



**Snam S.p.A.**

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

**€11,000,000,000 Euro Medium Term Note Programme**

Under this €11,000,000,000 Euro Medium Term Note Programme (the “**Programme**”), Snam S.p.A. (the “**Issuer**” or “**Snam**”) may from time to time issue notes (the “**Notes**”) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed €11,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

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

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

Application has been made to the Commission de Surveillance du Secteur Financier (the “**CSSF**”) in its capacity as competent authority under the Luxembourg Act dated 16 July 2019 on prospectuses for securities (the “**Prospectus Act 2019**”) to approve this document as a base prospectus. The CSSF assumes no responsibility for the economic and financial soundness of the transactions contemplated by this Base Prospectus or the quality or solvency of the Issuer in accordance with Article 6(4) of the Prospectus Act 2019 and only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange’s regulated market and to be listed on the Official List of the Luxembourg Stock Exchange during the period of 12 months after the date hereof.

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

The requirement to publish a prospectus under the Prospectus Regulation only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area or in the United Kingdom and/or offered to the public in the European Economic Area or in the United Kingdom other than in circumstances where an exemption is available under Article 1(4) of the Prospectus Regulation.

This Base Prospectus has been approved by the CSSF, as competent authority under the Prospectus Regulation. The CSSF only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of either the Issuer or the quality of the Notes that are the subject of this Base Prospectus and investors should make their own assessment as to the suitability of investing in the Notes.

This Base Prospectus shall be valid for admission to trading of Notes on a regulated market for the purposes of MiFID II for 12 months after the approval by the CSSF and shall expire on 9 November 2021, provided that it is completed by any supplement, pursuant to Article 23 of the Prospectus Regulation, following the occurrence of a significant new factor, a material mistake or a material inaccuracy relating to the information included (including incorporated by reference) in this Base Prospectus which may affect the assessment of the Notes. After such date, the Base Prospectus will expire and the obligation to supplement this Base Prospectus in the event of significant new factors, material mistakes or material inaccuracies will no longer apply.

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

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

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplement to the Base Prospectus, a new Base Prospectus or a drawdown prospectus, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union (the “**EU**”) or the United Kingdom (the “**UK**”) and registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”), and included in the list of credit rating agencies published by the European Securities and Markets Authority (“**ESMA**”) on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation, will be disclosed in the Final Terms. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency. Please also refer to “*Risks related to the market generally*” in the section of this Base Prospectus.

Amounts payable under the Notes may be calculated by reference to either EURIBOR, LIBOR, CMS Rate, Constant Maturity BTP Rate or such other Inflation Index as specified in the relevant Final Terms. As at the date of this Base Prospectus, the administrator of LIBOR, CMS Rate, EURIBOR and Constant Maturity BTP Rate are

included on the register of administrators and benchmarks established and maintained by the ESMA pursuant to article 36 of Regulation (EU) no. 2016/1011 (the “**Benchmarks Regulation**”). Amounts payable on Inflation Linked Notes will be calculated by reference to CPI-ITL or HICP (each as defined below). As at the date of this Base Prospectus, the administrators of CPI-ITL and HICP are not included in ESMA’s register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the relevant Index Sponsor (as defined below) of CPI-ITL and HICP are not required to be registered for the purposes of the Benchmarks Regulation by virtue of Article 2 of that Regulation.

#### **Arranger**

BNP PARIBAS

#### **Dealers**

Banco Bilbao Vizcaya Argentaria, S.A.	Barclays
BNP PARIBAS	BofA Securities
Citigroup	Crédit Agricole CIB
Goldman Sachs International	HSBC
IMI – Intesa Sanpaolo	ING
J.P. Morgan	Mediobanca
Mizuho Securities	Morgan Stanley
MUFG	NatWest Markets
SMBC Nikko	Société Générale Corporate & Investment Banking
UniCredit Bank	

The date of this Base Prospectus is 9 November 2020.

**This Base Prospectus comprises a base prospectus in respect of all Notes issued under the Programme for the purposes of Article 8 of the Prospectus Regulation.**

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

**Copies of Final Terms will be available from the registered office of the Issuer and the specified office set out below of each of the Paying Agents (as defined below).**

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

**The Dealers 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 Dealers as to the accuracy or completeness of the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme. No Dealer accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer in connection with the Programme.**

**This Base Prospectus contains industry and customer related data as well as calculations taken from industry reports, market research reports, publicly available information and commercial publications. It is hereby confirmed that (a) to the extent that information reproduced herein derives from a third party, such information has been accurately reproduced and (b) insofar as the Issuer is aware and is able to ascertain from information derived from a third party, no facts have been omitted which would render the information reproduced inaccurate or misleading.**

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

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

**Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The**

Dealers expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

**SINGAPORE SFA PRODUCT CLASSIFICATION:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended, the “SFA”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “CMP Regulations 2018”), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are ‘prescribed capital markets products’ (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the “MAS”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

**IMPORTANT – EEA AND 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 European Economic Area (the “EEA”) or 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 (11) of Article 4(1) of MiFID II; (ii) 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; 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 or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the “MiFID Product Governance Rules”), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “Securities Act”) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see “*Subscription and Sale*”).

This Base Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any 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 Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer and the Dealers do not represent that this Base Prospectus may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available

thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer or the Dealers which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom (the “UK”), the Republic of Italy (Italy), Belgium and France), Singapore and Japan, see *“Subscription and Sale”*.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (each, a “Member State”) or the UK will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Member State or the UK of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case, in relation to such offer. Neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. In general, European and UK regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by non-EU or non-UK credit rating agencies, unless the relevant credit ratings are endorsed by an EU or UK registered credit rating agency or the relevant non-EU (or non-UK) rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. If the status of the rating agency rating the Notes changes, European and UK regulated investors may no longer be able to use the rating for regulatory purposes and the Notes may have a different regulatory treatment. This may result in European and UK regulated investors selling the Notes which may have an impact on the value of the Notes. Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Base Prospectus. See also *“Risk Factors – Risks relating to the market – Credit ratings assigned to the Issuer or any Notes may not reflect all the risks associated with an investment in those 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 Base Prospectus or any applicable supplement;**
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;**
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;**
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and**
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.**

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

**The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer's intention to apply the proceeds from an offer of those Notes specifically to projects and activities that promote climate-friendly and other environmental purposes. Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. Furthermore, no assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any opinion or certification of any third party (whether or not solicited by the Issuer) which may or may not be made available in connection with the issue of any Notes and in particular with any Eligible Projects (as defined in the section "*Use of Proceeds*") to fulfil any environmental, sustainability, social and/or other criteria. For the avoidance of doubt, any such opinion or certification is not, nor shall be deemed to be, incorporated in and/or form part of this Base Prospectus. Any such opinion or certification is not, nor should be deemed to be, a recommendation by the Issuer or any other person to buy, sell or hold any such Notes. Any such opinion or certification is only current as of the date that opinion was initially issued. Prospective investors must determine for themselves the relevance of any such opinion or certification and/or the information contained therein and/or the provider of such opinion or certification for the purpose of any investment in such Notes. Currently, the providers of such opinions and certifications are not subject to any specific regulatory or other regime or oversight.**

**In the event that any such Notes are listed or admitted to trading on any dedicated "green", "environmental", "sustainable" or other equivalently-labelled segment of any stock exchange or securities market (whether or not regulated), no representation or assurance is given by the Issuer or any other person that such listing or admission satisfies, whether in whole or in part, any present or**

future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, any Eligible Projects. Furthermore, it should be noted that the criteria for any such listings or admission to trading may vary from one stock exchange or securities market to another. Nor is any representation or assurance given or made by the Issuer or any other person that any such listing or admission to trading will be obtained in respect of any such Notes or, if obtained, that any such listing or admission to trading will be maintained during the life of the Notes.

While it is the intention of the Issuer to apply the proceeds of any Notes so specified to Eligible Projects in, or substantially in, the manner described in the Final Terms relating to any specific Tranche of Notes, there can be no assurance that the relevant project(s) or use(s) the subject of, or related to, any Eligible Projects will be capable of being implemented in or substantially in such manner and/or in accordance with any timing schedule and that accordingly such proceeds will be totally or partially disbursed for the specified Eligible Projects. Nor can there be any assurance that such Eligible Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Issuer.

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

No Dealer makes any representation as to the suitability of the Notes to fulfil environmental and sustainability criteria required by prospective investors. The Dealers have not undertaken to monitor, nor are responsible for the monitoring of, the use of proceeds. See *“Risk Factors – Risks related to the structure of a particular issue of Notes which may be issued under the Programme – In respect of any Notes issued as ‘Climate Action Bonds’ or ‘Transition Bonds’, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor”*.

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 EU, as amended and all references to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars.

This Base Prospectus and, in the case of Notes admitted to trading on the regulated market of the Luxembourg Stock Exchange, the Final Terms will also be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

Any websites included in this Base Prospectus are for information purposes only and do not form part of the Base Prospectus unless specifically incorporated by reference.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in the applicable Final Terms may overallocate Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not

**necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or overallotment must be conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.**



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## OVERVIEW OF THE PROGRAMME

*The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Base Prospectus and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, a new Base Prospectus, a drawdown prospectus or a supplement to the Base Prospectus, if appropriate, in the case of listed Notes only, will be made available which will describe the effect of the agreement reached in relation to such Notes.*

This Overview constitutes a general description of the Programme for the purposes of Article 25 of Commission Delegated Regulation (EU) No. 2019/980 (the “**Prospectus Commission Delegated Regulation**”) supplementing the Prospectus Regulation.

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

**Issuer:** Snam S.p.A.

**Issuer Legal Entity Identifier (LEI)** 8156002278562044AF79

**Risk Factors** There are certain factors that may affect the Issuer’s ability to fulfil its obligations under Notes issued under the Programme. These are set out under “Risk Factors” and include, amongst others, risks relating to the effect of changes in tariff levels and risks of changes in regulation and legislation. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “Risk Factors” and include certain risks relating to the structure of particular Series of Notes and certain market risks.

**Description** Euro Medium Term Note Programme

**Arranger** BNP Paribas

**Dealers** Banco Bilbao Vizcaya Argentaria, S.A.

Barclays Bank Ireland PLC

Barclays Bank PLC

BofA Securities Europe SA

BNP Paribas

Citigroup Global Markets Europe AG

Citigroup Global Markets Limited

Crédit Agricole Corporate and Investment Bank

Goldman Sachs International

HSBC France

Intesa Sanpaolo S.p.A.

ING Bank N.V.

J.P. Morgan Securities plc

Mediobanca Banca di Credito Finanziario S.p.A.

Mizuho International plc

Mizuho Securities Europe GmbH

Morgan Stanley & Co. International plc

MUFG Securities (Europe) N.V.

NatWest Markets N.V.

SMBC Nikko Capital Markets Europe GmbH

Société Générale

UniCredit Bank AG

and any other Dealers appointed in accordance with the Programme Agreement.

**Certain Restrictions**

Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “Subscription and Sale”) including the following restrictions applicable at the date of this Base Prospectus.

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

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the UK, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000, as amended (the “FSMA”) unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see “*Subscription and Sale*”.

**Issuing and Principal Paying Agent**

BNP Paribas Securities Services, Luxembourg Branch

**Programme Size**

Up to €11,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer may increase the amount of the Programme in accordance with the terms of the Programme Agreement.

**Distribution**

Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.

<b>Currencies</b>	Notes may be denominated in, subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer as specified in the applicable Final Terms.
<b>Maturities</b>	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the relevant Specified Currency.
<b>Issue Price</b>	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.
<b>Form of Notes</b>	The Notes will be issued in bearer form as described in “ <i>Form of the Notes</i> ”.
<b>Fixed Rate Notes</b>	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and, on redemption, will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer, each as specified in the applicable Final Terms.
<b>Floating Rate Notes</b>	<p>Floating Rate Notes will bear interest at a rate determined:</p> <ul style="list-style-type: none"> <li>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or</li> <li>(b) on the basis of a reference rate set out in the applicable Final Terms, which may be EURIBOR, LIBOR, CMS Rate or Constant Maturity BTP Rate.</li> </ul> <p>The margin (if any) relating to such floating rate will be agreed between the Issuer and the relevant Dealer for each Series of Floating Rate Notes.</p> <p>Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.</p> <p>Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the Issuer and the relevant Dealer.</p>
<b>Inflation Linked Notes</b>	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to one or more inflation indices, as may be agreed between the Issuer and relevant Dealer.
<b>Zero Coupon Notes</b>	Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.
<b>Benchmark discontinuation</b>	If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser,

as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.5(b)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4.5(d)).

**Redemption**

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the Issuer and the relevant Dealer.

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

**Denomination of Notes**

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

**Taxation**

All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 7 (*Taxation*). In the event that any such deduction is made, the Issuer will, save in certain limited circumstances provided in Condition 7 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.

**Negative Pledge**

The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Negative Pledge*).

**Cross Default**

The terms of the Notes will contain a cross default provision as further described in Condition 9 (*Events of Default*).

**Status of the Notes**

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

**Rating**

Series of Notes to be issued under the Programme will be rated or unrated. Where a series of Notes is rated, such rating will be disclosed in the Final Terms and will be issued by a credit rating agency established in the EU or in the United Kingdom and registered under the CRA Regulation. Such rating will not necessarily be the same as the rating assigned to the Issuer or to Notes already issued.

Current ratings of the Issuer’s long-term debt are set out in the table below:

	<u>Rating</u>	<u>Outlook</u>
S&P	BBB+	stable
Moody's	Baa2	stable
Fitch	BBB+	stable

Each of S&P, Moody's and Fitch is established in the EU and registered under the CRA Regulation and as such is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website (at <https://www.esma.europa.eu/supervision/credit-rating-agencies/risk>) in accordance with the CRA Regulation.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Approval of base prospectus, listing and admission to trading**

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

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

The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.

**Governing Law**

The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law. Condition 14 and Schedule 5 of the Agency Agreement are subject to compliance with the laws of the Republic of Italy.

**Selling Restrictions**

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including Italy, Belgium and France), the UK, Singapore, Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see "*Subscription and Sale*".

## **RISK FACTORS**

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

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

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

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

#### **1. Risks related to the business activities and industries of the Issuer 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 (**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 the Issuer'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 criteria for determining reference tariffs may have a significant impact on the Issuer's operations, results, balance sheet and cash flow and, consequently, affect the Issuer's ability to meet its payments under the Notes.

##### ***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. 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, 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 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 114/2019/R/gas confirmed the current criteria relative to gas for self-consumption and losses, whilst 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 view of the aforementioned mechanism for the payment of UFG, at the moment, there is still uncertainty about the quantities of UFG detected over and above the quantities recognised. In this regard, it should be noted that, as part of the dialogue established with ARERA with resolution 291/2020/R/gas the higher costs incurred in 2018 and 2019 have been recognized, 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 its 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 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.

### ***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. 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  $\pm 4\%$  of the reference revenues related to the volumes transported. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed. This mechanism has also been confirmed for the fifth regulatory period, by resolution 114/2019/R/gas. Based on the tariff system currently applied by the Authority to natural gas storage activities, Snam's revenue, via 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%. By Resolution 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% 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 (with different expiries for TAG and Gas Connect starting from 2023). In Austria and the UK (in relation to Interconnector UK), the regulation does not guarantee 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 green house 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 third period of the EU emissions trading system and of regulation (2013 - 2020), 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 allowances will be assigned to each plant on a gradually decreasing basis, and will no longer be constant, 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.

The fourth regulation period (2021-2030) represents an additional evolution of the European ETS, even if the main principles and mechanisms remained unchanged. By resolutions 114/2019/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 regasification service (2020-2023). In particular, these resolutions envisage the recognition of costs relating to the Emissions Trading System (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 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, it may envisage regulatory and legislative risk related to the possible implementation of increasingly stringent regulations at European and national level.

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.

#### ***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 Economic Development. Eight of ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed no more than twice for a duration of ten years each time. With regard to these concessions, Stogit submitted – within the statutory terms – the extension request to the Ministry of Economic Development and the proceedings are currently pending before the Ministry. Pending said proceedings, Stogit’s activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures in progress envisaged by the original authorisation, which will be extended automatically on expiry until said completion. One concession (Fiume Treste) will expire in June 2022 and has already been renewed for the first ten-year extension period in 2011, and another concession (Bordolano) will expire in November 2031 and can be extended for a further ten years<sup>1</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 the Issuer’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

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<sup>1</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.

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 programs***

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 time frames 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. These laws and regulations expose Snam to potential costs and liabilities related to the 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 mechanisms tariffs 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 their 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, requires 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 (see "Description of the Issuer –*Cybersecurity strategy*").

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

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

The gas transportation business of Snam Rete Gas and Infrastrutture Trasporto Gas is not carried out under a concession regime; however, the construction and operation of new transportation infrastructures is dependent on authorisations mainly granted pursuant to Articles 52-*bis* to 52-*nonies* of the Presidential Decree (DPR) No. 327/2001 on energy infrastructures (See the section headed “*Regulatory and Legislative Framework – Transportation and dispatching*”).

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

### ***Limited number of Shippers***

The Issuer 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, LNG regasification and storage services. The existing regulatory framework gives Shippers who satisfy the necessary requirements the right to access the abovementioned 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 the ENEL group and ENI.

A failure or delay of any of these major Shipper customers, whose contracts generated approximately 71% of the core business revenue of the natural gas transportation business in 2019, 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 the Issuer’s future results of operations and cash flows. This may have an adverse effect on the Issuer’s ability to pay interest on the Notes or to repay the Notes in full at their maturity.

Snam Group companies are frequently subject to control activities by financial administrative bodies and taxing authorities.

### ***Risks relating to competition***

As at the date of this 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 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 49.07% stake in the share capital of OLT Offshore LNG Toscana S.p.A., the company which has built and manages the offshore regasification terminal (FSRU - 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 meters, OLT is the second largest LNG terminal in Italy.

With respect to the storage business, Stogit is one of three storage operators currently active in Italy and in 2019 its operations represented the 94% of the total capacity in Italy for natural gas storage.

The Issuer's failure or inability to respond effectively to competition could adversely impact the Issuer'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 (as detailed in section "*Description of the Issuer – Business Activities of the Snam Group*").

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

Any joint investments realised under joint ventures agreements (see "*Description of the Issuer – Recent corporate activity*" and "*Business Activities of the Snam Group – International activities*") 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 the Issuer's quality standards, policies and procedures to achieve consistency with the rest of the Issuer 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 the Issuer's business, financial condition and results of operations which could have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

Moreover, the value of the investments made or in the process of being made by the Issuer 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 the Issuer's results of operations and therefore on its ability to meet its obligations under the Notes.

#### ***Implementing the objectives in its Strategic Plan***

On 20 November 2019, the Board of Directors of Snam approved the strategic plan that sets out the strategic lines and objectives of the Snam Group for a period of four years, from 2019 to 2023. The strategic plan was announced to the market on 21 November 2019.

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

#### ***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 the Issuer and the Snam Group's business, financial condition and results of operations which could have an adverse impact on the Issuer's ability to meet its obligations under the Notes.

### ***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.

## **2. Risks relating to macro-economic conditions**

### ***Macroeconomic and geo-political 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, in TANAP-TAP perspective, Turkey together with States bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, and in the future, Azerbaijan and Georgia), national situations which are subject to political, social and economic instability and which could constitute potential future crisis scenarios.

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 services; introduction of and increases in taxes and excise duties; forced imposition of contract renegotiations; nationalisation of assets; 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 the Issuer's ability to meet its payments under the Notes.

### ***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, in constant contact with the Civil Protection, with two fundamental objectives: the health and safety of its people and the continuity of the essential energy security service for the country.

As early as 24 February 2020, Snam had already ordered, as a precautionary measure, smart-working 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 construction sites are concerned, works that cannot be postponed have been identified and all appropriate precautionary measures have been taken.

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.

After a slowdown in the summer months, the contagion curve has started to rise again in several countries, particularly in Europe. Therefore, the Issuer is not currently able to reliably determine the impacts deriving from COVID-19 on 2020 and on the following years.

However, on the basis of the information currently available today, the Issuer expects a limited impact on its targets for 2020. Any further future impacts on the economic performance and on the financial position of the Issuer, as well as on the business development plans, will be assessed in light of the evolution and duration of the pandemic.

The same considerations apply in respect of any potential effects on the development initiatives and suppliers or customers deriving from the slow-down to business and the current macroeconomic context consequent to the international reach of the pandemic. The same considerations are also valid in respect to 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 derivatives financial instruments. It cannot be ruled out that significant future changes in exchange rates may generate negative effects on 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.

Following the expiry of the Japanese ¥10 billion bond maturing in October 2019 (which had an issue-date value of approximately €75 million), all Snam's debt is denominated in euro.

Snam does not take out currency derivatives for speculative purposes.

As regards Snam's investment in the associate Interconnector UK, there is a euro/sterling exchange rate risk. Snam believes, however, that this risk should be considered limited, given the low historic volatility of the euro/sterling exchange rate, also considering the recent increase in volatility following the Brexit. With reference to Snam's investment in the associate TAP, there is a euro/CHF exchange rate risk on the equity cash call on the basis of the contractual commitments made by shareholders with the company, moreover the latter is limited in amount following the positive conclusion of the project financing. This risk is suitably hedged through the use of derivative financial instruments (e.g. forward contracts). With reference to Snam's indirect investment (through SPVs) in ADNOC Gas Pipeline (as defined below), there is a euro/US dollar exchange rate risk on the dividends to be received from the company. Snam believes, however, that this risk should be considered limited, given the low historic volatility of the euro/US dollar exchange rate and also considering the limited amount of the dividends to be received from the company if compared to the total amount of cash flow generated by Snam.

### ***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, upon the UK's exit from the EU, the Withdrawal Agreement entered into force. A transition period began following the date of the UK's withdrawal until 31 December 2020 (the “**Transition Period**”). During the Transition Period, in effect, the UK will continue to be part of the EU Single Market, Customs Union and trade deals. During the Transition Period, the UK and the EU will negotiate their future relationship but may not be able to reach an agreement, or may reach a significantly narrower agreement than that envisaged by the political declaration of the European Commission and the UK Government. Therefore, the scope, nature and terms of the relationship between the UK and the EU after the Transition Period remains uncertain; as a result of this the precise impact on Snam is difficult to determine.

### **3. Credit and liquidity risks**

#### ***Credit risk***

Credit risk is the Issuer'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 provides its business services to approximately 200 operators in the gas sector, with 10 operators representing approximately 70% of the entire market (Eni, Edison and Enel Global Trading hold the top three spots). 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 non-compliance by the clients. The Codes require guarantees in coverage of the commitments assumed. In specific cases, if the customer has a credit rating issued by major international organisations, the issue of these guarantees may be mitigated. The regulations also contain specific clauses which guarantee the neutrality of the entity in charge of balancing, an activity carried out from 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, the current balancing discipline requires that based on financial merit criteria, Snam shall make its purchases and sales on the GME balancing platform to ensure availability of the resources required for secure and efficient movement of gas from the entry points to the withdrawal points and therefore constant balancing of the network. The aforementioned discipline also requires additional usage by Snam of the storage resources of the users to cover system imbalances and ensure the relative financial settlement.

Snam's maximum exposure to credit risk at 30 June 2020 is the book value of the financial assets on its balance sheet.

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 the Issuer 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 the Issuer be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Issuer'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 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*" section, the Issuer 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 Investments 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 2020, Snam had unused committed long-term lines of credit worth around €3.2 billion. In addition, as at the same date, Snam had a Euro Medium Term Notes (EMTN) Programme in place for a maximum total nominal value of €11 billion, used for approximately €8.3 billion<sup>2</sup> and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of €2 billion, fully utilised.

Snam cash and cash equivalents essentially refer to short-term liquidity facilities, with a maturity of less than three months, with a bank with a high credit standing and to bank deposits.

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.

### ***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 30 June 2020, Snam has unsecured bilateral and syndicated loan agreements in place with banks and other financial institutions. Part of such contracts envisage, inter alia, compliance with commitments typical of international practice, of which some are subject to specific materiality thresholds, such as: (i) negative pledge commitments 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, shares or merchandise; (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 at 30 June 2020 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, such as cross-default events, could trigger the early repayment of the related loan. Exclusively for the EIB (European Investment Bank) 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 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

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<sup>2</sup> It should be noted that the convertible bond issued in March 2017, for a value of €400 million, is not part of the EMTN programme.



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, the Issuer's ability to access the capital and financial markets and to refinance debt to meet the financial requirements of the Issuer 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 the Issuer, with a consequent adverse effect on the market value of the Notes and the Issuer's ability to meet its obligations under the Notes.

#### **4. Risks relating to the Issuer's credit ratings**

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

Snam's long-term rating is: (i) Baa2 with stable outlook, confirmed on 9 June 2020 by Moody's France SAS ("**Moody's**"); (ii) BBB+ with stable outlook, confirmed on 27 October 2020 by S&P Global Ratings Europe Limited ("**S&P**"); (iii) BBB+ with stable outlook, confirmed on 30 April 2020 by Fitch Italia Società Italiana per il Rating S.p.A., incorporated on 31 May 2020 into Fitch Ratings Ireland Limited ("**Fitch**"). Snam's long-term rating from Moody's and S&P's is a notch higher than that of Italian sovereign debt, while the rating from Fitch is two notches higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade 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 F-2 for Fitch.

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 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 Snam Group's operations, results, balance sheet and cash flow.

#### **5. 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. Whilst Snam has implemented a number of strategies aimed at preventing any such non-compliance (with specific reference to anti-corruption, please see: "Description of the Issuer – Anti-corruption policy"), the violation of the rules and regulations may result in criminal, civil, tax, and/or administrative sanctions, as well as damage 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 the Issuer based on the administrative liability of the entities (Legislative Decree 231 of 8 June 2001).

##### ***Legal Proceedings***

The Issuer is involved in judicial proceedings arising from its ordinary business activities. In addition, criminal investigation proceedings involving the Issuer 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 the Issuer and, if so, what its extent would be (see "*Description of the Issuer — Material Litigation*").

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

Although the Issuer has made accounting provisions with respect to pending judicial proceedings, in accordance with the Issuer's 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 provisions made, there may be a material adverse effect on the Snam Group's business, cash flow, financial condition and results of operations.

## **6. Risks relating to inflation/deflation, interest rate risks and risks relating to structural subordination**

### ***Inflation/deflation risk***

Variations in the price of goods, equipment, materials and labour may impact on the Issuer'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 the Issuer's results of operations and ability to meet its obligations under the Notes.

### ***Interest Rate risk***

Fluctuations in interest rates affect the market value of the Issuer'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 stays within defined limits.

At 30 June 2020, 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- to long-term financial payables and bank lines of credit 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 at 30 June 2020 is about 29% of the total exposure of the Group (24% at 31 December 2019). As at 30 June 2020, Snam has interest rate swaps (IRSs) in place for a total amount of €1,300 million, referring to the hedge of the entire notional amount of two floating-rate bonds for a total value of €650 million, maturing in 2022 and 2024 and two forms of bilateral floating-rate funding for a total value of 650 million, maturing in 2021 and 2023. The IRS derivative contracts are used to convert floating rate loans to fixed rate loans.

Moreover, as at 30 June 2020, Snam has forward-starting IRS derivatives in place of a notional amount totalling €500 million, maturing in the medium to long-term, for highly probable future financial liabilities to be undertaken up to 2021, for coverage of financial requirements.

Though 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 the Issuer's ability to meet its payment obligations under the Notes.

### ***Structural subordination risks for the holders of the Notes***

The Issuer is organised as a holding company that conducts essentially all of its operations through its subsidiaries and depends primarily on the earnings and cash flows of, and the distribution of funds from, these subsidiaries to meet its debt obligations, including its obligations under the Notes issued by it. The subsidiaries have no obligations, contingent or otherwise, to pay any amounts due under the Notes or to make funds available to the Issuer to enable it to pay any amounts due under the Notes. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, and preferred shareholders, if any, of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to shareholders upon liquidation or winding up. As a result, the Issuer's obligations under the Notes issued by it may effectively be subordinated to the prior payment of all

the debts and other liabilities, including the right of trade creditors and preferred shareholders, if any, of the Issuer's direct and indirect subsidiaries. The Issuer's subsidiaries have other liabilities, including contingent liabilities, which could be substantial. See also "*Risk Factors – The Notes do not restrict the amount of debt which the Issuer may incur*" below.

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

### **1. Risks related to the structure of a particular issue of Notes which may be issued under the Programme**

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

#### ***Risks applicable to all Notes***

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

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

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

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

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

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

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

greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

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

*There are particular risks associated with an investment in certain types of Notes, such as Inflation Linked Notes, CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes.*

The Issuer may issue Notes with principal or interest determined by reference to an index, in the case of Inflation Linked Notes (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes), or with interest determined by reference to the CMS Rate, in the case of CMS Linked Interest Notes or the Constant Maturity BTP Rate, in the case of Constant Maturity BTP Linked Interest Notes (each, a “**Relevant Factor**”) (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes). Potential investors should be aware that:

- (a) the market price of such Notes may be volatile;
- (b) they may receive no interest;
- (c) in the case of Inflation Linked Notes, payment of principal or interest may occur at a different time than expected;
- (d) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates or other indices;
- (e) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (f) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

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

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

The Issuer may issue Inflation Linked Notes (being either an Inflation Linked Interest Note, an Inflation Linked Redemption Note or a combination of the two) where the amount of principal (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes) and/or interest payable are dependent upon the level of an inflation/consumer price index or indices.

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

Inflation Linked Notes may be subject to certain disruption provisions or extraordinary event provisions (such as the delay and disruption provisions described in Condition 4.3.2 (*Inflation Index delay and disruption provisions*)) and any Additional Disruption Events as may be specified in the applicable Final Terms). Relevant events may relate to an inflation/consumer price index publication being delayed or ceasing or such index being rebased or modified. If the Calculation Agent (as defined in the Conditions of the Notes) determines that any such event has occurred this may delay valuations under, and/or payments in respect of, the Notes and

consequently adversely affect the value of the Notes. Any such adjustments may be by reference to a Related Bond, as defined in the applicable Final Terms if so specified therein. In addition certain extraordinary or disruption events may lead to early redemption of the Notes which may have an adverse effect on the value of the Notes. Whether and how such provisions apply to the relevant Notes can be ascertained by reading the Inflation Linked Notes Conditions in conjunction with the applicable Final Terms.

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

A relevant consumer price index or other formula linked to a measure of inflation to which the Notes are linked may be subject to significant fluctuations that may not correlate with other indices. Any movement in the level of the index may result in a reduction of the interest payable on the Notes (if applicable) or, in the case of Notes with a redemption amount linked to inflation, in a reduction of the amount payable on redemption or settlement (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes).

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

An inflation or consumer price index to which interest payments and/or the redemption amount of Inflation Linked Notes are linked is only one measure of inflation for the relevant jurisdiction or area, and such Index may not correlate perfectly with the rate of inflation experienced by Noteholders in such jurisdiction or area.

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

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

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

***In respect of any Notes issued as ‘Climate Action Bonds’ or ‘Transition Bonds’, there can be no assurance that such use of proceeds will be suitable for the investment criteria of an investor***

The Final Terms relating to any specific Tranche of Notes may provide that it will be the Issuer’s intention to apply the proceeds from an offer of those Notes specifically to projects and activities that promote climate-friendly and other environmental purposes. Prospective investors should determine for themselves the relevance of such information for the purpose of any investment in such Notes together with any other investigation such investor deems necessary. In particular no assurance is given by the Issuer, any Dealer or any other person that the use of such proceeds for any Eligible Projects (as defined in the section “*Use of Proceeds*”) will satisfy, whether in whole or in part, any present or future investor expectations or requirements as regards any investment criteria or guidelines with which such investor or its investments are required to comply, whether by any present or future applicable law or regulations or by its own by-laws or other governing rules or investment portfolio mandates (in particular with regard to any direct or indirect environmental, sustainability or social impact of any projects or uses, the subject of or related to, the relevant Eligible Projects).

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or “sustainable” or “climate action” or “transition” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or “sustainable” or “climate action” or “transition” or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time.

A basis for the determination of such definitions has been established in the EU with the publication in the Official Journal of the EU on 22 June 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the “**Sustainable Finance Taxonomy Regulation**”) on the establishment of a framework to facilitate sustainable investment (the “**EU Sustainable Finance Taxonomy**”). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. While the Group’s Eligible Projects (as defined in the section “*Use of Proceeds*”) (as amended, supplemented, restated or otherwise updated) are in alignment with the relevant objectives for the EU Sustainable Finance Taxonomy, until the technical screening criteria for such objectives have been developed it is not known whether the Group’s Eligible Projects will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain.

Accordingly, no assurance is or can be given to investors that any projects or uses the subject of, or related to, any Eligible Projects will meet any or all investor expectations regarding such “green”, “sustainable”, “climate action” or “transition” or other equivalently-labelled performance objectives or that any adverse environmental, social and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any Eligible Projects.

## **2. Risks related to all Notes**

Set out below is a description of material risks relating to all Notes issued under the Programme:

### ***The conditions of the Notes contain provisions which may permit their modification without the consent of all investors***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

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

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

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

### ***Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued***

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would

need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

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

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

The terms and conditions relating to the Notes do not contain any restriction on the amount of indebtedness which the Issuer may from time to time incur. In the event of any insolvency or winding-up of the Issuer, the Notes will rank equally with other unsecured senior indebtedness of the Issuer and, accordingly, any increase in the amount of unsecured senior indebtedness of the Issuer in the future may reduce the amount recoverable by Noteholders. In addition, the Notes are unsecured and, save as provided in Condition 3, do not contain any restriction on the giving of security by the Issuer to secure 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. In relation to the assets and indebtedness of the Issuer's subsidiaries, see also "*Risk Factors – The Issuer is a holding company, which creates structural subordination risks for the holders of the Notes*" above.

***Conflicts of interest – Calculation Agent***

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

***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.***

**3. Risks related to the market**

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

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

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

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

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes,

(2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

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

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

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

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

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

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

Interest rates and indices which are deemed to be "benchmarks" (including EURIBOR, LIBOR, CMS Rate, Constant Maturity BTP Rate) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmarks Regulation was published in the Official Journal of the EU on 29 June 2016 and applies, subject to certain transitional provisions of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. It is not possible to predict with certainty and to what extent the relevant benchmarks will be supported going forward. This may cause these benchmarks to perform differently than they have done in the past and may have other consequences which cannot be predicted. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".



***Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR***

On 27 July 2017, the Chief Executive of the UK Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Subsequent announcements by the FCA have emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021 and it is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

On 29 November 2017, the Bank of England and the FCA announced that, from January 2018, its Working Group on Sterling Risk-Free Rates has been mandated with implementing a broad-based transition to the Sterling Overnight Index Average (“**SONIA**”) over the next four years across sterling bond, loan derivative markets, so that SONIA is established as the primary sterling interest rate benchmark by the end of 2021, while the Federal Reserve’s Alternative Reference Rates Committee has recommended SOFR (the Secured Overnight Financing Rate) as the US replacement benchmark for LIBOR.

Separate workstreams have also been developed in Europe over recent years to reform EURIBOR using a hybrid methodology and to provide fallback by reference to a euro risk-free rate (based on a euro overnight risk-free rate as adjusted by a methodology to create a term rate). On 13 September 2018, the working group on euro risk-free rates recommended Euro Short-term Rate (“**€STR**”) as the new risk-free rate. €STR was published by the European Central Bank (the “**ECB**”) on 2 October 2019. In addition, on 21 January 2019, the euro risk-free rate working group published a set of guiding principles for fallback provisions in new euro denominated cash products (including bonds) and on 6 November 2019 such working group issued high-level recommendations for fallback provisions in contracts referencing EURIBOR, which include a recommendation that market participants incorporate fallback provisions in all new financial instruments and contracts referencing EURIBOR.

The potential elimination of the LIBOR benchmark or any other Benchmark, or changes in the manner of administration of any Benchmark, could require or result in an adjustment to the interest provisions of the Conditions, or result in other consequences, in respect of any Notes linked to such Benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR which may, depending on the manner in which the LIBOR benchmark is to be determined under the terms and conditions, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available). Amendments to the Conditions and/or relevant fall-back provisions may be required to reflect such discontinuance and there can be no assurance that any such amendments will fully or effectively mitigate all future relevant interest rate risks. Any change in the performance of a Benchmark or its discontinuation, could have a material adverse effect on, any Notes referencing or linked to such Benchmark.

Where Screen Rate Determination is specified as the manner in which the Rate of Interest in respect of floating rate Notes is to be determined, the Conditions provide that the Rate of Interest shall be determined by reference to the Relevant Screen Page (or its successor or replacement). In circumstances where such Original Reference Rate is discontinued, neither the Relevant Screen Page, nor any successor or replacement may be available.

Where the Relevant Screen Page is not available, and no successor or replacement for the Relevant Screen Page is available, the Conditions provide for the Rate of Interest to be determined by the Calculation Agent by reference to quotations from banks communicated to the Calculation Agent.

Where such quotations are not available (as may be the case if the relevant banks are not submitting rates for the determination of such Original Reference Rate), the Rate of Interest may ultimately revert to the Rate of Interest applicable as at the last preceding Interest Determination Date before the Original Reference Rate was discontinued. Uncertainty as to the continuation of the Original Reference Rate, the availability of quotes from reference banks, and the rate that would be applicable if the Original Reference Rate is discontinued may adversely affect the value of, and return on, the Floating Rate Notes

If a Benchmark Event (as defined in Condition 4.5 (*Benchmark discontinuation*)) (which, amongst other events, includes the permanent discontinuation of an Original Reference Rate) occurs, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser. The Independent Adviser shall endeavour to determine a Successor Rate or Alternative Rate to be used in place of the Original Reference Rate. The use of any such Successor Rate or Alternative Rate to determine the Rate of Interest will result in Notes linked to or referencing the Original Reference Rate performing differently (which may include payment of a lower Rate of Interest) than they would do if the Original Reference Rate were to continue to apply in its current form. Furthermore, if the Independent Adviser determines that amendments to the Conditions are necessary to ensure the proper operation of a Successor Rate or Alternative Rate or to comply with any applicable regulation or guidelines on the use of benchmarks or other related document issued by the competent regulatory authority, then such amendments shall be made without any requirement for the consent or approval of Noteholders, as provided by Condition 4.5(d) (*Benchmark Amendments*) of the Conditions.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published and have been filed with the CSSF shall be incorporated by reference in, and form part of, this Base Prospectus:

- (a) the half year consolidated financial statements of the Issuer as at and for the six-month period ended 30 June 2020 (available at [https://www.snam.it/export/sites/snam-rp/repository/ENG\\_file/investor\\_relations/reports/interim\\_reports/2020/SNAM\\_2020\\_Half\\_Year\\_Report.pdf](https://www.snam.it/export/sites/snam-rp/repository/ENG_file/investor_relations/reports/interim_reports/2020/SNAM_2020_Half_Year_Report.pdf)), which were subject to a limited review by the independent auditors, including the information set out at the following pages in particular:

Elements of risk and uncertainty	Pages 56 to 64
Statement of Financial Position	Page 69
Income Statement	Page 70
Statement of Comprehensive Income	Page 70
Statement of Changes in Shareholders' Equity	Pages 71 to 73
Cash flow statement	Page 74
Notes to the condensed interim consolidated financial statements	Pages 75 to 119
Independent Auditors' Report	Pages 121 to 122

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Commission Delegated Regulation;

- (b) the audited consolidated annual financial statements of the Issuer for the financial year ended on 31 December 2019 (available at [https://www.snam.it/export/sites/snam-rp/repository/ENG\\_file/investor\\_relations/reports/annual\\_reports/2019/SNAM\\_2019\\_Annual\\_Report.pdf](https://www.snam.it/export/sites/snam-rp/repository/ENG_file/investor_relations/reports/annual_reports/2019/SNAM_2019_Annual_Report.pdf)), including the information set out at the following pages in particular:

Financial Review – Adjusted Income Statement	Pages 111 to 112
Financial review – Net financial debt	Page 119
Elements of risk and uncertainty	Pages 168 to 175
Statement of Financial Position	Pages 214 to 215
Income Statement	Page 216
Statement of Comprehensive Income	Page 217
Statement of Changes in Shareholders' Equity	Pages 218 to 221
Statement of Cash Flows	Pages 222 to 223
Notes to the Consolidated Financial Statement	Pages 224 to 324
- Provisions for Risks and Charges	Page 275

- Disputes and Other Measures	Pages 296-303
Independent Auditors' Report	Pages 326 to 334

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Commission Delegated Regulation;

- (c) the audited consolidated annual financial statements of the Issuer for the financial year ended 31 December 2018 (available at [https://www.snam.it/export/sites/snam-rp/repository/ENG\\_file/investor\\_relations/reports/annual\\_reports/2018/SNAM\\_2018\\_Annual\\_Report.pdf](https://www.snam.it/export/sites/snam-rp/repository/ENG_file/investor_relations/reports/annual_reports/2018/SNAM_2018_Annual_Report.pdf)), including the information set out at the following pages in particular:

Financial Review – Adjusted Income Statement	Pages 109 to 110
Financial review – Net financial debt	Page 122
Elements of risk and uncertainty	Pages 162 to 167
Statement of Financial Position	Pages 202 to 203
Income Statement	Page 204
Statement of Comprehensive Income	Page 205
Statement of Changes in Shareholders' Equity	Pages 206 to 209
Statement of Cash Flows	Pages 210 to 211
Notes to the Consolidated Financial Statement	Pages 212 to 306
- Disputes and Other Measures	Pages 281-287
Independent Auditors' Report	Pages 308 to 316

The information incorporated by reference that is not included in the cross-reference list above is considered as additional information and is not required by the relevant schedules of the Prospectus Commission Delegated Regulation; and

- (d) the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 7 November 2019, pages 55 to 90 (inclusive), prepared by the Issuer in connection with the Programme (available at [https://www.snam.it/export/sites/snam-rp/en/Investor\\_Relations/debt\\_credit\\_rating/limited-liability/SNAM-2019-EMTN-Update-Base-Prospectus.pdf](https://www.snam.it/export/sites/snam-rp/en/Investor_Relations/debt_credit_rating/limited-liability/SNAM-2019-EMTN-Update-Base-Prospectus.pdf)).

Any non-incorporated parts of the previous Base Prospectus dated 7 November 2019 (exclusive of pages 55 to 90) are either deemed not relevant for an investor or are otherwise covered elsewhere in this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the CSSF in accordance with Article 23 of the Prospectus Regulation. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable, be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg, and are available on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu) and on the Issuer's website at [https://www.snam.it/en/Investor\\_Relations/debt\\_credit\\_rating/limited-liability/prospectus.html](https://www.snam.it/en/Investor_Relations/debt_credit_rating/limited-liability/prospectus.html).

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

## FORM OF THE NOTES

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

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

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

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

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

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

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon either (a) not less than 60 days’ written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, Exchange Event means that (i) an Event of Default (as defined in Condition 9 (*Events of Default*)) has occurred and is continuing, or (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange

Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Permanent Global Notes and definitive Notes which have an original maturity of more than one year and on all Coupons and Talons relating to such Notes:

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

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

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

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

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

A Note may be accelerated by the holder thereof in certain circumstances described in Condition 9 (*Events of Default*). In such circumstances, where any Note is still represented by a Global Note and the Global Note (or any part thereof) has become due and repayable in accordance with the Conditions of such Notes and payment in full of the amount due has not been made in accordance with the provisions of the Global Note then from 8.00 p.m. (London time) on such day holders of interests in such Global Note credited to their accounts with Euroclear and/or Clearstream, Luxembourg, as the case may be, will become entitled to proceed directly against the Issuer on the basis of statements of account provided by Euroclear and/or Clearstream, Luxembourg on and subject to the terms of a deed of covenant (the “**Deed of Covenant**”) dated 9 November 2020 and executed by the Issuer.

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, a supplement to the Base Prospectus, a new Base Prospectus or a drawdown prospectus, in the case of listed Notes only, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

**PROHIBITION OF SALES TO EEA AND 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 European Economic Area (the “**EEA**”) or 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 (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); (ii) 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; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the “**PRIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

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

**[Singapore Securities and Futures Act Product Classification:** In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as amended, the “**SFA**”) and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the “**CMP Regulations 2018**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes [are] / [are not] prescribed capital markets products (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in the Monetary Authority of Singapore (the “**MAS**”) Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.]<sup>3</sup>

## **APPLICABLE FINAL TERMS**

*Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme.*

[Date]

**Snam S.p.A.**

**Legal entity identifier (LEI): 8156002278562044AF79**

**Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]**

**under the €11,000,000,000**

**Euro Medium Term Note Programme**

### **PART 1**

## **CONTRACTUAL TERMS**

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<sup>3</sup> For any Notes to be offered to Singapore investors, the Issuer to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.





- (b) Tranche: [●]
4. Issue Price: [●]% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (if applicable)]
5. (a) Specified Denominations: [●]
- (as referred to under Condition 1 (*Form, Denomination and Title*)) *(N.B. Notes must have a minimum denomination of EUR 100,000 (or equivalent).)*
- (Note where multiple denominations above [€100,000] or equivalent are being used the following sample wording should be followed:*
- “[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)*
- (b) Calculation Amount: [●]
- (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*))
- (If only one Specified Denomination, insert the Specified Denomination. If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
6. (a) Issue Date: [●]
- (b) Interest Commencement Date: *[specify/Issue Date/Not Applicable]*
- (as referred to under Condition 4 (*Interest*)) *(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
7. Maturity Date: *[Fixed rate or Zero Coupon Notes specify date/ Floating rate or Inflation Linked Notes Interest Payment Date falling in or nearest to [specify month and year]]*
8. Interest Basis: [[●]% Fixed Rate]
- [[[●] month LIBOR/EURIBOR] +/- [●]% Floating Rate]
- [Floating Rate: CMS Linked Interest]
- [Floating Rate: Constant Maturity BTP Linked Interest]
- [Zero Coupon]
- [Inflation Linked]
- (further particulars specified below)

9. Redemption Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [100%]/[●]% of their nominal amount<sup>4</sup>  
(as referred to under Condition 6 (*Redemption and Purchase*))
10. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [date] paragraph [13/14] applies and for the period from (and including) [date], up to (and including) the Maturity Date, paragraph [13/14] applies] [Not Applicable]
11. Put/Call Options: [Investor Put]  
(as referred to under Conditions 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) and 6.4 (*Redemption at the option of the Noteholders (Investor Put)*)) [Issuer Call]  
[(further particulars specified below)] / [Not Applicable]
12. Date [Board] approval for issuance of Notes obtained [●][and [●], respectively]]  
(*N.B. Only relevant where Board (or similar) authorisation is required for the particular Tranche of Notes*)

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

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
(as referred to under Condition 4.1 (*Interest on Fixed Rate Notes*))  
(*If not applicable, delete the remaining subparagraphs of this paragraph*)
- (a) Rate(s) of Interest: [●]% per annum payable in arrear on each Interest Payment Date  
(*If payable other than annually, consider amending Condition 4 (Interest)*)
- (b) Interest Payment Date(s): [●] in each year up to and including the Maturity Date  
(*Amend appropriately in the case of irregular coupons*)
- (c) Fixed Coupon Amount(s): (Applicable to Notes in definitive form.) [●] per Calculation Amount
- (d) Broken Amount(s): (Applicable to Notes in definitive form.) [[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]] [Not Applicable]

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<sup>4</sup> Notes will always be redeemed at least 100% of the nominal value.

- (e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[●] in each year] [Not Applicable] *(Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)*
- 14. Floating Rate Note Provisions** [Applicable/Not Applicable]
- (as referred to under Condition 4.2 (*Interest on Floating Rate Notes and Inflation Linked Interest Notes*))
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Specified Period(s)/Specified Interest Payment Dates: [●], subject to adjustment in accordance with the Business Day Convention set out in (b) below, not subject to any adjustment as the Business Day Convention in (b) below is specified to be Not Applicable]
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- (c) Additional Business Centre(s): [●]/[Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [●]
- (f) Screen Rate Determination:
- Reference Rate and Relevant Financial Centre: [[●] month [LIBOR/EURIBOR]/[CMS Reference Rate]/[Constant Maturity BTP Rate].
- Relevant Financial Centre: [London/Euro zone (where Euro zone means the region comprised of the countries whose lawful currency is the euro)/New York/specify other Relevant Financial Centre] *(only relevant for CMS Reference Rate)*
- Reference Currency: [●] *(only relevant for CMS Reference Rate)*
- Designated Maturity: [●] *(only relevant for CMS Reference Rate and for Constant Maturity BTP Rate)*
- Specified Time: [●] in [●] *(only relevant for CMS Reference Rate and for Constant Maturity BTP Rate)*

- Interest Determination Date(s): [●]
 

*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*

*(in the case of a CMS Rate where the Reference Currency is euro or a Constant Maturity BTP Rate): [Second day on which the TARGET2 System is open prior to the start of each Interest Period]*

*(in the case of a CMS Rate where the Reference Currency is other than euro): [Second [specify type of day] prior to the start of each Interest Period]*
- Relevant Screen Page: [●]
 

*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)*

*(In the case of CMS Linked Interest Notes, specify relevant screen page and any applicable headings and captions)*

*(In the case of Constant Maturity BTP Linked Interest Notes, specify relevant screen page[, which is expected to be Bloomberg page GBTPGRN Index, where N is the Designated Maturity,] and any applicable headings and captions)*
- Party responsible for calculating the Rate(s) of Interest (if not the Agent): [name] shall be the Calculation Agent
- (g) ISDA Determination:
- Floating Rate Option: [●]
- Designated Maturity: [●]
- Reset Date: [●]

*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period. In the case of Constant Maturity BTP Linked Interest Notes or CMS Linked Interest Notes, if based on euro the first day of the Interest Period and if other, to be checked)*

*(N.B. The fall-back provisions applicable to ISDA Determination under the 2006 ISDA Definitions are reliant upon the provision by reference banks of offered quotations for LIBOR and/or EURIBOR which, depending on market circumstances, may not be available at the relevant time)*

(h) Linear Interpolation: [Not Applicable/Applicable the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)

(i) Margin(s): [+/-][●]% per annum

(j) Minimum Rate of Interest: [●]% per annum

(k) Maximum Rate of Interest: [●]% per annum

(l) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual Actual/365 (Fixed)

Actual/365 (Sterling)

Actual/360

[30/360] [360/360] [Bond Basis]

[30E/360] [Eurobond Basis]

30E/360 (ISDA)]

*(See Condition 4 (Interest) for alternatives)*

**15.** Zero Coupon Note Provisions: [Applicable/Not Applicable]

(as referred to under Condition 6.5(c) (*Redemption And Purchase - Early Redemption Amounts*))

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

(a) Accrual Yield: [●]% per annum

(b) Reference Price: [●]

(c) Day Count Fraction in relation to Early Redemption Amounts: [●]

[30/360]

[Actual/360]

[Actual/365]

*(Consider applicable day count fraction if not U.S. dollar denominated)*

- 16. Inflation Linked Interest Note Provisions:** [Applicable/Not Applicable]
- (as referred to under Condition 4.2 (Interest on Floating Rate Notes and Inflation Linked Interest Notes))* *(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Inflation Index/Indices: [CPI-ITL]/[HICP]
  - (b) Inflation Index Sponsor(s): [●]
  - (c) Reference Source(s): [●]
  - (d) Related Bond: [Applicable]/[Not Applicable]  
The Related Bond is: [●] [Fallback Bond]  
The issuer of the Related Bond is: [●]
  - (e) Fallback Bond: [Applicable]/[Not Applicable]
  - (f) Reference Month: [●]
  - (g) Cut Off Date: [●]/[Not Applicable]
  - (h) End Date: [●]/[Not Applicable]  
*(This is necessary whenever Fallback Bond is applicable)*
  - (i) Additional Disruption Events: [Change of Law]  
[Increased Cost of Hedging]  
[Hedging Disruption]  
[None]
  - (j) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Agent): [name] shall be the Calculation Agent *(no need to specify if the Agent is to perform this function)*
  - (k) DIR(0): [●]
  - (l) Lookback Period 1: *[insert number of months/years]*
  - (m) Lookback Period 2: *[insert number of months/years]*
  - (n) Initial Ratio Amount: [●]/[Not Applicable]
  - (o) Trade Date: [●]
  - (p) Minimum Rate of Interest: [●]% per annum
  - (q) Maximum Rate of Interest: [●]% per annum
  - (r) Rate Multiplier: [Not Applicable]/[[●]%]
  - (s) Interest Determination Date(s): [●]

- (t) Specified Period(s)/Specified Interest Payment Dates: [●] [, subject to adjustment in accordance with the Business Day Convention Set out in (u) below/, not subject to any adjustment as the Business Day Convention in (u) below is specified to be Not Applicable]
- (u) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]/[Not Applicable]
- (v) Additional Business Centre(s): [●]/[Not Applicable]
- (w) Day Count Fraction: [Actual/Actual (ISDA)] [Actual/Actual Actual/365 (Fixed)]  
 Actual/365 (Sterling)  
 Actual/360  
 [30/360] [360/360] [Bond Basis]  
 [30E/360][Eurobond Basis]  
 [30E/360 (ISDA)]  
*(See Condition 4 (Interest) for alternatives)*

## PROVISIONS RELATING TO REDEMPTION

17. Issuer Call: [Applicable/Not Applicable]  
 (as referred to under Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*))  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[●] per Calculation Amount] [Make whole Amount]
- (c) Redemption Margin: [[●]%] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (d) Reference Bond: [*insert applicable reference bond*] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (e) Reference Dealers: [[●]] [Not Applicable]  
*(Only applicable to Make-Whole Amount redemption)*
- (f) If redeemable in part:



- (i) Minimum Redemption Amount: [●]
- (ii) Maximum Redemption Amount: [●]
- (g) Notice periods: Minimum period: [●] days  
Maximum period: [●] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 18. Investor Put:** [Applicable/Not Applicable]
- (as referred to under Condition 6.4 (Redemption at the option of the Noteholders (Investor Put)))*
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Optional Redemption Date(s): [●]
- (b) Optional Redemption Amount: [●] per Calculation Amount
- (c) Notice periods: Minimum period: [●] days Maximum period: [●] days
- (N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent)*
- 19. Inflation Linked Redemption Note Provisions:** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (a) Inflation Index: [CPI-ITL]/[HICP]
- (b) Inflation Index Sponsor(s): [●]
- (c) Related Bond: [Applicable]/[Not Applicable]
- The Related Bond is: [●] [Fallback Bond]
- The issuer of the Related Bond is: [●]
- (d) Fallback Bond: [Applicable]/[Not Applicable]
- (e) Reference Month: [●]

- (f) Cut Off Date: [●]/[Not Applicable]
- (g) End Date: [●]/[Not Applicable]
- (This is necessary whenever Fallback Bond is applicable)*
- (h) Additional Disruption Events: [Change of Law]
- [Increased Cost of Hedging] [Hedging Disruption]
- [None]
- (u) Party responsible for calculating the Redemption Amounts (if not the Agent): [name] shall be the Calculation Agent *(no need to specify if the Agent is to perform this function)*
- (j) DIR(0): [●]
- (k) Lookback Period 1: *[insert number of months/years]*
- (l) Lookback Period 2: *[insert number of months/years]*
- (m) Trade Date: [●]
- (n) Redemption Determination Date: [●]
- (o) Redemption Amount Multiplier: [●]%

- 20.** Final Redemption Amount: [[●] per Calculation Amount]/*(in the case of Inflation Linked Redemption Notes) as per Conditions 6.9 (Redemption of Inflation Linked Notes) and Condition 6.10 (Calculation of Inflation Linked Redemption)*

*(as referred to under Condition 6.1 (Redemption at maturity) and, in the case of Inflation Linked Notes, Conditions 6.9 (Redemption of Inflation Linked Notes) and 6.10 (Calculation of Inflation Linked Redemption))*

- 21.** Early Redemption Amount payable on redemption for taxation reasons or on event of default or pursuant to Condition 4.3 *(Inflation Linked Note Provisions)*: [[●] per Calculation Amount] / [As per Condition 6.5 *(Early Redemption Amounts)*]

*(as referred to under Condition 6.5 (Early Redemption Amounts) and, in the case of Inflation Linked Notes, Conditions 6.9 (Redemption of Inflation Linked Notes) and 6.10 (Calculation of Inflation Linked Redemption))*

## GENERAL PROVISIONS APPLICABLE TO THE NOTES

- 22.** Form of Notes:

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

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

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

*(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Base Prospectus and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)*

(b) [New Global Note:

[Yes][No]]

23. Additional Financial Centre(s):

[Not Applicable/give details]

(as referred to under Condition 5.5 (*Payment Day*))

*(Note that this paragraph relates to the date of payment and not Interest Period end dates to which subparagraph 14(c) relates)*

24. Talons for future Coupons to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]

(as referred to under the Introduction to the Terms and Conditions of the Notes)

### THIRD PARTY INFORMATION

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

**Signed** on behalf of Snam S.p.A.

[•]

By: [•]

*Duly authorised*

**PART 2**  
**OTHER INFORMATION**

**1. LISTING AND ADMISSION TO TRADING**

- (a) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [●].] [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Luxembourg Stock Exchange's regulated market and listing on the Official List of the Luxembourg Stock Exchange with effect from [●].] / [Not Applicable.]
- (b) Estimate of total expenses related to admission to trading: [●] / [Not Applicable.]

**2. RATINGS**

- Ratings: [Not Applicable.] / [The Notes to be issued [have been]/[are expected to be] rated:]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally:]
- [insert details] by [insert the legal name of the relevant credit rating agency entity(ies) and associated defined terms].]*
- (Include brief explanation of rating if available)*
- [Each of *[defined terms]* is established in the European Union or the United Kingdom and is registered under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”).]
- [Each of *[defined terms]* is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EC) No. 1060/2009 (as amended) (the “**CRA Regulation**”).]
- [Each of *[defined terms]* is established in the European Union or the United Kingdom and has applied for registration under Regulation (EU) No 1060/2009 (the “**CRA Regulation**”), although notification of the corresponding

registration decision has not yet been provided by the relevant competent authority.]

[Each of *[defined terms]* is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EU) No 1060/2009 (the “**CRA Regulation**”) but the rating issued by it is endorsed by *[defined terms]* which is established in the European Union or the United Kingdom and [is registered under the CRA Regulation] [has applied for registration under the CRA Regulation, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority].]

[Each of *[defined terms]* is not established in the European Union or the United Kingdom and has not applied for registration under Regulation (EU) No 1060/2009 (the “**CRA Regulation**”) but is certified in accordance with the CRA Regulation.]

[Each of *[defined terms]* is not established in the European Union or the United Kingdom and is not certified under Regulation (EU) No. 1060/2009 (the “**CRA Regulation**”) and the rating given by it is not endorsed by a Credit Rating Agency established in the European Union and registered under the CRA Regulation.]”

*[Insert legal name of particular credit rating agency entity providing rating]* is established in the [United Kingdom]/*[insert]* and is [registered with the Financial Conduct Authority in accordance with] / [the rating it has given to the Notes is endorsed by *[UK-based credit rating agency]* registered with the FCA in accordance with] / [certified under] [the UK Credit Rating Agencies Regulation, as amended by the Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019]]<sup>5</sup>

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

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

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<sup>5</sup> Insert for Notes which are admitted to trading on a regulated market within the EU/UK and which have been assigned a rating.

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

- (i) Reasons for the offer: [As set out under “*Use of Proceeds*” in the Base Prospectus]
- /
- [Other]
- [(If “*Other*”, set out use of proceeds here)]
- (ii) Estimated net proceeds: [●]
- (iii) Estimated total expenses: [●]

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

Indication of yield: [●]/[Not Applicable]

#### 6. HISTORIC INTEREST RATE (Floating Rate Notes only)

[[Details of historic [LIBOR/EURIBOR/CMS/Constant Maturity BTP] rates can be obtained from [Reuters]]/[Not Applicable]]

#### 7. PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE AND OTHER INFORMATION CONCERNING UNDERLYING, EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS\*

(N.B. Specify “**Not Applicable**” unless the Notes are securities giving rise to payment or delivery obligations linked to an underlying asset to which Annex 17 to the Prospectus Commission Delegated Regulation applies)

- (i) The final reference price of the underlying: [[As set out in Condition 4.2(C) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest - Inflation Linked Interest Notes*)/As set out in Condition 6.10 (*Calculation of Inflation Linked Redemption*)]/[Not Applicable]]
- (ii) An indication where information about the past and the further performance of the underlying and its volatility can be obtained [[●]/[Not Applicable]]
- (iii) The name of the index: [[CPI ITL/HICP] as defined in Annex 1 to the Base Prospectus]/[Not Applicable]]
- (iv) The place where information about the index can be obtained: [[Bloomberg Page ITCPIUNR or its replacement / Eurostat’s internet site]/[Not Applicable]]

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

\* Required for securities giving rise to payment or delivery obligations linked to an underlying asset to which Annex 17 to the Prospectus Commission Delegated Regulation applies.

## 8. OPERATIONAL INFORMATION

- (a) ISIN: [●]
- (b) Common Code: [●]
- (c) CFI<sup>6</sup>: [[●]/As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]
- (d) FISN<sup>7</sup>: [[●]/[As set out on the website of the Association of National Numbering Agencies (ANNA) or alternatively sourced from the responsible National Numbering Agency that assigned the ISIN]
- (If the CFI and/or FISN is not required, requested or available, it/they should be specified to be “Not Applicable”)*
- (e) Any clearing system(s) other than Euroclear and Clearstream Luxembourg and the relevant identification number(s): [Not Applicable/give name(s), address(es) and number(s)]
- (f) Names and addresses of additional Paying Agent(s) (if any): [●]
- (g) Deemed delivery of clearing system notices for the purposes of Condition 13 (*Notices*): Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the [second] [business] day after the day on which it was given to Euroclear and Clearstream, Luxembourg.
- (h) [Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]
- [No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper.

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<sup>6</sup> CFI means “Classification of Financial Instruments”.

<sup>7</sup> FISN means “Financial Instrument Short Name”.

Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

## 9. DISTRIBUTION

- |     |   |  |
|-----|---|--|
| (a) | Method of distribution:                     | [Syndicated/Non syndicated]  |
| (b) | If syndicated, names of Managers:           | [Not Applicable/give names]  |
| (c) | Date of [Subscription] Agreement:           | [●]  |
| (d) | Stabilisation Manager(s) (if any):          | [Not Applicable/ <i>give name</i> ]  |
| (e) | If non syndicated, name of relevant Dealer: | [Not Applicable/ <i>give name</i> ]  |
| (f) | U.S. Selling Restrictions:                  | Reg. S Compliance Category [1/2/3]; [TEFRA D/TEFRA C/TEFRA not applicable] |
| (g) | Prohibition of Sales to Belgian Consumers:  | [Applicable/Not Applicable]  |

*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction)*



## TERMS AND CONDITIONS OF THE NOTES

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

This Note is one of a Series (as defined below) of Notes issued by Snam S.p.A. (the “**Issuer**”) pursuant to the Agency Agreement (as defined below).

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

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

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the “**Agency Agreement**”) dated 9 November 2020 and made between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as issuing and principal paying agent and agent bank (the “**Agent**”, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the “**Paying Agents**”, which expression shall include any additional or successor paying agents).

The final terms for this Note (or the relevant provisions thereof) are set out in Part 1 of the Final Terms attached to or endorsed on this Note which complete these Terms and Conditions (the “**Conditions**”) References to the “**applicable Final Terms**” are, unless otherwise stated, to Part 1 of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

Interest bearing definitive Notes have interest coupons (“**Coupons**”) and in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining talons for further Coupons (“**Talons**”) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

Any reference to “**Noteholders**” or “**holders**” in relation to any Notes shall mean the holders of the Notes and shall, in relation to any Notes represented by a Global Note, be construed as provided below. Any reference herein to “**Couponholders**” shall mean the holders of the Coupons and shall, unless the context otherwise requires, include the holders of the Talons.

As used herein, “**Tranche**” means Notes which are identical in all respects (including as to listing and admission to trading) and “**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (a) are expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The Noteholders and the Couponholders are entitled to the benefit of the Deed of Covenant (such Deed of Covenant as modified and/or supplemented and/or restated from time to time, the “**Deed of Covenant**”) dated 9 November 2020 and made by the Issuer. The original of the Deed of Covenant is held by the common depositary for Euroclear (as defined below) and Clearstream, Luxembourg (as defined below).

Copies of the Agency Agreement and the Deed of Covenant are available for inspection during normal business hours at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the Luxembourg Stock Exchange the applicable Final Terms will be published on the

website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and copies thereof are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices. If this Note is neither admitted to trading on a regulated market in the European Economic Area or the United Kingdom nor offered in the European Economic Area or the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Regulation, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of such Notes and identity. The expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Agency Agreement, the Deed of Covenant and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Agency Agreement.

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

In the Conditions, euro means 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.

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

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

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

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

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

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (“**Euroclear**”) and/or Clearstream Banking S.A. (“**Clearstream, Luxembourg**”), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agents as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer and any Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions “**Noteholder**” and “**holder of Notes**” and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part 2 of the applicable Final Terms.

## 2 STATUS OF THE NOTES

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

## 3 NEGATIVE PLEDGE

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

- (a) the same Security shall forthwith be extended equally and rateably to secure all amounts payable under the Notes and any related Coupons; or
- (b) such other Security or guarantee (or other arrangement) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement), shall previously have been or shall forthwith be extended equally and rateably to secure all amounts payable under the Notes and any related Coupons.

As used herein:

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

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

“**Material Subsidiary**” means any consolidated Subsidiary of the Issuer:

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

A report by two officers of the Issuer stating that in their opinion a Subsidiary of the Issuer is or is not or was or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest or proven error, be conclusive and binding on all parties;

“**Permitted Encumbrances**” means:

- (a) any Security arising pursuant to any mandatory provision of law other than as a result of any action taken by the Issuer or a Material Subsidiary; or
- (b) any Security in existence as at the date of issuance of the Notes, including any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Security referred to in this paragraph, or of any Indebtedness secured thereby; provided that the principal amount of Indebtedness secured thereby shall not exceed the principal amount of Indebtedness so secured at the time of such extension, renewal or replacement, and that such extension, renewal or replacement Security shall be limited to all or any part of the same property or shares of stock that secured the Indebtedness extended, renewed or replaced (plus improvements on such property), or property received or shares of stock issued in substitution or exchange therefor; or
- (c) in the case of any entity which becomes a Material Subsidiary or is merged, consolidated or amalgamated into a Material Subsidiary or the Issuer after the date of issuance of the Notes, any Security existing over such entity’s assets at the time it becomes (or is merged, consolidated or amalgamated

into) such member of the Group, provided that the Security was not created in contemplation of, or in connection with, its becoming (or being merged, consolidated or amalgamated into) such member of the Group and provided further that the amounts secured have not been increased in contemplation of, or in connection with, its becoming (or is merged, consolidated or amalgamated into) such member of the Group; or

- (d) any Security securing Project Finance Indebtedness; or
- (e) any Security which is created in connection with, or pursuant to, a limited recourse financing, factoring, securitisation, asset backed commercial paper programme or other like arrangement where the payment obligations in respect of the Indebtedness secured by the relevant Security are to be discharged solely from the revenues generated by the assets over which such Security is created (including, without limitation, receivables); or
- (f) any Security created after the date of issuance of the Notes on any asset acquired by the person creating the Security and securing only Indebtedness incurred for the sole purpose of financing or re financing that acquisition, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that acquisition; or
- (g) any Security created after the date of issuance of the Notes on any asset improved, constructed, altered or repaired and securing only Indebtedness incurred for the sole purpose of financing or re financing such improvement, construction, alteration or repair, provided that the principal amount of such Indebtedness so secured does not exceed the overall cost of that improvement, construction, alteration or repair; or
- (h) any Security that does not fall within subparagraphs (a) to (g) above and that secures Indebtedness which, when aggregated with Indebtedness secured by all other Security permitted under this subparagraph, does not exceed 5% of the Regulatory Asset Base of the Group as at the date of the creation of the Security;

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

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

- (a) which is incurred by a Project Finance Subsidiary; or
- (b) in respect of which the Person or Persons to whom any such Indebtedness is or may be owed by the relevant borrower (whether or not a member of the Group) has or have no recourse whatsoever to any member of the Group (other than a Project Finance Subsidiary) for the repayment thereof other than:
  - (i) recourse for amounts limited to the cash flow or the net cash flow (other than historic cash flow or historic net cash flow) from such asset or assets or the income or other proceeds deriving therefrom; and/or
  - (ii) recourse for the purpose only of enabling amounts to be claimed in respect of such Indebtedness in an enforcement of any Security given by such borrower over such asset or assets or the income, cash flow or other proceeds, deriving therefrom (or given by any shareholder or the like in the borrower over its shares or the like in the capital of the borrower) to secure such Indebtedness,

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

by the Issuer or Material Subsidiary, according to the then project finance market standard, shall not be deemed as a “recourse” to the relevant member of the Group;

“**Project Finance Subsidiary**” means any direct or indirect Subsidiary of the Issuer either:

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

“**Regulatory Asset Base**” means the regulated assets of the Group the value of which is determined by reference to the net capital invested in assets (capitale investito netto) as calculated by reference to applicable ARERA Regulations and on the basis of which gas transportation, storage, regasification, distribution tariffs are determined by ARERA;

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

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

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

in the case of (a) and (b), pursuant to the provisions of Article 2359, first paragraph, no. 1 and no. 2, of the Italian Civil Code.

## **4 INTEREST**

### **4.1 Interest on Fixed Rate Notes**

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

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

As used in the Conditions, “**Fixed Interest Period**” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date or the relevant Payment Date if the Notes become payable on a date other than an Interest Payment Date.

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

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

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

**“Day Count Fraction”** means, in respect of the calculation of an amount of interest, in accordance with this Condition 4.1:

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

In the Conditions:

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

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

## **4.2 Interest on Floating Rate Notes and Inflation Linked Interest Notes**

### **(A) Interest Payment Dates**

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

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or

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

Such interest will be payable in respect of each Interest Period. In the Conditions, “Interest Period” means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

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

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(A)(ii) (Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes Interest Payment Dates) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (2) below shall apply mutatis mutandis or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (1) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (2) each subsequent Interest Payment Date shall be the last Business Day in the month which falls in the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, “**Business Day**” means a day which is both:

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

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

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

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

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if

any). For the purposes of this subparagraph (i), “**ISDA Rate**” for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the “**ISDA Definitions**”) and under which:

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

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

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

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

- (A) Floating Rate Notes other than CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes

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

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

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

If the Relevant Screen Page is not available or if, in the case of (i) above, no offered quotation appears or, in the case of (ii) above, fewer than three offered quotations appear, in each case as at the Specified Time, the Agent shall request each of the Reference Banks to provide the Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate at approximately the Specified Time on the Interest Determination Date in question.

If two or more of the Reference Banks provide the Agent with offered quotations, the Rate of Interest for the Interest Period shall be the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the offered quotations plus or minus (as appropriate) the Margin (if any), all as determined by the Agent.

If on any Interest Determination Date one only or none of the Reference Banks provides the Agent with an offered quotation as provided in the preceding paragraph, the Rate of



Interest for the relevant Interest Period shall be the rate per annum which the Agent determines as being the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the rates, as communicated to (and at the request of) the Agent by the Reference Banks or any two or more of them, at which such banks were offered, at approximately the Specified Time on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro zone interbank market (if the Reference Rate is EURIBOR) or, if fewer than two of the Reference Banks provide the Agent with offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean (rounded as provided above) of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, at approximately the Specified Time on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for the purpose) informs the Agent it is quoting to leading banks in the London interbank market (if the Reference Rate is LIBOR) or the Euro zone interbank market (if the Reference Rate is EURIBOR), *provided that*, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin relating to the relevant Interest Period in place of the Margin relating to that last preceding Interest Period).

For the purposes of this paragraph (A) of Condition 4.2, “**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London interbank market and, in the case of a determination of EURIBOR, the principal Euro zone office of four major banks in the Euro zone interbank market, in each case selected by the Issuer;

“**Specified Time**” means 11.00 a.m. (London time, in the case of a determination of LIBOR, or Brussels time, in the case of a determination of EURIBOR).

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

(B) Floating Rate Notes which are CMS Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be determined by the Calculation Agent by reference to the following formula where CMS Reference Rate is specified as the Reference Rate in the applicable Final Terms:

**CMS Rate plus Margin**

If the Relevant Screen Page is not available, the Calculation Agent shall request each of the CMS Reference Banks to provide the Calculation Agent with its quotation for the Relevant Swap Rate at approximately the Specified Time on the Interest Determination Date in question. If at least three of the CMS Reference Banks provide the Calculation Agent with such quotation, the CMS Rate for such Interest Period shall be the arithmetic mean of such quotations, after eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest).

If on any Interest Determination Date less than three or none of the CMS Reference Banks provides the Calculation Agent with such quotations as provided in the preceding paragraph, the CMS Rate shall be determined by the Calculation Agent in good faith on

such commercial basis as considered appropriate by the Calculation Agent in its discretion, in accordance with standard market practice.

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

For the purposes of this paragraph (B) of Condition 4.2:

**“CMS Rate”** shall mean the applicable swap rate for swap transactions in the Reference Currency with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page as at the Specified Time on the Interest Determination Date in question, all as determined by the Calculation Agent.

**“CMS Reference Banks”** means (i) where the Reference Currency is euro, the principal office of five leading swap dealers in the interbank market, (ii) where the Reference Currency is Sterling, the principal London office of five leading swap dealers in the London interbank market, (iii) where the Reference Currency is United States dollars, the principal New York City office of five leading swap dealers in the New York City interbank market, or (iv) in the case of any other Reference Currency, the principal Relevant Financial Centre office of five leading swap dealers in the Relevant Financial Centre interbank market, in each case selected by the Calculation Agent.

**“Designated Maturity”, “Margin”, “Relevant Screen Page” and “Specified Time”** shall have the meaning given to those terms in the applicable Final Terms.

**“Relevant Swap Rate”** means:

- (i) where the Reference Currency is euro, the midmarket annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating euro interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/360 day count basis, is equivalent to EUR-EURIBOR-Reuters (as defined in the ISDA Definitions) with a designated maturity determined by the Agent by reference to standard market practice and/or the ISDA Definitions;
- (ii) where the Reference Currency is Sterling, the mid-market semi-annual swap rate determined on the basis of the arithmetic mean of the bid and offered rates for the semi-annual fixed leg, calculated on an Actual/365 (Fixed) day count basis, of a fixed-for-floating Sterling interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, in each case calculated on an Actual/365 (Fixed) day count basis, is equivalent (A) if the Designated Maturity is greater than one year, to GBP-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of six months or (B) if the Designated Maturity is one year or less, to GBP-LIBOR-BBA with a designated maturity of three months;
- (iii) where the Reference Currency is United States dollars, the mid-market semi-annual swap rate determined on the basis of the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating United States dollar interest rate swap transaction with a term equal to the Designated Maturity commencing on the first day of the relevant Interest Period and in a Representative Amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA (as defined in the ISDA Definitions) with a designated maturity of three months; and

- (iv) where the Reference Currency is any other currency or if the Final Terms specify otherwise, the mid-market swap rate as determined in accordance with the applicable Final Terms.

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market at the relevant time.

(C) Floating Rate Notes which are Constant Maturity BTP Linked Interest Notes

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined and Constant Maturity BTP Rate is specified as the Reference Rate in the applicable Final Terms, the Rate of Interest for each Interest Period will, subject as provided below, be the gross yield before taxes of Italian government bonds with a maturity of the Designated Maturity, expressed as a percentage, which appears on the Relevant Screen Page (or such replacement page on that service which displays the information) at the Specified Time on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Calculation Agent.

If on any Interest Determination Date the Relevant Screen Page (or such replacement page on that service which displays the information) is not available, the Constant Maturity BTP Rate for such Interest Determination Date shall be determined by the Calculation Agent, acting in good faith and in a commercially reasonable manner, as the gross yield before taxes based on the mid market price for Italian government bonds with a maturity of the Designated Maturity, or as close to the Designated Maturity as considered appropriate by the Calculation Agent in its discretion, and in a Representative Amount at the Specified Time on the Interest Determination Date in question and shall be the arithmetic mean of quotations obtained from three Constant Maturity BTP Reference Banks selected by the Calculation Agent (from five such Constant Maturity BTP Reference Banks after eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest)).

If on any Interest Determination Date fewer than three or none of the Constant Maturity BTP Reference Banks provides the Calculation Agent with quotations for such prices as provided in the preceding paragraph, the Constant Maturity BTP Rate shall be determined by the Calculation Agent in good faith on such commercial basis as considered appropriate by the Calculation Agent in its discretion, in accordance with standard market practice.

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

For the purposes of this paragraph (C) of Condition 4.2:

**“Constant Maturity BTP Reference Bank”** means the principal office of any *“Specialist in Italian Government Bonds”* included in the *“List of Specialists in Government Bonds” (Elenco Specialisti in Titoli di Stato)* published by the Department of Treasury (*Dipartimento del Tesoro*) from time to time.

**“Designated Maturity”, “Margin”, “Relevant Screen Page” and “Specified Time”** shall have the meaning given to those terms in the applicable Final Terms.

**“Representative Amount”** means an amount that is representative for a single transaction in the relevant market at the relevant time.

(C) Rate of Interest Inflation Linked Interest Notes

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

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

subject to the Minimum Rate of Interest or the Maximum Rate of Interest if, in either case, designated as applicable in the applicable Final Terms in which case the provisions of paragraph (D) below of Condition 4.2 (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Minimum Rate of Interest and/or Maximum Rate of Interest*) shall apply as appropriate.

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

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

## Definitions

For the purposes of the Conditions:

“**Day of Month**” means the actual number of days since the start of the relevant month;

“**Days in Month**” means the number of days in the relevant month;

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

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

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

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

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

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

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

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

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

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

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

If the applicable Final Terms specify a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of

paragraph (B) above or paragraph (C) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

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

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

The Agent, in the case of Floating Rate Notes, other than CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes, and the Calculation Agent, in the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked Interest Notes and Inflation Linked Interest Notes will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Floating Rate Notes which are CMS Linked Interest Notes and Constant Maturity BTP Linked

Interest Notes and Inflation Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period promptly after calculating the same.

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

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

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

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

“**Day Count Fraction**” means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (i) if “**Actual/Actual (ISDA)**” or “**Actual/Actual**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non leap year divided by 365);
- (ii) if “**Actual/365 (Fixed)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “**Actual/365 (Sterling)**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;

- (iv) if “**Actual/360**” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “**30/360**”, “**360/360**” or “**Bond Basis**” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D1 will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30;

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

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D1 will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D2 will be 30;

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

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

where:

**Y1** is the year, expressed as a number, in which the first day of the Interest Period falls;

**Y2** is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**M1** is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

**M2** is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

**D1** is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case **D1** will be 30; and

**D2** is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case **D2** will be 30.

**“Initial Ratio Amount”** means the value specified in the applicable Final Terms, if applicable.

**(F) Linear Interpolation**

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which shall be determined as if the Designated Maturity were the period of time for which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for a period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

**“Designated Maturity”** means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

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

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes or Inflation Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 13 (*Notices*). For the purposes of this paragraph, the expression London Business Day means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

**(H) Certificates to be final**

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4.2 (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes*), whether by the Agent, or, if applicable, the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent, in connection with the exercise or non exercise by it of its powers, duties and discretions pursuant to such provisions.

**4.3 Inflation Linked Note Provisions**

## Definitions

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

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

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

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

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

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

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

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

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

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

**“Hedging Disruption”** means that any Hedging Party is unable, after using commercially reasonable efforts, to (a) acquire, establish, re-establish, substitute, maintain, unwind or



dispose of any transaction(s) or asset(s) it deems necessary to hedge the relevant price risk of the Issuer issuing and performing its obligations with respect to the Notes, or (b) freely realise, recover, remit, receive, repatriate or transfer the proceeds of any such transaction(s) or asset(s), as determined by the Calculation Agent.

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

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

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

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

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

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

**“Related Bond”** means, in respect of an Inflation Index, the bond specified as such in the applicable Final Terms. If the Related Bond specified in the applicable Final Terms is **“Fallback Bond”**, then, for any Related Bond determination, the Calculation Agent shall use the Fallback Bond. If no bond is specified in the applicable Final Terms as the Related Bond and **“Fallback Bond: Not Applicable”** is specified in the applicable Final Terms, there will be no Related Bond. If a bond is specified as the Related Bond in the applicable Final Terms and that bond redeems or matures before the End Date (i) unless **“Fallback Bond: Not Applicable”** is specified in the applicable Final Terms, the Calculation Agent shall use the Fallback Bond for any Related Bond determination and (ii) if **“Fallback Bond: Not Applicable”** is specified in the applicable Final Terms, there will be no Related Bond.

**“Relevant Level”** has the meaning set out in the definition of **“Delayed Index Level Event”** above.

#### 4.3.2 Inflation Index delay and disruption provisions

##### (A) Delay in publication

If the Calculation Agent determines that a Delayed Index Level Event in respect of an Inflation Index has occurred with respect to any Determination Date, then the Relevant Level for such Inflation Index with respect to the relevant Reference Month subject to such Delayed Index Level Event (the **“Substitute Index Level”**) shall be determined by the Calculation Agent as follows:

- (i) if “**Related Bond**” is specified as applicable for such Inflation Index in the relevant Final Terms, the Calculation Agent shall determine the Substitute Index Level by reference to the corresponding index level determined under the terms and conditions of the relevant Related Bond; or
- (ii) if (I) “**Related Bond**” is not specified as applicable for such Inflation Index in the relevant Final Terms, or (II) the Calculation Agent is not able to determine a Substitute Index Level under (i) above, the Calculation Agent shall determine the Substitute Index Level by reference to the following formula:

Substitute Index Level = Base Level x (Latest Level/Reference Level),

in each case as of such Determination Date,

where:

“**Base Level**” means, in respect of an Inflation Index, the level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month which is 12 calendar months prior to the month for which the Substitute Index Level is being determined.

“**Latest Level**” means, in respect of an Inflation Index, the latest level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor prior to the month in respect of which the Substitute Index Level is being determined.

“**Reference Level**” means, in respect of an Inflation Index, the level of such Inflation Index (excluding any “flash” estimates) published or announced by the relevant Inflation Index Sponsor in respect of the month that is 12 calendar months prior to the month in respect of the Latest Level.

The Issuer shall give notice to Noteholders, in accordance with Condition 13 (*Notices*) of any Substitute Index Level calculated pursuant to this paragraph (A) of Condition 4.3.2.

If the Relevant Level (as defined above) is published or announced at any time on or after the relevant Cut off Date, such Relevant Level will not be used in any calculations. The Substitute Index Level so determined pursuant to this paragraph (A) of Condition 4.3.2 will be the definitive level for that Reference Month.

## **(B) Cessation of publication**

If the Calculation Agent determines that the level for the Inflation Index has not been published or announced for two (2) consecutive months, or the Inflation Index Sponsor announces that it will no longer continue to publish or announce the Inflation Index or the Inflation Index Sponsor otherwise cancels the Inflation Index, then the Calculation Agent shall determine a successor inflation index (the “**Successor Inflation Index**”) (in lieu of any previously applicable Inflation Index) for the purposes of the Inflation Linked Notes by using the following methodology:

- (i) if at any time (other than after an early redemption has been designated by the Calculation Agent pursuant to this Condition 4.3), a successor inflation index has been designated by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, such successor inflation index shall be designated a “Successor Inflation Index” notwithstanding that any other Successor Inflation Index may previously have been determined under paragraphs (B)(ii), (B)(iii) or (B)(iv) below of Condition 4.3.2;
- (ii) if a Successor Inflation Index has not been determined pursuant to paragraph (B)(i) above of Condition 4.3.2, and a notice has been given or an announcement has been made by the Inflation Index Sponsor specifying that the Inflation Index will be superseded by a replacement Inflation Index specified by the Inflation Index Sponsor, and the Calculation Agent determines that such replacement index is calculated using the same or substantially similar formula or method of calculation as used in the calculation of the

previously applicable Inflation Index, such replacement index shall be the Inflation Index for purposes of the Inflation Linked Notes from the date that such replacement Inflation Index comes into effect;

- (iii) if a Successor Inflation Index has not been determined pursuant to paragraphs (B)(i) or (B)(ii) above of Condition 4.3.2, the Calculation Agent shall ask five leading independent dealers to state what the replacement index for the Inflation Index should be. If four or five responses are received and, of those four or five responses, three or more leading independent dealers state the same index, this index will be deemed the “Successor Inflation Index”. If three responses are received and two or more leading independent dealers state the same index, this index will be deemed the “Successor Inflation Index”. If fewer than three responses are received or no Successor Inflation Index is determined pursuant to this paragraph (B)(iii) of Condition 4.3.2, the Calculation Agent will proceed to paragraph (B)(iv) below of Condition 4.3.2; or
- (iv) if no replacement index or Successor Inflation Index has been determined under paragraphs (B)(i), (B)(ii) or (B)(iii) above of Condition 4.3.2 by the next occurring Cut Off Date, the Calculation Agent, subject as provided below, will determine an appropriate alternative index from such Cut Off Date, and such index will be deemed a “Successor Inflation Index”; or
- (v) if the Calculation Agent determines that there is no appropriate alternative inflation index to Inflation Linked Interest Notes, the Issuer may redeem the Notes early at the Early Redemption Amount.

**(C) Rebasing of the Inflation Index**

If the Calculation Agent determines that the Inflation Index has been or will be rebased at any time, the Inflation Index as so rebased (the “**Rebased Index**”) will be used for the purposes of determining the level of the Inflation Index from the date of such rebasing; provided, however, that the Calculation Agent shall make adjustments as are made by the calculation agent (or equivalent) pursuant to the terms and conditions of the Related Bond, if “**Related Bond**” is specified as applicable in the applicable Final Terms, to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased, or, if “Related Bond” is not specified as applicable in the applicable Final Terms, the Calculation Agent shall make adjustments to the levels of the Rebased Index so that the Rebased Index levels reflect the same rate of inflation as the Inflation Index before it was rebased.

**(D) Material modification prior to last occurring Cut-Off**

If, on or prior to the last occurring Cut-Off Date, the Inflation Index Sponsor announces that it will make a material change to the Inflation Index then the Calculation Agent shall make any such adjustments, if “Related Bond” is specified as applicable in the applicable Final Terms, consistent with adjustments made to the Related Bond, or, if “Related Bond” is not specified as applicable in the applicable Final Terms, only those adjustments to the Inflation Index necessary for the modified Inflation Index to continue as the Inflation Index.

**(E) Manifest Error in Publication**

With the exception of any corrections published after the day which is fifteen (15) Business Days prior to the relevant Redemption Determination Date, if, within thirty (30) calendar days of publication, the Calculation Agent determines that the Inflation Index Sponsor has corrected the level of the Inflation Index to remedy a manifest error in its original publication, the Calculation Agent may, in its discretion, make such adjustments to the terms of the Inflation Linked Notes as it determines appropriate to account for the correction and will notify the Noteholders of any such adjustments in accordance with Condition 13 (Notices).

**(F) Consequences of an Additional Disruption Event**

If the Calculation Agent determines that an Additional Disruption Event has occurred, the Issuer may at its option:

- (a) make any adjustment or adjustments to the payment or any other term or condition of the Notes as the Calculation Agent determines appropriate; and/or
- (b) redeem all but not some of the Inflation Linked Notes on the date notified by the Calculation Agent to Noteholders in accordance with Condition 13 (Notices) by payment of the relevant Early Redemption Amount, as at the date of redemption, taking into account the relevant Additional Disruption Event.

#### **4.3.3 Inflation Index disclaimer**

The Notes are not sponsored, endorsed, sold or promoted by the Inflation Index or the Inflation Index Sponsor and the Inflation Index Sponsor does not make any representation whatsoever, whether express or implied, either as to the results to be obtained from the use of the Inflation Index and/or the levels at which the Inflation Index stands at any particular time on any particular date or otherwise. Neither the Inflation Index nor the Inflation Index Sponsor shall be liable (whether in negligence or otherwise) to any person for any error in the Inflation Index and the Inflation Index Sponsor is under no obligation to advise any person of any error therein. The Inflation Index Sponsor is not making any representation whatsoever, whether express or implied, as to the advisability of purchasing or assuming any risk in connection with the Notes. The Issuer shall not have liability to the Noteholders for any act or failure to act by the Inflation Index Sponsor in connection with the calculation, adjustment or maintenance of the Inflation Index. Except as disclosed prior to the Issue Date specified in the applicable Final Terms, neither the Issuer nor its affiliates has any affiliation with or control over the Inflation Index or the Inflation Index Sponsor or any control over the computation, composition or dissemination of the Inflation Index. Although the Calculation Agent will obtain information concerning the Inflation Index from publicly available sources it believes reliable, it will not independently verify this information. Accordingly, no representation, warranty or undertaking (express or implied) is made and no responsibility is accepted by the Issuer, its affiliates or the Calculation Agent as to the accuracy, completeness and timeliness of information concerning the Inflation Index.

#### **4.4 Accrual of interest**

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. 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 Note has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

#### **4.5 Benchmark discontinuation**

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

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 4.5(b)) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 4.5(d)) shall apply.

In making such determination, the Independent Adviser appointed pursuant to this Condition 4.5 shall act in good faith and in a commercially reasonable manner and in consultation with the Issuer. In the absence of

fraud and gross negligence, the Independent Adviser shall have no liability whatsoever to the Issuer, the Paying Agents, the Noteholders or the Couponholders for any determination made by it pursuant to this Condition 4.5.

If (i) the Issuer is unable to appoint an Independent Adviser; or (ii) the Independent Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 4.5(a) prior to the relevant Interest Determination Date, the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 4.5(a).

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

If the Independent Adviser determines that:

- (i) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.5); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall be subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 4.5).

**(c) Adjustment Spread**

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be). If the Independent Adviser is unable to determine the quantum of, or a formula or methodology for determining, such Adjustment Spread, then the Successor Rate or Alternative Reference Rate (as applicable) will apply without an Adjustment Spread.

**(d) Benchmark Amendments**

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 4.5 and the Independent Adviser determines (i) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the “Benchmark Amendments”) and (ii) the terms of the Benchmark Amendments, then the Issuer shall, subject to giving notice thereof in accordance with Condition 4.5(e), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such variation in accordance with this Condition 4.5(d), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

**(e) Notices etc.**

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.5 will be notified promptly by the Issuer to the Calculation Agent, the Paying Agents and, in accordance with Condition 13 (Notices), the Noteholders. Such notice shall be binding and irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

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

Without prejudice to the obligations of the Issuer under Condition 4.5 (a), (b), (c) and (d), the Original Reference Rate and the fallback provisions provided for in Condition 4.2(B) will continue to apply unless and until a Benchmark Event has occurred.

**(g) Definitions**

As used in this Condition 4.5:

**“Adjustment Spread”** means either (a) a spread (which may be positive, negative or zero) or (b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (i) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or (if no such recommendation has been made, or in the case of an Alternative Rate); or
- (ii) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

**“Alternative Rate”** means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 4.5(b) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

**“Benchmark Amendments”** has the meaning given to it in Condition 4.5(d).

**“Benchmark Event”** means:

- (i) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist; or
- (ii) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate); or
- (iii) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued; or
- (iv) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes or that its use will be subject to restrictions or adverse consequences; or
- (v) it has become unlawful for any Paying Agent, the Calculation Agent the Issuer or other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate.

**“Independent Adviser”** means an independent financial institution of international repute or an independent financial adviser with appropriate experience in the international debt capital markets appointed by the Issuer under Condition 4.5(a).

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

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

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

**“Successor Rate”** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

## **5 PAYMENTS**

### **5.1 Method of payment**

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “Code”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*)) any law implementing an intergovernmental approach thereto.

### **5.2 Presentation of definitive Notes and Coupons**

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than Long Maturity Notes (as defined below) and save as provided in Condition 6.4) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of ten years after the Relevant Date (as defined in Condition 7 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A “**Long Maturity Note**” is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon *provided that* such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

### **5.3 Payments in respect of Global Notes**

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

### **5.4 General provisions applicable to payments**

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream,

Luxembourg, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

### **5.5 Payment Day**

If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 8 (Prescription)) is:



- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits):
  - (i) in the case of Notes in definitive form only, in the relevant place of presentation;
  - (ii) in each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

## **5.6 Interpretation of principal and interest**

Any reference in the Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*);
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Zero Coupon Notes, the Early Redemption Amount (as defined in Condition 6.5 (*Early Redemption Amounts*)); and
- (f) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 (*Taxation*).

## **6 REDEMPTION AND PURCHASE**

### **6.1 Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms or, in the case of each Note which is an Inflation Linked Redemption Note, determined in accordance with Condition 6.10 (*Calculation of Inflation Linked Redemption*) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

See Condition 6.9 (*Redemption of Inflation Linked Notes*) and Condition 6.10 (*Calculation of Inflation Linked Redemption*) in relation to each Note which is an Inflation Linked Redemption Note.

### **6.2 Redemption for tax reasons**

Subject to Condition 6.5 (*Early Redemption Amounts*), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Inflation Linked Interest Note) or on any Interest Payment Date (if this Note is a Floating Rate Note or an Inflation Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Agent and, in accordance with Condition 13 (*Notices*), the Noteholders (which notice shall be irrevocable), if:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and

(b) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

*provided that* no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Agent to make available at its specified office to the Noteholders (i) a certificate signed by two officers of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

Notes redeemed pursuant to this Condition 6.2 (*Redemption for tax reasons*) will be redeemed at their Early Redemption Amount referred to in paragraph 6.5 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

### **6.3 Redemption at the option of the Issuer (Issuer Call)**

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (*Notices*) (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount in each case as may be specified in the applicable Final Terms.

The Optional Redemption Amount will either be the specified percentage of the nominal amount of the Notes stated in the applicable Final Terms or, if Make Whole Amount is specified in the applicable Final Terms, an amount equal to the higher of (as determined by the Agent):

- (a) 100% of the principal amount of the Note to be redeemed; or
- (b) as calculated 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 6.3:

“**Redemption Margin**” shall be as set out in the applicable Final Terms;

“**Reference Bond**” shall be as set out in the applicable Final Terms;

“**Reference Dealers**” shall be as set out in the applicable Final Terms; and

“**Reference Dealer Rate**” means with respect to the Reference Dealers and the Optional Redemption Date, the average of the five quotations of the mid-market annual yield to maturity of the Reference Bond or, if the Reference Bond is no longer outstanding, a similar security in the reasonable judgement of the Reference Dealers at 11.00 a.m. London time on the third business day in London preceding the Optional Redemption Date quoted in writing to the Issuer by the Reference Dealers.

In the case of a partial redemption of Notes, the Notes to be redeemed (“**Redeemed Notes**”) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the

case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the “**Selection Date**”). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 6.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 13 (*Notices*) at least five days prior to the Selection Date.

#### **6.4 Redemption at the option of the Noteholders (Investor Put)**

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a “**Put Notice**”) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 6.4 shall be irrevocable except where, prior to the due date of redemption, 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 notice given pursuant to this Condition 6.4 and instead to declare such Note forthwith due and payable pursuant to Condition 9 (*Events of Default*).

#### **6.5 Early Redemption Amounts**

For the purpose of Condition 4.3 (*Inflation Linked Note Provisions*), Condition 6.2 (*Redemption for tax reasons*) above and Condition 9 (*Events of Default*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price of the first Tranche of the Series, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price of the first Tranche of the Series, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at the Early Redemption Amount calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^Y$$

where:

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

**y** is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360 day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365); or

(d) in the case of an Inflation Linked Interest Note and/or an Inflation Linked Redemption Note, at an amount calculated in accordance with Condition 6.9 (*Redemption of Inflation Linked Notes*) and Condition 6.10 (*Calculation of Inflation Linked Redemption*).

## **6.6 Purchases**

The Issuer or any Subsidiary of the Issuer may at any time purchase Notes (*provided that*, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

## **6.7 Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and the Notes purchased and cancelled pursuant to Condition 6.6 above (*Purchases*) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

## **6.8 Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3 or 6.4 above or upon its becoming due and repayable as provided in Condition 9 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6.5(c) above (*Redemption And Purchase - Early Redemption Amounts*) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent and notice to that effect has been given to the Noteholders in accordance with Condition 13 (*Notices*).

## **6.9 Redemption of Inflation Linked Notes**

In respect of Inflation Linked Notes, the Calculation Agent will calculate such Final Redemption Amount or Early Redemption Amount (as the case may be) promptly after each time such amount is capable of being determined and will notify the Agent thereof promptly after calculating the same. The Agent will promptly thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 13 (*Notices*).

## **6.10 Calculation of Inflation Linked Redemption**

The Final Redemption Amount payable in respect of each Note that is an Inflation Linked Redemption Note shall be determined by the Calculation Agent on the Redemption Determination Date (utilising the DIR(T) value applicable to the Final Redemption Amount) in accordance with the following formula:

$$\text{FinalRedemptionAmount} = \text{Specified Denomination} * \text{Max} \left[ 100\%; [\text{RedemptionAmountMultiplier}] * \left( \frac{\text{DIR(T)}}{\text{DIR(0)}} \right) \right]$$

The result of DIR(T) divided by DIR(0) shall be rounded (if necessary) to the fifth decimal place, with 0.000005 being rounded upwards and the Final Redemption Amount shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards.

The Early Redemption Amount payable in respect of each Note that is an Inflation Linked Interest Note or an Inflation Linked Redemption Note shall be the sum of (i) a principal amount determined by the Calculation Agent promptly after the time the Early Redemption Amount is capable of being determined in accordance with the formula set out above, provided that the reference to “**Final Redemption Amount**” shall be replaced by a reference to “**Early Redemption Amount**” and the DIR(T) value applicable to the Early Redemption Amount shall be utilised (subject to the amount of principal payable on such Notes being equal to at least 100% of the nominal value of the Notes); and (ii) interest accrued but unpaid in respect of the period from, and including, the most recent Interest Payment Date to, but excluding, the date for redemption of the Notes where the Rate of Interest for such period shall be calculated in accordance with the applicable Final Terms.

Defined terms used in this Condition shall have the same meanings as set out in Condition 4.2(C) (*Interest - Interest on Floating Rate Notes and Inflation Linked Interest Notes - Rate of Interest - Inflation Linked Interest Notes*) provided that, “DIR(T)” means the value of the Inflation Index for (i) in the case of the calculation of the Final Redemption Amount, the Maturity Date and (ii) in the case of the calculation of the Early Redemption Amount, the date for redemption of the Notes, in each case calculated in accordance with the following formula where month “t” is the month and year of the Maturity Date in the case of (i) above and the month and year in which the date for redemption falls in the case of (ii) above:

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

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

If the date for redemption occurs prior to the first Interest Payment Date, a pro rata proportion of an amount equal to the product of the Initial Ratio Amount multiplied by DIR(T)/DIR(0) shall be added to the relevant Interest Amount (in respect of the period from and including the Interest Commencement Date to but excluding the date of redemption of the Notes) (such sum shall be rounded (if necessary) to the nearest euro cent with half a euro cent being rounded upwards).

“**Redemption Amount Multiplier**” has the meaning given to it in the applicable Final Terms, provided that if Redemption Amount Multiplier is specified as “Not Applicable”, the Redemption Amount Multiplier shall be deduced to be equal to 100%.

The provisions of Condition 4.3 (*Inflation Linked Note Provisions*) shall apply *mutatis mutandis*.

## 7 TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note or Coupon:

- (a) in relation to any payment or deduction of any interest, principal or other proceeds of any Note or Coupon, presented for payment in the Republic of Italy; or

- (b) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (c) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such 30th day assuming that day to have been a Payment Day (as defined in Condition 5.5 (Payment Day)); or
- (d) presented for payment by or on behalf of a holder who would be able to avoid such withholding or deduction by making a declaration or any other statement, including but not limited to, a declaration of residence or non residence, but fails to do so; or
- (e) in relation to any payment or deduction of any interest, principal or other proceeds of any Notes or Coupons on account of *imposta sostitutiva* pursuant to Italian Legislative Decree No. 239 of 1 April 1996 or future similar law and any related implementing regulations (each as amended or supplemented from time to time); or
- (f) in the event of payment to a non Italian resident legal entity or a non Italian resident individual, to the extent that interest or other amounts are paid to a non Italian resident legal entity or a non Italian resident individual which is resident in a country which does not allow for a satisfactory exchange of information with the Republic of Italy.

Notwithstanding any other provision of the Terms and Conditions, any amounts to be paid on the Notes and Coupons by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the Code, or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a “**FATCA Withholding**”). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

As used herein:

- (i) “**Tax Jurisdiction**” means the Republic of Italy or any political subdivision or any authority thereof or therein having power to tax or any other jurisdiction or any political subdivision or any authority thereof or therein having power to tax to which the Issuer becomes subject by reason of its tax residence or a permanent establishment maintained therein in respect of payments made by it of principal and interest on the Notes and Coupons; and
- (ii) the “**Relevant Date**” means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13 (*Notices*).

## 8 PRESCRIPTION

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of ten years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

## 9 EVENTS OF DEFAULT

### 9.1 Events of Default

If any one or more of the following events (each an “**Event of Default**”) shall occur and be continuing:

- (a) if default is made in the payment in the Specified Currency of any principal or interest due in respect of the Notes or any of them and the default continues for a period of 14 days; or
- (b) if the Issuer fails to perform or observe any of its other obligations under these Conditions and (except in any case where the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 45 days next following the service by a Noteholder on the Issuer of notice requiring the same to be remedied; or
- (c) if any Indebtedness for Borrowed Money of the Issuer or any of its Material Subsidiaries becomes due and repayable prematurely by reason of an event of default (however described), or the Issuer or any of its Material Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment (as extended by any originally applicable grace period) or default is made by the Issuer or any of its Material Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person (as extended by any originally applicable grace period), *provided that* no such event shall constitute an Event of Default unless the aggregate Indebtedness for Borrowed Money relating to all such events which shall have occurred and be continuing shall exceed at any time €100,000,000 (or its equivalent in any other currency); or
- (d) any Security (other than any Security securing Project Finance Indebtedness or Indebtedness for Borrowed Money incurred in the circumstances described in the definition of Project Finance Indebtedness as if such definition referred to Indebtedness for Borrowed Money), present or future, created or assumed on or against all or a material part of the property, assets or revenues of the Issuer, becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) which is not contested in good faith by all appropriate means or discharged or cancelled within 60 days of such enforcement; or
- (e) if any order is made by any competent court or resolution passed for the liquidation, winding up or dissolution (*scioglimento o liquidazione*) of the Issuer or any of its Material Subsidiaries and such order or resolution is not discharged or cancelled within 60 days, save for the purposes of (i) a solvent amalgamation, merger, demerger or reconstruction (a “**Solvent Reorganisation**”) under which the assets and liabilities of the Issuer or such Material Subsidiary, as the case may be, are assumed by the entity resulting from such Solvent Reorganisation and (A) such entity continues to carry on substantially the same business of the Issuer or such Material Subsidiary, as the case may be, and (B) in the case of a Solvent Reorganisation of the Issuer, such entity assumes all the obligations of the Issuer in respect of the Notes and the Coupons and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such Solvent Reorganisation, or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution; or
- (f) if the Issuer or any of its Material Subsidiaries ceases or announces that it shall cease to carry on the whole or a substantial part of its business, save for the purposes of (i) a Solvent Reorganisation under which the assets and liabilities of the Issuer are assumed by the entity resulting from such Solvent Reorganisation and such entity assumes all the obligations of the Issuer in respect of the Notes and the Coupons and an opinion of an independent legal adviser of recognised standing in the Republic of Italy has been delivered to the Agent confirming the same prior to the effective date of such Solvent Reorganisation, or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution; or
- (g) if (i) proceedings are initiated against the Issuer or any of its Material Subsidiaries under any applicable insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any of its Material Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, 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 any of them and

- (ii) in any case (other than the appointment of an administrator) unless initiated by a member of the Group, is not contested in good faith by all appropriate means or is not discharged within 60 days; or
- (h) if the Issuer or any of its Material Subsidiaries fails to pay a final judgment (*sentenza passata in giudicato*, in the case of a judgment issued by an Italian court) of a court of competent jurisdiction within 60 days from the receipt of a notice that a final judgment in excess of an amount equal to the value of a substantial part of the assets or property of the Issuer or any of its Material Subsidiaries has been entered against it or an execution is levied, enforced upon or sued out against the whole or any substantial part of the assets or property of the Issuer or any of its Material Subsidiaries pursuant to any such judgment (for the purposes of paragraph (g) above and this paragraph (h), a “substantial part” of an entity’s assets or property means a part of the relevant entity’s assets or property which accounts for 30% or more of the relevant entity’s assets or property as determined by reference to the most recently audited consolidated financial statements of the relevant entity); or
- (i) if the Issuer or any of its Material Subsidiaries stops or announces that it shall 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 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 makes a conveyance or assignment for the benefit of, 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) otherwise than for the purposes of a solvent amalgamation, merger, de merger or reconstruction,

then any holder of a Note may, by written notice to the Issuer at the specified office of the Agent, effective upon the date of receipt thereof by the Agent, declare any Note held by it to be forthwith due and payable whereupon the same shall become forthwith due and payable at its Early Redemption Amount, together with accrued interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

## 9.2 Definitions

For the purposes of the Conditions:

“**Indebtedness for Borrowed Money**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash.

## 10 REPLACEMENT OF NOTES, COUPONS AND TALONS

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

## 11 PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer is entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, *provided that*:

- (a) there will at all times be an Agent;



- (b) so long as the Notes are listed on any stock exchange or admitted to trading by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority; and
- (c) there will at all times be a Paying Agent in a jurisdiction within Europe, other than the jurisdiction in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 13 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and do not assume any obligation to, or relationship of agency or trust with, any Noteholder or Couponholder. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **12 EXCHANGE OF TALONS**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8 (*Prescription*).

## **13 NOTICES**

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in London, and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of, the Luxembourg Stock Exchange, a daily newspaper of general circulation in Luxembourg or the Luxembourg Stock Exchange's website, [www.bourse.lu](http://www.bourse.lu). It is expected that any such publication in a newspaper will be made in the Financial Times in London and the *Luxemburger Wort* in Luxembourg. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) or such websites or the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published on the website of the relevant stock exchange or relevant authority and/or in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on such day as is specified in the applicable Final Terms after the day on which the said notice was given to Euroclear and Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent, and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

## 14 MEETINGS OF NOTEHOLDERS AND MODIFICATION

In accordance with the rules of the Italian Civil Code, Schedule 5 of the Agency Agreement contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Notes or Coupons or any of the provisions of the Agency Agreement.

All meetings of the Noteholders will be held in accordance with applicable provisions of Italian law in force at the time and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time. In accordance with Article 2415 of the Italian Civil Code, the meeting of Noteholders is empowered to resolve upon the following matters: (i) the appointment and revocation of the Noteholders' Representative, (ii) any amendment to these Conditions, (iii) motions for the composition with creditors (*concordato*) of the relevant Issuer; (iv) establishment of a fund for the expenses necessary for the protection of the common interests of the Noteholders and the related statements of account; and (v) any other matter of common interest to the Noteholders.

Such a meeting may be convened by the Board of Directors of the Issuer or the Noteholders' Representative (as defined below) at their discretion and, in any event, upon the request of any Noteholder(s) holding not less than 5% in nominal amount of the Notes for the time being remaining outstanding. If the meeting has not been convened following such request of the Noteholders, the same may be convened by a decision of the competent court in accordance with the provisions of Article 2367 of the Italian Civil Code. Every such meeting shall be held at a place as provided pursuant to Article 2363 of the Italian Civil Code.

Such a meeting will be validly held if (subject to mandatory laws, legislation, rules and regulations of Italian law in force from time to time and, where applicable Italian law so requires, the Issuer's by-laws in force from time to time) there are one or more persons present being or representing Noteholders holding at least one fifth of the aggregate nominal amount of the Notes for the time being outstanding.

The majority required to pass a resolution at any meeting convened to vote on any resolution will be one or more persons holding or representing at least three fourths of the aggregate nominal amount of the Notes for the time being outstanding represented at the meeting; provided, however, that certain proposals (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes or the Coupons) may only be sanctioned by a resolution passed at a meeting (as provided under Article 2415 of the Italian Civil Code) of Noteholders by one or more persons holding or representing not less than one half of the aggregate nominal amount of the Notes for the time being outstanding.

Officers and statutory auditors of the Issuer shall be entitled to attend the Noteholders' meetings but not participate or vote with reference to the Notes held by the Issuer. Any resolution duly passed at any such meeting shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Couponholders.

A representative of the Noteholders (*rappresentante comune*) (the "**Noteholders' Representative**"), subject to applicable provisions of Italian law, is appointed pursuant to Article 2417 of the Italian Civil Code in order to represent the Noteholders' interests under these Conditions and to give effect to resolutions passed at a meeting of the Noteholders. If the Noteholders' Representative is not appointed by a meeting of 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 Board of Directors of the Issuer. The Noteholders' Representative shall remain appointed for a maximum period of three years but may be reappointed again thereafter.

In derogation from Article 2415 of the Italian Civil Code, the Agent and the Issuer may agree, without the consent of the Noteholders or Couponholders, to:

- (a) any modification (except such modifications in respect of which an increased quorum is required as mentioned above) of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is not prejudicial to the interests of the Noteholders; or

- (b) any modification of the Notes, the Coupons, the Deed of Covenant or the Agency Agreement which is of a formal, minor or technical nature or is made to correct a manifest or proven error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (*Notices*) as soon as practicable thereafter.

## **15 FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which the interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

## **16 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **17 GOVERNING LAW AND SUBMISSION TO JURISDICTION**

### **17.1 Governing law**

The Agency Agreement, the Deed of Covenant, the Notes and the Coupons and any non contractual obligations arising out of or in connection with Agency Agreement, the Deed of Covenant, the Notes and the Coupons, are and shall be governed by, and construed in accordance with, English law. Condition 14 and Schedule 5 of the Agency Agreement are subject to compliance with the laws of the Republic of Italy.

### **17.2 Submission to jurisdiction**

The Issuer irrevocably agrees, for the benefit of the Noteholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Notes and/or the Coupons (including a dispute relating to any non contractual obligations arising out of or in connection with the Notes and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. In addition to any suit, action or proceeding (together, referred to as “**Proceedings**”) that may be taken by the Noteholders and the Couponholders in the English courts pursuant to this Clause 17.2, the Noteholders and the Couponholders may also take any Proceedings arising out of or in connection with the Notes and the Coupons (including any Proceeding relating to any non-contractual obligations arising out of or in connection with the Notes and/or the Coupons) against the Issuer in the Republic of Italy and concurrent Proceedings in the Republic of Italy, to the extent the Republic of Italy is deemed to be a court of competent jurisdiction for such Proceedings.

### **17.3 Appointment of Process Agent**

The Issuer appoints Laurentia Financial Services Limited at its registered office at 15 Northfields Prospect, London SW18 1PE, United Kingdom for the time being as its agent for service of process, and undertakes that, in the event of Laurentia Financial Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

### **17.4 Other documents**

The Issuer has in the Agency Agreement and the Deed of Covenant submitted to the jurisdiction of the English courts and appointed an agent for service of process in terms substantially similar to those set out above.

## USE OF PROCEEDS

The net proceeds from each Tranche of Notes will be allocated by the Issuer, as indicated in the applicable Final Terms relating to that tranche of Notes, either:

- (i) for its general corporate purposes; or
- (ii) to finance and/or refinance, in whole or in part, existing and/or future Eligible Projects.

**“Eligible Projects”** mean Carbon & Emission Reduction, Renewable Energy, Energy Efficiency, Green Construction Projects and Retrofit of Gas Transmission Network which meet a set of environmental criteria, which are approved by Snam’s Transition bond committee and, where applicable, a reputed second party opinion provider, as described in Snam’s Transition Bond Framework (published on 9 June 2020).

**“Carbon & Emission Reduction projects”** mean infrastructure, equipment, technology, systems and processes that demonstrate a reduction in energy use/losses and reduction in emissions in industrial facilities. Examples of investments include, *inter alia*:

- a) replacement of old generation boilers (“heaters”) with more efficient boilers (“skids”) with an expected nominal energy saving of at least 15% and a reduction of methane emissions of around 5,400 standard cubic meters for each plant;
- b) revamping of the network connection nodes, with the replacement of gas-powered pneumatic instrumentation with electrically driven instrumentation;
- c) replacement of turbo compressors with latest-generation machines yielding an expected reduction in NOx emissions of at least 75%<sup>8</sup>;
- d) electrification of compressor units<sup>9</sup>: replacement of turbo compressors powered by gas with electric machines resulting in the elimination of natural gas use and leading to an expected lower consumption of gas at least of 4 million standard cubic meters and to expected savings in terms of NOx emissions at least of 35 tons per year;
- e) installation of Leak Detection System which allows a real time monitoring of the network and a timely intervention in case of significant gas leaks. The system locates the CH<sub>4</sub> leakage and can significantly reduce the time for intervention; and
- f) replacement / renovation of valves, control and command devices, pneumatic actuators and instrumentations etc. with an expected reduction in natural gas emissions at completion of the interventions of at least 20%.

**“Renewable Energy projects”** mean acquisition and development of biomethane plants and upgrading of existing biogas plants, in Italy and abroad. Both greenfield and revamping projects will have biomass sustainability and greenhouse gas emission reduction criteria laid down in the Renewable Directive as fundamental pillars. Biomethane supply chain can deliver very high decarbonisation effects while preserving biodiversity and food security<sup>10</sup>.

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<sup>8</sup> In case of replacement of gas-powered turbo-compressors. In the case of Brugherio plant, the replacement of an old electric-compressor with latest-generation machine has a positive impact in terms of flexibility of the system.

<sup>9</sup> The electrification of compressors units, among other things, strongly contributes to reach the target of -40% of direct CO<sub>2</sub> emissions by 2030.

<sup>10</sup> In particular, the energy conversion of agricultural residues such as manure can avoid GHG emission from cattle breeding allowing in some cases to reach a carbon negative effect. Advanced agricultural practices such as “biogasdoneright” implemented in order to supply anaerobic digestors with non-food sustainable secondary energy crops can both ameliorate the carbon sequestration capacity of agricultural land and mitigate the soil erosion

**“Energy Efficiency projects”** mean energy efficiency projects for Snam’s corporate facilities or supply chain, for example:

- a) replacement of traditional lamps with LED lamps, with an expected nominal energy saving of at least 40%;
- b) acquisition of (i) up to 100% of the capital of the Energy Service Company (“**Esco**”) TEP Energy Solution, one of the leading Italian companies in the energy efficiency sector with more than 200 customers including leading Italian companies and multinationals, and (ii) potential future acquisitions of companies in the energy efficiency sector;
- c) energy efficiency solutions for industrial plants; and
- d) deep renovation for real estate segment (residential and tertiary) including implementation of energy management systems.

**“Green Construction projects”** mean the development and maintenance of conservation areas, natural capital preservation and the development and maintenance of green areas/buildings, for example:

- a) construction of new buildings which are expected to receive at least LEED “Gold” or at least BREEAM “Excellent” certification; and
- b) renovation of buildings leading to an annual energy use reduction of at least 30% of per m2 basis.

**“Retrofit of gas transmission network”** mean activities and projects carried out with the aim to adapt Snam’s gas network to be ready to transport a certain increasing percentage of hydrogen and/or other low-carbon gases, coherently with what stated in the relevant EU Taxonomy. Examples of projects include:

- a) research and development (studies and pilot projects) for green gases transportation and storage;
- b) replacement of already existing pipelines with new hydrogen-ready<sup>11</sup> pipelines, in order to enable the integration of hydrogen and other low-carbon gases, while maintaining at the same time the current network operating and safety standards.

For the avoidance of doubts, gas network expansion is excluded.

A second party consultant appointed by the Issuer (i.e. DNV GL Business Assurance Italia S.r.l.) has reviewed Snam’s Transition Bond Framework and has issued a second party opinion on 9 June 2020. Snam’s Transition Bond Framework and the second party opinion are available on the Issuer’s website ([https://www.snam.it/it/investor-relations/debito\\_credit\\_rating/transition\\_bond.html](https://www.snam.it/it/investor-relations/debito_credit_rating/transition_bond.html)). None of these documents are incorporated into, or form part of, the Base Prospectus.

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phenomenon. In addition, the circularity concepts behind “biogasdoneright” practices considers the digestate as a biological fertilizer that can substitute chemical fertilizers obtained from fossil sources.

<sup>11</sup> For hydrogen-ready Snam means SNAM internal standards (“GASD”) coming from the implementation of international standards currently available. Design and construction of all SNAM network are based on these standards including company’s know-how. The SNAM’s network “hydrogen-ready” is based on the ASME B31.12 “Hydrogen Piping and Pipeline” standard. GASD remain unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate design and construction phases of new gas network.

## DESCRIPTION OF THE ISSUER

### Overview

Snam S.p.A. (“**Snam**”), through its main 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.), 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).

Snam was incorporated as a limited liability company (*società per azioni*) under the Laws of the Republic of Italy on 15 November 2000 and, pursuant to its by-laws (the “**By-laws**”), its final term ends on 31 December 2100 unless such term is extended by a shareholder resolution. Snam operates under the laws of the Republic of Italy. Snam’s registered address is Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy and it is registered with the Companies’ Register of Milan, Monza Brianza, Lodi Chamber of Commerce with company number 13271390158. Its telephone number is (+39) 02 37031.

Snam’s main business areas, namely transportation and dispatching, storage of natural gas and liquefied natural gas (“LNG”) regasification, are all regulated activities in Italy under the authority of the ARERA. Under applicable regulations, these services must be offered to third parties on equal terms and conditions and at regulated tariffs. See section headed “*Regulatory and Legislative Framework*”.

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

- 100% of Snam Rete Gas S.p.A. (“**Snam Rete Gas**”), responsible for the management and development of the natural gas transportation system;
- 100% of Infrastrutture Trasporto Gas S.p.A. (“**ITG**”), being the third Italian operator in the transport of natural gas, that manages the pipeline that connects the Adriatic LNG regasification terminal to the national transport network near Minerbio (Bologna);
- 100% of GNL Italia S.p.A. (“**GNL Italia**”), operating in the regasification field;
- 100% of Stogit S.p.A. (“**Stogit**”), providing natural gas storage services;
- 55% of Enura S.p.A. (“**Enura**”), a company in charge of the implementation of the gas transport infrastructure in the Italian region of Sardinia; and
- 49.07% of OLT Offshore LNG Toscana S.p.A. (“**OLT**”), the second largest liquefied natural gas (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 this 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% owned by Snam, which promotes the development of natural gas in the form of CNG (compressed natural gas), LNG (liquefied natural gas) and biomethane (renewable gas) as a clean, efficient and competitive fuel for light and heavy vehicles. Snam 4 Mobility owns, among others:
  - 100% of Cubogas S.r.l. (“**Cubogas**”);
  - 70% of IES Biogas S.r.l. (“**IES Biogas**”);
  - 100% of Enersi Sicilia S.r.l. (“**Enersi**”);
  - 17.37% of Renerwaste S.r.l. (“**Renerwaste**”),
- Snam 4 Environment S.r.l. (“**Snam 4 Environment**”), 100% owned by Snam, which, through its operating companies, carries out activities related to the development and management initiatives in biomethane infrastructure. Snam 4 Environment owns, among others:
  - 82.63% of Renerwaste;

- 50% of Iniziative Biometano S.p.A. (“**Iniziative Biometano**”). Snam 4 Environment has joint control of Iniziative Biometano.
- Snam 4 Efficiency S.r.l. (“**Snam 4 Efficiency**”), 100% 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, digitization and distributed energy generation. Snam 4 Efficiency owns, among others:
  - 100% of TEP Energy Solution S.r.l. (“**TEP**”), which has incorporated, *inter alia*, TEA Servizi S.r.l. (“**TEA Servizi**”);
  - 70% of Mieci S.p.A (“**Mieci**”);
  - 70% of Evolve S.p.A. (“**Evolve**”).

Biomethane and energy efficiency remain key area of development for the Issuer.

These operating companies are subject to management and co-ordination by Snam pursuant to article 2497 and subsequent provisions of the Italian Civil Code.

In addition, Snam holds 100% 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 co-ordination by Snam;
- Arbolia S.r.l. Società Benefit, which offers to third parties: (i) afforestation and reforestation services; and (ii) consultancy services concerning the reduction of carbon footprints.

Snam is also active, albeit to a lesser extent, in the following non-regulated sectors: (i) the lease and maintenance of fibre-optic telecommunications cables and (ii) the design, construction and maintenance of facilities and plants for third parties.

Snam also holds, amongst others:

- the 13.5% quota of the capital of Italgas S.p.A., the leading operator in the distribution of natural gas in Italy;
- the 7.3% quota of the capital of Terminale GNL Adriatico S.r.l. (“**Adriatic LNG**”), that is the largest offshore gravity based structure for LNG unloading, storing and regasification and the largest LNG terminal in Italy.

Snam has adopted an organisational structure designed to facilitate cross-functional collaboration and provide end-to-end processes, going from a “Group” to “One Company”.

The above-mentioned organisation consists of:

1. business units, focused on: commercial and regulatory activities, development of new businesses, coordination and management of Italian subsidiaries management of foreign equity investments, and development and sale of services extracted from the entire Snam value chain; and
2. staff functions designed with the purpose of process simplification, efficiency and continuous improvement.

Snam is also active in international activities in gas infrastructures with direct or indirect shareholdings, amongst others, in:

- TEREKA S.A., former TIGF S.A. (with an indirect participation equal to 40.5%), the second largest transport and storage operator in France;
- Interconnector UK Limited (“**IUK**”) (with an indirect participation equal to 23.68%), the owner and operator of a seahine connecting the UK and Belgian markets;

- Interconnector Zeebrugge Terminal B.V. (“**IZT**”) (with an indirect participation equal to 25%), operating the connection between the Belgian transmission network and the IUK sealine;
- Trans Austria Gasleitung GmbH (“**TAG**”) (with a participation of 84.47% of the share capital, equivalent to 89.22% of the economic rights) that is the independent transmission operator that owns and operates the Austrian section of the gas pipeline linking Russia and Italy;
- Trans Adriatic Pipeline AG (“**TAP**”) (with a participation of 20%) a pipeline connecting the EU/Turkey border with Italy through Greece, Albania and the Adriatic Sea;
- Gas Connect Austria GmbH (“**GCA**”) (with an indirect participation equal to 19.6%), the independent transmission system operator which owns and operates an 886km natural gas pipeline grid in Austria;
- Hellenic Gas Transmission System Operator S.A. (“**DESFA**”) (with an indirect participation equal to 35.64%), which owns and operates the regulated high-pressure gas transport network and LNG re-gasification facilities in Greece;
- Albanian Gas Service Company Sh. a. (“**AGS**”) (with a participation of 25%), which provides management and maintenance services on the Albanian section of the TAP pipeline; and
- ADNOC Gas Pipeline Assets LLC (“**ADNOC Gas Pipeline**”) (with a participation of 49% in consortium with other members), which holds, for a period of 20 years, the tariff-based rights for the infrastructure (38 pipelines) that connects ADNOC Gas Pipeline’s upstream activities to Abu Dhabi’s consumption points and the export and interconnection terminals to neighboring Emirates.

As regards international business development, Snam Gas & Energy Services in Beijing, established in 2019, a full subsidiary of Snam International B.V., 100% owned by Snam S.p.A., oversees the Chinese market and operates in the supply of technical services for gas transportation and storage.

Since July 2017 the Issuer has set up the “Snam Foundation”, a non-profit organisation aimed at developing and promoting innovative and responsible practices so as to contribute to Italy’s civil, cultural and economic development in priority areas of public interest.

“**Snam Group**” means Snam S.p.A. and the companies within its scope of consolidation.

The structure chart of the Snam Group is included on page 102 below.

As at the date of this Base Prospectus Snam’s share capital is €2,735,670,475.56 divided into 3,360,857,809 shares with no indication of nominal value. The shares are not divisible and each gives the right to one vote, excluding those shares in relation to which voting rights have been suspended by special statutory provisions. Snam’s shares are listed on the Italian stock exchange (“**Borsa Italiana S.p.A.**” or “**Borsa Italiana**”).

As at the date of this Base Prospectus, based on information in Snam’s shareholders’ register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, only CDP, Romano Minozzi, Lazard Asset Management LLC and BlackRock own, directly or indirectly, interests in excess of 3% of Snam’s ordinary shares. For further information, please see section headed “*Principal Shareholders*” below.

Snam’s long-term rating is currently “Baa2” (*stable outlook*) by Moody’s, “BBB+” (*stable outlook*) by S&P and “BBB+” (*stable outlook*) by Fitch.

### **Alternative Performance Measures**

In order to better evaluate the Snam Group’s financial management performance, management has identified several Alternative Performance Measures (“**APM**”). Management believes that these APMs provide useful information for investors because they facilitate the identification of significant operating trends and financial parameters.



For a correct understanding of these APMs, note the following:

1. the APMs are based exclusively on the Snam Group's historical data and are not indicative of the future performance;
2. the APMs are not derived from the International Financial Reporting Standards ("IFRS") and, as they are derived from the consolidated financial statements prepared in conformity with these principles, they are not subject to audit;
3. the APMs should not be considered as replacing the indicators required by IFRS;
4. the APMs should be read together with the financial information for the Snam Group taken from the consolidated financial statements for the year 2019 and for the half-year ending 30 June 2020;
5. since they are not derived from IFRS, the definitions used in connections with the APMs might not be standardised with those adopted by other companies/groups and therefore they are not comparable;
6. the APMs and definitions used herein are consistent and standardised for all the periods for which financial information in this Base Prospectus is included.

The APMs reported below have been identified and used in the Base Prospectus because the Snam Group believes that:

- net financial debt provides a better evaluation of the overall level of debt, the capital solidity and the capacity to repay the debt; and
- performance measurements relating to EBIT and net profit, as well as adjusted configurations, analyse business performance, and provide a better comparison of the results; these indicators are also generally used for the purpose of evaluating company performance.

The Alternative Performance Measures identified from the management are:

- EBIT: Net operating income, calculated as the sum of the values pertaining to net profit, income taxes and net financial expenses, net of net income from equity investments;
- EBIT Adjusted: EBIT Adjusted excludes special items from EBIT. Income entries are classified as special items, if material, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business;
- Net financial debt: indicator of the ability to meet obligations of a financial nature, calculated as the sum of the values pertaining to the short- and long-term financial debt items net of cash and cash equivalents; and
- RAB: Value of net invested capital for regulatory purposes, calculated based on the rules defined by the ARERA in order to determine the benchmark revenues for the regulated businesses (ARERA Resolution 514/2013/R/gas for the gas transportation business, ARERA Resolution 438/2013/R/gas for the gas regasification business and ARERA Resolution 531/2014/R/gas for the gas storage business).

The table below shows key financial and operating data for each of the three regulated business areas of the Snam Group for the year ended 31 December 2019, based on the consolidated annual report of Snam Group at 31 December 2019:

			<b>Corporate and other activities</b>	<b>Consolidated Report Snam Total</b>	<b>Annual Group</b>
	<b>Transport(a)</b>	<b>Storage</b>	<b>Regasification</b>		

<b>Net financial debt (€m)</b>	N/A	N/A	N/A	11,923
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<b>RAB as of 31/12/2019 (€bn)</b>	16.4	4.0	0.1	20.5
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<b>Operational data</b>	Gas injected into the network (bcm): 75.37	Storage capacity (bcm): 17.0 of which 12.5 Modulation and 4.5 Strategic	One plant	LNG
	Gas pipeline network (km in operation): 32,727	Gas moved through storage system (bcm): 19.33 of which 10.16 injected and 9.17 withdrawn	Capacity: 3.5 bcm	

(a) data of Snam Rete Gas and ITG

Any financial or other data contained in this Base Prospectus regarding the Snam Group are, unless stated otherwise, as at 31 December 2019.

### Competitive Position

Any statements in this Base Prospectus regarding Snam's competitive position in Italy are, unless stated otherwise, based on information contained in the ARERA's 2020 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull'attività svolta*) dated 17 September 2020 (the "**ARERA 2020 Report**").

Currently the Snam Group, as an integrated operator, has the leading position in the regulated natural gas business in Italy.

As for Snam's international development activities, the 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 infrastructures with respect to the so-called "priority gas corridors" defined by the European Commission.

### Transportation

Even though there are no regulatory barriers to entry into the gas transportation business, in practice, the construction of a competing network of pipelines would entail substantial investment and lead-in times in addition to the requirement of obtaining authorisation from the MED. Given the nature of the natural gas sector, Snam, through its subsidiaries Snam Rete Gas and ITG, does not currently have significant competitors in the market for the transportation of natural gas in Italy that, at least in the short, to medium-term, will be able to provide alternative services. Factors that will affect the level of competition in the Italian gas market include the development of the regulatory framework, the level of demand for gas, as well as the extent to which local networks that are able to distribute greater quantities of gas to final customers are developed.

In 2019 Snam, through Snam Rete Gas and ITG, transported 99.9% of the aggregate amount of injected natural gas transported in Italy. The remaining (0.1%) of injected natural gas was transported by other operators.

### ***Regasification***

As at the year ended 31 December 2019, Snam operates, through GNL Italia, an LNG terminal located in Panigaglia in the Italian province of La Spezia, with a regasification capacity of up to 17,500 cubic metres of LNG per day, which, when operating at maximum capacity, can, therefore, inject annually over 3.5 billion cubic metres of natural gas into the transportation network. GNL Italia is the third largest operator in the Italian market of LNG regasification in terms of regasification capacity.

### ***Storage***

As at the year ended 31 December 2019, Snam held, through Stogit, ten storage fields under a concession regime with a total available storage capacity of 17 billion cubic metres, which represents the 94% of the total capacity in Italy for natural gas storage. There are currently two other storage operators active in Italy.

### ***History***

The name “*Snam*” dates back to October 1941 when the company “*Società Nazionale Metanodotti*” (not to be confused with the current Snam S.p.A.) was formed for the construction and operation of pipelines and the distribution and sale of gas. During the second half of the 20th century, “*Società Nazionale Metanodotti*” continued to develop a network of gas transportation pipelines spreading from the north of Italy through the rest of the country as well as international pipelines enabling import from Northern Europe, Algeria, Russia and Libya.

Following the enactment of Legislative Decree No. 164/2000 (the “**Letta Decree**”) requiring the separation of natural gas transportation and dispatching (including LNG regasification) from other natural gas activities (See “*Regulatory and Legislative Framework*”), on 15 November 2000, the company Rete Gas Italia S.p.A. was established and, in July 2001, it inherited from “*Società Nazionale Metanodotti*” the natural gas transportation and dispatching and LNG regasification operations. On 27 July 2001, Rete Gas Italia S.p.A. established GNL Italia S.p.A for the purposes of carrying out the regasification activities.

In October 2001, the Issuer’s corporate name was changed from Rete Gas Italia S.p.A. to Snam Rete Gas S.p.A. with the aim of emphasising to the market the continuity of values and skills, as well as corporate culture, associated with “*Società Nazionale Metanodotti*”.

In December 2001, Snam’s shares were listed on the MTA (*mercato telematico azionario*) division of the Borsa Italiana. In March 2002, Snam’s shares were included in the basket comprising the MIB-30 index of Borsa Italiana. From September 2002, Snam became a member of the FTSE4Good Index and from September 2009 a member of DJ Sustainability Index, which are a series of indices that measure the financial performance of companies that comply with globally-recognised rules on corporate conduct. Snam is also included in the FTSEMIB Index and in several leading international indices, including Stoxx Europe, S&P Europe, and MSCI Euro indices.

In June 2009, Snam bought from ENI the entire share capital of Italgas Reti S.p.A. (formerly Italgas S.p.A.), Italy’s leading natural gas distributor, and Stogit, the country’s biggest operator in the natural gas storage sector. Following this acquisition, the Snam Group became the largest integrated operator in the regulated gas sector in continental Europe in terms of amount of capital invested for regulatory purposes or RAB (regulatory asset base).

On 1 January 2012, in implementing Legislative Decree No. 93/2011 (“**Decree 93/2011**”), which encodes into national legislation the EU Directives concerning the Third Energy Package, Snam modified its corporate structure. The Issuer changed its corporate name from Snam Rete Gas S.p.A. to Snam S.p.A. and transferred the transportation and dispatching business to a new company named Snam Rete Gas S.p.A., taking into account familiarity with the brand associated with the leading Italian operator in the gas transportation business. Pursuant to the same corporate reorganisation, the “Unbundled Companies Administrative Services” and part of the “ICT (information and communication technology)” business units were transferred into the Snam Group from Eni Adfin S.p.A. and ENI respectively.

As a result, Snam became a holding company wholly owning the relevant operating companies that focus on the management and development of their respective businesses. Snam Rete Gas, the new transportation company, was configured as an Independent Transmission Operator, as defined in Italy's implementation of the "Third Energy Package" of the EU.

In compliance with the Third Gas Directive, in December 2011 Snam submitted an application to the ARERA for Snam Rete Gas to be certified as an Independent Transmission Operator and on 4 October 2012, the certification (Resolution 403/2012/R/gas) was adopted after the European Commission issued a favourable opinion on the preliminary certification adopted by the ARERA (Resolution 191/2012/E/GAS).

In accordance with Italian Law Decree No. 1/2012, which was converted into Law 27/2012 on 24 March 2012, and with Italian Presidential Decree issued on 25 May 2012 (the "**May Decree**") pursuant to which, *inter alia*, ENI was required to sell at least 25.1% of the ordinary shares of Snam in the shortest time frame compatible with market conditions, and in any event not later than 25 September 2013, on 30 May 2012 ENI and CDP announced that their respective boards of directors had approved the sale by ENI to CDP of 30% less one share of Snam's outstanding share capital (i.e. excluding the Issuer's treasury shares (*azioni proprie*)).

Upon fulfilment of certain conditions precedent (including approval from the AGCM), on 15 October 2012 ENI completed the sale to CDP of 1,013,619,522 ordinary shares of Snam, equivalent to 30% minus one share of Snam's voting capital, thereby losing control of Snam. Such transaction followed the sale to institutional investors of a further 5% of Snam's share capital (equivalent to 5.28% of the voting capital) by ENI on 18 July 2012. Subsequent to October 2012, ENI entered into other transactions pursuant to which it sold another portion of its shareholding in Snam.

Following completion of the ownership unbundling from ENI, in accordance with the procedures set out by the May Decree, the ARERA was required to issue a new certification of the transmission system operator, i.e. Snam Rete Gas, as provided for by Legislative Decree 93 of 1 June 2011 and, accordingly, in December 2012 Snam Rete Gas filed an application to be recertified as a Transmission System Operator operating under ownership unbundling.

With Resolution 7/2013/R/GAS published on 17 January 2013, the ARERA commenced the procedure aimed at the re-certification of Snam Rete Gas S.p.A. as Transmission System Operator under ownership unbundling pursuant to the Third Gas Directive. On 20 June 2013 the ARERA issued the Resolution No. 266/2013/R/gas on the preliminary certification of Snam Rete Gas S.p.A. in accordance with the ownership unbundling regime.

On 14 November 2013 the ARERA issued the Resolution No. 515/2013/R/gas on the definitive certification of Snam Rete Gas as a natural gas transmission operator under ownership unbundling requirements as set out by the May Decree.

Following the sale of part of the shares in CDP RETI by CDP to State Grid of China in the last quarter of 2014, with Resolution 20/2015/R/COM of 29 January 2015, the ARERA started a procedure aimed at confirming the fulfilment of the requirements set forth by the ARERA for adopting the certification decision, with reference in particular to the shareholder structure and ownership chain of Snam Rete Gas (see "*Ownership Unbundling*" below). Such procedure ended with a positive outcome in June 2016 and ARERA confirmed compliance with the ownership unbundling requirements and the certification decision issued in 2013.

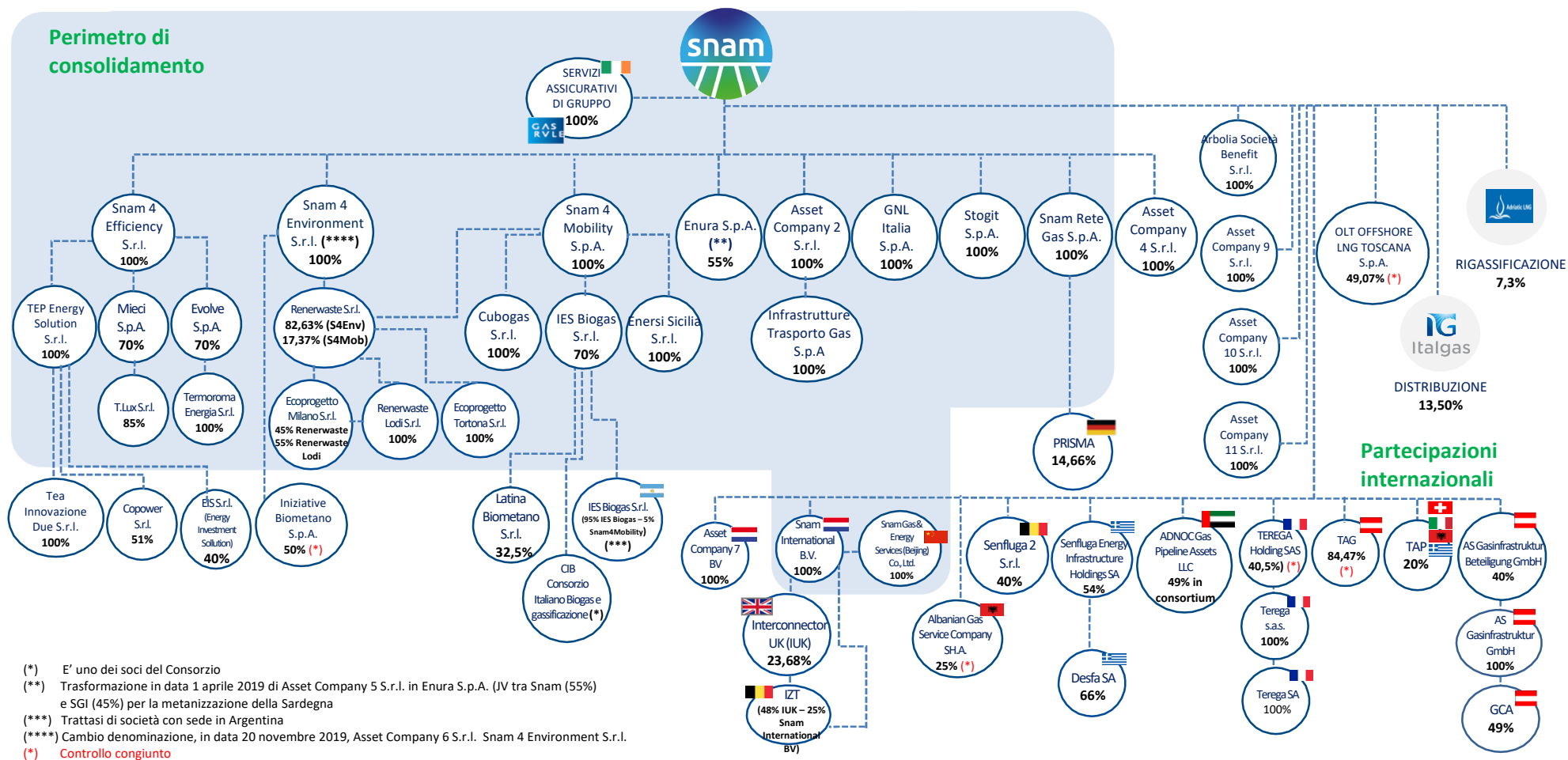
On 2 July 2015 the ECB added Snam to the list of issuers whose securities are eligible to be purchased under the public sector purchase programme.

On 7 November 2016, with the initial listing of Italgas S.p.A. (formerly ITG Holding S.p.A.) on the Electronic Stock Market organised and managed by Borsa Italiana S.p.A., the separation of Italgas Reti S.p.A. (formerly Italgas S.p.A.) from Snam entered into effect. Following the separation, Snam continues to hold a 13.5% equity investment in Italgas S.p.A.

On 7 November 2016, the date that the above-mentioned separation took effect, a shareholders' agreement signed on 20 October 2016 by CDP Reti and Snam became effective. Such shareholders' agreement constitutes a block voting shareholders' agreement, with Snam having the right of early withdrawal if, in the event of Snam opposing the vote of the syndicated shares on reserved subjects of an extraordinary nature, Snam does not sell its equity investment in Italgas within the next 12 months. Transfers of Snam's whole equity investment

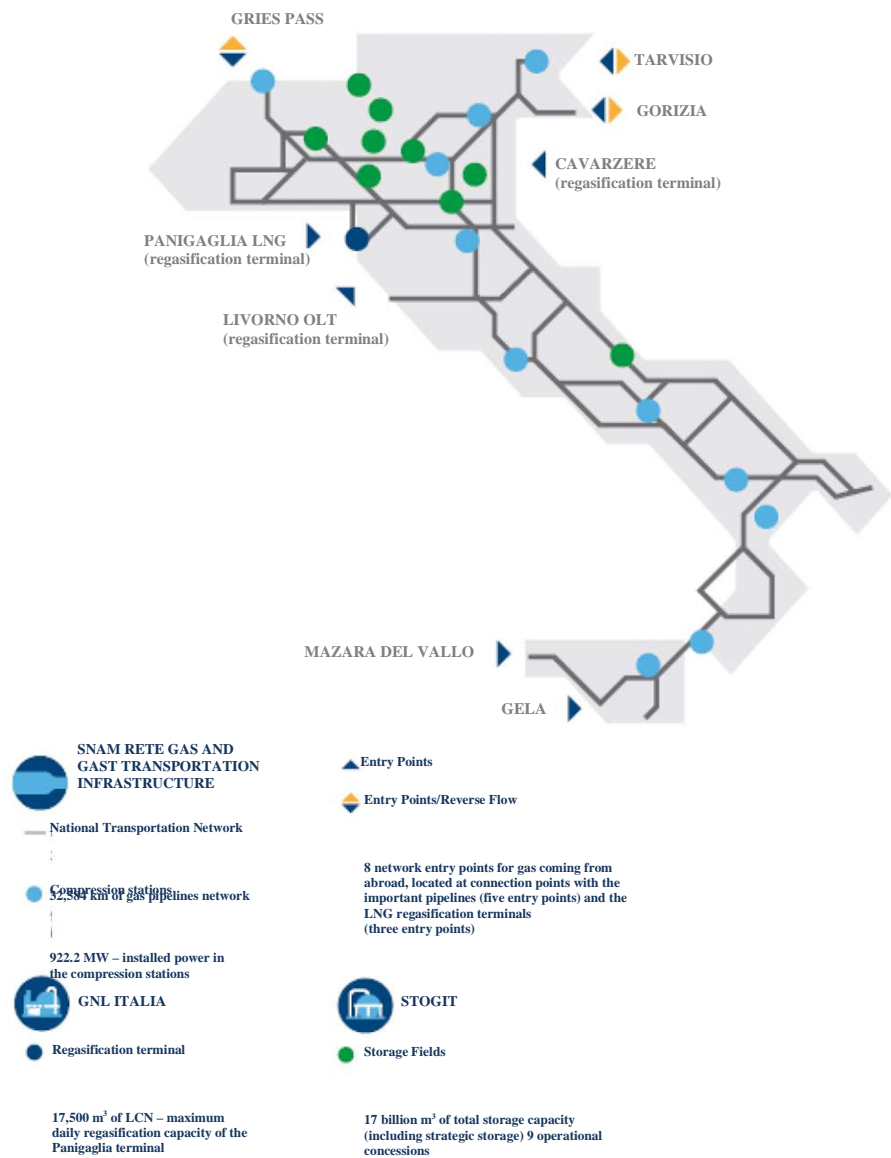
in Italgas are subject to pre-emptive rights of CDP Reti and to CDP Reti's prior consent in case of transfer to third parties, which will be required to comply with the same provisions under the shareholders' agreement. Snam may also increase its equity investment. The agreement is for three years, renewable unless notice is given; if Snam does not renew it, CDP Reti will have the option to purchase Snam's equity investment in Italgas at fair market value.

### *Snam Group Structure Chart*



**Business Overview**

The following map illustrates the Snam Group’s operations and infrastructure in Italy.



## Business Activities of the Snam Group

### 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<sup>12</sup> and then transported to the redelivery points, 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) and the LNG regasification terminals (Panigaglia, Cavarzere, Livorno). Moreover, Tarvisio, Gorizia, Gries Pass together with Bizzarone and San Marino are natural gas exit points interconnected with 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 2019, Snam Rete Gas and ITG owned over 32,726 kilometres of high and medium pressure gas pipelines (approximately 93% of the entire transportation system in Italy). The transmission system is also composed of 13 compressor stations with total power installed of 961 MW.

The following table shows the extent of the gas transportation system of Snam, through its subsidiaries Snam Rete Gas and ITG, as at 31 December 2019:

	2019
Transportation network (kilometres in use)	32,726
of which national network	9,726
of which regional network	23,000

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.

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 carries out also other relevant additional activities. In particular, Snam Rete Gas: (i) has been in charge of natural gas balancing (*Responsabile del Bilanciamento*) since 2011, in accordance with ARERA Resolution No. ARG/gas 45/2011 of 14 April 2011. With reference to the balancing service, the Italian TSO has also implemented the Network Code on Balancing approved by the European Commission with Regulation (EU) 312/2014, in accordance with ARERA Resolutions 470/2015/R/gas of 7 October 2015 and 312/2016/R/gas of 16 June 2016,

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<sup>12</sup> Pursuant to the Letta Decree the pipelines that form part of the national network of gas pipelines are identified, listened the *Conferenza Unificata* and the ARERA, by decree of the Ministry of Economic Development that provides for its update yearly or on request of a company exercising transporting activity.



and the new regime as implemented in the Snam Rete Gas Network Code has started with the Thermal Year 2016-2017; (ii) has a central role in the management of gas emergencies according to the MED and ARERA provisions; (iii) has a central role in carrying out the gas measurement services such as metering and meter-reading in accordance with ARERA Resolutions.

Snam Rete Gas also operates the Virtual Trading Point (*Punto di Scambio Virtuale* or “PSV”) 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 daily basis, with relevant book entries in the energy balance of each user. PSV operative working is regulated by the “*Conditions for using the System to perform exchanges/transfers of gas at the Virtual Trading Point*” issued by Snam Rete Gas and approved by ARERA under Resolutions No. 137/2002 and 22/2004. In addition, transactions on Gas Stock Exchanges which operate in the Italian System (Market Platform of the *Gestore dei Mercati Energetici S.p.A.* – GME, and third-party Stock Market Platforms) are recorded on the PSV through GME, which also manages the gas balancing market.

In December 2012, Snam Rete Gas and other leading European operators of the sector agreed to enter into the share capital of PRISMA - European Capacity Platform GmbH<sup>13</sup>. With an initial 19 TSO shareholders, PRISMA has since developed into Europe’s leading capacity trading platform with 24 shareholders from nine different EU countries (Italy, Austria, Belgium, Denmark, France, Germany, Slovenia, the Netherlands and UK) to offer transportation capacity through a single shared electronic platform<sup>14</sup>. There are currently 46 European gas transportation operators connected to the platform, linking the markets of 19 countries in the core of Europe.

Snam Rete Gas is certified by ARERA according to the ownership unbundling model pursuant to art. 9 Directive 2009/73/CE and art. 19 Legislative Decree 93/2011 (see section “*Principal Shareholders*” - “*Ownership Unbundling*” below).

## **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’ (*Filiera 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.

Law Decree (*Decreto Legge*) 179 of 18 October 2012, which was converted with amendments into Law 221 of 17 December 2012, concerning “*Further urgent measures for the growth of the country*”, extended the duration of concessions to build and operate the LNG regasification terminals currently in operation.

On September 30, 2015 GNL Italia submitted to the Ministry of Economic Development (“MISE”): (i) the formal withdrawal of the application for the “*Modernisation and upgrading plant at Panigaglia*” construction works authorisation, filed on June 19, 2007, and (ii) the will to finalise the application for authorisations for

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<sup>13</sup> This name, effective from 1 January 2013, replaces Trac-X Transport Capacity Exchange GmbH.

<sup>14</sup> In this regard, implementing the EC Regulation 984/2013, the ARERA approved Resolution 137/2014/R/gas and the subsequent changes to the Snam Rete Gas Network Code (Resolution 552/2014/R/gas).

the purposes that take into account the new energy policy guidelines issued by the MISE with the “*Consultation document for a National Strategy of LNG*” (as a result of Directive 2014/94 / EU of the European Parliament) and the related new context.

The MISE, on November 20, 2015, closed the authorisation proceedings for the “*Modernisation and upgrading plant at Panigaglia*” and contextually confirmed the extension of the existing activity.

## **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 of gas fields, gas treatment plants, compression plants and the operational dispatching system.

The volume of gas moved in the storage system in 2019 by Stogit was 21 billion standard cubic metres. In 2019 Stogit made available 12.5 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.

The gas storage business of the Issuer is dependent on concessions granted by the MED. Under Law n. 221/2012 (article 34, comma 18) gas storage concessions granted after the entry into force of the Letta Decree last no more than 30 years with a single extension period of ten years. The “20+10+10” year regime set out in art. 1, comma 61 of Law n. 239/2004 applies to gas storage concessions granted before the entry into force of the Letta Decree. The expiry date of each of Stogit’s concessions is as follows:

<b>CONCESSION</b>	<b>EXPIRY DATE</b>	<b>DATE EXTENDED APPLICABLE)</b>	<b>ALREADY (IF</b>
1. Brugherio (Lombardy)	December 2016	N.A.	
2. Cortemaggiore (Emilia Romagna)	December 2016	N.A.	
3. Minerbio (Emilia Romagna)	December 2016	N.A.	
4. Ripalta (Lombardy)	December 2016	N.A.	
5. Sabbioncello (Emilia Romagna)	December 2016	N.A.	
6. Sergnano (Lombardy)	December 2016	N.A.	
7. Settala (Lombardy)	December 2016	N.A.	
8. Fiume Treste (Abruzzo)	June 2012	June 2022 (first extension)	
9. Bordolano (Lombardy)	November 2031	N.A.	

CONCESSION	EXPIRY DATE	DATE EXTENDED APPLICABLE)	ALREADY (IF
10. Alfonsine (Emilia Romagna)	December 2016	N.A.	

Eight concessions (Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Alfonsine) expired on 31 December 2016. Such concessions will be extended no more than twice, each time for a 10-year period. Accordingly, Stogit promptly submitted an application for extension to the Ministry of Economic Development and the authorisation process is currently pending. Stogit will continue to manage the concessions until completion of the authorisation process pursuant to specific law provisions. The concession on Bordolano is due for extension in 2031 and the concession of Fiume Treste was extended for a ten-year period for the first time in 2011 starting from its expiry date in 2012 and is next due for extension in 2022.

The Issuer's management believes that, pursuant to such legislation, and also taking into account the modifications entered into force under Law n. 221/2012, the Issuer is well positioned to qualify for its concessions to be extended upon expiry.

### **OTHER ACTIVITIES**

Starting from 2017, Snam is also active in the "Sustainable mobility" and "Energy efficiency" sectors. Starting from 2019, Snam is also active in the development of hydrogen initiatives. In particular:

#### **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 CNG and LNG service stations in Italy.

Snam 4 Mobility holds, *inter alia*:

- 100% participation in Cubogas, operating in the design, development and production of technological solutions for natural gas fuelling stations for the automotive sector;
- 70% of IES Biogas, one of the leading Italian companies in the design, construction and management of biogas and biomethane production plants;
- 100% of Enersi, a company that owns the authorisation for the development of a plant to convert biomethane from urban solid waste in the province of Caltanissetta, Sicily; and
- 17.37% of Renerwaste, a company which is an Italian leading operator of anaerobic digestion plants from organic waste.

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

Snam 4 Environment holds, *inter alia*:

- 82.63% of Renerwaste, one of Italy's leading operators of anaerobic digestion plants from organic waste; and
- 50% of Iniziativa Biometano, a company that manages biogas and biomethane plants fed with agricultural biomass in Italy.

#### **2. "Energy efficiency"**

Snam 4 Efficiency is the company established by Snam with the aim of promoting the development of energy efficiency which, through its operating companies, supports, the clients in reducing their energy expenditure and environmental impact and in-creasing competitiveness.

Snam 4 Efficiency holds, *inter alia*:

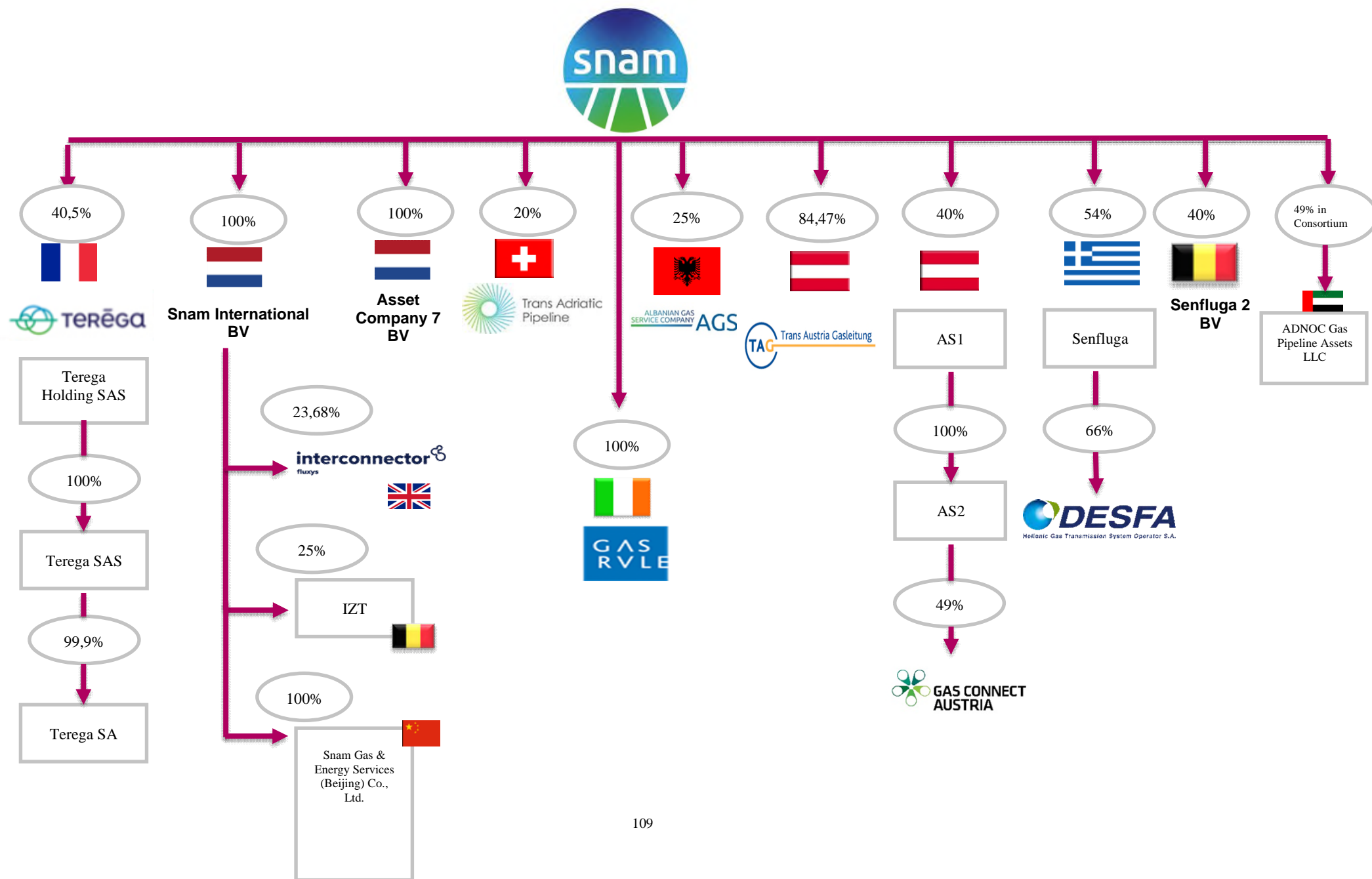
- 100% participation in TEP which is an energy service company, acquired by Snam as part of its strategic plans aimed at facilitating decarbonisation and better energy use in the areas where it operates. After the incorporation of TEA Servizi, TEP is also active in the design, construction and operation of CHP (combined heat and power) plants and electrical systems for industrial customers, with a particular focus on small and medium enterprises;
- 70% participation in Miecì, which is an operator specializing in the management of integrated energy and technological services for hospitals and public administration buildings, for the tertiary sector and for public lighting; and
- 70% participation in Evolve, which offers efficiency solutions for private homes, urban districts and for public residential construction.

### 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.

Such initiatives include, *inter alia*, (i) a collaboration with Baker Hughes, for testing the world’s first "hybrid" hydrogen turbine designed for a gas network; and (ii) a partnership with ITM Power Plc aimed at developing joint projects and initiatives in the hydrogen sector; such partnership also includes the simultaneous entry of Snam into ITM Power Plc share capital, with an investment of 33 million Euro through the subscription of a minority stake representing approximately 2.3% upon completion of the capital increase through a firm placing and open offer of 165 million GBP (about 182 million Euros) offered for subscription by the company to Snam and other institutional investors, and 7 million GBP (about 7 million Euros) to ITM’s shareholders.

## INTERNATIONAL ACTIVITIES



In accordance with the principles of the European Third Energy Package, which promotes the integrated development of infrastructure and common rules for network access in different countries in Europe, and in order to take advantage of the privileged position it enjoys in Europe's gas corridors, Snam has increased its focus on the international scene in recent years.

Snam's growth abroad, which from 2012 saw the company engaged in strategic partnerships and M&A operations, led to the reshaping of its role within the European infrastructure system.

Snam initiatives in the European market aim to promote cross-border flows and to link gas markets especially along the so-called South-North Corridor.

Details on regulation of international activities are available on page 174 *et seq.* (*Regulatory – Tariffs of International Activities*) of the Base Prospectus.

### **Interconnector UK**

With two separate transactions closed in 2012 Snam, together with the Belgian company Fluxys, acquired through their two jointly owned companies (Gasbridge 1 and Gasbridge 2):

- (a) an overall 31.5% stake in Interconnector (UK);
- (b) 51% of IZT;
- (c) 10% of Huberator S.A., a subsidiary of Fluxys - liquidated in 2016 following the transfer to Fluxys, in 2015, of its entire business.

In January 2018 Fluxys and Caisse de Dépôt et Placement du Québec (CDPQ) reached an agreement for the purchase by Fluxys of the 33.5% of Interconnector UK owned by CDPQ. In March 2018, Gasbridge 1 and Gasbridge 2 (currently, "Snam International B.V.") - both jointly owned by Snam and Fluxys -, exercised their pre-emption right and finalised the acquisition of a 7.93% stake each, so increasing Snam's indirect aggregate stake in Interconnector UK to nearly 24%.

In April 2018, Fluxys and Snam finalised a mutual sale/purchase of the respective shares held in Gasbridge 1 and Gasbridge 2 upon which Snam became the sole owner of Gasbridge 2 and through it of 23.68% of Interconnector UK and 25% of IZT. Gasbridge 2 has been subsequently renamed Snam International B.V..

Interconnector UK owns and operates a 235 km subsea natural gas bidirectional pipeline between Bacton (UK) and Zeebrugge (BE), one receiving terminal and compression station in Bacton, one receiving terminal and a compressor station in Zeebrugge. Interconnector UK links the UK to Belgium with a maximum capacity of 20 bcm/y from the UK to Belgium and 25.5 bcm/y from Belgium to the UK. In 2015, the British Energy Regulator (Ofgem) and the Belgian Energy Regulator (CREG) confirmed the certification of Interconnector UK pursuant to the Ownership Unbundling regime.

### **TEREGA**

In 2013, Snam purchased a 45% stake in the second largest French transport and storage operator, TIGF (now, "TEREGA") (along with the Singapore sovereign investment fund GIC and Electricité de France (EDF), which hold the remaining 35% and 20%, respectively). The transaction was completed on 30 July 2013 following the receipt of all required approvals, including the anti-trust approval from the European Commission. In July 2014, TEREGA obtained from the French Energy Regulator (*CRE - Commission de régulation de l'énergie*) the certification pursuant to the Ownership Unbundling regime.

In 2015, Crédit Agricole Assurances entered into the share capital of TEREGA with a 10% stake. As a result, Snam currently holds 40.5% of the share capital of TEREGA (GIC, EDF and Crédit Agricole Assurances hold the remaining 31.5%, 18% and 10% respectively).

TEREGA is based in Pau, it employs 654 people and owns and operates a network of gas pipelines stretching over more than 5,000 km transporting around 15% of the total gas volumes in France. In addition, TEREGA also

operates approximately 25% of French storage capacity within 2 aquifer storage facilities for a total storage capacity close to 6 Bcm (working gas 2.7 Bcm). In 2017 a law to regulate storage business became effective in France and in February 2018 the French Regulator CRE defined the key parameters of the regulation; the new regulated regime has been in place with effect from 1<sup>st</sup> January 2018.

### **TAG**

In December 2014 Snam acquired 84.47% of the share capital of TAG (with economic rights equal to 89.22%).

The remaining 15.53% of the share capital (corresponding to 10.78% of the economic rights) is held by Gas Connect Austria GmbH, an Austrian gas transmission company of the OMV Group.

In September 2015 E-Control confirmed the certification of TAG as an Independent Transmission System Operator.

TAG is based in Vienna and owns and operates the Austrian section of the pipeline that connects Russia to Italy. The pipeline connects Baumgarten, on the Austrian border with Slovakia, with Arnoldstein, on the border with Italy (Tarvisio). It consists of three parallel lines extending approximately 380 km each, 5 compressor stations, and auxiliary plants with an overall length of about 1,140 km. TAG operations are entirely subject to Austrian regulation.

In April 2018, TAG completed a refinancing exercise, through the recourse to debt capital market instruments and banking facilities, resulting in a significant increase in the maturity and the fixed rate portion of its debt and a strong reduction in the interest rate risk.

### **TAP**

In December 2015, Snam completed the acquisition of the 20% interest held by Statoil Holding Netherlands B.V. in the TAP registered in Baar, canton Zug, Switzerland, for an amount of €130 million. Snam also replaced Statoil in the shareholders' loan granted to TAP (at the date of the acquisition equal to €78 million) and took over all of Statoil's rights and obligations related to the development of the pipeline project.

In addition to Snam, TAP shareholders are BP (20%), Fluxys (19%), Enagas (16%), SOCAR (20%) and Axpo (5%). TAP is substantially complete and will operate the Trans Adriatic Pipeline, spanning from the Turkey-Greece border to Italy along the South Corridor crossing Greece, Albania and the Adriatic sea, with a view to ensure the arrival in Europe of 10 Bcm/y of Azeri gas via Greece and Albania with the potential expansion to 20 Bcm/y and reverse-flow (5 Bcm).

TAP is 878 kilometres in length (Greece 550 km; Albania 215 km; Adriatic Sea 105 km; Italy 8 km) starting near Kipoi on the border between Turkey and Greece, where it will connect with the Trans Anatolian Pipeline (TANAP) to connect to the Italian natural gas network. The asset consist of 48-inch (1,200 mm) pipes for pressure of 95 bars (9,500 kPa) on the onshore section and 36-inch (910 mm) pipes for pressure of 145 bars (14,500 kPa) on the offshore section with two compressor stations, one in Greece and one in Albania and a receiving terminal in Italy.

In April 2016 the national regulatory authorities of Albania (ERE), Greece (RAE) and Italy (ARERA) certified TAP on the basis of the independent transmission operator (ITO) model. TAP project has been recognised as a Project of Common Interest (PCI) by the European Commission.

In 2017 Snam, through the *Global Solutions Business Unit*, signed a contract with TAP whereby Snam provides to TAP services connected to the realisation of the Italian portion of the transport infrastructures.

On 27 December 2018, TAP completed €3.9 billion project financing. The financing is provided by a group of 17 commercial banks, alongside the European Bank for Reconstruction and Development and the EIB. Part of the financing is covered by the export credit agencies - bpifrance, Euler Hermes and Sace. Following this action, Snam's outstanding shareholder loan to TAP was reimbursed for an amount of €519 million through a true-up mechanism.

As of November 2020, the TAP pipeline has been filled with natural gas from the Greek-Turkish border up to the pipeline receiving terminal in Southern Italy. TAP is currently finalizing preparations for launching the commercial operations and offering capacity to the market in alignment with the adjacent TSOs. The Interconnection Point between TAP pipeline and the natural gas transmission system of Snam Rete Gas in Puglia (Italy) is expected to be completed and ready to transport gas by mid-November 2020.

### **GCA**

In December 2016 Snam, in consortium with Allianz group, acquired 49% of the share capital of Gas Connect Austria GmbH from OMV, the international integrated oil and gas group based in Vienna. The acquisition has been completed by the consortium through a jointly controlled vehicle indirectly owned 40%/60% by Snam and Allianz respectively, which has secured non-recourse financing commitments up to €310,000,000 by a pool of international banks.

The total cash consideration paid by the consortium to OMV is equal to €601,000,000, which include €147,000,000 for the pro-rata reimbursement of the existing shareholder loan through entering into a new shareholder loan with GCA.

The economic effect date of the transaction is 1 January 2016. OMV, which is entitled to keep the full dividend in the amount of €80,000,000 paid by GCA for the financial year 2015, holds the remaining 51% of the share capital of GCA.

GCA is an Austrian Independent Transmission System Operator active in both the transmission and distribution sectors, which operates an 886 km long natural gas high-pressure pipeline grid in Austria and markets transportation capacity to meet domestic natural gas demand and support export to Europe.

On July 2017, Snam and Allianz group finalised the refinancing of GCA's acquisition vehicle, mainly through a long tenor private placement replacing the existing bank-based acquisition financing.

### ***Group captive insurance – Gasrule Insurance DAC***

The Board of Directors of Snam held on 12 February 2013 approved the new scheme of insurance programme based on the creation of a captive insurance company based in Ireland.

With a view to ensuring more effective and efficient risk management for the Group, following the authorisation from the Central Bank of Ireland dated 15 July 2014, the captive insurance company Gasrule Insurance DAC ("**Gasrule**") has been in operation since July 2014. The company is headquartered in Dublin and is wholly owned by Snam. The corporate purpose of Gasrule is to cover the Snam Group's industrial risks.

On 10 July 2014, Snam paid a sum of €19,999,999 by way of a capital increase. As at the date of this Base Prospectus, Gasrule's share capital consists of 20,000,000 shares, each with a par value of €1. Following the entry into force of the Irish Companies Act 2014, and in order to comply with the provisions set forth therein, on 23 March 2016 Gasrule has been re-registered as Gasrule Insurance Designated Activity Company (DAC).

### **DESFA**

On 20 December 2018, the consortium consisting of Snam (60%), Enagás Internacional S.L.U. (20%) and Fluxys Europe B.V. (20%) completed the acquisition of a 66% stake in Hellenic Gas Transmission System operator S.A. ("**DESFA**"), the national operator in the natural gas infrastructure sector, from the Hellenic Republic Asset Development Fund (HRADF) and Hellenic Petroleum for a consideration equal to €535 million.

The consortium, which was awarded the tender for the DESFA privatisation in April 2018, made the acquisition through Senfluga Energy Infrastructure Holdings S.A., which obtained a non-recourse acquisition financing corresponding to approximately 65% of the enterprise value to be redeemed in over 10 years.

In December 2018, the national regulatory authorities of Greece (RAE) certified DESFA on the basis of the ownership unbundling (OU) model.



DESFA owns and operates on a fully regulated basis:

- a gas transmission network in Greece constituted of transmission branches with a total length of circa 1.500km extending from the main transmission pipeline and supplying natural gas to the regions of Eastern Macedonia, Thrace, Thessaloniki, Platy, Volos, Trikala, Oinofyta, Antikyra, Aliveri, Korinthos, Megalopoli, Thisvi and Attica; and
- the LNG Regasification Terminal “Revithoussa” that is directly connected to the Hellenic gas transmission system.

In January 2020, Snam and the other shareholders of Senfluga, Enagás Internacional S.L.U. and Fluxys Europe B.V., completed the transfer of a stake equal to 10% of the corporate capital of Senfluga, proportionally to their participation, in favour of a Greek investor, DAMCO Energy S.A. Consequently, the participation of Snam in the share capital of Senfluga currently amounts to 54%.

On 4 November 2020 DESFA signed a deal to buy a stake in an offshore liquefied natural gas (LNG) terminal in northern Greece. DESFA took a 20% stake in the consortium which is developing the Alexandroupolis LNG project, thus becoming, upon final clearance of the Antitrust Authority to be expected in Q1 2021, one of the partners in the project, along with Mrs. Elmina Kopelouzou, Founding Shareholder, GasLog Cyprus Investments Ltd, DEPA Commercial SA and Bulgartransgaz EAD, each having a 20% stake. The floating terminal, a European Project of Common Interest (PCI), is expected to be operational by 2023. It will have a capacity of around 6 billion cubic metres of gas per year and will cost around 380 million euros, and it strengthens security of supply and diversifies sources and routes of energy in the Balkan area.

#### ***Albanian Gas Service Company***

At the end of November 2018, Snam and Albgaz established a joint venture (Albanian Gas Service Company Sh.a., “**AGSCo**”) to provide management and maintenance (O&M) of the Albanian section of the TAP pipeline. AGSCo’s share capital is held 75% by Albgaz and 25% by Snam.

AGSCo signed its first contract of O&M services with TAP at the end of December 2018 to maintain the TAP pipeline in Albanian territory. The set-up of the joint venture and the execution of the O&M contract follows the conclusion of an international tender called by Albgaz for the selection of a qualified partner able to support the Albanian company and opens up potential future technical collaborations for the development of the local gas market.

#### ***Snam Gas & Energy Services (Beijing) Co., Ltd.***

In the first quarter of 2019, Snam has established its local presence in China, incorporating a company (Snam Gas & Energy Services (Beijing) Co., Ltd.) which is intended to be a means to better analyse Chinese gas infrastructures market and potential related business opportunities.

#### ***ADNOC Gas Pipeline Assets LLC***

On July 2020, the consortium made up of Snam, Global Infrastructure Partner (GIP), Brookefield Asset Management, GIC, Ontario Teachers’ Pension Plan and NH Investment & Securities completed the acquisition of 49% of ADNOC Gas Pipeline from Abu Dhabi National Oil Company (“**ADNOC**”).

ADNOC Gas Pipeline is the company that holds for a period of 20 years, the tariff-based rights for the infrastructures (38 pipelines) that connect ADNOC upstream activities to Abu Dhabi’s consumption points and the export and interconnection terminal to neighboring Emirates. The remaining 51% of ADNOC Gas Pipeline is controlled by ADNOC.

The transaction valued 100% of ADNOC Gas Pipeline at approximately 20,7 billion dollars. The consortium obtained approximately 8 billion dollars in funding from a pool of international banks. The equity contribution

is distributed proportionally among the members of consortium, who all hold equal shares with exception of the leader GIP. For Snam in detail, the outlay with its own funds amounts to approximately 250 million dollars.

For Snam, which is the consortium's only industrial operator, this is an important investment opportunity in strategic infrastructure, with the potential for future collaborations in the energy transition in the Gulf area.

## Key Operating Figures

The table below provides some key operating figures for the Snam Group's business at as 31 December 2018 and 31 December 2019:

	<u>2018</u>	<u>2019</u>	<u>Change</u>	<u>Change (%)</u>
<b>Natural gas transportation <sup>(a)</sup></b>				
Natural gas injected into the national gas transportation network (billions of cubic metres) <sup>(b)</sup>	<b>72.82</b>	<b>75.37</b>	2.55	3.5
Transportation network (kilometres in use)	<b>32,625</b>	<b>32,727</b>	102	0.3
<b>Liquefied Natural Gas (LNG) regasification <sup>(a)</sup></b>				
LNG regasification (billions of cubic metres)	<b>0.91</b>	<b>2.40</b>	1.49	
Allocated Capacity (million of cubic meters of liquid)	<b>1.41</b>	<b>4.13</b>	2.72	192.9
<b>Natural gas storage <sup>(a)</sup></b>				
Available storage capacity (billions of cubic metres) <sup>(c)</sup>	<b>12.4</b>	<b>12.5</b>	0.1	0.8
Natural gas moved through the storage system (billions of cubic metres)	<b>21.07</b>	<b>19.33</b>	(1.74)	(8.3)
<b>Employees in service at year end (number) <sup>(d)</sup></b>	<b>3,016</b>	<b>3,025</b>	9	0.3
<i>by business segments:</i>				
– Transportation	<b>1,915</b>	<b>1,945</b>	30	1.6
– Regasification	<b>64</b>	<b>65</b>	1	1.6
– Storage	<b>59</b>	<b>61</b>	2	3.4
– Corporate and other activities (e)	<b>978</b>	<b>954</b>	(24)	(2.5)

## Notes

(a) With reference to the 2019 financial year, gas volumes are expressed in Standard cubic metres (Smc) with an Average Calorific Value (ACV) of 38.1 MJ/Smc (10,572 kWh/Smc) for transport and regasification and 39.23 MJ/Smc (10,895 kWh/Smc) for the storage of natural gas for the thermal year 2019-2020.

(b) The data for 2019 were updated at 27 January 2020. The 2018 figures have been definitively updated and are consistent with those published by the Ministry of Economic Development.

(c) Working gas capacity for modulation, mining and balancing services, allocated in full for the thermal year 2019-2020.

(d) Fully consolidated companies.

(e) The figure for 2019 includes the resources coming, respectively, from Renerwaste joining the scope of consolidation (47 resources) and TEA Servizi (8 resources).

## Employees

As at 31 December 2019, the Snam Group had 3,025 employees. The tables below show the number of personnel employed in each contractual position, the number employed by each company and by each Business Unit:

Personnel in service by position (number)	2018	2019	Change
Executives .....	107	111	4
Managers .....	480	493	13
Office workers .....	1,682	1,683	1
Manual workers.....	747	738	-9
	<b>3,016</b>	<b>3,025</b>	<b>9</b>
Personnel in service by Company	2018	2019	Change
Snam Rete Gas (*)	1,913	1,945	32
GNL Italia	64	65	1
Stogit	59	61	2
Infrastrutture Trasporto Gas	2	0	-2
Snam (**)	840	744	-96
Snam 4 Mobility	11	12	1
Snam International (***)	1	8	7
IES Biogas	42	48	6
TEP Energy Solutions (****)	24	32	8
Cubogas S.r.l	60	63	3
Renerwaste S.r.l. (*****)		47	47
	<b>3,016</b>	<b>3,025</b>	<b>9</b>

(\*) Includes personnel in service at Enura S.r.l..

(\*\*) Includes personnel in service at Gasrule Insurance DAC.

(\*\*\*) Includes personnel in service at Snam Gas & energy services.

(\*\*\*\*) Includes personnel in service at TEA S.r.l.

(\*\*\*\*\*) Includes personnel in service at Renerwaste Lodi S.r.l.

<b>Personnel in service by Business Unit</b>	<b>2018</b>	<b>2019</b>	<b>Change</b>
BU Industrial Assets (*) .....	2,197	2,208	11
BU International & Business Development (**)	33	38	5
BU Commercial, Regulation and Development (***)	249		-249
BU Energy Transition (****)		222	222
BU Hydrogen		11	11
Staff	537	546	9
	<b>3,016</b>	<b>3,025</b>	<b>9</b>

(\*) Includes personnel in service at Infrastrutture Trasporto Gas and Enura.

(\*\*) Includes personnel in service at Snam International, Snam Gas & Energy Services and former BU Global Solutions.

(\*\*\*) Former BU Commercial, Regulation and Development included in BUs Industrial Assets and BU Energy Transition.

(\*\*\*\*) Includes personnel in service at Snam 4 Mobility, IES Biogas, Cubogas, TEP and Renerwaste.

## Research and Development

Through its subsidiaries, Snam is involved in some particularly interesting and innovative activities aimed at ensuring the increasing reliability in the management of its activities.

Snam is a member of GERG (European Gas Research Group, [www.gerg.info](http://www.gerg.info)), through which it can share research and innovation projects and establish synergies with other European transporters and distributors of natural gas. In particular, it is involved in a project for the evaluation of methods used at international level for estimating natural gas emissions. Snam is also a member of the EPRG (European Pipeline Research Group, [www.eprg.net](http://www.eprg.net)), an association that researches pipeline-related topics and counts Europe's biggest gas transportation and pipeline manufacturing companies among its members. Within this framework, projects (divided into three broad areas: Design, Materials and Corrosion) are in place to continually improve expertise in managing the integrity of methane pipelines throughout their life cycle. Currently, the projects of key interest for Snam concern: (i) the study of a new model for evaluating the integrity of pipelines subjected to mechanical damage and its correlation with the most recent tools for the detection and measurements of damages in operating pipeline and (ii) the acceptability of girth weld defects based on actual defect shapes and interaction coming from last generation NDT (Non Destructive Testing).

In 2017, Snam concluded the “Gas Transportation Network Asset Maintenance System” project (“*Sistema Manutenzione Asset Rete Trasporto Gas SMART GAS*” project), which provides a complete overhaul of Operation & Maintenance work processes and rules relating to the transportation network, the remote control and metering facilities. In 2018, that system was applied also to the compression stations and to the storage plants. In 2020, it was also applied in LNG regasification terminal. Today, the system is managed with a continuous improvement approach for the whole Snam assets.

Gas control field devices upgrading project to enhance remote control is ongoing. Regarding further developments to increase the “intelligence” and automation of the gas network, in 2019 the Smart Device project has started. This project was included in the innovation program SnamTEC Operations (Tomorrow’s Energy Company) together with 57 other projects covering Operation & Maintenance, Gas Operation, Asset Integrity and Enhanced asset. Smart Device project covers pipelines, compression stations and storage plants.

After a feasibility study, Snam is in the engineering phase to install turboexpander in one of its plants. Pressure drop at the Reduction and Regulation plants is necessary to delivery gas to the end users. Pressure drop could be used to self- produce energy. Normally this energy is lost by using valves lamination. Turboexpander will substitute valves in a PILOT plant, becoming a case study.

### **Cybersecurity Strategy**

Since 2018, with the creation of the Global Security and Cyber Defence Department, Snam has developed its own holistic cybersecurity strategy, which is based on a framework defined in accordance with standard principles on the subject and which focuses constant attention on Italian and European regulatory developments, with particular focus on the world of critical infrastructures and essential services. First and foremost, this strategy involves adapting Snam’s own processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and ISO 22301 (Business Continuity Management Systems) and the formal certification of conformity to the listed standards.

Alongside this and in accordance with technological developments, solutions aimed at protecting the Issuer from cyber threats and malware are assessed and, where deemed appropriate, implemented. More specifically, Snam has defined a model of cybersecurity incident management aimed at preventing and, when necessary, ensuring timely remediation in the event of events that could damage the confidentiality and integrity of the information processed and the IT systems used. At the base of the activity is a Security Incident Response Team which, using technologies that allow collecting and correlating all the security events recorded on the entire perimeter of the company’s IT infrastructure, has the task of monitoring all the anomalous situations from which negative impacts may result for the company and to activate, where necessary, escalation plans suitable to guarantee the involvement of the various operating structures. With reference to the management of information in support of the business processes, it is considered appropriate to stress that the company owns the asset (fibre) used for the transportation of data to and from the territory; this results in intrinsically greater security thanks to the lack of dependency on the service provided by third parties and the possibility of making exclusive use of the communication channel. Lastly, as part of cyber incident management (preventive and reactive), information-sharing with national and European institutions and peers is used in order to improve the capacity and speed of response following various possible negative events.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of weak signals and raising consciousness about risks of a cyber nature that could occur during the course of normal work activities.

### **Financing**

During the last two years, the optimisation of the group’s financial structure continued, with a view to making it fit better with business requirements in terms of debt duration and exposure to interest rates, reducing the overall cost of borrowing at the same time.

On 28 January 2019, Snam has signed a €135 million financing with the European Investment Bank (EIB), with a fixed rate of 1.372% and maturity in December 2038, for various projects aimed at replacing and modernising

some pipelines and plants for natural gas transport and storage.

On 28 February 2019, Snam completed the issuance of its first climate action bond for an amount of €500 million, with a 1.25% coupon and maturity on 28 August 2025. Through the issue of the first climate action bond in Europe, Snam aims to consolidate its role in the energy transition in Europe, to promote investor awareness of Snam's ESG (*environment, social and governance*) initiatives and investments and to diversify its investor base.

On 6 June 2019, Snam signed a loan agreement for €25 million with the European Investment Bank (EIB) for the development of projects regarding natural gas and biomethane sustainable mobility for light and heavy vehicles, developed by the subsidiary Snam4Mobility, with maturity December 2031 and fixed rate of circa 0.55%.

On 7 June 2019, Snam completed the issuance of a private placement addressed to a pool of primary institutional investors for an amount of €250 million, with a 1.625% coupon and maturity in January 2030.

On 31 July 2019, Snam signed a loan agreement for €105 million with the EIB for the construction of infrastructure projects in the natural gas transmission sector, with a duration of 20 years (maturity 30 June 2039) and a fixed rate of circa 0.64%.

In August 2019 Snam extended by one year the term of the pool banking facilities of €3.2 billion. The two pool banking facilities, amounting to €2.0 billion and €1.2 billion, shall expire in 2023 and 2024, respectively.

In September 2019 Snam successfully completed the issuance of a two tranche fixed rate note issue, tenor of circa 5 years and 15 years, amount of €0.5 and €0.6 billion, and coupon of 0% and 1% respectively.

On 2 December 2019, Snam completed a bond buyback for a nominal amount of approximately €597 million, with an average coupon of approximately 1.3% and a remaining maturity of approximately 3.9 years. The repurchase price of €631 million, including commissions and accrued interests, was partly financed through a private placement for an amount of €0.2 billion as a reopening of the existing fixed rate bond issued in September 2019, with maturity May 2024 and 0% coupon.

On 10 June 2020, Snam successfully completed the issuance of its first transition bond for an amount of €500 million, with a 0.75% coupon and maturity on 17 June 2030. Through the first transition bond, Snam aims to reiterate the allignment of the financial structure with its corporate strategy.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs.

### **Share Buyback Plan and Incentive Plan**

The Ordinary Shareholders' Meeting of Snam held on 18 June 2020 resolved to authorise - after revocation of the authorisation for the purchase of treasury shares granted by the Ordinary Shareholders' Meeting of 2 April 2019, for any part not yet implemented - the purchase of treasury shares, to be made in one or more tranches, over a maximum period of 18 months, with a maximum disbursement of €500 million, and without exceeding 6.50% of the share capital subscribed and freed up (taking into account the treasury shares already held by the Issuer).

The Extraordinary Shareholders' Meeting, held on the same day, approved the cancellation of 33,983,107 treasury shares with no par value, without reduction of the share capital, and the consequent amendment of art. 5.1 of Snam's by-laws. As a consequence, after the execution of the resolution on 6 July 2020, Snam's share capital is €2,735,670,475.56 divided into 3,360,857,809 shares with no indication of nominal value.

In August 2020, Snam assigned no. 1,511,461 shares to the beneficiaries of the Long Term Share Incentive Plan with reference to the shares matured for 2017. On the same date, Snam bought back 653,576 shares from the beneficiaries, in order to compensate for the fiscal burden deriving from the assignment.

As at the date of this Base Prospectus, Snam holds no. 90,642,115 shares equal to 2.697% of Snam's share capital.

### **Euro Commercial Paper ("ECP") Programme**

Snam's Board of Directors' meeting held on 2 October 2018 approved a Euro Commercial Paper Programme ("**ECP Programme**") and the issue of one or more Euro Commercial Papers through the ECP Programme within 2 years from 2 October 2018 for a maximum amount of €1 billion, increased by the amount corresponding to the Euro Commercial Papers redeemed during the same period and to be placed with institutional investors.

On 19 March 2019, Snam's Board of Directors resolved to increase the size of the ECP Programme approved on 2 October 2018 from €1 billion to €2 billion.

As of 30 June 2020, the amount of Euro Commercial Papers outstanding is equal to €2 billion.

On 12 October 2020, the Board of Directors approved the renewal of the ECP Programme and the issue of one or more ECP Programme through the ECP Programme by 3 years from 12 October 2020, up to a maximum amount of 2.5 billion euros and to be placed with institutional investors according to the terms and conditions provided for by the ECP Programme. The ECP Programme allows Snam to diversify its short-term financing instruments towards a more flexible treasury management optimization strategy. This may also be linked to ESG key performance indicators which will be outlined as part of Snam's Strategic Plan in November 2020, thus increasing the sustainable finance instruments available to the Issuer.

### **Enterprise Risk Management**

The Snam Group, in line with the indications of the Code of Corporate Governance and international best practices, has instituted, under the direct supervision of the General Counsel, the Enterprise Risk Management (**ERM**) unit, in order to manage the integrated management process of corporate risks for all Group companies.

The main objectives of ERM are to define a risk assessment model that allows risks to be identified, using standardised, group-wide policies, which are then prioritised, to provide consolidated measures to mitigate these risks, and to draw up a reporting system.

The ERM unit operates as part of the wider Internal Control and Risk Management System of Snam.

Snam has always known and managed its risks, although through ERM it has chosen to adopt a structured, standardised method of identifying, assessing, managing and controlling risks for all Group companies.

The ERM model enables dynamic and integrated group-wide risk assessment that bring out the best of the existing management systems in individual corporate processes.

The findings, in terms of the main risks and the plans devised to manage them, are presented to the Control, Risk and Related Parties Transaction Committee so that an assessment can be carried out on the effectiveness of the Internal Control and Risk Management System with regard to Snam's specific characteristics and the risk profile it has taken on.

### **Acquisition of Stogit – Earn-out provisions**

In June 2009, Snam bought from Eni the entire share capital of Stogit. The price determined for the acquisition of Stogit is subject to adjustment mechanisms agreed between the parties at the time of the acquisition.

The acquisition agreement also provides for hedging mechanisms to keep the risks and/or benefits that may derive from the following pertaining to Eni: (i) the possible exploitation of the gas owned by Stogit at the time of the transfer of the shares other than that recognised by the ARERA in the case of its sale, or partial sale, if certain quantities were to become no longer instrumental to the regulated concessions and therefore available for sale; (ii) the possible sale of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held by Stogit at the time of the share transfer that may become dedicated mainly to storage activities which are no longer regulated.

## **Recent Corporate Activity and Other Information**

### ***Acquisition and merger of TEA Servizi S.r.l.***

On 11 November 2019 Snam completed, via an SPV, the acquisition of 100% of the capital of TEA Servizi, Energy Service Company (ESCO). TEA Servizi has been subsequently incorporated into TEP.

### ***Acquisition of 83% of the share capital of Renerwaste S.r.l.***

On 20 November 2019 Snam, through the new subsidiary Snam 4 Environment, completed the acquisition from Ladurner S.r.l., Ladurner Ambiente S.p.A. and from AB Invest S.r.l. of a stake of approximately 83% of Renerwaste S.r.l., one of the largest companies active in Italy in biogas and biomethane infrastructure. The deal, which was financed entirely by own funds, gave Snam the possibility, as from June 2020, of acquiring the approx. remaining 17% of the share capital held by Ecopartner. On October 2020, the remaining stake of approximately 17% of Renerwaste has been acquired by Snam through Snam 4 Mobility.

### ***Acquisition of 49.07% of the share capital of OLT***

On 26 February 2020, following the approval by the competent authorities (Antitrust authorisation and ‘Golden Power’ authorisation), Snam completed the acquisition of the 49.07% stake in the share capital of OLT (Offshore LNG Toscana), which has built and manages the offshore regasification terminal (FSRU - Floating Storage and Regasification Unit) located about 22 km off the Tuscan coast between Livorno and Pisa.

### ***Launch of a benefit corporation dedicated to reforestation and CO2 absorption in Italy***

On 19 June 2020, Snam and Cassa Depositi e Prestiti initiated a working partnership to develop and implement projects to reduce and absorb CO2 emissions through actions of reforestation and creation of green spaces within Italy. Such initiative will be carried out through a benefit company which will implement the mentioned activities alongside the public administration and local authorities at terms and conditions to be defined.

The initiative is aimed at promoting concrete actions to combat climate change, improving the air quality of cities and creating green spaces to benefit local communities, in line with country’s strategic priorities and with the public’s growing interest in these issues.

### ***Acquisition of a 49% stake in ADNOC Gas Pipeline Assets LLC***

On 15 July 2020, Snam, in consortium with the investment funds Global Infrastructure Partners (GIP), Brookfield Asset Management, GIC (the sovereign wealth fund of Singapore), Ontario Teachers’ Pension Plan and NH Investment & Securities, following the occurrence of all the suspensive conditions set, completed the acquisition of 49% of ADNOC Gas Pipeline Assets LLC (“**ADNOC Gas Pipelines**”) from The Abu Dhabi National Oil Company (“**ADNOC**”), announced on 23 June.

The transaction values 49% of ADNOC Gas Pipelines, a company that holds, for a period of 20 years, the management rights for 38 pipelines in the United Arab Emirates, at approximately 10.1 billion dollars. For Snam, which is the consortium’s only industrial operator, this is an important investment opportunity in strategic infrastructure, with the potential for future collaborations in the energy transition in the Gulf area.

### ***Acquisition of a 50% stake in Iniziative Biometano S.p.A.***

On 30 September 2020 Snam, through its subsidiary Snam 4 Environment, completed the acquisition from Femogas S.p.A. of a 50% stake in the share capital with joint control rights of Iniziative Biometano S.p.A., a company that operates in the management of biogas and biomethane plants fuelled with biomass of agricultural origin in Italy.

The value of the transaction is approximately €10 million.



The acquisition allows Snam to enter the agricultural biomethane sector, whose development is expected to provide the most significant contribution to the success of biomethane, which is a strategic resource for the purposes of the energy transition and the circular economy in Italy.

#### ***Acquisition of a 70% stake in Mieci S.p.A and Evolve S.p.A.***

On 5 October 2020, Snam, through its wholly-owned subsidiary Snam 4 Efficiency, has signed contracts with Gemma S.r.l. and Fen Energia S.p.A. for the cash-based acquisition of 70% of two companies operating in the energy efficiency sector in Italy, Mieci S.p.A. and Evolve S.p.A., for a total value of approximately €50 million.

#### ***Demerger project between Snam 4 Mobility and Snam 4 Environment***

On 15 October 2020, the demerger project between Snam 4 Mobility and Snam 4 Environment has been published in the competent Companies' Register, as a result of which the following holdings will be transferred to Snam 4 Environment, *inter alia*:

- 100% of Enersi;
- 17.37% of Renerwaste (to date, Snam 4 Environment already holds 82.63% of Renerwaste);
- 70% of IES Biogas.

#### ***Hydrogen - Partnership agreement between Snam and ITM Power Plc***

On 22 October 2020, Snam entered into a partnership agreement with ITM Power Plc (a UK company listed at the London Stock Exchange on the AIM) which is one of the major global producers of electrolyzers, essential in hydrogen production field.

The partnership also includes the simultaneous entry of Snam into ITM Power Plc share capital, with an investment of 33 million Euro through the subscription of a minority stake representing approximately 2.3% upon completion of the capital increase of 150 million GBP (about 165 million Euros) offered for subscription by the company, to Snam, other institutional investors and shareholders.

#### **Material Litigation**

The Snam Group is currently party to a number of civil, administration, criminal and tax, claims and legal actions that have arisen in the ordinary course of its business. Applicable accounting principles identify two different types of legal proceedings which have different ways to set aside provisions.

According to the procedure known as "Accounting Provision for risks and charge" (*"Accantonamento ai fondi per rischi ed oneri"*), the relevant legal proceedings are those in which counterparties and/or third party claims are equal to or in excess of €250,000 and/or may produce material adverse effects on the Snam Group's image and/or reputation (the **"Relevant Proceedings"**). As a consequence, legal proceedings that do not comply with such requirements are considered not relevant (the **"Non-Relevant Proceedings"**).

The accounting provision is calculated by aggregating the values of the liabilities that may arise in the event of a negative outcome of a Relevant Proceeding. It is usually carried out when the unfavourable outcome of the relative proceeding has a probability of occurrence greater than 50% and the burden's amount can be estimated reliably. Instead, as regard the Non-Relevant Proceedings, the accounting provision is based on a lump sum of €25,000 that should be multiplied by the number of the Non-Relevant Proceedings up to a maximum total of €10 million for Snam Rete Gas and €5 million for each other subsidiary.

Provision for litigation as at 31 December 2019 in relation to the whole Snam Group, is available at page 275 of Snam 2019 Annual Report (in the section "Provisions for Risks and Charges") (see *"Documents Incorporated by Reference"*). In making such provision, the Board of Directors has taken into account the potential risks relating to each claim and the applicable accounting standards on probable and quantifiable risks. The most relevant claims and proceedings are summarised below, together with an indication of the total amount claimed, if known. See *"Risk Factors - Legal Proceedings"*.

## ***Criminal Proceedings***

### ***Pineto Event***

The Public Prosecutor of the Court of Teramo opened an investigation in relation to an incident that occurred on 6 March 2015 near the town of Pineto (Teramo), concerning a gas leak in a section of the pipeline. After the conclusion of preliminary investigations, the GUP (*i.e.* the preliminary hearing judge) ordered the committal for trial of some current and former employees and managers of Snam Rete Gas. At the first hearing on 10 January 2019, the proceeding was transferred to the single competent judge (*giudice monocratico*); the hearing has been scheduled for 27 January 2021.

### ***TEP Tax Enquiry***

On 14 December 2018, the financial police (*Guardia di Finanza*) notified TEP the copy of the report (*Processo Verbale di Constatazione* or *PVC*) referring to the tax period from 1 January 2013 to 31 December 2013. The PVC is the result of a tax enquiry started on 27 September 2018 in respect to TEP, checking the compliance with tax provisions on income taxes, VAT and the other tributes. Following such enquiry, on 21 January 2019 a report has been notified to TEP related to the tax period 1 January 2014 - 31 December 2014.

In addition, on 27 December 2018, the financial police have notified the result of the investigation to the Prosecutor (*Procura della Repubblica*) in Rome, which has initiated an investigation against the Issuer's legal representative for the crime of fraudulent declaration through the use of invoices or other documents for non-existent transactions.

TEP, after having entered into negotiation with the Financial Authority, has reached an agreement with the Financial Authority on the above-mentioned PVC.

## ***ARERA Proceedings***

A number of preliminary investigations (*istruttorie*) are currently being carried out by the ARERA with respect to different matters involving the Snam Group's business activity.

By resolution 853/2017/S/gas of 14 December 2017, the ARERA sanctioned Snam Rete Gas for an amount of €92,500; the company paid such amount and also challenged this Resolution. Such decision is related to Resolution No. 9/2014/S/gas, with which the Authority decided to start a proceeding against Snam Rete Gas in connection with an alleged delay in the fulfilment of its obligations connected with the implementation of some amendments to the Network Code established by Resolution No. 292/2013/R/gas.

By resolution 206/2018/S/gas of 5 April 2018, the ARERA sanctioned Snam Rete Gas for an amount of €880,000; the company paid such amount and also challenged this Resolution. Such decision is related to the Resolution VIS/97 of 2011, with which the Authority decided to start a proceeding against Snam Rete Gas with reference to the gas measurement at 45 delivery points and, specifically, the improper use of a forfeit measurement criterion. In 2017, the company had conservatively estimated an accounting provision that covers much of the fine amount according to the relevant accounting procedure.

By determination DSAI/69/2017/gas of 10 November 2017, the ARERA started a proceeding against Snam Rete Gas in relation to minimal objections concerning the management of the reporting process of the surveillance activities on the network. Snam RG has announced that it has already taken steps to overcome the critical issues highlighted by NRA. In the course of the proceeding, the ARERA is checking if the actions of Snam Rete Gas have involved the overcoming of the objections. In the preliminary investigation results, the ARERA explicitly acknowledged that the violations alleged against the company at the beginning of the sanctioning procedure have stopped. Lastly, with resolution 1/2020/S/Gas, the Authority closed the procedure considering that no violation could be attributed to Snam RG.

By resolution No. 250/2015/R/gas, published on 1 June 2015, the Authority established an implementation plan for the provisions introduced by Resolution No. 602/2013/R/gas concerning the odourisation of the natural gas delivered by Snam Rete Gas to directly connected final customers having a domestic use of gas (or a similar one).

Snam Rete Gas challenged the Resolution before the competent Administrative Court (TAR Lombardia-Milano) with reference to the deadline requested for the completion of the works. Such a deadline was confirmed by the Authority with Resolution No. 484/2016/E/gas, which was also challenged by Snam Rete Gas before TAR Lombardia-Milano on this particular point.

Recently, with sentence no. 869 of 17 April 2019, the Regional Administrative Court of Milan accepted the appeal presented by Snam Rete Gas, stating the unreasonableness of the deadline set by the Authority where it does not take into account the complexity of the activities to be carried out by the gas transport company and the necessary cooperation with the final users. Meanwhile, the Ministry of Economic Development issued a ministerial decree on 18 May 2018 assigning: (i) the responsibility of the odourisation directly to the final user, and (ii) a role of control and possible support to the transmission operator (i.e. Snam Rete Gas). Based on the communications sent to Snam Rete Gas pursuant to the decree, all the interested final users have certified the safe use of gas in compliance with the technical solutions established by such a decree.

As part of the Consultation Document (DCO 203/2019/R/Gas) preparatory to the revision of the regulation on the quality of the transport service, ARERA has expressed its intention: (i) to confirm the regulatory framework embedded in the aforementioned Resolution 250/2015 / R / Gas without providing for a deadline for the plan to be implemented; and (ii) to promote a legislative as well as a regulatory change aimed at coordinating the regulation with the ministerial decree dated 18 May 2018.

Following the provisions of the DCO, with Resolution 554/2019 / R / gas, the Authority confirmed the previous regulatory regime (transmission system operator's obligation to odourize) thereby raising a potential overlap of the provisions of the Resolution and the Decree. Such a Resolution was appealed by the Issuer.

### ***Recent developments in regulatory matters and related material proceedings***

#### ***Balancing – Snam Rete Gas***

With effect from 1 December 2011, natural gas balancing activities became operational pursuant to ARERA Resolution ARG/gas 45/11, which made Snam Rete Gas, as the major transmission system operator (TSO), the Balancing Operator (*Responsabile del Bilanciamento*). This role requires Snam Rete Gas to procure the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Energy Market Operator, and to financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the 'principle of economic merit').

Pursuant to Regulation EU n. 312/2014, a new balancing regime was established and implemented by Snam Rete Gas.

Under the new regime, which became effective from October 2016, pursuant to ARERA resolution 312/2016/R/gas users are responsible for balancing their own balancing portfolios on the basis of certain information provided by Snam Rete Gas in order to minimise TSO balancing actions. The Balancing Operator has an ancillary role and, if necessary, carries out gas buying/selling market actions on the M-gas platform managed by GME in order to encourage network users to balance their balancing portfolios efficiently. Furthermore, an economic incentives mechanism is introduced by NRA to evaluate the Balancing Operator performance. (See also "*Principal legislation of the issuer's regulated business areas – 1. Transportation and dispatching*"). The new balancing regulation confirms (i) specific clauses guaranteeing the neutrality of the Balancing Operator and (ii) the *Cassa Conguaglio Settore Elettrico* (Electricity Equalisation Fund – now *Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation Fund*) as the entity ultimately responsible for paying to the Balancing Operator (i.e. Snam Rete Gas) any sums not collected from users.

Specifically, the initial regulation laid down by the ARERA with Resolution ARG/gas 155/11 stated that users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the ARERA. This Resolution, with reference to the income statement items pertaining to the balancing system, stipulated that the Balancing Operator would receive from the Electricity Equalisation Fund the value of receivables unpaid by the end of the month following the month in

which notification was given (such notification to be given by the Balancing Operator to the Electricity Equalisation Fund after four months from the expiry of unpaid invoices).

In light of the fact that the regional administrative court of Lombardy (TAR) provisionally voided this system of guarantees for the period between 1 December 2011 and 31 May 2012<sup>15</sup>, some users sold huge quantities of gas and obtained their supplies from the balancing market, failing to pay due amounts and therefore building up a significant debt to Snam Rete Gas which reached around €400 million during the year.

With Resolution 282/2012/R/gas, published on 6 July 2012, the ARERA began an explorative investigation into the methods of provision of the balancing service between 1 December 2011 and 31 May 2012, due for completion within 120 days of the start of the investigation. With Resolution 444/2012/R/gas, the ARERA extended this period to 23 October 2012 and extended the investigation by 60 days.

With Resolution 351/2012/R/gas of 3 August 2012, the ARERA changed the rules regarding the repayment terms established in Resolution 155/11. Specifically, Resolution 351/2012/R/gas defined the methods for recovering receivables pertaining to the balancing system in the period from 1 December 2011 to 31 May 2012, ordering payment in instalments over a minimum of 36 months and with a maximum monthly payment of €6 million, providing also for recognition of the interest accrued in favour of Snam Rete Gas, for which settlement will occur after the nominal amount of the receivables has been paid. In 2012, the Electricity Equalisation Fund paid Snam Rete Gas a total of €13 million. The Resolution 351/2012/R/gas has been withdrawn by the Judicial Authority in the part in which it establishes the obligation for the Shippers to pay as from 1 October 2012 a fee (namely CVBL) in the amount of 0.001 euro/Smc. Moreover, with the subsequent Resolution 372/2014/R/gas, the coefficient was adjusted in the same amount of €0.001/SCM. In any event the judgment does not affect the principles stated in Resolution 45/11 and 155/11 of neutrality of the Balancing Operator and that the unpaid receivables are to be refunded to the Balancing Operator by the Electricity Equalisation Fund.

In December 2012, Snam Rete Gas sold on a non-recourse notification basis its receivable from the Electricity Equalisation Fund arising from coverage of user balancing service costs, pursuant to Resolution 351/2012/R/gas of 3 August 2012, for a nominal amount of €300 million, which refers only to the principal.

Snam Rete Gas has initiated all actions necessary for the recovery of receivables relating to income statement items pertaining to the balancing system. Snam Rete Gas has also initiated legal proceedings to recover receivables from users in arrears after having terminated the relevant transportation contracts due to non-payment.

Specifically, the competent judicial authorities issued 11 provisional executive orders (*decreti ingiuntivi provvisoriamente esecutivi*), of which six related to receivables arising from the balancing service and five related to receivables arising from the transportation service. Therefore, Snam Rete Gas initiated the necessary executive proceedings, which resulted in the recovery of negligible amounts of the overall debt of the users, partly because of the bankruptcy procedures under way at some of these users<sup>16</sup>.

With Resolution 145/2013/R/gas, published on 19 April 2013, the ARERA started the proceeding in order to determine the final amount of unpaid credits related to the balancing service for the period December 2011-October 2012, to be recognised to Snam Rete Gas taking into account, among other things the findings of the review carried out by the ARERA and concluded on April 2013 (with Resolution 144/2013/R/gas, published on 18 April 2013)<sup>17</sup>. On 20 April 2015 the final hearing before the Commissioners of the ARERA took place.

With Resolution No. 258/2013/R/gas, published on 13 June 2013, the ARERA has decided, pending the proceedings started with Resolution No. 145/2013/R/gas for the determination of the final amount to be recognised to Snam Rete Gas, to suspend the monthly payment by the Electricity Equalisation Fund established under Resolution No. 351/2012/R/gas, up to an amount equal to the payments already made by Electricity Equalisation Fund, with reference to the outstanding amounts for the balancing service related to one of the

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15 The guarantees were reintroduced by ARERA Resolution 181/2012/R/gas, with effect from 1 June 2012.

16 Five users have been declared bankrupt and Snam Rete Gas has been included in the list of creditors for the full credit claimed. Furthermore, the other user is party to a proceeding for an arrangement with creditors ("*concordato preventivo*"), which are pending.

17 In parallel, the ARERA has started sanctioning proceedings against the six debtors all of which have led to sanctions against Users.

Users. At the end of June 2013, Snam Rete Gas has paid back to the Electricity Equalisation Fund the amount related to such User. By means of Resolution No. 608/2015/R/gas, published on 17 December 2015, the Authority closed the proceedings launched by means of Resolution No. 145/2013/R/gas regarding the portion of charges to be paid to the Balancing Operator (Snam Rete Gas) with respect to uncollected receivables relating to income statement items from balancing operations arising from 1 December 2011 to 23 October 2012. By means of such Resolution, the Authority ruled that: (i) it would not recognise the portion of uncollected receivables in relation to the specific situations covered by the preliminary investigation in an amount totalling approximately €130 million including VAT; and (ii) it would recognise the right of Snam Rete Gas to retain any receivables already recovered as a result of legal actions taken against shippers, to the extent these corresponded to amounts not paid. In addition, the Authority acknowledged the right of Snam Rete Gas to receive the remaining uncollected receivables for the aforesaid period. Since the Issuer believes that the prerequisites were met for recognising the portion of charges that resulted from the uncollected receivables (which was the subject of the aforesaid proceedings), it challenged Resolution No. 608/2015/R/gas before the competent Administrative Court of Lombardia (TAR Lombardia). By judgment 942/2017 TAR Lombardia partially accepted Snam Rete Gas' grounds of complaint by acknowledging the right for Snam Rete Gas to receive from the Authority €40 million out of the €130 million at stake. The Administrative Court's decision was appealed by both parties before the Council of State which on March 5, 2020 confirmed fully the appealed decision with sentence No. 1630/2020.

### ***Strategic gas withdrawals – Stogit***

In connection with withdrawals by Stogit's users of strategic gas that was not subsequently replenished by said users within the timeframe provided for by the Storage Code or subsequently, Stogit has carried out a number of actions against said users since 2011, including judicial proceedings. Specifically, in order to recover the sums owed to it, Stogit has requested and obtained several provisional executive orders (*decreti ingiuntivi provvisoriamente esecutivi*), brought legal proceedings aimed at obtaining an order for payment and initiated summary proceedings for the replenishment of the gas withdrawn. This measure could not be pursued due to the activation of insolvency procedures ("*concordato preventivo*" and/or bankruptcy i.e. "*fallimento*"). Stogit asked that its credits be recognised ("*ammissione dei crediti al passivo fallimentare*") and was subsequently included in the list of creditors for the full credit claimed.

### ***Other Proceedings***

#### ***Enersi Sicilia Administrative Proceeding***

On 11 February 2019, a petition was notified to Enersi Sicilia by, inter alios, *Comitato Difendiamo Grottarossa*, before the Administrative Court of the Italian Region of Sicily-Palermo (*Tribunale Amministrativo Regionale per la Sicilia – Palermo*) in order to obtain the annulment, upon suspension, of the authorisation for the construction of the biomethane plant and of the related administrative acts. After several postponements, the interim hearing was held on 5 June 2019. By order of 7 June 2019, the judge did not accept the request for suspension made by the counterparty and, considering that the complaints made by the appellants need to be examined in depth, established a hearing for discussion on 27 February 2020, without prejudice to the examination of the questions raised by Enersi. On 22 September 2020, the judge declared the appeal inadmissible.

#### ***Stogit – Bordolano concession***

On 27 June 2019, the Council of State (*Consiglio di Stato*) issued a legally binding opinion accepting a claim proposed before the President of the Republic of Italy pursuant to article 11 of DPR n. 1199/1971, in 2011, by "Coordinamento Comitato Ambientalisti" and other eight people/entities against the EIA decree (*decreto di Valutazione di Impatto Ambientale*) adopted for the construction and operation of the Bordolano Gas Storage Plant. In particular, the Council of State has issued a legally binding opinion for the annulment of the EIA decree issued in 2009 only with respect to the positive environmental impact assessment and, consequently, of the decree of the Ministry for Economic Development issued in 2011 (which approved the modification of the work program regarding the Bordolano gas storage concession) as well as of the subsequent decrees of Ministry of Environment issued in 2013 and 2014. In any case, the Council of State has confirmed the validity of the prescriptions included in the aforementioned decrees and has reopened the procedure for the EIA (*procedura di Valutazione di Impatto Ambientale*). The binding opinion of the Council of State has been implemented by means of a Presidential

Decree dated 16 September 2019 notified on 10 October 2019 that has decided the petition, confirming the legally binding opinion of the Council of State. With reference to the possible implications in term of continuity of the gas storage activities in Bordolano, it should be noted that art. 29, paragraph 3, of Legislative Decree No. 152/2006 (the Environmental Code) provides that in the event of judicial annulment of EIA decrees regarding projects already built, the competent authority can allow the works or activities to continue upon condition that they are carried out in a safely manner, especially with regards to health, environmental or cultural heritage risks. With the notice dated 22 November 2019, prot. no. U.0025890, the Ministry for Economic Development has allowed Stogit to continue storage activities in the Bordolano site. With the notice dated 29 October 2019, prot. no. U.28389, the Ministry of Environment, reopened the EIA procedure in order to allow all the relevant municipalities to take part to it. On 16 September 2020, the positive opinion, with prescriptions, on the environmental compatibility of the Bordolano site issued by the Technical Commission for Environmental Impact Assessment (also called CTVIA) has been published on the website of the Ministry of the Environment. The aforementioned opinion will be transposed by the Ministry of the Environment in the EIA decree.

## Principal Shareholders

As at the date of this Base Prospectus, Snam's fully subscribed and paid-up share capital is €2,735,670,475.56 divided into 3,360,857,809 ordinary shares with no indication of nominal value. As at the date of this Base Prospectus, there are no other classes of shares in issue.

Snam's shares are listed on the MTA (*mercato telematico azionario*) division of the Borsa Italiana.

As at the date of this Base Prospectus, on the basis of the shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, CDP is the main shareholder of Snam, with an overall 31.352% stake of the ordinary share capital owned by CDP Reti S.p.A. (1,053,692,127 shares).

Romano Minozzi is the second largest shareholder of Snam, with an overall 7.459% stake of the ordinary share capital (250,687,453 shares), held through a 3.772 % stake directly owned (126,770,958 shares), a 2.526% stake owned by Iris Ceramica Group S.p.A. (84,890,583 shares), a 0.835% stake owned by GranitiFiandre S.p.A. (28,067,190 shares) and a 0.326% stake owned by Finanziaria Ceramica Castellarano S.p.A. (10,958,722 shares).

BlackRock is the third largest shareholder of Snam, with a stake equal to 5.161% of the ordinary share capital (173,447,961 shares).

Lazard Asset Management LLC is the fourth largest shareholder of Snam, with a stake equal to 4.968% of the ordinary share capital.

Pursuant to article 120, paragraph 2-*bis*, of Italian Legislative Decree no. 58/1998, as amended and supplemented, CONSOB resolution no. 21326 of 8 April 2020 introduced the additional threshold of 1% of Snam's share capital, for a period of three months after the CONSOB Resolution comes into force and subject to early revocation. Following this resolution, Norges Bank disclosed to hold 1.729% of Snam's shares and Bank of Italy disclosed to hold 1.015% of Snam's shares (no. 34,111,124 shares). CONSOB, with Resolution no. 21434 of 8 July 2020 extended for a period of three months - from 12 July 2020 until 12 October 2020, unless early revocation - the above-mentioned provisions.

Snam holds 90,642,115 of its own shares (*azioni proprie*), equal to 2.697% of its share capital. The remaining 48.363% is held by other shareholders, of which 39.040% are institutional investors (1,312,066,000 shares) and 9.324% are retail investors (313,351,691 shares).

As at the date of this Base Prospectus, based on information in Snam's shareholders' register, communications received pursuant to CONSOB Regulation No. 11971/1999 (as amended) and other information available to Snam, as far as Snam is aware, only CDP, Romano Minozzi, Lazard Asset Management LLC and BlackRock own, directly or indirectly, interests in excess of 3% of Snam's ordinary shares.

The table below provides a breakdown of shareholdings in Snam as at the date of this Base Prospectus:

<b>Declarant</b>	<b>Direct Shareholder</b>	<b>Shareholding (%)</b>
CDP	CDP Reti	31.352
MINOZZI ROMANO	Minozzi Romano	3.772
	Iris Ceramica Group S.p.A.	2.526
	GranitiFiandre S.p.A.	0.835
	Finanziaria Ceramica Castellarano S.p.A.	0.326
BlackRock		5.161
Lazard Asset Management LLC	Lazard Asset Management LLC	4.968
Snam	Snam	2.697
Other shareholders		48.363
		<b>100.000</b>

#### **Brief description of the main shareholder**

CDP is a limited liability company (*società per azioni*) controlled by the Italian Ministry of the Economy and Finance, which holds 82.77% of the corporate capital of CDP. A broad group of bank foundations holds 15.93% of the corporate capital of CDP and the remaining shares (equal to 1.3%) are represented by own shares held by CDP. CDP's objective is to bolster the development of public investment, local utility infrastructure works and major public works of national interest.

## **CDP Reti S.p.A.**

As at the date of this Base Prospectus, CDP Reti S.p.A. holds 31.352% of the ordinary shares of Snam.

CDP Reti S.p.A. is a limited liability company (*società per azioni*) incorporated under the laws of the Republic of Italy and is 35% owned by State Grid Europe Limited, 5.9% owned by Italian institutional investors and 59.1% owned by CDP.

On 25 and 31 March 2015, CDP notified Snam that “*pursuant to international accounting standard IFRS 10 - Consolidated Financial Statements, the requirement has arisen for CDP to fully consolidate Snam S.p.A. as of the financial statements as at 31 December 2014, compared with 31 December 2013*”.

With reference to the consolidation of Snam, in CDP’s 2014 Annual Report, CDP specifies that, based on the evaluation of certain elements, “*there was deemed to be sufficient evidence of the existence of de facto control, in accordance with IFRS 10*”.

With a letter dated 2 August 2019, which was notified on 5 August 2019, CDP informed Snam that the Board of Directors of CDP requalified its shareholding in Snam as a “*de facto control*” also pursuant to Art. 2359, paragraph 1, number 2 of the Italian Civil Code and Art. 93 of Legislative Decree 24 February 1998, No. 58 and it confirmed that it does not exercise, and does not intend to exercise, any direction and coordination activity over Snam.

As at the date of this Base Prospectus, Snam is not subject to management and co-ordination pursuant to article 2497 and subsequent provisions of the Italian Civil Code.

### **Measures in place to ensure major shareholder control is not abused**

Snam has adopted a guideline for transactions with related parties issued in compliance with the provisions of Article 2391-*bis* of Italian Civil Code and CONSOB Resolution No. 17221/2010; such guideline establishes the principles and rules to which Snam and its subsidiaries must adhere in order to ensure transparency and substantial and procedural fairness of related parties transactions. See “*Corporate Governance of Snam – Related Party Transactions*”.

### **Special powers of the Italian Government**

Decree-Law No. 21 of 15 March 2012, converted into law with Law No. 56 of 11 May 2012 (as amended, lastly, by the Decree-Law No. 23 of 8 April 2020 on urgent measures relating, inter alia, to special powers in strategic sectors which shall apply until 31 December 2020)<sup>18</sup>, contains rules concerning special powers on corporate ownership in the defence and national security sector and activities of strategic importance in energy, transportation and communication sectors. The Decree-Law affects regulation of the so-called special powers, by re-writing conditions and modalities of exercise of the State’s special powers for privatised companies, in order to adapt national regulation to the rules provided by Treaty on the Functioning of the EU.

In the energy sector, Decree-Law No. 21 of 15 March 2012 confers to the Government: (i) a power of veto in relation to resolutions, actions or operations adopted by companies that own strategic assets in the energy sector, which involve a loss of control or availability of the assets as well as the change of their destination; and (ii) a power to impose certain duties or to oppose the acquisition by non-EU persons of controlling interests in said companies.

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<sup>18</sup> Article 15, paragraph 1, of Decree-Law No. 23 of 8 April 2020, in order to counter the epidemiological emergency of COVID-19 and contain its negative effects, provided that, until 31 December 2020, the notification obligation shall apply “*to purchases for any reason of shareholdings, by foreign subjects, including those belonging to the European Union, of such importance as to determine the purchaser’s permanent establishment by reason of the acquisition of control of the company whose shareholding is the object of the acquisition, pursuant to Article 2359 of the Italian Civil Code and the Consolidated Financial Act pursuant to Legislative Decree No. 58 of 24 February 1998, as well as the purchases of shareholdings, by foreign subjects not belonging to the European Union, that attribute a share of the voting rights or the share capital of at least 10 per cent, taking into account the shares or units already directly or indirectly held, and the total value of the investment is equal to or greater than EUR 1 million, and acquisitions that determine the exceedance of the thresholds of 15 per cent, 20 per cent, 25 per cent and 50 per cent shall be notified as well*”.



Pursuant to Decree-Law No. 21 of 15 March 2012, Snam is required to issue notification in the event of changes to the ownership, control, availability or purpose of networks, plants, assets and relations of strategic importance to the national interest (“**Significant Assets**”)<sup>19</sup>. This notification must be made by the Issuer to the Prime Minister within 10 days, and in any case no later than the implementation of the resolution, deed or transaction that affects the Significant Assets. Resolutions passed by the Shareholders’ Meeting or the management bodies concerning the transfer of Subsidiaries that hold the aforementioned Significant Assets must be reported within the same timeframe. Within 45 days of the notification, the Prime Minister may, by issuing a decree adopted pursuant to a resolution of the Council of Ministers: (i) declare a veto; (ii) impose specific provisions or conditions, if this is sufficient to ensure the protection of the public interest.

If 45 days have passed since the notification and the Prime Minister has not adopted any measures, the transaction may be carried out.

In accordance with the same procedures and timeframes, the notification must also be made if the acquisition of equity investments in companies that hold Significant Assets (such as Snam) by non-EU entities results in a stable holding for the acquirer, due to its assumption of control of the Issuer. If the acquisition poses a threat of serious harm to the fundamental interests of the state, the Prime Minister may:

- (i) make the validity of the acquisition conditional on the acquirer’s assumption of commitments intended to guarantee the protection of the aforementioned interests;
- (ii) oppose the acquisition in exceptional cases involving risks to the protection of the aforementioned interests that cannot be eliminated through the assumption of specific commitments.

The law also stipulates that such powers may be exercised exclusively on the basis of objective and non-discriminatory criteria.

### **Ownership Unbundling**

On 15 October 2012 CDP, through its at that time wholly owned subsidiary CDP RETI S.r.l., acquired from ENI 30% less one share of Snam’s voting share capital. As result of such transaction, ENI was no longer the controlling shareholder of Snam and, accordingly, Snam was no longer subject to ENI’s direction and coordination activity. According to the May Decree, in order to develop the strategic business and to protect activities carried out by Snam which represent a public utility service, the abovementioned acquisition by CDP RETI must ensure the maintenance of a “stable core” (*nucleo stabile*) in the share capital of Snam. In accordance with the provisions of the May Decree, ENI cannot exercise any voting rights attached to its residual interest in Snam.

Subsequently to October 2012, ENI sold part of its remaining shareholding in Snam. Pursuant to article 2 of the May Decree, CDP must ensure the independence of Snam’s governance from the owners of the supply and production business. The ARERA Resolution No. 266/2013/R/gas of 20 June 2013 on the preliminary certification and the ARERA Resolution No. 515/2013/R/gas of 14 November 2013 on the final certification of Snam Rete Gas have confirmed the compliance of the latter with the ownership unbundling requirements as set out by the May Decree. The ARERA highlights in the Resolution, *inter alia*, the lack of factual or legal elements that may jeopardise the independence of Snam and Snam Rete Gas, taking into account: (i) the Italian legislative framework (in particular Legislative Decree 93/2011 and the May Decree); (ii) the lack of direction and coordination activity by CDP over Snam, does not allow CDP to influence the strategic and management choices

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<sup>19</sup> Article 2 of Decree-Law 21/2012 provides for the identification of assets considered significant to national interest in the energy, transport and communication sectors to take place through one or more regulations adopted by Presidential Decree. On 6 June 2014, the Official Gazette published the two decrees implementing Article 2, paragraph 9 of Decree-Law 21/2012, as approved by the Council of Ministers on 14 March 2014, which identify: (i) assets of strategic importance in the energy, transport and communication sectors (Presidential Decree No 85 of 25 March 2014) and (ii) procedures for implementing special powers in the energy, transport and communication sectors (Presidential Decree No 86 of 25 March 2014). Lastly, on 2 October 2014, the text of the Prime Ministerial Decree of 6 August 2014 was published, containing the “regulations on the coordination activities of the Prime Minister in preparation for the exercise of special powers over shareholder structures in the defence and national security sectors, and on assets of strategic importance in the energy, transport and telecommunication sectors”.

of Snam; and (iii) the Regulatory framework and the supervisory activity of the ARERA do not permit Snam Rete Gas to put in place discriminatory behaviour.

Following the sale of part of the shares in CDP RETI by CDP to State Grid of China in the last quarter of 2014, with Resolution 20/2015/R/COM of 29 January 2015, the ARERA started a procedure aimed at confirming the fulfilment of the requirements set forth by the ARERA for adopting the certification decision, with reference in particular to the shareholder structure and ownership chain of Snam Rete Gas. Such procedure ended with a positive outcome in June 2016 and ARERA confirmed compliance with the ownership unbundling requirements and the certification decision issued in 2013.

ARERA, with resolution 589/2018/R/GAS of 20 November 2018, certified Infrastrutture Trasporto Gas S.p.A., entirely purchased by Snam in October 2017, as the manager of the natural gas transportation system under the ownership unbundling.

## **Management, Statutory Auditors and Committees**

### ***Corporate Governance of Snam***

Snam adopts the traditional system of administration and control comprising of:

- a Board of Directors (*consiglio di amministrazione*) responsible for the management of Snam;
- a Board of Statutory Auditors (*collegio sindacale*), responsible for compliance with the law and with the By-laws, as well as observance of the principles of correct administration in the conduct of Snam's activities and to ensure the adequacy of Snam's organisational structure, the internal control system and the administrative/accounting system;
- the Shareholders' Meeting (*assemblea dei soci*), in both ordinary and extraordinary sessions, which has the power to resolve on, among other things: (i) appointment and dismissal of the members of the Board of Directors and the Board of Statutory Auditors, as well as their respective compensation and responsibilities; (ii) approval of the financial statements and allocation of earnings; (iii) purchase and disposal of Snam's own shares (*azioni proprie*); (iv) amendment of the By-laws; and (v) issues of convertible bonds.

Snam's financial statements are audited by an external company appointed by the Shareholders' Meeting following proposal from the Board of Statutory Auditors.

Since its shares were listed on the Italian stock exchange in 2001, Snam's corporate governance system has complied with the Code of Corporate Governance of Listed Companies promoted by the Borsa Italiana (the "**Code of Corporate Governance**", as amended from time to time).

### **Code of Ethics, Principles of the Internal Control and Enterprise Risk management system**

Snam has adopted and is committed to promoting and maintaining an adequate internal control and risk management system, to be understood as a set of all of the tools necessary or useful in order to direct, manage and monitor business activities with the objective of: (i) ensuring compliance with laws and company procedures; (ii) protecting corporate assets; (iii) managing activities in the best and most efficient manner; and (iv) providing accurate and complete accounting and financial data.

Snam also adopts a Code of Ethics, which was last updated in July 2013. The Code of Ethics defines a shared system of values and express the business ethics culture of Snam, as well as inspiring strategic thinking and guidance of business activities. The Code of Ethics defines the guiding principles that serve as the basis for the entire internal control and risk management system, including (i) the segregation of duties among the entities assigned to the processes of authorisation, execution or control; (ii) the existence of corporate determinations capable of providing the general standards of reference to govern corporate activities and processes; (iii) the existence of formal rules for the exercise of signatory powers and internal powers of authorisation; and (iv) traceability (ensured through the adoption of information systems capable of identifying and reconstructing the

sources, the information and the controls carried out to support the formation and implementation of the decisions of the Issuer and the methods of financial resource management). Over time, the internal control and risk management system has been subjected to verification and updating in order to continually ensure its suitability and to protect the main areas of risk in business activities.

In this context, as well as for the purpose of implementing the provisions of the Corporate Governance Code, Snam has adopted an Enterprise Risk Management system (**ERM**) composed of rules, procedures and organisational structures, for identifying, measuring, managing and monitoring the main risks that could affect the achievement of its strategic objectives. Snam, through the ERM system has adopted uniform and structured method identifying, evaluating, managing and controlling risks in line with existing reference models and best practice.

### **Anti-corruption policy**

With regard to the anticorruption policy of the Issuer, Snam believes it is of vital importance to ensure a climate of fairness and transparency in corporate operations and to repudiate corruption in all its forms in the widest context of its commitment to abiding by ethical principles. Snam is strongly committed to pursuing an anti-corruption policy, trying to identify possible areas of vulnerability and eliminating them, strengthening its controls and constantly working to increase employees' awareness of how to identify and prevent corruption in various business situations. In February 2019 the Board of Directors of Snam approved the new Anticorruption Guideline - as an integral part of a broader corporate ethics control system -, aimed at ensuring the compliance by Snam with national and international Anticorruption Laws and available best practices.

Reputational checks and acceptance and signature of the Ethics and Integrity Pact are the pillars of the system of controls aimed at preventing the risks associated with illegal behaviour and criminal infiltrations concerning our suppliers and subcontractors, and aimed at creating with them a trustworthy relationship.

Snam is a member of the United Nations "Global Compact" and operates within its ten principles, which have become an integral part of its strategies, policies and procedures, and established an integrity culture, aimed at the fight against corruption, and at the respect of human rights, labor standards, and environmental protection.

Since 2014 Snam has been working in partnership with Transparency International Italia joining the Business Integrity Forum (BIF), and in 2018 Snam signed a MOU with Transparency International, Secretariat of Berlin.

In 2017 Snam started collaboration with the OECD, joining the Business at the OECD Committee (BIAC), and in October 2019 - as the first Italian company – it entered in the Leadership of the Committee, with the appointment of Snam's General Counsel as Vice-Chair of the Anti-Corruption Committee within BIAC.

In September 2019 Snam was also involved in the Partnering Against Corruption Initiatives (so called PACI) of the World Economic Forum.

Thanks to the commitment on "Ethics and Anti-corruption", Snam has also been mentioned in the document presented during the Tokyo Summit of B20 (2019) as a "Tangible Example" of a company that, with concrete action, has stood out in the fight against corruption, and during B20 Saudi Arabia Presidency (2020) has been an active member of the Integrity and Compliance Taskforce as one of the very few Italian Companies within the taskforce.

## Board of Directors

The Board of Directors has responsibility for the management of Snam and is vested with full powers for management and, in particular, may take all actions it deems necessary for the implementation and achievement of any corporate purpose, excluding only acts that the law or the By-laws reserve for Shareholders' Meetings.

In compliance with Snam's By-laws, the Board of Directors has appointed a Chief Executive Officer, to whom it has granted all powers not reserved to the Board of Directors or the Chairman in accordance with the applicable law and/or Snam's By-laws or pursuant to a resolution adopted by the Board of Directors.

The Board of Directors, following a proposal by the Chief Executive Officer (and with the agreement of the Chairman) has appointed: (i) Snam's Accounting Senior Vice President as the officer in charge of preparing financial reports; and (ii) an Internal Audit Manager.

## Current Board Members

It was resolved at the Shareholders' Meeting held on 2 April 2019 to set the number of Directors at nine and their term of office at three financial years expiring on the date of the Shareholders' Meeting called to approve the financial statements of Snam as at 31 December 2021. Five of the Directors are independent directors for the purposes of the Code of Corporate Governance and the Chairman is independent for the purpose of the Law. Three of these independent Directors were drawn from the slate presented by the Institutional Investors, voted on by the minority of shareholders who attended the meeting. It was resolved at the Shareholders' Meeting to appoint Luca Dal Fabbro as the Chairman of Snam and the Board of Directors resolved to appoint Marco Alverà as Chief Executive Officer.

Nicola Bedin has been appointed, on the proposal of the shareholder CDP Reti, Director and Chairman of the Board of Directors by the Shareholders' Meeting of 18 June 2020 to replace Luca Dal Fabbro, who resigned.

The table below sets out the name, office held and date and place of birth for each of the current members of the Snam Board of Directors.

<b>Name</b>	<b>Office</b>	<b>Date and place of birth</b>
Nicola Bedin	Chairman	Montebelluna (TV), 8 January 1977
Marco Alverà	Chief Executive Officer	New York, 19 August 1975
Laura Cavatorta *	Independent Director	Treviso, 1 February 1964
Francesco Gori *	Independent Director	Florence, 15 May 1952
Yunpeng He	Director	Baotou (Inner Mongolia, China) 6 February 1965
Antonio Marano	Independent Director	Villach (Austria), 29 October 1960
Francesca Pace	Independent Director	Rome, 1 April 1961
Rita Rolli *	Independent Director	Forlì, 10 May 1969
Alessandro Tonetti	Director	Ronciglione (Viterbo) 24 April 1977

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*\* Drawn from the slate presented by the Institutional Investors, voted on by the minority of shareholders who attended the meeting.*

For the purposes of the above-mentioned positions, each member of the Board of Directors is domiciled at Snam's registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy. Brief biographies of Snam's Directors are set out below.

### **Nicola Bedin**

Nicola Bedin was appointed Chairman of the Board of Directors of Snam on 18 June 2020.

In early 2018, he created Lifenet Healthcare, an entrepreneurial initiative in the healthcare sector that includes ten hospitals and outpatient facilities and employs around 800 people in Lombardy, Piedmont and Emilia-Romagna.

From 2005 to September 2017, he was CEO of the San Donato Hospital Group, the leading Italian operator in the hospital sector. During the 12 years in charge, annual revenues grew from approximately EUR 600 million to EUR 1.6 billion.

He also served as the CEO of the San Raffaele Hospital, managing its economic recovery and relaunch, from May 2012 (date in which the Hospital joined the Group) to September 2017.

Between 2015 and September 2017 he was CEO of the Vita-Salute San Raffaele University.

From 2006 to April 2019, he was non-executive independent director of the Italian listed company Italgas S.p.A., for which he also served as president of the Sustainability Committee and member of the Control, Risk and Related Party Transactions Committee.

He began his professional career as a financial analyst at Mediobanca, where he worked from 2001 to 2004, until he was called to join the San Donato Hospital Group by Prof. Giuseppe Rotelli.

He holds a degree (full marks, with honours) in Business Administration from the Bocconi University in Milan. He spent the fourth year of high school in the United States (Charter Oak High School), where he also returned during his university studies, at the University of Texas, Austin and the University of California, Berkeley.

He is a visiting professor at the University of Pavia, teaching applied economics.

Since 18 June 2020, he has been Chairman of Snam

### **Marco Alverà**

Marco Alverà has been Chief Executive Officer at Snam since 27 April 2016. Previously he was Chief Operating Officer from January to April 2016. He is also Vice Chairman of Snam Foundation.

He was Chairman of the Board of Snam Rete Gas, a Snam's subsidiary company that operates in natural gas transportation and dispatching from April 2016 to April 2017.

Since 24 July 2017 he has been Managing Director of Snam Rete Gas.

With a degree in Philosophy and Economics from the London School of Economics, Marco Alverà began his career in London working in Private Equity and M&A. In 2000 he founded Netesi, Italy's first broadband ADSL company.

In 2002, he joined Enel as Director of Group Corporate Strategy and member of the management committee, contributing significantly to the development of the company's gas strategy and participating in the listing of Terna.

In 2004, he became Chief Financial Officer of Wind Telecom and oversaw the sale of Wind to Orascom.

In 2005, he joined Eni as Director of Supply & Portfolio Development at the Gas & Power Division, successfully managing the outcomes of the gas crisis between Russia and Ukraine in the Winter of 2006, and taking part in the negotiation of the international agreement on gas supplies.

In that role, he also oversaw the acquisition of Belgium's Distrigas in the delicate unbundling process from Fluxys. During the same period, he was appointed Chief Executive Officer of Bluestream and Promgas and was in charge of the development of new routes for natural gas towards Europe from the Caspian area, Iran, the Middle East and Africa.

In 2008, he moved to Eni's Exploration & Production Division as Executive Vice President for Russia, North Europe, and North and South America. In these countries, he managed operations and led negotiations with governments and other international oil companies.

In 2010, he was appointed Chief Executive Officer of Eni Trading and Shipping, which manages all commodity Trading and Shipping activities for the company, and in 2012 he became Senior Executive Vice President Optimisation and Trading. In 2013, he took on responsibility for the business unit Midstream, which consolidates the results of Eni's Gas & Power Division and brings together all of the supply, logistics and trading activities of the energy commodities. From July to September 2015 he was the Chief Retail Market Gas & Power Officer.

Since December 2016 he has been a member of the General Council of the Giorgio Cini Foundation in Venice, promoting culture and arts and hosting several high-profile initiatives on international relations.

Since March 2017 he has been a board member of S&P Global, one of the world's leading providers of credit ratings, benchmarks and analytics in the global capital and commodity markets. Additionally, since June 2017 he has been the first President of GasNaturally, the partnership representing the European gas industry.

He was a board member of Gazprom Neft, the Performance Theatre, the Global Leadership and Technology Exchange, and Eni Foundation. He was also the Operating Vice President of EUROGAS, the European association that brings together the leading international operators in the natural gas sector, and founding member of the ginger group, which promotes natural gas in Europe, together with Shell, BG, Total and Statoil.

### **Laura Cavatorta**

Laura Cavatorta was born in Treviso in 1964.

She graduated in Sociology with with honours.

She acquired over twenty years of managerial experience in air transport, with roles of increasing responsibility in the Alitalia Group from 1995 to 2017. She has held positions of operational responsibility with a workforce of 3,000-5,000. She has acquired specific expertise on the phases of restructuring, mergers, acquisitions and receivership, and on impacts, including process re-engineering and HR dynamics, acquiring particular consciousness of the many dimensions involved in each corporate "change".

She is an Independent Director in INWIT S.p.A.

She has a keen interest in corporate governance, and in particular has examined ESG matters and the various expressions through which an approach aimed at sustainable development over time can be substantialised. She is an active follower of the B Corp movement, committed to disseminating a paradigm of sustainable business, able to develop profits while having a positive impact on society and on the environment.

She supports gender equality, the development of female talents and merit-based careers, believing in the need of a full integration of women in all the roles of society and their ability to make a significant contribution even in top positions. She is active in various networks for sustainability and women's empowerment and collaborates in ASviS - Italian Alliance for Sustainable Development (*Alleanza Italiana per lo Sviluppo Sostenibile*), on the Gender Equality objective of the 2030 UN Agenda.

Since 2 April 2019, she has been a Director of Snam.

## **Francesco Gori**

Francesco Gori was born in Florence on 15 May 1952.

He graduated with honours in Business and Economics from the University of Florence, working at the same time first in a software company and then in the paper industry, again in Florence.

He joined Pirelli in 1978 where he was promoted as an executive in 1984 and where, after various assignments in commercial, marketing and M&A roles in Italy and abroad, he was appointed General Manager of the Tyre Division in 2001, Chief Executive Officer of Pirelli Tyre Spa in 2006 and, in 2009, also General Manager of Pirelli & C. During his 10 years' tenure Pirelli Tyre doubled its revenues and from a cash burning, one digit Ebitda became a cash positive, high teens Ebitda company thanks to the execution of a premium strategy which translated into a higher top and bottom line growth than its peers, culminating with the entry in F1 as a sole supplier in 2010.

From 2006 to 2011 and for two consecutive terms, he was elected president of ETRMA, the European Tyre & Rubber Manufacturers' Association.

In 2012, he decided to leave the Pirelli group. From 2013 to 2015 he was an Industrial Advisor of Malacalza Investimenti and, from 2014, Managing Director of the CCR (Corporate Credit Recovery) fund of Dea Capital Alternative Funds Sgr where he currently is a Senior Advisor.

Since 2015 he has been a non-executive director on the Supervisory and Management boards of Apollo Tyres Ltd, a leading company in the sector and listed in India. In 2016 he became Chairman of Benetton Group S.r.l. for two years. He was appointed as a member of the Board of Directors of Prysmian Group S.p.A on 18 September 2018.

Since 26 March 2013, he has been a Director of Snam.

## **Yunpeng He**

Yunpeng He was born in Baotou City (Inner Mongolia, China) in 1965.

He has (i) a Bachelor's Degree and Master's Degree in Electric and Automation Engineering from Tianjin University and (ii) a Master's degree in Management of Technology from the Rensselaer Polytechnic Institute (RPI).

He currently holds the office of Board Director of CDP Reti S.p.A., Terna S.p.A., Italgas S.p.A. and IPTO S.A. (the TSO for the Hellenic Electricity Transmission System).

He has held the following positions at State Grid Tianjin Electric Power Company: Vice Chief Technical Officer (CTO) from December 2008 to September 2012; Director of the economic and legal department from June 2011 to September 2012; Director of the planning and development department from October 2005 to December 2008; and Director of the planning and design department from January 2002 to October 2005.

He has also held the position of Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and of Chairman of the Tianjin Electric Power Design Institute from June 2000 to January 2002.

Since 26 January 2015, he has been a Director of Snam.

## **Antonio Marano**

Antonio Marano was born in Villach (Austria) in 1960.

He graduated in Law with honours at the University of Bologna.

He is currently Chief Executive Officer of Partners 4 Energy S.r.l., an independent financial advisory company focusing on infrastructures and renewable energies. He provides financial institutions and companies with

strategic support in these areas, in relation to mergers and acquisitions, loans and fundraising. He is Chairman of Aeroporto FVG S.p.A..

In 1998, after working in managerial roles at finance companies, he became General Manager for Italy of Commerzbank AG and later, in 2003, Director for Development at Autostrade S.p.A.. In 2007, after working in the role of Chief Executive Officer and General Manager of Scala Capital S.p.A., he became Head of the “Public Sector FIG & Infrastructures Italia” department of Unicredit corporate banking.

Since 2 April 2019, he has been a Director of Snam.

### **Francesca Pace**

Francesca Pace was born in Rome in 1961.

She graduated in Law with honours from “La Sapienza” University in Rome.

She is listed on the Register of Judicial Administrators - Experts in Corporate Management section, and on the Register of Court of Cassation Lawyers.

She has been an independent director of Cassa di Risparmio di Orvieto since May 2018.

In addition to providing consultancy for commercial law, regulatory law, antitrust, M&A, restructuring, contract regulations and disputes, and her past roles as judicial commissioner and judicial receiver of some Italian companies, she has also been Director of Legal and Corporate Affairs at WIND Telecomunicazioni S.p.A. and member of the Board of Directors of Banca Tercas and Acquedotto Pugliese S.p.A.

Since 2 April 2019, she has been a Director of Snam.

### **Rita Rolli**

Rita Rolli was born in Forlì in 1969.

She graduated in Law with honours from the University of Bologna.

She is a Court of Cassation lawyer and pursues her professional activity in the field of civil law, commercial and corporate law - both in court and out of court and in arbitration procedures - and bankruptcy law (Studio Galgano).

She teaches as a Full Professor of Private Law on the Master’s degree programme in Law in the Department of Law at the University of Bologna.

She offers advice to leading companies in Italy, including the ones listed on the Italian stock exchange, with reference to Corporate Governance and relations with CONSOB, national and international contract regulations, and legal assistance and consultancy in extraordinary corporate transactions.

She is an Independent Director and Chair of the Control, Risk and Related Party Committees of IMA S.p.A. and as well as member of the Appointments and Remuneration Committee of IMA S.p.A; an Independent Director and Chair of the Control and Risk and Sustainability Committee as well as member of the Related Party Committees of Trevifin S.p.A..

She has written many publications and legal monographs and contributes to the compilation of prestigious legal journals.

Since 2 April 2019, she has been a Director of Snam.

### **Alessandro Tonetti**

Alessandro Tonetti was born in Ronciglione (VT) in 1977 and is Vice General Manager and Chief Legal Officer of Cassa Depositi e Prestiti S.p.A..



He graduated in Law *cum laude*, he won two one-year scholarships for specialization courses in Administrative Sciences, with particular reference to Economic Public Law under the direction of Professor Sabino Cassese. Subsequently, he obtained a PhD in Administrative Law and Organization and Functioning of the Public Administration at the Sapienza University in Rome and a postgraduate specialization diploma in European Public Law at the Academy of European Public Law of the Kapodistrian University of Athens, with an in-depth examination on the subject of competition and state aid.

In December 2010, he became a senior executive at Cassa Depositi e Prestiti S.p.A.. From June 2013 to February 2016, he was a member of the “*Nucleo tecnico per il coordinamento della politica economica*” (Technical Team for coordination of economic policy) in support of the Prime Minister’s office and then, since March 2014, he has held the position of deputy Head of Cabinet of the Ministry of Economy and Finance. In this latter period, as representative for the Ministry of Economy and Finance, he was a member of the “*Gruppo di coordinamento per l’attuazione della disciplina dei poteri speciali sugli assetti societari*” (Coordination group for the implementation of regulations on special powers on share ownership) operating at the Prime Minister’s office.

In the past, he has held managerial and executive roles at the Prime Minister’s Office and was a member of the “*Nucleo di consulenza per la regolazione dei servizi pubblici*” (Advisory Team for public service regulation), as well as of the Technical Secretariat of the National Management Committee for economic programming, also operating at the Prime Minister’s office, in support of the activity of the Inter-ministerial Committee for economic programming.

He teaches a Master’s degree course in Administrative Law (since 2003) now at the “Roma Tre” University and a Master’s in Economics and Development Policies at the LUISS Guido Carli University (since 2016). In the past, he was a contract professor of Business Administration Discipline at the University of Tuscia (2001-2002) and Media Law at the same university (2005-2010), and of Public Finance Law at the Suor Orsola Benincasa University (2014-2016). He has also given lessons at the School of Public Administration and the School of Economics and Finance. He is also the author of various articles and essays in major law journals on administrative national and European law and on Economic Public law.

He is a member of the Special Fund Management Committee of the *Istituto per il Credito Sportivo*. He was a member of the Board of Directors of Enav S.p.A. in the three years’ period 2014-2017 (during which time the Issuer was listed on the Stock Market) and a member of the Board of Directors of the Florence Academy of Fine Arts (2013-2016).

Since 27 April 2016, he has been a Director of Snam.

## Principal Activities of the Directors outside the Snam Group

The table below shows the principal activities of the members of the Board of Directors outside of the Snam Group.

Director	Principal activities outside of the Snam Group
<b>Marco Alverà</b>	Director of S&P Global
<b>Nicola Bedin</b>	Majority Shareholder and Sole Director Lifenet S.r.l.
<b>Laura Cavatorta</b>	Independent Director in INWIT S.p.A.
<b>Francesco Gori</b>	Senior Advisor of the CCR (Corporate Credit Recovery) fund of Dea Capital Alternative Funds Sgr. Director on the Supervisory and Management boards of Apollo Tyres. Independent Director of Prysmian S.p.A.
<b>Yunpeng He</b>	Non-Executive Director of CDP Reti S.p.A., Director of Terna S.p.A., Italgas S.p.A. and IPTO S.A. (the TSO for the Ellenic Electricity Transmission System)
<b>Antonio Marano</b>	Chief Executive Officer of Partners 4 Energy S.r.l. He is Chairman of Aeroporto FVG S.p.A.
<b>Francesca Pace</b>	Independent director of Cassa di Risparmio di Orvieto
<b>Rita Rolli</b>	Full Professor of Private Law on the Master's degree programme in Law in the Department of Law at the University of Bologna  Independent Director and Chairwoman of the Control, Risk and Related Party Committees of IMA S.p.A. as well as member of the Appointments and Remuneration Committee of IMA S.p.A and Independent Director and Chairwoman of the Control and Risk and Sustainability Committee as well as member of the Related Party Committees of Trevifin S.p.A.
<b>Alessandro Tonetti</b>	Vice General Manager and Chief Legal Officer of Cassa Depositi e Prestiti S.p.A. and member of the Special Fund Management Committee of the <i>Istituto per il Credito Sportivo</i> .

## Conflicts of Interest

In addition to being on the Board of Directors of Snam, Alessandro Tonetti and Yunpeng He are, respectively, (i) Vice General Manager and Chief Legal Officer of Cassa Depositi e Prestiti S.p.A, and (ii) Non-Executive Director of CDP Reti S.p.A.

CDP Reti S.p.A., which is 59.1% owned by CDP, owns 31.352% of the ordinary share capital of Snam.

Snam has in place mechanisms and rules aimed at reporting and neutralising potential conflicts of interest when called upon to resolve on matters where one or more directors might have potential conflicts of interest.

Other than as previously stated, as far as Snam is aware, there are no conflicts of interest between any duties to Snam of the members of the Board of Directors and their private interests or other duties outside the Snam Group.

The Regulations of the Board of Directors have been amended to comply with the provisions set out in the shareholder agreement signed between CDP, State Grid Europe Limited ("SGEL") and State Grid International

Development Limited<sup>20</sup> concerning SGEL's undertaking to ensure that Yunpeng He, the director appointed by it to Snam's Board of Directors (if and to the extent that said director is not independent pursuant to Article 148 of the TUF) shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Snam in relation to matters on which there is a conflict of interests for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition, and shall not take part in the discussions of Snam's Board of Directors concerning the aforementioned matters.

## **Board of Directors – Committees**

The Board of Directors has established the following committees within the Board of Directors, as required by the Code of Corporate Governance, which have consultative and advisory duties: (a) the Control, Risk and Related Parties Transaction Committee; (b) the Compensation Committee; (c) the Appointments Committee; and (d) the Environmental, Social & Governance (ESG) Committee. The composition, duties and operation of the committees are governed by the Board of Directors in special regulations in accordance with criteria set by the Code of Corporate Governance. The Committees consist of three members. In the performance of their functions, the committees may access information and contact company departments for the purposes of performing their duties. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors.

### **Control, Risk and Related Parties Transaction Committee**

Snam's Control, Risk and Related Parties Transaction Committee (*Comitato Controllo e Rischi e Operazioni con Parti Correlate*) – previously named Control and Risk Committee – whose role is to consult with and make proposals to the Board of Directors, was established on 26 February 2002.

The composition, tasks and functioning of such Committee are governed by a special regulation, most recently approved by the Board of Directors on 14 May 2019. The Board of Directors set up the Control, Risk and Related Parties Transaction Committee composed of three independent non-executive Directors, as defined by the Code of Corporate Governance.

The Control, Risk and Related Parties Transactions Committee provides recommendations and advice to the Board of Directors with the goals of supporting decisions on internal control and risk management system and ensuring application and approval of financial reporting. The committee:

- evaluates the proper use of accounting standards and their consistency in order to prepare the consolidated financial statements;
- express opinions on specific aspects relating to the identification of the main risks to Snam;
- reviews transactions involving directors' or statutory auditors' interests and related-party transactions;
- examines periodic reports evaluating the internal control and risk management system, and reports of particular importance from the internal auditor;
- monitors the independence, effectiveness and efficiency of the internal audit department;
- may ask the internal auditor to carry out audits and reviews of selected operations;
- reports to the Board, at least every six months, upon approval of the annual and half-yearly financial report, on the activity it carries out and the adequacy of the internal control and risk management system; in any event, after each of its meetings, the Committee shall update the Board of Directors with a communication

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<sup>20</sup> CDP and State Grid Europe Limited, which in turn is wholly owned by State Grid International Development Limited, are the main shareholders of CDP RETI. For further information, refer to paragraph "Principal Shareholders – Brief description of the main shareholder".

at the first available meeting, on the topics discussed and on the comments, recommendations and opinions formulated therein;

- supports, with adequate preliminary activities, the Board of Directors assessments and resolutions on the management of risks arising from detrimental facts which the Board of Directors may have become aware of or that the Committee itself has reported to the Board of Directors;
- comments on proposals submitted to the board by the internal control and risk management system director concerning the appointment, dismissal and remuneration of the internal auditor and related to ensuring that the internal auditor has adequate resources to fulfil his/her responsibilities.

The members are: Francesco Gori, Francesca Pace and Antonio Marano.

### **Compensation Committee**

The Compensation Committee (*Comitato per la Remunerazione*) consists of three non-executive directors, of whom two are independent, including the Chairman, Francesca Pace. The other members are Rita Rolli and Alessandro Tonetti.

The composition, tasks and functioning of such Committee are governed by a special regulation, most recently approved by the Board of Directors on 14 May 2019.

The Compensation Committee consults with and advises the Board of Directors regarding director pay. Its duties include to:

- submit the Remuneration Report to the Board of Directors and the remuneration policy to present to shareholders;
- assess shareholder votes on the Remuneration Report;
- periodically evaluate the adequacy, overall consistency and practical application of the policy by formulating proposals on this subject to the Board;
- make proposals concerning the remuneration of the Chairman and the CEO and members of board committees;
- based on information from the CEO, propose general criteria for the remuneration of managers with strategic responsibilities, general guidelines for the remuneration of other executives of Snam and its subsidiaries and annual and long-term incentive plans, including share-based plans;
- propose performance targets that includes indicators relating to the ESG factors identified in agreement with the ESG Committee, final calculations of company results and claw-back clauses used as part of Snam's incentive plans and propose variable remuneration for executive directors;
- propose indemnities to be paid in the event of the termination of employment and non-compete agreements for executive directors;
- monitor the application of decisions adopted by the Board;
- report to the Board, at least once every six months, not later than the latest date for the approval of the annual and half-yearly report, at the meeting specified by the Chairman of the Board of Directors; in addition, subsequently to its own meeting the Committee updates the Board of Directors in a communication, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein.

## Appointments Committee

The Appointments Committee (*Comitato Nomine*) was established by the Board of Directors in October 2011 and consists of three directors, of whom two are independent, including the Chairman, Antonio Marano. The other two members are Laura Cavatorta and Alessandro Tonetti.

The composition, tasks and functioning of such Committee are governed by a special regulation, most recently approved by the Board of Directors on 27 March 2020.

The Appointments Committee consults with and advises the Board of Directors on individual appointments. Duties include:

- proposing candidates for the position of director, should the office of one or more directors be vacated during the year, and to ensure compliance with the requirements for the minimum number of independent directors and for the quota reserved for the less represented gender on the board;
- proposing candidates for the administrative bodies of Snam's controlled companies included in the scope of consolidation and strategic subsidiaries;

In order to support the process of identifying candidacies:

1. in January and July of each calendar year a plan is submitted to the Committee detailing the appointments that will be submitted to it for review during the half year;
2. during the year, before the call notice of each Committee meeting to examine the proposed candidacies is submitted for the Chairman's signature, the names and curricula vitae of the candidates are submitted for the attention of the Chairman who examines these proposals and may, where deemed necessary, request meetings and interviews with the candidates;

The candidacies brought to the attention of the Committee must comply with the requirements laid down in Annex B "Designation of members of the administrative and control bodies of the subsidiaries and investee companies" of the "Corporate Governance" Guidelines adopted by the Board of Directors on 11 December 2018: (i) the mix of skills required for the office to be held; (ii) managerial experience gained and company role, also in relation to the context in which the company whose members are being appointed operates; (iii) the commitment required to fulfil duties, in relation to positions previously held; (iv) the advisability of rotation in the positions; and (v) representation of the less represented gender;

- periodically and at least once a year, the Committee analysing the identification of the strategic investee companies and, where deemed appropriate, making proposals to the Board of Directors;
- examining the candidacies for the appointment of the Senior Vice President of Internal Audit, giving the Board of Directors its opinion; the review of the candidacies is carried out, where deemed appropriate, in meetings with the candidates held by the Chairman of the Appointments Committee together with the Chairman of the Control, Risk and Related Party Transactions Committee. The Chairman of the Board of Statutory Auditors is invited to these meetings;
- developing and proposing instructions on limits and prohibitions on accumulation of offices by Directors of Snam and its Subsidiaries, criteria for assessing the requirements of professionalism and independence of directors, to ensure directors are not involved in competitive activities, and report any concerns to the Board;
- formulating opinions for the Board of Directors on the size and composition of the Board itself and making recommendations on the managerial and professional figures whose presence on the same Board is considered appropriate;
- examining and assessing the methodologies that govern the preparation of succession plans of executives with strategic responsibilities;

- reporting to the Board, at least once every six months, not later than the latest date for the approval of the annual and six-monthly financial report, on the activities which it has carried out, at the meeting specified by the Chairman of the Board of Directors; in any event, subsequently to each meeting the Committee updates the Board of Directors in a communication, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein.

### **Environmental, Social & Governance (ESG) Committee**

The ESG Committee is composed of three non-executive directors the majority of whom, included the Chairman, Laura Cavatorta, are independent. The other two members are Rita Rolli and Yunpeng He.

The composition, tasks and functioning of such Committee are governed by a special regulation, most recently approved by the Board of Directors on 14 May 2019.

The Committee shall offer advice and recommendations to the Board of Directors in order to promote the continuous integration of national and international best practices into the corporate governance of Snam and of environmental, social and governance matters into the company's strategies so as to create value for shareholders in general and for stakeholders in the medium to long-term, in accordance with the principles of sustainable development.

The committee, in particular, shall have the following functions:

- monitor the alignment of the corporate governance system with the law, the Corporate Governance Code and national and international best practices, making proposals to the Board of Directors;
- prepare the board review activities, submitting the relative proposals to the Board of Directors;
- draw up and propose diversity policies to the Board of Directors as specified in letter (d-bis) of article 123-bis of Italian legislative decree n. 58 of 1998 as amended and supplemented;
- examine the Issuer's policies on human rights, business ethics and integrity, diversity and inclusion; the policies to integrate environmental, social and governance issues into the business model, including through the analysis of the relative KPIs; the initiatives undertaken by the Issuer to address issues raised by climate change and the relative reporting; the approaches, objectives and consequent processes regarding sustainability and the sustainability reporting submitted annually to the Board of Directors; the correct use of the standards adopted in order to prepare the non-financial information and the document to be submitted for the approval of the Board of Directors, including and liaising with the Control, Risk and Related Party Transactions Committee, the reporting of risks that may be important in terms of sustainability also in the medium/long-term; the profit and not-for-profit strategy of the company and the Issuer's gas advocacy initiatives; and the sustainable finance initiatives;
- monitor the positioning of the Issuer with respect to the financial markets on sustainability issues, with particular reference to the Issuer's placement in the ethical sustainability indices and international initiatives on environmental, social and governance matters and the Issuer's participation in them, in order to consolidate the company's international reputation;
- after every meeting, the Committee shall update the Board of Directors by reporting, at the first available meeting, on the topics discussed and the comments, recommendations and opinions formulated therein; it shall also report to the Board, at least once every six months and no later than the dates on which the annual and half-yearly financial report are to be approved, on the activities it has carried out, in the board meeting

indicated by the Chairman of the Board of Director.

### **Related party transactions**

On 30 November 2010 the Board of Directors approved the “*Procedure relating to transactions involving interests of directors and statutory auditors and transactions with related parties*” (the “**Procedure**”), in compliance with the provisions of article 2391-bis of the Italian Civil Code and of CONSOB Resolution No. 17221/2010.

On 12 December 2017, the Board of Directors, after having received the unanimous favourable opinion of the Control, Risk and Related Party Transactions Committee, adopted the “*Guideline for Transactions involving the interests of the directors and statutory auditors and Transactions with Related Parties*” to replace the existing Procedure with a view to simplifying and maintaining, in substantive terms, content in line with the Consob Regulations (Resolution no. 17221 of 12 March 2010).

The Board of Directors every year conducts an audit of the effectiveness of the Guideline.

The Board of Directors on 12 December 2019 conducted the annual audit pursuant to article 8 of the Guideline and (i) confirmed a single threshold for all related-party “*Transactions of Greater Importance*”, set at EUR 140 million; (ii) set a maximum threshold of EUR 1,000,000 for “*Transactions of negligible values*”.

The Guideline addresses the legal and regulatory context in which Snam and its subsidiaries operate and comply with the Unbundling Regulation, by taking into account the specific nature of the activities carried out by Snam and its subsidiaries, which are subject to the supervision of the ARERA.

To further safeguard transparency in the market, Snam ensures material and procedural correctness by voluntarily applying the regime set out in the CONSOB Regulation No. 17221/2010 to all transactions entered into by the subsidiaries with Snam’s related parties. This ensures the adequate and timely transfer of information between the directors of the subsidiaries and Snam.

### **Board of Statutory Auditors**

Under Italian law, the role of the Board of Statutory Auditors is to oversee compliance with the law and with the By-laws, ensure the principles of correct administration are observed, monitor the adequacy of Snam’s organisational structure for matters within the scope of its authority, the adequacy of its internal control system and of its administrative and accounting system and the reliability of the administrative and accounting system in correctly representing Snam’s transactions, check the methods for specific implementation of the rules of corporate governance provided for by the codes of conduct drafted by regulated market management companies or by industry associations, which Snam publically discloses that it upholds, and to review the adequacy of Snam’s instructions to subsidiaries pursuant to applicable law.

Legislative Decree No. 39/2010 provides that the Board of Statutory Auditors also performs supervisory functions in its capacity as “Internal Control and Audit Committee”, overseeing in particular:

the financial reporting process;

the effectiveness of internal control, internal audit and, if applicable, risk management systems;

the independent audit of annual financial statements and consolidated financial statements; and

the independence of the independent auditors or audit company, specifically insofar as the provision of services other than auditing to the entity being audited is concerned.

### **Current Members of the Board of Statutory Auditors**

The Board of Statutory Auditors consists of three statutory auditors and two alternate auditors. The auditors are appointed and their compensation is determined in a meeting of the Shareholders. Auditors may be re-elected at the end of their term of office.

The table below sets out the current members of the Board of Statutory Auditors and their dates and places of birth. The current Board of Statutory Auditors was appointed by the ordinary Shareholders' meeting on 2 April 2019 for a three-year period and its mandate is due to expire on the date of the Shareholders' Meeting called to approve the financial statements of the Issuer as at 31 December 2021.

<b>Name</b>	<b>Office</b>	<b>Date and place of birth</b>
Stefano Gnocchi *	Chairman	Codogno (Lodi), 18 May 1974
Gianfranco Chinellato	Statutory Auditor	Padua, 19 July 1951
Donata Paola Patrini	Statutory Auditor	Milan, 17 June 1956
Federica Albizzati*	Alternate Statutory Auditor	Varese, 22 October 1970
Maria Gimigliano	Alternate Statutory Auditor	Naples, 2 June 1976

*\*Drawn from the slate presented by the Institutional Investors, voted on by the minority of shareholders who attended the meeting.*

For the purposes of the above-mentioned positions, each member of the Board of Statutory Auditors is domiciled at Snam's registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy.

Set out below is certain biographical information in relation to the current members of Snam's Board of Statutory Auditors and the principal activities performed by them outside the Snam Group.

#### **Stefano Gnocchi**

He graduated in Economics, specialised in Finance and Master in Business and Knowledge Audit at the Università Cattolica del Sacro Cuore di Piacenza and Milano (Italy). He is chartered accountant, Statutory Auditor, Certified Risk Management Assurance (CRMA), Certified Information System Auditor (CISA), Internal Audit Qualified External Assessor/Validator (QAR).

He is chairman of the Board of Statutory Auditors of Mutuonline S.p.A. Italian listed group leading retail credit broker.

He is member of the Board of Statutory Auditors of MTA S.p.A. international automotive company. He is member of the Board of Supervisory Body 231 of Italian listed company. He is member of Chartered Accountant Association commissions (Milan) and of Assirevi research committees. He is member of the association IIA, AIAF, ANDAF, IGS, NedCommunity.

Contract Professor at the Department of Economics and Business, University of Pavia (Italy) (2010 - 2017).

He has twenty years of professional experience in Big Four (Italy and US) and Mazars (Italy) within governance and internal controls, board evaluation, compliance, internal audit, risk management, fraud&investigation, financial audit, attestation of business plans, and assurance on management control systems and prospectus.

He gained experience in the following main industries: automotive, oil, energy&utilities, food&mmr, fashion, retail, e-commerce, insurance, banking, asset management, real estate.

He is Chairman of the Board of Statutory Auditors of Snam from 2 April 2019.

#### **Gianfranco Chinellato**

Gianfranco Chinellato was born in Padua in 1951.

He graduated in Business and Economics from "La Sapienza" University in Rome.

He is listed on the register of chartered accountants and on the register of statutory auditors, as well as being a certified accountant.



He is a contract professor of Tax Law at Università degli Studi della Tuscia, Viterbo. He has written numerous publications in trade journals.

Since 1978 he has been carrying out national and international tax advisory work, as well as tax defence, assistance and representation for corporations, organisations and trade associations as well as for credit institutions. He is a member of the board of statutory auditors of various corporations.

He previously performed tasks relating to studies and consultancy for the Italian National Research Council (CNR). He also had the role of Expert for the Court of Rome and from 2010 to 2015 was a party-appointed expert witness of the Land Registry Office.

He has been an Effective Statutory Auditor of Snam since 2 April 2019.

### **Donata Paola Patrini**

Donata Paola Patrini was born in Milan in 1956.

She graduated in Business and Economics.

She is listed on the register of chartered accountants of Milan and on the register of external auditors of the accounts, as well as on the register of expert witnesses of the court of Milan.

Since 1985, she has been a founding partner of Studio Patrini e Associati, an association of chartered accountants that deals mainly with the tax-related and corporate financial aspects of large Italian companies and multinationals.

She is a statutory auditor, director and SB member of various Italian and foreign companies operating in the pharmaceutical, healthcare, financial, industrial, trade, energy, telecommunications, publishing and fashion sectors.

She has been an Effective Statutory Auditor of Snam since 2 April 2019.

### **Federica Albizzati**

Federica Albizzati was born in Varese in 1970.

She graduated in Economics at “Luigi Bocconi” University of Milan. She is a Certified Public Accountant and Auditor. She is enrolled in the Register of Certified Public Accountants and of Auditors.

She has been an Alternate Statutory Auditor of Snam since 2 April 2019.

### **Maria Gimigliano**

Maria Gimigliano was born in Naples in 1976.

She graduated from Bocconi University, Milan in Business Economics.

She is a member of the Board of Auditors of the Luigi Bocconi Commercial University.

She is Standing Auditor and member of Watch Structure of Banca Progetto S.p.A. and Cedracri S.p.A..

She is Standing Auditor of Infrastrutture Trasporto Gas S.p.A., Surfaces Technological Abrasives S.p.A., ADI S.r.l., Ennefin S.p.A., RBM Italia S.r.l., Asset Company 2 S.r.l., Tep energy Solution S.r.l., Nocoat S.p.A., Luna Abrasivi S.r.l and Luna Brand S.r.l..

She is registered on the Italian Legal Registry Auditors.

She has been an Alternate Statutory Auditor of Snam since 27 April 2016.

## Conflicts of Interest

As far as Snam is aware, the members of the Board of Statutory Auditors do not have any conflicts of interest between any duties to Snam and their private interests or other duties outside the Snam Group.

## Managers with strategic responsibilities

The table below sets out the names, dates and places of birth of the managers of Snam which have been identified as managers with strategic responsibilities (“*dirigenti con responsabilità strategiche*”) pursuant to article 65, paragraph 1-*quater* of CONSOB Regulation No. 11971/1999 (as amended) as of 1 November 2019:

<b>Name</b>	<b>Office</b>	<b>Date and place of birth</b>
Alessandra Pasini	CFO of Snam and Chief International & Business Development Officer	Padova, 19 September 1973
Marco Reggiani	General Counsel of Snam	Reggio, Emilia 3 June 1968
Paola Boromei	Executive Vice President Human Resources & Organisation	Milan, 11 April 1976
Federico Ermoli	Chief Energy Transition Officer	Milan, 20 January 1959
Massimo Derchi	Chief Business Unit Industrial Assets	Genova 30 March 1963

For the purposes of the above-mentioned positions, each manager is domiciled at Snam’s registered office at Piazza Santa Barbara 7, 20097 San Donato Milanese, Milan, Italy.

Set out below is certain biographical information in relation to the above-mentioned managers and the principal activities performed by them outside the Snam Group.

Snam’s managers with strategic responsibilities that, in accordance with article 65, paragraph 1-*quater* of CONSOB Regulation No. 11971/1999 (as amended), are persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, are identified from time to time by the CEO on the basis of the organisational structure of the Issuer.

### Alessandra Pasini

Alessandra Pasini has been Chief Financial Officer at Snam since November 2016 and Chief International & Business Development Officer since November 2019.

With a degree in Business Administration at Università Bocconi, she began her career at Kraft Jacobs Suchards working in the Financial Control Department. In 1998 she joined Citi, holding various positions in the Credit and Corporate Banking departments, also being Chief of Staff of the Italian Country Manager for a period of time. In 2000 she joined the Investment Banking team, managing the separation of Snam Rete Gas from Eni and its subsequent IPO.

Then, holding positions of increasing responsibility and visibility, she dealt with various M&A transactions, bank financing, debt and equity capital markets transactions, specifically following companies operating in the utilities, oil&gas, telecom & media and infrastructure sectors. Amongst other things, she closely followed the repayment of Eni’s intercompany loan in 2012 and related take-out transactions on the bond market, GIP’s acquisition of a stake in Transigas and the financing of the TEREGA acquisition by Snam.

In 2013 she joined Barclays as Deputy Head of Investment Banking for Italy, then becoming Head of Investment Banking for Italy and reporting directly to the Head of EMEA. Over the years she managed various relevant

transactions, among which the recent listing of Enav, the demerger of Italgas from Snam, Gtech's acquisition of IGT for USD 5.6 bn and the financing of the transaction, which has been the largest acquisition from an Italian corporate in recent years, as well as the €2 bn convertible bond from Telecom Italia, the sale of Telecom Argentina by Telecom Italia and the sale by Eni of its upstream assets in Russia.

Alessandra Pasini was a member of the Board of TAP from December 2016 until 1 October 2018.

From April 2017 to November 2017 she was Chairwoman of Snam Rete Gas.

### **Marco Reggiani**

Marco Reggiani, lawyer, and in Snam since January 2010, is General Counsel for Legal, Governance, Compliance, ERM & HSEQ of Snam.

Graduated in Law at the University of Parma, he achieved the Master on advanced studies in trans-national law at the University of Trento. Former Professor of Environmental Law at the LIUC University of Castellanza and former Chairman of the Legal Affairs Committee of Assomineraria.

From 2001 until the end of 2009 he had responsibility for roles in the Eni group taking care of both legal assistance to the business activities and of ethics and corporate responsibility issues. Moreover, from 2002 to 2006 he was appointed as Chairman of the Legal Affairs Committee of Assomineraria.

Marco Reggiani has been Board member of Snam Rete Gas until August 2018 and of Stogit until 2016. From April 2012 to September 2016, Marco Reggiani has served as Chairman of Italgas Reti S.p.A..

### **Paola Boromei**

Paola Boromei has been Executive Vice President for Human Resources & Organization at Snam since March 2017.

With a degree in Psychology of Organization at Università Cattolica del Sacro Cuore in Milan and a Master's Degree in Organization and Personnel at SDA Bocconi School of Management, she began her career at L'Oréal Group in 2000, where she remained until 2011, holding roles of Increasing responsibility in the Human Resources & Marketing department of the Mass Market Division. In 2005 she was appointed Human Resources Director at L'Oréal Prodotti di lusso S.p.A..

In 2008 she was appointed Human Resources Director Europe at Paris headquarters, and subsequently became Global HR Director of the Travel Retail division. In 2010 she obtained a Master Executive (CEDEP) at Insead Business School.

From 2011 to 2013 she was Human Resources Director for the Mediterranean region at Ernst&Young (EY).

From the end of 2013 to February 2017 she was HR & Organization Director at Humanitas, Techint Group.

As of the date of this Base Prospectus, she is, since June 2020, Independent Board Director Pirelli S.p.A., since April 2020, Independent Board Director Grifal S.p.A. and, since November 2019, Board Member Snam Rete Gas S.p.A. In the four-year period 2017-2020 she has also been Secretary of the Remuneration Committee of Snam, from 2017 to 2019 a Board Member of the committee of Terega S.a.S and, from 2019 to 2020, Board Member ADAPT.

### **Federico Ermoli**

Federico Ermoli leads the Business Unit Energy Transition.

A graduate in Business and Economics with a Master's degree in Corporate Finance from Bocconi University in Milan, he began his management career in Snam's Finance department in 1984.

He later acquired further international experience as coordinator of International Business at Eni Gas & Power covering numerous positions of responsibility at overseas companies in Germany, Switzerland, Spain, Portugal,

Tunisia and the Netherlands. These roles included those of CEO of GALP Energia and CEO of Transgas, from 2001 to 2004.

He also carried out project management roles in industrial projects such as the development of the Blue Stream underwater gas pipeline between Russia and Turkey, and for M&A operations such as the acquisition of French company TEREKA.

CFO of Italgas between 2006 and 2011, he returned to Snam in January 2012 as Director of Planning, Insurance and Finance to guide the start-up of the company's financial activities.

He was Executive Vice President of Business Development and International Business at Snam from April 2013 to November 2016.

He has held Board level memberships in many countries in the natural gas industry internationally and he is currently Chairman of Snam 4 Mobility (where he is the CEO), Cubogas and Snam 4 Environment and Director in Snam 4 Efficiency.

### **Massimo Derchi**

Massimo Derchi leads the Italian Assets Business Unit of Snam since January 2018.

He has also been Chairman of Snam Rete Gas since November 2017. With a degree in Engineering at the University of Genova in 1986, he held various positions (from Investment Development Management to M&A, Purchases and Strategic Planning) in Italian and foreign companies in the energy sector.

From 1986 to 1996 he has been Project Manager and Head of Foreign Projects in a subsidiary of the ERG group. During the following three years he has been Head of Projects in Air Liquide Italia, carrying out, amongst other things, the construction of two of the biggest plants for oxygen production in the world.

From 1999 to 2004 he has been in charge of Italian subsidiaries of European and US engineering companies (water cooling system, flue gas treatment, etc.). Again in Erg, from 2005 to 2011 he held various senior management positions in refining (Head of Acquisitions, Organization, Planning and Control and, then, Head of Refining).

From 2011 to 2016, as CEO of Erg Renew, he has led the transformation of the company from petroleum refiner in one of the top ten European onshore wind energy producers, and the most important in Italy, planning and managing the company's expansion in seven European countries also through acquisitions (Erg Renew has been awarded by Bloomberg as “#1 Worldwide Acquirer” in Clean Energy). He has also been Senior Advisor of Italian and international energy companies.

### **Independent Auditors**

PricewaterhouseCoopers S.p.A. have audited the consolidated financial statements of Snam and its subsidiaries as of and for the years ended 31 December 2018 and 31 December 2019, in accordance with International Standards on Auditing (ISA Italia). PricewaterhouseCoopers S.p.A. is authorised and regulated by the MEF and registered on the special register of auditing firms maintained by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Via Monte Rosa 91, Milan, 20149, Italy.

On proposal of the Board of Statutory Auditors, the Shareholders' Meeting of Snam of 23 October 2019 conferred the appointment for the period relating to the financial years ending on 31 December from 2020 to 2028, on the independent auditing firm Deloitte & Touche S.p.A..

The same Shareholders' Meeting, upon proposal of the Board of Statutory Auditors, resolved to terminate by mutual consent, the appointment as external auditor conferred on the independent auditing firm PricewaterhouseCoopers S.p.A..

Deloitte & Touche have performed a limited review of the consolidated financial statements of Snam and its subsidiaries as at and for the six-month period ended 30 June 2020, in accordance with International Standards on Auditing (ISA Italia).

Deloitte & Touche is authorised and regulated by the MEF and registered on the special register of auditing firms held by the MEF. The registered office of Deloitte and Touche S.p.A. is Via Tortona, 25, Milan, 20144, Italy.

## GLOSSARY OF TERMS AND LEGISLATION RELATING TO THE ISSUER

“**ACER**” means the Agency for the Co-operation of Energy Regulators.

“**ARERA**” means the Italian Regulatory Authority for Energy, Networks and Environment (*Autorità di regolazione per energia reti e ambiente*).

“**ARERA 2020 Report**” means the ARERA’s 2020 Annual Report on Services and Activities (*Relazione annuale sullo stato dei servizi e sull’attività svolta*) dated 17 September 2020.

“**AGCM**” means the Antitrust Authority (*Autorità Garante della Concorrenza e del Mercato*).

“**CDP**” means Cassa Depositi e Prestiti S.p.A..

“**CDP RETI**” means CDP RETI S.p.A..

“**Code of Corporate Governance**” means the self-regulatory code of corporate governance for listed companies approved by the Corporate Governance Committee of the Borsa Italiana S.p.A., as amended from time to time.

“**Consolidated Unbundling Act**” means collectively the Integrated Code together with Resolution 11/07, as amended from time to time.

“**Decree 93/2011**” means the Legislative Decree No. 93 dated 1 June 2011 (*Mercato interno dell’energia elettrica, del gas naturale*).

“**ENTSOG**” means the European Network of Transmission System of Gas.

“**EPRG**” means European Pipeline Research Group.

“**First Gas Directive**” means the Directive 98/30/EC of the European Parliament and of the Council of 22 June 1998, concerning common rules for the transportation, distribution, supply and storage of natural gas.

“**GERG**” means Groupe Europeen de Recherches Gazieres.

“**GME**” means *Gestore dei Mercati Energetici S.p.A.*

“**HHV**” means the higher heating value.

“**Independent Operator**” means a person to be appointed by companies subject to unbundling rules in order to manage and supervise the compliance of the company with the unbundling rules.

“**Integrated Code**” means ARERA Resolution No. 11/2007 of 18 January 2007 and its annexes.

“**J**” means Joule, the unit of measurement of energy, with multiples measured in Giga Joules (1 GJ = 1 billion J) and Mega Joules (1MJ = 1 million Joules).

“**Law 27/2012**” means the Law No. 27 dated 24 March 2012 (*Disposizioni urgenti per la concorrenza, lo sviluppo delle infrastrutture e la competitività*).

“**Law 481/95**” means the Law No. 481 dated 14 November 1995 (*Norme per la concorrenza e la regolazione dei servizi di pubblica utilità. Istituzione delle Autorità di regolazione dei servizi di pubblica utilità*).

“**Letta Decree**” means the Legislative Decree No. 164 dated 23 May 2000 (*Norme comuni per il mercato interno del gas naturale*).

“**LNG**” means liquefied natural gas.

**“LNG chain”** (*Filiera del GNL*) means the process for the extraction of natural gas from the fields, its liquefaction for transport by ship and subsequent regasification for use by the users.

**“Marzano Law”** means the Law No. 239 dated 23 August 2004 (*Riordino del settore energetico, nonché delega al Governo per il riassetto delle disposizioni vigenti in materia di energia*).

**“May Decree”** means Presidential Decree issued on 25 May 2012 regarding the ownership unbundling of Snam from ENI.

**“MED”** means the Italian Ministry of Economic Development (*Ministero dello Sviluppo Economico*).

**“MEF”** means the Italian Ministry of Economy and Finance (*Ministero dell’Economia e delle Finanze*).

**“Network Code”** means the document governing the rights and obligations of the parties involved in providing the transportation service.

**“NRA”** means the National Regulatory Authority.

**“RAB”** means the regulated assets of the Snam Group the value of which is determined by reference to the net capital invested in assets (*capitale investito netto*) as calculated by reference to applicable ARERA Regulations and on the basis of which gas transportation, storage, re-gasification, distribution tariffs are determined by ARERA.

**“Resolution 11/07”** means the ARERA Resolution No. 11/07 of 18 January 2007 which listed specific obligations for functional unbundling.

**“Resolution 132/08”** means the Resolution ARG/com No. 132/08, of 26 September 2008 which sets out guidelines that describes the compliance requirements, the compliance deadlines ruling unbundling and clarifies the requirements of a compliance program to be drafted by each Independent Operator.

**“Scm”** means the standard cubic metres (gas volumes).

**“Second Gas Directive”** means the Directive 2003/55/EC of the European Parliament and of the Council of 26 June 2003 concerning the internal market of natural gas.

**“Shipper”** or **“Shippers”** means users of the gas system. 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 are typically directly connected to the transportation system, or to residential and commercial consumers, which are connected to a regional distribution network. Shippers use transportation, dispatching, LNG regasification and storage services. The term **“Shipper”** is used in this Base Prospectus to mean both a user of the gas system in a general sense or a user of one or more of the specific services within the gas system.

**“Sm3”** means a standard unit of gas, equal to pressure at 1,01325 bar (standard atmospheric pressure) and 15°C.

**“Storage Thermal Year”** means the period of time into which the regulatory period for storage is subdivided by the ARERA, which runs from 1 April to 31 March of the following year.

**“Thermal Year”** means the period of time into which the regulatory period for transportation, dispatching and LNG regasification is subdivided by the ARERA, which runs from 1 October to 30 September of the following year.

**“Third Energy Package”** means the set of European Regulations and Directives concerning the internal energy market and providing measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

**“Third Gas Directive”** means the Directive 2009/73/EC of the European Parliament and of the Council of 13 July 2009 concerning common rules for the internal market in natural gas.

“**Toe**” means the energy value of a ton of oil. 1 billion m<sup>3</sup> of natural gas is equal to 0.825 million toe. 1 million toe = 1.212 billion m<sup>3</sup> of natural gas.

“**TYNDP**” means the Ten-Year Network Development Plan.

“**Unbundling Regulation**” means the rules set out by the Second Gas Directive on unbundling and transparency of accounts and the corporate, functional and organisational unbundling of operators of gas transmission and distribution systems in vertically integrated groups.



## REGULATORY AND LEGISLATIVE FRAMEWORK

The liberalisation process of the energy market launched in Europe has been phased in over a decade with the adoption of three legislative packages, which have gradually been incorporated into the legislation of the EU Member States. The natural gas industry has been – and still is – subject to significant regulation both at EU and national levels.

### 1. The First Gas Directive

Directive 98/30/EC (“**First Gas Directive**”) defined common rules for the transportation, distribution, supply and storage of natural gas.

The First Gas Directive was implemented in Italy in May 2000 through the Legislative Decree No. 164/2000 (known as the “**Letta Decree**”) which identifies and defines the sectors making up the natural gas market (import, production, transportation, dispatching, storage, liquefied natural gas (“**LNG**”) regasification, distribution and sales) and sets out the regulatory principles with regard to liberalisation, unbundling, network access and transparency.

The Letta Decree provides measures regarding:

- the regulation of the transportation, storage, regasification and distribution activities, with the guarantee of non-discriminatory access to infrastructures at regulated rates; and
- the gradual opening of the market to customers (with the definition of eligibility criteria for end-users).

The Letta Decree assigns certain roles and responsibilities to the Ministry of Economic Development (*Ministero dello Sviluppo Economico*) (“**MED**”) and the ARERA.

The MED is responsible for defining strategic guidelines for the gas sector and ensuring its safety and economic development. The ARERA, an independent regulatory body, is responsible for the regulation of the national electricity and natural gas markets. Its responsibilities include the definition of criteria for determining and updating tariffs and for governing access to infrastructure, as well as the provision of services related to the transportation, distribution, storage and regasification of LNG.

### 2. The Second Gas Directive

In 2003, Directive 2003/55/EC (“**Second Gas Directive**”) – the second directive on the internal market for natural gas – was issued repealing the First Gas Directive. In Italy, Law No. 239/2004 (“*Reform of the energy sector and delegation to the Government for the reorganisation of the existing provisions relating to energy*”, known as the “**Marzano Law**”) implemented some of the provisions of the Second Gas Directive which included the following:

- incentives for new supplying infrastructure;
- natural gas transportation and dispatching activities, as areas of public interest, are subject to the relevant obligations provided by European and national regulation;
- exploration, production, underground storage of hydrocarbons and the distribution of natural gas are to be allocated under a concession regime (Article 1, Paragraph 69, of Marzano Law provided that the expiry date of distribution concessions awarded without a public tender which were active as of 21 June 2000, is postponed to 31 December 2007); and
- the MED may, once it has obtained the favourable opinion of the ARERA, grant exemptions from rules that provide for third party access rights (“**TPA**”) to the network “*in favour of persons who invest in the construction of new infrastructure for the interconnection of national gas transportation systems in EU member states with the Italian transportation system, in the construction of new regasification terminals and new underground storage for natural gas in Italy, or in significant developments in the capacity of such*

*infrastructure*". The exemption is for a period of at least 20 years and for a quota equal to at least 80% of new capacity.

### 3. The Third Energy Package – The Third Gas Directive

In July 2009, the "Third Energy Package" was approved in the EU with a view to completing the internal energy market and providing a series of measures aimed at redefining the structure of the industry and promoting the integration of individual national energy markets.

Among other items, with specific regard to unbundling, Directive 2009/73/EC ("**Third Gas Directive**"), comprised in the Third Energy Package, provides that Member States shall implement measures to ensure the "effective separation" of energy networks from the production and supply activities.

In particular, the Third Energy Package provides for the separation of supply and production activities from transportation network operations. To achieve this goal, Member States may opt between the following three unbundling options:

- Full ownership unbundling. This option entails vertically integrated undertakings selling their gas and electricity grids to an independent operator, which will carry out all network operations.
- Independent System Operator ("**ISO**"). Under this option, vertically integrated undertakings maintain the ownership of the gas and electricity grids, but they are obliged to designate an independent operator for the management of all network operations.
- Independent Transmission Operator ("**ITO**"). This option is a variant of the ISO option albeit vertically integrated undertakings do not have to designate an ISO, but need to abide by strict rules ensuring separation between supply and transportation.

The Third Energy Package also contains several measures aimed at enhancing consumers' rights, such as the right: (i) to change supplier within three weeks and free of charge and to receive the final closure account at the latest six weeks after switching suppliers; (ii) to obtain compensation if quality targets are not met; (iii) to receive information on supply terms through bills and company websites; and (iv) to see complaints dealt with in an efficient and independent manner. The Third Energy Package also strengthens protection for small businesses and residential clients, while rules are introduced to ensure that liberalisation does not cause detriment to vulnerable energy consumers. Finally, the Third Energy Package, under EC Regulation 713/2009 and EC Regulation 715/2009 respectively, provides for the creation of the Agency for the Co-operation of Energy Regulators ("**ACER**") and of the European Network of Transmission Systems of Gas ("**ENTSO**G"), in order to promote the creation of the internal gas market. In the coming years, these bodies will have the task of promoting the co-ordinated development of networks – through the predisposition of a non-binding Ten-Year Network Development Plan ("**TYNDP**") every two years – and creating regulations for access and service delivery, harmonised throughout the whole of Europe via the adoption of common European network codes.

The Third Gas Directive was implemented in Italy with Legislative Decree No. 93/2011 on the "*National natural gas and electricity market*" (*Mercato interno dell'energia elettrica e del gas naturale*) (the "**Decree 93/2011**"), which impacts on all business sectors of the Issuer and, in terms of unbundling, envisages that the main Italian gas transportation company shall (i) comply with the ITO model as well as (ii) be certified by the NRA and, consequently, approved and designated as a Transmission System Operator ("**TSO**") by the MED.

The ITO model implied the obligation for the TSO to be autonomous as well as fully and effectively independent from ENI which represented the Vertical Integrated Undertaking (VIU).

The other main provisions of Legislative Decree 93/2011 include:

- (i) integration of renewable energy sources generation into the electrical system more efficiently;
- (ii) with regard to the exemption from TPA obligation in respect of new interconnection infrastructure originally granted by the Marzano Law, implementing the Second Gas Directive,

the scope of such exemption has been changed as it now provides that exemption is granted by MED, with the prior opinion of the ARERA, for a period established on a case by case basis (with a maximum cap of 25 years) and for a quota which is also decided on a case by case basis.

Pursuant to the May Decree, the Italian legislator opted for the full ownership unbundling regime. See “*Italian Unbundling Legislation*” below.

#### 4. Italian Unbundling Legislation

The Second Gas Directive confirmed the rules on unbundling and transparency of accounts set out in the First Gas Directive, provided also for the corporate, functional and organisational unbundling of operators of gas transportation systems in vertically integrated groups. Besides the above-mentioned provisions set forth in the Marzano Law, the provisions of the Second Gas Directive regarding functional unbundling were implemented in Italy by ARERA Resolution No. 11/2007 of 18 January 2007 (“**Resolution 11/2007**”), and its annexes (the “**Integrated Code**”, together with Resolution No. 11/2007, as amended from time to time, the “**Consolidated Unbundling Act**”), which listed specific obligations for functional unbundling.

In particular, the Consolidated Unbundling Act requires vertically integrated companies to provide for functional unbundling. Vertically integrated companies in the gas sector are defined as companies that provide at least one of the following services: transportation, distribution, LNG or storage, together with activities for the production or supply of natural gas. Functional unbundling was defined as the separation of said activities with regard to organisation, decision and managerial powers. Legislative Decree No. 73 of 18 June 2007 (“**Decree 73/2007**”), converted into Law No. 125 of 3 August 2007, requires that the ARERA: (i) adopts specific provisions for the functional unbundling, also in relation to the storage of gas, in compliance with the Second Gas Directive provisions, and (ii) regulates performance of certain distribution companies’ obligations.

Pursuant to the Consolidated Unbundling Act, functional unbundling is achieved if independent decision-making and organisational powers are granted to each of the gas transportation, dispatching, LNG regasification, storage and distribution businesses, in order to separate them from any other gas business.

As a consequence, companies operating, *inter alia*, in the gas sectors and carrying out at least one of the following activities: (a) storage of natural gas; (b) regasification of LNG; (c) transportation of natural gas; (d) dispatching of natural gas; (e) distribution of natural gas; and (f) metering of natural gas, are subject to the unbundling regulations to be implemented through an independent operator (i.e. a person to be appointed by companies subject to unbundling rules in order to manage and supervise the compliance of the company with the unbundling rules) (the “**Independent Operator**”).

The Independent Operator must comply with a series of requisites established by the Consolidated Unbundling Act. Its fundamental obligation is to ensure that the activities entrusted to it are managed efficiently, economically, neutrally and in a non-discriminatory manner. For this purpose, the Independent Operator is obliged to carry out a series of administrative duties in line with the guidelines specifically set out by the ARERA in Resolution ARG/com No. 132/2008, published on 26 September 2008 (“**Resolution 132/2008**”).

By Resolution No. 132/08, the ARERA published guidelines that: (i) describe the compliance requirements and the compliance deadlines ruling unbundling and (ii) clarify the requirements of a compliance program to be drafted by each Independent Operator (the “**Guidelines**”).

Pursuant to the Consolidated Unbundling Act, the Independent Operator of companies carrying out natural gas transportation, dispatching or distribution activities must be composed of all members of the board of directors and its senior managers.

However, ARERA Resolution No. 253/07 of 4 October 2007 (“**Resolution No. 253/07**”) partially departs from this principle by providing that not all directors of each company subject to unbundling obligations are required to be members of the Independent Operator, as long as:

- the corporate purpose of the relevant company, as set out in its by-laws, includes the promotion of competition, efficiency and adequate quality standards of service;

- the directors of the relevant company who do not meet the independence requirements set forth by the ARERA resolutions have no operational and/or decision-making power in relation to sales activities; and
- a managing director or an executive committee is vested with a specific role within the Independent Operator of the company, who or which provides binding opinions in respect of (i) all decisions of the board of directors that concern the management and organisation of the unbundled business, (ii) approval of its development plan (an “**Independent Structure**”).
- On 20 April 2010, the ARERA amended the Consolidated Unbundling Act through Resolution No. 57/10, which essentially envisages that the activities of natural gas storage, regasification, transportation, dispatch, distribution and metering may be managed also jointly, and are therefore not subject to functional unbundling obligations.

Furthermore, Decree 93/2011, introduced new provisions on the separation of operators of natural gas transportation systems from the other activities in the gas supply chain. Decree 93/2011 provides that the major transportation company shall comply with the rules governing ITO and (i) confirms the system of organisational and functional unbundling of distribution activities, as already provided by the Second Gas Directive; (ii) enforces the organisational unbundling of the transportation network from the ownership structure in the cases where the transportation network has adopted the ISO model (designed for minor transportation companies); and (iii) confirms, with regard to regasification, the principle of accounting and administrative unbundling of LNG activities from the other activities of the gas supply chain and identifies the duties of the manager of the LNG system.

Subsequently, Law Decree No. 1/2012, which was converted into Law 27/2012 on 24 March 2012, and the May Decree *provided that* ENI had to sell some of its shares in the shortest timeframe compatible with market conditions and no later than 18 months after Law 27/2012 came into force (i.e. September 2013). The May Decree contains a series of guidelines regarding the sale including that at least 25.1% of its shares will be purchased by the Italian state financing agency Cassa Depositi e Prestiti S.p.A. (“**CDP**”) and that the remaining shares will subsequently be sold into the market by transparent and non-discriminatory means.

The May Decree also contains guidance regarding corporate governance of the Issuer following the sale of shares to CDP and provides that no person who is a member of the governing body, the board of statutory auditors or senior management of ENI or its subsidiaries shall also hold a position in the governing body, the board of statutory auditors or senior management of the Issuer or its subsidiaries.

In line with the Third Energy Package, with the May Decree the Italian legislator created a much stricter regime of ownership unbundling (“**OU**”) in Italy than the one which was implemented previously under the Third Energy Package, by making the OU model compulsory for all regulated activities (transmission, distribution, storage and regasification of natural gas) and by requiring the vertically integrated undertaking (ENI) to sell its entire stake in Snam.

## **THE ITALIAN “NATIONAL ENERGY STRATEGY” (*STRATEGIA ENERGETICA NAZIONALE – SEN*)**

The “National Energy Strategy” (“*Strategia energetica nazionale - SEN*”) is the ten-year plan that the Italian Government drew up to anticipate and manage the change of the national energy system: a document looking beyond 2030, and laying the groundwork for building an advanced and innovative energy model.

Italy’s National Energy Strategy lays down the actions to be achieved by 2030, in accordance with the long-term scenario drawn up in the “EU Energy Roadmap 2050”, which provides for a reduction of emissions by at least 80% taking into account the levels calculated in 1990.

In particular, the objective of the National Energy Strategy is to make the national energy system

- more competitive, by aligning Italian energy prices with European ones to the benefit of both companies and consumers, opening up new markets to innovative companies, creating new employment opportunities and fostering research and development;

- more sustainable, by contributing to decarbonisation, in line with the long-term targets of the “Paris Agreement on Climate Change”, improving energy efficiency and encouraging energy conservation to mitigate environmental and climate impacts, promoting environmentally conscious lifestyles - from sustainable mobility to wise energy usage - and confirming Italy’s environmental leadership role;
- more secure, by improving the security of energy supply, while ensuring its flexibility and strengthening Italy’s energy independence.

The National Energy Strategy reports that gas will continue to play a key role in the energy transition and decarbonisation processes and promotes, amongst other things, the construction of new gas imports pipelines, in order to diversify supply sources and routes, and the methanisation of the Sardinia region.

## **POTENTIAL DEVELOPMENT IN RESPECT TO HYDROGEN AND OTHER LOW CARBON GAS STRATEGY**

On 8 July 2020 the European Commission adopted a new hydrogen strategy with the communication 'A hydrogen strategy for a climate-neutral Europe'.

The aim of the strategy is therefore to create an enabling environment to scale up renewable hydrogen supply and demand for a climate-neutral economy. To do so the strategy outlines a number of key actions and presents three strategic phases in the timeline up to 2050. The three phases run from first 2020-2024, second phase 2025-2030 and final phase 2030-2050. In this respect it will be crucial for Snam to develop an H2 strategy coherent with the upcoming legislative and regulatory packages which will be adopted by European and National Institutions so that its infrastructure continue to be fully utilized also in the long term.

Concerning the definition of a IV gas package (today also referred as Internal Energy Market legislation for competitive decarbonized gas markets) the Commission work programme envisages the adoption of a proposal by the end of 2021. Snam expect this package to support and boost the transition towards a decarbonized energy system giving a central role to gas infrastructure and to the development of new energy vectors, hydrogen in primis, in line with the Issuer’s strategy.

As regards specifically the Italian regulatory context, with the consultation document 39/2020/R/Gas on innovation, published on 12th February 2020, the Authority confirms its interest in renewable and low carbon gasses, and in exploring the role of gas infrastructure (in particular transmission and distribution grids) to deliver an efficient energy transition. The consultation document illustrates ARERA general criteria and main guidelines proposals concerning the promotion of pilot projects aimed at experimenting new solutions for optimized management and innovative utilization of existing transmission and distribution infrastructure.

## **PRINCIPAL LEGISLATION OF THE ISSUER’S REGULATED BUSINESS AREAS**

As described above, the gas market in Italy is controlled and monitored by the ARERA which was established by Law No. 481/1995 (Law 481/95). The main tasks of the ARERA, as set out in Law 481/95, are to guarantee the promotion of competition and efficiency while ensuring adequate service quality standards in the electricity and gas sectors. These goals are achieved by ensuring a uniform availability and distribution of services throughout the country, by establishing a transparent and reliable tariff system based on pre-defined criteria and by promoting the interests of users and consumers, taking into account specific European legislation in such sector and general political guidelines of the Italian government. The tariff system is required to reconcile the economic and financial goals of electricity and gas operators with general social goals, and with environmental protection and the efficient use of resources.

Below is an overview of the principal legislation applicable to the different business areas of the Issuer Group:

### **1. Transportation and dispatching**

Article 2(1) subparagraph (ii) of the Letta Decree, as amended by Decree 93/2011, defines transportation as “natural gas transportation aimed to supply customers through a network which consists mainly of high-pressure pipelines, other than a network of upstream pipelines and other than gas pipelines which, even at high pressure,

are mainly used for the local distribution of natural gas, with the exception of the supply”. Article 2(1) subparagraph (j) of the Letta Decree defines dispatching as “activities for the purpose of issuing instructions for the co-ordinated use and operation of production and storage facilities, the transportation system and distribution and accessory services”. Dispatching ensures a constant balance in the supply and demand of gas.

Article 8 of the Letta Decree defines gas transportation as a free activity of public interest structured in a national and regional gas pipeline network defined in the annual provisions related to national energy policies issued by the MED. TSO carries out transport and dispatch activities govern the flow of gas and the auxiliary services needed for the system to function and physical balancing, including modulation. These companies are also responsible for the utilisation of strategic gas storage under MED directives, and they must ensure compliance with any other obligations aimed at guaranteeing the safety, reliability, efficiency and lowest cost of the service and of supplies. From 1 January 2002, only operators that have no other activities in the gas sector, except for storage activities, may transport and dispatch gas. Even so, all such activities must be accounted for separately.

TSOs must guarantee access on a non-discriminatory basis to users who request it, *provided that* the connection works required are technically and economically feasible. Pursuant to Article 24.5 of the Letta Decree, on the basis of criteria set by the ARERA (Resolution No. 137/02), TSOs adopt Network Codes, which consist of general conditions and rules for the access and the supply of the transportation service. The Codes, and any related updates, are subject to the Regulator approval. Snam Rete Gas Network Code, approved by the ARERA, is in force since 2003.

Pursuant to Article 30 of the Letta Decree, since the construction of a gas pipeline is deemed to be of public interest, private land may be expropriated for such purpose.

Since December 2011, in addition to transportation activity, Snam Rete Gas has a central role in granting the effectiveness of the natural gas balancing system (*Responsabile del Bilanciamento*) in accordance with ARERA Resolution No. ARG/gas 45/11 of 14 April 2011 and the relevant implementing rules, and in procuring storage natural gas supplies on a specific platform managed by GME (PB-gas) according to market rules in order to re-establish the overall system balance.

From 2015, Regulation EU No. 312/2014 was gradually implemented, *inter alia* with ARERA Resolutions no. 470/2015/R/gas of 7 October 2015 and Resolution no. 312/2016/R/gas of 16 June 2016. According to the abovementioned ARERA Resolutions the new balancing regime implemented in the Snam Rete Gas Network Code started with the Thermal Year 2016-2017.

Under the new regime, on the one hand Network Users will have a more active role and in particular will be economically incentivised to balance their commercial positions through re-nominations of the gas flows even during the gas day and the possibility to trade gas on the GME platform. On the other hand, TSOs will have to be entrusted with a residual role in balancing the gas system by buying/selling gas on the market (on top of the information obligation towards the Network Users). (See “*Business Activities of the Snam Group – TRANSPORTATION*”).

From the TSO’s perspective, in line with the previous regime, the “neutrality principle” continues to apply. Pursuant to resolution 312/2016/R/gas, an economic incentives mechanism has been implemented with effect from 17 October 2016, in order to encourage TSO information quality improvement and minimise its interventions in the balancing market. With Resolution 661/2017/R/GAS the Regulator has confirmed the general incentive structure already introduced, defining the parameters for the thermal year 2017-2018. Further to that with Resolution No. 349/2017/R/GAS, published on 19 May 2017, ARERA has defined the principles for the TSO cost and revenue neutrality in relation to the balancing activities performed in accordance with the European Balancing Network Code (Regulation EU n. 312/2014) as envisaged by the TIB (*Testo Integrato Bilanciamento*).

With Resolutions No. 670/2017/R/gas and 782/2017/R/gas ARERA has introduced provisions regarding the adjustment of the physical and economic items after the closing of the balancing session, on the basis of new metering data, for the period 2013-2019. Furthermore, the Regulator has set up a dedicated fund managed by the *Cassa per i servizi energetici e ambientali – Energy and Environment Equalisation Fund* for the coverage of the costs related to the settlement activities of the gas sector and guaranteeing the economical neutrality of the

Balancing Operator. With Resolutions No. 72/2018/R/gas ARERA has revised the settlement regime for the gas sector previously defined with Resolution No. 229/2012/R/gas and has set up procedures for the settlement of the balancing physical and economic items that have entered into force starting from 1 January 2020. In particular, the difference between the quantities measured at the city-gates and the allocated quantities on the distribution side will be attributed to Snam Rete Gas, as Balancing Operator, and paid by the system. With Resolution 45/2020/R/gas the Regulator has defined the incentives parameters for the period (4PI) starting from 20 February 2020.

## **2. LNG regasification**

LNG regasification, as defined by the ARERA, includes the unloading, storage and regasification of LNG through the use of LNG regasification facilities situated within the national territory or Italian territorial waters, including any connecting gas pipelines.

The Letta Decree: (i) requires the companies responsible for LNG regasification not to discriminate the individual operators (Article 20) and (ii) entrusted ARERA to (a) determine a tariff system for the use of LNG terminals in order to ensure a fair return on capital invested so as to incentivise investments to develop capacity; (b) set criteria to guarantee free access to all users of the network with equal conditions, and an impartial and neutral use of LNG regasification terminals under normal market conditions, and (c) determine the main obligations of the subjects involved in LNG regasification activities (Article 24). Moreover, Article 30 of the Letta Decree clarifies that the necessary work for the establishment of LNG terminals (including regasification facilities), with the exception of those to be implemented in maritime government properties, are deemed to be of general public interest, and therefore urgent and not deferrable. On LNG regasification, instead, Article 1 of the Marzano Law establishes that: (i) in paragraph 8, the Italian State should implement the guidelines to be followed by companies carrying out LNG regasification activity, and (ii) in paragraph 17, the faculty for those companies which decide to invest in new regasification terminals to require an exemption from the application of the regulation on the third party access right (as implemented by general criteria indicated by the ARERA and adopted by the MED).

Since the enactment of Law 340/2000 and currently, on the basis of Article 27, paragraph 31 of Law no. 99/2009, new LNG regasification plants, previously subject to a concessionary regime, need only a pre-emptive authorisation issued by the MED, in concert with the Ministry of Environment and the Ministry of Transport and Infrastructure and in agreement with the concerned Region.

## **3. Storage**

The Letta Decree provides that the storage of natural gas consists of storing natural gas in underground deposits or geological units. In particular, Article 2(1) subparagraphs (ff), (gg) and (hh) define three types of storage: mining storage, modulation storage and strategic storage.

Storage activities are subject to a concessionary regime, in accordance with objective and not discriminatory procedures and criteria, with concessions of up to 20 years (30 years for concessions granted after the entry into force of the Letta Decree, as hereinafter specified) issued by the MED to entities who have the necessary technical, economic and organisational capacity to operate and conduct a storage programme in the public interest. Operators are required to provide storage services to third parties upon request, with priority for residential clients, *provided that* they have enough capacity and that providing such storage services is economically and technically feasible. In order to overcome any sudden interruptions in the flow of gas, operators are required by law to retain a certain volume of natural gas for national strategic purposes. The relative costs are passed on to importers and gas producers. Law No. 170/1974 states that: *“the right to use reserves for a deep storage of natural gas belongs to the State”* (Article 1). It also establishes that the concession is governed by special rules which are attached to the concession and the transfer of the concession to a third party is permitted only upon the authorisation of the Ministry which granted such concession (Article 3); once the concession expires it may be renewed for a period of ten years (also for more times) (Article 5). The activities to be carried out necessary to operate in the gas storage sector are considered to be of general public interest (Article 8). Legislative Decree No. 625/1996 set in 20 years the maximum concession to storage, which could be “extended according to applicable regulations” (Article 32).

The Letta Decree confirms (i) the 20-year concession of natural gas storage in deep geological reserves or units which are issued in “public interest”, and (ii) the possibility for the owner of a concession to continue the production of gas for the amount of gas non subject to storage limits. In this regard Article 12 of the Letta Decree provides that the owner of more concessions has to manage such concessions in a “co-ordinated and integrated way” in order to be able to satisfy any request may arise and defers to ARERA the determination of the “criteria and priority access” to ensure equality of conditions, impartiality and neutrality of the storage service. Storage activities must be under a separate accounting and management profile than the transport and dispatching operations and other corporate activities of the so-called “gas chain” (*filiere del gas*). Article 23 of the Letta Decree defers to the ARERA to set storage tariffs and establishes that such tariffs should be incentivising. Article 30 of the Letta Decree confirms the “public utility” of the storage activities.

The Marzano Law contains the basic principles with regard to the storage activity and it confirms that the storage activity is disciplined through the granting of concessions. The Marzano Law states moreover the following “general aims of the Italian State in the energy field” on the basis of which the Italian State, also through the ARERA, shall: (i) determine the conditions of import and export of energy and the planning of the major energy infrastructures and (ii) take the appropriate measures to use strategic storage in case of necessity, as well as determinations concerning the storage of natural gas in reserves and the co-ordinated operations of storage system. Article 1, paragraph 61 clarifies that the owner of a concession is “entitled to extend the period of the concession for no more than two times”, *provided that* it has duly complied with the conditions and duties set out by the MED in the relevant deed of concession.

As stated above, Decree No. 93/2011 provides incentives for investment in new natural gas infrastructure (interconnector pipelines, LNG terminals, storage) by exempting the investing entity from the obligation to provide third party access for a period up to 25 years (exemptions may be granted on a case-by-case basis by the MED in consultation with the ARERA and subject to approval of the European Commission).

As clarified above, the gas storage business of the Issuer is dependent on concessions granted by the MED. Under Law No. 221/2012 (article 34, comma 18) gas storage concessions granted after the entry into force of the Letta Decree last no more than 30 years with a single extension period of 10 years. The “20+10+10” years regime set out in article 1, comma 61, of Law No. 239/2004 applies to gas storage concessions granted before the entry into force of the Letta Decree.

MED Decree 05/03/2020 defines, for Thermal Year 2020-2021 the storage service offered by Stogit, along with storage volumes reserved for each service, and the criteria for the allocation of storage capacities. The Decree establishes also the criteria for the withdrawal of gas from the storage system to ensure the security of the Italian natural gas system.

Finally, it should be noted that the storage is the main source of gas flexibility in Italy and therefore Stogit - according to market rules and in close coordination with Snam Rete Gas - has introduced hourly re-nominations of the storage programs by users and a system of day-ahead auctions (as per ARERA Resolutions No. ARG/gas 193/2016) to manage the unprogrammed and spare capacity on a weekly and daily basis.

## **REGULATORY – TARIFFS**

As described above, the transportation, regasification of LNG and storage of natural gas in Italy are regulated by the ARERA, which has been operative since 1997, and is responsible for the regulation of the national electricity and natural gas markets. Among its functions are the calculation and updating of the tariffs, and the provision of rules for access to infrastructures and for the delivery of the relative services. According to the Letta Decree, rules for the access and delivery of the services are defined in the codes (Network, Storage, Regasification, Distribution Codes) set by each company and approved by ARERA. Tariff regulation is set by the ARERA before the start of each regulatory period. It identifies the criteria for the determination of the “allowed revenues” and their revision during the regulatory period as well as the methodology for calculating tariffs. This general methodology applies to all businesses areas and is designed to cover capital and operational costs directly related to the business activities of the relevant company.



The methodology envisages the calculation of a reference revenue at the beginning of the regulatory period being the sum of:

- remuneration on net invested capital which is determined multiplying the Regulatory Asset Base (“**RAB**”), calculated according to the re-evaluated historical cost methodology, by the allowed rate of return (defined as a Weighted Average Cost of Capital (“**WACC**”). For new investments extra returns are recognised as premium above WACC differentiated according to the type of investment;
- depreciation allowance calculated on the basis of the economical/technical lives set by the ARERA for different asset types; and
- allowed operating costs (as reported in the company’s financial statements) which may include the retention of profit sharing on the extra-efficiency performed during the previous regulatory periods.

The revenues related to remuneration and depreciation allowance are updated on an annual basis according to RAB evolution during the period, taking into account incentives for new investments, while the revenues related to operating costs are updated according to the price cap methodology RPI –X formula, where RPI represents the inflation index and X is the efficiency target set by the ARERA.

A large portion of allowed revenues (about 95%) are guaranteed during the period through correction mechanisms, which rebate to the users any over/under recovery.

The following are the primary tariff components for each of the regulated activities carried out by the Issuer, based on the regulatory framework in force.

	<b>TRANSPORTATION</b>		<b>REGASIFICATION</b>		<b>STORAGE</b>	
End of TARIFF regulatory period	Transitional period 1 January 2018 – 31 December 2019	5th Regulatory Period 1 January 2020-31 December 2023	Transitional Period 1 January 2018 – 31 December 2019	5th Regulatory Period 1 January 2020-31 December 2023	Transitional period 1 January 2019 - 31 December 2019	5th Regulatory Period 1 January 2020 – 31 December 2025

End of WACC regulatory period	31 December 2021		
Calculation of net invested capital recognised for regulatory purposes (RAB)	Re-evaluated historical cost	Re-evaluated historical cost	Re-evaluated historical cost Deduction of restoration costs recognized

Return on net invested capital recognised for regulatory purposes (pre-tax WACC)	5.4% (year 2018) 5.7% (year 2019)	5.7% (year 2020-21)	6.6% (years 2016-2017-2018)	6.8% (year 2019-2020-2021)	6.5% (years 2016-2017-2018)  6.7% (years 2019-2020-2021)
Incentives on new investments	For investments entered into operation in years 2018 and 2019: 1% over 12 years (on investments in developing the regional and the national networks up to a certain threshold set by the regulator), subject to a cost-benefit analysis with a positive outcome > 1.5	For investments entered into Operation in years 2020-2021-2022 on new capacity with positive cost benefit analysis (>1.5): 1.5% over 10 years	For investments entered into operation in years 2018 and 2019:  1.5% over 12 years (on development of new regasification capacity)		2nd and 3rd period: 4% over 8 years (on upgrading existing capacity) 4% over 16 years (on developing new storage fields) 4th period: Retention for 8 years of 20% of new capacity auction revenues if above the reference revenues
	1% on new investments realised from 2014 to 2016 for time-lag recognition	Remuneration of investment year t-1 for time lag recognition	Remuneration of investment year t-1 for time lag recognition (from 2017)		Remuneration of investment year t-1 for time lag recognition (from 2014)
Efficiency factor (X FACTOR)	2.4% on operating costs	0.7% on operating costs	0% on operating costs	3.1% on operating costs	For the year 2019: 4.7% on operating costs For the 5th Regulatory Period: 1.0% on operating costs with mid-term update

With Resolution 597/2014/R/gas, published on 5 December 2014, the ARERA launched a review of the methodology used by it to calculate and update the WACC for the gas and electricity regulated businesses. In particular, the review aims to permit the gas and electricity regulated businesses to use the same parameters to determine the WACC, other than those that are specific to the individual business.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the WACC for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. In particular, such criteria establish that the parameters to determine the WACC are the same for the gas and electricity regulated businesses, other than those that are specific to the individual business (asset beta and gearing), with a three-year updating period. In particular, the criteria avoid differences between regulated businesses' returns due to specific and non-recurring conditions of the financial markets.

With Resolution 639/2018/R/com, published on 6 December 2018, the ARERA updated the main WACC parameters for gas and electricity regulated businesses for the period 1 January 2019 - 31 December 2021, according to provisions and methodologies for the infra-period review already envisaged by Resolution 583/2015/R/com.

Those updates lead to rates of return equal to 5.7% for transmission service (previous 5.4%), 6.7% for storage (previous 6.5%) and 6.8% for regasification (previous 6.6%). The rates of return could be subject to a possible review with the start of the 5th regulatory period in 2020 where the WACC parameter specific to each business (beta) will be assessed.

With Resolution 380/2020/R/gas, published on 15 October 2020, ARERA started the review of rationales to determine the rate of return on invested capital (WACC) in the electric and gas sectors for the 2nd regulated period starting the 1st January 2022 (II PWACC).

Below the guidance set out in the document:

- II PWACC duration not less than 4 years;
- mid-term review to adjust the WACC in relation to the overall economic trend;
- confirmation of the existing methodology (weighted average of  $K_e$  and  $K_d$ , CAPM (capital asset pricing model) method and usage of the Country Risk Premium to include the Country Risk;
- identification of detailed rationales to estimate Beta ratio, in order to improve the predictability of the model and minimize the room for discretion;
- regarding the activities supporting the development of a regulation with targets on expenditures and services, starting of a process to align the regulation of infrastructural services (electric and gas), focusing on the criteria to recognize the invested capital and the operating costs. The aim is to harmonize regulations and avoid misalignment of the return on invested capital due to diverse regulations on specific operating costs and capital.

Pursuant to such Resolution, documents containing the Authority's guidelines should be made available for consultation, along with the possibility of calling hearings for the consultation of interested parties and associations.

## **Transportation**

The ARERA sets the criteria that gas transport companies have to apply in determining natural gas transport and dispatching tariffs on national and regional networks during the regulatory period which lasts four years. Tariffs are subject to approval by the ARERA, which ensures their compliance with the present criteria.

Criteria established by the ARERA set the allowed revenues that are calculated as the sum of: (i) operating costs including storage and modulation costs; (ii) depreciation of transport assets; and (iii) return on net invested capital.

With Resolution 514/2013/R/gas, published on 15 November 2013, the ARERA issued the criteria for defining natural gas transportation and metering tariffs on the National and Regional Transportation Network for the fourth regulatory period (1 January 2014 to 31 December 2017). Such criteria establish that:

- the valuation of the net invested capital ("**RAB**") is based on the re-evaluated historical cost methodology;

- the WACC of net invested capital is set at 6.3% in real terms before taxes<sup>21</sup>. In order to cover the so-called “regulatory lag” related to the time delay in the recognition of the new investments in the RAB, a 1% increase of WACC is applied to those investments carried out after 31 December 2013;
- incentives for certain new investments carried out after 31 December 2013 provide for a higher return compared to the WACC, in relation to the type of investment, from 1% to 2% and for a period from 7 to 10 years. Investments carried out until 31 December 2013 keep the incentivised treatments applied in the previous regulatory periods. The revenues associated with new investments are paid starting from the second year following that in which the costs were incurred (“spending”) and are guaranteed regardless of the volumes transported. The ARERA has launched a process for the adoption of a resolution on output based incentivisation mechanisms for new investments according to selectivity criteria. These will be developed as far as possible on the basis of market tests aimed at verifying the user commitments to use the new infrastructures in order to sustain selectively those infrastructures required for competition, development, security of the national gas system and sources diversification;
- the revenues component related to the depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA. As far as the transport infrastructure assets are concerned, the useful life of pipelines has been set at 50 years. The gross fixed asset is calculated net of public and private grants;
- the revenues component related to operating costs reflects the amount of accounting costs at the beginning of the regulatory period plus operating extra-efficiency from previous periods allowed to be retained by the ARERA (total level equal to approximately 13% of the overall revenues);
- the method for updating the price cap tariffs is RPI-X: increased for inflation and decreased by an annual recovery coefficient set at 2.4%. The price cap method is applied to operating costs;
- the revenue components related to returns and depreciation are determined on the basis of the annual update of net invested capital (RAB); and
- the guarantee mechanisms applied to the capacity and commodity revenue components which guarantee about 99.5% of the total allowed revenues.

The tariff structure is based on an entry/exit model and was also confirmed for the fourth regulatory period, together with the capacity fee for the metering service.

The fuel gas is treated as a pass-through cost which is payable in kind by the users and is excluded from the price cap mechanism.

Furthermore, through resolution n. 514/2013/R/gas, the ARERA has recognised €6.5 million for higher costs incurred for activities required by the Legislative Decree 93/11 and the resolution ARG/gas n. 45/11.

With decision No. 2888/2015 dated 12 June 2015, the Council of State upheld the previous decision issued by the Administrative Court of Lombardia – Milan which annulled some of the provisions contained in the resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 relating to transportation and dispatching tariffs for the 2010-2013 period.

Specifically, the Council of State upheld the annulment of the provisions which: (i) increased from 70% to 90% the capacity component in tariff determination and, thus, reduced from 30% to 10% the commodity component, considering that such provisions may determine costs increase for those operators whose activities are mainly concentrated in entry points located in Southern Italy: in particular, the Council of State affirmed that ARERA did not provide “adequate logical and/or legal supports” regarding the imbalance between the two tariff

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<sup>21</sup> The base return established in Resolution 514/2013/R/gas was valid for the years 2014-2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

components; and (ii) provided for a mechanism where the fuel gas used for compression stations is treated as a pass-through cost payable in kind by the users.

The Authority has thus begun a consultation among the operators in order to have their opinions on the ways to modify the relevant regulatory provisions in order to comply with the aforesaid Council of State decision. As at the date of this Base Prospectus, a new Resolution is yet to be adopted.

With decision No.3735/2015, dated 28 July 2015, the Council of State upheld the previous decision issued by the Administrative Court of Lombardia – Milan which annulled some of the provisions contained in the resolutions n. 514/2013/R/GAS, 603/2013/R/GAS and 641/2013/R/COM relating to transportation and dispatching tariffs for the 2014-2017 period.

Specifically, the Council of State upheld the annulment of said provisions insofar as they have not introduced degressive features in transportation tariffs in favour of end-users with high consumption of gas, as set by the law n.134/2012 that established to adjust the system of transportation tariffs of natural gas in accordance with criteria that make transportation services for users with higher consumption of natural gas more flexible and less expensive.

With Resolution 429/2015/R/gas, the ARERA started a procedure in order to comply with the abovementioned decision No. 3735/2015.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 to 31 December 2021. For the years 2016 and 2017 the base return rate (WACC) is set at 5.4% for transportation business.

With Resolution 550/2016/R/gas published on 7 October 2016 - following the Council of State decision n. 2888/2015 - the ARERA has redefined the tariff criteria for the transportation service for the regulatory period 2010-2013, confirming the 90/10 capacity/commodity split and replacing the fuel gas mechanism in kind with a commodity charge differentiated for each entry point of the national transmission network. This provision has had no impact on Snam Rete Gas's revenues.

With Resolution No. 575/2017/R/gas, published on 4 August 2017, ARERA defined the tariff criteria for the gas transmission activity during the Transitory Period 2018-2019. Such criteria establish that:

- investments carried out in year t-1 will be included in RAB for tariff determination of year t, substituting 1% of additional return used to cover the regulatory time-lag;
- the current asset  $\beta$  parameter is confirmed for the Transitory Period 2018-2019. The current rate of return, equal to 5.4% in real terms pre-tax, is therefore confirmed for 2018 and will be updated by January 2019 with the expected adjustments of the basic parameters;
- current input-based incentive scheme (1-2% for 7/10 years respectively for regional and national networks) will be applied to new development investments entered into operation by 31 December 2017. An input-based incentive scheme (1% for 12 years for regional and national networks) will be applied to development investments of new transmission capacity entering into operation in years 2018 and 2019, started at 31 December 2017. The incentive will be also applied to investment started after 1 January 2018 entering into operation in the transitory period, included in the Development Plan and with a benefit-cost ratio higher than 1.5 and a positive Authority evaluation. The 1% additional return to cover the regulatory time-lag is applied to the investments carried out in the period 1 January 2014 to 31 December 2016; and
- cost base used for the 4th Regulatory Period will be rolled forward according to inflation and a productivity factor (X-factor). The unit commodity charge (CV) for years 2018 and 2019 will be calculated considering a reference volume equal to 67.2 bcm.

With Resolution No. 208/2018/R/gas, the Authority approved the admission of Snam Rete Gas's development investments, presented under the Ten-year Transport Network Plan, to the safeguard clause referred to in point 4 of resolution 689/2017/R/gas, that will allow them to benefit from the input-based incentive equal to 1% of the WACC.

With Resolution No. 280/2018/R/gas, published on 10 May 2018, the Authority approved the reference revenues for gas transmission, dispatching and metering services for 2019, which have been set at €1,964 million. RAB used to calculate the 2019 revenues for the transport, dispatching and metering businesses has been set at €16,2 billion and includes forecasted investments to be carried out in 2018.

Based on these revenues, with resolution No. 306/2018/R/gas, published on 1 June 2018, the transport tariffs valid for the period 1 January 2019 to 31 December 2019 have been defined.

With Resolution No. 468/2018/R/gas, published on 28 September 2018, ARERA defined the rules for the consultation of the TYNDP and approved the minimum requirements for the preparation of the TYNDP and for the cost-benefit analysis ("**CBA**") of the investments. The deadline for the presentation of the TYNDP 2018 was postponed to 30 November 2018 and Snam Rete Gas was mandated to develop by the beginning of 2019 a proposal on the application criteria of the CBA. Such resolution also envisages that in case the TYNDP 2018 will not include sufficient elements for the CBA, in relation to the investments entering into operation in year 2019 the provision of point 3 of Resolution 589/2017/R/gas shall apply, with a provisional recognition of the whole investment costs pending the demonstration of the investment utility in the following TYNDP.

With Resolution 114/2019/R/gas, published on 29 March 2019, the ARERA issued the criteria for defining natural gas transportation and metering tariffs for the fifth regulatory period (1 January 2020 to 31 December 2023) confirming the main regulatory principles already in place. Such criteria establish that:

- the valuation of the net invested capital ("**RAB**") is based on the re-evaluated historical cost methodology;
- the asset Beta parameter is confirmed at 0,364 for the period 2020-2023, giving a WACC on net invested capital equal to 5.7% in real terms before taxes for years 2020-2021<sup>22</sup>. In order to cover the so-called "regulatory lag" related to the time delay in the recognition of the new investments in the RAB for the previous regulatory period, a 1% increase of WACC is applied to those investments carried out in years 2014, 2015 and 2016;
- Work in progress are included in RAB and remunerated at 5.3% in real terms pre-tax;
- Incentives on new development capex with positive cost benefit analysis (B/C ratio higher than 1.5) entering into operation in 2020, 2021 and 2022 will receive an additional 1.5% for 10 years; investments for which the benefits for the gas national system are lower than 1 the costs would be subject to tariff recognition within the limits of the quantifiable and monetised benefits.
- investments entering into operation in 2023 will be subject to output-based incentives defined on the basis of subsequent provisions;
- Allowed Depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA (unchanged with respect to previous regulatory period, except for the introduction of a new asset class called "5-years other tangible assets");
- Snam shall prepare a monitoring report on the status of existing infrastructure by the end of 2019 indicating potential issues related to the safe operation of the infrastructure, with particular reference to those assets fully depreciated or for which the useful regulatory life is ending by 2013, as well identifying the required actions, analyzing their costs and benefits and demonstrating their efficiency compared to

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<sup>22</sup> The base return established in Resolution 514/2013/R/gas was valid for the years 2014-2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

alternative solutions. In relation to the outcomes of the monitoring report it will be evaluated the possible introduction of incentive mechanisms for the life extension of fully depreciated assets; ARERA has not published any document on the matter yet;

- Allowed Opex of the reference year will be calculated on the basis of the last available certified cost year (2017), updated to reflect justified incremental cost incurred in 2018. In the following years of the regulatory period the allowed opex will be updated through the RPI-X methodology (increased for inflation and decreased by an efficiency factor);
- The amount of gas needed to cover fuel consumptions, losses and unaccounted for gas is purchased by the TSO within the centralised commodity market. The purchased gas quantities are evaluated on the basis of the weighted average price of PSV's forward products. The price differences will be reconciliated with a compensation mechanism to be defined with a subsequent provision;
- Guarantee mechanisms are applied to the capacity and commodity revenue components which guarantee about 99.5% of the total allowed revenues. A guarantee mechanism of 100% of the revenues is introduced for the metering service;
- It is under evaluation the possibility of introducing, on an experimental basis, a totex approach to define Snam reference revenues in the last year of the 5<sup>th</sup> Regulatory Period (future consultations expected).
- Revenues and tariffs of year t will be approved by the end of May of the year t-1.

The tariff structure is based on an entry/exit model for the calculation of the capacity charges it is applied the so-called "capacity weighted distance" (CWD) matrix, the standard methodology defined in the European Tariff Network Code (TAR NC). The commodity charge covers the allowed opex, emission trading system costs and fuel gas, gas losses and unaccounted gas costs. It is applied on the exit points and it is updated yearly on the volumes withdrawn in the year t-2.

With Resolution No. 201/2019/R/gas, published on 29 May 2019, the Authority approved the reference revenues for gas transmission and metering services for 2020, which have been set at €2,096 million. RAB used to calculate the 2020 revenues for the transport and metering businesses has been set at €16,4 billion and includes forecasted investments to be carried out in 2019. Based on these revenues, the transport tariffs valid for the period 1 January 2020 to 31 December 2020 have been defined. In addition, the Authority gave mandate to its competent offices to evaluate Snam proposals on the restructuring of metering activity and on the recognition of unaccounted for gas (UFG) as pass-through cost.

With Resolution No. 230/2019/R/gas, published on 12 June 2019, the Authority has positively verified Snam Rete Gas proposal on the cost-benefit-analysis application criteria to be used for gas transmission network developments, prepared according to article 8, comma 4 of Resolution No. 468/2018/R/gas. The methodology applies to all investments included in the Transmission Networks Ten Year Development Plan which are above €25 million for national network developments and €5 million for regional network developments. All network development investments which the TSO is required to perform pursuant to legislative obligations as well as to guarantee the safe operation of the network are excluded from the application of the cost-benefit analysis.

With Resolution 45/2020/R/gas, published on 18 February 2020, the Authority has defined the parameters for the incentive system of the Balancing Operator (SRG) for the 4<sup>th</sup> Incentive Period from 20 February 2020 to 31 December 2021. The Resolution confirmed the incentive scheme in place, based on three performance indicators (p1, p2, p3) which measure respectively the goodness of the forecast of the gas system requirements (p1) and the efficiency of the balancing actions of the Balancing Operator (p2 linked to the intervention prices of the Balancing Manager and p3 on the residual balance), providing for a profit sharing with the gas system of part of the annual premium. Two new performance indicators were also introduced (p4 already defined with Del 208/2019/R/gas and p5), linked to the launch of the new Settlement regime, which measure the efficiency of SRG in the procurement of gas necessary for the operation of the network.

With Resolution No. 180/2020/R/gas, published on 27 May 2020, the Authority approved the reference revenues for gas transmission and metering services for 2021, which have been set at €2,121 million. RAB used to calculate the 2020 revenues for the transport and metering businesses has been set at €16,8 billion and includes forecasted investments to be carried out in 2020. Based on these revenues, the transport tariffs valid for the period 1 January 2021 to 31 December 2021 have been defined. The evaluation of Snam proposal about recognition of unaccounted for gas (UFG) as a pass-through cost is still ongoing.

With resolution 291/2020/R/gas the higher costs incurred in 2018 and 2019 for the Unaccounted-For Gas (UFG) has been recognized, to the extent that the increase is derived from interventions 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 its 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.

### **Regasification**

With Resolution 438/2013/R/gas, published on 9 October 2013, the ARERA defined the tariff criteria for the regasification service applicable for the fourth regulatory period (1 January 2014 to 31 December 2017). Such criteria established that:

- the valuation of the net invested capital (RAB) is based on the re-evaluated historical cost method;
- the base return rate (WACC) of net invested capital is set at 7.3% in real terms before taxes<sup>23</sup>. In order to cover the so called “regulatory lag” related to the time delay in the recognition of the new investments in the RAB, a +1% increase of WACC is applied to those investments carried out after 31 December 2013;
- new investments carried out from the financial year 2014 onwards, and aimed at increasing the regasification capacity of existing terminals by more than 30% or building new terminals, are incentivised with a premium of 2% above the base WACC, for 16 years. Investments carried out until 31 December 2013 keep the incentivised treatments applied in the previous regulatory periods. The ARERA has launched a process for the adoption of a resolution on output based incentivisation mechanisms for new investments according to selectivity criteria;
- the revenues component related to depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA;
- in regard to the tariff structure, 100% of the total revenue is allocated to the capacity component. Around 64% of the revenues are guaranteed through a revenue coverage factor;
- the dismantling costs are covered through a specific capacity charge;
- the tariffs are updated using the price cap methodology applied only to the component related to operating costs, with a productivity recovery coefficient to be defined by the ARERA; and
- the revenue component related to the return and depreciation is updated on the basis of an annual recalculation of invested capital and additional revenues from the incentives for investments realised in prior regulatory periods.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. For the years 2016 and 2017 the base return rate (WACC) is set at 6.6% for regasification business.

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<sup>23</sup> The base return established in Resolution 438/2013/R/gas was valid for the years 2014-2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.



With Resolution No. 653/2017/R/gas, published on 2 October 2017, ARERA defined the tariff criteria for the gas regasification activity during the Transitory Period 2018-2019. Such criteria establish that:

- investments carried out in year  $t-1$  will be included in RAB for tariff determination of year  $t$ , substituting 1% of additional return used to cover the regulatory time-lag.
- The current asset  $\beta$  parameter is confirmed for the Transitory Period 2018-2019. The current rate of return, equal to 6.6% in real terms pre-tax, is therefore confirmed for 2018 and will be updated by January 2019 with the expected adjustments of the basic parameters.
- Current input-based incentive scheme (2% for 16 years) will be applied to new development investments entered into operation by 31 December 2017. An input-based incentive scheme (1,5% for 12 years) will be applied to development investments of new regasification capacity entering into operation in years 2018 and 2019. The 1% additional return to cover the regulatory time-lag is applied to the investments carried out in the period 1 January 2014 - 31 December 2016.
- Cost base used for the fourth Regulatory Period will be rolled forward according to inflation and a productivity factor (X-factor).
- The current revenues guarantee scheme is confirmed for the transitory period.

With Resolution no. 660/2017/R/gas, published on 2 October 2017, the ARERA introduced a competitive mechanism for the allocation of regasification capacity. The Resolution anticipated an ascending clock auction algorithm for the allocation of annual and multi-annual regasification capacity and pay-as-bid auctions for the allocation of regasification capacity for periods of less than one year. It is also expected to extend up to 15 years the period for the allocation of multi-annual regasification capacity (currently up to 5 years).

With Resolution No. 695/2018 /R/gas, published on 21 December 2018, the ARERA approved the allowed revenues and the tariffs for regasification service for the year 2019, set at €26.8 million, as well as the definitive revenues for 2018, taking into account the actual capitalisation of 2017. RAB used to calculate 2019 revenues is €108.6 million and includes the provisional investments carried out in 2018.

With Resolution No. 474/2019/R/gas, published on 21 November 2019 the ARERA defined the tariff criteria for the 5th regulatory period for the regasification business (1 January 2020 – 31 December 2023). Such criteria establish that:

- the regulatory period is confirmed 4 years (2020-2023);
- the valuation of the net invested capital (“RAB”) is based on the re-evaluated historical cost methodology;
- the asset Beta parameter is confirmed at 0.524 for the period 2020-2023, giving a WACC on net invested capital equal to 6.8% in real terms before taxes for years 2020-2021<sup>24</sup>;
- work in progress is excluded from RAB calculation from 2020 (safeguard clause for WIPs in RAB at 31/12/2019), compensated by the allowance of the interest expense related to the investment into operation;
- allowed Depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA (unchanged with respect to previous regulatory period, except for the

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<sup>24</sup> From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

introduction of a new asset class called “5-years other tangible assets”);

- allowed Opex of the reference year will be calculated on the basis of the last available certified cost year (2018). In the following years of the regulatory period the allowed opex will be updated through the RPI-X methodology (increased for inflation and decreased by an efficiency factor);
- costs related to the Emission Trading System (ETS) are allowed with specific mechanisms to sterilize the price risk and any differences between the estimate of the value of the reference driver and the value of the final driver;
- the guarantee factor at 64% has been confirmed.

With Resolution No. 43/2020/R/gas, published on 19 February 2020, the ARERA approved the allowed revenues and the tariffs for regasification service for the year 2020, set at €25.1 million (+€3.1 million to cover variable electricity costs and ETS costs), as well as the definitive revenues for 2019, taking into account the actual capitalisation of 2018. RAB used to calculate 2020 revenues is €121.8 million and includes the provisional investments carried out in 2019.

With Resolution No. 229/2020/R/gas, published on 26 June 2020, the ARERA approved the allowed revenues and the tariffs for regasification service for the year 2021, set at €26.6 million (+€4.3 million to cover variable electricity costs and ETS costs), as well as the definitive revenues for 2020, taking into account the actual capitalisation of 2019. RAB used to calculate 2020 revenues is €129 million and includes the provisional investments carried out in 2020.

## **Storage**

With Resolution 531/2014/R/gas published on 31 October 2014, the ARERA established the calculation criteria for the storage reference revenues for the fourth regulatory period (1 January 2015 to 31 December 2018). Such criteria establish that:

- the valuation of the net capital invested (RAB) is based on the re-evaluated historical cost method. In order to neutralise the so called “regulatory lag” related to the time delay in the recognition of the new investments, the RAB is determined on the basis of year y-1;
- the base return rate (WACC) of net capital invested is set at a real rate of 6.0% before taxes<sup>25</sup> and will be revised for the year 2016;
- incentives for new capacity carried out after 31 December 2014 provide for a retention for eight years of the 20% of new capacity auction revenues if above the reference. For more details on the remuneration of new investments of previous regulatory periods refer to Art. 3.7 and Art. 5.2 of the attachment A of the Resolution 531/2014/R/gas;
- the revenues component related to the depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA. The gross fixed asset is calculated net of public and private grants;

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<sup>25</sup> The base return established in Resolution 531/2014/R/gas was valid for the year 2015. From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

- as in the third regulatory period, restoration costs are covered through a revenue component. A mechanism for adjusting any differences arising from the total restoration costs paid to the storage company and the costs actually sustained for restoration of the storage sites is also confirmed;
- the revenues component related to operating costs reflects the amount of accounting costs at the beginning of the regulatory period plus operating extra-efficiency from the previous periods allowed to be retained by the ARERA;
- the method for updating the price cap tariffs is RPI-X: increased for inflation and decreased by an annual productivity recovery coefficient to be defined by the ARERA. The price cap method is applied only to the component related to operating costs;
- the revenue components related to returns and depreciation are determined on the basis of the annual update of net invested capital (RAB). In particular, as in the third regulatory period, the depreciation is not subject to the price-cap mechanism; and
- the guarantee mechanism is applied to the total reference revenues and guarantees, for year 2015, about 97% of them. A following resolution by ARERA will define the guarantee level for the period 1 January 2016 to 31 December 2018<sup>26</sup>.

The resolution extends until 31 March 2015 the application of the annual tariffs for the storage service for 2014, approved by ARERA through Resolution 350/2013/R/gas.

Resolution 531/2014/R/gas has been challenged by Stogit before the competent Judicial Authority (TAR Lombardia).

On 13 February 2015, the ARERA published Resolution 49/2015/R/gas (“Provisions for the allocation of the storage capacities for the thermal storage year 2015-2016 and storage tariff definition”), which defined how the regulated tariffs would be calculated, how the auction procedure would be organised and how storage capacity would be allocated for the 2015-2016 thermal year, pursuant to the decree issued by the Ministry of Economic Development on 6 February 2015. The Resolution postpones to a subsequent Resolution the provisions for amending the timeframes for settlement to ensure that storage companies have a revenue flow equivalent to that received under the application of regulated tariffs.

On 17 April 2015, the ARERA published Resolution 171/2015/R/gas (“*Provisions on settlement related to storage services for the 2015-2016 thermal year*”), which neutralises, in terms of revenue flow, the possible differences between the regulated fees defined by the ARERA and those derived by auction procedures, due to the provisions of Resolution 49/2015/R/gas.

With Resolution 182/2015/R/gas published on 29 April 2015, the ARERA defined the incentive mechanism for the new withdrawal storage capacity provided by Decree Law No. 133/2014. Such Resolution applies to the peak supply capacity additional to the one offered in the thermal year of storage 2015-2016 and the access to the mechanism is allowed for investment purposes and is not made in implementation of legal obligations and is subject to the provision of minimum benefits related to the new capacity. In addition, the mechanism provides for an incentive that differentiates between new operators and existing operators and there are penalties if the actual performance does not meet minimum thresholds or are not made available within the thermal year 2021-2022.

The requests for access to the mechanism were to be submitted by operators of storage to the ARERA by 30 September 2015 and, in case of the boosting of existing sites, the mentioned request must include an irrevocable renunciation to further incentive mechanisms obtained with reference to such site. The ARERA will subsequently decide within 90 days of receipt of the request, complete with all the documentation indicated within Resolution 182/2015/R/gas.

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<sup>26</sup> Ref. to Resolution 389/2017/R/gas.

With Resolution 583/2015/R/com, published on 2 December 2015, the ARERA issued the criteria to calculate and update the base return rate (WACC) for the gas and electricity regulated businesses for the period 1 January 2016 - 31 December 2021. For the years 2016, 2017 and 2018 the base return rate (WACC) is set at 6.5% for storage business.

With Resolution 652/2015/R/gas (“Provisions on safeguarding of the new investments carried out by storage companies and entered into operation until 31 December 2015”), published on 23 December 2015, the ARERA recognised to investments entered into operation until 31 December 2015 the same incentivised treatments that applied in the previous regulatory period ended at 31 December 2014 (i.e. higher return compared to the WACC equal to 4% for a period from 8 to 16 years, in relation to the type of investment).

With Resolution 589/2017/R/gas, published on 7 August 2017, the ARERA defined the rules to neutralise, in terms of revenue flow, the possible differences between the regulated fees and those derived by auction procedures. With the same Resolution the ARERA concluded the in-depth analysis about the technical performances provided by Stogit storage sites, launched with Resolution 323/2016/R/gas: given the results of the analysis, the ARERA decided to maintain the value of  $\gamma$  (the key parameter for the calculation of the guarantee mechanism) equal to 1 for the remaining part of the current regulatory period (2015-2018). Following those results, the ARERA has also decided to start a proceeding to define an incentive mechanism aimed at incentivising the storage companies to maximise the value of the storage resources offered to the market, to be completed by the end of January 2018.

With Resolution No. 68/2018/R/gas, published on 9 February 2018, the Authority extended the current tariff criteria for the storage service for the year 2019 and started the procedure for the revision of the tariff and quality criteria for the fifth regulation period (5PRS), which will start from the year 2020, aligning with the regulatory periods of gas transmission and LNG regasification. The current value of the Beta asset parameter is also confirmed for the year 2019.

With Resolution 614/2018/R/gas, published on 30 November 2018, the Authority introduced an incentive mechanism for the offer of short term storage capacities, additional to those envisaged in the base storage services. The mechanism is based on the retaining by Stogit of a percentage of the revenues obtained by the new services (profit sharing).

With Resolution 67/2019/R/gas, published on 27 February 2019, the Authority rationalized and integrated into a Consolidated Law (RAST) the provisions relating to access and provision of Storage Services. With particular reference to the methods of determining the regulated fees, the RAST provides for the sterilization of the effects deriving from the assignment of capacity with market mechanisms at fees lower than the tariff as well as the incentive criteria to maximize the offer of storage services. In particular, the resolution provides for the compensation through the Energy and Environmental Services Fund (CSEA) of the price difference between the storage tariff and the auction allocation price applied to the assigned capacity, as well as the compensation of the costs for the purchase of the transport capacities supported by storage companies.

With Resolution 297/2019/R/gas, published on 10 July 2019, the Authority approved the definitive allowed revenues for the storage activity for the year 2019, which have been set at €499 million. RAB used to calculate the 2019 revenues for the storage business has been set at €4 billion and includes investments carried out in 2018.

With Resolution 419/2019/R/gas, published on 23 October 2019, the ARERA issued the criteria for defining storage tariffs for the fifth regulatory period (1 January 2020 to 31 December 2025) confirming the main regulatory principles already in place. Such criteria establish that:

- the regulatory period is extended from 4 to 6 years (2020-2025), with a mid-period review of the X-factor;
- the valuation of the net invested capital (“**RAB**”) is based on the re-evaluated historical cost methodology;

- the asset Beta parameter is confirmed at 0,506 for the period 2020-2025, giving a WACC on net invested capital equal to 6.7% in real terms before taxes for years 2020-2021<sup>27</sup>;
- Work in progress are excluded from RAB but interests expenditures (IPCO) are allowed, in continuity with the criteria of the 4<sup>th</sup> regulatory period;
- Allowed Depreciation of the asset base is calculated on the basis of the useful economic and technical life of the relevant assets set by the ARERA (unchanged with respect to previous regulatory period, except for the introduction of a new asset class called “5-years other tangible assets”);
- Allowed Opex of the reference year will be calculated on the basis of the last available certified cost year (2018). In the following years of the regulatory period the allowed opex will be updated through the RPI-X methodology (increased for inflation and decreased by an efficiency factor);
- Costs related to the Emission Trading System (ETS) are allowed with specific mechanisms to sterilize the price risk and any differences between the estimate of the value of the reference driver and the value of the final driver;
- Storage companies must send an annual monitoring report about the expected level of service to offer to the users, in order to allow the Authority to monitor the consistency with the level of the services actually provided. In the event of excessive misalignments, the ARERA will be able to initiate specific procedures also aimed at re-proportioning the revenues recognized to the company;
- The current guarantee mechanism on the reference revenues is confirmed, providing for 100% complete coverage of the reference revenues (vs. the current 97%). It is also envisaged that storage companies may request access, on an optional basis, to an enhanced incentive mechanism, with a reduction in the portion of guaranteed revenue as counterpart.

With Resolution no. 535/2019/R/gas, published on 19 December 2019, the ARERA approved the allowed revenues for 2020, based on preliminary estimates of 2019 investments entered into operation. Reference revenues has been set at €491 million and RAB equal to about €4 billion (investments carried out in 2019).

With Resolution 232/2020/R/gas, published on 23 June 2020, the Authority extends the incentive scheme developed with Resolution 614/2018/R/gas (profit sharing of the short-term revenues) to 31 December 2020. The resolution requires the storage companies to submit an incentive proposal for the following calendar year by 30 November of each year. The Authority also provides that storage companies can voluntarily access an enhanced incentive mechanism which, in the face of a reduction in guaranteed revenues, increases the level of profit sharing applied to revenues from the sale of short-term services. By 30 November 2020 the storage companies can submit an application to access the enhanced incentive mechanism for the two-year period 2021-2022.

With Resolution no. 275/2020/R/gas, published on 23 July 2020, the ARERA approved the allowed revenues for 2021, based on preliminary estimates of 2020 investments entered into operation. Reference revenues has been set at €486 million and RAB equal to about €4 billion (investments carried out in 2020).

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<sup>27</sup> From 2016 the criteria for WACC calculation are defined in Resolution 583/2015/R/com, as mentioned above.

## REGULATORY - TARIFFS OF INTERNATIONAL ACTIVITIES

### **TEREGA – Transmission**

The transportation of natural gas in France is regulated by the *Commission de régulation de l'énergie* (“**CRE**”) an independent administrative body in charge of regulating the French electricity and gas markets.

CRE has the following tasks: (i) putting forward the tariffs for the use of public natural gas networks and liquefied natural gas facilities to the Ministries of Energy and Economy (the tariffs become effective unless there is opposition from one of the Ministries within two months of receipt of the proposal from CRE), (ii) guaranteeing the right of access to public natural gas networks and facilities, (iii) ensuring the proper functioning and development of natural gas market as well as of networks and infrastructures, (iv) ensuring the independence of system operators.

The tariff methodology is set by CRE before the start of each regulatory period and it defines the criteria for the determination of the “allowed revenues” and their revision during the regulatory period. The current regulatory framework for natural gas transmission, called “ATRT7”, came into effect on 1 April 2020, lasting approximately four years. Tariffs are updated by CRE on such basis each year on 1 April and are calculated on the basis of the allowed revenues. Allowed revenues are calculated as the sum of (i) capital expenses and (ii) operating expenses:

- capital expenses include the return on the regulated asset base (RAB) and depreciation, as well as the return on assets under construction. The rate of return on the RAB is calculated according to the CAPM methodology and is set at 4.25 % in real terms before tax for ATRT7. Assets under construction are currently remunerated at the cost of debt (2.6 % in nominal terms). The calculation of the RAB and depreciation is based on the valuation of the regulated asset base, which is carried out using a “current economic costs” methodology. The economical/technical lifetimes used for the main categories of industrial assets are 50 years for pipelines and 30 years for compression equipment. Assets are re-valued on 1 January each year. The calculation of the RAB and capital expenses for ATRT7 takes into account investment projections provided by the operators and revised by CRE. Any difference between investment estimates and the actual expenses can be recovered through the “Expense and revenue clawback account” (CRCP). Similarly to previous periods, the ATRT7 CRCP entails a regulatory account adjustment mechanism that enables adjusting for the differences between actual and forecasted values for a range of costs and incomes that are non-controllable. The adjustments are reflected in the allowed revenues for the following year. In particular, differences between forecasted and actual energy costs are covered at 80% through this mechanism;
- operating expenses are determined based on the operational costs necessary for the functioning of the transmission networks as proposed by the network operators before the start of the regulatory period and reviewed by CRE. A trajectory for net allowed operating expenses is defined for the period (2020-2023), based on costs incurred in 2018, an annual change in the expenses with respect to inflation and a trend profile including a productivity objective. The regulation prescribes that TSOs keep any additional productivity gains or absorb any potential additional costs outside of this trajectory.

In addition, the regulatory framework in force provides for a set of incentives:

- incentives for TSOs to control the costs of their network and non-network investment programs;
- incentives on the quality of service in relation to areas deemed of particular importance for the proper functioning of the market.

As mentioned, the transmission tariffs are updated on the 1<sup>st</sup> of April of each year, on the basis of:

- the authorised income trajectory defined for the period, consisting of the capital expenses and the operating expenses trajectory as defined by CRE; the latter, is updated each year on the basis of the inflation, the efficiency factor and the updated values for “Energy and CO2 quotas”;
- updated capacity subscription assumptions;

- the reconciliation the overall balance of the CRCP; and
- any potential changes in the tariff structure as decided by CRE.

### ***TEREGA – Storage***

Starting from 2018, the storage capacity sale of TEREGA is carried out under a regulated regime. This new regime defines an allowed revenue which is recovered through an auction mechanism process with a reserve price equal to 0 €/MWh. In case the allowed revenue is not met by the revenues deriving from the auctions, a compensation mechanism through the transmission tariff is applied. Storage obligations at national level for the natural gas sellers were confirmed. The current regulatory period starting in 2020, will last for approximately 4 years (2020 and 2023) and the rate of return on the RAB for the period has been set at 4.75% in real terms before tax.

Underground storage facilities are subject to mining law and can only be operated under a concession regime. The holders of underground gas storage concessions must operate them in a manner compatible with the safe and effective functioning of the interconnected natural gas networks.

Decree No. 2006-1034 of 21 August 2006, regarding access to underground natural gas storage, as subsequently integrated by the Decree No. 2014-328 of 12 March 2014 and Arrêté of 31 July 2017), sets the conditions for the allocation of storage capacities, in particular defining storage obligations at national level and giving the possibility for shippers to comply using alternatives to French storage sites such as storage in other EU countries, production fields or LNG plants.

TEREGA publishes its access offers in a transparent and non-discriminatory manner. All of the protocols and contracts are transmitted to the French Directorate General of Energy and Climate (DGEC) and to CRE, who supervise on transparency and non-discrimination.

### ***Interconnector UK (IUK)***

Until September 2018, Interconnector UK operated in an exempted regulatory regime under long-term “ship or pay” transportation contracts.

From October 2018, the company operates in compliance with European regulation. The company has requested and obtained derogations from the CAM and the TAR codes allowing for a higher flexibility in transport capacity offering, necessary in order to effectively operate as interconnector. In addition to Prisma auctions, in April 2018 IUK started offering capacity products also through the Implicit Allocation Mechanism to enhance its commercial offering and thus reduce commercial risks.

IUK provide gas transportation services under an interconnector license granted by the GB energy regulator Ofgem. The licence includes obligations to provide maximum capacity, offer terms for access and share information. IUK’s subsidiary, Interconnector Zeebrugge Terminal B.V., holds a gas transportation licence issued by the Ministry of Economic Affairs of Belgium.

### ***TAG and GCA - Transmission***

The transmission and distribution of natural gas in Austria are regulated by E-Control, the independent public authority in charge of regulating the Austrian electricity and gas markets.

Tariff regulation for Austrian TSOs started in 2007. The new regulatory framework recently approved (4<sup>th</sup> regulatory period) has been set for a four-year duration, from 2021 to 2024.

According to the approved methodology, revenues are calculated for each year of the regulatory period and the resulting average is taken into consideration in order to define the regulated tariffs. Allowed revenues and tariffs are so approved ex-ante by the regulator and applied for the entire four years’ period.

Allowed revenues are calculated as sum of:

- return on RAB, as the sum of the equity and debt financed asset;
- allowed depreciation based on useful technical life defined by the regulator;
- allowed operating expenses subject to efficiency targets via the application of a price-cap mechanism; and
- other allowed costs treated as pass-through, as for example energy costs, without efficiency targets.

The allowed remuneration is based on the determination of a regulatory asset base (RAB) differentiated in an equity financed share and a debt financed share, with also a different treatment applied for old RAB (including only assets activated before 2012) and new RAB (comprising assets activated since 2012). Coherently with the RAB calculation, cost of equity and cost of debt are treated separately and applied respectively to the equity RAB share and debt RAB share (no single WACC). From 2021 onwards new investments will be accounted in the RAB as the book value, thus the distinction between equity and debt RAB will not apply anymore for these investments (single nominal WACC). The tariffs are calculated based on planned costs and a fixed booking situation (defined by June 2012 capacity bookings) which is the basis for the application of a volume risk.

The regulatory parameters for the 4<sup>th</sup> regulatory period envisage:

- a cost of debt equal to 1,61% rate nominal pre-tax and a cost of equity real pre-tax plus a 3,5% capacity risk premium (to cover the risk in a decrease of future bookings) totaling a Return on Equity real pre-tax equal to 8,94 %; the single nominal pre-tax WACC equal to 4,98% (incl capacity risk premium)
- two asset categories with differing useful life: “pipelines” and “compressor & other assets” (these account for new investments respectively to 30 and 12 years and have different values for old assets specific for each TSO); from 2021 for new investments the useful life according to the book value would apply;
- annual operating expenses of the year 2018 (rebased to 2021) are projected for the following four years according to an RPI-X formula, using a 1,80% inflation rate and a productivity factor of 1,5% per annum. The average of such projected costs is then considered in the cost basis. In addition, cost savings coming from the reduction of the number of TSOs in Austria have been considered in the cost base through a profit-sharing mechanism (so-called “IRAB”);
- a quality incentive of 5% on the annual operating expenses is granted based on quality KPIs under a bonus malus mechanism;
- for certain cost items (e.g. CAPEX, cost for CO2 certificates and energy costs) differences between planned and actual costs are reconciled during the tariff calculation of the following regulatory period;



- for new investments carried out in the field of efficiency during the regulatory period, a premium of 1,5% on the Cost Equity is applied for the duration of the regulatory period; these investments are not subject to capacity risk and relevant premium; operating cost related to these investments are not subject to the efficiency target;
- surplus revenues from auctions, interruptible capacities and oversubscription are not taken into account in the cost base but are treated separately: auctions and excess capacity use revenues should be accrued and used in future capacity expansion, if not used they are recognized as cost reducing item or provided for investments in following regulatory period; 90% of the net revenues from oversubscription stay with the TSOs.

The 2012 booking situation constitutes the floor for the fourth regulatory period and for the following periods (“minimum booking situation”) until the end of the average useful life of the assets in 2012. The risk of under recovery due to booking levels below the “minimum booking situation” is meant to be covered by the capacity risk premium plus an individual risk premium in a fixed amount specific for each company.

### ***GCA – Distribution***

The overall regulatory framework currently in place for the calculation of costs and tariffs for the distribution business of GCA (so-called ‘cost-plus regulation’) is very similar to the regulatory framework applicable to the transmission business described above and differs from the incentive regulation applied to the other DSOs. Such difference in treatment mainly derives from the fact that the distribution system of GCA is categorised as “level 1” (high pressure network) with no connection to end customers.

The allowed costs are determined as the sum of return on RAB, depreciation, operating costs, reconciliation between actual and forecasted revenues and other allowed costs. According to the methodology the starting point for the determination of allowed costs of year Y are the audited financial accounts of the year Y-2.

The total allowed costs based on the audited financial account of the year Y-2 are transformed into the cost base for year Y by applying a productivity factor (as cost reducing item) and inflation factor (as a cost increasing item).

The RAB is mainly based on residual book values and the depreciation is calculated according to the regulatory asset lives defined by E-Control. In particular, for pipelines a standardised regulatory useful life of 40 years is defined. For remaining assets, the useful life as provided by the national accounting rules (Austrian GAAP) also serves as the useful life for the calculation of regulatory depreciation.

The regulatory return on the RAB currently applied is based on a WACC equal to 4.88% pre-tax.

The definition of the new regulatory framework for the next regulatory period is expected in 2022.

### ***DESFA – Transmission and regasification***

The transmission and regasification businesses in Greece are regulated by the Regulatory Authority for Energy (RAE), in accordance with the provisions of Law 4001/2011.

The tariffs are determined for each basic activity of the system operator based on the principle of full recovery of the required revenue which are calculated as sum of:

- Return on the Regulatory Asset Base (RAB), expressed at book values;
- regulated depreciation of assets, calculated according to IFRS accounting standard lifetimes; and
- regulated operating expenses, set on the effective costs sustained by the company.

The regulator has approved in May 2019:

- the WACC figures for the years 2019 to 2022 respectively at 8.23%, 7.84%, 7.52%, 7.44% in nominal terms pre-tax; and
- the new tariff methodology in compliance with the Regulation (EU) 2017/460.

The regulator has recently approved the TYDP 2020-2029, and DESFA is now working to finalise a new investment plan feeding into TYDP 2021-2030 supporting the Greek Government ambitions in relation to phase out of lignite.

## TAXATION

### General

Prospective purchasers of Notes are advised to consult their tax advisers as to the consequences, under the tax laws of the countries of their respective citizenship, residence or domicile, of a purchase of Notes, including, but not limited to, the consequences of receipt of payments under the Notes and their disposal or redemption.

### ITALIAN TAXATION

*The following is an overview of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as of the date of this Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis.*

*Prospective purchasers should be aware that tax treatment depends on the individual circumstances of each Noteholder: as a consequence they should consult their tax advisers as to the consequences under Italian tax law and 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 Securities, including in particular the effect of any state, regional or local tax laws.*

*The following overview does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules. Prospective purchasers of the Notes are advised to consult their own tax advisers concerning the overall tax consequences of their ownership of the Notes. This overview does not describe the tax consequences for an investor with respect to Notes that provide payout linked to the profits of the Issuer, profits of other company of the group or profits of the business in relation to which they are issued.*

*With reference to each issue of Notes, a tailored tax section regarding such issue will be included in the relevant Final Terms.*

#### ***Interest and other proceeds from Notes that qualify as bonds or instruments similar to bonds***

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, premium and other income (including the difference between the redemption amount and the issue price) from notes issued, inter alia, by companies listed on an Italian regulated market, falling within the category of bonds (*obbligazioni*) or debentures similar to bonds (*titoli similari alle obbligazioni*).

For these purposes, debentures similar to bonds are defined as securities that: (i) incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value; and that (ii) do not give any right to directly or indirectly participate in the management of the issuer or of the business in relation to which they are issued nor any type of control on the management; and that (iii) do not provide for a remuneration which is linked to profits.

#### ***Italian resident Noteholders***

Where an Italian resident Noteholder is (a) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has opted for the application of the “risparmio gestito” regime – see “*Capital Gains Tax*” below), (b) a non-commercial partnership, pursuant to article 5 of the Italian Income Consolidated Code (“**TUIR**”) (with the exception of general partnership, limited partnership and similar entities) (c) a non-commercial private or public institution, or (d) an investor exempt from Italian corporate income taxation, interest, premium and other income (other than capital gains) (“**Interest**”) relating to the Notes, accrued during the relevant holding period, are subject to a withholding tax, referred to as *imposta sostitutiva*, levied at the

rate of 26%. In the event that the Noteholders described under (a) and (c) above are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional tax and it may be credited against the overall income tax due by the taxpayer in respect of the income derived from its business activity which will include the interest.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of Law No. 232 of 11 December 2016, as subsequently amended and supplemented (the “**Finance Act 2017**”), Article 1 (211-215) of Law No. 145 of 30 December 2018, as subsequently amended and supplemented (the “**Finance Act 2019**”), or Article 13-bis of Law Decree No. 124 of 26 October 2019, converted into Law No. 157 of 19 December 2019, as subsequently amended and supplemented (the “**Finance Act 2020**”).

Where an Italian resident Noteholder is a company or similar commercial entity or a permanent establishment in Italy of a foreign company to which the Notes are effectively connected and the Notes are deposited with an authorised intermediary, Interest from the Notes will not be subject to *imposta sostitutiva*, but must be included in the relevant Noteholder’s annual income tax return and are therefore subject to general Italian corporate taxation (“**IRES**”), generally levied at the rate of 24%. Banks and other financial institutions will be subject to an additional corporation tax levied at the rate of 3.5%. In certain circumstances, subject to the “status” of the Noteholder, also regional tax on productive activities (“**IRAP**”) may apply. IRAP is generally levied at the rate of 3.9% while banks or other financial institutions will be subject to IRAP at the special rate of 4.65%; in any case regions may vary the IRAP rate by up to 0.92%.

If an investor is resident in Italy and is an open-ended or closed-ended investment fund subject to the tax regime provided by Law No. 77 of 23 March 1983 (the “**Fund**”), a SICAV or a SICAF and the Notes are held by an authorised intermediary, 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 accrued at the end of each tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Under the current regime provided by Law Decree No. 351 of 25 September 2001, converted into Law No. 410 of 23 November 2001 (“**Decree 351**”), Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, Italian real estate investment funds created under Article 37 of Legislative Decree No. 58 of 24 February 1998, as amended and supplemented, and Article 14-bis of Law No. 86 of 25 January 1994 and Italian real estate SICAFs (the “**Real Estate SICAFs**”) are subject neither to *imposta sostitutiva* nor to any other income tax in the hands of the real estate investment fund or the Real Estate SICAF.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an authorised intermediary, Interest relating to the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the results of the relevant portfolio accrued at the end of the tax period, to be subject to a 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, Interest may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, Article 1 (211-215) of the Finance Act 2019 or Article 13-bis of the Finance Act 2020.

Pursuant to Decree No. 239, *imposta sostitutiva* is applied by banks, *Società di intermediazione mobiliare* (“**SIMs**”), fiduciary companies, *Società di gestione del risparmio* (“**SGRs**”), stockbrokers and other entities

identified by a decree of the Ministry of Economics and Finance (each an “**Intermediary**”) as subsequently amended and integrated.

An Intermediary to be entitled to apply the *imposta sostitutiva*, it must (i) be (a) resident in Italy or (b) resident outside Italy, with a permanent establishment in Italy or (c) 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 (ii) intervene, 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 in 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 any entity paying interest to a Noteholder. If Interest on the Notes is not collected through an Intermediary or any entity paying interest and as such no *imposta sostitutiva* is levied, the Italian resident beneficial owners listed above will be required to include Interest in their yearly income tax return and subject them to a final substitute tax at a rate of 26%.

### ***Non-Italian resident Noteholders***

Where the Noteholder is a non-Italian resident, without a permanent establishment in Italy to which the Notes are effectively connected, an exemption from *imposta sostitutiva* applies provided that the non-Italian resident beneficial owner is either (a) resident, for tax purposes, in a country which allows for a satisfactory exchange of information with Italy; or (b) an institutional investor that is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence; or, independently by the relevant country of tax residence, (c) an international body or entity set up in accordance with international agreements which have entered into force in Italy; or (d) a Central Bank or an entity which manages, inter alia, the official reserves of a foreign State.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance retains the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

The *imposta sostitutiva* will be applicable at the rate of 26% to Interest accrued during the holding period, when the Noteholders are resident, for tax purposes, in countries which do not allow for a satisfactory exchange of information with Italy.

The exemption procedure for Noteholders who are non-resident in Italy and are resident in a White List Country identifies two categories of intermediaries:

- A. an Italian or foreign bank or financial institution (there is no requirement for the bank or financial institution to be EU resident (the “**First Level Bank**”), acting as intermediary in the deposit of the Notes held, directly or indirectly, by the Noteholder with a Second Level Bank (as defined below); and
- B. an Italian resident bank or SIM, or a permanent establishment in Italy of a non-resident bank or SIM, acting as depositary or sub-depositary of the Notes appointed to maintain direct relationships, via electronic link, with the Italian tax authorities (the “**Second Level Bank**”). Organisations and companies non-resident in Italy, which are member of a system of centralised administration of securities and directly connected with the Department of Revenue of the Ministry of Economy and Finance (which include Euroclear and Clearstream) are treated as Second Level Banks, provided that they appoint an Italian representative (an Italian resident bank or SIM, or permanent establishment in Italy of a non-resident bank or SIM, or a central depositary of financial instruments pursuant to Article 80 of Legislative Decree No. 58 of 24 February 1998) for the purposes of the application of Decree 239.

In the event that a non-Italian resident Noteholder deposits the Notes directly with a Second Level Bank, the latter shall be treated both as a First Level Bank and Second Level Bank.

The exemption from the *imposta sostitutiva* for the Noteholders who are non-resident in Italy is conditional upon:

- A. the timely deposit of the Notes, either directly or indirectly, with an institution which qualifies as a Second Level Bank; and
- B. the timely submission to the First Level Bank or the Second Level Bank of a statement of the relevant Noteholder (*autocertificazione*), to be provided only once, in which it declares that it is eligible to benefit from the exemption from *imposta sostitutiva*. Such statement must comply with the requirements set forth by Ministerial Decree of 12 December 2001, is valid until withdrawn or revoked and needs not to be submitted where a certificate, declaration or other similar document for the same or equivalent purposes was previously submitted to the same depository. The above statement is not required for non-Italian resident investors that are international bodies or entities set up in accordance with international agreements which have entered into force in Italy or in the case of foreign Central Banks or entities which manage, inter alia, the official reserves of a foreign State.

### ***Fungible issues***

Pursuant to Article 11, paragraph 2 of Decree No. 239, where the Issuer issues a new Tranche forming part of a single series with the first Tranche, for the purposes of calculating the amount of Interest subject to *imposta sostitutiva* (if any), the issue price of the new Tranche will be deemed to be the same as the issue price of the first Tranche. This rule applies where (a) the new Tranche is issued within 12 months from the issue date of the first Tranche and (b) the difference between the issue price of the new Tranche and that of the first Tranche does not exceed 1% of the nominal value of the Notes multiplied by the number of years of the duration of the Notes.

### ***Notes qualifying as atypical securities (titoli atipici)***

In case Notes representing debt instruments implying a “use of capital” do not incorporate an unconditional obligation to pay, at maturity, an amount not less than their nominal value (whether or not providing for interim payments) and/or they give any right to directly or indirectly participate in the management of the relevant Issuer or of the business in relation to which they are issued and/or any type of control on the management, Interest in respect of such Notes may be subject to a withholding tax, levied at the rate of 26%.

Where the Noteholder is (a) an Italian individual engaged in an entrepreneurial activity to which the Notes are connected, (b) an Italian company or a similar Italian commercial entity pursuant to article 5 of TUIR (with the exception of general partnership, limited partnership and similar entities), (c) a permanent establishment in Italy of a foreign entity, (d) an Italian commercial partnership or (e) an Italian commercial private or public institution, such withholding tax is a provisional withholding tax; in all other cases, including when the Noteholder is a non-Italian resident, the withholding tax is a final withholding tax.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not acting in connection with an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from any income taxation, including the *imposta sostitutiva*, on interest, premium and other income relating to the Notes not having 100% capital protection guaranteed by the Issuer if such Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, Article 1 (211-215) of the Finance Act 2019 or Article 13-bis of the Finance Act 2020.

In the case of non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, the withholding tax may be reduced by the applicable double tax treaty, if any, subject to timely filing of the required documentation.

## Capital Gains Tax

Any gain obtained from the sale or redemption of the Notes would be treated as part of the taxable income (and, in certain circumstances, depending on the “status” of the Noteholder, also as part of the net value of the production for IRAP purposes) if realised by an Italian company or a similar commercial entity (including the Italian permanent establishment of foreign entities to which the Notes are connected) or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are connected.

Where an Italian resident Noteholder is (i) an individual not holding the Notes in connection with an entrepreneurial activity, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, any capital gain realised by such Noteholder from the disposal of the Notes would be subject to an *imposta sostitutiva*, levied at the rate of 26%. Under some conditions and limitations, Noteholders may set off losses with gains.

For the purposes of determining the taxable capital gain, any interest on the Notes accrued and unpaid up to the time of the purchase and the sale of the Notes must be deducted from the purchase price and the sale price, respectively.

In respect of the application of the *imposta sostitutiva*, taxpayers may opt for one of the three regimes described below:

- (a) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for taxation of capital gains realised by Noteholders under (i) to (iii) above, the *imposta sostitutiva* on capital gains will be chargeable, on a yearly cumulative basis, on all capital gains, net of any offsettable capital loss, realised by the relevant Noteholder pursuant to all disposals of the Notes carried out during any given tax year. These Noteholders must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in their annual tax return and pay *imposta sostitutiva* on such gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.
- (b) As an alternative to the tax declaration regime, Italian resident individual Noteholders under (i) to (iii) above may elect to pay the *imposta sostitutiva* separately on capital gains realised on each disposal of the Notes (the *risparmio amministrato* regime provided for by Article 6 of the Legislative Decree No. 461 of 21 November 1997, as subsequently amended, “**Decree No. 461**”). Such separate taxation of capital gains is allowed subject to (a) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (b) an express election for the *risparmio amministrato* regime being made timely in writing by the relevant Noteholder. The depository is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each disposal of the Notes, net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a disposal of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same securities management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.
- (c) Any capital gains realised or accrued by Italian Noteholders under (i) to (iii) above who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called *risparmio gestito* regime (regime provided by Article 7 of Decree No. 461) will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 26% substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Subject to certain limitations and requirements (including a minimum holding period), Italian resident individuals not engaged in an entrepreneurial activity or social security entities pursuant to Legislative Decree No. 509 of 30 June 1994 and Legislative Decree No. 103 of 10 February 1996 may be exempt from Italian capital gain taxes, including the *imposta sostitutiva*, on capital gains realised upon sale or redemption of the Notes if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, Article 1 (211-215) of the Finance Act 2019 or Article 13-bis of the Finance Act 2020.

Any capital gains realised by a Noteholder who is an Italian real estate fund to which the provisions of Decree 351, Law Decree No. 78 of 31 May 2010, converted into Law No. 122 of 30 July 2010 and Legislative Decree No. 44 of 4 March 2014, all as amended, apply or a Real Estate SICAF will be subject neither to *imposta sostitutiva* nor to any other income tax at the level of the real estate investment fund or the Real Estate SICAF.

Any capital gains realised by a Noteholder which is a Fund (as defined above), a SICAV or a SICAF will be included in the results of the relevant portfolio accrued at the end of the tax period. The Fund, the SICAV or the SICAF will not be subject to taxation on such result, but a substitutive tax, up to 26%, will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Any capital gains realised by a Noteholder who is an Italian pension fund (subject to the regime provided for by Article 17 of the Legislative Decree No. 252 of 5 December 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the 20% substitute tax. Subject to certain conditions (including minimum holding period requirement) and limitations, capital gains realised upon sale or redemption of the Notes may be excluded from the taxable base of the 20% substitute tax if the Notes are included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1 (100-114) of the Finance Act 2017, Article 1 (211-215) of the Finance Act 2019 or Article 13-bis of the Finance Act 2020.

Capital gains realised by non-Italian resident Noteholders without a permanent establishment in Italy to which the Notes are effectively connected, from the disposal of Notes issued by an Italian resident Issuer are not subject to Italian taxation, provided that the Notes are transferred on regulated markets.

Capital gains realised by non-Italian resident Noteholders not holding the Notes through a permanent establishment in Italy from the disposal of Notes not transferred on regulated markets are not subject to the *imposta sostitutiva*, provided that the effective beneficiary: (a) is resident in a country which allows for a satisfactory exchange of information with Italy; 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 which is resident in a country which allows for a satisfactory exchange of information with Italy, even if it does not possess the status of a taxpayer in its own country of residence.

It should be noted that, pursuant to Article 11 of Decree No. 239, the countries which allow for a satisfactory exchange of information with Italy are those countries listed in the Ministerial Decree of 4 September 1996, amended by Italian Ministerial Decree dated 23 March 2017, and as amended from time to time. Pursuant to Article 1-bis of Ministerial Decree of 4 September 1996, the Ministry of Economy and Finance retains the right to test the actual compliance of each country included in the list with the exchange of information obligation and, in case of reiterated violations, to remove from the list the uncooperative countries.

If none of the conditions above are met, capital gains realised by non-Italian resident Noteholders from the disposal of Notes issued by an Italian resident Issuer are subject to the *imposta sostitutiva* at the current rate of 26%.

In any event, non-Italian resident individuals or entities without a permanent establishment in Italy to which the Notes are connected, who may benefit from a double taxation treaty with Italy providing that capital gains realised upon the disposal of Notes are to be taxed only in the country of tax residence of the recipient, will not be subject to *imposta sostitutiva* in Italy on any capital gains realised upon the disposal of Notes.



### ***Inheritance and gift taxes***

Pursuant to Law Decree No. 262 of 3 October 2006, converted into Law No. 286 of 24 November 2006, as subsequently amended, the transfers of any valuable asset (including shares, bonds or other securities) as a result of death or donation are taxed 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% 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 of a direct lineage or after relatives-in-law of a collated lineage up to the third degree are subject to an inheritance and gift tax applied at a rate of 6% on the entire value of the inheritance or the gift. Transfers in favour of brothers/sisters are subject to the 6% inheritance and gift tax on the value of the inheritance or the gift exceeding, for each beneficiary, €100,000; and
- (c) any other transfer, in principle, is subject to an inheritance and gift tax applied at a rate of 8% 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) and (c) on the value exceeding, for each beneficiary, €1,500,000.

Under Article 1 (114) of the Finance Act 2017, the *mortis causa* transfer of financial instruments included in a long-term savings account (*piano individuale di risparmio a lungo termine*) that meets the requirements set forth in Article 1(100-114) of the Finance Act 2017, Article 1 (211-215) of the Finance Act 2019 or Article 13-bis of the Finance Act 2020 are exempt from inheritance taxes.

### ***Transfer tax***

Article 37 of Law Decree No. 248 of 31 December 2007, converted into Law No. 31 of 28 February 2008, published on the Italian Official Gazette No. 51 of 29 February 2008, has abolished the Italian transfer tax, provided for by Royal Decree No. 3278 of 30 December 1923, as amended and supplemented by the Legislative Decree No. 435 of 21 November 1997.

Following the repeal of the Italian transfer tax, as from 31 December 2007 contracts relating to the transfer of securities are subject to the registration tax as follows: (a) public deeds and notarised deeds are subject to fixed registration tax at rate of €200; (b) private deeds are subject to registration tax only in case of use (*caso d'uso*), explicit reference (*enunciazione*) or voluntary registration.

### ***Stamp duty***

Pursuant to Article 19(1) of Decree No. 201 of 6 December 2011 (“**Decree 201**”), a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients for the securities deposited therewith. As of 1 January 2014, stamp duty applies at a rate of 0.20% and, for taxpayers different from individuals, cannot exceed €14,000. This stamp duty is determined on the basis of the market value or – if no market value figure is available – the nominal value or redemption amount of the securities held.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory. The communication is deemed to be sent to the customers at least once a year, even for instruments for which it is not mandatory.

### ***Tax Monitoring Obligations***

Italian resident individuals, non-commercial entities, non-commercial partnerships and similar institutions are required to report in their yearly income tax return, according to Law Decree No. 167 of 28 June 1990 converted into law by Law Decree No. 227 of 4 August 1990, as amended from time to time, for tax monitoring

purposes, the amount of Notes held abroad during each tax year. The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to: (i) Notes deposited for management with qualified Italian financial intermediaries; (ii) contracts entered into through their 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.

### ***Wealth Tax on securities deposited abroad***

Pursuant to Article 19 (18-23) of Decree 201, as subsequently amended and supplemented, Italian resident individuals, non-commercial entities and certain partnerships including società semplici or similar partnerships pursuant to article 5 of the TUIR holding the Notes outside the Italian territory are required to pay an additional tax at a rate of 0.20% for each year. The maximum amount due is set at €14,000 for Noteholders other than individuals.

This tax is calculated on the market value of the securities at the end of the relevant year or – if no market value figure is available – the nominal value or the redemption value of such financial assets held outside the Italian territory. Taxpayers are entitled to an Italian tax credit equivalent to the amount of wealth taxes paid in the State where the financial assets are held (up to an amount equal to the Italian wealth tax due).

## **LUXEMBOURG TAXATION**

*The following information is of a general nature only and is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. The information contained within this section is limited to Luxembourg withholding tax issues and Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

*Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a withholding tax or a tax of a similar nature refers to Luxembourg tax law and/or concepts only.*

### ***Withholding Tax***

#### **Non-resident holders of Notes**

Under Luxembourg general tax laws currently in force, there is no withholding tax on payments of principal, premium or interest made to non-resident holders of Notes, nor on accrued but unpaid interest in respect of the Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of the Notes held by non-resident holders of Notes.

#### **Resident holders of Notes**

Under Luxembourg general tax laws currently in force and subject to the law of 23 December 2005, as amended (the “**Relibi Law**”), there is no withholding tax on payments of principal, premium or interest made to Luxembourg resident holders of Notes, nor on accrued but unpaid interest in respect of Notes, nor is any Luxembourg withholding tax payable upon redemption or repurchase of Notes held by Luxembourg resident holders of Notes.

Under the Relibi Law payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the benefit of an individual beneficial owner who is a resident of Luxembourg will be subject to a withholding tax of 20%. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of

interest under the Notes coming within the scope of the Relibi Law will be subject to a withholding tax at a rate of 20%.

### ***THE PROPOSED EU FINANCIAL TRANSACTION TAX (FTT)***

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common EU FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has since stated that it will not participate.

The Commission’s Proposal has very broad scope and could, if introduced, apply to certain dealings in the 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 the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

Joint statements issued by participating Member States indicate an intention to implement the FTT.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the EU FTT.

### ***U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT***

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, as amended, 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. A number of jurisdictions including the Republic of 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 filed with the U.S. Federal Register. Further, Notes 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 and/or characterised as equity for U.S. tax purposes. However, if additional Notes (as described under “*Terms and 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 agents may treat all such Notes, including those 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.



## SUBSCRIPTION AND SALE

The Dealers have, in a programme agreement (such programme agreement as modified and/or supplemented and/or restated from time to time, the “**Programme Agreement**”) dated 9 November 2020, agreed with the Issuer the basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

### Selling Restrictions

#### *United States*

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and U.S. Treasury regulations promulgated thereunder.

The applicable Final Terms will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

If Category 1 is specified in the Final Terms the Notes are being offered and sold only outside the United States in offshore transactions in reliance on, and in compliance with, Regulation S under the Securities Act.

If Category 2 is specified in the final Terms each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) otherwise until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons except in accordance with regulation S of the Securities Act. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes 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 any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

#### *Prohibition of sales to EEA and UK Retail Investors*

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by the Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom (each, a “**Relevant State**”). For the purposes of this provision:

- (a) the expression **retail investor** means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or
  - (ii) 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; or
  - (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the “**Prospectus Regulation**”); and
- (b) the expression an **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes.

In relation to each Relevant State, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the final terms in relation thereto to the public in that Relevant State, except that it may make an offer of such Notes to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

*provided that* no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

### ***United Kingdom***

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) (i) in relation to any Notes which have a maturity of less than one year, it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (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.

### ***Japan***

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “**FIEA**”) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold

and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for re offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Republic of Italy***

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* (“CONSOB”) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of this Base Prospectus or of any other document relating to any Notes be distributed in Italy, except, in accordance with the exceptions provided under Regulation (EU) No. 1129 of 14 June 2017, as amended from time to time (the “**Prospectus Regulation**”) and any Italian securities, tax and other applicable laws and regulations.

Each Dealer has represented, agreed and acknowledged that it has not offered, sold or delivered, and will not offer, sell or deliver any Notes or distribute any copy of this Base Prospectus or any other document relating to the Notes in Italy except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and the applicable Italian laws; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation and the applicable Italian laws.

In any event, any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in Italy under paragraphs (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Legislative Decree No. 58 of 24 February 1998, as amended from time to time, Legislative Decree No. 385 of 1 September 1993, as amended from time to time (the “**Banking Act**”) and CONSOB Regulation No. 20307 of 15 February 2018, as amended from time to time;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy; and
- (iii) in compliance with any other applicable laws and regulations, including any limitation or requirement which may be imposed from time to time by CONSOB or the Bank of Italy or other competent authority.

The Issuer and each Dealer acknowledges and accepts that in no event may the Notes be sold or transferred (at any time after the Issue Date) to persons other than “qualified investors”, as referred to under the Prospectus Regulation.

### ***France***

Each of the Dealers has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

It has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Base Prospectus, the relevant Final Terms and any other material relating to the Notes, except to (a) to qualified investors (*investisseurs qualifiés*), as defined in article 2(e) of the Prospectus Regulation and/or (b) a limited circle of investors (*cercle restreint*) acting for their own account, in accordance with, Articles L. 411-1, L. 411-2 and D. 411-4 of the French Code *monétaire et financier*.

## **Belgium**

Other than in respect of Notes for which “*Prohibition of Sales to Belgian Consumers*” is specified as “*Not Applicable*” in the applicable Final Terms, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a “**Belgian Consumer**”) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the “**SFA**”)) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contract (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;
- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

The Final Terms in respect of any Notes may include a legend entitled “Notification under Section 309B(1)(c) of the Securities and Futures Act (Chapter 289) of Singapore” that will state the product classification of the applicable Notes pursuant to Section 309B(1) of the SFA; however, unless otherwise stated in the applicable



Final Terms, all Notes shall be prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products). This notification or any such legend included in the relevant Final Terms will constitute notice to “relevant persons” for purposes of Section 309B(1)(c) of the SFA.

### ***General***

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The update of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 12 October 2020.

### Approval of Base Prospectus, Admission to Trading and Listing of Notes

Application has been made to the CSSF to approve this document as a base prospectus. Application has also been made to the Luxembourg Stock Exchange for Notes issued under the Programme to be admitted to trading on the Luxembourg Stock Exchange's regulated market and to be listed on the Official List of the Luxembourg Stock Exchange. The Luxembourg Stock Exchange's regulated market is a regulated market for the purposes of MiFID II.

### Documents Available

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection in hard copy from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg and on the website of the Issuer at [https://www.snam.it/en/Investor\\_Relations/debt\\_credit\\_rating/limited-liability/prospectus.html](https://www.snam.it/en/Investor_Relations/debt_credit_rating/limited-liability/prospectus.html):

- (a) the By-laws (*statuto*) (with an English translation thereof) of the Issuer;
- (b) the consolidated audited financial statements of the Issuer in respect of the financial years ended 31 December 2018 and 31 December 2019 (with an English translation thereof) together with the auditors' reports prepared in connection therewith. The Issuer currently prepares audited consolidated accounts on an annual basis;
- (c) the consolidated half year financial statements of the Issuer as at and for the six-month period ended 30 June 2020 (with an English translation thereof), which were subject to a limited review by the auditors, together with the auditors' report prepared in connection therewith;
- (d) the Agency Agreement, the Deed of Covenant and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus;
- (f) a copy of the Terms and Conditions of the Notes contained in the previous Base Prospectus dated 7 November 2019; and
- (g) any future base prospectuses, prospectuses, information memoranda, supplements and Final Terms to this Base Prospectus and any other documents incorporated herein or therein by reference.

In addition, copies of this Base Prospectus, each Final Terms relating to Notes which are admitted to trading on the Luxembourg Stock Exchange's regulated market and each document incorporated by reference are available on the Luxembourg Stock Exchange's website at [www.bourse.lu](http://www.bourse.lu).

### Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg which are the entities in charge of keeping the records. The appropriate Common Code and ISIN and, if applicable CFI and FISN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels. The address of Clearstream, Luxembourg is Clearstream Banking S.A., 42 Avenue JF Kennedy, L-1855 Luxembourg.

## **Listing Agent**

The Listing Agent of the Notes is BNP Paribas Securities Services, Luxembourg Branch. BNP Paribas Securities Services Luxembourg Branch, being part of a financial group providing client services with a worldwide network covering different time zones, may entrust parts of its operational processes to other BNP Paribas Group entities and/or third parties, whilst keeping ultimate accountability and responsibility in Luxembourg.

Further information on the international operating model of BNP Paribas Securities Services Luxembourg Branch may be provided upon request.

## **Conditions for determining price**

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

## **Significant or Material Change**

There has been (i) no significant change in the financial performance or position of the Snam Group since 30 June 2020 and (ii) no material adverse change in the financial position or prospects of the Issuer or the Snam Group since 31 December 2019.

## **Litigation**

Save as disclosed in the section entitled “*Description of the Issuer – Material Litigation*” at pages 121 – 126 of this Base Prospectus and at pages 281 - 287 and at pages 296 - 303 in the annual reports to the financial statements of the Issuer in respect of the financial years ended, respectively, 31 December 2018 and 31 December 2019, neither the Issuer nor any other member of the Snam Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Snam Group.

## **Websites**

The website of the Issuer is [www.snam.it](http://www.snam.it). The information on [www.snam.it](http://www.snam.it) does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus. Other than the information incorporated by reference, the content of the Snam website has not been scrutinised or approved by the competent authority.

Any information contained in any other website specified in this Base Prospectus does not form part of this Base Prospectus, except where that information has been incorporated by reference into this Base Prospectus.

## **Independent Auditors**

PricewaterhouseCoopers S.p.A. have audited the consolidated financial statements of Snam S.p.A. and its subsidiaries as of and for the years ended 31 December 2018 and 31 December 2019, in accordance with International Standards on Auditing (ISA Italia). PricewaterhouseCoopers S.p.A. is authorised and regulated by the MEF and registered on the special register of auditing firms maintained by the MEF. The registered office of PricewaterhouseCoopers S.p.A. is Via Monte Rosa 91, Milan, 20149, Italy.

On proposal of the Board of Statutory Auditors, the Shareholders’ Meeting of Snam of 23 October 2019 conferred the appointment for the period relating to the financial years ending on 31 December from 2020 to 2028, on the independent auditing firm Deloitte & Touche S.p.A..

The same Shareholders’ Meeting, upon proposal of the Board of Statutory Auditors, resolved to terminate by mutual consent, the appointment as external auditor conferred on the independent auditing firm PricewaterhouseCoopers S.p.A..

Deloitte & Touche have performed a limited review of the consolidated financial statements of Snam and its subsidiaries as at and for the six-month period ended 30 June 2020, in accordance with International Standards on Auditing (ISA Italia).

Deloitte & Touche is authorised and regulated by the MEF and registered on the special register of auditing firms held by the MEF. The registered office of Deloitte & Touche S.p.A. is Via Tortona, 25, Milan, 20144, Italy.

### **Post-issuance information**

The Issuer will not provide any post issuance information, except if required by any applicable laws and regulations.

### **Dealers transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in financing, in investment banking and/or commercial banking transactions with, and may perform services to the Issuer and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments. For the purposes of this paragraph the term "affiliates" includes parent companies.

## ANNEX 1 FURTHER INFORMATION RELATED TO INFLATION LINKED NOTES

The Issuer can issue Notes which are linked to an index pursuant to the Programme, where the underlying index is the CPI or the Eurozone Harmonised Index of Consumer Prices excluding Tobacco as defined below.

*“CPI or ITL - Inflation for Blue Collar Workers and Employees - Excluding Tobacco Consumer Price Index Unrevised”* means, subject to the Conditions, the *“Indice dei prezzi al consumo per famiglie di operai e impiegati (FOI), senza tabacchi”* as calculated on a monthly basis by the *ISTAT - Istituto Nazionale di Statistica* (the **“Italian National Institute of Statistics”**) (the **“Index Sponsor”**) which appears on Bloomberg Page ITCPIUNR (or such other page as may replace that page on that service, or such other service as may be nominated as the information vendor, for the purpose of displaying the level of such index), *provided that* for the purposes of the calculation of the Rate of Interest and the Final Redemption Amount, the first publication or announcement of a level of the inflation Index (excluding estimates) by the Index Sponsor for a given month shall be final and conclusive and later revisions of the level for such month will not be used in any calculations.

### **Eurostat Eurozone Harmonised Indices of Consumer Prices excluding Tobacco Unrevised Series Non Seasonal Adjusted**

The Eurozone Harmonised Index of Consumer Prices excluding Tobacco (HICP), as calculated and published by EUROSTAT and the national statistical institutes in accordance with harmonised statistical methods (the **“HICP”**) is an economic indicator constructed to measure the changes over time in the prices of consumer goods and services acquired by households in the Eurozone. Following the Maastricht Treaty, the HICPs have been used as convergence criteria and the main measure for monitoring price stability by the European Central Bank in the Euro area, as well as for use on international comparison.

HICP is the aggregate of the Member States’ individual harmonised index of consumer prices excluding tobacco (**“Individual HICP”**). Each country first publishes its Individual HICP in conjunction with its consumer price index. Thereafter, Eurostat aggregates the Individual HICPs and publishes an HICP for the Eurozone, as well as a breakdown by item and by country. In any specific year, each country’s weight in the HICP for the Eurozone equals the share that such country’s final household consumption constitutes within that of the Eurozone as a whole for the year that is prior to that specified year. These weights are re-estimated every year in the January publication of the HICP.

HICP is said to be harmonised because the methodology and nomenclatures for the index of prices are the same for all of the countries in the Eurozone and the EU. This makes it possible to compare inflation among different Member States of the EU. Emphasis is placed on the quality and comparability of the various countries’ indices.

HICP is calculated as an annual chain-index, which makes it possible to change the weights every year. This also makes it possible to integrate new entrants, as in the case of Greece in January 2001. If a new entrant is integrated in a specific year, it is included in the Eurozone HICP starting from January of that year. The new Member State’s weight is included in the annual revaluation of the HICP.

HICP is published every month on Eurostat’s internet site, according to a pre-determined official timetable. Publication generally occurs around the 14th - 16th day of the following month. If a revision is made, it is published with the HICP of the following month.

### **Base Year Change**

In Europe, the national statistics institutes change the base year of their price indices every 5 to 10 years. This procedure is necessary to ensure that the index follows changes in the consumption pattern through a new consumer spending nomenclature. The resetting of the base generally accompanies changes in the definition of household consumption that occur when the national accounting system is modified. Since 2006, the index

reference period has been set to 2005 = 100. In order to obtain a common price reference period, too, the weights for each year are “price updated” to December of the previous year.

More information on the HICP, including past and current levels, can be found at:  
<https://ec.europa.eu/eurostat/web/products-datasets/-/teicp000>.

## **ISSUER**

**Snam S.p.A.**  
Piazza Santa Barbara, 7  
20097 San Donato Milanese (MI)  
Italy

## **ISSUING AND PRINCIPAL PAYING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**  
60, avenue J.F. Kennedy  
L-1855 Luxembourg  
(postal address L-2085 Luxembourg)  
Grand Duchy of Luxembourg

## **LUXEMBOURG PAYING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**  
60, avenue J.F. Kennedy  
L-1855 Luxembourg  
(postal address L-2085 Luxembourg)  
Grand Duchy of Luxembourg

## **LEGAL ADVISERS**

*To the Issuer as to English and Italian law*  
**Orrick, Herrington & Sutcliffe (Europe) LLP**  
Corso Matteotti 10  
20121 Milan  
Italy

*To the Dealers as to English law and Italian law*  
**Linklaters Studio Legale Associato**  
Via Broletto 9  
20121 Milan  
Italy

## **INDEPENDENT AUDITORS**

*To the Issuer*  
**Deloitte & Touche S.p.A.**  
Via Tortona 25  
20144 Milan  
Italy

## **ARRANGER**

### **BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

## **DEALERS**

### **Banco Bilbao Vizcaya Argentaria, S.A.**

Calle Saucedá 28, Edificio Asia  
28050 Madrid,  
Spain

### **Barclays Bank Ireland PLC**

One Molesworth Street  
Dublin 2  
D02RF29  
Ireland

### **Barclays Bank PLC**

5 The North Colonnade  
Canary Wharf  
London E14 4BB  
United Kingdom

### **BNP Paribas**

16, boulevard des Italiens  
75009 Paris  
France

### **BofA Securities Europe SA**

51 rue la Boétie  
75008 Paris  
France

### **Citigroup Global Markets Limited**

Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB  
United Kingdom

### **Citigroup Global Markets Europe AG**

Frankfurter Welle  
Reuterweg 16, 60323  
Frankfurt am Main  
Germany

### **Crédit Agricole Corporate and Investment Bank**

12, Place des Etats-Unis CS 70052  
92547 Montrouge Cedex  
France

### **HSBC France**

103, avenue des Champs Elysées  
75008 Paris  
France

### **Intesa Sanpaolo S.p.A.**

#### **Divisione IMI Corporate & Investment Banking**

Via Manzoni 4  
20121 Milan  
Italy

### **Goldman Sachs International**

Plumtree Court, 25 Shoe Lane  
London EC4A 4AU  
United Kingdom

### **J.P. Morgan Securities plc**

25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom



**ING Bank N.V.**  
Foppingadreef 7  
1102 BD Amsterdam  
The Netherlands

**Mediobanca - Banca di Credito Finanziario  
S.p.A.**  
Piazzetta Enrico Cuccia, 1  
20121 Milan  
Italy

**Morgan Stanley & Co. International plc**  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

**Mizuho International plc**  
Mizuho House  
30 Old Bailey  
London EC4M 7AU  
United Kingdom

**Mizuho Securities Europe GmbH**  
Taunustor 1  
60310 Frankfurt am Main  
Germany

**MUFG Securities (Europe) N.V.**  
Trade Center, Tower H, 11th Floor  
Zuidplein 98  
1077 XV Amsterdam  
The Netherlands

**NatWest Markets N.V.**  
Claude Debussylaan 94,  
1082 MD Amsterdam,  
The Netherlands

**SMBC Nikko Capital Markets Europe GmbH**  
Neue Mainzer Straße 52-58  
60311 Frankfurt  
Germany

**Société Générale**  
29 boulevard Haussmann  
75009 Paris  
France

**UniCredit Bank AG**  
Arabellastrasse 12  
81925 Munich  
Germany

#### **LISTING AGENT**

**BNP Paribas Securities Services, Luxembourg Branch**  
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Grand Duchy of Luxembourg