instruments:

- with regard to CDP RETI:
  - 95,458 Class A Shares, owned by CDP and equal to the 59.10 per cent. of CDP RETI share capital; and
  - 56,530 Class B Shares, owned by SGEL and equal to the 35.00 per cent. of CDP RETI share capital;
- with regard to Snam, 1,053,692,127 shares, owned by CDP RETI and equal to the 31.35 per cent. of Snam share capital;
- with regard to Terna, 599,999,999 shares, owned by CDP RETI and equal to the 29.85 per cent. of Terna share capital; and
- with regard to Italgas, 210,738,424 shares, owned by CDP RETI and equal to the 26.02 per cent. of Italgas share capital.

## Description of the Issuer

The agreement contains provisions relating to, *inter alia*:

- (a) the corporate governance of CDP RETI, including:
  - (i) the appointment and responsibilities of the members of the Board of Directors;
  - (ii) SGEL's right of veto with reference to certain resolutions of the Board of Directors;
  - (iii) specific quorum and voting majority requirements to pass certain Board of Directors' resolutions;
  - (iv) the appointment and composition of the Board of Statutory Auditors; and
  - (v) voting majority requirements to pass certain resolutions at extraordinary shareholders' meetings;
- (b) the rights and obligations of SGEL, including:
  - (i) the right to nominate a candidate in the slates of candidates for the appointment of Snam's, Terna's and Italgas' directors;
  - (ii) the right to withdraw from its investment (*diritto di recesso*) if one of the following events occurs: (i) Snam's, Terna's and/or Italgas' shareholders' meetings adopt certain resolutions with the decisive/determining vote cast by CDP RETI, notwithstanding the directors of CDP RETI appointed by SGEL having voted against it; (ii) change of control of CDP RETI; and (iii) non-renewal of the Shareholders' Agreement upon its expiry; and
  - (iii) the obligation not to purchase Terna's or Snam's or Italgas' shares without the prior consent of CDP as long as SGEL holds an equity stake in CDP RETI;
- (c) the profits distribution policy.

The Shareholders' Agreement also contains the following provisions:

- CDP and SGEL grant each other a right of first offer which is triggered if a party intends to transfer its shareholding to a third party, other than to transferees who are (and remain) affiliates of the transferor;
- CDP has a further pre-emption right if SGEL wishes to transfer its shareholdings to a direct competitor of Snam, Terna or Italgas;
- for all transfers involving a shareholding of CDP RETI, the approval (*gradimento*) of the Board of Directors of the Issuer is required and may be withheld in certain circumstances;
- notwithstanding the above and subject to certain conditions, CDP may sell Class C Shares representing up to 14 per cent. of the Issuer's share capital to professional investors; and
- finally, subject to some specific exceptions, for so long as SGEL is a direct or indirect shareholder of CDP RETI, its entire share capital has to be owned, directly or indirectly, by SGID (failing which, SGEL will not be entitled to exercise its voting rights).

## Description of the Issuer

### Strategy

The Issuer is a long-term holder of the equity interests in Snam, Terna and Italgas which are strategic assets for the Italian economy. CDP RETI's corporate purpose is the holding and management of the equity interests in Snam, Terna and Italgas.

### Business Divisions

#### *Description of Snam*

*The description of Snam set out below is based on information published by that company, including selected information from the Snam Base Prospectus. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Snam, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectus and of the relevant supplements are available on the website of the company ([www.snam.it](http://www.snam.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

Through its operating subsidiaries (*namely*, Snam Rete Gas S.p.A., Infrastrutture Trasporto Gas S.p.A., GNL Italia S.p.A. and Stogit S.p.A.), Snam is the leading operator in the regulated gas sector in Italy and one of the main regulated operators in Europe in terms of regulatory asset base (**RAB**).

#### *Share capital and shareholders*

As at the date of the Snam Base Prospectus, the share capital of Snam is equal to €2,735,670,475.56, divided into 3,360,857,809 shares with no indication of nominal value.

As at the date of the Snam Base Prospectus, on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971 of 14 May 1999, as amended (the **CONSOB Regulation No. 11971**) and other information available to Snam, as far as Snam is aware, CDP is the main shareholder of Snam, with an overall 31.35 per cent. stake of the ordinary share capital owned by CDP RETI (1,053,692,127 shares).

Mr. Romano Minozzi is the second-largest shareholder of Snam, with an overall 7.460 per cent. stake of the ordinary share capital (250,724,453 shares), held through a 3.773 per cent. stake directly owned (126,807,958 shares), a 2.526 per cent. stake owned by Iris Ceramica Group S.p.A. (**Iris Ceramica**) (84,890,583 shares), a 0.835 per cent. stake owned by GranitiFiandre S.p.A. (**GranitiFiandre**) (28,067,190 shares) and a 0.326 per cent. stake owned by Finanziaria Ceramica Castellarano S.p.A. (**Finanziaria Ceramica Castellarano**) (10,958,722 shares).

Lazard Asset Management LLC (**LAM**) is the third-largest shareholder of Snam, with a stake equal to 4.992 per cent. of the ordinary share capital (167,758,226 shares).

BlackRock is the fourth-largest shareholder of Snam, with a stake equal to 3.563 per cent. of the ordinary share capital (119,743,222 shares).

Snam holds 9,111,340 of its own shares (*azioni proprie*), equal to 0.271 per cent. of its share capital. The remaining 52.362 per cent. is held by other shareholders, of which 42.999 per cent. are institutional investors (1,445,166,508 shares) and 9.363 per cent. are retail investors (314,661,933 shares).

The results of operations and financial data of Snam are included in the consolidated financial statements of CDP RETI.

Snam's shares are listed on the Italian Stock Exchange.

## Description of the Issuer

### *Business areas*

The main business areas of Snam and its subsidiaries (the **Snam Group**) are transportation and dispatching, storage of natural gas and liquefied natural gas (**LNG**) regasification, all of which are regulated activities in Italy under the authority of the *Autorità di Regolazione per Energia Reti e Ambiente* (the **ARERA**). Under applicable regulations, these services must be offered to third parties on equal terms and conditions and at regulated tariffs.

With reference to the above-mentioned business areas, as of the date of the Snam Base Prospectus, Snam owns, directly or indirectly, among others:

- 100 per cent. of Snam Rete Gas S.p.A. (**Snam Rete Gas**), responsible for the management and development of the natural gas transportation system;
- 100 per cent. of Infrastrutture Trasporto Gas S.p.A. (**ITG**), being the third Italian operator in the transport of natural gas, which manages the pipeline that connects the Terminale GNL Adriatico S.r.l. (**Adriatic LNG**) regasification terminal (Cavarzere, near Venice) to the national transport network near Minerbio (Bologna);
- 100 per cent. of GNL Italia S.p.A. (**GNL Italia**), operating in the regasification field;
- 100 per cent. of Stogit S.p.A. (**Stogit**), providing natural gas storage services;
- 55 per cent. of Enura S.p.A., a company in charge of the implementation of the gas transport infrastructure in the Italian region of Sardinia; and
- 49.07 per cent. of OLT Offshore LNG Toscana S.p.A. (**OLT**), the second-largest LNG terminal in Italy. Snam has joint control of OLT alongside First State Investments International Ltd.

Snam is also active in non-regulated sectors such as sustainable mobility, biomethane and energy efficiency. In this respect, as of the date of the Snam Base Prospectus, Snam holds, among others, directly or indirectly, a participation in the following operating companies:

- Snam 4 Mobility S.p.A. (**Snam 4 Mobility**), 100 per cent. owned by Snam, which promotes the development of natural gas in the form of compressed natural gas, LNG and biomethane (renewable gas) as a clean, efficient and competitive fuel for light and heavy vehicles;
- Snam 4 Environment S.r.l. (**Snam 4 Environment**), 100 per cent. owned by Snam, which, through its operating companies, carries out activities related to the development and management initiatives in biomethane infrastructure; and
- Renovit S.p.A. (**Renovit**), 60.05 per cent. owned by Snam, which, through its operating companies, offers innovative energy efficiency solutions to residential customers, companies and the public administration, investing directly in decarbonisation, digitisation and distributed energy generation.

Biomethane and energy efficiency remain key areas of development for Snam.

In addition, Snam holds:

- 100 per cent. of the share capital of Gasrule Insurance DAC (a company with legal headquarters in Ireland) which is the “captive” insurance company of the Snam Group and which is also subject to management and coordination by Snam;

## Description of the Issuer

- 51 per cent. of the share capital of Arbolia S.p.A. Società Benefit, which offers to third parties, among other things: (i) afforestation and reforestation services; and (ii) consultancy services concerning the reduction of carbon footprints; and
- 100% of the share capital of Asset Company 10, which acquired the stake in Industrie De Nora S.p.A.'s share capital.

Outside Italy, the Snam Group is focusing on the implementation of the European principles of improving interconnectivity among national markets and increasing the effectiveness of market flexibility. These targets rely on a strategic positioning of the Italian infrastructure with respect to the so-called “priority gas corridors” defined by the European Commission.

As at the date of the Snam Base Prospectus, Snam also holds, among others:

- 13.49 per cent. of the share capital of Italgas;
- 7.3 per cent. of the share capital of Adriatic LNG, which is the largest offshore gravity-based structure for LNG unloading, storing and regasification and the largest LNG terminal in Italy;
- 25.79 per cent. of the share capital of Industrie De Nora S.p.A. (**Industrie De Nora**), a global leader in alkaline electrodes, essential components for the production of alkaline water electrolyzers; and
- 2.082 per cent. of the quota of ITM Power Plc (**ITM Power**), one of the major global producers of electrolyzers, essential in the hydrogen production field.

Snam is also active in international activities in gas infrastructures with direct or indirect shareholdings.

### Transportation

Natural gas transportation is an integrated service providing transportation capacity and the actual transportation of the gas, which is delivered to Snam at the entry points of the Italian gas transmission network and then transported to the redelivery points (**RPs**), where the gas is received by the end-users (or is stored in the storage sites). The natural gas introduced into the national network originates from imports and, to a lesser extent, from domestic production. In particular, the gas from abroad is injected into the national network through eight entry points interconnected to import pipelines (Tarvisio, Gorizia, Gries Pass, Mazara del Vallo, Gela, Melendugno) and the LNG regasification terminals (Panigaglia, Cavarzere, Livorno). Moreover, Tarvisio, Gorizia and Gries Pass, together with Bizzarone and San Marino, are natural gas exit points interconnected abroad. The virtual entry/exit points represented by storage gas fields held by each storage operator should also be considered.

Snam, through its subsidiaries Snam Rete Gas and ITG, is the leading natural gas transportation and dispatching operator in Italy and owns almost all of the natural gas transportation infrastructure in Italy. At the end of 2020, Snam Rete Gas and ITG owned over 32.647 kilometres of high- and medium-pressure gas pipelines (approximately 93 per cent. of the entire transportation system in Italy). The transmission system is also composed of 13 compressor stations with total power installed of 961 MW.

Snam Rete Gas operates four sea terminals in the Italian regions of Sicily and Calabria that connect undersea pipelines to land pipelines.

The national network also includes additional gas pipelines that transport natural gas to major urban or industrial areas. Natural gas is then transported to industrial and thermoelectric customers and urban distribution networks through Snam's regional network. Snam, through its subsidiaries Snam Rete Gas and ITG, has 19 interconnections and mixing facilities and 565 pressure reduction and regulation facilities that monitor the flow of natural gas within the network and provide connections between pipeline systems operating at different pressure rates.

## Description of the Issuer

The dispatching centre of Snam Rete Gas is located in the Italian town of San Donato Milanese, on the outskirts of Milan, and is responsible for monitoring and overseeing the transportation network.

Beside transportation and dispatching, as the major Italian transportation company Snam Rete Gas also carries out other relevant additional activities. In particular, Snam Rete Gas has been in charge of natural gas balancing (*Responsabile del Bilanciamento*) since 2011, in accordance with the ARERA Resolution No. ARG/gas 45/2011 of 14 April 2011.

Snam Rete Gas also operates the virtual trading point (*punto di scambio virtuale*) whose primary aim is to supply the users (shippers and other traders) with a virtual meeting point of demand and supply where it is possible to make bilateral natural gas transactions on a daily basis, with relevant book entries in the energy balance of each user.

Snam Rete Gas and ITG are certified by ARERA according to the ownership unbundling model pursuant to art. 9 Directive 2009/73/CE and art. 19 Legislative Decree 93/2011 (the “**Legislative Decree 93/2011**”).

### LNG Regasification

LNG is natural gas in a liquid state which may be transported by tanker or stored in tanks. The process of the extraction of natural gas from the fields, its liquefaction for transport by ship and subsequent regasification for use by end-users, is known as the ‘LNG chain’ (*filiere del GNL*). This process begins in the country of the exporter, where the natural gas is brought to the liquid state by cooling it to -160 degrees Celsius and subsequently loaded onto tankers for shipping to the destination terminal, known as the LNG regasification terminal. At the regasification terminal, the LNG is unloaded, then heated and returned to the gaseous state and is injected into the natural gas transportation network.

In Italy, natural gas is also injected into the transportation network from the LNG terminal at Panigaglia in the Italian province of La Spezia in Liguria, which is owned by GNL Italia and regasifies up to 17,500 cubic metres of LNG per day. When operating at maximum capacity this terminal can inject over 3.5 billion cubic metres of natural gas into the transportation network annually.

The regasification service carried out by GNL Italia includes the process of unloading the LNG from tankers, providing storage during the time required for regasifying the LNG and injecting it into the national network at the Panigaglia entry point. LNG regasification services may be provided on a multiannual/annual continuous basis or on a spot basis. Supplementary services are also provided, such as the correction of the natural gas’ calorific power, which must be done before the gas is injected into the gas transportation system.

On 18 May 2022, Snam and Golar LNG Limited (**Golar**) signed a contract through which Golar will deliver the existing LNG Carrier “Golar Arctic” as a floating storage and regasification unit (FSRU) that Snam will install in the port area of Portovesme, in Sardinia, as part of a project to supply the island with energy.

The contract provides for a total consideration of 269 million euros which the purchase price for includes the vessel and the capex that Golar will incur to convert the Golar Arctic into an FSRU with storage capacity for up to 140,000 cubic metres. Further to the full conversion of the vessel, the FSRU will be sold to the Snam Group.

Start of activities for the conversion of the ship into an FSRU and related fulfillments are subject to Snam’s issuance of a Notice-to-Proceed (NTP) and further to such NTP the conversion is expected to take about two years.

On 31 May 2022, Snam entered into an agreement with Golar for the purchase of the entire share capital of Golar LNG NB 13 Corporation, whose sole asset is a floating storage and regasification unit (FSRU), named “Golar Tundra”, for US\$350 million (the equivalent of approximately 330 million euros). The transaction was approved by the Snam Board of Directors on 30 May 2022.

## Description of the Issuer

The Golar Tundra can operate both as an LNG carrier and as an FSRU. The vessel, built in 2015, has a storage capacity of around 170,000 cubic meters of LNG and a continuous regasification capacity of 5 billion cubic meters per year. In order to maximise its regasification capacity, the vessel will be located in central-northern Italy, close to the areas with greatest gas consumption. The Golar Tundra is expected to start operations as an FSRU during the spring of 2023, subject to completion of authorisation, regulatory processes and the construction of the necessary infrastructure connecting the terminal to the existing gas transport network.

### Storage

Natural gas is stored in reserves for winter consumption and for peaks in demand triggered by factors such as exceptionally cold weather and any temporary reductions in gas imports.

The natural gas storage business in Italy is operated under a concession regime and it serves to match the differences between demand of gas consumption and supply from imports and domestic production. Imports have a limited variation profile during the year, while gas demand has high seasonal variability, with winter demand significantly higher than summer. In Italy, all storage gas reserves are located in depleted gas fields.

There are two distinct phases in storage operations: (i) injection phase, generally concentrated between April and October, consisting of injecting into storage the natural gas deriving from the national transport network; and (ii) the withdrawal phase, usually concentrated between November and March of the following year, when the natural gas is extracted from the storage fields, treated, and redelivered to users by the transportation network. The storage operations are carried out by making use of an integrated infrastructure comprising gas fields, gas treatment plants, compression plants and the operational dispatching system.

The volume of gas moved in the storage system in 2021 by Stogit was 18.8 billion standard cubic metres. In 2021 Stogit made available 12.02 billion standard cubic metres of mining, modulation and balancing services and retained 4.5 billion standard cubic metres for use as strategic national storage services.

Stogit is the largest natural gas storage operator in Italy, with a total of ten storage sites under a concession regime: five in Lombardy, four in Emilia Romagna and one in Abruzzo. One of such storage sites under concession is currently under development.

### Other activities

#### 1. “Sustainable mobility and Biomethane”

Snam 4 Mobility is the company established by Snam with the aim of promoting the development of g-mobility (*i.e.* sustainable mobility with natural gas), through, inter alia, the construction of compressed natural gas and LNG service stations in Italy.

Snam 4 Environment is the company established by Snam that, through its operating companies, promotes the development and management of the initiatives in biomethane infrastructure.

#### 2. “Energy efficiency”

Renovit is the company established by Snam with the aim of promoting the development of energy efficiency which, through its operating companies, supports clients in reducing their energy expenditure and environmental impact and increasing competitiveness.

#### 3. “Hydrogen”

In November 2019, Snam started the development of hydrogen initiatives as part of the overall role it wants to play in the energy transition.

## Description of the Issuer

Such initiatives include, *inter alia*: (i) a partnership with ITM Power aimed at developing joint projects and initiatives in the hydrogen sector; such partnership also includes the simultaneous entry of Snam into ITM Power share capital, with an investment of €33 million through the subscription of a minority stake representing the 2.31 per cent. of the share capital of ITM Power occurred by way of a capital increase through a firm placing and open offer of £165 million (about €182 million) offered for subscription by the company to Snam and other institutional investors, and £7 million (about €8 million) to ITM Powers' shareholders; (ii) a strategic stake of ca. 25.79 per cent. in Industrie De Nora, a global innovator and world leader in sustainable clean energy and water treatment technologies. Snam will leverage on Industrie De Nora's technologies and know-how, with the aim of enhancing its competitive edge in hydrogen projects.

### *Dividends*

The total dividend from 2021 resolved to be distributed by Snam amounts to €0.262 per share, of which €0.1048 per share as an interim payment resolved in November 2021<sup>15</sup> and distributed in January 2022, and €0.1572 per share as a final dividend to be distributed in June 2022.<sup>16</sup>

### *Further information*

Further information on the business of the Snam Group, including its financial statements, corporate governance structure and other price-sensitive information, can be obtained from Snam's website at [www.snam.it](http://www.snam.it).

## **Description of Terna**

*The description of Terna set out below is based on information published by that company, including selected information from the Terna Base Prospectus. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Terna, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectus and of the relevant supplements are available on the website of the company ([www.terna.it](http://www.terna.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

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 (as defined below), relating essentially to the construction and commercialisation of electrical equipment, above all power transformers, and the Brugg Kabel Group (as defined below), 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

<sup>15</sup> Source: paragraph "Interim dividend" set out in the press release dated 4 November 2021 published by Snam on its website and available at the following address [https://www.snam.it/export/sites/snam-rp/repository/ENG\\_file/Media/Press\\_releases/2021/Snam\\_9-M-2021\\_Press-Release.pdf](https://www.snam.it/export/sites/snam-rp/repository/ENG_file/Media/Press_releases/2021/Snam_9-M-2021_Press-Release.pdf)

<sup>16</sup> Source: Press release dated 27 April 2022 published by Snam on its website and available at the following address [https://www.snam.it/en/Media/Press-releases/2022/Snam\\_Shareholders\\_Meeting.html](https://www.snam.it/en/Media/Press-releases/2022/Snam_Shareholders_Meeting.html)

## Description of the Issuer

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 (as defined below), acquired in October 2021 and a leading provider of O&M services for photovoltaic plants.

On the other hand, the International segment includes the results deriving from opportunities for international expansion, which 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 2021, Terna Group's Grid consisted of 74,855 kilometres of electricity lines and 896 substations.

### *Share capital and shareholders*

As at 30 June 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 the Terna Base Prospectus. Terna's shares are listed on the Euronext Milan market organized and managed by Borsa Italiana S.p.A.

As of 30 June 2022, 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, Terna's share capital is divided as follows: CDP RETI owns 29.851 per cent. of the share capital, Institutional Investors own 53.9 per cent. of the share capital and Retail Investors own 16.3 per cent. of the share capital.

### *Regulated Activities*

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.

### Dispatching of electricity

"Dispatching" is the set of activities necessary to ensure that there is a balance between supply and demand in the country's 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 Dispatching Services Market, through which the resources for dispatching services are procured. In particular, "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.

## Description of the Issuer

### Operation

The operation of the National Transmission Grid is carried out by TRI S.p.A. through the National Control 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 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 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 those 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 Terna Group’s Grid and, if possible, rectify such failure or malfunction.

#### c) *Temporary placement out of service for maintenance*

If a part of 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.

### 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 Terna 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 extend the useful life of any component by making changes to its technical (but not functional) characteristics (known as “*extraordinary maintenance*”).

## Description of the Issuer

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 - Monitoring and Business Intelligence). This system draws up the maintenance plan on the basis of engineering models developed by the Asset Management department.

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:** resulting from the use of more eco-friendly components, the replacement of fluid-oil cables and improvements to the reliability of assets;
- **Innovation and digitalisation:** reflecting the adoption of monitoring systems for existing assets using digital and innovative solutions; and
- **Resilience:** working on strengthening the National Transmission Grid in order to increase the resilience of the infrastructure.

## 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 targets;
- costs/benefits analysis in order to quantify the benefits of network developments on the National Transmission Grid and to prioritise 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; and
- 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) and the Legislative Decree 93/2011.

Terna is particularly conscientious about national and European energy policy objectives, in particular about the integration of renewable energy sources, the integration of the electricity market and the security of supply

## Description of the Issuer

guaranteeing sustainable grid development; these goals represent the main drivers of the TYDP: decarbonisation, market efficiency, security, resilience and sustainability.

Terna is also 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 Legislative Package for the Internal Energy Market in 2009 and updated with 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 is 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 transmission network. 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 will be 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.

Major investments planned by Terna in the short-medium term and long term are included in the TYNDP. Furthermore, the above-mentioned development plan recognises the central and strategic position of Italy in the Mediterranean basin in particular with reference to the integration of European electric systems of the Balkans and the North African shore. Last ENTSO-E TYNDP, TYNDP 2020, was published on 15 February 2021.

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 standardisation of development plans and the coordinated management of grids. Terna hosts the association's registered office and operational headquarters in Rome and appoints its Secretary General.

Terna is a member of GO15, the association gathering the 15 largest system operators in the world, holding its Presidency for 2022. The association's aim is 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 and covering the entire globe.

### *Non-Regulated Activities*

Non-Regulated Activities are designed to support the ecological 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. 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:

#### *a) 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

## Description of the Issuer

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 32,000 km of fiber, for which Terna Energy Solutions provides maintenance and housing servicing for regeneration. The main contracts are with Open Fiber, TiSparkle, Retelit, Fastweb, Eolo and Wind 3.

### *b) Energy Solutions*

Terna Energy Solutions provides EPC (engineering, procurement and construction) and O&M (operation and maintenance). 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; and
- 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.

### *c) 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 (in final commissioning phases) and Austria (under construction) are part of this overall project.

Further projects on the mentioned borders or further locations (e.g. Switzerland and Slovenia) are under investigation in order to achieve targets.

On 28 December 2019, the first pole of the 500kV direct current interconnection line between the substations of Villanova (Italy) and Lastva (Montenegro), partly in submarine cable and partly in terrestrial cable, covering a total distance of approximately 445 km entered into commercial operation. It allowed the realization of a new 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 ten years' exemption period, Terna manages operation and maintenance activities (ordinary and extraordinary) of the interconnector on payment of an annual fee by Monita.

## Description of the Issuer

In accordance with the provision of Italian Law 99/2009, Terna Group has continued working on the construction 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 portion of one of the two direct current lines forming the interconnector between Piossasco (Italy) and Grande Ile (France). With reference to the status of cable works, the entire power cable laying (approximately 95 km) was completed in December 2020. Regarding the Piossasco converter station, the civil works and the assembly of all the electromechanical equipment were completed within 2020. Remaining activities of optic fiber cable laying and the installation of monitoring systems have been completed in 2021. Given the delays on construction activities on both the Italian and French sides, in part due to the COVID-19 pandemic emergency, the interconnector's entry into service is currently expected around mid 2022.

During 2021, Piemonte Savoia S.r.l. made a request for an extension of 11 months of the exemption period for which ARERA gave a positive result in February 2022 after the favorable opinion of the European Commission in January 2022.

The Italy-Austria interconnector (the Reschenpass project) concerns the realization of a new 220kV AC interconnection line between the existing Glorenza (Italy) and the future Nauders (Austria) substations through an underground cable of around 28 km (26 km on the Italian side) and the necessary adaptations of the internal 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 of 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 ten 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.

### *d) Transformers through Tamini Group*

## Description of the Issuer

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.

### e) *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; and
- significant potential synergies with the Terna 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 ten 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 COO, while Agostino Scornajenchi has been appointed Executive Chairman.

### f) *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 and 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.

## Description of the Issuer

### g) *Other projects*

In 2021, a contract was entered into by and between Terna and Eni New Energy S.p.A. relating to engineering, support and construction of an electrochemical storage unit in Assemini (approximately 14 MW).

### *International Activities – Operator on the international market*

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;
- Latin America: portfolio valorization; and
- Gradual transition towards other geographies: potential entry into the USA.

Moreover, activities in South America are focused on completing the construction of two concessions in Brazil: (i) Linha Verde II project - 150km 500kV power line in the State of Minas Gerais; and (ii) Linha Verde I project - 150km 500kV power line dubbed the "Governador Valadares-Mutum" in the State of Minas Gerais.

In Perú, Terna has completed the construction of 132 km of new 138kV lines between Aguaytia and Pucallpa.

In Uruguay, Terna has completed the construction of the 213 km Melo-Tacuarembò 500kV transmission line and the line has been in operation since 24 October 2019.

In Brazil, Terna has completed the construction of the lines and substations for the two concessions, Santa Maria in the State of Rio Grande do Sul and Santa Lucia in the State of Mato Grosso.

### *Risk Management – 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**) setting out sanctions compliance procedures and (ii) by means of the activities of the Third Parties Due Diligence Unit, is carrying out due diligence activities on a periodic basis 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

## Description of the Issuer

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 potentially sanctionable transactions 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 Belarus, Cuba, Iraq, Libya, Russia, China, in the past also Ukraine, Democratic Republic of Congo, Egypt, Iran, Tunisia, Venezuela and Zimbabwe). As a result of such Processes, 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, apart from few ancillary ongoing maintenance activities related to fully performed contracts which will terminate within the first quarter of 2023. Finally, for the first quarter of 2022, the amount of revenues generated by the Tamini Group and derived from such transactions was less than 0.5 per cent. of the consolidated revenues of the Terna Group.

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 potential sanctionable transactions performed by Brugg Kabel AG for the supply of cables, cable accessories and services involving many foreign countries (currently in particular Belarus, Iraq, Libya, Lebanon, China, Democratic Republic of Congo, and Turkey). In this respect the amount of revenues generated by the Brugg Kabel AG and derived from the above-mentioned transactions, for the first quarter of 2022, 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 of the Terna Base Prospectus, to the best of Terna's knowledge, Brugg Kabel AG 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, the Terna Group has also started an assessment of transactions and activities with counterparties located in Russia and Belarus. Indeed, the analysis of the counterparties' risk, previously carried out by the Fraud Management Unit, are currently conducted by the Business Reputation Intelligence Department/Third Parties Due Diligence Unit of Terna 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;
- 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.

### *Dividend Policy*

The dividend policy targets a CAGR for dividend per share (DPS) of 8 per cent. between 2022 and 2023, compared to the dividend paid for 2021. The payout ratio for 2024 and 2025 is expected to be 75 per cent., with a guaranteed minimum dividend equal to the dividend paid for 2023.

## Description of the Issuer

### *Dividends*

The total dividend from 2021 resolved to be distributed by Terna amounts to €0.2911 per share, of which €0.0982 per share as an interim payment distributed in November 2021<sup>17</sup>, and €0.1929 per share as a final dividend distributed in June 2022.<sup>18</sup>

### *Further information*

Further information on the business of Terna Group, including its financial statements, corporate governance structure and other price-sensitive information, can be obtained from Terna's website at [www.terna.it](http://www.terna.it).

### **Description of Italgas**

*The description of Italgas set out below is based on information published by that company, including selected information from the Italgas Base Prospectus. All such information has been accurately reproduced and, as far as the Issuer is aware and is able to ascertain from information published by Italgas, no facts have been omitted which would render such reproduced information inaccurate or misleading. Copies of the above-mentioned base prospectus and of the relevant supplements are available on the website of the company ([www.italgas.it](http://www.italgas.it)) and the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).*

Italgas, through its consolidated subsidiaries, is the leading operator in the distribution of natural gas in Italy with 1,827 municipal concessions (of which 1,746 were in operation and 81 had yet to complete and/or create networks) and more than 71,700 kilometres of medium- and low-pressure transportation network as at 30 June 2021.

### *Share capital and shareholders*

As at the date of the Italgas Base Prospectus, the Italgas share capital is €1,002,016,254.92 divided into 809,768,354 shares with no indication of nominal value. The shares are not divisible and each gives the right to one vote.

On 19 April 2018, the extraordinary shareholders' meeting resolved to increase the share capital by a maximum amount of €4,960,000.00, through the issue of no more than 4,000,000 new ordinary shares to be assigned free of charge, pursuant to article 2349 of the Italian Civil Code, for a corresponding maximum amount taken from retained earnings reserves, for beneficiaries of the incentive plan approved by the ordinary meeting of 19 April 2018, to be implemented no later than 30 June 2023. On 10 March 2021, the Board of Directors resolved to: (i) freely allocate 632,852 ordinary shares to the beneficiaries of the plan given the rights assigned (the so-called first cycle of the plan) and accrued in accordance with the provisions of such plan at the end of the relative performance period (*i.e.* 2018-2020); and (ii) implement the first tranche of the capital increase aspect of the plan, taking a total of €784,736.48 from the retained profits of the issue of 632,852 new ordinary shares.

As at the date of the Italgas Base Prospectus, on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971 and other information available to Italgas, as far as Italgas is aware, the main shareholders directly or indirectly owning an interest greater than 3 per cent. of the share capital of Italgas are: (i) CDP, with an overall 39.51 per cent. stake of the ordinary share capital, held through CDP RETI and Snam (respectively holding the 26.02 per cent. and the 13.49 per cent.); (ii) LAM with a stake of 9.0 per cent. of the ordinary share capital; (iii) Mr. Romano Minozzi who holds, also through his companies Iris Ceramica, GranitiFiandre and Finanziaria Ceramica Castellarano, 4.29 per cent. of the ordinary share capital; (iv) BlackRock Inc. with a stake of 4.5 per cent. of the ordinary share capital; (v) Credit Agricole

<sup>17</sup> Source: paragraph "Interim dividend for 2021 of 9.82 euro cents per share" set out in the press release dated 10 November 2021 published by Terna on its website and available at the following address [https://download.terna.it/terna/Terna\\_results\\_30\\_September\\_2021\\_8d9a448cb51983a.pdf](https://download.terna.it/terna/Terna_results_30_September_2021_8d9a448cb51983a.pdf)

<sup>18</sup> Source: Press release dated 29 April 2022 published by Terna on its website and available at the following address <https://www.terna.it/en/media/press-releases/detail/annual-general-meeting-approved-2021-financial-statements>

## Description of the Issuer

with a stake of 3.0 per cent. of the ordinary share capital. The remaining (free float) is held by other shareholders.

Italgas' shares are listed on the Italian stock exchange.

### *Business areas*

The natural gas distribution business operates on a concession regime through the conferral of this service by local public authorities (see “*Gas Distribution Concessions*” below); it consists of the service of transportation through medium- and low-pressure pipeline networks of the natural gas, belonging to sales companies or other entities authorised to sell gas to end customers, from delivery points at the metering and pressure reduction stations (city gates) to RPs to the end customers (households, businesses, etc.). As at the date of the Italgas Base Prospectus, Italgas, through its subsidiaries, carries out natural gas distribution activities using an integrated system of infrastructures comprising stations for withdrawing gas from the transport network, pressure reduction plants, the local transportation and distribution networks, user derivation plants and RPs composed of technical equipment including meters for the end customers.

### Gas Distribution Concessions

The gas distribution business of Italgas is dependent on concessions awarded by Italian local authorities after a public tender process.

Each concession is governed by agreements with the relevant grantor requiring the relevant concession holder to comply with its obligations. Each concession holder is subject to penalties or sanctions for the non-performance or default under the relevant concession. Failure by a concession holder to fulfil its material obligations under a concession could, if such failure is left unremedied, lead to early termination by the grantor of the concession.

On the basis of the new legislation introduced through four Ministerial Decrees issued in 2011, and which are now in force for all public tender offers launched after June 2011, the public tender process for gas distribution concessions is no longer managed by individual municipalities (*Comuni*) (previously numbering approximately 7,000) but by a reduced number (177) of “multi-municipality areas” which were identified by the Italian Ministry of Economic Development (*Ministero dello Sviluppo Economico*) (the **IMED**) Decrees dated 19 January 2011 (the **Ministerial Decree 19 January 2011**) and 18 October 2011.

Ministerial Decree No. 226 of 12 November 2011 (the **Ministerial Decree 226**) prescribes the criteria to which each tender process must conform, while Ministerial Decree of 4 May 2011, adopted by the IMED in conjunction with the Ministry of Work and Social Policy (*Ministero del Lavoro e delle Politiche Sociali*), is aimed at protecting employment levels subsequent to the awarding of new gas distribution concessions.

With regard to gas distribution concessions, Article 14, paragraph 8 of Legislative Decree No. 164 of 23 May 2000 (the **Legislative Decree 164**) establishes that the new operator is obliged, *inter alia*, to pay a sum to the outgoing distributor equal to the reimbursement value<sup>19</sup> for the plants whose ownership is transferred from the outgoing distributor to the new operator. Specifically, Ministerial Decree 226 provides that the incoming operator acquires ownership of the facility with payment of the reimbursement to the outgoing operator, with the exception of any portions of the facility already under municipal ownership or which become municipally owned as a result of any free donations.

As a result of these regulations, there could be cases in which the amount to be reimbursed is lower or higher than the value of the RAB.

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<sup>19</sup> The amount owed to outgoing operators on the termination of the service pursuant to Article 5 of Ministerial Decree 226 in the absence of specific different calculation method forecasts contained in the documents of the individual concessions stipulated before 11 February 2012 (the date when Ministerial Decree 226 came into force) (“**Reimbursement Value**”).

## Description of the Issuer

The estimated RAB of the Italgas Group with reference to the investments made until 31 December 2020 was approximately €7.8 billion, as the sum of the “local RAB”<sup>20</sup> of approximately €7.5 billion and the “centralized RAB”<sup>21</sup> of approximately €0.3 billion. The Reimbursement Value of the total portfolio of the concessions of the Italgas Group, net of free assignments, is based on the method provided for by Article 5 of Ministerial Decree 226, as amended, and by the guidelines, making an exception for concessions that, based on the aforementioned regulation, provide for specific contractual stipulations regarding the calculation of the Reimbursement Value (Roma Capitale, City of Venice, Naples and other smaller municipalities).

It is possible that the Reimbursement Value of the concessions resulting from the tenders, where a third party is an assignee, is below the value of the RAB. Such a case could have negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

In 2012, Italgas Reti S.r.l. (**Italgas Reti**) won the tender awarding the concession for natural gas distribution service in the Municipality of Rome, which represents the most significant concession in Italgas’ portfolio (Roma Capitale concession includes about 1.3 million RPs out of a total for the Italgas Group of about 6.5 million, equal to approximately 20 per cent.). Upon the outcome of the tender, for which the Ministerial Decree 19 January 2011 still did not apply, a service agreement was signed with a term of 12 years, which is due to expire on 20 November 2024. The municipality of Rome has made the network, facilities and buildings instrumental to the service available to Italgas Reti for the entire term of the service agreement.

The Reimbursement Value for the Roma Capitale concession was estimated as the sum of:

- (i) the amount paid to the municipality of Rome at the beginning of the concession (November 2012) as a one-off payment for the management of the service, net of amortisation as of 31 December 2021 calculated for the duration of the agreement and on the basis of the remaining Reimbursement Value at the end of the concession, as provided for in the agreement; and
- (ii) the value of cumulative investments starting at the beginning of the concession, in accordance with the provisions set out in the agreement, and, in particular, with reference to their partial acknowledgement within the Reimbursement Value, net of related amortisation. The contractual terms of the concession signed with the Roma Capitale provided that 50% of the investments made during the first three years of the concession will be free of charge.

It cannot be excluded that, at the time of expiration of the service agreement, the difference between the Reimbursement Value and the RAB value related to the Roma Capitale concession could be higher than the one estimated as of 31 December 2021.

If concessions for municipalities previously managed by the gas distribution companies of the Italgas Group are awarded, based on the analyses conducted by the regulatory framework in force and under the scope of existing IAS/IFRS international accounting principles, the event would be represented in the financial statements together with the situation before the tender and thus without recording the greater values.

Because of the complexity of the applicable regulations, this could result in the risk of different interpretations, with possible negative effects on the balance sheet, income statement and financial position of the Italgas Group. As at the date of the Italgas Base Prospectus, no specific interpretations were noted of the above-mentioned applicable legislation that could cause negative effects on the assets and the balance sheet, income statement and financial position of the Italgas Group.

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<sup>20</sup> The local net invested capital relating to the distribution service made up of the following types of tangible fixed assets: land on which there are industrial facilities, industrial facilities, primary and secondary equipment, street conduits and branch-off equipment (junctions). local net invested capital relating to the metering service is made up of the following types of tangible fixed assets: traditional metering units and electronic metering units.

<sup>21</sup> The centralised net invested capital made up of tangible fixed assets other than those included under local tangible fixed assets and intangible fixed assets (in other words non-industrial buildings and property, other tangible fixed assets and intangible fixed assets, such as, for example, remote management and remote control systems, equipment, vehicles, IT systems, furniture and furnishings, software licenses).

## Description of the Issuer

As at 30 June 2021, Italgas Group held 1,827 active concessions representing over 7.6 million RPs. Of these, 1,429 concessions representing approximately 5 million RPs (or 75 per cent. of total RPs) have expired. As at the date of the Italgas Base Prospectus, there is no significant data regarding participation by Italgas and its consolidated subsidiaries in tenders for distribution concessions or historical success rate in terms of winning distribution concessions because the new tender concession regime has been in place for only a short period. Italgas Reti will evaluate, on a case-by-case basis, whether to participate in future tenders for gas distribution concessions taking into account, among other things, the economic and other conditions described in the relevant tender bid.

It should be noted, however, that issues surrounding the expiry date of concessions affect not only Italgas and its subsidiaries but all operators in the Italian gas distribution sector since the matter is regulated by provisions of law. In addition, as natural gas distribution has been qualified as a public service by the Legislative Decree 164, when a concession expires, Italgas Reti and its relevant subsidiaries will continue to provide (and be remunerated for) the service under the terms of the expired concession until a new concession has been awarded. It should also be noted that, as described above, where an operator is not awarded a concession it currently operates, the same is entitled to receive a compensation amount or indemnification payment.

### *Dividends*

The total dividend from 2021 resolved to be distributed by Italgas amounts to €0.295 per share and has been distributed entirely in May 2022.<sup>22</sup>

### *Further information*

Further information on the business of the Italgas Group, including its financial statements, corporate governance structure and other price-sensitive information, can be obtained from Italgas' website at [www.italgas.it](http://www.italgas.it).

## **Financing**

### *CDP RETI 2015 Notes*

On 29 May 2015, CDP RETI issued unsubordinated and unsecured notes for an amount equal to €750,000,000 and due on 29 May 2022 (ISIN IT0005117095) (the **2015 Notes**). The 2015 Notes were listed on the regulated market of the Irish Stock Exchange and reserved to institutional investors, had a term of seven years and a fixed-interest rate coupon of 1.875 per cent. per annum.

The 2015 Notes have been reimbursed in full at maturity through the proceeds of the Bridge Loan Agreements (as defined below).

### *Facility Agreements with CDP and certain bank lenders*

On 5 May 2020, the Issuer entered into two facility agreements with, respectively:

- (i) CDP, for an amount of up to €222,000,000 (the **CDP Facility Agreement**); and
- (ii) a pool of lenders composed of UniCredit S.p.A., Intesa Sanpaolo S.p.A., Crédit Agricole Corporate & Investment Bank - Milan Branch, Bank of China Ltd., Milan Branch, Mediobanca - Banca di Credito Finanziario S.p.A., BNP Paribas Succursale Italia, HSBC France and ICBC (Europe) S.A. Milan

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<sup>22</sup> Source: Press release dated 26 April 2022 published by Italgas on its website and available at the following address <https://www.italgas.it/en/press-releases-price-sensitive/the-shareholders-meeting-has-approved-the-2021-financial-statements-and-renewed-the-corporate-bodies-benedetta-navarra-elected-as-chairman/>

## Description of the Issuer

Branch as lenders, for an amount of up to €715,634,700.00 (the **Bank Lenders' Facility Agreement** and, jointly with the CDP Facility Agreement, the **Facilities Agreements**).

In particular, the Facilities Agreements have been made available to CDP RETI for the purpose of repaying in full any outstanding amount incurred by the Issuer under (i) a term loan assumed in 2014, expiring on 20 May 2020, for an amount equal to €750,000,000 and (ii) a term loan assumed in 2017, expiring on 19 May 2023, for an amount equal to €187,634,699.63.

CDP RETI has drawn all amounts available under the Facilities Agreements and applied them to repay the abovementioned term loans in full. The termination date of the Facilities Agreements is 5 May 2025.

The Facilities Agreements provide for certain mandatory prepayment events, including a change of control, as well as partial mandatory prepayment in case of (i) certain disposals of the share capital of Snam or Terna or Italgas, (ii) the sale of any entitlement under future rights issues by Terna and/or Snam and/or Italgas, and (iii) extraordinary distributions received by CDP RETI from Terna and/or Snam and/or Italgas.

### *Bridge Loan Agreements with CDP and certain bank lenders*

On 25 May 2022, the Issuer entered into two bridge loan agreements with, respectively:

- (i) CDP, for an amount of up to €375,000,000 (the **CDP Bridge Loan Agreement**); and
- (ii) a pool of lenders composed of UniCredit S.p.A., Intesa Sanpaolo S.p.A., Crédit Agricole Corporate & Investment Bank - Milan Branch and BNP Paribas, Italian Branch as lenders, for an amount of up to €375,000,000.00 (the **Bank Lenders' Bridge Loan Agreement** and, jointly with the CDP Bridge Loan Agreement, the **Bridge Loan Agreements**).

In particular, the Bridge Loan Agreements have been made available to CDP RETI for the purpose of refinancing the indebtedness deriving from the 2015 Notes.

CDP RETI has drawn all amounts available under the Bridge Loan Agreements and applied them to repay the 2015 Notes in full. The termination date of the Bridge Loan Agreements is the date falling 12 months from the date of execution of the Bridge Loan Agreements and it may be extended, under certain circumstances, for further six months from such date.

The Bridge Loan Agreements provide for certain mandatory prepayment events, including a change of control, as well as mandatory prepayment in case of completion of certain capital markets issuance by the Issuer.

See also section "*Use of Proceeds*".

## **Management**

### *Corporate Governance*

The Issuer has adopted a system of corporate governance, based on the traditional model involving the shareholders' meeting, the Board of Directors and the Board of Statutory Auditors.

### *Board of Directors*

The current members of the Board of Directors were appointed by a resolution passed at the Issuer's shareholders' meeting on 20 January 2021 for a three-year term expiring on the date when the shareholders' meeting for the approval of the financial statements for the last year of their office is convened.

The Chief Executive Officer Fabrizio Palermo resigned from the office on 7 June 2021.

## Description of the Issuer

On 1 July 2021, the Board of Directors appointed, by co-optation, Dario Scannapieco as Chief Executive Officer.

On 25 October 2021, the Director Yunpeng He resigned from the office effectively from the date of his replacement and on 18 November 2021 the Board of Directors appointed Qinjing Shen as Director in order to replace Yunpeng He.

On 31 March 2022, the Issuer's shareholders' meeting confirmed Dario Scannapieco and Qinjing Shen as Directors; on the same date, the Board of Directors confirmed Dario Scannapieco as Chief Executive Officer, granting him the respective powers.

The following table shows the names of the current members of the Board of Directors, their positions and their principal activities outside the Issuer.

<u>Name</u>	<u>List</u>	<u>Position</u>	<u>Principal activities outside the Issuer</u>
Giovanni Gorno Tempini	CDP	Chairman	<ul style="list-style-type: none"> <li>- Chairman of the Board of Directors of CDP</li> <li>- Chairman of the Board of Directors of CDP Equity S.p.A.</li> <li>- Chairman of CDP Foundation</li> <li>- Chairman of the Board of Directors of F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.P.A.</li> <li>- Member of the Board of Directors of Avio S.p.A.</li> <li>- Member of the Board of Directors of TIM S.p.A.</li> </ul>
Dario Scannapieco	CDP	Chief Executive Officer	<ul style="list-style-type: none"> <li>- Chief Executive Officer and General Manager of CDP</li> </ul>
Sabrina Coletti	CDP	Director	<ul style="list-style-type: none"> <li>- Head of the Regulatory Reporting and Regulations office of CDP</li> <li>- Member of the PUMA Strategic Cooperation Committee of Banca d'Italia</li> </ul>
Yanli Liu	SGEL	Director	<ul style="list-style-type: none"> <li>- Member of ACCA and CPA</li> <li>- Chief Financial Officer and Executive Vice President of State Grid International Development Co., Ltd (SGID)</li> <li>- Director of State Grid International Australia Development Company Limited</li> <li>- Member of Audit and Compliance Committee of State Grid Singapore Power Australia Assets PTY</li> </ul>
Qinjing Shen	SGEL	Director	<ul style="list-style-type: none"> <li>- Director of Department of Business Development &amp; Strategy, State Grid International Development Co., LTD</li> </ul>

## Description of the Issuer

<u>Name</u>	<u>List</u>	<u>Position</u>	<u>Principal activities outside the Issuer</u>
			- State Grid's Chief Representative in Italy

The business address of each of the members of the Board of Directors is the Issuer's registered office at Via Goito 4, 00185, Rome, Italy.

### ***Board of Statutory Auditors***

The current members of the Board of Statutory Auditors were appointed by a resolution passed at shareholders' meetings on 20 January 2021 for a three-year term expiring on the date when the shareholders' meeting for the approval of the financial statements for the last year of their office is convened.

The following table shows the names of the current members of the Board of Statutory Auditors, their positions and principal activities outside the Issuer.

<u>Name</u>	<u>List</u>	<u>Position</u>	<u>Principal activities outside the Issuer</u>
Florinda Aliperta	CDP	Chairman	- Chairman of the Board of Statutory Auditors of SAPNA S.p.A.
Paola Dinale	CDP	Auditor	- Chairman of the Board of Statutory Auditors of FINBAC S.p.A.
Paolo Sebastiani	SGEL	Auditor	- Member of the Board of Statutory Auditors of SISTEMATICA S.p.A.
Samantha Gardin	CDP	Alternate Auditor	- Member of the Board of Statutory Auditors of TULIPS S.p.A. - Member of the Board of Statutory Auditors of ISTITUTO PER IL CREDITO SPORTIVO
Ugo Tribulato	SGEL	Alternate Auditor	- Chairman of the Board of Statutory Auditors of A. TESTONI S.p.A. - Chairman of the Board of Statutory Auditors of CARONTE & TOURIST S.p.A. - Member of the Board of Statutory Auditors of NEEP ROMA HOLDING S.p.A. - Chairman of the Board of Directors and Managing Director of TAUFIN S.p.A.

The business address of each of the members of the Board of Statutory Auditors is the Issuer's registered office at Via Goito 4, 00185, Rome, Italy.

### **Conflicts of interest**

So far as the Issuer is aware, there are no potential conflicts of interest between any duties of the members of the Board of Directors and the Board of Statutory Auditors and their private interests.

## Description of the Issuer

### **Independent Auditors**

The Issuer's financial statements for the years 2020 and 2021 have been audited by Deloitte & Touche S.p.A. in its quality of independent auditor which has been appointed as independent auditor for the financial years 2020 to 2028.

### **Organisational Structure and Employees**

As a consequence of the investment of SGEL in the corporate capital of CDP RETI, a new organisational structure of the Issuer has been approved, which provides for the hiring of new personnel and the execution of service agreements with CDP and CDP Equity. Therefore, CDP RETI expects to enter into a number of agreements (so-called "service agreements") for the provision by CDP/CDP Equity in favour of CDP RETI of a number of ancillary services, including administrative, accounting and tax services, equity investment management services, operational services and document management, legal and corporate support finance and treasury services, IT, human resources, risk management and anti-money laundering and compliance. The organisational structure of CDP RETI provides for, in addition to the service agreements mentioned above, the establishment of four functional areas ("*aree funzionali*") with specific responsibilities: (i) Accounting Administration & Tax; (ii) Operations; (iii) Industry & Corporate Affairs; and (iv) Finance, Planning & Control.

### **Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had, during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Issuer.

## TAXATION

### Italian taxation

The following is a general overview of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposition of the Notes. It does not purport to be a complete analysis of all tax considerations that may be relevant to a decision to purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Notes, some of which may be subject to special rules. The following overview does not discuss in detail the treatment of Notes that are held in connection with a permanent establishment or fixed base through which a non-Italian resident beneficial owner carries on business or performs professional services in Italy.

This overview is based upon tax laws in force in Italy in effect as at the date of this Prospectus, which may be subject to any changes in law occurring after such date, potentially with retroactive effect. Prospective purchasers of Notes should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes, including in particular the effect of any state, regional or local tax laws. This paragraph does not intend and cannot be construed as a tax advice to prospective purchasers of the Notes.

### *Italian tax treatment of the Notes*

Italian Legislative Decree No. 239 of 1 April 1996 (**Decree No. 239**), as subsequently amended, provides for the applicable regime with respect to the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as **Interest**) deriving from notes falling within the category of bonds (*obbligazioni*) or securities similar to bonds (pursuant to Article 44 of Presidential Decree No. 917 of 22 December 1986, as amended and supplemented (**Decree No. 917**)) issued, *inter alia*, by Italian resident unlisted companies, provided that: (a) the notes themselves are traded on an EU or EEA regulated market or multilateral trading facility; or (b) the noteholder is a qualified investor (*investitore qualificato*) under Article 100 of the Financial Services Act.

For these purposes, securities similar to bonds (*titoli similari alle obbligazioni*) are defined as securities that: (i) incorporate an unconditional obligation of the issuer to pay, at redemption, an amount not lower than their nominal value, with or without the payment of periodic interest; and that (ii) do not give any right to directly or indirectly participate in the management of the issuer or of the business in connection to which the securities were issued, nor any type of control on the management.

### *Italian resident Noteholders*

Pursuant to Decree No. 239, payments of Interest relating to Notes are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes) if the Noteholder is:

- (i) an individual resident in the Republic of Italy for tax purposes, holding the Notes otherwise than in connection with entrepreneurial activities; or
- (ii) an Italian resident partnership (other than *società in nome collettivo*, *società in accomandita semplice* or similar partnerships), or a *de facto* partnership not carrying out commercial activities and professional associations; or
- (iii) an Italian resident public and private entity other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities; or
- (iv) an Italian resident entity exempt from Italian corporate income tax.

## Taxation

All the above categories are usually referred as “net recipients” unless the Noteholders referred to under (i), (ii) and (iii) above have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called “*regime del risparmio gestito*” (the **Risparmio Gestito** regime) according to Article 7 of Italian Legislative Decree No. 461 of 21 November 1997 as amended (**Decree No. 461**).

In the event that the Italian resident Noteholders described under (i) and (iii) above hold the Notes in connection with an entrepreneurial activity (*attività d'impresa*) to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax. Interest will be included in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Interest accrued on the Notes must be included in the relevant Noteholder's annual corporate taxable income (and in certain circumstances, depending on the “*status*” of the Noteholders, also in the net value of production for purposes of regional tax on productive activities (**IRAP**)) if the Noteholder is an Italian resident corporation or permanent establishment in Italy of a foreign corporation to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity and 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 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 in Article 1, paragraphs 100-114, of Law No. 232 of 11 December 2016 (as further amended and applicable from time to time, **Law No. 232**), in Article 1, paragraphs 210-215 of Law No. 145 of 30 December 2018 as implemented by Ministerial Decree of 30 April 2019 (as further amended and applicable from time to time, **Law No. 145**) and, for the long-term individual savings account (*piano individuale di risparmio a lungo termine*) established from 1 January 2020, in Article 13-bis of Law Decree No. 124 of 26 October 2019 (as further amended and applicable from time to time, **Law Decree No. 124**). Pursuant to Article 1, paragraphs 219-225 of Law No. 178 of 30 December 2020 (**Law No. 178**), it is further provided that Italian resident individuals investing in long-term individual savings account established from 1 January 2021 and compliant with Article 13-bis, paragraph 2-bis of Law Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realised in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

Pursuant to Decree No. 239, the *imposta sostitutiva* is levied by banks, *società di intermediazione mobiliare* (**SIM**), fiduciary companies, *società di gestione del risparmio* (**SGR**) stockbrokers and other entities identified by the Ministry of Finance (each, an **Intermediary**). An Intermediary must (a) (i) be resident in Italy, (ii) be a permanent establishment in Italy of a non-Italian resident financial intermediary or (iii) be an entity or a company not resident in Italy, acting through a system of centralised administration of notes and directly connected with the Department of Revenue of the Italian Ministry of Finance having appointed an Italian representative for the purposes of Decree No. 239, and (b) participate, in any way, in the collection of Interest or in the transfer of the Notes. 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 of the ownership of the relevant notes or in a change of 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 the relevant Italian financial intermediary (or permanent establishment in Italy of a non-Italian resident financial intermediary) paying the Interest to a Noteholder, or, in its absence, by the Issuer.

Payments of Interest in respect of Notes will not be subject to the *imposta sostitutiva* if made to beneficial owners who are:

## Taxation

- (i) Italian resident corporations or permanent establishments in Italy of non-resident corporations to which the Notes are effectively connected;
- (ii) Italian resident partnerships carrying out commercial activities (“*società in nome collettivo*” or “*società in accomandita semplice*”);
- (iii) Italian resident investors holding Notes otherwise than in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes to an authorised financial intermediary and have opted for the *Risparmio Gestito* regime. The Italian resident investors who have opted for the *Risparmio Gestito* regime are subject to an annual substitutive tax of 26 per cent. (the **Asset Management 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). The Asset Management Tax is applied by authorised Intermediaries;
- (iv) Italian resident pension funds referred to in Legislative Decree No. 252 of 5 December 2005 (**Decree No. 252**). Italian resident pension funds subject to the regime provided by Article 17, of Decree No. 252 are subject to an annual substitutive tax of 20 per cent. (the **Pension Fund Tax**) on the increase in value of the managed assets accrued at the end of each tax year (which would include Interest accrued on the Notes, if any). Subject to certain conditions, Interest in respect of the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 if the Notes are included in a long-term individual savings account (*piano individuale di risparmio a lungo termine*) pursuant to Article 1, paragraphs 100-114, of Law No. 232, in Article 1, paragraphs 210-215 of Law No. 145 and, for the long-term individual savings account (*piano individuale di risparmio a lungo termine*) established from 1 January 2020, in Article 13-bis of Law Decree No. 124, as applicable from time to time;
- (v) Italian open-ended or closed-ended investment funds, investment companies with fixed capital (**SICAFs**) or investment companies with variable capital (**SICAVs**) established in Italy (together, the **Funds**) when either (A) the Fund or (B) its manager is subject to the supervision of a regulatory authority and the relevant Notes are held by an authorised intermediary. In such case, Interest accrued during the holding period on the 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. may apply on income of the Fund derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares;
- (vi) Italian resident real estate investment funds (complying with the definition as amended pursuant to Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010) established after 26 September 2001 pursuant to Article 37 of Legislative Decree No. 58 and Article 14-bis of Law No. 86 of 25 January 1994, or in any case subject to the tax treatment provided for by Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001 (**Decree No. 351**) and Italian resident real estate SICAFs to which the provisions of Article 9 of Legislative Decree No. 44 of 4 March 2014 apply (hereinafter the **Real Estate Investment Funds**). In such case, Interest accrued on the Notes will not be subject to *imposta sostitutiva*, nor to any other income tax in the hands of the Real Estate Investment Funds. The income of the Real Estate Investment Funds may be subject to tax, in the hands of the unitholder, depending on the “*status*” and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Such categories are qualified as “gross recipients”. To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary). Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary), the *imposta sostitutiva* is

applied and withheld by any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer. Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due.

### ***Non-Italian resident Noteholders***

Where the Noteholder is a non-Italian resident (with no permanent establishment in the Republic of Italy to which the Notes are effectively connected), an exemption from the *imposta sostitutiva* applies, provided that the non-Italian resident beneficial owner is either:

- (a) resident, for tax purposes, in a State or territory included in the list of States or territories allowing an adequate exchange of information with the Italian tax authorities and listed in the Decree of the Minister of Finance dated 4 September 1996, as amended and supplemented from time to time (the **White List**). According to Article 11(4)(c) of Decree 239 the White List will be updated every six months. In absence of the issuance of the new White List, reference has to be made to the above-mentioned Decree dated 4 September 1996, as amended from time to time; or
- (b) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or
- (c) an “institutional investor”, whether or not subject to tax, which is established in a country included in the White List; or
- (d) a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State.

To ensure payment of Interest in respect of the Notes without the application of *imposta sostitutiva*, non-Italian resident beneficial owners must (a) deposit, directly or indirectly, the Notes with a bank or a SIM or a permanent establishment in Italy of a non-resident bank or SIM or with a non-resident operator of a clearing system having appointed as its agent in Italy for the purposes of Decree 239 a resident bank or SIM or a permanent establishment in Italy or a non-resident bank or SIM which are in contact via computer with the Ministry of Economy and Finance and (b) timely file with the relevant depository (which may be a non-Italian resident entity participating in a centralised securities management system connected via telematic link with the Italian Ministry of Economy and Finance) a self-declaration (*autocertificazione*) stating their residence, for tax purposes, in a State listed in the White List. Such self-declaration – which must comply with the requirements set forth by Ministerial Decree of 12 December 2001 (as amended and supplemented) – is valid until withdrawn or revoked and may not be filed in the event that a certificate, declaration or other similar document with an equivalent purpose has previously been filed with the same depository. The self-declaration (*autocertificazione*) is not required for non-Italian resident investors that are international entities and organisations established in accordance with international agreements ratified in Italy and Central Banks or entities which manage, *inter alia*, the official reserves of a foreign state.

Failure of a non-resident holder of the Notes to comply in due time with the procedures set forth in Decree No. 239 and in the relevant implementation rules will result in the application of *imposta sostitutiva* on Interest payments to a non-resident holder of the Notes.

Non-resident holders of the Notes who are subject to *imposta sostitutiva* might, nevertheless, be eligible for a total or partial relief under an applicable tax treaty between the Republic of Italy and the country of residence of the relevant holder of the Notes.

### ***Taxation of Capital Gains***

Any capital gain realised upon the sale for consideration, transfer or redemption of the Notes would be treated as part of the taxable business income (and, in certain circumstances, depending on the “*status*” of the Noteholder, may also be included in the taxable net value of production for IRAP purposes) subject to tax in Italy according to the relevant tax provisions, if derived by Noteholders who are:

## Taxation

- (a) Italian resident corporations;
- (b) permanent establishments in Italy of foreign corporations to which the Notes are effectively connected;  
or
- (c) Italian resident individuals carrying out a commercial activity, as to any capital gains realised within the scope of the commercial activity.

Where an Italian resident Noteholder is (i) an individual holding the Notes otherwise than in connection with entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, then any capital gain realised by such Noteholder from the sale for consideration or redemption of the Notes would be subject to an *imposta sostitutiva*, levied at the current rate of 26 per cent.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below.

Under the tax return regime (the ***Regime della Dichiarazione***) which is the default regime for taxation of capital gains realised by Italian 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 relevant incurred capital loss, realised by the Italian resident individual Noteholders holding the Notes otherwise than in connection with an entrepreneurial activity pursuant to all disposals of Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must report the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return to be filed with the Italian tax authorities for such year and pay *imposta sostitutiva* on such gains together with any balance of income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

As an alternative to the tax return regime depicted above, Italian Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each sale, transfer or redemption of the Notes (the ***Risparmio Amministrato*** regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries; and (ii) an express election for the *Risparmio Amministrato* regime being timely made in writing by the relevant Noteholder. The financial intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale, transfer or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any relevant 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. Under the *Risparmio Amministrato* regime, the Noteholder is not required to declare the capital gains in its annual tax return and remains anonymous. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind realised in any of the four succeeding tax years.

Any capital gains realised on Notes held by Noteholders under (i) to (iii) above, who have elected for the *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 the Asset Management Tax to be applied on behalf of the taxpayer 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 any increase in value of the managed assets accrued in any of the four subsequent tax years. Under the *Risparmio Gestito* regime, the Noteholder is not required to report the capital gains realised in its annual tax return and remains anonymous.

Subject to certain limitations and requirements (including a minimum holding period), capital gains in respect of Notes realised upon sale, transfer or redemption by Italian resident individuals holding the Notes not 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 taxation, including the 26 per cent. *imposta sostitutiva*, 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 in Article 1, paragraphs 100-

114, of Law No. 232, in Article 1, paragraphs 210 - 215 of Law No. 145 and, for the long-term individual savings account (*piano individuale di risparmio a lungo termine*) established from 1 January 2020, in Article 13-bis of Law Decree No. 124, as applicable from time to time. Pursuant to Article 1, paragraphs 219-225 of Law No. 178, it is further provided that Italian resident individuals investing in long-term individual savings account established from 1 January 2021 and compliant with Article 13-bis, paragraph 2-bis of Law Decree No. 124 may benefit from a tax credit corresponding to possible capital losses, losses and negative differences realised in respect of certain qualifying financial instruments comprised in the long-term individual savings account, provided that certain conditions and requirements are met (e.g. including the loss of the possibility to subsequently set off the relevant capital losses, losses and negative differences against future capital gains).

Any capital gains on Notes held by Noteholders who are Italian resident pension funds subject to the regime provided by Article 17 of Decree No. 252, will be included in the computation of the taxable basis of Pension Fund Tax. Subject to certain conditions, capital gains realised in respect to the Notes may be excluded from the taxable base of the Pension Fund Tax pursuant to Article 1, paragraph 92, of Law No. 232 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 in Article 1, paragraphs 100-114, of Law No. 232 and in Article 1, paragraphs 210-215 of Law No. 145 and, for the long-term individual savings account (*piano individuale di risparmio a lungo termine*) established from 1 January 2020, in Article 13-bis of Law Decree No. 124, as applicable from time to time.

Any capital gains realised by a Noteholder which is a Fund will not be subject to *imposta sostitutiva*, but will be included in the result of the relevant portfolio. The Fund will not be subject to taxation on such result but a withholding tax of 26 per cent. may apply on income of the Fund derived by unitholders or shareholders through distribution and/or redemption or disposal of the units and shares.

Capital gains on Notes held by Italian Real Estate Investment Funds are not taxable at the level of same Real Estate Investment Funds.

The 26 per cent. substitute tax on capital gains may, in certain circumstances, be payable on capital gains realised upon sale for consideration or redemption of the Notes by non-Italian resident persons or entities without a permanent establishment in Italy to which the Notes are effectively connected, if the Notes are held in Italy.

Capital gains realised by non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected through the sale for consideration or redemption of Notes are exempt from taxation in Italy to the extent that the Notes are traded on a regulated market in Italy or abroad and in certain cases subject to prompt filing of required documentation (in particular, a self-declaration of non-residence in Italy for tax purposes) with Italian qualified intermediaries (or permanent establishments in Italy of foreign intermediaries) with whom the Notes are deposited, even if the Notes are held in Italy and regardless of the provisions set forth by any applicable double tax treaty.

Capital gains realised by non-Italian resident Noteholders from the sale, early redemption or redemption of Notes not traded on regulated markets are not subject to the *imposta sostitutiva*, provided that (i) the Notes are held outside or (ii) the effective beneficiary: (a) is resident in a country included in the White List; or (b) is an international entity or body set up in accordance with international agreements which have entered into force in Italy; or (c) is a Central Bank or an entity which manages, *inter alia*, the official reserves of a foreign State; or (d) is an institutional investor established in a country included in the White List, even if it does not have the status of a taxpayer. In such cases, in order to have the benefit of the exemption from the *imposta sostitutiva*, all the requirements and procedures set forth in Decree No. 239 and in the relevant implementation rules, as subsequently amended have to be met. In this case, if non-Italian residents without a permanent establishment in Italy to which the Notes are effectively connected elect for the *Risparmio Gestito* regime or are subject to the *Risparmio Amministrato* regime, exemption from Italian taxation on capital gains will apply upon condition that they file in due time with the authorised financial intermediary an appropriate self-declaration (*autocertificazione*) stating that they meet the requirement reported above.

## Taxation

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are effectively 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 the Republic of Italy on any capital gains realised upon the sale for consideration or redemption of the Notes. In this case, exemption from Italian taxation on capital gains will apply upon condition that they file in due time with the authorised financial intermediary appropriate documentation attesting that the requirements for the application of the relevant double taxation treaty are met.

The *Risparmio Amministrato* regime is the ordinary regime automatically applicable to non-resident persons and entities in relation to Notes deposited for safekeeping or administration at Italian banks, SIMs and other eligible entities, but non-resident Noteholders retain the right to waive this regime. Such waiver may also be exercised by non-resident intermediaries in respect of safekeeping, administration and deposit accounts held in their names in which third parties' financial assets are held.

### ***Inheritance and gift taxes***

Pursuant to Law Decree No. 262 of 3 October 2006 converted into Law No. 286 of 24 November 2006, as amended by Law No. 296 of 27 December 2006, the transfers of any valuable asset (such as the Notes) by reason of gift, donation or succession proceedings is subject to Italian gift and inheritance tax as follows:

- (a) 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, €1,000,000;
- (b) 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.
- (c) 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, €100,000; and
- (d) 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 (a), (b), (c) and (d) on the value exceeding, for each beneficiary, €1,500,000.

Moreover, an anti-avoidance rule is provided for by Law No. 383/2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains to the "*imposta sostitutiva*" provided for by Decree No. 461. In particular, if the donee sells the Notes for consideration within 5 years from the receipt thereof as a gift, the donee is required to pay the relevant "*imposta sostitutiva*" on capital gains as if the gift was not made.

### ***Transfer tax***

Contracts relating to the transfer of securities are subject to the registration tax as follows: (i) public deeds and notarized deeds (*atti pubblici e scritture private autenticate*) are subject to fixed registration tax at rate of €200; (ii) private deeds (*scritture private non autenticate*) are subject to registration tax at rate of €200 registration tax only in case of use or voluntary registration or if the so-called "*enunciazione*" occurs.

### ***Stamp duty on financial instruments***

Pursuant to Article 13 paragraph 2-ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, a proportional stamp duty applies on an annual basis to any periodic reporting communications which may be sent by a financial intermediary to their clients in respect of any Notes which may be deposited with such financial intermediary in Italy. The stamp duty applies at a rate of 0.2 per cent. and it cannot exceed

## Taxation

€14,000 for taxpayers which are not 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 or, in the case the nominal or redemption values cannot be determined, on the purchase value of the Notes held.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

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 on 20 June 2012 of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory).

### ***Wealth tax on financial assets deposited abroad***

According to Article 19(18-23) of Law Decree No. 201 of 6 December 2011, Italian resident individuals, non-commercial entities and certain partnerships (*società semplici* or similar partnerships in accordance with article 5 of Decree No. 917) resident in Italy for tax purposes holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. For taxpayers other than individuals, this wealth tax cannot exceed €14,000 per year with effect from fiscal year 2020 (Article 134 of Law Decree No. 34 of 20 May 2020).

This tax is calculated on the market value of the Notes at the end of the relevant year (or at the end of the holding period) or – if no market value figure is available – the nominal value or the redemption value or, in the case the nominal or redemption values cannot be determined, on the purchase value of any financial asset (including the Notes) held outside of the Italian territory. A tax credit is granted for any foreign property tax levied abroad on such financial assets. The Italian tax authority clarified (Circular No. 28/E of 2 July 2012) that financial assets held abroad are excluded from the scope of the wealth tax if they are administered by Italian financial intermediaries and the items of income derived from the Notes have been subject to tax by the same intermediaries.

### ***Tax monitoring obligations***

Pursuant to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended from time to time, Italian resident individuals, non-commercial entities and certain partnership (in particular, *società semplici* or similar partnerships in accordance with Article 5 of Decree No. 917) resident in Italy for tax purposes, who at the end of the year hold investments abroad or have financial foreign activities abroad or are the beneficial owners, under the Italian money-laundering law, provided by Italian Legislative Decree No. 231 of 21 November 2007, of investments abroad or foreign financial assets must, in certain circumstances, disclose the aforesaid to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). 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 Italian financial intermediaries intervention, 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 aggregate value does not exceed a €15,000 threshold throughout the year.

### ***The proposed European financial transactions tax (FTT)***

On 14 February 2013, 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.

## Taxation

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of 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 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.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate.

Prospective holders of the Notes are strongly advised to seek their own professional advice in relation to the FTT.

### ***Foreign Account Tax Compliance Act (FATCA)***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting, or related requirements. The Issuer does not expect to be treated as a foreign financial institution for these purposes. 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. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, 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 prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date. However, if additional notes (as described under "Conditions of the Notes—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding 10146400583-v23 - 186 - 47-41015124 4127-8472-9645.15 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.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to payments they may receive in connection with the Notes.

## SUBSCRIPTION AND SALE

Mediobanca – Banca di Credito Finanziario S.p.A. (the **Arranger**) and Bank of China Limited, London Branch, BNP Paribas, Crédit Agricole Corporate and Investment Bank, HSBC Continental Europe, Intesa Sanpaolo S.p.A. and UniCredit Bank AG (together with the Arranger, the **Joint Lead Managers**) have, pursuant to a Subscription Agreement (the **Subscription Agreement**) dated 21 October 2022, jointly and severally agreed to subscribe or procure subscribers for the Notes at the issue price of 99.57 per cent. of the principal amount of Notes, less the applicable selling commission. The Issuer will also reimburse the Joint Lead Managers in respect of certain of their expenses and has agreed to indemnify the Joint Lead Managers against certain liabilities, incurred in connection with the issue of the Notes. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Issuer.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

Accordingly, the offer is not being made in the United States and this document does not constitute an offer, or an invitation to apply for, or an offer or invitation to purchase or subscribe for any Notes in the United States. The Notes offered hereby are being offered and sold only outside the United States in “offshore transactions” as defined in Regulation S. Any person who subscribes or acquires Notes will be deemed to have represented, warranted and agreed, by accepting delivery of this Prospectus or delivery of Notes, that it has not received this document or any information related to the Notes in the United States, is not located in the United States and is subscribing for or acquiring Notes in compliance with Rule 903 of Regulation S in an “offshore transaction” as defined in Regulation S.

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 United States person, except in certain transaction permitted by U.S. Treasury regulations. Terms used in this paragraph have meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Joint Lead Manager has represented and agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Issue Date within the United States or to, or for the account or benefit of, U.S. persons and that it will have sent to each dealer to which it sells any Notes during the distribution compliance period 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.

Until 40 days after the commencement of the offering of the Notes and the Issue Date, an offer or sale of 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 registration under the Securities Act.

### Prohibition of sales to EEA retail investors

Each Joint Lead Manager has represented and agreed 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 Prospectus, to any retail investor in the European Economic Area. For the purposes of this provision, the expression “**retail investor**” means a person who is one (or more) of the following:

## Subscription and Sale

- (a) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU; or
- (b) a customer within the meaning of Directive (EU) (2016/97), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

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.

### **Prohibition of Sales to UK Retail Investors**

Each Joint Lead Manager has represented and agreed that:

- (a) 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 Prospectus, to any retail investor in the United Kingdom. For the purposes of this provision 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) No. 2017/565 as it forms part of the United Kingdom 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 Directive (EU) 2016/97, 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 the United Kingdom domestic law by virtue of the EUWA;

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.

- (b) 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
- (c) 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.

### **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 Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of the Financial Services Act and Italian CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of 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 Prospectus or any other document relating to the Notes in the Republic of Italy under (a) or (b) above must:

## Subscription and Sale

- (i) 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
- (ii) 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

No action has been taken by the Issuer or any of the Joint Lead Managers that would, or is intended to, permit a public offer of the Notes, or possession or distribution of this Prospectus or any other offering material, in any country or jurisdiction where any action for that purpose is required. Accordingly, each Joint Lead Manager has undertaken that it will not, directly or indirectly, offer or sell any Notes or have in its possession, or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations and all offers and sales of Notes by it will be made on the same terms.

## GENERAL INFORMATION

### Legal Entity Identifier

The Legal Entity Identifier (LEI) of the Issuer is 815600255BB6E0437F67.

### Authorisation

The issue of the Notes was duly authorised by resolutions of the Board of Directors of the Issuer dated 4 July 2022.

### Listing

This Prospectus has been approved by the Central Bank as competent authority under the Prospectus Regulation. The Central Bank only approves this document as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Regulation. Application has been made to Euronext Dublin for the Notes to be admitted to its Official List and trading on its regulated market. The Regulated Market of Euronext Dublin is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC). The Issuer estimates that the amount of expenses related to the admission to trading of the Notes will be approximately €9,540.

### Clearing Systems

The Notes will be in bearer form and, until redemption or cancellation, will be held in dematerialised form on behalf of their beneficial owners by Monte Titoli S.p.A. (with registered office and principal place of business at Piazza degli Affari 6, 20123 Milan, Italy), for the account of the relevant Monte Titoli Account Holders (including Euroclear and Clearstream, Luxembourg).

The Notes have been accepted for clearance by Monte Titoli S.p.A. The ISIN for this issue is IT0005514390.

### Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in its financial position or prospects since 31 December 2021.

### Litigation

The Issuer is not and has not 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 its financial position or profitability.

### Auditors

The auditors of the Issuer are Deloitte & Touche S.p.A., who have audited the Issuer's accounts, without qualification, in accordance with auditing standards recommended by CONSOB for the financial years ended 31 December 2020 and 31 December 2021.

Deloitte & Touche S.p.A. will audit the Issuer's accounts until the financial year ending on 31 December 2028.

Deloitte & Touche S.p.A. is a company incorporated under the laws of Italy, enrolled with the Companies' Register of Milan under number 03049560166 and registered with the Register of Accountancy Auditors

## General Information

(*Registro dei Revisori Legali*) maintained by Minister of Economy and Finance with registration number: 132587, having its registered office at Via Tortona 25, 20144 Milan, Italy.

## Yield

The yield in respect of the Notes is 5.977 per cent. *per annum*. It is not an indication of future yield.

## Documents Available

As long as the Notes are outstanding, copies of the following documents (together, when appropriate, with the English translation) may be obtained free of charge from the Paying Agent and will be available for inspection from the specified registered office of the Paying Agent and will be available online on the Issuer website at the relevant addresses specified below:

- a) the By-Laws (*statuto*) of the Issuer (available on the website of the Issuer at [https://www.cdp.it/resources/cms/documents/CDP-RETI\\_Statuto\\_03-05-2022\\_ENG.pdf](https://www.cdp.it/resources/cms/documents/CDP-RETI_Statuto_03-05-2022_ENG.pdf));
- b) the audited financial statements of the Issuer as at and for the years ended 31 December 2021 and 2020, in each case together with the audit reports in connection therewith (available on the website of the Issuer at, respectively, [https://www.cdp.it/resources/cms/documents/CDP-RETI\\_RFA-2021\\_ENG\\_20220503.pdf](https://www.cdp.it/resources/cms/documents/CDP-RETI_RFA-2021_ENG_20220503.pdf) and [https://www.cdp.it/resources/cms/documents/CDP-Reti-RFA-2020\\_ENG\\_12-05-2021.pdf](https://www.cdp.it/resources/cms/documents/CDP-Reti-RFA-2020_ENG_12-05-2021.pdf));
- c) the Agency Agreement (available on the website of the Issuer at [https://www.cdp.it/sitointernet/it/cdp\\_reti\\_emissione\\_bond\\_2022.page](https://www.cdp.it/sitointernet/it/cdp_reti_emissione_bond_2022.page));
- d) a copy of this Prospectus (available on the website of the Issuer at [https://www.cdp.it/sitointernet/it/cdp\\_reti\\_emissione\\_bond\\_2022.page](https://www.cdp.it/sitointernet/it/cdp_reti_emissione_bond_2022.page)); and
- e) a copy of any supplement to this Prospectus and any other documents incorporated herein or therein by reference.

In addition, this Prospectus will be published on the website of Euronext Dublin (<https://www.euronext.com/en/markets/dublin>).

## Potential Conflicts of Interest

Certain of the Joint Lead Managers and their affiliates (including parent companies) have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may have performed (or may in the future perform) services for, or may have provided (or may in the future provide) financing to, the Issuer and its affiliates (including parent companies) in the ordinary course of business.

In addition, in the ordinary course of their business activities, certain of the Joint Lead Managers and their affiliates (including parent companies) 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 the Issuer's affiliates (including parent companies) or any entity related to the Notes.

Certain of the Joint Lead Managers and their affiliates (including parent companies) that have a lending relationship with the Issuer or the Issuer's affiliates (including parent companies) routinely hedge their credit exposure to the Issuer or the Issuer's affiliates (including parent companies) consistent with their customary risk management policies. Typically, the Joint Lead Managers and their affiliates (including parent companies) 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 the Issuer's securities, including potentially the Notes. Any such

## General Information

short positions could adversely affect future trading prices of the Notes. The Joint Lead Managers shall receive certain commissions for the services rendered under the Subscription Agreement. The Joint Lead Managers and their affiliates (including parent companies) 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.

**THE ISSUER**

**CDP RETI S.p.A.**

Via Goito, 4  
00185 Rome  
Italy

**ARRANGER**

**Mediobanca – Banca di Credito Finanziario S.p.A.**

Piazzetta Enrico Cuccia, 1  
20121 Milan  
Italy

**JOINT LEAD MANAGERS**

**Bank of China Limited, London Branch**

1 Lothbury  
London EC2R 7DB  
United Kingdom

**BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

**Crédit Agricole**

**Corporate and Investment Bank**  
12, Place des Etats-Unis - CS 70052  
92547 Montrouge Cedex  
France

**HSBC Continental Europe**

38, avenue Kléber  
75116 Paris  
France

**Intesa Sanpaolo S.p.A.**

**Divisione IMI Corporate & Investment  
Banking**  
Via Manzoni, 4  
20121 Milan  
Italy

**Mediobanca – Banca di Credito Finanziario  
S.p.A.**

Piazzetta Enrico Cuccia, 1  
20121 Milan  
Italy

**UniCredit Bank AG**

Arabellastrasse 12  
81925 Munich  
Germany

**PAYING AGENT**

**BNP Paribas, Italian Branch**

Piazza Lina Bo Bardi, 3  
20124 Milan  
Italy

## **LEGAL ADVISERS**

*To the Issuer as to Italian law*

### **Dentons Europe Studio Legale Tributario**

Via XX Settembre, 5  
00187 Rome  
Italy

*To the Managers as to English and Italian law*

### **Allen & Overy – Studio Legale Associato**

Corso Vittorio Emanuele II, 284  
00186 Rome  
Italy

Via Ansperto, 5  
20123 Milan  
Italy

## **AUDITORS**

### **Deloitte & Touche S.p.A.**

Via Tortona, 25  
20144 Milan  
Italy

## **LISTING AGENT**

### **Arthur Cox Listing Services Limited**

Ten Earlsfort Terrace  
Dublin 2  
D02 T380  
Ireland