

SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Sustainable Finance Framework

SNAM SpA

09 February 2024

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green and Sustainability-linked Debt Instruments¹
Relevant standards	<ul style="list-style-type: none">Green Bond Principles (GBP) as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)Green Loan Principles (GLP) as administered by the Loan Market Association (LMA) (as of February 2023)Sustainability-Linked Bond Principles, as administered by the ICMA (as of June 2023)Sustainability-Linked Loan Principles, as administered by the LMA (as of February 2023)EU Taxonomy Climate Delegated Act (as of June 2023)ICMA Climate Transition Finance Handbook (CTFH) (as of June 2023)
Scope verification	<ul style="list-style-type: none">Snam Sustainable Finance Framework (as of February 9, 2024) and Snam Eligibility Criteria (as of February 9, 2024)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged

¹ These can be in the form of bonds, loans, project financings and/or any other financing instruments in various formats and currencies.

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SCOPE OF WORK

Snam SpA (“the Issuer”, “the Company”, or “Snam”) commissioned ISS Corporate Solutions (ISS-Corporate) to assist with its Green and Sustainability-Linked debt instruments by assessing six core elements to determine the sustainability quality of the instruments:

1. SNAM’s Sustainable Finance Framework (as of February 9, 2024) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles 2021 (with June 2022 Appendix) (GBP), the Green Loan Principles 2023 (GLP), Sustainability-Linked Bond Principles (SLBP), as administered by the International Capital Market Association (ICMA), the Sustainability-Linked Loan Principles (SLLP), as administered by the Loan Market Association (LMA), and the Climate Transition Finance Handbook 2023 (CTFH).
2. The Eligibility Criteria – whether the project categories contribute positively to the United Nations Sustainable Development Goals (UN SDGs).
3. The alignment of the project categories with the EU Taxonomy on a best-efforts basis² – whether the nominated project categories are aligned with the EU Taxonomy Technical Screening Criteria (including Substantial Contribution to Climate Change Mitigation Criteria and Do No Significant Harm Criteria) and Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act (June 2023)³.
4. Implementation of the ICMA Climate Transition Finance Handbook’s (CTFH) recommendations based on the publicly available information.
5. The sustainability credibility of the Key Performance Indicators (KPI) selected, and Sustainability Performance Targets (SPT) calibrated – whether the KPIs selected are core, relevant and material to the Issuer’s business model and industry, and whether the associated targets are ambitious.
6. Consistency of the Green and Sustainability-Linked debt instruments issuance with Snam’s Sustainability Strategy – drawing on the key sustainability objectives and priorities defined by the Issuer.

² Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a “best efforts basis”.

³ Commission Delegated Regulation (EU) 2021/2139 of June 2021, URL: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32023R2486> and <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32021R2139>

SNAM OVERVIEW

SNAM SpA is a Gas Transport System Operator (TSO), which engages in the gas infrastructure and energy transition business. It operates through the following business segments: Natural Gas Transportation, Natural Gas Storage, LNG Regasification, and Energy Transition. The Energy Transition segment includes energy efficiency and biogas and biomethane activities, and decarbonization projects. The Company was founded on October 30, 1941, and is headquartered in San Donato Milanese, Italy.

ESG risks associated with the Issuer Industry

Snam is classified in the Gas and Electricity Network Operators industry, as per ISS ESG's sector classification. Key sustainability issues faced by companies in this industry are: Promotion of a sustainable energy system, Environmentally safe operation of plants and infrastructure, Accessibility and reliability of energy supply, Worker safety and accident prevention, Protection of human rights and community outreach.

This report focuses on the sustainability credentials of the issuance. Part VI. of this report assesses the consistency between the issuance and the Issuer's overall sustainability strategy.

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ⁴
<p>Part I.A:</p> <p>Alignment with GBP, GLP</p>	<p>The Issuer has defined a formal concept for its green debt instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the Green Bond Principles, and Green Loan Principles.</p>	Aligned
<p>Part I.B:</p> <p>Alignment with the SLBP and SLLP</p>	<p>The framework is aligned with the Sustainability-Linked Bond Principles (SLBP) administered by the ICMA and the Sustainability-Linked Loan Principles (SLLP) administered by the LMA.</p>	Aligned
<p>Part II:</p> <p>Sustainability quality of the Eligibility Criteria</p>	<p>The financing instruments will (re)finance eligible asset categories which include:</p> <p>Green Infrastructure, Green Gases, Green Buildings, Energy Efficiency.</p> <p>Product and/or service-related use of proceeds categories⁵ individually contribute to one or more of the following SDGs:</p> 	Positive
<p>Part III:</p> <p>Alignment with EU Taxonomy</p>	<p>The Snam’s project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2023), on a best-efforts basis⁶. The nominated project categories are considered to be:</p> <ul style="list-style-type: none"> ▪ Aligned with the Climate Change Mitigation Criteria ▪ Aligned with the Do No Significant Harm Criteria, 	

⁴ The evaluation is based on the Snam’s Sustainable Finance Framework (February 6, 2024 version), on the analysed Selection Criteria as received on February 6, 2024.

⁵ Green Infrastructure, Green Gases, Green Buildings, and Energy Efficiency

⁶ Whilst the Final Delegated Act for Mitigation and Adaptation was published in June 2023, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage, the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

	<ul style="list-style-type: none"> Aligned with the Minimum Safeguards requirements
Part IV: Implementation with the ICMA Climate Transition Finance Handbook	<p>Implementation of the recommendations of the ICMA Climate Transition Finance Handbook (2023).</p> <p>The Issuer has defined a formal Climate Transition Strategy relevant to the environmentally material parts of its business model. There is good disclosure on the various elements of the strategy, including well defined emissions targets, the use of offsets after reducing as much as possible the GHG emissions, and how it is linked to the financing program, with examples of planned investments. An independent verification of the targets, and how those targets align with the trajectory is provided by a third party.</p>

Part V: KPI Selection	KPI 1. Reduction of total methane emissions	KPI 2. Scopes 1 and 2 GHG emissions	KPI 3. Scope 3 GHG emissions	KPI 4. Percentage of women in executive and middle-management roles
Relevant	Relevant	Relevant	Relevant	Relevant
Core	Core	Core	Core	Core
Material	Partially Material if issued alone, but Material if issued with KPI 2 and 3	Moderately Material if issued alone, but Material if issued with KPI 3	Moderately Material if issued alone, but Material if issued with KPI 2	Material
Assessment	Best Practice	Best Practice	Best Practice	Aligned⁷

SPT Calibration	SPT 1.a Reduce by 64.5% methane emissions by 2027	SPT 2.a Reduce by 25% Scopes 1 and 2 GHG emissions by 2027	SPT 3.a Reduce by 30% Scope 3 GHG emissions by 2030 SPT 3.b Reduce by 35% Scope 3	SPT 4.a 27.5% of women executives and at middle-management roles by 2027
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⁷ The evaluation of KPI4 is 'Aligned'. This relates to the limitations of benchmarkability that are not attributable to the Issuer.

	<p>SPT 1.b Reduce by 70% methane emissions by 2030</p> <p>SPT 1.c Reduce by 72% methane emissions by 2032</p>	<p>SPT 2.b Reduce by 40% Scopes 1 and 2 GHG emissions by 2030</p> <p>SPT 2.c Reduce by 50% Scopes 1&2 GHG emissions by 2032</p>	<p>GHG emissions by 2032</p>	<p>SPT 4.b 29% of women executives at middle-management roles by 2030</p>
Against Issuer's past performance	<p>SPT 1.a Ambitious</p> <p>SPT 1.b Qualitatively ambitious</p> <p>SPT 1.c Qualitatively ambitious</p>	<p>SPT 2.a Ambitious</p> <p>SPT 2.b Ambitious</p> <p>SPT 2.c Ambitious</p>	<p>SPT 3.b Ambitious</p> <p>SPT 3.b Ambitious</p>	<p>SPT 4.a Qualitatively ambitious based on limited evidence</p> <p>SPT 4.b Qualitatively ambitious based on limited evidence</p>
Against Issuer's industry peer group	Ambitious	Ambitious	Ambitious	In line
Against international targets	Ambitious against international targets	Calibrated to be in line with Paris Agreement ⁸	Calibrated to be in line with Paris Agreement ⁹	Likely to contribute to SDG 5.5
SPT Calibration	<p>SPT 1.a Reduce by 64.5% methane emissions by 2027</p> <p>SPT 1.b Reduce by 70% methane</p>	<p>SPT 2.a Reduce by 25% Scopes 1 and 2 GHG emissions by 2027</p> <p>SPT 2.b Reduce by 40% Scopes</p>	<p>SPT 3.a Reduce by 30% Scope 3 GHG emissions by 2030</p> <p>SPT 3.b Reduce by 35% Scope 3 GHG emissions by 2032</p>	<p>SPT 4.a 27.5% of women executives and at middle-management roles by 2027</p> <p>SPT 4.b 29% of women executives at</p>

⁸ These IPCC scenarios are likely (i.e., have a probability of 50% or more) limit warming to 1.5°C with or without overshoot.

⁹ Ibid.

	emissions by 2030	1&2 GHG emissions by 2030		middle-management roles by 2030
	SPT 1.c Reduce by 72% methane emissions by 2032	SPT 2.c Reduce by 50% Scopes 1&2 GHG emissions by 2032		
Level of ambition	Robust¹⁰	Good¹¹	Good¹²	Good¹³
Part VI: Consistency of the Green and Sustainability-Linked debt instruments with Snam's Sustainability Strategy	<p>Consistent with the Issuer's sustainability strategy</p> <p>The key sustainability objectives and the rationale for issuing Green and Sustainability-Linked debt instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>The KPIs selected by the Issuer are related to natural gas emissions, GHG emissions and gender diversity. Climate neutrality has been defined as one of the key priorities of the Issuer in terms of sustainability strategy and has been assessed as a material sustainability topic for the Issuer. This transaction contributes to the Issuer's sustainability strategy thanks to the KPI's clear link to one of the key sustainability priorities of the Issuer and due to an ambitious SPT against company's past performance and peer group.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, the Issuer no severe controversies have been identified.</p>			

¹⁰ Three of the three SPT's benchmarking approach has been assessed positively.

¹¹ Two of the three SPT's benchmarking approaches have been assessed positively.

¹² Two of the three SPT's benchmarking approaches have been assessed positively.

¹³ Three of the three SPT's benchmarking approaches have been assessed positively.

SPO ASSESSMENT

PART I.A: ALIGNMENT WITH ICMA'S GREEN BOND PRINCIPLES AND LMA'S GREEN LOAN PRINCIPLES

This section evaluates the alignment of the SNAM's Sustainable Finance Framework (as of February 6, 2024) with the ICMA's GBP and LMA'S GLP.

ICMA'S GBP AND LMA'S GLP	ALIGNMENT	OPINION
<p>1. Use of Proceeds</p>	<p>✓</p>	<p>The Use of Proceeds description provided by SNAM's Sustainable Finance Framework is aligned with the ICMA's GBP and LMA's GLP.</p> <p>The Issuer's green categories align with the project categories as proposed by the ICMA's GBP and GLP. Criteria are defined in a clear and transparent manner. Disclosure of an allocation period and commitment to report by project category has been provided and environmental benefits are described. The Issuer defines exclusion criteria for harmful projects categories.</p>
<p>2. Process for Project Evaluation and Selection</p>	<p>✓</p>	<p>The Process for Project Evaluation and Selection description provided by SNAM's Sustainable Finance Framework is aligned with the ICMA GBP and LMA's GLP.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer involves various stakeholders in the process for project evaluation and selection, in line with best market practices. In addition, the Issuer identify alignment of its green bond framework and its green projects with official market-wide taxonomies, the EU Taxonomy.</p>

<p>3. Management of Proceeds</p>	<p>✓</p>	<p>The Management of Proceeds provided by SNAM’s Sustainable Finance Framework is aligned with the ICMA GBP and LMA’s GLP.</p> <p>The net proceeds collected will be equal to the amount allocated to eligible projects, with no exceptions. The net proceeds are tracked in an appropriate manner and attested in a formal internal process. The net proceeds are managed on an aggregated basis for multiple Green Bonds (portfolio approach). Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting provided by SNAM’s Sustainable Finance Framework is aligned with the ICMA GBP and LMA’s GLP.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. The Issuer discloses the location and the link of the report, in line with best market practices.¹⁴ SNAM explains that the level of expected reporting will be at project category level (where feasible) and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p> <p>The Issuer will also publish an impact report and is transparent on the level of impact reporting and information reported, in line with best market practices. Finally, the Issuer commits to get the allocation report audited by an external party, in line with best market practices.</p>

¹⁴ Available at the following link: https://www.snam.it/en/Investor_Relations/debt_credit_rating/sustainable_finance.html.

PART I.B: ALIGNMENT WITH ICMA’S SUSTAINABILITY-LINKED BOND PRINCIPLES AND LMA’S SUSTAINABILITY-LINKED LOAN PRINCIPLES

This section describes our assessment of the alignment of the Snam’s Sustainable Finance Framework (as of February 9, 2024) with the ICMA Sustainability-Linked Bond Principles (SLBP) and the LMA Sustainability-Linked Loan Principles (SLLP).

SLB/SLL PRINCIPLES	ASSESSMENT	OPINION
1. Selection of KPIs		A detailed analysis of the sustainability credibility of the KPI selection is available in Part 2 of this report.
2. Calibration of SPTs		A detailed analysis of the sustainability credibility of the SPT calibration is available in Part 2 of this report.
3. Bond and Loan Characteristics	✓	The description of the Sustainability-Linked Bond Characteristics provided by the Issuer is aligned with the SLBP and SLLP. The Issuer gives a detailed description of the potential variation of the financial characteristics of the securities (increase/decrease of the coupon, trigger event).
4. Reporting	✓	The Reporting description provided by the Issuer is aligned with the SLBP and SLLP. This will be made available annually to investors and include valuable information, such as up-to-date information on the performance of the selected KPI(s), including baselines where relevant; any relevant information enabling investors to monitor the progress of each selected KPI towards the SPTs and the level of ambition of the SPTs; a verification assurance report pertaining to the KPI, outlining the performance against the SPT(s); qualitative or quantitative explanation of the contribution of the main factors, including M&A activity, behind the evolution of each selected KPI; any re-assessments of KPI(s) and/or any restatements of SPTs; updates on new or proposed regulations from regulatory bodies relevant to the KPI(s) and the SPT(s). The reporting will be publicly available on Borrower’s website.
5. External verification	✓	The Verification description provided by the Issuer is aligned with the SLBP and SLLP. This report constitutes the SPO. The performance of the SPTs against the KPIs will be externally verified with a Non-Financial reporting annually and at “Limited Assurance” standard until the target is reached.

PART II: SUSTAINABILITY QUALITY OF THE ELIGIBILITY CRITERIA

CONTRIBUTION OF THE GREEN DEBT INSTRUMENTS TO THE UN SDGs¹⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain. The aim of this section is to assess the SDG impact of the UoP categories financed by the Issuer in two different ways, depending on whether the proceeds are used to (re)finance:

- specific products/services,
- improvements of operational performance.

1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on a 3-point scale (see Annex 1 for methodology):



Each of the green debt instruments' Use of Proceeds categories has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Green Infrastructure – Network for Renewables and low carbon gases</p> <p><i>Construction and operation of transmission and distribution pipelines dedicated to the transport of renewable and low-carbon gases (biomethane and hydrogen).</i></p>	Contribution	

¹⁵ The impact of the UoP categories on UN Sustainable Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage.

Example of funding projects:

- *Transportation of biomethane from production plants to the service stations dedicated to the supply of methane and to the methane pipeline network.*
- *Preliminary engineering for a future network for exclusive hydrogen transport*

Green Infrastructure – Network for Renewables and low carbon gases

- *Construction and operation of H₂ refueling station*

Green Infrastructure – CCS

Transport and permanent storage of captured CO₂ in appropriate underground geological formations.¹⁶ The CO₂ transported from the installation where it is captured to the injection point does not lead to CO₂ leakages above 0.5 % of the mass of CO₂ transported. The CO₂ is delivered to a permanent CO₂ storage site that meets the criteria for underground geological storage of CO₂ as per the applicable criteria for underground permanent geological storage of CO₂ in the EU Taxonomy; or to other transport modalities, which lead to permanent CO₂ storage site that meet those criteria.

It is planned to implement a “Leak detection and repair program” (LDAR) to monitor, control and repair the fugitives leaks based on CH₄ experience.

The activity will only cover the repurposing of existing infrastructure with the installation of assets that increase the flexibility and improve the management of the network.

Examples of projects:

Contribution



Contribution



¹⁶ The CO₂ is delivered to a permanent CO₂ storage site that meets the criteria for underground geological storage of CO₂ as per the applicable criteria for underground permanent geological storage of CO₂ in the EU Taxonomy; or to other transport modalities, which leads to permanent CO₂ storage site that meet those criteria.

- *A pilot project with ENI which involves capture and transport of the CO₂ emitted by an ENI compressor and the permanent storage in a depleted gas field offshore Ravenna.*
- *In future years, other projects with CO₂ capture, transport and storage at industrial scale will be developed with third-party emitters mainly in the hard-to-abate sectors. The CO₂ captured will be transported and permanently stored in depleted gas fields in the North Adriatic offshore.*
- *The pilot project and future industrial developments rely on the repurposing of existing onshore and offshore infrastructures in Ravenna and the use of depleted offshore gas fields for the permanent storage of CO₂*

The CCS technology will not be applied to refinery projects.

Green Infrastructure – Data driven solutions for GHG emissions reductions

Development and use of ICT solutions that are predominantly used for the provision of data and analytics enabling GHG emission reductions. Where an alternative solution/technology is already available on the market, the ICT solution demonstrates substantial life-cycle GHG emission savings compared to the best performing alternative solution/technology.

- *Example of funding projects: Digital Transformation & Technology (DT&T) projects for the detection of methane leaks and further energy efficiency projects for Snam’s buildings*

Renewable Energy - Biomethane

Construction and operation of facilities for the treatment of sewage sludge or bio-waste by anaerobic digestion with the resulting

Contribution



Contribution



production and utilization of biogas or chemicals.

A monitoring and contingency plan is in place in order to minimize methane leakage at the facility.

The produced biogas is used directly for the generation of electricity or heat, or upgraded to bio-methane for injection in the natural gas grid, or used as vehicle fuel or as feedstock in chemical industry.

For anaerobic digestion of bio-waste specifically

- *The bio-waste that is used for anaerobic digestion is source segregated and collected separately.*
- *In the dedicated bio-waste treatment plants, the share of food and feed crops used as input feedstock, measured in weight, as an annual average, is less than or equal to 10% of the input feedstock.*

Examples of projects:

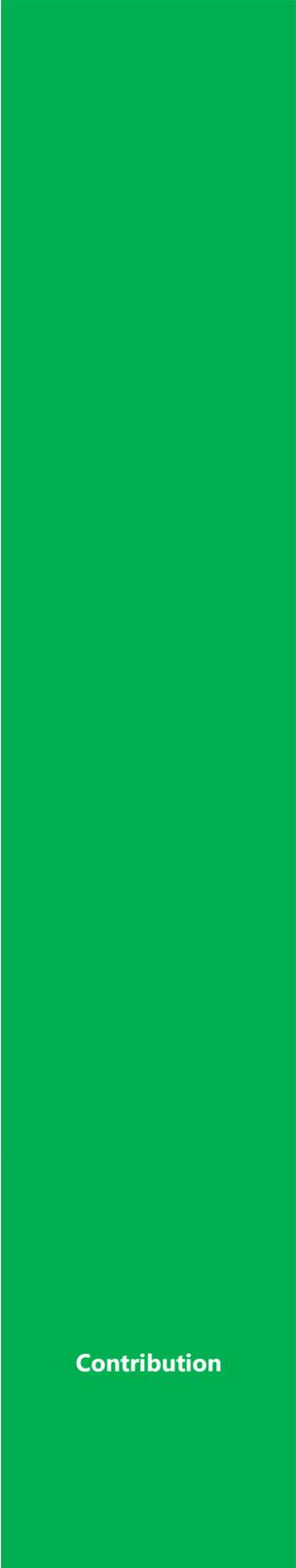
Capital expenditures and acquisition of plants for the production of biomethane from municipal solid waste (OFMSW).¹⁷ Each plant consists of two sections: one for the production of biomethane, and one for the production of compost. The plants are equipped with a system for the capture and treatment of odorous emissions and a constant process control and monitoring program.

**Pollution Prevention and Control –
Recycle and reuse**

- *The produced digestate is used as fertilizer or soil improver, either directly or after composting or any other treatment.*

Examples of projects:

Capital expenditures and acquisition of plants for the production of biomethane from municipal solid waste (OFMSW).¹⁸ Each plant



Contribution



¹⁷ Snam confirms that it is only using organic municipal waste for producing the Biomethane.

¹⁸ Snam confirms that it is only using organic municipal waste for producing the Biomethane.

consists of two sections: one for the production of biomethane, and one for the production of compost. The plants are equipped with a system for the capture and treatment of odorous emissions and a constant process control and monitoring program.

Green Buildings¹⁹

Constructions of new buildings for which the Primary Energy Demand is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/31/EU of the European Parliament and of the Council. The energy performance is certified using an as built Energy Performance Certificate (EPC).

- Example of financed project: Construction of new Snam Headquarter

Energy Efficiency²⁰

Installation, maintenance and repair of renewable energy technologies, onsite, such as (but not limited to):

- Solar photovoltaic systems and ancillary technical equipment
- Solar hot water panels and ancillary technical equipment

Energy Efficiency²¹

Installation, maintenance and repair of renewable energy technologies, onsite, such as (but not limited to):

- Heat pumps²²

Energy Efficiency²³

Energy efficiency measures aimed at improving the efficiency such as (but not limited to):



¹⁹ The review is limited to the examples of projects spelled out in the Framework.

²⁰ The review is limited to the examples of projects spelled out in the Framework.

²¹ The review is limited to the examples of projects spelled out in the Framework.

²² The Issuer confirmed that project financed under this category (a) refrigerant threshold: Global Warming Potential does not exceed 675; and (b) energy efficiency requirements laid down in the implementing regulations under Directive 2009/125/EC are met.

²³ The review is limited to the examples of projects spelled out in the Framework.

- *Replacement of existing fixtures with energy efficient units that grant a contribution to the overall efficiency status of the building under requalification*
- *Installation and replacement of energy efficient light sources, for instance replacing old halogen lamps with LED lamps*
- *Thermal insulation of buildings (i.e., external walls, roofs, lofts, basements and ground floors)*
- *Installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems*

Green Gases

Manufacture of hydrogen that complies with the life-cycle GHG emissions savings requirement of 73.4% for hydrogen (resulting in life-cycle GHG emissions lower than 3tCO₂e/tH₂) and 70% for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94g CO₂e/MJ in analogy to the approach set out in Article 25(2) of and Annex V to Directive (EU) 2018/2001.

Examples of projects:

- *Hydrogen valley²⁴*
- *Research and Development (R&D) projects*

Contribution



²⁴ The assessment of the alignment is limited to the activity itself and not the activities using the green hydrogen produced.

PART III: ALIGNMENT OF THE ELIGIBILITY CRITERIA WITH THE EU TAXONOMY CLIMATE DELEGATED ACT

The alignment of Snam's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project categories have been assessed against the relevant Climate Change Mitigation and Do Not Significant Harm Criteria (DNSH) Technical Screening Criteria, and against the Minimum Safeguards requirements of the EU Taxonomy Climate Delegated Act²⁵ (June 2023), based on information provided by Snam. Where Snam's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

Snam's project selection criteria overlap with the following economic activities in the EU Taxonomy:

- 3.10 Manufacture of hydrogen
- 4.1. Electricity generation using solar photovoltaic technology
- 4.14 Transmission and distribution networks for renewable and low-carbon gases
- 4.15 District heating/cooling distribution
- 4.16 Installation and operation of electric heat pumps
- 5.7 Anaerobic digestion of bio-waste
- 5.11 Transport of CO₂
- 5.12 Underground permanent geological storage of CO₂
- 6.15 Infrastructure enabling low-carbon road transport and public transport
- 7.1 Construction of new buildings
- 7.2 Renovation of existing buildings
- 7.3 Installation, maintenance and repair of energy efficiency equipment
- 8.2 Data-driven solutions for GHG emissions reductions
- 9.3 Professional services related to energy performance of buildings

All projects financed under the Sustainable Finance Framework are and will be located in Italy.

Note: In order to avoid repetition, the evaluation of the alignment of Snam's assets to the Do No Significant Harm Criteria to Climate Change Adaptation is provided in Section N.2.

²⁵Commission Delegated Regulation (EU) 2020/852, URL https://ec.europa.eu/info/law/sustainable-finance-taxonomy-regulation-eu-2020-852/amending-and-supplementary-acts/implementing-and-delegated-acts_en

Similarly, the evaluation of the alignment to the DNSH to Water is given in Section O.3., the evaluation of the alignment to the DNSH to Pollution is given in Section P.5., and the evaluation of the alignment to the DNSH to Protection and Restoration of Biodiversity and Ecosystems is given in Section Q.6.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

a) 3.10 – Manufacture of hydrogen

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁶	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity is associated with NACE code C20.11 in accordance with Regulation (EC) No 1893/2006.</p> <p>The projects that Snam has identified foresee the creation of hydrogen valleys i.e. integrated ecosystems encompassing the production of green hydrogen, its distribution and use in “hard to abate” sectors, as well as in mobility applications. Other projects related to the production of hydrogen are foreseen to be implemented in alignment to EU Taxonomy criteria. When implementing these projects, Snam is fully committed to carrying out the analysis in order to confirm their compliance to this Taxonomy-aligned category before financing them under this Framework. The activity complies with the life-cycle GHG emissions savings requirements.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See p)	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
<p>See q)</p> <p>Snam commits to adhere to the criteria and principles laid down in Regulation (EU) 2020/852 of the European Parliament and of the Council and in Commission Delegated Regulation (EU) 2021/2139. Snam confirms that they will implement specific governance measures to monitor emissions from the hydrogen production plant and make sure that they are within or lower than the emission levels associated with the best available techniques (BAT-AEL)</p>	

²⁶ This column is based on input provided by the Issuer.

<p>ranges set out in the relevant best available techniques (BAT) conclusions including (a) the best available techniques (BAT) conclusions for the production of chlor-alkali and the best available techniques (BAT) conclusions for common waste water and waste gas treatment/management systems in the chemical sector; (b) the best available techniques (BAT) conclusions for the refining of mineral oil and gas.</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>See r)</p>	<p>✓</p>

b) 4.1 – Electricity generation using solar photovoltaic technology

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁷	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<p>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</p>	
<p>The activity is associated with NACE Codes D35.11 and F24.22 in accordance with Regulation (EC) No 1893/2006</p> <p>The financed projects generate electricity using photovoltaics (PV) technology</p>	<p>✓</p>
<p>2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>See o)</p>	<p>✓</p>
<p>3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	
<p>4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>Snam has not yet identified projects under this category. However, it is working on implementing new procedures for the end of life of solar plants: such procedures will be compliant with the local and EU applicable legislation, based on the type of technology. Furthermore, Snam will</p>	<p>✓</p>

²⁷ This column is based on input provided by the Issuer.

implement policies to ensure that the equipment and the components used to build the solar plants will be of high durability and recyclability, easy to dismantle and refurbish.	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See r)	✓

c) 4.14 – Transmission and distribution networks for renewable and low-carbon gases

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ²⁸	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>The activity is associated with the NACE codes NACE Codes: F42.21, H49.50 in accordance with Regulation (EC) No 1893/2006.</p> <p>Snam confirms the following:</p> <ul style="list-style-type: none"> ▪ The activity consists in one of the following: construction or operation of new transmission and distribution networks dedicated to hydrogen or other low-carbon gases; conversion/repurposing of existing natural gas networks to 100% hydrogen; retrofit of gas transmission and distribution networks that enables the integration of hydrogen and other low-carbon gases in the network, including any gas transmission or distribution network activity that enables the increase of the blend of hydrogen or other low carbon gasses in the gas system; ▪ The activity includes leak detection and repair of existing gas pipelines and other network elements to reduce methane leakage. 	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	

²⁸ This column is based on input provided by the Issuer.

See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See p)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The Directive 2009/125/EC is in force in Italy ²⁹ . The operations for this category will exclusively be located in Italy. Snam commits to comply with the Directive, transposed in Italy via Legislative Decree No. 15/2011.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See r)	✓

d) 4.15 – District heating/cooling distribution

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁰	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The Issuer commits, on an ex-post basis, to comply with the criteria for construction and operation of pipelines and associated infrastructure for distributing heating and cooling, and for refurbishment of pipelines and associated infrastructure for distributing heating and cooling. The activity is modification to lower temperature regimes, or advanced pilot systems (control and energy management systems, Internet of Things).	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	

²⁹ Directive 2009/125/EC Italian transposition. URL: <https://www.gazzettaufficiale.it/eli/id/2011/03/08/011G0055/sg>.

³⁰ This column is based on input provided by the Issuer.

See p)	✓
4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
N/A	
5. POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
The Issuer confirms that fans, compressors, pumps, and other equipment used comply, where relevant, with the top-class requirements of the energy label, and otherwise comply with implementing regulations under Directive 2009/125/EC ³¹ and represent the best available technology.	✓
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See r)	✓

e) 4.16 – *Installation and operation of electric heat pumps*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³²	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Snam confirms that, as of today, the installation of heat pumps may exceed Global Warming Potential threshold of 675 considering the current available technology. The Issuer is taking into consideration the option of moving to different heat pumps for future investments to be in line with more stringent requirements. Additionally, the Issuer commits to reporting on how the assets comply with the Technical Screening Criteria.	✓
2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See o)	✓
3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
See p)	✓
4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	

³¹ Directive 2009/125/EC, national transposition into Decreto Legislativo 8 Novembre 2021, n. 210. URL: [Gazzetta Ufficiale](#)

³² This column is based on input provided by the Issuer.

<p>As of today, Snam uses equipments that represent the best technology on the market, also regarding the durability for its long term contacts. For the future, Snam confirm the probability to have more sophisticated Company procedures on product recyclability and dismantle.</p> <p>A commitment to have an end-of-life waste management plan developed at the moment of financing the projects is included in the Sustainable Finance Framework.</p>	
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>Snam confirms that for air to air heat pumps with rated capacity of 12kW or below, indoor and outdoor sound power levels are below the threshold set out in Commission Regulation (EU) No 206/2012 of 6 March 2012 implementing Directive 2009/125/EC of the European Parliament and of the Council with regard to ecodesign requirements for air conditioners and comfort fans (OJ L 72, 10.3.2012, p. 7).</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>N/A</p>	

f) 5.7 – Anaerobic digestion of bio-waste

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³³	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
<p>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</p>	
<p>The activity is associated with NACE code E38.21 and F42.99 in accordance with Regulation (EC) No 1893/2006. The activity includes a monitoring and contingency plan for the bio-gas section and methane production section. The biomethanes produced is injected in the methane's pipelines and, once liquified, moved to fuelling stations. Also, the municipal bio-waste is collected separately in a plant and used to produce compost. Snam confirms that the input used for the biomethane plants is the organic fraction of municipal waste, and not food and crops.</p>	
<p>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</p>	

³³ This column is based on input provided by the Issuer.

See n) Snam also confirms that every project undergoes a risk assessment analysis according to the Italian Decreto Legislativo 152/06 on pollution, soil, water, and waste comprising an Environmental due Diligence during the plant's acquisition, and internal monitoring plans to evaluate environmental impacts.	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See p)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
The emissions from the anaerobic digestion plants are within or lower than the levels associated with best available techniques (BAT-AEL). Each plants have one section to produce biomethane and one to produce compost. The plants are equipped with systems that capture and treat odorous emissions and have constant control and monitoring. There is internal and external monitoring, the internal one occurs regularly and the external one every 3 or 6 months. The independent monitoring is performed by third parties accredited by the Ministry of Agricultural Policies (Ministerio Politiche Agricole), which collect and analyze samples and communicate the results to local, regional, and national authorities.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See r)	✓

g) 5.11 – Transport of CO₂

PROJECT CHARACTERISTICS AND SELECTION PROCESSES³⁴	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	

³⁴ This column is based on input provided by the Issuer.

<p>The activity is associated with NACE codes F42.21 and H49.50 in accordance with Regulation (EC) No 1893/2006. Snam confirms that the CO₂ transported from the installation where it is captured to the injection point does not lead to CO₂ leakages above 0.5% of the mass transported, all the components are tested regarding tightness in compliance with EN standards, like valves UNI ENI 14141:2013, and UNI EN 13942:2009. The CO₂ transported is stored permanently in a site aligned with activity 5.12 of the EU Taxonomy and meets the requirements for underground geological storage of CO₂. The pipelines are being designed with leak detection systems PIMOS (Snam’s leak detection system), including CO₂ and thermographic cameras to detect small leakages. It is planned to implement a “Leak detection and repair program” (LDAR) to monitor, control and repair the fugitive leaks based on CH₄ experience.³⁵ The report will be verified by an independent third party. The use of CCS in the transition to low-carbon gas-fired power generation is contributing to the adaptability of services and the optimal integration of intermittent and continuous renewable energy sources into the national energy system.</p>	
<p>2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See o)</p>	
<p>3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See o) The CO₂ transport infrastructures are subjected to environmental impact assessment regulated by the Decreto Legislativo 162/2011, which includes prevention of impact on water ecosystems.</p>	
<p>4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>N/A</p>	
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>N/A</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See r)</p>	

h) 5.12 – Underground permanent geological storage of CO₂

<p>PROJECT CHARACTERISTICS AND SELECTION PROCESSES³⁶</p>	<p>ALIGNMENT WITH THE EU</p>
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³⁵ [Experience – CH₄ Group \(ch4-group.com\)](https://www.ch4-group.com)

³⁶ This column is based on input provided by the Issuer.

	TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The activity is associated with NACE code E39.00 in accordance with Regulation (EC) No 1893/2006. Snam confirms that the activities have been authorized by the Italian Ministry for Environment and Energy Security of Supply. The authorization requires having monitoring activities (environmental, geological, seismic.) and closure and post-closure obligations compliant with both the Directive 2009/31/EC and the Italian Decreto Legislativo (DLgs) 162/2011. Additionally, leaks detection systems are in place.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See p) The storage infrastructures are subjected to environmental impact assessment regulated by the Decreto Legislativo 162/2011, which includes prevention of impact on water ecosystems.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
Snam confirms that the activity complies with Directive 2009/31/EC. ³⁷ The activities are authorized by the Italian Ministry for Environment and Energy Security of Supply, with specified pollution and prevention controls like compliance with the limits set by the authorization for the transport and storage of CO ₂ , pollution limitation of powder produced, pollution limitation of CO ₂ produced by vessels during offshore construction activities, limitation of pollution by trucks during onshore construction activities, and having CO ₂ leakage detection systems and safety plans in place.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See r)	✓

³⁷ Directive 2009/31/EC Transposition into Italian national laws with the Decreto Legislativo (DLgs) 162/2011. URL: [DECRETO LEGISLATIVO 14 settembre 2011, n. 162 - Normattiva](#)

i) 6.15 – Infrastructure enabling low-carbon road transport and public transport

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁸	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
The activity is associated with NACE codes F42.11, F42.13, F71.1, and F71.20 in accordance with Regulation (EC) 893/2006. The infrastructure is related to the construction of hydrogen fueling stations, allowing the deployment of H2-based vehicles in substitution of diesel engine-based vehicles.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
See p)	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
The construction of the infrastructure complies with the applicable local, national, and international regulations, including Decision 2000/532/EC, which covers the reuse, recycling, and recovery of non-hazardous waste to a minimum of 70%.	✓
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
Snam confirms that the activity complies with local, national, and international regulations. Noise and vibrations from the hydrogen refueling stations don't require the installation of open trenches, or wall barriers, as the levels are not relevant. Dust and air pollutants don't have significant levels to required mitigation measures.	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
See r)	✓

³⁸ This column is based on input provided by the Issuer.

^[1] This column is based on input provided by the Issuer.

j) 7.1 – Construction of new buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ³⁹	
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>Snam confirms that the construction of new buildings financed under this framework complies with the first criteria of the technical screening criteria (TSC) of 7.1, that is: the Primary Energy Demand (PED) is at least 10% lower than the threshold set for the nearly zero-energy building (NZEB) requirements in national measures implementing Directive 2010/ 31/ EU of the European Parliament and of the Council, and, the energy performance is certified using an as built Energy Performance Certificate (EPC). Indeed, the assets related to this category will be located in Italy, where policies are in place ensuring that for new construction buildings, the designer is compelled to justify compliance or non-compliance of the project to the minimum energy performance requirements in a report to obtain the construction license. In addition, Snam confirms that the energy performance will be verified once the building is operative.</p> <p>Snam confirms that the buildings larger than 5000 m² will undergo testing for air-tightness and thermal integrity upon completion, since it is a requirement under the LEED certification, which Snam commits to. In addition, Snam confirms that any deviation in the levels of performance set at the design stage or defects in the building envelope are disclosed to investors and clients.</p> <p>Snam confirms that it will systematically calculate the life cycle Global Warming Potential (GWP) for each stage in the life cycle for buildings larger than 5000 m² and is disclosed to investors and clients on demand.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
<p>Snam confirms that the buildings financed under this framework comply with the following criteria:</p> <ul style="list-style-type: none"> a. Wash hand basin taps and kitchen taps have a maximum water flow of 6 litres/min; b. Showers have a maximum water flow of 8 litres/min; 	

³⁹ This column is based on input provided by the Issuer.

- c. WCs, including suites, bowls and flushing cisterns, have a full flush volume of a maximum of 6 litres and a maximum average flush volume of 3,5 litres;

Indeed, Snam has a contract in place with the Contractor where (governed in the special specifications) they are requested ¾.5-liter toilet cisterns, 1.5l/min bathroom taps, 5l/min kitchen sink, 4l/min shower are required.

Snam confirms that urinals will not be present in the buildings financed under this framework.

In addition, see o)

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA

Snam confirms it will follow the following technical screening criteria and report on it following Italian national legislation Art. 34 of law decree 18 April 2016 n.50⁴⁰ :

- At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol(300).
- Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.
- Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887(301) or other



⁴⁰ Italian law decree 18 April 2016 n.50 https://www.codiceappalti.it/Home/Legge/?legge=Italian_Procurement_Code, further guidance on contracting stations and establishing Minimum Environmental Criteria for the awarding design services and works on building interventions have been established in the following action plan, https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwj9tb91ZuEAXVbIUQJHUEVD0QQFnoECBwQAQ&url=https%3A%2F%2Fwww.gazzettaufficiale.it%2Fdo%2Fatto%2Fserie_generale%2FcaricaPdf%3Fcd_img%3D22A0430700100010110001%26dgu%3D2022-08-06%26art.dataPubblicazioneGazzetta%3D2022-08-06%26art.codiceRedazionale%3D22A04307%26art.num%3D1%26art.tiposerie%3DSG&usq=AOvVaw1kQZLtZNVrH6yt7tFzRYLI&opi=89978449, defining in point 2.4.14 the Minimum Environmental Criteria in accordance with the requirements of the EU Taxonomy.

<p>standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.</p>	
<p>5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>Snam confirms that the building components and materials used in the construction comply with the criteria set out in Appendix C of the EU Taxonomy. See p).</p> <p>Snam confirms that the building components and materials used in the construction that may come into contact with occupiers will be in accordance with the conditions specified in Annex XVII to Regulation (EC) No 1907/2006 and in accordance with CEN/EN 16516 (CEN/TS 16516: 2013, Construction products – Assessment of release of dangerous substances – Determination of emissions into indoor air.) or ISO 16000-3:2011 (ISO 16000-3:2011).</p> <p>Snam confirms that the site that will be constructed under this framework, has undergone to a decontamination process that was completed and then approved by the competent bodies.</p> <p>Regarding measures to reduce noise during construction or maintenance work, Snam applies the standards UNI EN ISO 14001, and UNI EN ISO 14004.⁴¹</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA</p>	
<p>See r)</p> <p>Snam confirms that the new construction is not built on one of the following:</p> <ul style="list-style-type: none"> a. arable land and crop land with a moderate to high level of soil fertility and below ground biodiversity as referred to the EU LUCAS survey; b. greenfield land of recognised high biodiversity value and land that serves as habitat of endangered species (flora and fauna) listed on the European Red List²⁹⁶ or the IUCN Red List; c. Land matching the definition of forest as set out in national law used in the national greenhouse gas inventory, or where not available, is in accordance with the FAO definition of forest <p>Snam confirms that the new building will be built between Via Condino and Via Veza d'Oglio in the dynamic district "Symbiosis", where other relevant</p>	

⁴¹Construction site noise planning and management. URL: [Pianificazione e gestione del rumore di cantiere: la nuova norma UNI 11728:2018 – Assindustria Servizi srl](#)

companies have settled. Symbiosis is an innovative and sustainable urban regeneration project, developed by Covivio, with zero local emissions and mainly powered through renewable sources.	
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k) 7.2 – Renovation of existing buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴²	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
Snam confirms that the renovation of buildings financed will lead to a reduction of primary energy demand (PED) of at least 30%. In addition, Snam confirms that in order to be eligible under this category, the renovation of buildings needs to lead to the upgrade of at least 2 energy ratings and to be certified by an external verifier.	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A, as Snam's interventions do not include internal redevelopment with a water system.	✓
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
<p>Snam confirms it will follow the following technical screening criteria and report on it following Italian national legislation Art. 34 of law decree 18 April 2016 n.50⁴³ :</p> <ul style="list-style-type: none"> ▪ At least 70 % (by weight) of the non-hazardous construction and demolition waste (excluding naturally occurring material referred to in 	✓

⁴² This column is based on input provided by the Issuer.

⁴³ Italian law decree 18 April 2016 n.50 https://www.codiceappalti.it/Home/Legge/?legge=Italian_Procurement_Code, further guidance on contracting stations and establishing Minimum Environmental Criteria for the awarding design services and works on building interventions have been established in the following action plan, https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwj9tb91ZuEAXVbIUQJHUEVD0QQFnoECBwQAQ&url=https%3A%2F%2Fwww.gazzettaufficiale.it%2Fdo%2Fatto%2Fserie_generale%2FcaricaPdf%3Fcd_img%3D22A0430700100010110001%26dgu%3D2022-08-06%26art.dataPubblicazioneGazzetta%3D2022-08-06%26art.codiceRedazionale%3D22A04307%26art.num%3D1%26art.tiposerie%3DSG&usq=AOvVaw1kQZLzNvrH6yt7tFzRYLI&opi=89978449, defining in point 2.4.14 the Minimum Environmental Criteria in accordance with the requirements of the EU Taxonomy.

category 17 05 04 in the European List of Waste established by Decision 2000/532/EC) generated on the construction site is prepared for reuse, recycling and other material recovery, including backfilling operations using waste to substitute other materials, in accordance with the waste hierarchy and the EU Construction and Demolition Waste Management Protocol.

- Operators limit waste generation in processes related construction and demolition, in accordance with the EU Construction and Demolition Waste Management Protocol and taking into account best available techniques and using selective demolition to enable removal and safe handling of hazardous substances and facilitate reuse and high-quality recycling by selective removal of materials, using available sorting systems for construction and demolition waste.
- Building designs and construction techniques support circularity and in particular demonstrate, with reference to ISO 20887 or other standards for assessing the disassembly or adaptability of buildings, how they are designed to be more resource efficient, adaptable, flexible and dismantlable to enable reuse and recycling.

5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA

Snam confirms that the building components and materials used in the construction comply with the criteria set out in Appendix C of the EU Taxonomy. See p).

Moreover, Snam confirms that the renovation of buildings will involve any type of pollution and, in accordance with National Building Renovation regulation, generates a reduction of energy consumption of buildings and a consequent reduction in CO₂ emissions.

Snam confirms that the buildings which will be renovated, has undergone to a decontamination process that was completed and then approved by the competent bodies. Snam confirms that the site that will be renovated is subject to measures to reduce the dust and pollutant emission according to LEED protocol.

Regarding measures to reduce noise during construction or maintenance work, Snam applies the standards UNI EN ISO 14001, and UNI EN ISO 14004.⁴⁴



6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA

⁴⁴Construction site noise planning and management. URL: [Pianificazione e gestione del rumore di cantiere: la nuova norma UNI 11728:2018 – Assindustria Servizi srl](#)

N/A

l) 7.3 – Installation, maintenance and repair of energy efficiency equipment

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴⁵	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>Snam confirms that the activity consists in one of the following individual measures provided that they comply with minimum requirements set for individual components and systems in the applicable national measures implementing Directive 2010/31/EU and, where applicable, are rated in the highest two populated classes of energy efficiency in accordance with Regulation (EU) 2017/1369 and delegated acts adopted under that Regulation: addition of insulation to existing envelope components, such as external walls (including green walls), roofs (including green roofs), lofts, basements and ground floors (including measures to ensure air-tightness, measures to reduce the effects of thermal bridges and scaffolding) and products for the application of the insulation to the building envelope (including mechanical fixings and adhesive); replacement of existing windows with new energy efficient windows; replacement of existing external doors with new energy efficient doors; installation and replacement of energy efficient light sources; installation, replacement, maintenance and repair of heating, ventilation and air-conditioning (HVAC) and water heating systems, including equipment related to district heating services, with highly efficient technologies; installation of low water and energy using kitchen and sanitary water fittings which comply with technical specifications set out in Appendix E and, in case of shower solutions, mixer showers, shower outlets and taps, have a max water flow of 6 L/min or less attested by an existing label in the Union market.</p>	
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A	

⁴⁵ This column is based on input provided by the Issuer.

4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
5. POLLUTION – DO NO SIGNIFICANT HARM CRITERIA	
See q)	✓
6. BIODIVERSITY AND ECOSYSTEMS – DO NO SIGNIFICANT HARM CRITERIA	
N/A	

m) 8.2 – Data-driven solutions for GHG emissions reductions

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴⁶	ALIGNMENT WITH THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION	
<p>Snam currently aims to finance one project under this category, which is an internally developed ICT Solution called PIMOS. This PIMOS application has been created to detect and locate gas leaks on the pipeline network and to identify possible causes of pressure variations leveraging machine learning. PIMOS is a custom application developed by Snam, due to the particular gas infrastructure network topology and dimension (more than 38000 Km). Therefore, Snam confirms that no alternative solutions are available on the market due to the complexity of its network.</p> <p>Snam quantifies and report the reduction of Methane emission thanks to the deployment of the PIMOS application, by using the Oil and Gas Methane Partnership 2.0 (OGMP 2.0) framework developed by the United Nations.</p>	✓
2. CLIMATE CHANGE ADAPTATION – DO NO SIGNIFICANT HARM CRITERIA	
See o)	✓
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	
N/A	
4. CIRCULAR ECONOMY – DO NO SIGNIFICANT HARM CRITERIA	

⁴⁶ This column is based on input provided by the Issuer.

<p>Snam confirms that the equipment used for PIMOS meet the requirements set in accordance with the Directive for servers and data storage products and does not contain the restricted substances listed in Annex II to Directive 2011/65/EU. Indeed, Snam uses Hewlett Packard Enterprise’s (HPE) Cloud Services, Software and Storage for its PIMOS application and other ICT solutions. HPE is compliant will all applicable laws and regulations, including material restriction requirements under the European Union Recast RoHS Directive 2011/65/EU and ecodesign requirements for servers and data storage products pursuant to the European Union Directive 2009/125/EC.^{47 48}</p> <p>Regarding waste management plan, Snam confirms that it has measures in place to ensure maximal recycling at end of life of electrical and electronic equipment. In addition, Snam confirms that at the end of life, its equipment considered as “Circular Economy Item” undergo preparation for reuse, recovery, or recycling operations, or proper treatment, including the removal of all fluids and a selective treatment.</p>	
<p>5. POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	

n) 9.3 – Professional services related to energy performance of buildings

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁴⁹	ALIGNMENT WITH THE EU TAXONOMY’S TECHNICAL SCREENING CRITERIA
<p>1. SUBSTANTIAL CONTRIBUTION TO CLIMATE CHANGE MITIGATION</p>	
<p>The activity is associated with NACE codes D35.11, F24.22, 235.5, F43, and M71 in accordance with Regulation (EC) No 1893/2006.</p>	

⁴⁷ HP’s proof of compliance with Restriction of Hazardous Substances (RoHS) Legislation in the EU and other jurisdictions, available at: <https://h41388.www4.hpe.com/regulations/ie/en/regulations.html>

⁴⁸ HP’s proof of compliance with ecodesign requirements for servers and data storage products pursuant to the European Union Directive 2009/125/EC, available at: https://www.hpe.com/psnow/doc/a00096638enw.pdf?jumpid=in_pdfviewer-psnow.

⁴⁹ This column is based on input provided by the Issuer.

<p>Snam confirms that the activities financed will consist in the following: i) technical consultations (energy consultations, energy simulations, project management, production of energy performance contracts, dedicated trainings) linked to the improvement of energy performance buildings; ii) accredited energy audits and building performance assessments; iii) energy management services; iv) energy performance contracts; v) energy services provided energy service companies (ESCOs).</p>	
<p>2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>See o)</p>	<p style="text-align: center;">✓</p>
<p>3. WATER AND MARINE RESOURCES – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	
<p>4. CIRCULAR ECONOMY – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	
<p>5. POLLUTION – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	
<p>6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>N/A</p>	

o) Generic Criteria for DNSH to Climate Change Adaptation

<p>PROJECT CHARACTERISTICS AND SELECTION PROCESSES⁵⁰</p>	<p>ALIGNMENT WITH THE EU TAXONOMY</p>
<p>2. CLIMATE CHANGE ADAPTATION – <i>DO NO SIGNIFICANT HARM CRITERIA</i></p>	
<p>In 2023, Snam implemented a climate change risk management project (CCRM) with the objective of identifying physical and transitional risks impacting Snam’s assets and business. These were identified in line with the EU Taxonomy and TCFD requirements and were evaluated based on their probability of occurrence as well as their economic and reputational impacts.</p> <p>During the initial phase, physical risks and their economic impact on assets were assessed. This didn’t take into consideration the effect of existing mitigators, basing the analysis on data from international open sources, like</p>	<p style="text-align: center;">✓</p>

⁵⁰ Ibid.

the European Severe Weather Database (ESWD), CNR Climate DT, Aqueduct, and Global Facility for Disaster Reduction and Recovery. In the second phase, Snam focused on residual risk and considered all existing safeguards for each asset considered. Assets mapped by geolocation correspond to approximately 82 percent of the Group's total revenues. The assessment was carried out on the short to medium term (2023-2030) and the long term. Specifically, the long term was assessed in consideration of the IPCC scenarios (1.9; 4.5; 8.5) with a view to 2040 in view of the time horizon of the Group's Net Zero targets.

Snam's transition risk mapping focused on four trend categories that are: market, technology, policy and legal, and reputation. The mapping took in consideration also SSP and IEA scenarios up to 2040 and was extended to identifiable opportunities particularly with reference to the Company's commitment to energy transition.

The project activity described will be replicated annually and integrated with the Company's Risk Management model. This integration makes it possible to include in the Company's risk and opportunity portfolio those events whose magnitude is such that they can be intercepted with the metrics used by the standard ERM process. Current and prospective risks and opportunities associated with Snam's business strategy are identified, assessed, and monitored through the Enterprise Risk Management (ERM) model. The risks identified through the ERM process are classified as financial, operational, legal and compliance, and strategic. The ERM process is repeated regularly (semi-annually for critical and high risks).

The ERM evaluates annually the impact of climate events on existing and new assets and considers mitigation plans for each asset. Furthermore, Snam will soon launch new steps for its risk assessment analysis aiming at (i) defining new mitigation plans of the impact on its assets from climate changes and (ii) in accordance with business units identify the application of mitigation solutions.

p) Generic Criteria for DNSH to Water

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵¹	ALIGNMENT WITH THE EU TAXONOMY
3. WATER AND MARINE RESOURCES – DO NO SIGNIFICANT HARM CRITERIA	

⁵¹ Ibid.

<p>Snam confirms that all the activities follow European and Italian legislation. The EU Directive 2000/60/EC has been transposed in the Italian Environment act: Decreto Legislativo 14 settembre 2011, n.162.⁵² An Environmental Impact Assessment is performed for every project per Directive 2011/92/EU, including the measures adopted by Snam to avoid or minimize the environmental impacts. If the measures are not run through the EIA, they are incorporated into the Integrated Environmental Authorization (AIA) issue by the competent administration and necessary to start the activities. The design, construction, and decommissioning of the gas pipelines take into consideration the consumption of water, adopting compensation measures when the impacts are inevitable.</p>	
<p>The projects don't hamper marine waters, ensuring the good environmental status of the water, in accordance with Directive 2008/56/EC,⁵³ which is transposed into Italian Legislation DLgs 190. The consumption of seawater and freshwater in offices, and production processes was 5.6 million cubic meters in 2022, 94% was seawater with a decrease of 14% compared to 2021. The seawater is withdrawn from Liguria, for the cooling of plants at Panigaglia LNG, and it is discharged in the same volume, at a small higher temperature. For the storage activities, the water withdrawal is also controlled, the process water is taken to an external treatment plant before discharging it. The freshwater used is discharged to the sewerage system and into the soil and surface water bodies. In the sites where there is no sewage system, the water is discharged through a closed-loop phytopurification plant that treats the freshwater before it is absorbed by vegetation.</p>	

q) Generic Criteria for DNSH to Pollution

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵⁴	ALIGNMENT WITH THE EU TAXONOMY
<i>5. POLLUTION– DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>Snam is committed to complying with all European and Italian environmental regulations, however the Company does not systematically exclude all harmful substances listed by the relevant Regulations. Snam is certified according to UNI EN ISO 14001, an international standard that specifies the requirements</p>	

⁵² Italian Regulation: [DECRETO LEGISLATIVO 14 settembre 2011, n. 162 - Normattiva](#)

⁵³ Decreto Legislativo 13 ottobre 2010, n. 190. URL: [ita213033.pdf \(fao.org\)](#)

⁵⁴ Ibid.

<p>for an effective environmental management system. Furthermore, the Company is committed to ensuring that its activities do not lead to the production, marketing, or use of hazardous substances, as specified in various European Union regulations and directives (Regulation (EU) 2019/1021, Regulation (EU) 2017/852, Regulation (EC) No 1005/2009, Directive 2011/65/EU, Regulation (EC) 1907/2006, Regulation (EC) No 1907/2006). This commitment also extends to the production, presence in the final product or output, or marketing of other hazardous substances.</p>	
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r) *Generic Criteria for DNSH to Protection and Restoration of Biodiversity and Ecosystems*

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵⁵	ALIGNMENT WITH EU TAXONOMY
6. BIODIVERSITY AND ECOSYSTEMS – <i>DO NO SIGNIFICANT HARM CRITERIA</i>	
<p>Snam confirms that all the activities follow European and Italian legislation. The EU Directive 2011/92/EU and the following Directive 2014/52/EU have been transposed in the Italian Environment act: D.Lgs. 156/06.⁵⁶ The Environment Act lists the project categories for which an EIA or EIAs screening procedures are required in accordance with the EU directives. Snam also confirms that the EIAs requested by the Environment Act have been conducted.</p> <p>Snam also confirms that all the required mitigation and compensation measures, that are found because of the EIAs, are recorded in a specific set of documents and are conducted properly. These measures are often part of the environmental conditions of the EIA Decree and are formally checked by the Authorities.</p> <p>The Company confirms that appropriate assessments are conducted in accordance with Directives 2009/147/EC and 92/43/EEC, regarding projects located within 5km from Natura 2000 sites.</p>	<p style="text-align: center;">✓</p>

⁵⁵ This column is based on input provided by the Issuer.

⁵⁶ [Legislative Decree of 16 June 2017, n. 104 Implementation of Directive 2014/52/EU of the European Parliament and of the Council amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment, pursuant to articles 1 and 14 of the Law 9 July 2015, n. 114. | FAOLEX](#)

Minimum Safeguards

The alignment of the project characteristics and selection processes in place with the EU Taxonomy Minimum Safeguards as described in Article 18 of the Taxonomy Regulation⁵⁷ have been assessed. The results of this assessment are applicable for every Project Category financed under this framework and are displayed below:

PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁵⁸	ALIGNMENT WITH THE EU TAXONOMY REQUIREMENT
<p>Snam adheres to national and international legislation, and as part of its commitment to align with the EU Taxonomy, Snam has a Code of Ethics⁵⁹ and Human Rights Policy.⁶⁰ The Human Rights Policy is publicly available on Snam’s website, and it applies to Snam and its Subsidiaries. It covers the right to freedom of association, the provision of equal opportunities for growth and development, fairness and equal access to remuneration, the condemn of discrimination based on ethnicity, nationality, language and religion, gender, sexual orientation, social background, age, disability, or any other personal, cultural or professional characteristics. Any infringements of the policy are reported through anonymous and non-anonymous reports.</p> <p>Snam offers training to its suppliers regarding health and safety, business integrity and ethics, diversity, inclusion, and sustainability, available to all the suppliers on the “Supplier Portal”. All the suppliers must sign the Ethics and Integrity Agreement required to be included in Snam Supplier Register (Vendor List), to obtain the qualification to work with Snam, and to maintain subcontracts from Snam Group. . The Issuer checks its suppliers’ compliance regarding health, safety, environment, and quality (HSEQ) through its Compliance Audits.</p> <p>The Issuer performs environmental impacts assessment to identify the potential adverse impacts associated with the projects and implements site-specific mitigation measures. Additionally, Snam commits to implement Environmental Monitoring Projects (PMA), consisting of measurements, surveys, and field analyses including water, soil, biodiversity, noise, atmosphere, and landscape.</p> <p>Regarding stakeholders’ engagement, Snam analyses the risks and impacts associated with its activities to local communities, and authorities, and is in continuous dialogue with the relevant communities where the Issuer operates.</p>	

⁵⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32020R0852>

⁵⁸ This column is based on input provided by the Issuer.

⁵⁹ Snam Code of Ethics, 2023. URL: <https://www.snam.it/content/dam/snam/pages-attachments-search/en/documenti/code-of-conduct---code-of-ethics/Code of Ethics - Code of Conduct.pdf>

⁶⁰ Snam Human Rights Policy, 2021. URL: https://www.snam.it/content/dam/snam/pages-attachments-search/en/documenti/esg-policies/Policy_human_rights.pdf

PART IV: ALIGNMENT WITH ICMA CLIMATE TRANSITION FINANCE HANDBOOK (CTFH)

1. Climate Transition Strategy and Governance

Snam's transition strategy is publicly disclosed on its website⁶¹ and communicated through its Sustainable Finance Framework. The green debt instruments, Use of Proceeds and Sustainability-linked instruments, issued under the Framework will help finance Snam's energy transition. The SPTs⁶² selected will help Snam reduce its methane emissions, including leaks, vented emissions from intentional gas release, incomplete combustion from natural gas devices, and pneumatic emissions from gas-operated devices. The reduction in methane emissions will help reduce natural gas emissions, which in 2022 accounted for 35% of Snam's Scope 1 and 2 emissions from its regulated business. Scope 1 and 2 GHG emissions of Snam Regulated activities account for 50% of Scope 1, 2 and 3 GHG emissions of Snam, therefore the selected SPTs will contribute to Snam decarbonization strategy. The transition strategy is primarily designed to orient the Company's operations and business model towards delivering lower carbon fuels and reducing its own operational emissions, to contribute positively to the Paris Agreement, and it is overseen by the Board of Directors and the ancillary committee.

Snam updated its transition plan, with the new Strategic Plan announcing a 4-year investment plan of 11.5 billion EUR, between 2023 and 2027⁶³ which will enable it to implement its overall strategy to reach carbon neutrality by 2040 for Scope 1 and 2 GHG emissions. Additionally, a net zero target by 2050 is set, for Scope 1, 2, and 3 GHG emissions. The strategic plan shows how the financing will be distributed within the different categories. Additionally, Snam has set the target of dedicating 85% of its total funding to sustainable finance by 2027. For the development of its strategy, Snam performed scenario analysis, including two scenarios, Fit-for-55 and Late Transition, with different decarbonization strategies to reach carbon neutrality by 2040, and be net zero by 2050,⁶⁴ considering different variables, like gas demand reduction, policies that may favor the development of green gas, and the impact of the scenarios on decarbonization policies. The Issuer used information from the International Energy Agency scenarios, Legislative framework, the Regulatory Authority for Energy, Networks, and the Environment (ARERA), Fit-for-55, PNIEC, ENTSOG-ENTSO-E, and the European Commission to develop its strategy. As part of this strategy, various decarbonization levers are mentioned, which contribute to both enabling the decarbonization of the fuels transported in its network, as well as the decarbonization of the Company's operations.

⁶¹ Snam Strategy for the future – carbon neutrality. URL: [Snam carbon neutrality](#)

⁶² SPT #1 (a, b, c): Reduction of absolute natural gas emissions of 64.5% by 2027, 70% by 2030 and 72% by 2032 (Mm3); SPT #2 (a, b, c): Reduction of absolute Scope 1 and 2 GHG emissions of 25% by 2027, 40% by 2030 and 50% by 2032 (tCO₂eq); SPT #3 (a, b): Reduction of absolute Scope 3 GHG emissions of 30% by 2030 and 35% by 2032 (tCO₂eq); SPT #4 (a, b): reach the 27,5% by 2027 and 29% by 2030 of women in executive and middle-management roles

⁶³ Snam 2023-2027 Strategic Plan. URL: <https://www.snam.it/en/media/news-e-comunicati-stampa/comunicati-stampa/2024/snam-piano-strategico-2023-2027.html>.

⁶⁴ Snam Climate Change Report 2022. URL: https://www.snam.it/content/dam/snam/pages-attachments/en/esg/documents/2022/Climate_change_report_2022_eng.pdf.

The strategy includes short-, interim, and long-term targets for greenhouse gas reduction are considered in the strategy, including Scope 1 and 2 and 3 GHG emissions.⁶⁵ Additionally, Snam has added the long-term commitment to be Net-Zero across all emissions by 2050. The targets are not science-based verified, currently, SBTi and TPI do not have a methodology to certify the targets from Oil and Gas companies. The Issuer commits to validate its targets by SBTi when the specific methodology becomes available.

The Company has also developed an ESG scorecard with targets on 9 environmental metrics, which will be used to provide disclosure on the Company's progress in reducing its climate impacts, such as methane emissions, energy efficiency, solar energy generation, production of bioenergy, and lower carbon sources of gaseous fuels.

Current and prospective risks and opportunities associated with Snam's business strategy are identified, assessed, and monitored through the Enterprise Risk Management (ERM) model. The risks identified include climate change issues, and mitigation actions are implemented and reported biannually and supervised by the General Counsel, who oversees the ERM function. Since 2018, the Company has been reporting following the TCFD recommendations. From 2024, Snam will integrate all its sustainability reporting into one document, the Non-Financial Statement (NFS), including the TCFD recommendations. The Consolidated Non-Financial Statement will undergo a limited assurance verification by an external third party in compliance with the Legislative Decree 254/2016. A Sustainable Finance Committee, which is comprised of multiple departments, including Chief Financial Officer, Sustainability and Social Impact Director, Executive Director Industrial Asset Technical Support, Senior Manager Technology Development, Director P&C Gas Infrastructure, Manager of Biomethane, coordinates the development and implementation of the transition finance strategy.

Opinion: *ISS- Corporate finds that Snam's Framework establishes a clear link between the issuance of these bonds and the Company's climate transition strategy. The financing will be used to deliver the decarbonization and climate transition objectives. There is information about how the overall investments will be spread across different areas. There is a long-term (2040) target for carbon neutrality of the Company's Scope 1 and 2 GHG emissions as well as interim targets. As part of its decarbonization strategy, Snam will focus on reducing Scope 1 and 2 GHG emissions as much as possible before using offsets to reach its carbon neutrality target by 2040. The ESG scorecard provides extra disclosure on the Company's broader sustainability strategy and progress to mitigate other environmental and social externalities, additionally, it monitors the key ESG benchmark KPIs. The strategy includes the development of talent, diversity, and the protection and social development of local communities. Overall, the Framework highlights elements of the Company's strategy that address risks and opportunities that stem from the energy transition. The involvement of the Sustainable Finance Committee provides good internal oversight and governance over the linkage of the issuance of the bonds with the transition strategy. Snam has committed to setting targets that are aligned with a 1.5 degrees pathway and therefore aligned with the Paris Agreement. However, the targets are not science-based verified. The Company has clarified that its strategy was formulated with input from an external*

⁶⁵ Scope 1 and 2, a reduction of 25% by 2027, a 40% reduction by 2030, and a 50% reduction by 2032 from 2022 levels. Scope 3 emissions reduction of 25% by 2030, and of 30% by 2032 from 2022 levels, on absolute terms.

consultant, and an external party conducted an assessment to determine the alignment of the trajectory with the Paris Agreement.

2. Business Model Environmental Materiality

Snam's business model centers on the transport of fossil fuels which are sold by the producers of fuel products customers, for consumption by end users. Its climate transition strategy focuses on enabling providers of lower carbon and alternative fuels to transport their products in the Company's network, as well as decarbonizing its own operations, transforming its infrastructure, including gas pipelines and storage, for the transport of biomethane and hydrogen. A materiality assessment was conducted to gather information about the key aspects to include in the sustainable strategy, publicly share in Snam's Strategic Plan. 7 pillars are key for Snam's sustainability, including people, local communities, biodiversity, and regeneration. The assessment included a nature footprint analysis, which shows how each business area impacts land and sea-use, pollutes air, soil and the ocean, and contribute to resource exploitation.⁶⁶

The transition strategy focuses on the core activities of the Company, reducing Scope 1, 2, and 3 GHG emissions, however, category 11 of Scope 3 GHG emissions are not included in the strategy, which accounts for a significant part of oil and gas transmission companies. The Issuer justified the exclusion of category 11 as they are operating gas pipelines but do not own the gas, and therefore do not have the capacity to reduce the emissions. The Non-Financial Statement (NFS) includes reporting on Scope 1, 2, and 3 category 5, and is publicly shared in the annual report.

Opinion: *ISS-Corporate finds that Snam's climate transition strategy as outlined in the Framework and the Climate Change Report is relevant to the environmentally-material parts of the Issuer's business model. The Company expects that the current determination of materiality will not be changing in the foreseeable future. The issuances will be used to finance strategic improvements to its core business activities and reduce their environmental impacts. However, Scope 3 emissions are not entirely included in the emission reduction targets. The strategy's planned trajectory emphasizes the Company's current impacts on climate change and future contributions to climate action. The transformation of the Company's network to allow the transport of lower carbon and alternative fuels is crucial to the continued success of the Company's business model and enables the Company to contribute to the decarbonization of the energy sector.*

3. Climate transition strategy to be "science-based"

The Issuer's transition strategy is quantitatively measurable (based on a consistent measurement methodology over time). It is not possible to be definitively aligned with, benchmarked or otherwise referenced to science-based trajectories. For example, such a benchmark by SBTi is not available yet. The Company explains that it has calculated its 2030

⁶⁶ Snam Strategic Plan, pg 74. Nature footprint analysis. URL: <https://www.snam.it/en/media/news-e-comunicati-stampa/comunicati-stampa/2024/snam-piano-strategico-2023-2027.html>.

GHG target based on the SBTi general methodology for the 1.5 degrees scenario, which is one of the most widely used tools at present. However, the target has not yet received external validation by SBTi. The strategy is publicly disclosed on the Company website and includes interim milestones, such as 2027, 2030 and 2032 GHG targets for its strategy. The transition strategy and GHG emissions targets chosen to follow Snam's Net Zero Trajectory and are in line with the International Energy Agency (IEA) Well-below 2 Degrees scenario. Snam participated in Moody's Net Zero Assessment to verify the ambition, consistency of the implementation plans and alignment with the Paris Agreement. In the absence of the specific SBTi methodology for the Oil and Gas sector, it's not yet possible for the targets to be externally validated by the SBTi. Neither has the Company received external verification on the scientific basis of its climate strategy by any other external party. The Company has clarified that the strategy received inputs from an external consultant and the historical data, including baseline year data, will go through a limited assurance validation in 2024.

Snam will only offset its residual GHG emissions after the efforts to minimize and reduce them closer to 2040.

Opinion: *Overall, there is a mix of short (2027) and medium (2030/2032) term decarbonization targets for the Company's Scope 1 and 2 GHG emissions as well as a medium-term (2030/2032) target for the Scope 3 GHG emissions. There is a longer-term commitment to attain carbon neutrality by 2040, which includes Scopes 1 and 2 GHG emissions, and a Net zero target by 2050. There is a clearly defined baseline year of 2022. Absolute GHG targets are used, which may make it more difficult to assess progress if the boundary of the emissions reporting changes with structural changes to the Company.*

The Company commits to using offsets closer to 2040 after it has made efforts to minimize its Scope 1, 2, and 3 GHG emissions as much as possible, which follows market practice science-based guidance in target setting. The Issuer plans to use carbon offsets to achieve a "carbon neutrality" target by 2040 for Scope 1 and 2 GHG emissions, even if they exceed 10% of the emissions.

Without the SBTi validation or other external reference, it is not possible to determine to what extent is the strategy science-based. ISS-Corporate recommends that when the SBTi Oil and Gas methodology becomes available, Snam can reconsider whether they should base their target on that new methodology and submit to the SBTi for validation, to confirm the scientific basis of the targets.

4. Implementation Transparency

In the Company's strategic plan 2023-2027, the Company has committed to invest 11.5 billion EUR, that will be invested as follow: Dual-Fuel compression stations for 0.7 billion EUR, Biomethane plants interconnection for 0.2 billion EUR, H2-ready gas infrastructure for 3.5 billion EUR, Carbon Capture and Storage investments for 0.4 billion EUR, Biomethane platform for 0.4 billion EUR and Energy Efficiency platform for 0.3 billion EUR. This amount includes making the Company's infrastructure appropriate for carrying hydrogen, upgrading the infrastructure to enhance transmission efficiency and reduce methane emissions, increasing

energy efficiency, introducing biomethane production and other related solutions, such as hydrogen-powered trains and hydrogen fueling stations. Snam has considered the impact of its transition strategy on its employees, the communities, and stakeholders, promoting innovation within its employees.

The construction, maintenance, and operation of pipelines can transport both natural and renewable gases, currently ISS-Corporate does not have visibility into what will be transported in the future, or if Snam will disconnect from natural gas pipelines and focus only on renewable energy.

Opinion: *ISS-Corporate finds that the Company has shared information about various amounts of CapEx investments in different areas. There is detail about how the different areas are linked to the overall strategy and how they can deliver climate related outcomes and impacts. The Company has privately indicated that an external consultant provided input on investment opportunities and priorities for the strategy. The strategy also focuses on a just transition, protecting employees and suppliers through the development of programs and policies, like HSEQ policy, and Social Supply Chain Policy.*

PART V: KPI SELECTION & SPT CALIBRATION

1. Selection of KPI 1

KPI 1 is defined as 'Reduction of total natural gas emissions'

Opinion

The KPI is relevant and core. It is partially material if issued alone, and material if issued with KPI 2 and 3. It is also of strategic significance to the Issuer's current and future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers methane emissions and covers 99.99% of the Issuer's total direct methane emissions.

Assessment⁶⁷

Not Aligned

Aligned

Best Practice

KPI 1

Characteristics and Features

KPI definition:

The KPI is defined as reduction of total natural gas emissions (expressed in %) where methane emissions, expressed in Mm³, in accordance with the UNEP Oil & Gas Methane Partnership initiative (OGMP).⁶⁸ It includes:

- Fugitive emissions from leaks due to tightness failure in flanges, connections, valves or open-ended lines,
- Vented emissions from intentional gas release into the atmosphere due to processes that are designed to do so
- Pneumatic emissions from gas operated devices including controllers, positioners, or actuators, and
- Incomplete combustion from natural gas combustion devices including turbines engines, and boilers.

⁶⁷ The KPI selection assessment is classified on a 3-level scale: 'Not Aligned', 'Aligned' or 'Best Practice'. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

⁶⁸ Oil and Gas Methane Partnership 2.0, Technical Guidance Document General Principles, <https://ogmpartnership.com/wp-content/uploads/2023/02/General-TGD-SG-Approved.pdf>

		The Issuer confirms that all methane emissions from regulated businesses ⁶⁹ are included, which accounts for 99.99% of total direct methane emissions arising from Scopes 1 and 2.
	Scope perimeter: and	This KPI covers the CH ₄ emissions derived from Snam’s activities such as transport, storage and regasification. Methane (CH ₄) represents 35% of the Issuer’s Scopes 1 and 2 emissions. They come from the release of natural gas into the atmosphere, from normal plant operation, from the connection of new gas pipelines and maintenance activities, or from accidental spills occurring at infrastructures. ⁷⁰
	Quantifiable/Externally verifiable:	The KPI is quantifiable since it is calculated as the percentage reduction of CH ₄ emissions. Snam is a signatory to the Methane Guiding Principles (MGP) and the Oil and Gas Methane Partnership 2.0 (OGMP) and will use relevant industry standards in measuring and reporting its methane emissions, including MGP’s Best Practice Guide ⁷¹ and OGMP’s TGD General Principles. ⁷² The KPI selected is externally verifiable because it will be calculated using industry standards and independently verified by an external verifier (qualified provider of third-party assurance or attestation services).
	Externally verified:	The Issuer confirms that limited assurance was carried out by an external verifier on the Issuer’s Consolidated Non-Financial Statement pursuant to

⁶⁹ Since 2000, according to the European provisions on the liberalization of the energy sector in Europe (the main ones: Directive 2009/73/EC of the European Parliament and of the Council and the previous 2003/55/EC and 98/30/EC) and national (mainly Legislative Decree 164/2000 as amended) regulated activities in the gas sector refers to activities related to transportation, storage, regasification and distribution infrastructure and related services. According to national regulations, these activities in Italy are subject to regulation by the Regulatory Authority for Energy Networks and Environment (established by Law 481/1995 as amended). With reference to this, the companies falling under regulated activities are as follows: Snam Rete Gas S.p.A, Infrastrutture Trasporto Gas S.p.A., GNL Italia S.p.A, Stogit S.p.A, Enura S.p.A, Snam FSRU Italia S.r.l. (all of them under the holding company Snam S.p.A). In addition, CO₂ emissions from FSRUs will be included in the baseline on an ex-post basis once a full year of operation will be available. It should be noted that the following business lines are excluded: energy efficiency, biomethane, sustainable mobility

⁷⁰ Methane emissions are measured in m³ and then converted in CO₂e and for the conversion the CO₂e was assessed in accordance with the instructions of the most recent Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment IPCC Reports" that assigned methane a Global Warming Potential (GWP) of 28.

⁷¹ Methane Guiding Principles, Reducing Methane Emissions: Best Practice Guide: Identification, Detection, Measurement and Quantification, https://methaneguidingprinciples.org/pdf/best-practice-guide/identification-detection-measurement-and-quantification/Reducing-Methane-Emissions_Identification-Detection-Measurement-and-Quantification_Guide-4.pdf

⁷² Oil and Gas Methane Partnership 2.0, Technical Guidance Document General Principles, <https://ogmpartnership.com/wp-content/uploads/2023/02/General-TGD-SG-Approved.pdf>

		Legislative Decree 254/2016. The Issuer also commits to having the future data verified by an external reviewer.
	Benchmarkable:	By using the Methane Guiding Principles and the OGMP industrial practices for measuring and reporting, the KPI is directly comparable with the relevant data reported by Snam’s industry peers and relevant external references. ⁷³

KPI 1	
Analysis	The KPI considered is:

Relevant to Issuer’s business because methane emissions are a key ESG topic for this sector, and the International Energy Agency (IEA) has identified reducing methane emissions to be a key global greenhouse gas mitigation lever, and that rapid cuts in methane emissions could avoid up to 0.1 °C in global temperature rise by mid-century.⁷⁴ Moreover, natural gas operation is responsible for 6% of methane emissions in the EU, among which 23% of the emissions comes from transmission and storage of natural gas and 59% comes from distribution of natural gas.⁷⁵ Methane emissions are also more impactful on climate change, with a global warming potential 29.8 times higher than CO₂.⁷⁶ Further, methane emissions, as part of GHG emissions, are considered a key ESG issue faced by the Gas and Electricity Network Operators industry according to ICMA’s KPI registry. Snam also confirms it as a key ESG issue in their double materiality matrix.⁷⁷

Core to Snam’s business, because reducing such emissions would require operational and technological changes such as the application of a campaign for identifying and repairing methane leaks (Leak Detection and Repair), the adopting of gas recompression systems, the replacement of existing equipment with new low- or zero-emission models and gas-powered actuation systems with air-powered models, and the adoption of other best technologies available. While Snam has confirmed that the aforementioned activities are carried out in 2022, it has confirmed to have planned 50 million euros for investments regarding for methane emissions reduction from FY2024 to FY2027. Snam confirms that future activities regarding

⁷³ Snam SpA, Sustainability Report 2022, https://www.snam.it/content/dam/snam/pages-attachmentssearch/en/documenti/bilanciannuali/2022/2022_sustainability_report.pdf

⁷⁴ The International Energy Agency, October 2023, Urgent action to cut methane emissions from fossil fuel operations essential to achieve global climate targets, <https://www.iea.org/news/urgent-action-to-cut-methane-emissions-from-fossil-fuel-operations-essential-to-achieve-global-climate-targets>

⁷⁵ Energy Community, May 2021, [Secretariat, Report on methane emissions by gas transmission and distribution system operators in the Energy Community Contracting Parties](https://www.energy-community.eu/secretariat-report-on-methane-emissions-by-gas-transmission-and-distribution-system-operators-in-the-energy-community-contracting-parties)

⁷⁶ Intergovernmental Panel on Climate Change, AR6 WGI Report, https://www.ipcc.ch/report/ar6/wg1/downloads/report/IPCC_AR6_WGI_Chapter_07.pdf

⁷⁷ Snam SpA, Sustainability Report 2022, https://www.snam.it/content/dam/snam/pages-attachments-search/en/documenti/bilanciannuali/2022/2022_sustainability_report.pdf

methane reduction are not expected to deviate significantly from past activities conducted, which includes in-line recompression, replacement of valves in approximately 350 pressure reduction and compressor stations, replacement of more than 3,000 pneumatic actuators with low-emission, air-powered or electrical instruments and other action required by EU regulations.

Partially Material⁷⁸ to Snam's operations, business model and sustainability profile from an ESG perspective as a standalone KPI, and **Material** when integrated on the same instrument with KPI 2 and 3.

- Fugitive, pneumatic and vented methane emissions resulting from leakages from pipeline/valves, regulated equipment (valves controlled by means of compressed gas discharge) and scheduled maintenance activities, which include venting or depressurization, are potent greenhouse gases from Snam's operations as a natural gas transportation operator and storage service provider. Hence, lower rates of fugitive, pneumatic and vented emissions lead to higher rates of transmission efficiency through the distribution network. However, methane emissions are considered a secondary KPI in the ICMA KPIs Registry, and Snam's methane emissions only contribute to 35% of its Scopes 1 and 2 emissions while excluding the consideration of Scope 3. KPI 1 is therefore deemed partially material to the direct operations of Snam when considered as a standalone KPI.
- Nonetheless, it is worth noting that KPI 2 and 3 address Scopes 1, 2 and 3 GHG emissions (excluding Scope 3 Category 11 GHG emissions). Therefore, when CH₄ emissions are considered along with the other GHG emissions arising from Scopes 1, 2 and 3, KPI 1 is considered material when considered in conjunction with KPI 2 and 3 and integrated on the same financial instrument.⁷⁹

Strategic significance to Snam's current and future operations as the KPI is consistent with the overall company's sustainability strategy and business model since its core business operations involves the transmission and storage of natural gas. The Issuer's sustainability strategy includes goals and targets that are aligned with international commitments and action plans regarding the reduction of methane emissions,⁸⁰ including the targets from the Oil & Gas Methane Partnership, which aims to achieve a 45% reduction in methane emissions by 2025 from a 2015 baseline.⁸¹ Therefore, by addressing methane emissions which is a key GHG

⁷⁸ ISS-Corporate bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS-Corporate notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

⁷⁹ Methane emissions arising from Scope 3 category 11 emissions (total expected lifetime emissions from all relevant products sold across the company's product portfolio) are excluded from related considerations and calculations.

⁸⁰ Snam SpA, Sustainability Report 2022,

https://www.snam.it/content/dam/snam/pages-attachments-search/en/documenti/bilanci-annuali/2022/2022_sustainability_report.pdf

⁸¹ The Oil & Gas Methane Partnership, 2020, Mineral Methane Initiative OGMP2.0 Framework, https://ogmpartnership.com/wp-content/uploads/2023/02/OGMP_20_Reporting_Framework-1.pdf

emissions, Snam shows dedication to its overall decarbonization journey, as also shown in SPT 2 and 3.

2. Calibration of SPT 1

SPT 1 is defined as achieving

SPT 1.a: 64.5% reduction in natural gas emissions by 2027 from a 2015 base year

SPT 1.b: 70% reduction in natural gas emissions by 2030 from a 2015 base year

SPT 1.c: 72% reduction in natural gas emissions by 2032 from a 2015 base year

Opinion	<p><i>SPT1a is (i) ambitious against the company's past performance, (ii) ambitious against industry peers, and (iii) it is ambitious against international targets.</i></p> <p><i>SPT1b is (i) qualitatively ambitious against the company's past performance, (ii) ambitious against industry peers, and (iii) it is ambitious against international targets.</i></p> <p><i>SPT1c is (i) qualitatively ambitious against the company's past performance, (ii) ambitious against industry peers on the basis of setting a target, and (iii) it is ambitious against international targets.</i></p> <p><i>The targets are set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i></p>
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Level of Ambition of SPT 1.a⁸²	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 1.b⁸³	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 1.c⁸⁴	No Evidence	Limited	Good	Robust

⁸² The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

⁸³ Ibid.

⁸⁴ Ibid.

<p>SPT 1</p> <p>Characteristics and Features</p>	<p>SPT definition:</p> <p>SPT 1 is divided into three sub-KPIs:</p> <p>SPT 1.a is defined as the reduction of absolute natural gas emissions 64.5% by 2027 from a 2015 base year.</p> <p>SPT 1.b is defined as the reduction of absolute natural gas emissions 70% by 2030 from a 2015 base year.</p> <p>SPT 1.c is defined as the reduction of absolute natural gas emissions 72% by 2032 from a 2015 base year.</p>
	<p>Baseline performance and year:</p> <p>49.74 Mm³ in 2015</p>
	<p>Target performance and observation date:</p> <p>SPT 1.a: 64.5% reduction by 2027 (17.67 Mm³)</p> <p>SPT 1.b: 70% reduction by 2030 (14.92 Mm³)</p> <p>SPT 1.c: 72% reduction by 2032 (13.93 Mm³)</p> <p>The observation date is set on December 31 of each target year.</p>
	<p>Trigger event:</p> <p>All Sustainability-Linked instruments issued under this Framework will feature a Sustainability-Linked aspect, resulting in a coupon step-up or a premium payment, depending on the case, if a Trigger Event occurs. A Trigger Event occurs if:</p> <ul style="list-style-type: none"> ▪ One or more of the selected KPI(s) fail to achieve the SPT(s) on the reference date, or ▪ The verification of the SPT(s) at the Reference Date, as detailed in the verification section of this Framework, has not been provided and made public as set out in the External Verification section of this Framework.
	<p>Long-term target:</p> <p>Net zero across all emissions by 2050.</p>

	<p>Strategy and action plan to reach the target:</p>	<p>The Issuer confirms that the target is achievable due to the acceleration of the Leak Detection And Repair (“LDAR”) program that implies the monitoring of emitting components in our facilities to identify natural gas leaks and the planning of maintenance works to repair such leaks. Other actions to reduce emissions are in-line recompression, replacement of valves in approximately 350 pressure reduction and compressor stations, replacement of more than 3,000 pneumatic actuators with low-emission, air-powered or electrical instruments and any other action required by EU regulations.</p>
	<p>Key factors/risks beyond the Issuer’s direct control that may affect the achievement of the SPTs:</p>	<p>The Issuer confirms that in reaching its target, it could face some risks such as:</p> <ul style="list-style-type: none"> ▪ delays and inefficiencies in the implementation of initiatives aimed at reducing natural gas emissions (e.g., in-line gas recompression, replacement of pneumatic valves, LDAR initiative); ▪ uncertainties in the quantification of methane emissions, coming from additional monitoring and verification requirements from regulations or reporting frameworks.
	<p>Historical data verified:</p>	<p>Snam confirms that limited assurance was carried out by an external verifier on the Issuer’s Consolidated Non-Financial Statement pursuant to Legislative Decree 254/2016.</p>
	<p>SPT set with Borrower/Lender Group:</p>	<p>The annual SPTs will be determined and set between the Borrower and the lender group for each transaction.</p>
	<p>Recalculations or pro-forma adjustments of baselines</p>	<p>The Sustainable Finance Framework includes a recalculation policy.</p>

<p>SPT 1 Analysis</p>	<p>The level of ambition of the SPT is assessed as follows:</p>
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(i) Against past performance:

The Issuer provided 8 years of relevant historical data, including for the baseline year of 2015. The data are shown in Table 1. Calculating the compound annual growth rate (CAGR) of the past performance shows that the Issuer has achieved an average yearly reduction of 8.18% between 2015 and 2022 for methane emissions.

TABLE 1.	2015 - BASE LINE	2016	2017	2018	2019	2020	2021	2022	2027 - SPT1 .A	2030 - SPT1 .B	2032 - SPT1 .C
Methane emissions (Mm³)	49.74	48.24	46.76	44.37	39.25	34.96	35.38	27.37	17.67	14.92	13.93
Targeted reduction %									64.5 %	70%	72%
CAGR 2015 - 2022								- 8.18 %			
CAGR 2022 - 2027									- 8.39 %		
CAGR 2022 - 2030										- 7.30 %	
CAGR 2022 - 2032											- 6.53 %

Source: Snam Sustainable Finance Framework

SPT 1.a: Snam sets SPT 1.a to achieve a reduction of methane emissions by 64.5% in 2027 compared to a 2015 baseline. Calculating the CAGR amounts to an average of 8.39% annual reduction between 2022 and 2027. Since the projected average annual reductions to achieve SPT 1.a is quantitatively larger than the historical data, we conclude that the SPT is quantitatively ambitious against past performance.

SPTs 1.b and 1.c: Snam sets SPT 1.b to achieve a reduction of methane emissions by 70% in 2030 and SPT 1.c to achieve a reduction of methane emissions by 72% in 2032, both compared to a 2015 baseline. Calculating the CAGR amounts to an average of 7.30% annual reduction between 2022 and 2030, and an average of 6.53% annual reduction between 2022 and 2032. Since the projected average annual reductions to achieve SPTs 1.b and 1.c are quantitatively smaller than the historical data, we conclude that the SPTs 1.b and 1.c are quantitatively not ambitious against past performance.

Yet, the Issuer categorizes methane emissions into four types: fugitive, vented, pneumatic, and incomplete combustion. Notably, the Issuer explains vented emissions pose greater challenges in terms of control and predictability due to their lower compressibility. Consequently, their reduction is less contingent on the overall emission reduction measures implemented.⁸⁵ Despite this, the Issuer assures to be having a dedicated plan to tackle vented emissions. This strategy involves employing mobile compressors, utilizing the hot-tapping technique, deploying stationary compressors, and minimizing pipeline pressure during maintenance or construction activities.

Therefore, SPTs 1.b and 1.c are deemed as qualitatively ambitious compared to past performance.

(ii) Against peers:

We conducted a benchmarking of the SPTs set by Snam against a curated list of 35 peers, which included companies suggested by the client. This selection comprised 35 listed companies, including the Issuer, operating as Gas and Electricity Network Operators in Europe. The client's suggestions were further consolidated with the broader ISS ESG Universe to ensure a comprehensive analysis.

Aside from Snam, 60% of the peer group (21 other peers) have set at least a target covering methane emissions, all of which are absolute emissions reduction targets except for one peer. Among the companies that have set a target covering methane emissions, 4 of them do not show a clear baseline year, and therefore will not be considered under this assessment. It is worth noting that the studied peer group do not share the same baseline year and the same target years.

Out of the subset of 17 companies, 11 have set a 2030 target while 10 have set a 2025 target. Benchmarking the SPT 1.a and 1.b target against this subset of peers, Snam has the 4th highest target in terms of magnitude calculated by the yearly reduction rate thus, belonging to the top 20% of its peer group. Therefore, we can say that SPT 1.a and 1.b are ambitious against industry peers.

Furthermore, it is worth mentioning that SPT 1.c has a target year of 2032, putting Snam distinguishing Snam as one of only two companies within the selected peer group to establish a complementary target extending beyond 2030.⁸⁶ Therefore, SPT 1.c is deemed ambitious against peers on the basis of setting a target.

⁸⁵ When the CAGR on the sum of the 3 categories is computed, the projected annual reduction of SPT 1.b and SPT 1.c is respectively of 11% and 9%, quantitatively higher than what was achieved in the past.

⁸⁶ For the sake of robustness long term targets (beyond 2035) are excluded from this benchmark.

(iii) Against international targets:**Paris Agreement**

Methane (CH₄) is the second most important anthropogenic contributor climate change, just after carbon dioxide (CO₂), as shown in the Intergovernmental Panel on Climate Change (IPCC)'s Fifth Assessment Report,⁸⁷ and accounts for approximately 30% of global temperature rise since industrialization.⁸⁸ The most recent IPCC report outlines that methane levels are at an all-time high and well above the emission levels compatible with limiting warming to the 1.5°C goal in the Paris Agreement.⁸⁹ This necessitates urgent action for substantial reductions in emissions, thereby curbing overall greenhouse gas (GHG) emissions to align with the Paris Agreement's objective.

Snam has shared with ISS-Corporate an assessment report conducted by Moody's regarding net zero assessment. The report has compared Snam's 2030 Scopes 1 and 2 target to IPCC scenarios. While Snam's Scopes 1 and 2 GHG emissions target by 2030 is considered to be in line with a well below 2 degrees trajectory under Moody's oil and gas reference benchmark according to the report, the report does not provide specific details on assessment for the Snam's methane emissions reduction trajectory. It is also worth noting that such assessment is based on a proprietary methodology developed by the third-party entity.

Furthermore, as the Paris Agreement does not have a separate target for methane emissions and has an overall target of net zero emissions in the "second half of the century", there is limited information to benchmark the SPT 1 against the Paris Agreement on a standalone basis.

Yet, we note that, whilst Snam does not have a long-term target for its methane emissions specifically, it has a general long-term target for carbon neutrality in 2040 Scopes 1 and 2, which will cover the methane emissions too.

Other international targets

The Mineral Methane Initiative (MMI)⁹⁰ within the OGMP aims to promote deep cuts in the methane emissions from the production, transmission, and distribution of mineral methane including the following goals relating to the oil and gas sectors:

- 45% emissions reductions in methane emissions over estimated 2015 levels by 2025;
- 60-75% reductions by 2030; or alternatively

⁸⁷ Intergovernmental Panel on Climate Change, 2013, In Climate change 2013: the physical science basis. Working group I contribution to the fifth assessment report of the intergovernmental panel on climate change, https://books.google.com/hk/books?hl=en&lr=&id=o4gaBQAAQBAJ&oi=fnd&pg=PR1&ots=Wijz6QBsNm&sig=WhKnWzMXjCMdOsyeW3VN8YZ2vzE&redir_esc=y#v=onepage&q&f=false

⁸⁸ International Monetary Fund, 2022, Methane Emissions Must Fall for World to Hit Temperature Targets, <https://www.imf.org/en/Blogs/Articles/2022/11/02/methane-emissions-must-fall-for-world-to-hit-temperature-targets>

⁸⁹ Intergovernmental Panel on Climate Change, 2023, AR6 Synthesis Report: Climate Change 2023, <https://www.ipcc.ch/report/sixth-assessment-report-cycle/>

⁹⁰ The Oil & Gas Methane Partnership, 2020, Mineral Methane Initiative OGMP2.0 Framework, https://ogmpartnership.com/wp-content/uploads/2023/02/OGMP_20_Reporting_Framework-1.pdf

- A 'near zero' emissions intensity, such as the OGCI collective average by 2027 from 2015.

The Global Methane Pledge (GMP),⁹¹ an international initiative put forward by the US and the EU to reduce methane emissions, commits at the UNFCCC Climate Change COP26 summit in Glasgow to cut methane emission levels by 30% by 2030 from 2020 levels.

SPT 1.a (64.5% absolute reduction in methane emissions by 2027 from 2015 baseline) and SPT 1.b (70% absolute reduction in methane emissions by 2030 from 2015 baseline) is in line with the ambitions set out by OGMP goals and ambitious against GMP goals.

For SPT 1.c, while there are currently no widely-recognized international targets regarding methane emissions that has a timeline beyond 2030, meaning that there is no direct comparison for SPT 1.c against international targets, Snam setting a target for 2032 is an indication that Snam is one of the first companies to set targets beyond 2030. SPT 1.c is therefore considered to be ambitious against international targets.

Consistency with the Issuer sustainability strategy: Reduction of methane emissions plays a significant role within Snam's sustainability strategy and decarbonization journey. Snam's commitment to reduce methane emissions with the timeline outlined in SPT 1 and the action plans warranted to reduce methane emissions will likely be one of the key levers for the Issuer's greater sustainability strategy, as well as SPT 2 and 3.

⁹¹ Global Methane Pledge, 2023, Global Methane Pledge,
<https://www.globalmethanepledge.org/sites/default/files/documents/2023-11/Global%20Methane%20Pledge.pdf>

3. Selection of KPI 2

KPI 2 is defined as 'Scopes 1 and 2 GHG Emission Reduction'

Opinion	<p><i>The KPI is relevant, core. It is moderately material to the Issuer's overall business model because it is material to the related to the direct operations of Snam, but not to the whole Corporate Value Chain as it does not cover Snam's Scope 3 emissions. However, this KPI is considered Material in conjunction with KPI 3 as KPI 3 address Snam's Scope 3 GHG emissions, which covers the whole Corporate Value Chain. It is of strategic significance to the Issuer's current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 95.6% of Scopes 1 and 2 GHG emissions, which represent 44.6% of the company's total GHG emissions (excluding Scope 3 Category 11 GHG emissions).</i></p>
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Assessment⁹²	Not Aligned	Aligned	Best Practice
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KPI 2	Characteristics and Features	KPI definition:	<p>Absolute Scopes 1 and 2 GHG emissions in kt CO₂e Direct emissions (Scope 1) derive from: (i) methane emissions resulting from Snam's various businesses such as transport, storage and regasification (Snam Group), (ii) emissions due to Snam's direct consumptions, such as natural gas used in the combustion of industrial processes and for heating offices, and other fuels such as diesel oil, gasoline and Liquefied Petroleum Gas (LPG) and (iii) emissions of Hydrofluorocarbons (HFC) used in air conditioning systems.</p> <p>Indirect emissions (Scope 2) derive from the production of electricity and steam produced by third parties and which Snam uses for its own activities.</p>
		Scope and perimeter:	<p>The KPI scope and perimeter are transparently defined as it covers Scopes 1 and 2 GHG emissions of all Snam's regulated business. Regulated businesses represents 95.6% of Snam's Scopes 1 and 2 emissions, as well as 99% of Snam's EBITDA. Scopes 1 and 2</p>

⁹² The KPI selection assessment is classified on a 3-level scale: 'Not Aligned', 'Aligned' or 'Best Practice'. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

		represent 44.6% of the company’s total GHG emissions.
	Quantifiable/Externally verifiable:	The KPI is quantifiable, since it is calculated as direct and indirect GHG emissions. The KPI selected is externally verifiable because it is calculated in accordance with appropriate standards. The GHG emissions are calculated in accordance with GHG Protocol.
	Externally verified:	The historical and baseline data for the KPI selected have been verified by a qualified third-party. ⁹³ The Issuer commits to having the future data verified by an external reviewer as well.
	Benchmarkable:	The GHG accounting is conducted according to the GHG Protocol. The KPI is easily comparable with the data reported by other companies and international targets such as Paris Agreement. Energy consumption data is a commonly reported metric in sustainability reporting by companies around the world. Benchmarking of the SPT in relation to this KPI has been analyzed below.

KPI 2	
Analysis	The KPI considered is:

Relevant to Snam’s business as its industry is highly GHG-emitting and exposed to climate change risks. According to the International Energy Agency (IEA), the production, transport and processing of oil and gas are responsible for just under 15% of total energy-related Greenhouse Gas emissions.⁹⁴ Further, Natural Gas Operation is responsible for 6% of methane emissions in the EU, among which 23% of the emissions comes from transmission and storage of natural gas and 59% comes from distribution of natural gas.⁹⁵

Core to the Snam’s business, because reducing Scopes 1 and 2 GHG emissions would require operational and technological changes such as gas recompression interventions in the lines. SNAM has incorporated the following measures to reduce its Scopes 1 and 2 GHG emissions:

- Conversion of compressor stations to dual fuel by installation of new electric compressors in compressor stations and gas storage. It should be noted that replacing

⁹³ Snam confirms that the work related to the Reasonable Assurance for the 2023 GHG emissions data will begin early in 2024.

⁹⁴ International Energy Agency (IEA), May 2023, [Emissions from Oil and Gas Operations in Net Zero Transitions](#)

⁹⁵ Energy Community, May 2021, [Secretariat, Report on methane emissions by gas transmission and distribution system operators in the Energy Community Contracting Parties](#)

compressor stations requires millions of Euros, and project implementation time from the request for authorization to final implementation takes approximately 6 to 10 years.

- Installation of boilers/high-efficiency heat generators.
- Introduction of Leak Detection and Repair (LDAR) systems in relevant installations
- Replacement of valves in approximately 350 pressure reduction and compressor stations
- Replacement of more than 3000 pneumatic actuators with low-emission, air-powered or electric instruments
- Recompression of natural gas in the network during planned maintenance
- Modification of gas boil-off compressors and installation of back-up compressors in the LNG terminal
- Progressive increase in the share of renewable electricity usage, including production from photovoltaic plants or using biomethane. Snam confirms that as of 2022, 52% of electricity is already from renewable sources, which is sourced by Guarantee of Origins (GOs). It should be noted that these contracts are short-term contracts, subject to availability, price pressures, and debates regarding additionality, which may compromise the GHG emission reduction strategy for Scope 2.⁹⁶ Snam aims to achieve 100% green electricity for Electric Compressors (ELCOs), through the purchase of biomethane certified by Ministry of Environment and Energy Security of Italy. Snam confirms that it is in the process of assessing the feasibility of a direct PPA for its operations once dual fuel compressor stations are operational. At the time of drafting this SPO, Snam confirms that the study is still ongoing.

Snam confirms that it has allocated a total CAPEX of 1 billion Euro from FY 2023 to FY 2027 to implement the action plan stated above.

Moderately Material⁹⁷ to Snam's business model and sustainability profile if used individually on a financial instrument as a stand-alone KPI, but **Material** since integrated with KPI 3 on the same financial instrument.

- The KPI selected is material to the direct operations and activities of the Issuer as it covers Scopes 1 and 2 GHG emissions that according to the reported GHG emissions represent 95.6% of the company's total direct and indirect GHG emissions, which is more than the relevant threshold for emissions target setting, as laid out in SBTi criteria.⁹⁸ Snam explains that the exclusion of the remaining 4% of Scopes 1 and 2 GHG emissions is because in terms of 2022, Regulated business represents the large part contributing for 99% of EBITDA. Snam also explains that non-regulated business is less stable as it is subject to frequent acquisitions and divestments. Further, the KPI excludes the 2 FSRU newly acquired by Snam as there are no data available. Snam confirms that

⁹⁶ Bjørn, et al., 2022, Nature Climate Change, Renewable energy certificates threaten the integrity of corporate science-based targets.

⁹⁷ ISS-Corporate bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

⁹⁸ Science Based Targets, April 2023, SBTi Criteria and Recommendations for Near-Term Targets, <https://sciencebasedtargets.org/resources/files/SBTi-criteria.pdf>.

the FSRU emissions will be added to 2022 base year when the full year data is available (1st FSRU in 2024, 2nd FSRU in 2025).

- However, KPI 2 does not encompass the GHG emissions arising from Scope 3, thus when issued alone, KPI 2 is deemed moderately material to the entire value chain
- It should be noted that KPI 3 addresses Scope 3 GHG emissions throughout the upstream and downstream value chain. Therefore, when KPI 2 and KPI 3 are issued jointly and linking both to the financial characteristics of the sustainability-linked financing instruments, the KPIs together are deemed material to the sustainability profile of Snam and its whole Corporate Value Chain.

Strategic significance to Snam’s current and future operations as the KPI is consistent with the overall company’s sustainability strategy and business model. Snam has made public its target to achieve Carbon Neutral in its operation by 2040 with intermediate targets for 2027, 2030 and 2032. The KPI defined corresponds to Snam’s long term target. Snam has also introduced its new commitment to be Net Zero across all emissions by 2050.

4. Calibration of SPT 2

SPT 2 is defined as achieving

SPT 2.a: 25% reduction in Scopes 1 and 2 GHG emissions by 2027 from a 2022 base year

SPT 2.b: 40% reduction in Scopes 1 and 2 GHG emissions by 2030 from a 2022 base year

SPT 2.c: 50% reduction in Scopes 1 and 2 GHG emissions by 2032 from a 2022 base year

Opinion	<i>The SPT is (i) ambitious against the company's past performance, (ii) ambitious against industry peers, and (iii) calibrated to be in line with Paris Agreement. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company's framework.</i>
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Level of Ambition of SPT 2.a⁹⁹	of	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 2.b¹⁰⁰	of	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 2.c¹⁰¹	of	No Evidence	Limited	Good	Robust

SPT definition:	SPT 2 is divided into three sub-KPIs:
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⁹⁹ The SPT selection assessment is classified on a 4-level scale: 'No Evidence', 'Limited', 'Good' or 'Robust'. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

¹⁰⁰ Ibid.

¹⁰¹ Ibid.

<p>SPT 2</p> <p>Characteristics and Features</p>		<p>SPT 2.a is defined as the reduction of absolute Scopes 1 and 2 emissions 25% by 2027 from a 2022 base year.</p> <p>SPT 2.b is defined as the reduction of absolute Scopes 1 & 2 emissions 40% by 2030 from a 2022 base year.</p> <p>SPT 2.c is defined as the reduction of absolute Scopes 1 & 2 emissions 50% by 2032 from a 2022 base year.</p>
	<p>Baseline performance and year:</p>	<p>1,451 Kt CO₂e in 2022</p>
	<p>Target performance and observation date:</p>	<p>SPT 2.a: 25% reduction by 2027 (1,088.25 Kt CO₂e)</p> <p>SPT 2.b: 40% reduction by 2030 (870.60 Kt CO₂e)</p> <p>SPT 2.c: 50% reduction by 2032 (725.50 Kt CO₂e)</p> <p>The observation date is set on December 31 of each target year.</p>
	<p>Trigger event:</p>	<p>All Sustainability-Linked instruments issued under this Framework will feature a Sustainability-Linked aspect, resulting in a coupon step-up or a premium payment, depending on the case, if a Trigger Event occurs. A Trigger Event occurs if:</p> <ul style="list-style-type: none"> ▪ One or more of the selected KPI(s) fail to achieve the SPT(s) on the reference date, or ▪ The verification of the SPT(s) at the Reference Date, as detailed in the verification section of this Framework, has not been provided and made public as set out in the External Verification section of this Framework.
	<p>Long-term target:</p>	<p>Net zero across all emissions by 2050</p>

	<p>Strategy and action plan to reach the target:</p>	<p>To reduce its Scopes 1 and 2 GHG emissions, Snam is focusing its efforts on following levers for action:</p> <ul style="list-style-type: none"> ▪ Conversion of compressor stations to dual fuel by installation of new electric compressors in compressor stations and gas storage. ▪ Installation of boilers/high-efficiency heat generators. ▪ Introduction of Leak Detection and Repair (LDAR) systems in relevant installations ▪ Replacement of valves in approximately 350 pressure reduction and compressor stations ▪ Replacement of more than 3000 pneumatic actuators with low-emission, air-powered or electric instruments ▪ Recompression of natural gas in the network during planned maintenance ▪ Modification of gas boil-off compressors and installation of back-up compressors in the LNG terminal ▪ Progressive increase in the share of renewable electricity usage, including production from photovoltaic plants or using biomethane. Snam confirms that as of 2022, 52% of electricity is already from renewable sources, which is sourced by Guarantee of Origins (GOs). Snam aims to achieve 100% green electricity for Electric Compressors (ELCOs), through the purchase of biomethane certified by Ministry of Environment and Energy Security of Italy.
	<p>Key factors/risks beyond the Issuer’s direct control that may affect the achievement of the SPTs:</p>	<p>The Issuer confirms that in reaching its target, it could face some risks such as:</p> <ul style="list-style-type: none"> ▪ delays and inefficiencies in the construction / commissioning of dual fuel installations. ▪ delays and inefficiencies in the implementation of initiatives aimed at reducing natural gas emissions (e.g., in-line gas recompression, replacement of pneumatic valves, LDAR initiative); ▪ much higher gas demand than forecasted. ▪ unfavorable set of gas flows.
	<p>Historical data verified:</p>	<p>The historical and baseline data for the KPI selected have been verified by a qualified third-party.</p>

SPT set with Borrower/Lender Group:	The annual SPTs will be determined and set between the Borrower and the lender group for each transaction.
Recalculations or pro-forma adjustments of baselines	The Sustainable Finance Framework includes a recalculation policy.

SPT 2 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

Snam provided 4 years of relevant historical data. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 0.68% between 2019 and 2022 for Scopes 1 and 2 emissions.

TABLE 2.	2019	2020	2021	2022 – BASELINE	2027 – SPT 2.A	2030 – SPT 2.B	2032 – SPT 2.C
Scopes 1 and 2 emissions	1,422	1,341	1,459	1,451	1,088.25	870.60	725.50
Targeted Reduction %					-25%	-40%	-50%
CAGR 2015 – 2022				0.68%			
CAGR 2022 – 2027					-5.37%		
CAGR 2022 – 2030						-6.05%	
CAGR 2022 – 2032							-6.59%

SPT2.a: SNAM sets SPT 2.a to achieve a reduction of Scopes 1 and 2 GHG emissions by 25% in 2027 compared to a 2022 baseline. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 0.68% between 2019 and 2022 for Scopes 1 and 2 GHG emissions. Compared to the 2022 baseline, Snam commits to achieve an average of 5.37% annual reduction between 2022 and 2027 (equiv. to 1088.3 ktCO₂e).

SPT 2.b: SNAM sets SPT 2.b to achieve a reduction of Scopes 1 and 2 GHG emissions by 40% in 2030 compared to a 2022 baseline. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 0.68% between 2019 and 2022 for Scopes 1 and 2 GHG emissions. Compared to the 2022 baseline, Snam commits to achieve an average of 6.05% annual reduction between 2022 and 2030 (equiv. to 870.3 ktCO₂e).

SPT 2.c: SNAM sets SPT 2.c to achieve a reduction of Scopes 1 and 2 GHG emissions by 50% in 2032 compared to a 2022 baseline. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 0.68% between 2019 and 2022 for Scopes 1 and 2 GHG emissions. Compared to the 2022 baseline, Snam commits to achieve an average of 6.59% annual reduction between 2022 and 2032 (equiv. to 725.2 ktCO₂e).

The SPT 2.a, 2.b, 2.c are quantitatively ambitious against past performance, as the CAGR reduces in the three scenarios, indicating that the future annualized reductions will be higher.

(ii) Against peers:

We conducted a benchmarking of the SPTs set by Snam against a curated list of 35 peers, which included companies suggested by the client. This selection comprised 35 listed companies, including the Issuer, operating as Gas and Electricity Network Operators in Europe. The client's suggestions were further consolidated with the broader ISS ESG Universe to ensure a comprehensive analysis.

Aside from Snam, 10 other peers also set a target covering Scopes 1 and 2 emissions. From this subgroup, 8 companies have set an absolute emissions reduction target, 2 companies have set an intensity target which is incomparable to the Issuer's targets.

Among the 9 companies (including the Issuer) that have set an absolute emissions reduction target, SPT 2.a/2.b/2.c ranked 2 out of its peer group, putting Snam among the top 20% of the peer group. Therefore, we conclude that SPT 2.a/2.b/2.c set by Snam is ambitious compared to its industry peers.

(iii) Against international targets:

Paris Agreement

Snam shared that it will evaluate the possibility to submit its sustainability and decarbonization plan to the Science Based Targets Initiative (SBTi) for validation, after the SBTi releases its Oil and Gas methodology guidance, which is currently under development.¹⁰²

Snam asserts that their target set for the regulated business has been calibrated to be in line with the "Well below 2 Degrees" scenario, considered consistent with the overarching

¹⁰² Science-Based Target initiative (SBTi), August 2020, 'Guidance on setting science-based targets for Oil, Gas and Integrated Energy companies', <https://sciencebasedtargets.org/resources/legacy/2020/08/OG-Guidance.pdf>

objectives of the Paris Agreement to curb global warming, albeit at the middle range of ambition likely to limit the increase to 1.65°C with a 50% probability.

Snam has shared with ISS-Corporate an assessment report conducted by Moody’s as evidence for such assertion. The report has compared Snam’s 2030 Scopes 1 and 2 target to IPCC scenarios. According to the report, Snam’s Scopes 1 and 2 GHG emissions target by 2030 is considered to be in line with a well below 2 degrees trajectory under Moody’s oil and gas reference benchmark. It is worth noting that such assessment is based on a proprietary methodology developed by the third-party entity.

Consistency with the Issuer sustainability strategy: Snam has set a long-term target of achieving Net Zero by 2050, and carbon neutral across its operations by 2040. The SPTs set outlined the trajectory of Snam’s decarbonization pathway and contributes to it Net Zero target.

5. Selection of KPI 3

KPI 3 is defined as ‘Absolute Scope 3 GHG Emissions Reduction’

Opinion	<i>The KPI is relevant, core and moderately material to the Issuer’s overall business and of strategic significance to the Issuer’s current and/or future operations. However, this KPI is considered Material in conjunction with KPI 2 as KPI 2 address Snam’s Scopes 1 and 2 GHG emissions, which covers the whole Corporate Value Chain. The KPI is appropriately measurable, quantifiable, externally verifiable and benchmarkable. It covers 82.79% of Scope 3 GHG emissions, which represent 44.03% of the company’s total GHG emissions, excluding Category 11.</i>
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Assessment ¹⁰³	Not Aligned	Aligned	Best Practice
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KPI 3	KPI definition:	Absolute Scope 3 GHG emissions in kt CO ₂ e. Scope 3 emissions are attributed to Snam’s associates companies and from its supplier. It includes Scope 3 (supply chain) emissions from the following categories:
Characteristics and Features		Supply chain: <ul style="list-style-type: none"> ▪ Scope 3.1. Purchased goods and services ▪ Scope 3.2. Capital goods ▪ Scope 3.4. Upstream transportation and distribution

¹⁰³ The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

		<ul style="list-style-type: none"> ▪ Scope 3.5. Waste generated in operations ▪ Scope 3.8. Upstream leased assets <p>Associates:</p> <ul style="list-style-type: none"> ▪ Scope 3.15. Investments, included SeaCorridor <p>Other emissions:</p> <ul style="list-style-type: none"> ▪ Scope 3.3. Fuel-and-energy-related activities ▪ Scope 3.6. Business Travels ▪ Scope 3.7. Employee commuting
	<p>Scope and perimeter:</p>	<p>The KPI scope and perimeter are transparently defined as it covers Scope 3 GHG emissions of all Snam’s regulated operations. Scope 3 GHG emissions from regulated business of Snam represents 44.03% of the company’s total GHG emissions.</p>
	<p>Quantifiable/Externally verifiable:</p>	<p>The KPI is quantifiable, since it is calculated as indirect GHG emissions. The KPI selected is externally verifiable, because it is calculated in accordance with appropriate standards. The GHG emissions are calculated in accordance with GHG Protocol. Snam confirms that no offsets will be used for the calculation of Scope 3 emissions under this target and in any case before 2040.</p>
	<p>Externally verified:</p>	<p>The historical and baseline data for the KPI selected have been verified by a qualified third-party. The Issuer commits to having the future data verified by an external reviewer as well.</p>
	<p>Benchmarkable:</p>	<p>By using the government conversion factors and standard methods of collecting energy consumption data, the KPI is easily comparable with the data reported by other companies and international references. Energy consumption data is a commonly reported metric in sustainability reporting by companies around the world.</p>

KPI 3	
Analysis	The KPI considered is:

Relevant to SNAM’s business as its industry is highly GHG-emitting and exposed to climate change mitigation risks. Scope 3 emission is considered a key ESG issues faced by the Gas and Electricity Network Operators industry according to ICMA’s KPI registry. Snam also confirms it as a key ESG issue in their double materiality matrix.¹⁰⁴

Core to the Snam’s business as Scope 3 emissions reduction measures affect key processes and operations that are core to the business model of the Issuer. The Issuer has identified a number of measures to reduce Scope 3 emissions in its Supply Chain and it among Associates.¹⁰⁵

Snam explains that its supply chain is mainly composed of SMEs (that accounted for 80% of the total suppliers in 2022), which these companies that are not ready to meet sustainability requirements and are not required at the regulatory level to disclose non-financial information. Therefore, Snam plans to apply 4 different levels of levers, which are outlined as follows:

- Data collection and data quality
 - training course on sustainability and a dedicated webinar on GHG emissions;
 - working groups to share knowledge and identify possible synergies within the same sector;
 - involvement of all suppliers on the Open-Es platform and the most relevant suppliers on the CDP Supply Chain questionnaire;
 - request to share decarbonization plans, detailed with actions plan;
 - involvement of the most relevant suppliers in the Snam Supplier Sustainability and Carbon Accounting Platform which allows measures such as measuring the emissions of those who do not yet account for the release of GHG and collecting detailed documentation.
- ESG criteria in tenders
 - Snam confirms that the ESG criteria affects the final decision in selection. The ESG criteria weights between the 3% and 20% in the technical scoring model;
- Review of industrial processes (Sustainable construction site)
 - Identified 3 macro-areas of intervention to reduce the environmental impact of the construction phase: use of biofuels, electrification of equipment (including the use of inverters), recycling and reuse of waste and water.
- Products

¹⁰⁴ Snam SpA, Sustainability Report 2022, <https://www.snam.it/en/esg/our-commitment-to-sustainability/reporting.html>

¹⁰⁵ Snam explains that an associate is an investee in which Snam Group has significant influence, i.e., the power to participate in determining the financial and operating policies of the associate company, without, however, having control or joint control over it. Snam assumes that the investor has significant influence (unless there is proof to the contrary) which is presumed to exist when the investment held is at least 20% of the exercisable voting rights.

- working groups focused on product LCAs and EPD certifications that also allow for carbon footprint benchmarks.

For its Associates,¹⁰⁶ Snam has identified the following decarbonization levers:

- The development of a company specific Decarbonization long term plan and its approval by the Board of Directors of the Company. This plan includes:
 - the use of green gases and the installation of electric compressors to reduce CO₂ emissions from combustion the implementation of LDAR (Leak Detection and Repair) programs to reduce fugitive emissions the use of energy from renewable sources
- Building up a constant dialogue to share best practices for reducing GHG emissions

Moderately Material¹⁰⁷ to Snam's business model and sustainability profile if used individually on a financial instrument as a stand-alone KPI, but **Material** since integrated with KPI 2 on the same financial instrument.

- The KPI selected is moderately material to the company's corporate value chain because the KPI addresses indirect GHG emissions throughout the upstream and downstream value chain (i.e., Scope 3 emissions), which represent an estimated 49.7% of the total reported GHG emissions of the defined perimeter and about 44.1% of Snam Group.
- Given that Snam has set KPI 2 to be Scopes 1 and 2 emissions reduction, KPI 2 and KPI 3 together covers the direct operations of Snam as well as its Corporate Value Chain. Therefore, KPI 3 is considered Material in conjunction with KPI 2.
- However, it is important to note that the Scope 3 emission accounting does not cover Category 11 emissions and that this KPI does not cover category 11 emissions of Snam.

Strategic significance to Snam current and future operations as the KPI is consistent with the overall company's sustainability strategy and business model. Snam has made public its target to achieve Carbon Neutral in its operation. Snam has also introduced its new commitment to be Net Zero across all emissions by 2050. The KPI corresponds to Snam's overall commitment to be Net Zero by 2050.

¹⁰⁶ Snam explains that an associate is an investee in which Snam Group has significant influence, i.e., the power to participate in determining the financial and operating policies of the associate company, without, however, having control or joint control over it. Snam assumes that the investor has significant influence (unless there is proof to the contrary) which is presumed to exist when the investment held is at least 20% of the exercisable voting rights.

¹⁰⁷ ISS-Corporate bases this analysis on the Issuer's own emissions reporting and makes no comment on the quality or consistency of the Issuer's Scope 1, 2 or 3 emissions reporting, either in relation to GHG Protocol, or to established norms for the Issuer's sector. ISS ESG notes that Scope 3 reporting may be different between companies in the same sector and does not undertake any benchmarking of an Issuer's reporting.

6. Calibration of SPT 3

SPT 3 is defined as achieving

SPT 3.a: 30% reduction in Scope 3 GHG emissions by 2030 from a 2022 base year

SPT 3.b: 35% reduction in Scope 3 GHG emissions by 2032 from a 2022 base year

Opinion	<i>The SPT is (i) ambitious against the company’s past performance, (ii) ambitious against industry peers, and (iii) calibrated to be in line with Paris Agreement. The target is set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s framework.</i>
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Level of Ambition of SPT 3a¹⁰⁸	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 3b¹⁰⁹	No Evidence	Limited	Good	Robust

SPT 3 Characteristics and Features	SPT definition:	SPT 3.a: Reduce absolute Scope 3 GHG emissions 30% by 2030 from a 2022 base year SPT 3.b: Reduce absolute Scope 3 GHG emissions 35% by 2032 from a 2022 base year
	Baseline performance and year:	1,434 kt CO ₂ e in 2022
	Target performance and observation date:	SPT3.a: 30% reduction by 2030 (1003.8 kt CO ₂ e) SPT3.b: 35% by 2032 (932.1 kt CO ₂ e) The observation date is set on December 31 st of each target year.

¹⁰⁸ The SPT selection assessment is classified on a 4-level scale: ‘No Evidence’, ‘Limited’, ‘Good’ or ‘Robust’. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

¹⁰⁹ The SPT selection assessment is classified on a 4-level scale: ‘No Evidence’, ‘Limited’, ‘Good’ or ‘Robust’. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

	<p>Trigger event:</p>	<p>All Sustainability-Linked instruments issued under this Framework will feature a Sustainability-Linked aspect, resulting in a coupon step-up or a premium payment, depending on the case, if a Trigger Event occurs. A Trigger Event occurs if:</p> <ul style="list-style-type: none"> ▪ One or more of the selected KPI(s) fail to achieve the SPT(s) on the reference date, or ▪ The verification of the SPT(s) at the Reference Date, as detailed in the verification section of this Framework, has not been provided and made public as set out in the External Verification section of this Framework.
	<p>Long-term target:</p>	<p>Net Zero across all emissions by 2050</p>
	<p>Strategy and action plan to reach the target:</p>	<p>Snam has identified 2 pillars of action plans to reach the target. For its suppliers, Snam plans to apply 4 different levels of levers, which are outlined as follows:</p> <ul style="list-style-type: none"> ▪ Data collection and data quality <ul style="list-style-type: none"> ○ training course on sustainability and a dedicated webinar on GHG emissions; ○ working groups to share knowledge and identify possible synergies within the same sector; ○ involvement of all suppliers on the Open-Es platform and the most relevant suppliers on the CDP Supply Chain questionnaire; ○ request to share decarbonization plans, detailed with actions plan; ○ involvement of the most relevant suppliers in the Snam Supplier Sustainability and

		<p>Carbon Accounting Platform which allows measures such as measuring the emissions of those who do not yet account for the release of GHG and collecting detailed documentation.</p> <ul style="list-style-type: none"> ▪ ESG criteria in tenders <ul style="list-style-type: none"> ○ Snam confirms that the ESG criteria affects the final decision in selection. The ESG criteria weights between the 3% and 20% in the technical scoring model; ▪ Review of industrial processes (Sustainable construction site) <ul style="list-style-type: none"> ○ Identified 3 macro-areas of intervention to reduce the environmental impact of the construction phase: use of biofuels, electrification of equipment (including the use of inverters), recycling and reuse of waste and water. ▪ Products <p>working groups focused on product LCAs and EPD certifications that also allow for carbon footprint benchmarks. For its Associates, Snam has identified the following decarbonization levers:</p> <ul style="list-style-type: none"> ▪ The development of a company specific Decarbonization long term plan and its approval by the Board of Directors of the Company. These plans include: <ul style="list-style-type: none"> ○ the use of green gases and the installation of electric compressors to reduce CO₂ emissions from combustion ○ the implementation of LDAR (Leak Detection and Repair)
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		<ul style="list-style-type: none"> programs to reduce fugitive emissions <ul style="list-style-type: none"> ○ the use of energy from renewable sources ▪ Building up a constant dialogue to share best practices for reducing GHG emissions
	Key factors/risks beyond the Issuer’s direct control that may affect the achievement of the SPTs:	<p>The Issuer confirms that in reaching its target, it could face some risks such as:</p> <ul style="list-style-type: none"> ▪ Failure or delay in the implementation of decarbonization strategies of Snam Associates and supplier; ▪ Lack of effectiveness of the engagement program; ▪ Unfavorable set of gas flows; ▪ Consistent variation in gas demand; and ▪ Limits to the electrification of assets due to geographical location.
	Historical data verified:	The historical and baseline data for the KPI selected have been verified by a qualified third-party.
	SPT set with Borrower/Lender Group:	The annual SPTs will be determined and set between the Borrower and the lender group for each transaction.
	Recalculations or pro-forma adjustments of baselines	The Sustainable Finance Framework includes a recalculation policy.

SPT 3 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

Snam provided 3 years of relevant historical data. Calculating the compound annual growth rate (CAGR) of the past performance shows that the issuer has achieved an average yearly change of 14.1% between 2019 and 2022 for Scope 3 emissions.

TABLE 3.		2019	2020	2021	2022-BASELINE	2030 – SPT3A	2032 – SPT3B
Scope emissions	3	965	1,028	833	1,434	1,003.8	932.1
CAGR 2015 – 2022	–				14.1%		
Targeted Reduction (WB 2°C)	%					-30%	-35%
CAGR 2022 – 2030	–					-4.36%	
CAGR 2022 – 2032	–						-5.24%

SPT 3.a: Snam has calibrated SPT 3.a as a percentage target to reach 30% of reduction in CO₂e emissions by 2030. Compared to the 2022 baseline, Snam commits to achieve an average of 4.36% annual reduction between 2022 and 2030 (equiv. to 1,003.8 ktCO₂e).

SPT 3.b: Snam has calibrated SPT 3.b as a percentage target to reach 35% of reduction in CO₂e emissions by 2032. Compared to the 2022 baseline, Snam commits to achieve an average of 5.24% annual reduction between 2022 and 2032 (equiv. to 932.1 ktCO₂e).

SPT 3.a and SPT 3.b are ambitious against past performance, as the CAGR reduces, indicating that the future annualized reductions will be higher.

(ii) Against peers:

We conducted a benchmarking of the SPTs set by Snam against the Gas and Electricity Network Operators peer group of 35 listed companies (including the Issuer) as per the ISS ESG Universe.

Aside from Snam, 6 other peers also set a target covering Scope 3 emissions. From this subgroup, 4 companies have set an absolute emissions reduction target. 2 companies have set an intensity target, which are incomparable to the Issuer’s targets.

Among those that have set a target, 3 companies have set Scope 3 emissions target that includes Category 11. 1 company has Scope 3 emissions target without defining the perimeter of Scope 3.

Given that SPT 3.a/3.b set by Snam exclude category 11, it is considered that the 3 companies that have Scope 3 targets that include category 11 are more ambitious than the targets set by Snam. Given that the remaining company with a target has not made clear its perimeter of Scope 3 the target covers, it is considered to be less ambitious than Snam's target. Snam's target ranks 4 out of its peer group, putting it in the top 20%.

Therefore, we conclude that SPT 3.a/3.b set by Snam is ambitious compared to its industry peers.

(iii) Against international targets:

Snam shared that it will evaluate the possibility to submit its sustainability and decarbonization plan to the Science Based Targets Initiative (SBTi) for validation, after the SBTi releases its Oil and Gas methodology guidance which is currently under development.¹¹⁰

Snam asserts that their target has been calibrated to be in line with the "Well below 2 Degrees" scenario, considered consistent with the overarching objectives of the Paris Agreement to curb global warming, albeit at the middle range of ambition likely to limit the increase to 1.65°C with a 50% probability.

Snam has shared with ISS-Corporate an assessment report conducted by Moody's as evidence for such assertion. The report has compared Snam's 2030 Scope 3 target to IPCC scenarios. According to the report, Snam's Scope 3 GHG emissions target by 2030 is considered to be in line with a well below 2 degrees trajectory under Moody's oil and gas reference benchmark. The absolute reduction target of 30% by 2030 on the emissions of SNAM's regulated operations, however, is consistent with a 1.5°C trajectory, though it only applies to 82.5% of the reference year Scope 3 emissions. It is worth noting that such assessment is based on a proprietary methodology developed by the third-party entity.

Consistency with the Issuer sustainability strategy: Snam has set a long-term target of achieving Net Zero by 2050. The SPTs set outlined the trajectory of Snam's Scope 3 decarbonization pathway and contributes to its Net Zero target.

¹¹⁰ Science-Based Target initiative (SBTi), August 2020, 'Guidance on setting science-based targets for Oil, Gas and Integrated Energy companies', <https://sciencebasedtargets.org/resources/legacy/2020/08/OG-Guidance.pdf>

7. Selection of KPI 4

KPI 4 is defined as ‘Percentage of women in executive and middle-management roles’

Opinion	<i>The KPI is relevant, core and material to the Issuer’s overall business, and of strategic significance to the Issuer’s current and/or future operations. It is appropriately measurable, quantifiable, externally verifiable and benchmarkable with limitations (not attributable to the company).</i>
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Assessment¹¹¹	Not Aligned	Aligned	Best Practice
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KPI 4 Characteristics and Features	KPI definition:	Percentage of women in executive and middle management role. The group executive and middle management percentage consists of the C-level positions, executive vice presidents, directors, executive and managers. ¹¹²
	Scope and perimeter:	The KPI scope and perimeter are transparently defined as it covers 90% of the permanent workforce, while the management positions considered represent 23% of the total employees. ¹¹³
	Quantifiable/Externally verifiable:	The KPI is measurable and quantifiable since it is calculated as the proportion (in %) of women in executive and middle management role of the total number of executive and middle management role.
	Externally verified:	The historical data and baseline data for the KPI selected has not been verified by a qualified third party. Yet, the Issuer commits that the specific KPI data will be verified once included in a financial instrument.
	Benchmarkable:	Data on women representation is commonly reported by other companies, hence, it should be usually comparable. Nonetheless, there are some complexities with benchmarking this KPI as companies typically report differently on the share of women across different job levels.

¹¹¹ The KPI selection assessment is classified on a 3-level scale: ‘Not Aligned’, ‘Aligned’ or ‘Best Practice’. For further information on the ISS methodology related to the KPI assessment please refer to Annex 2 at page 20.

¹¹² The criteria used to define the leadership positions is aligned with Quadri and Dirigenti

¹¹³ Perimeter considered is as follow: Snam S.P.A. Snam Rete Gas, Snam4Mobility, Snam Gas & Energy Services, Snam International B.V., GNL Italia, Stogit, Cubogas, Enura, Gasrule, Ies Biogas S.r.l., Renerwaste Lodi, Renerwaste, TEP, TEA.

		Especially for this KPI on women representation across different hierarchy levels. For example, some may report on the share of women among managers, some on the share of women in leadership positions, some on the percentage of women executives, others on the percentage of women on the Board of Directors, and the position of manager may be defined differently among companies. Thus, the KPI is deemed benchmarkable, with limitations.
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KPI 4		
Analysis	The KPI considered is:	

Relevant to Snam’s business as it relates to the topic of gender equality, non-discrimination and equal opportunities, which can be considered as relevant ESG issues across all sectors.¹¹⁴ This particularly relevant for the energy and utility sector as women’s participation in the sector is below that of the broader economy and varies widely across energy sub-sectors. Despite making up 39% of the global labor force, women only account for 22% of the oil and gas sector.¹¹⁵ It has been documented that women in leadership positions enable companies to maximize the power of diverse perspectives and innovative decision making, which improves the overall success of a firm’s performance.¹¹⁶ According to the OECD and International Energy Agency (IEA) analysis of data from approximately 2,500 firms classified in energy-related sectors, women make up just under 14% of senior managers, with women representation being the strongest in the utility sector.¹¹⁷ This compares with 15.5% of the 30,000 non-energy firms in the sample. Thus, strengthening gender diversity in the energy sector requires long-term efforts to boost inclusion. Attracting and retaining a diverse workforce in the energy sector is required to ensure the innovation and inclusive perspective needed to sustainably navigate the low-carbon transition.

¹¹⁴ Percentage of women at the Management/Executive level is considered as relevant across all sectors in the ICMA KPI registry (2022), but also by other key ESG reporting standards such as the Global Reporting Initiative (405-1) https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Registry-SLB-KPIs_Final_2022-06-24-280622.xlsx <https://www.globalreporting.org/standards/media/1020/gri-405-diversity-and-equal-opportunity-2016.pdf>

¹¹⁵ Energy and gender: a critical issue in energy sector employment and access to energy, International Energy Agency, <https://www.iea.org/topics/energy-and-gender>

¹¹⁶ Catalyst (2020). “Why Diversity and Inclusion Matter”: <https://rb.gy/jdzqf>
Peterson Institute for International EconomISS-Corporate (2016). “Is Gender Diversity Profitable? Evidence from a Global Survey”. Link: <https://rb.gy/csalf>. Also, see selected IFC research showing a correlation between more women leaders in a company and increased financial performance in terms of ROI, ROA, and ROE: ASEAN, Kazakhstan, Egypt, Lebanon.

¹¹⁷ IEA (2021). Women in senior management roles at energy firms: <https://www.iea.org/commentaries/women-in-senior-management-roles-at-energy-firms-remains-stubbornly-low-but-efforts-to-improve-gender-diversity-are-moving-apace>

Core to Snam's business model as gender diversity in management position influence the decision-making process on operations. As well, gender diversity and equal opportunities directly relates to hiring, career development and business strategy. Snam highlights the importance of promoting gender diversity in its sector in its Sustainability Report, as well as in their dedicated Diversity & Inclusion Policy. They have mandated a dedicated "Inclusion Team" to promote 16 initiatives involving more than 2,000 colleagues since 2020 and a dedicated Committee to monitor the targets related to diversity which includes several top managers and reports directly to the CEO. Amongst these initiatives, Snam mentions the Inclusive Language Manifesto as well as training events. The Inclusion team identifies, proposes and promotes initiatives that affect core HR processes: Employer Branding, Talent Acquisition strategy, Career Development with specific modules to promote objectivity in candidate selection processes to ensure equal opportunities, or to address the need to retain women. In 2023.

Material to Snam from an ESG perspective, as gender diversity, and specifically gender diversity in leadership positions is associated with better business performance and inclusive growth.¹¹⁸ It is noted, however, that the Company does not ventilate the KPI across different seniority levels within this category (e.g., C-level positions, executive vice presidents, directors, executive and managers) meaning that the overarching target may be achieved by an increase of women in C-level positions and not above. Also, this KPI does not cover gender diversity along the supply chain.

Strategic significant to Snam current and future operations as the KPI is consistent with the overall company's sustainability strategy and business model.

¹¹⁸ IFC (2019). "Women in Business Leadership – A Boost to ESG and the Triple Bottom Line". Link: <https://rb.gy/gqgyh>

8. Calibration of SPT 4

SPT 4 is defined as achieving

SPT 4.a: 27.5% of women executives and at middle-management roles by 2027

SPT 4.b: 29.0% of women executives and at middle-management roles by 2030

Opinion	<p><i>SPT 4.a is (i) qualitatively ambitious against the company’s past performance (ii) in line with industry peers, and (iii) it is likely to contribute to SDG 5.5</i></p> <p><i>SPT 4.b is (i) qualitatively ambitious against the company’s past performance, (ii) in line with industry peers, and (iii) it is likely to contribute to SDG 5.5.</i></p> <p><i>The targets are set in a clear timeline and is supported by a strategy and action plan disclosed in the company’s framework.</i></p>
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Level of Ambition of SPT 4.a¹¹⁹	No Evidence	Limited	Good	Robust
Level of Ambition of SPT 4.b¹²⁰	No Evidence	Limited	Good	Robust

SPT 4		<p>SPT 4 is divided into two sub-SPTs:</p> <p>SPT 4.a is defined as a percentage target to reach 27.5% of women executives and at middle-management roles by 2027</p> <p>SPT 4.b is defined as percentage target to reach 29.0% of women executives and at middle-management roles by 2030</p>
Characteristics and Features	<p>SPT definition:</p>	
	<p>Timeline (Baseline, Target observation date, Trigger event):</p>	<ul style="list-style-type: none"> ▪ The baseline is 23.1% of women in executive and middle-management roles in 2022. ▪ The observation target date is December 31 of each target date year. ▪ All sustainability-linked instruments issued under the Framework will incorporate a coupon step-up or a premium payment, depending in the case, if a trigger event

¹¹⁹ The SPT selection assessment is classified on a 4-level scale: ‘No Evidence’, ‘Limited’, ‘Good’ or ‘Robust’. For further information on the ISS methodology related to the SPT assessment please refer to Annex 2 at page 21.

¹²⁰ Ibid.

	occurs. A trigger event occurs if one or more of the selected KPI(s) fail to achieve the SPT(s) on the reference date or fail to be verified.
Long-term target	-
Strategy and action plan to reach the target:	<p>To increase its share of women executives and at middle management positions, Snam will focus on three key levers:</p> <ul style="list-style-type: none"> ▪ Strengthen Gender Equality Policies: implementing trainings, education initiatives and creating awareness supporting employees to acquire managerial tools. ▪ Implement the DE&I Policy aimed to spread the culture of diversity and equal opportunities, applying specific HR policies and metrics to ensure fairness at all stages of the employee experience. ▪ Roll-out "Women Acceleration Program": increasing the pipelines of women through hiring and promotions.
Key factors/risks beyond the Issuer's direct control that may affect the achievement of the SPTs:	<p>In reaching its target, Snam could face some risks as:</p> <ul style="list-style-type: none"> ▪ failure or delay in the application of DE&I policies. ▪ delay or lack of effectiveness of the "Woman Acceleration" program.
Historical data verified:	Historical data has not been verified. Yet, Snam confirms that when KPI will be integrated to a financial instrument, the datapoints attached to the KPI including baseline, and corresponding SPTs will be verified.
SPT set with Borrower/Lender Group:	The annual SPTs will be determined and set between the Borrower and the lender group for each transaction.

Recalculations or pro-forma adjustments of baselines	The Sustainable Finance Framework will include a recalculation policy.
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SPT 4 Analysis	The level of ambition of the SPT is assessed as follows:
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(i) Against past performance:

Snam provided 4 years of relevant historical data that have not been verified. Calculating the yearly change in percentage points of the past performance shows the Issuer has achieved an average yearly change of 1.33 p.p. between 2019 and 2022 for the representation of women at executives and middle management roles.

TABLE 4.	2019	2020	2021	2022	2027– SPT 4.A	2030– SPT 4.B
KPI metric	19%	20%	22%	23%	27.5%	29%
Change in percentage points per year between 2019-2022				+1.33 p.p		
Change in percentage points per year between 2022-2027					+0.9 p.p	
Change in percentage points per year between 2022-2030						+0.75 p.p

Source: Snam Sustainable Finance Framework

SPT 4.a: Snam has calibrated SPT 4.a as a percentage target to reach 27.5% of women executives and at middle-management roles by 2027. Snam has set SPT 4.a to increase the percentage from 23% in 2022 to 27.5% in 2027, this equates to an increase of 0.9 percentage point per year. From 2019 to 2022, the absolute change in value for the KPI has been an increase of 1.33 percentage point per year. This indicates that the percentage of female executives and at middle-management role will increase at a slower pace throughout the SPT trajectory compared to the pace achieved in the past.

SPT 4.b: Snam has calibrated SPT 4.b as a percentage target to reach 29% of women executives and at middle-management roles by 2030. Snam provided 4 years of relevant

historical data. Snam has set SPT 4.b to increase the percentage from 23.1% in 2022 to 29% in 2030, this equates to an increase of 0.75 percentage point per year. From 2019 to 2022, the absolute change in value for the KPI has been an increase of 1.33 percentage point per year. This indicates that the percentage of female executives and at middle-management role will increase at a slower pace throughout the SPT trajectory compared to the pace achieved in the past.

Still, Snam explains that to improve gender diversity, they will continue their efforts to focus on hiring, internal growth and promotion as well as on personal development and retention.

- In terms of hiring, they launched in 2022 an intensive recruiting campaign for women executives and middle-management position, attend specific career events targeting women, and they will keep cooperating with Head Hunting partners to boost gender mix in candidate's pipeline. They also run external market mapping of women in specific roles and organize employer branding event in partnership with associations, schools and universities to start networking and build early on a talent pool of women. Also, to ensure their job offers are unbiased they rely on their Diversity and Inclusion Recruiting Policy that details step by step the recruiting process to make sure it is fair and free of any potential biases. This resulted in the recruiting of 37% of women in 2023.¹²¹
- For the internal growth pillar of the strategy, Snam explains to have several development programs in place to boost internal career progression: Learning Programs, Mentoring, Development Center, Career Conversations, Executive Coaching, Team Coaching, a structured 360 Feedback Process and six Employee Resource Groups open to all employees focusing on Parenthood & Caring, Women & Beyond, STEM disciplines, LGBTQ+ , Disability in the workplace and lastly Generations at work. Those are open to all the workforce. They also work in partnership with Valore D, a business association promoting gender balance and an inclusive culture through mentoring and training specifically for women.

In addition, Snam points out that sourcing new female managers can become increasingly challenging, given that women still constitute a small percentage of the total enrollment in their fields. As they mainly recruit within STEM roles, where the presence of women is significantly lower compared to men (6.6% women versus 24.6% men)¹²². Yet, Snam highlights their involvement in several initiative to promote the representation of women in the energy sector and STEM (science, technology, engineering and mathematics) disciplines.¹²³

¹²¹ Snam mentions that this number does not encompass 'blue collars'

¹²² Eurostat

¹²³ Snam mentions for example, to be supporting six scholarships at Polytechnic Institute of Bari, and that they joined the InspirinGirl as well as the nonedemaschio campaign.

Therefore SPT 4.a and 4.b are considered qualitatively ambitious against past performance.

(ii) Against peers:

We conducted a benchmarking of the SPTs set by Snam against a curated list of 35 peers, which included companies suggested by the client. This selection comprised 35 listed companies -including the Issuer- operating as Gas and Electricity Network Operators in Europe. The client's suggestions were further consolidated with the broader ISS ESG Universe to ensure a comprehensive analysis.

In terms of gender diversity in the workforce, 27.8% of peers, accounting for 10 peers including Snam, set at least one diversity target. Notably, all of these peers, despite variations in the definition of leadership positions within the group, have set specific targets for increasing gender representation in leadership roles.

Analyzing the targets set by this subset of peers, seven are considered more ambitious than Snam's SPT 4.a and 4.b in terms of magnitude, either by achieving the same level of women representation in a shorter timeframe, or by striving for a higher level of women representation across leadership positions. For instance, 4 peers calibrated their target to reach gender parity rather than gender diversity (with at least a 40/60 share of woman representation). Additionally, two of the more ambitious peers have supplemented their targets with a focus on women's representation at the Board level.

Also, evaluating the actual performance within the sample, we note that 9 peers are currently outperforming Snam, with yet an average of 34% share of woman across all leadership positions.

However, considering that 55% of studied peers do not report nor have set diversity/parity targets, Snam's targets reflected by SPT 4. a/b are deemed to be line with the studied peer group.

(iii) Against international targets:

The United Nations Sustainable Development Goal 5 "Gender equality" defines the following sub-target to achieve gender equality: "5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life".

The associated indicator defined by the UN and relevant for the private sector specifies the focus of this target: "Proportion of women in managerial positions (5.5.2.)". By advancing the proportion of women executives and at middle-management positions, SPT 4 is likely to contribute to SDG 5.5.

Consistency with the Snam sustainability strategy:

The updated Snam 360° sustainability strategy incorporates social concerns within its comprehensive 7-pillar framework. Specifically, within the "People" pillar, there is a dedicated focus on "Empowering all Snam's individuals, fostering growth, and providing comprehensive

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care." The SPT 4 for gender diversity is contributing to advancing on gender equality, also at leadership level.

PART VI: CONSISTENCY OF GREEN DEBT INSTRUMENTS WITH SNAM'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

TOPIC	ISSUER APPROACH
<p>Strategic ESG topics</p>	<p>The Issuer focuses on several ESG areas relevant to its business and stakeholders through a specific ESG Scorecard.¹²⁴ These encompass natural gas emissions, energy savings, green innovation, soil and biodiversity protection, welfare, employee engagement, safety, gender diversity, responsible and sustainable supply chain, local communities), governance structure and its functioning, infrastructure reliability, anti-corruption.¹²⁵¹²⁶ These sustainability pillars have been defined through a sustainability model, which is meant to define and monitor over 140 ESG KPIs, many of which are supported by multi-year targets.</p>
<p>ESG goals/targets</p>	<p>To achieve its strategic ESG topics, the Issuer has set the following objectives:</p> <ul style="list-style-type: none"> ▪ Achieve carbon neutrality in its operations by 2040 and net zero across all emissions by 2050: <ul style="list-style-type: none"> ○ Reduce natural gas emissions by 72% by 2032 against a 2015 baseline ○ Reduce total Scopes 1 and 2 GHG emissions by 50% by 2032 against a 2022 baseline ○ Reduce total Scope 3 GHG emissions by 50% by 2032 against a 2022 baseline ▪ No net conversion of land-use change by 2024 ▪ Net positive impact on land-use change by 2027 ▪ Circularity supply chains through recycled metal and regenerated hydraulic oils, use of biofuels, electrification of machinery ▪ Provide upskilling, training, parental support, work flexibility, health insurance and social impact activities ▪ Promote gender equality: achieve 29% women in executive and middle-management roles by 2029

¹²⁴ Snam's ESG Scorecard, <https://www.snam.it/en/esg/strategy-for-the-future/esg-scorecard.html>

¹²⁵ Snam's Approach to Sustainability and Governance, <https://www.snam.it/content/dam/snam/pages-attachments-search/en/documenti/presentazioni/2023/ESG%20Engagement%20presentation.pdf>

¹²⁶ Snam's 2023-2027 Strategic Plan, <https://www.snam.it/en/investor-relations/strategy/2023-27-Strategic-Plan.html>

	<p>The goals are public and monitored on an annual basis. The goals are not SBTi verified due to the absence of specific methodology. Once the Oil&Gas methodology is made available by SBTi, Snam commits to be validated.</p>
<p>Consistency with the KPIs</p>	<p>KPI 1, 2, 3: Snam has set decarbonization as one of its priority long-term goals, as part of the Snam’s Carbon Neutrality Strategy by 2040. KPI 1 focuses on reducing the company’s natural gas emissions, KPI 2 on reducing the company’s Scopes 1 and 2 emissions, KPI 3 on reducing Scope 3 emissions and is therefore consistent with its decarbonization objective.</p> <p>KPI 4: Snam has set gender balance as one of its priority long-term goals. To achieve this goal, the company has outlined an Inclusive Language Manifesto and training events and established the “Inclusion Team” responsible to promote gender diversity initiatives. KPI 4 focuses on increasing the percentage of women executives at middle management roles and is therefore consistent with the company’s gender diversity objective.</p>
<p>Action plan</p>	<p>The Issuer has a Leak Detection And Repair (LDAR) and recompressing program in place to reduce natural gas emissions in the pipeline as well as maintenance operations (gate valves, pneumatic actuators and instrumentation). Moreover, Snam will replace the gas-fueled compressor stations (CS) with electric units, starting in December 2025, improve the dispatching process, and foster the purchase and consumption of certified green energy (renewable electricity or green pas biomethane). Snam is also committed to identify top emitters suppliers to work together to reduce emissions through the entire supply chain, organize training to raise awareness about ESG issues and get involved in CDP Supply Chain questionnaire and Open-es platform.</p> <p>As part of the gender diversity strategy, the Issuer has established ‘The Inclusion Team’ to launch gender equality initiatives and address the need to retain the female working force and reduce the gender pay gap. The team has promoted 16 initiatives involving more than 2,000 colleagues in since 2020, such as an Inclusive Language Manifesto and training events. The team identifies, proposes and promotes initiatives that affect all HR processes: Employer Branding & Talent Acquisition, training, development and communication. For talent acquisition processes are put in place “to promote objectivity in the candidate selection</p>

	<p>process and ensure equal opportunities for internal and external candidates”.</p>
<p>Climate Transition Strategy</p>	<p>The Issuer is committed to minimizing methane emissions from the Company’s operations and contributing to maintaining the global temperature within the 1.5°C limit set by the Paris Agreement. It is noteworthy that the issuer currently operates under a scenario where emissions are well below the 2°C threshold.</p> <p>To meet this target of well below 2°C, Snam plans on reducing methane emissions by 72%, Scope 1 and 2 emissions by 50% and Scope 3 emissions by 50% by 2032.</p>
<p>ESG Risk and Sustainability Strategy Management</p>	<p>Current and prospective risks and opportunities associated with Snam’s corporate strategy are identified, assessed and monitored through the Enterprise Risk Management (ERM) model.⁷⁹ Through the ERM process, which is repeated on a regular basis (annually for all the risks and opportunities, while semi-annually for critical and high risks), the risks identified are classified as financial, operational, legal and compliance, and strategic. Snam during 2023 implemented a climate change risk management project (CCRM). Based on the physical and transitional risks related to climate change, aligned with EU Taxonomy and Task-Force on Climate Related Finance Disclosure (TCFD) requirements, risks (physical and transitional) impacting Snam’s assets and business were identified. These events were evaluated in terms of their probability of occurrence and their economic and reputational impacts. The assessment was carried out on the short to medium term (2023-2030) and the long term. Specifically, the long term was assessed in consideration of the IPCC scenarios (1.9; 4.5; 8.5) with a view to 2040, which is the time horizon of the Group’s Net Zero targets.</p> <p>Transition risk mapping focused on four trend categories (market, technological, policy & legal and reputational), taking in consideration also Shared Socioeconomic Pathways (SSPs) and International Energy Agency (IEA) scenarios up to 2040.</p> <p>The Control and Risk and Related Party Transactions Committee in coordination with the Environmental, Social & Governance and Energy Transition Scenarios Committee, periodically examines and approves the Group’s strategic risks, including those related to climate change and energy transition, and is responsible for the identification,</p>

	<p>measurement, management and monitoring of the main business risks, including ESG risks. The latter Committee is also involved with the definition and the update of the Sustainability strategy.</p>
<p>Top three areas of breaches of international norms and ESG controversies in the industry⁴⁸</p>	<p>Anti-competitive behavior, Failure to mitigate climate change impacts, Strike action.</p>
<p>Breaches of international norms and ESG controversies by the Issuer</p>	<p>At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.</p>
<p>Sustainability Reporting</p>	<p>The Issuer reports on its ESG performance and initiatives on an annual basis. The report is prepared according to the GRI Sustainability Reporting Standards and subject to a limited assurance engagement according to the criteria indicated by the "International Standard on Assurance Engagements ISAE 3000 Revised - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" principle, issued by International Auditing and Assurance Standards Board (IAASB).</p>
<p>Industry associations, Collective commitments</p>	<p>The Issuer is a member of Oil & Gas Methane partnership since November 2020.</p> <p>Furthermore, Snam's commitment to doing business according to a sustainable development model, to respect and protect human rights and labor and the environment, was renewed in 2009 with its membership of Global Compact. Snam's policy on human rights enshrines the UN Universal Declaration of Human Rights, the Fundamental Conventions of the ILO, and the OECD Guidelines for Multinational Enterprises.</p>
<p>Previous sustainable/sustainability-linked issuances or transactions and publication of sustainable financing framework</p>	<p>Snam issued its first Climate Action Bond in February 2019, which was followed by the issuance of Transition Bonds for approximately 3 billion euro.</p> <p>Snam issued its first 1.5-billion-euro Sustainability Linked Bond (SLB) in January 2022 with economic performances linked to natural gas and Scopes 1 and 2 emissions reduction. In December 2022, Snam tapped the market with its first EU</p>

	<p>Taxonomy-aligned Transition Bond with finance projects related to infrastructure and green gases.</p> <p>Furthermore, in 2023, Snam placed a 500-million-euro EU Taxonomy aligned transition exchangeable bond and a 650-million-euro EU Taxonomy aligned transition bond.</p>
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Rationale for issuance

Snam’s current Sustainable Finance Framework (the “Framework”) is designed to factor the recent market dynamics into Snam’s sustainable finance, charting the course for the Group’s financial strategy in the coming years.

Under this Framework, Snam will be able to issue Green and Sustainability-Linked debt instruments in the form of bonds, loans, project financings and/or any other financing instruments in various formats and currencies. Through this Finance Framework, Snam will decide whether to use a Use of Proceeds or Sustainability-Linked format. Green financing marks a further evolution in Snam’s Use of proceeds debt instruments, moving beyond the previous EU taxonomy aligned transition format by incorporating a fully comprehensive analysis of the EU taxonomy. Sustainability-linked format poses a new starting point to address new challenges and future targets arising from recent energy market crises.

Use of Proceeds financing instruments issued under this Framework will follow best market practice as established by the Green Bond Principles 2021 (with June 2022 Appendix) administered by the International Capital Market Association (ICMA)¹²⁷ (“ICMA GBP”), the Green Loan Principles 2023¹²⁸ administered by the Loan Market Association (LMA)’s (“ICMA GLP”), and the Climate Transition Finance Handbook 2023¹²⁹. In addition, Sustainability-Linked financing instruments issued under the Framework will be aligned with the Sustainability-Linked Bond Principles 2023 administered by the ICMA¹³⁰ (“ICMA SLBPs”) and the Sustainability-Linked Loan Principles 2023 administered by the LMA¹³¹ (“LMA SLLPs”).

Opinion: *The key sustainability objectives and the rationale for issuing Green Bonds are clearly described by the Issuer. The majority of the project categories financed are in line with the sustainability objectives of the Issuer.*

¹²⁷ Green Bond Principles, June 2022, ICMA <https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Green-Bond-Principles-June-2022-060623.pdf>

¹²⁸ Green Loan Principles, LMA, February 2023 https://www.lma.eu.com/application/files/8916/9755/2443/Green_Loan_Principles_23_February_2023.pdf

¹²⁹ Climate Finance Transition Handbook, ICMA, June 2023 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Climate-Transition-Finance-Handbook-CTFH-June-2023-220623v2.pdf>

¹³⁰ Sustainability-Linked Bond Principles, ICMA, June 2023 <https://www.icmagroup.org/assets/documents/Sustainable-finance/2023-updates/Sustainability-Linked-Bond-Principles-June-2023-220623.pdf>

¹³¹ Sustainability-Linked Loan Principles, LMA, February 2023: https://www.lma.eu.com/application/files/9216/9755/2878/Sustainability_Linked_Loan_Principles_23_February_2023_v.2.pdf

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The parent Company of Institutional Shareholder Services (“ISS”), ISS HoldCo Inc., has since February 2021 been principally owned by Deutsche Börse AG (“DB”) with the remainder owned by Genstar Capital (“Genstar”) and ISS management. In April 2023, DB announced its intention to combine ISS with Qontigo, another entity controlled by DB, with General Atlantic to become

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the sole minority shareholder of the combined entity. The combination is expected to be completed in the third quarter of 2023. In July 2023, the stakes of Genstar and ISS management in ISS HoldCo Inc. were acquired by DB. The non-interference and similar policies implemented by ISS related to Genstar are no longer applicable and disclosures regarding Genstar and ISS management's ownership of ISS are withdrawn.

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ANNEX 1: METHODOLOGY

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology.

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Sustainable Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2023).

The evaluation shows if Snam's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Snam (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

ANNEX 2: QUALITY MANAGEMENT PROCESSES

SCOPE

Snam commissioned ISS-Corporate to compile a Green Debt Instruments SPO. The Second Party Opinion process includes verifying whether the Sustainable Finance Framework aligns with the GBP, and GLP, and to assess the sustainability credentials of its Green Debt Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion:

- Green Bond Principles (GBP) as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)
- Green Loan Principles (GLP) as administered by the Loan Market Association (LMA) (as of February 2023)
- EU Taxonomy Climate Delegated Act (as of June 2023)
- ICMA Climate Transition Finance Handbook (CTFH) (as of June 2023)

ISSUER'S RESPONSIBILITY

Snam's responsibility was to provide information and documentation on:

- Framework
- Selection criteria
- Documentation of ESG risks management at the asset level

ISS-CORPORATE'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS-Corporate is a part of, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Debt Instruments to be issued by Snam has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and LMA Green Loan Principles.

The engagement with SNAM took place from January to February 2024.

ISS-CORPORATE'S BUSINESS PRACTICES

ISS-Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

ANNEX 3: ISS-Corporate Sustainability-Linked Bonds and Sustainability-Linked Loans Methodology

The ISS-Corporate SPO provides an assessment of labelled transactions against international standards using ISS-Corporate proprietary methodology. For more information, please visit: <https://www.issgovernance.com/file/publications/SPO-Sustainability-Linked-Bonds-and-Loans.pdf>

Analysis of the KPI selection and associated SPT

In line with the voluntary guidance provided by the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles, an in-depth analysis of the sustainability credibility of the KPI selected and associated SPT has been conducted.

The analysis has determined whether the KPI selected is core, relevant and material to the Issuer’s business model and consistent with its sustainability strategy thanks to long-standing expertise in evaluating corporate sustainability performance and strategy. The analysis also reviewed whether the KPI is appropriately measurable by referring to key reporting standards and against acknowledged benchmarks. Based on the factors derived from the SLBP and SLLP and using a proprietary methodology, the KPI selection assessment is classified on a 3-level scale:

Not Aligned	Aligned	Best Practice
The KPI is not aligned if one of the core requirement from the SLBP and SLLP selection of KPIs section is not satisfied.	The KPI is aligned if all the core requirements from the SLBP and SLLP selection of KPIs section are satisfied.	The KPI follows best practice if all the core requirements from the SLBP and SLLP selection of KPIs section are satisfied and if the KPI is fully material and follows best-market practices in terms of benchmarkability.

The ambition of the SPT has been analyzed against the Issuer’s own past performance (according to Issuer’s reported data), against the Issuer’s industry peers (for example per ISS ESG Peer Universe data), and against international benchmarks such as the Paris agreement (based on data from the Transition Pathway Initiative or Science-Based Targets initiative). Finally, the measurability and comparability of the SPT, and the supporting strategy and action plan of the Issuer have been evaluated.

Based on the factors derived from the SLBP and SLLP and using a proprietary methodology, the SPT selection assessment is classified on a 4-level scale:

No Evidence	Limited	Good	Robust
If none of the three dimensions (past performance, industry peers and international benchmarks) are positively assessed.	If the SPT is ambitious against only one of the three dimensions.	If the SPT is ambitious against two of the three dimensions.	If the SPT is ambitious against all the dimensions.

ANNEX 4: Quality management processes

ISS-CORPORATE ESG'S VERIFICATION PROCESS

Since 2014, ISS Group, of which ISS- Corporate is part, has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green and Sustainability-Linked debt instruments to be issued by Snam has been conducted based on a proprietary methodology and in line with the ICMA Sustainability-Linked Bond Principles and LMA Sustainability Loan Principles.

The engagement with Snam took place from December 2023 to February 2024.

ISS- CORPORATE BUSINESS PRACTICES

ISS- Corporate has conducted this verification in strict compliance with the ISS Group Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

Companies turn to ISS Corporate Solutions (ISS-Corporate) for expertise in designing and managing governance, compensation, sustainability and cyber risk programs that align with Company goals, reduce risk, and manage the needs of a diverse shareholder base by delivering best-in-class data, tools, and advisory services.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.iss-corporate.com/solutions/sustainable-finance/bond-issuers/>

For more information on SPO services, please contact: SPOsales@iss-corporate.com

Project team

Project lead

Orane Busto

Associate

Sustainable Finance Research

Project lead

Claudia Muñoz Carmona

Associate

Sustainable Finance Research

Project support

Clara Schouler

Analyst

Sustainable Finance
Research

Project support

Marco Casanova
Escribano

Analyst

Sustainable Finance
Research

Project support

Vittoria Favalaro

Analyst

Sustainable Finance
Research

Project support

Carolina Canepari

Associate

Sustainable Finance
Research

SECOND PARTY OPINION

Sustainability Quality of the Issuer
and Sustainable Finance Framework



Project support

Masaki Kadowaki

Associate
Sustainable Finance
Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research

Project support

Jason Yu

Associate
Sustainable
Research

Project support

Marika Peressoni

Analyst
Finance Sustainable
Research

Project support

Lucas Deschenes

Analyst
Finance Sustainable Finance
Research