

Company overview

Snam S.p.A (“Snam”, “The Company”, or “The Group”) is Europe’s leading gas utility, ranking first in Europe by transport network size and natural gas storage capacity.¹ With approximately €12.7 billion in market capitalization, it is one of the largest Italian companies and is included in the FTSE MIB index of Borsa Italiana.

Snam: committed to sustainability

Integrating sustainability into Snam’s business strategy

Natural gas is key to achieving a successful long-term energy transition away from more carbon-intensive fossil fuels. When coupled with non-programmable renewable resources, such as wind and photovoltaics, it will help the progressive decarbonisation of the economic system in Italy and, more broadly, worldwide.

Snam has long promoted the use of natural gas as a flexible, safe and low environmental-impact fuel. The Group has long been committed to transforming Italy into a gas hub for Europe, in order to increase the security of supplies and diversify the country’s sources at a fair cost for society and end-users. The focus on natural gas and its sustainable applications is a key strategic consideration for Snam.

Snam's business will continue to evolve with a strategic attention on:

- continuous focus in improving efficiency in core traditional business
- enhance exposure to play a key role in supporting energy transition
- ensure solid performance of international activities.

To achieve these objectives, Snam’s 2018-2022 strategic plan details investments of circa €5.7 billion over the plan horizon. The investment strategy is mainly focused on the maintenance and development of Italian energy infrastructure and its interconnection with Europe’s network. It also includes investments in green gas (such as gas from renewable sources) as well as energy efficiency and emission reduction projects to reduce the Group’s greenhouse gas emissions. Specifically, Snam will develop several projects aimed at promoting the use of Compressed Natural Gas, biomethane and Liquid Natural Gas (“LNG”) in the transportation sector. The company also aims to foster new technologies, such as gas heat pumps and power-to-gas solutions, leveraging renewable power and the use of hydrogen in current assets.

Corporate responsibility in Snam’s operational practices

Across all of its activities, in Italy and abroad, Snam pursues a sustainable and socially responsible growth model, in order to create value for the company and for the communities in which it operates.

Sustainability is fundamentally integrated into Snam’s business strategy and its investment decision process, as well as being deeply ingrained in the Group’s daily practices. The focus on Sustainability drives the development of Snam’s business and ensures the growth of the Group in the long-term. This approach has had numerous advantages, including highlighting the opportunities in the green gas

¹ Transport network size of over 32,500 km in Italy and about 40,000km including international subsidiaries. Natural gas storage capacity of 16.7 billion cubic meters in Italy and about 20 billion in international subsidiaries.

business, and through continuous dialogue has elevated SNAM's profile and standing in local communities.

Stakeholder engagement (which includes materiality analysis and stakeholder mapping) is a highly structured and important process that helps identify and define Snam's sustainability targets. This process, coordinated by the Corporate Social Responsibility ("CSR") function, involves both corporate management and subsidiary companies.

In line with its commitment to corporate transparency, Snam reports on its sustainability progress annually in its Sustainability report, which has been published since 2006. The report is edited in compliance with the Global Reporting Initiative (GRI) guidelines and since 2017 with GRI reporting standards.

Underscoring its commitment to environmental, social and governance ("ESG") issues, Snam has been included in the Dow Jones Sustainability World Index for the tenth consecutive year by RobecoSAM, the most important global stock exchange index for Corporate Social Responsibility. Furthermore, for the second year running, the company has been included in the Climate change A-List, CDP²'s highest scoring level, which includes only 112 best-scoring and most environmentally friendly companies in the world. These results serve as a testament to Snam's global leadership in the decarbonisation movement.

Since 2009 Snam has been a Global Compact member, committing to follow its 10 principles whilst also actively collaborating with the Global Compact Network Italia Foundation.

Snam's activities impact all 17 of the United Nation's Sustainable Development Goals ("SDG"). Due to the nature of its business, however, Snam has chosen to target the following goals:

SDG 7 Affordable and Clean Energy - increasing the production of energy from renewable sources and improving the energy efficiency of SNAM's operations whilst avoiding or reducing the impact on the environment, landscape and cultural heritage. To this end, Snam has acquired TEP Energy Solutions, one of the first Italian companies in the energy efficiency industry, and IES Biogas, one of the leading Italian companies in the construction of bio-methane plants.

SDG 9 Industry, Innovation and Infrastructure - building more resilient and sustainable infrastructures. Recently, Snam has launched Snam Global Solutions, which offers analytical, consulting and project management services to the gas market abroad.

SDG 11 Sustainable Cities and Communities - Snam has established Snam4Mobility, a company dedicated to the development of a sustainable mobility system through the construction, management and maintenance of natural gas refuelling stations. In the next few years Snam will invest in the development of compressed natural gas stations in Italy with the goal of constructing 250 of these. The Company's commitment is also made clear through the development of its partnership with carmakers (such as FCA and IVECO) to expand the variety of natural gas vehicles on offer.

SDG 13 Climate Action - with the goal of driving the energy transition towards decarbonisation, Snam is committed to encouraging the use of natural gas to replace other carbon-intensive fossil fuels. Snam's goal is to reduce its methane emissions by 25% from the 2016 level by 2025 and to promote alternative uses for LNG, compressed natural gas and bio methane in land and sea transportation.

² Carbon Disclosure Projects

1. Use of Proceeds

The proceeds of the Climate Action Bonds will be used to finance or refinance, in whole or in part, existing and/or future Eligible Projects (as defined below).

For the purposes of this section, “Eligible Projects” mean Carbon & Emission Reduction, Renewable Energy, Energy Efficiency and Green Development Projects which meet a set of environmental criteria, which are approved by Snam’s Climate Action Bond Committee and, where applicable, a reputed Second Party Opinion provider.

1. **“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. For example:
 - 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 4,000 standard cubic meters for each plant;
 - b. revamping of the network connection nodes, resulting in the elimination of natural gas use;
 - c. replacement of turbo-chargers with latest-generation machines yielding an expected reduction in NOx emissions of at least 75%;
 - d. replacement of turbo-chargers powered by gas with electric machines resulting in the elimination of natural gas use and leading to an expected lower consumption of gas equal to about 4 million standard cubic meters and to expected savings in terms of NOx emissions of around 35 tons per year; and
 - e. replacement / renovation of valves, control and command devices, etc. with an expected reduction in natural gas emissions at completion of the interventions of at least 10%.
2. **“Renewable Energy Projects”** mean development of new biomethane plants and upgrading of existing biogas plants, in Italy and abroad.
3. **“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) 82% 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.
4. **“Green Development Projects”** mean the development and maintenance of conservation areas, natural capital preservation and the development and maintenance of green areas/buildings. For example:
 - a. redevelopment of areas outside the Minerbio plant, through the planting and the construction of cycle paths and playgrounds for public use;
 - b. construction of new buildings which are expected to receive at least LEED “Gold” or at least BREEAM “Excellent” certification; and

- c. renovation of buildings leading to an annual energy use reduction of at least 30% of per m² basis.

The proceeds of Climate Action Bonds will be used to refinance existing Eligible Projects with disbursements occurring in the 36 months preceding the issue date of the relevant bond and / or finance ongoing and future Eligible Projects.

2. Project Evaluation and Selection Process

Projects to which the proceeds of Climate Action Bonds are intended to be allocated are evaluated and selected based on compliance with the eligibility criteria set out above by Snam's Climate Action 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.

The projects are selected by the relevant functions of Snam (Technical Department, P&C Business Unit Asset Italia Department, M&A Department, Business Development Department and Bio-methane Department) amongst the investments included in the Business Plan. On an annual basis these investments are assessed and validated by the Climate Action Bond Committee, on the basis of Snam's "Climate Action Bond - Project evaluation and selection process" policy, a summary of which will be published on Snam's website.

The allocation of the proceeds of the Climate Action Bond will be overseen by the Finance Department.

3. Management of Proceeds

The proceeds from Climate Action Bonds will be managed by Snam's Finance department. Pending the allocation of Climate Action Bond proceeds, Snam will 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 Climate Action Bonds will be made from Snam's general funds and will not be directly linked to the performance of any of the Eligible Projects.

4. Reporting

Within one year of issuance of Climate Action Bonds, the Company will provide an update regarding the allocation of an amount equal to the net proceeds of the bonds to Eligible Projects, detailing, at a minimum:

- i. allocation of the net proceeds of Climate Action Bonds to Eligible Projects;
- ii. brief description of all Eligible Projects funded and key performance indicators (where feasible);
- iii. current funded amounts, and funding dates;
- iv. assertions by management that an amount equal to the net proceeds of that tranche or series of Climate Action Bonds are invested in qualifying Eligible Projects and that an amount equal to any unallocated net proceeds is used to reimburse outstanding credit facilities / pay down existing debt or kept in cash, overnight or other short-term financial instruments; and
- v. detailed case studies of a select number of projects.

The updates and assertions will be accompanied by a report from an independent accountant in respect of the independent accountant's assurance of management's assertion, conducted in accordance with International Standard on Assurance Engagements (ISAE) 3000.

If the net proceeds are not fully allocated within one year of issuance, the Company will continue to provide updates annually together with an annual attestation report from an independent accountant until the net proceeds are fully allocated.