Transition bond framework

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. With approximately €15 billion in market capitalization, it is one of the largest Italian companies and is included in the FTSE MIB index of Borsa Italiana.

The company’s technologically advanced network guarantees security of supply and promotes sustainable development in the areas in which it operates, while also contributing to promote the energy transition. Through its international subsidiaries, it operates in Albania (AGSCo), Austria (TAG, GCA), China (Snam Gas & Energy Services Beijing), France (Teréga), Greece (DESFA) and the United Kingdom (Interconnector UK). Snam is also one of the main shareholders of TAP (Trans Adriatic Pipeline), the final section of the Southern Energy Corridor[1].

The company has the most extensive transmission network among European peers (over 41,000 km including international activities) and greatest natural gas storage capacity (ca. 20 billion cubic meters, including international activities). It is also one of the main regasification operators in Europe, an activity it carries out through its Panigaglia terminal, its stakes in the Rovigo plant (Adriatic LNG) and in OLT offshore LNG plant in Italy as well as the Revithoussa plant (DESFA) in Greece.

As part of its new €6.5 billion plan to 2023, Snam will invest €1.4 bn in the Snamtec (Tomorrow’s Energy Company) project, which aims to reduce the environmental impact of its activities by promoting innovation and contribute to decarbonisation. Through this project, Snam aims to reduce methane emissions by 40% by 2025 and direct and indirect CO_2 equivalent emissions by the same amount by 2030. In addition, the Company has plans continue to invest in new energy transition businesses. These include sustainable mobility (compressed - CNG and bio-CNG - and liquefied natural gas distributors - LNG and bio-LNG, Small Scale LNG), infrastructure for biomethane from organic waste and agricultural and agro-industrial waste, and energy efficiency services tailored to residential apartment buildings, public buildings and industry. Promoting the use of renewable gases, Snam was also the first European company to test the introduction of hydrogen blended with natural gas in its network.

Snam’s business model is based on sustainable growth, transparency, the promotion of talent and diversity and the social development of regions through the initiatives of Fondazione Snam.

1 The Southern Gas Corridor (SGC) is a term used to describe planned infrastructure projects aimed at improving the security and diversity of the EU's energy supply by bringing natural gas from the Caspian region to Europe

Transition bond framework

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Snam: committed to sustainability

INTEGRATING SUSTAINABILITY INTO SNAM'S BUSINESS STRATEGY

Natural gas is the first option available to substitute more carbon-intensive fossil fuels, reduce emissions and support achieving a successful long-term energy transition. When coupled with non-programmable renewable electricity resources, such as wind power and photovoltaics, it helps the progressive decarbonisation of the economic system in Italy and, more broadly, worldwide. Finally, the penetration of renewable gases (biomethane and hydrogen) as part of the energy mix, will allow a full decarbonisation of the economy, in particular in the sector "hard-to-abate".

This is why Snam promotes the use of its energy network to serve today the need of natural gas as transition fuel and of renewable gases going forward: Snam main focus is to sustain a fair and affordable energy transition for society and end-users.

In this context, Snam's business will continue to leverage opportunities in three core strategic directions:

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

To achieve these objectives, Snam's 2019-2023 strategic plan details investments of circa €6.5 billion over the plan horizon. As part of the investment plan, the initiatives of the SnamTec project (Tomorrow's Energy Company) have risen by 65% to over € 1.4 billion (of which € 1 billion is RAB - Regulated Asset Based) compared to the previous plan. The goal of this project is to accelerate the innovative capacity of Snam and its assets to seize the opportunities offered by the evolution of the energy system increasing sustainability and innovation in the core business and supporting the development of new green businesses. For the period, investments for the energy transition have doubled to at least € 400 million, compared to € 200 million in the previous plan. These include sustainable mobility using CNG (compressed natural gas) and LNG (liquefied natural gas), energy efficiency improvements and biomethane.

Snam's sustainability activities and projects are aimed at reducing greenhouse gas emissions, in line with European and domestic decarbonisation goals and starting in 2019, the Company has also begun to explore the opportunity rising from the evolution of green gases (biomethane, hydrogen and power to gas) and energy efficiency improvements of both its own assets and third parties through TEP energy solutions.

Snam believes it can play a key role in the decarbonisation and to facilitate a sustainable path to meet the Paris Agreement. In that respect, the Company is currently working on the development of a 2050 net-carbon zero strategy, which will be announced in the context of the next strategic plan in November 2020.

SNAM SCENARIOS

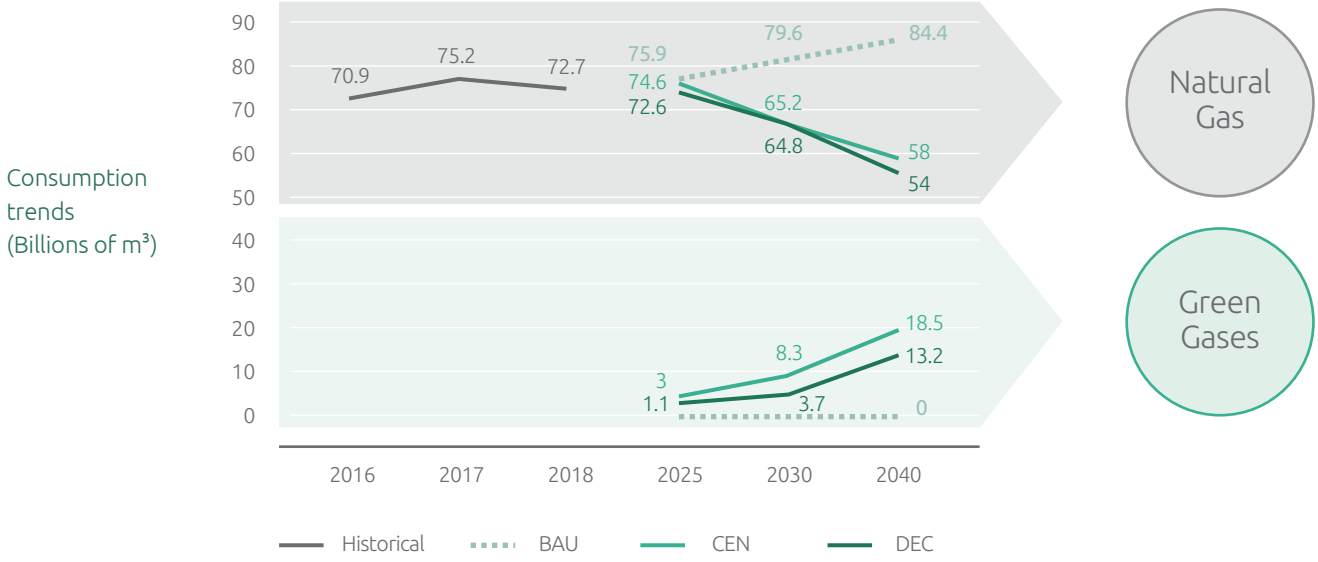
As part of its activities as system operator, Snam develops energy scenarios for Italy. For the first time, in 2019 Snam developed together with Terna, the operator that manages the electricity transmission networks in Italy, joint scenarios that describe possible development of the Italian energy system (prerequisite for the preparation of the electricity transmission and gas transport network development plans, in conformity with resolutions 654/2017/R/EEL and 689/2017/R/GAS).

These scenarios present a vision of possible developments of the Italian energy system in the medium-long-term (2030, 2040) that takes into consideration the energy and environmental policy guidelines nationally and at EU level. Specifically, these scenarios are consistent with the national renewable energy, emissions reduction and energy efficiency targets to 2030 in the Integrated National Plan for Energy and Climate (PNIEC)[2].

The national PNIECs are part of the EU decarbonisation effort that is coherent with the ratification of the Paris Agreement of October 2016. Europe defined and expressed its commitment within the framework of the Clean energy for all Europeans Package by 2030 and the EU 2050 Climate Long-term Strategy, which aims not only to reduce CO_2 emissions (-40% by 2030 and -100% by 2050), but also to increase the share of energy produced from renewable sources (+32% by 2030) and improve energy efficiency (+32.5% by 2030).

2 For more information please refer to: https://www.mise.gov.it/images/stories/documenti/it_final_necp_main_en.pdf

Future natural gas and green gas (biomethane, hydrogen and synthetic methane)



Source: Snam-Terna, "Document Describing 2019 Scenarios"

The "Snam-Terna joint energy scenarios" provide some clear indications on the future outlook of the energy system and some key highlights for the gas infrastructure:

i. the role of gas remains crucial in every scenario, in order to enable energy transition, also by means of the gradual substitutions of natural gas with renewable and low carbon gases (biomethane, green syngas and hydrogen)
ii. particularly, these gases fulfil the key-role in assuring adequacy and programmability of electricity generation. Sector coupling is therefore crucial to provide enabling instruments for energy system decarbonisation
iii. Power-to-Gas to be the key technology to enable decarbonisation of the most problematic energy intensive sectors and representing a seasonal storage resource for renewable energy
iv. every scenario foresees the utilization of carbon capture and storage techniques (CC(U)S) to achieve decarbonisation targets higher than 60%
v. increase of volatility of gas daily demand, linked mainly to the increased variability of thermoelectric consumption

However, since the publication of the scenarios, market has evolved rapidly. As already highlighted in the "Hydrogen challenge – the potential for hydrogen in Italy", a study presented during the "Hydrogen Challenge" event held on the 10th of October 2019 in Rome[3], hydrogen is expected to play an even bigger (and earlier than expected) role in the future for the national energy system decarbonization:

i. hydrogen could provide almost one quarter of all energy in Italy by 2050, biggest potential is in transport, residential and industrial applications
ii. Italy is particularly well-suited for hydrogen thanks to its excellent natural resources to generate renewable power, and its existing gas infrastructure network – including the connections to North Africa, with low-cost hydrogen to break-even before 2030 – earlier than other European markets

The perspective on hydrogen outlook has changed significantly in the last months at european level. The European Commission is expected to publish in the coming weeks a strategy for Europe to define enhanced objectives and regulatory framework for hydrogen and support its value chain development, while several European countries (e.g. Portugal, Germany, Netherlands) already released their national plans to structure the hydrogen deployment. In such context, Snam is actively contributing in the national and European debate and decision-making process, with its expertise as energy infrastructure owner and system operator.

3 https://www.snam.it/en/hydrogen_challenge/potential_hydrogen_italy/

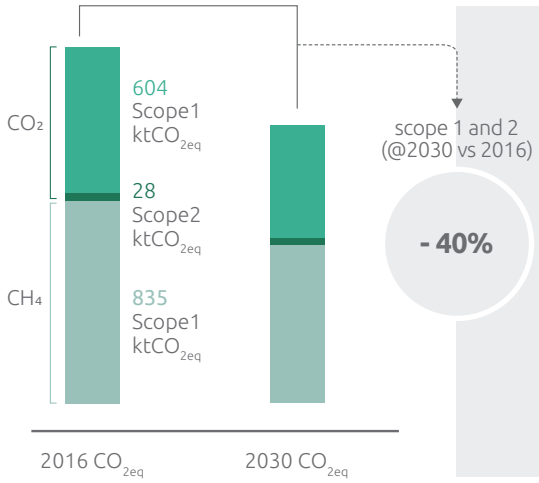
THE NEW TARGETS

Overall, Snam has set itself the target of reducing Scope 1 (direct) and Scope 2 (indirect) CO_2 equivalent emissions by 40% by 2030 (with a base of 2016), equal to around 1.5 million tonnes of CO_2 equivalent, to fight climate change in line with global objectives. Specifically, Snam is committed to reducing its CH_4 emissions by 40% by 2025 (with a base of 2016) compared with the 25% target in the previous plan. This target will be achieved through:

- the application of a campaign for identifying and repairing methane leaks ("Leak Detection and Repair")
- the maximum replacement of network and power plant components
- the adoption of the best technologies available.

In addition, Snam is committed to a 40% reduction in direct CO_2 emissions by 2030 thanks to, amongst other things, the launch of the conversion of six gas-electric hybrid power plants which will also contribute to the flexibility of the electric system and to energy efficiency initiatives on our buildings. To achieve the overall target of 40%, Snam also plans a 40% reduction by 2030 of its indirect emissions of CO_2 by increasing its electricity consumption from renewable energy sources.

Snam's objectives in the 2019-2023 Strategic Plan



Source: Snam, 2019-2023 Strategic Plan

- **Direct CO_2 emissions -40% @2030**
  - Electrification of 6 compressor units
    - Direct emissions reduction
    - More efficent compression
  - Energy efficiency on our assets
    - Renovation of H&C and lighting systems
    - Heaters replacement
- **Indirect CO_2 emissions: -40% @2030**
  - 55% of green electricity out of total consumption
- **CH_4 target updated: -40% @2025**
  - Leak Detection and Repair (LDAR) applied to network, compressing and storage stations
    - >85,000 emission measurements over 50 sites
    - Real-time remote leak detection alarms to dispatching centre
    - In-field measurement to update emission factors
  - Replacement of ca. 3,000 pneumatic actuators and instrumentation

The newly labelled Transition Bond framework, similarly to the 2018 Climate Action Bond framework, represents a concrete milestone to reach the above target. The objectives indicated within the framework are coherent with and underpin Snam's corporate sustainability strategy.

CORPORATE RESPONSIBILITY IN SNAM'S OPERATIONAL PRACTICES

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

Snam has increasingly focused on integrating ESG factors throughout its business lines and the entire company. Whilst Environmental factors are clearly crucial to the industry, social factors such as the diversity and worklife balance of employees, the wellbeing of the communities in which Snam operates, safety and the integrity of its suppliers are areas that Snam focuses on. Good governance, transparency and inclusion are likewise key areas. To this end Snam was the first Italian listed company to set up a ESG committee within its governance system to further forward these issues.

Snam's commitment to doing business according to a sustainable development model, to respect and protect human rights and labour and the environment, was renewed in 2009 with its membership of Global Compact, the largest voluntary initiative in the world on sustainability issues, launched in July 2000 by the United Nations. The Global Compact principles are universally shared and accepted, as they are based on the Universal declaration of Human Rights, the Declaration on Fundamental Principles and Rights at Work, the Rio Declaration, and the United Nations Convention against Corruption. In that respect, Snam also joined The UN Global Compact taskforce of CFOs for 24 months to provide a platform to interact with their peers, investors, financial institutions, and the United Nations to share ideas, develop new concepts and frameworks, and provide recommendations to unlock private capital and create a market to mainstream SDG investments.

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 business, and through continuous dialogue has elevated Snam's profile and standing in local communities. 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 in compliance with the Global Reporting Initiative (GRI) guidelines and since 2017 with Comprehensive option of the GRI reporting standards. Of note, an independent auditor provides a "limited" assurance on the information reported according to the International Standard on Assurance Engagements 3000 (ISAE 3000). Snam also publishes the Non-Financial Statement (NFS) according to the Dgls. 254/2016 in a specific chapter of the Directors' report in its the Annual Report; the NFS is assured by the same independent auditor and according to the same criteria and type of assurance of the Sustainability Report.

Underscoring its commitment to environmental, social and governance ("ESG") issues, Snam has been included in the Dow Jones Sustainability World Index for the eleventh consecutive year by RobecoSAM, the most important global stock exchange index for Corporate Social Responsibility. This year's results, 81 points, put the company in second place, after the best performer (85 points): Snam increased its scores in every segment. These results serve as a testament to Snam's global leadership in the decarbonisation movement.

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, including biomethane, 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 IES Biogas, one of Italy's leading companies in the development of biogas and biomethane plants, and TEP Energy Solutions, one of the leading Italian ESCOs (Energy Service Companies) in energy efficiency targeted to residential, industrial and real estate sectors. In the biomethane sector, through the new subsidiary Snam4Environment, Snam has also acquired the majority stake of Renerwaste and signed a binding LOI aimed at negotiating and defining the agreements to launch a strategic partnership in agriculture biomethane infrastructure through a 50% entry into Iniziative Biometano.

SDG 9 Industry, Innovation and Infrastructure - building more resilient and sustainable infrastructure. In the new strategic plan, Snam has envisaged investments to develop two small liquefaction plants (SSLNG), one in the North and one in South of Italy, and to upgrade the Panigaglia terminal in order to allow the loading of tankers and foster the use of LNG for heavy transport, industry and residential buildings. In 2019 Snam signed a Memorandum of Understanding with the FS Foundation and HITACHI for research into and the operational implementation of the first LNG train in Italy. In 2020, Snam also signed an agreement with Alstom to develop hydrogen trains in Italy, so achieving a further step towards the company's contribution to the decarbonisation of transport.

SDG 11 Sustainable Cities and Communities - Snam has established Snam4Mobility, a company dedicated to the promotion of sustainable mobility using natural gas (CNG and LNG) and renewable gas (bio-CNG and bio-LNG). By 2023, Snam will develop 150 new refuelling stations throughout Italy. Around 100 new CNG/L-CNG stations were recently contractualized. Furthermore In 2019, Snam also introduced 360 (out of a total of 520) methane powered cars to its company fleet, to replace diesel ones.

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 (scope 1 & 2) by 40% from the 2016 level by 2030 and to promote alternative uses for LNG, CNG and biomethane in land and sea transports. Furthermore, Snam is supporting the evolution of green gases with €250 million investments in biomethane and is experimenting with hydrogen blending and working on detailed assessment around asset readiness for H2 on its energy infrastructure and studies on power to gas. Snam has created a new business unit dedicated to hydrogen, with the task of evaluating possible pilot projects and contributing to the development of the H2 value chain. At the same time, studies will continue on the adaptation of compression and storage infrastructure, on the role of hydrogen in the future energy system, also with a view on sector coupling, and on possible experiments in power-to-gas. According to a study commissioned by Snam, hydrogen could cover almost a quarter (23%) of the Italian energy demand by 2050 in a scenario of profound decarbonisation.

SDG 15 Life on Land - Preserving diverse forms of life on land to protect, restore and promote the conservation and sustainable use of terrestrial and other ecosystems.

Snam is committed to improving increased biodiversity, better air quality and CO_2 absorption through two tree planting projects. The first led by the Municipality of Milan-ForestaMI aims to plant 3 million trees in the Milan metropolitan area by 2030 and through Snam and its foundation are main technical partners and sponsors of the project. The second project to be launched in 2020 is the creation of a new national player that will promote tree planting nationally for both businesses and individuals.

Snam considers safeguarding nature in the areas in which it operates to be of particular importance. For this reason, in the course of its operations, Snam utilises the most suitable design choices to keep impacts on biodiversity to a minimum and once these have been completed, it deploys environmental restoration works and monitoring projects in accordance and in conjunction with the relevant bodies responsible. The goal of replanting vegetation, particularly reforestation, is to restore the forested areas and recover the biological function of planted areas, especially in their role as animal habitats with specific biodiversity features. The replanting and reforestation is followed by "plant care", in other words the care and maintenance, for a period of at least five years, of the vegetation planted. Examples of works where monitoring analyses and the restoration works have been considered advanced best practices are located in the Nebrodi regional park, Majella national park, Prealpi Giulie regional park, Ticino park and in the Casentinesi Forests national park. Snam's expertise in the field of restoration and protection of biodiversity is therefore a well-recognized best practice. In 2019, Snam's restoration and environmental monitoring activities consisted of 63 km of network of restoration, 8 km of new reforestation, 73 km for plant care and 743 km of network environmental monitoring.

A CLEAR VISION FOR THE SUPPLY CHAIN

Snam founded its development model on sustainable growth and the dissemination of respecting environmental, social and economic aspects, turning them into an integral part of its strategic decision-making process. Given the plurality of the activities carried out, careful management of the supply chain is an essential element of this model. Identifying and recognising new suppliers along the entire supply chain in line with this vision and encouraging historical suppliers to commit to actions that go beyond complying with efficiency and quality requirements lead to advantages for the environment and society.

In 2019 Snam joined the CDP supply chain programme for the first time, the CDP programme aimed at the involvement of its supply chain in the climate change questionnaire. Snam got a score of A-, demonstrating the commitment of its suppliers in engagement activities involving issues related to the reduction of emissions and the development of sustainable strategies.

RESPONSE TO COVID -19

In the first months of 2020 In Italy, as in other countries of the world, a severe health crisis started due to the pandemic spread of the coronavirus. Since the first news in Italy, Snam established a cross-functional team for the management of the difficult time and implemented, with the extraordinary contribution of all its people, necessary actions to ensure service continuation and the country's energy security. Employees have been able to efficiently work from home remotely due to the Smartworking technologies. In addition to supporting its employees, Snam has committed € 20 million through the company and the Snam Foundation for initiatives in aid of the Italian health system and socially vulnerable categories of people such as the elderly and school children from disadvantaged backgrounds. Beyond the financial donation Snam and Snam Foundation also donated materials in kind such as cars for the transport of food items and medicines, learning licenses and computers. Snam employees were involved in the effort as they were offered the opportunity to have their voluntary donations matched by the company in support of organizations involved in the emergency response and recovery phase.

SNAM: NEW LABELLING OF THE FRAMEWORK FROM CLIMATE ACTION TO TRANSITION

Following the 2019-2023 Strategic Plan Presentation in November 2019, and in coherence with the growing recognition of the key role of green gases to achieve long term decarbonization targets and the role that existing infrastructure can have in order to facilitate such transition, Snam is expanding the scope of its Climate Action Bond Framework published in November 2018.

Moreover, the Company has changed the title of the framework from "Climate Action" to "Transition", in consistence with market evolutions and in order to capture, with the new terminology, the following changes:

i. the increased commitment of the Company to the energy transition with new initiatives and ambitious environmental objectives, as demonstrated by the updated target of a CH_4 reduction of 40% by 2025 (based on 2016) compared to the previous plan's 25%, and setting of a new target to reduce direct and indirect CO_2 equivalent emissions by 40% to 2030 (based on 2016)
ii. the enlargement of the current perimeter of eligible categories already identified in the Climate Action Bond Framework to include the new eligible category "Retrofit of gas transmission network", defined as any gas transmission network activities which enable the network to increase the blend of hydrogen and other low-carbon gases.

As for the latter, this new category has been designed to be aligned with the mitigation criteria of the most recent draft of the EU Taxonomy[4], Retrofit of Gas Transmission and Distribution Networks.

In that respect, Snam is strongly committed to energy transition in Europe and joined the Hydrogen Initiative, a statement signed by businesses and governments to support hydrogen and its wide potential as a sustainable technology for the decarbonisation and long-term energy security of the European Union. Snam is also part of HYREADY network, which includes important European players committed to cooperate to make the existing transportation networks compatible with the injection of increasing percentages of hydrogen.

The Company believes that the issuance of Transition Bond Instruments, together with the Climate Action Bond executed in February 2019, contribute to fostering the transition to a low-carbon economy, thus giving financial support to the projects (existing or new ones) enabling this transition.

The Transition Bond Framework has been reviewed by DNV GL. Snam intends to follow best market practise and will communicate in a transparent manner on:

I. Use of Proceeds
II. Process for Project Evaluation and Selection
III. Management of Proceeds
IV. Reporting

1. Use of Proceeds

The proceeds of the Transition 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, Green Construction Projects, 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.

4 TEG recommendations on the EU Taxonomy published in March 2020

Eligible category	Description	SDGs
Carbon & Emission Reduction Projects	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%[5]; d. electrification of compressor units[6]: 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 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_4 leakage and can significantly reduce the time for intervention. 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	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[7].	
Energy Efficiency Projects	Energy efficiency projects for Snam's corporate facilities or supply chain. Examples of investments include, *inter alia*: 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	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 m^2 basis.	
Retrofit of gas transmission network	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 *certified hydrogen-ready*[8] 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 avoidance of doubt, gas network expansion is excluded.	

5 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 environmental impact in terms of flexibility of the system.

6 The electrification of compressors units, among other things as reported on page 3, strongly contributes to reach the target of -40% of direct CO_2 emissions by 2030.

7 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 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.

8 For *certified 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.

The proceeds of Transition Bonds will be used to refinance existing Eligible Projects with disbursements occurring in the 36 months preceding each single bond issuance falling within the perimeter of the Framework and / or finance ongoing and future Eligible Projects.

2. Project Evaluation and Selection Process

Projects to which the proceeds of Transition Bonds are intended to be allocated are evaluated and selected based on compliance with the eligibility criteria set out above by Snam's Transition Bond Committee (formerly known as the 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, Energy Efficiency and Bio-methane Department) from the pool of investments included in the Business Plan. On an annual basis these investments are assessed and validated by the Transition Bond Committee, on the basis of Snam's "Transition 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 Transition Bond will be overseen by the Finance Department.

3. Management of Proceeds

The proceeds from Transition Bonds will be managed by Snam's Finance department. Pending the allocation of Transition 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 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.

4. Reporting

Within one year of issuance of Transition 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 Transition 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 Transition 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 on 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.

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