

SNAM TRANSITION BOND FRAMEWORK

DNV GL ELIGIBILITY ASSESSMENT

Scope and Objectives

Snam S.p.A. (henceforth referred to as "Snam") engages in the transport and dispatching, regasification, storage of natural gas. Snam is one of the world's leading energy infrastructure operators and one of the largest Italian listed companies included in the FTSE MIB index of Borsa Italiana in terms of market capitalization (approximately € 15 billion). Snam promotes the use of natural gas as a flexible, safe and low environmental impact fuel, to achieving a long-term energy transition.

Snam's sustainability strategy and de-carbonisation targets are in line with European decarbonisation goals¹, Snam's sustainability activities and projects are aimed at reducing greenhouse gas emissions in line with this target. Moreover, since 2019, Snam begun to explore the opportunity brought up by the evolution of lower-carbon gases (biomethane, hydrogen and power to gas) and by the energy efficiency both on own assets and towards third parties.

Snam has developed a Transition Bond Framework (the "Framework") under which it can raise debt to refinance existing eligible projects and/or finance ongoing and future eligible projects, in order to contribute to the transition to a low carbon economy and the SDG's outlined above.

Within the Transition Bond Framework, Snam has also identified the following Sustainable Development Goals (SDG's) as the most material to their own business:

- SDG n. 7 Affordable and Clean Energy
- SDG n. 9 Industry, Innovation and Infrastructure
- SDG n. 11 Sustainable Cities and Communities
- SDG n. 13 Climate Action.

DNV GL Business Assurance Italia S.r.l. ("DNV GL") has been commissioned by Snam to provide a review of the Framework. No assurance is provided regarding the financial performance of Bonds issued via the Snam Framework, the value of any investments, or the long-term environmental benefits of the transaction.

Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of Snam and DNV GL

The management of Snam has provided the information and data used by DNV GL during the delivery of this review. Our statement represents an independent opinion and is intended to inform Snam management and other interested stakeholders in the Transition Bond Framework and issuances under

¹ The EU 2030 climate & energy framework includes EU-wide targets and policy objectives for the period from 2021 to 2030. The framework was adopted by the European Council in October 2014. The targets for renewables and energy efficiency were revised upwards in 2018. In 2018, the European Union expressed its commitment within the framework of the Clean energy for all Europeans programme by 2030 and the EU 2050 Climate Long-term Strategy, which aim not only to reduce CO2 emissions (-40% by 2030 and -100% by 2050), but also increase the share of energy produced from renewable sources (+32% by 2030) and improve energy efficiency (+32.5% by 2030).

the framework as to whether the established criteria have been met, based on the information provided to us. In our work, we have relied on the information and the facts presented to us by Snam.

DNV GL is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions are incorrect. Thus, DNV GL shall not be held liable if any of the information or data provided by Snam management and used as a basis for this assessment were not correct or complete.

Basis of DNV GL's opinion

We have adapted our green bond eligibility assessment methodology to create a SNAM specific Transition Bond Framework Eligibility Assessment Protocol (henceforth referred to as "Protocol") - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV GL's opinion.

As per our Protocol, the criteria against which the Framework has been reviewed are grouped under the four Principles:

- **Principle One: Use of Proceeds.** The Use of Proceeds criteria are guided by the requirement that an issuer of a bond must use the funds raised to finance eligible activities. The eligible activities should produce clear environmental benefits.
- **Principle Two: Process for Project Evaluation and Selection.** The Project Evaluation and Selection criteria are guided by the requirements that an issuer should outline the process it follows when determining eligibility of an investment using Bond proceeds and outline any impact objectives it will consider.
- **Principle Three: Management of Proceeds.** The Management of Proceeds criteria are guided by the requirements that a bond should be tracked within the issuing organisation, that separate portfolios should be created when necessary and that a declaration of how unallocated funds will be handled should be made.
- **Principle Four: Reporting.** The Reporting criteria are guided by the recommendation that at least annual reporting to the bond investors should be made of the use of proceeds and that quantitative and/or qualitative performance indicators should be used, where feasible.

Work undertaken

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by Snam in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a Snam specific Transition Bond Framework Eligibility Assessment Protocol, as described above and in Schedule 2 to this Assessment;
- Assessment of documentary evidence provided by Snam on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology;
- Discussions and interviews with Snam management on a wide range of material topics (as detailed in Schedule 3 to this Assessment) and review of relevant documentation and evidence related to the criteria of the Protocol;

- Documentation of findings against each element of the criteria. Our opinion as detailed below is a summary of these findings.

Findings and DNV GL's opinion

DNV GL's findings are listed below:

Principle One: Use of Proceeds

Snam intends to use the proceeds from the issuance of the Bond to finance and refinance Eligible Transition Projects (henceforth referred to as "Eligible Projects"). The Snam Transition Bond Framework defines Eligible Projects as projects that fall into the following categories (further detail is outlined in Schedule 1 to this Assessment):

- Carbon & Emission Reduction Projects
- Renewable Energy Projects
- Energy Efficiency Projects
- Green Construction Projects
- Retrofit of gas transmission network

Snam has also outlined the types of projects within each category and associated selection criteria approved by Snam's Transition Bond Committee, formerly known as Climate Action Bond Committee, in order to determine eligibility.

DNV GL notes that the criteria have been defined considering the most recent version of the EU Sustainable Finance Taxonomy.

Moreover, DNV GL concludes that the above categories:

- are aligned with Snam's strategy to contribute to the transition to a low carbon economy and de-carbonisation goals, and
- are defined to pursue the SDG's outlined above.

Principle Two: Process for Project Evaluation and Selection

DNV GL can confirm that the project evaluation and selection will be undertaken by Snam's Transition Bond Committee, which is comprised of members of the Finance Department, the CSR Department, the Technical Department and the P&C Business Unit Asset Italia Department. Snam's Transition Bond Committee will be responsible to assess and validate the Eligible Projects that are compliant with the eligible categories described in Snam's Transition Bond Framework. Eligible Projects can be existing, on-going or new projects, with refinancing restricted to existing Eligible Projects with disbursements occurring in 36 months preceding each single bond issuance falling within the perimeter of the Framework and/or finance ongoing and future Eligible Projects.

DNV GL concludes that Snam's Transition Bond Framework appropriately describes the process of project evaluation, selection and exclusions.

For avoidance of doubt, DNV GL can confirm that SNAM's Transition Bond Framework explicitly excludes gas network expansion.

Principle Three: Management of Proceeds

DNV GL can confirm that the Proceeds from Transition Bonds will be managed by Snam's Finance Department.

Pending the allocation of Transition Bond proceeds, Snam has committed to either use the proceeds to reimburse outstanding credit facilities / pay down existing debt or keep it in cash, overnight or other short-term financial instruments. Payment of principal and interest on the Transition Bonds will be made from Snam's general funds and will not be directly linked to the performance of any of the Eligible Projects.

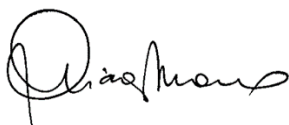
Principle Four: Reporting

Snam intends to report on the use of proceeds and environmental impacts within one year from the date of a Transition Bond financing issuance under the Framework and annually thereafter until the proceeds have been fully allocated and as necessary in the event of material changes. The reporting will be done in a stand-alone Transition Bond Report. DNV GL can confirm that Snam has committed to producing appropriate reporting on the environmental impacts of its investments made under the Framework.

On the basis of the information provided by Snam and the work undertaken, it is DNV GL's opinion that the Framework meets the criteria established in the Protocol contributing to the transition to a low carbon economy.

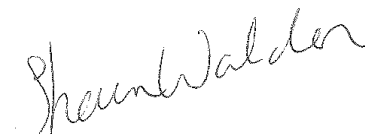
For DNV GL Business Assurance Italia S.r.l.

Vimercate, 08th June 2020



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About DNV GL

Driven by our purpose of safeguarding life, property and the environment, DNV GL enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers' decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 16,000 professionals are dedicated to helping customers make the world safer, smarter and greener.

SCHEDULE 1: DESCRIPTION OF CATEGORIES TO BE FINANCED THROUGH THE FRAMEWORK

Eligible Category	Scope and definition for Eligible Projects	SDGs	Environmental benefits	DNV GL Analysis
Carbon & Emission Reduction Projects	<p>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:</p> <ul style="list-style-type: none"> • 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; • revamping of the network connection nodes, with the replacement of gas-powered pneumatic instrumentation with electrically driven instrumentation; • replacement of turbo-compressors with latest-generation machines yielding an expected reduction in NOx emissions of at least 75%; • electrification of compressor units: 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 of at least 35 tons per year; and • replacement / renovation of valves, control and command devices, pneumatic actuators and instrumentations etc. with an expected reduction in natural gas 	<p>9 11 13</p>	<p>NOx and GHG direct emissions reduction and/or avoidance from:</p> <ul style="list-style-type: none"> • energy savings • substitution with alternative technologies 	<p>The definition is clear and the content is relevant, in line with SNAM strategy.</p> <p>The objectives and benefits are measurable and relevant.</p>

	emissions at completion of the interventions of at least 20%.			
Renewable Energy Projects	<p>Acquisition and development of biomethane plants & related upstream chains and upgrading of existing biogas plants, in Europe.</p> <p>Both greenfield and revamping projects will have biomass sustainability and greenhouse gas emission reduction criteria laid down in the Renewable Directive as fundamental pillars.</p>	7 9 13	<p>GHG direct emissions avoidance and preservation of biodiversity</p> <ul style="list-style-type: none"> • alternative/renewable energy use • substitution with alternative technologies • biomethane supply chain 	<p>The definition is clear and the content is relevant, in line with SNAM strategy.</p> <p>The objectives and benefits are measurable and relevant.</p>
Energy Efficiency Projects	<p>Energy efficiency projects for Snam's corporate facilities or supply chain. Examples of investments include, inter alia:</p> <ul style="list-style-type: none"> • replacement of traditional lamps with LED lamps, with an expected nominal energy saving of at least 40%; • acquisition of 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 potential future acquisitions of companies in the energy efficiency sector; • energy efficiency solutions for industrial plants; and • deep renovation for real estate segment (residential and tertiary) including implementation of energy management systems. 	7 11	<p>GHG direct emissions reduction and avoidance</p> <ul style="list-style-type: none"> • energy saving • substitution with alternative technologies 	<p>The definition is clear and the content is relevant, in line with SNAM strategy.</p> <p>DNV GL notes that these projects have been already partially included in the inaugural Climate Action Bond.</p>

<p>Green Construction Projects</p>	<p>Development and maintenance of conservation areas, natural capital preservation and the development and maintenance of green areas/buildings. For example:</p> <ul style="list-style-type: none"> • construction of new buildings which are expected to receive at least LEED "Gold" or at least BREEAM "Excellent" certification; and • renovation of buildings leading to an annual energy use reduction of at least 30% of per m2 basis. 	<p>11</p>	<p>GHG direct emissions reduction and avoidance</p> <ul style="list-style-type: none"> • substitution with alternative technologies. 	<p>DNV GL notes that the definition drafted in the Framework is clear and the content is relevant, in line with SNAM strategy.</p> <p>DNV GL notes that no projects are planned so far in addition to those already selected in the inaugural Climate Action Bond.</p>
<p>Retrofit of gas transmission network</p>	<p>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:</p> <ul style="list-style-type: none"> • research and development (studies and pilot projects) for low-carbon gases transportation and storage; • replacement of already existing pipelines with new certified hydrogen-ready 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. 	<p>9 13</p>	<p>GHG indirect emissions reduction and avoidance</p> <ul style="list-style-type: none"> • energy saving, • alternative/renewable energy use, • substitution with alternative technologies 	<p>The definition is clear and the content is relevant, in line with SNAM strategy.</p> <p>The objectives and benefits are measurable and relevant.</p> <p>For avoidance of doubt, DNV GL notes that gas network expansion is explicitly excluded within the Framework.</p>

SCHEDULE 2: SNAM SPECIFIC TRANSITION BOND FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

2.1 Use of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
1a	Type of Financing Framework	The types of bond must fall in one of the following categories: <ul style="list-style-type: none"> • Use of Proceeds Bond • Use of Proceeds Revenue Bond • Project Bond • Securitized Bond 	In addition to reviewing the evidence below, we had several detailed discussions with Snam. Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	The Framework outlines that Snam will issue Transition labelled bonds, these will be Use of Proceeds bonds.
1b	Project Categories	The cornerstone of a transition bond is the utilization of the proceeds which should be appropriately described in the legal documentation for the security.	Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We conclude that the Framework appropriately describes the proposed utilisation of proceeds. The specific utilisation of proceeds of each issuance will need to be further assessed on an individual basis
1c	Environmental benefits	All designated Eligible Project categories should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer.	Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	The Framework outlines the expected environmental benefits, taking into consideration detailed scenario analysis. Specific quantifiable benefits of each issuance will be agreed on a case by case basis and subject to further assessment.

2.2 Process for Project Selection and Evaluation

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
2a	Investment-decision process	The issuer of a Transition Bond should outline the decision-making process it follows to determine the eligibility of projects using Transition Bond proceeds	Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We conclude that the Framework appropriately describes the process of project selection. The specific issuances will need to be further assessed on a case by case basis.
2b	Issuer's environmental and governance framework	In addition to information disclosed by an issuer on its Transition Bond process, criteria and assurances, investors may also take into consideration the quality of the issuer's overall framework and performance regarding environmental sustainability.	In addition to reviewing the evidence below, we had several detailed discussions with Snam. Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 We also reviewed proper environmental, social and governance documentation: <ul style="list-style-type: none"> • Documento di descrizione degli scenari 2019 • Snam Environmental Policy • Snam ISO 14001 Certificate • Snam Sustainability Report 2019 • Annual Report 2019 • Change today, for the climate tomorrow-Financial disclosure on climate change 2019 (TCFD) • CDP related reports • SNAM Sustainability and Net-Zero ambition and roadmap 	From the information provided, the Framework is in line with Snam's wider approach to managing environmental sustainability. We noted that, given the importance in defining GHG reduction targets in alignment with the Paris Agreement goals, in 2019 Snam held a round-table discussion with Science Based Target Initiative (SBTi), to discuss the potential creation of an appropriate sector classification. In absence of such sector classification Snam is currently running several internal scenario analyses and simulations on CO2 emissions reduction targets. Moreover, the Company is currently working on the development of a 2050 Net-Carbon Zero Strategy, supported by proper technical methodologies. After independently assessing the work undertaken by Snam, we conclude that Snam's strategy is in the trajectory to pursue Paris de-carbonisation goals.

2.3 Management of proceeds

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
3a	Tracking procedure	The net proceeds of a Bond should be credited to a sub-account, moved to a sub- portfolio or otherwise tracked by the issuer in an appropriate manner and attested to by a formal internal process that will be linked to the issuer's lending and investment operations for Eligible Projects.	In addition to reviewing the evidence below, we had several detailed discussions with Snam. Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We conclude that the Framework commits Snam tracking use of proceeds in an appropriate manner and attested to by a formal internal process.
3b	Tracking procedure	So long as the Bonds are outstanding, the balance of the tracked proceeds should be periodically reduced by amounts matching eligible investments or disbursements made during that period.	Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We conclude that there is a clear process in place for the tracking of the balance taking into account disbursements.
3c	Temporary holdings	Pending such investments or disbursements to Eligible Projects, the issuer should make known to investors the intended types of temporary investment instruments for the balance of unallocated proceeds.	Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We conclude that Snam has appropriately disclosed how it will manage any unallocated proceeds within its liquidity portfolio.

2.4 Reporting

Ref.	Criteria	Requirements	Work Undertaken	DNV GL Findings
4a	Periodical reporting	In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which Bond proceeds have been allocated including - when possible with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact.	In addition to reviewing the evidence below, we had several detailed discussions with Snam. Evidence reviewed: <ul style="list-style-type: none"> • Snam Transition Bond Framework 2020 	We confirm Snam has committed to annual transition bond reporting which will be made available through as a stand-alone report which will provide investors with information on the selected projects and, where possible, include quantification of the environmental benefits of the selected projects.

SCHEDULE 3: LIST OF INTERVIEWEES AND TOPICS DISCUSSED

Date	Organizational Role/Department	Topics
Tuesday, 26.05.2020	<ul style="list-style-type: none"> • EVP Corporate strategy & investor relation • Head of investor relation • Corporate Strategy Department • Finance Department 	<ul style="list-style-type: none"> • Snam's 2019-2023 Strategic Plan • SnamTEC Project (Tomorrow's Energy Company) • HYREADY Scenario (hydrogen potential)
Wednesday, 27.05.2020	<ul style="list-style-type: none"> • Head of Corporate Social Responsibility & Sustainability 	<ul style="list-style-type: none"> • Sustainability and Corporate Responsibility • Alignment with the Paris Agreement
Thursday, 28.05.2020	<ul style="list-style-type: none"> • Technical Department • HSE&Q Department • Sales Department 	<ul style="list-style-type: none"> • Eligible Projects and related direct and indirect environmental benefits <ul style="list-style-type: none"> ○ CH4 and CO2 emission reduction ○ GHG emission reduction generated by replacing compressors powered by fossil fuels with new electric compressors ○ focus on PIMOS leak detection device, business continuity issues and related indirect environmental benefits in terms of CH4 emission reduction ○ network usage scenario
Thursday, 28.05.2020	<ul style="list-style-type: none"> • Technical Department • Corporate Strategy Department • Engineering & Construction Department • Finance 	<ul style="list-style-type: none"> • HYREADY Network's engineering and environmental issues, related to natural gas networks transition to hydrogen transportation • Pipeline's technical specification and direct/indirect environmental effects

<p>Friday, 29.05.2020</p>	<ul style="list-style-type: none"> • Technical Hydrogen Department • Finance 	<ul style="list-style-type: none"> • HYREADY Scenario <ul style="list-style-type: none"> ○ the potential of hydrogen as a national energy transition vector, leveraging on SNAM role as a key decarbonization player ○ direct/indirect environmental benefits for the national green development transition
<p>Friday, 29.05.2020</p>	<ul style="list-style-type: none"> • SVP Finance, tax, insurance • Planning, Accounting and Controlling Department, BU Italy • Finance 	<ul style="list-style-type: none"> • Governance of the Transition Bond Framework • Process for project evaluation and selection • Eligible projects categories • Management and use of proceeds • Reporting