

REPORT REVIEW

Snam Use of Proceeds Debt Instruments Annual Report

Snam Use of Proceeds Debt Instruments Annual Report 2023

17 March 2023

VERIFICATION PARAMETERS

Types of reporting

- Green Financing Instruments Allocation and Impact Reporting

Relevant standard(s)

- ICMA Harmonized Framework for Impact Reporting (as of June 2022)
- ICMA Green Bond Principles (applicable at the date of publication of the Frameworks)
- ICMA Green Loan Principles (February 2021)
- Snam's Use of Proceeds Debt Instruments Annual Report (as of March 17, 2023)
- Snam's Sustainable Finance Framework (as of November 29, 2021)
- Snam's Transition Bond Framework (as of June 9, 2020)
- Snam's Climate Action Bond Framework (as of November 7, 2018)

Scope of verification

- Bond(s) identification:

ISIN	Maturity	Size (m€)	Framework
XS1957442541	6.5 years	500	Climate Action Bond Framework
XS2190256706	10 years	500	Transition Bond Framework
XS2268340010	8 years	600	Transition Bond Framework
XS2300208928	4.5 years	750 ¹	Transition Bond Framework
XS2300345837	9 years		
XS2358231798	10 years	500	Transition Bond Framework
XS2562879192	4 years	300	Sustainable Finance Framework
Private Green Loan	4 years	75	Sustainable Finance Framework

Lifecycle

- Post-issuance verification

Validity

- As long as no changes are undertaken by the Issuer to its Use of Proceeds Debt Instruments Annual Report as of March 17, 2023

¹ Please note that this is a "Dual tranche" Transition bond.

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SCOPE OF WORK

Snam (“the Issuer”) commissioned ISS Corporate Solutions (ICS) to provide an External Review² on its Use of Proceeds Debt Instruments Annual Report by assessing:

1. The alignment of the Snam’s Use of Proceeds Debt Instruments Annual Report with the commitments set forth in Snam’s Climate Action Bond Framework (as of November 7, 2018), Transition Bond Framework (as of June 9, 2020), and Sustainable Finance Framework (as of November 29, 2021)³.
2. Snam’s Use of Proceeds Debt Instruments Annual Report – benchmarked against ICMA Harmonized Framework for Impact Reporting updated as of June 2022.
3. The disclosure of proceeds allocation and soundness of reporting indicators – whether the impact metrics align with best market practices and are relevant to the Climate Action Bond, Transition Bonds, Green Loan, and EU Taxonomy aligned Transition Bond issued.

² A limited or reasonable assurance is not provided on the information presented in Snam Use of Proceeds Debt Instruments | Annual Report. A review of the use of proceeds’ allocation and impact reporting is solely conducted against ICMA’s Green Bond Principles: core principles and recommendations where applicable, and the criteria outlined in the underlying Framework. The assessment is solely based on the information provided in the allocation and impact reporting. The Issuer [or Snam] is responsible for the preparation of the report including the application of methods and internal control procedures designed to ensure that the subject matter information is free from material misstatement.

³ ISS has provided a Second Party Opinion (SPO) on Snam’s Sustainable Finance Framework (2021). Snam’s Transition Bond Framework (2020) and Climate Action Bond Framework (2018) have also received Second Party Opinions (SPO).

ASSESSMENT SUMMARY

REVIEW SECTION	SUMMARY	EVALUATION
<p>Part 1.</p> <p>Alignment with the Issuer's commitments set forth in the Climate Action Bond, Transition Bond, and Sustainable Finance Frameworks</p>	<p>The Snam's Use of Proceeds Debt Instruments Annual Report meets meet the Issuer's commitments set forth in the Climate Action Bond Framework, Transition Bond Framework, and Sustainable Finance Framework. The proceeds have been used to (re)finance Carbon & emission reduction projects, Renewable energy projects (Bio-methane), Energy efficiency projects, Green development projects, and in accordance with the eligibility criteria defined in the three Frameworks.</p>	<p>Aligned</p>
<p>Part 2.</p> <p>Alignment with the Use of Proceeds Debt Instruments Annual Report</p>	<p>The Use of Proceeds Debt Instruments Annual Report is in line with ICMA's HFIR. The Issuer follows core principles and where applicable key recommendations.</p> <p>The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best practices. Snam tracks the proceeds and has clearly reported on the Green Financing Instruments use of proceeds as well as on the expected environmental impacts.</p>	<p>Aligned</p>
<p>Part 3.</p> <p>Disclosure of proceeds allocation and soundness of reporting indicators</p>	<p>The allocation of the bond's proceeds has been disclosed, with a detailed breakdown across different eligible project categories as proposed in the three Frameworks⁴.</p> <p>Snam's Use of Proceeds Debt Instruments Annual Report have adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies and granularity reflecting best market practices.</p>	<p>Positive</p>

⁴ The assessment is based on the information provided in the Issuer's report. The Issuer is responsible for the preparation of the report including the application of methods and procedures designed to ensure that the subject matter information is free from material misstatement.

REPORT REVIEW ASSESSMENT

PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN SNAM'S CLIMATE ACTION BOND FRAMEWORK (2018), TRANSITION BOND FRAMEWORK (2020), AND SUSTAINABLE FINANCE FRAMEWORK(2021)⁵

The following table evaluates the Use of Proceeds Debt Instruments Annual Report against the commitments set forth in Snam's Climate Action Bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance Framework (2021), which are based on the core requirements of the Green Bond Principles and Green Loan Principles as well as best market practices.

ICMA GBP & GLP	OPINION	ALIGNMENT WITH COMMITMENT
1. Use of Proceeds	<p>Snam confirms to follow the Use of Proceeds' descriptions provided by Snam's Climate Action Bond Framework 2018, Transition Bond Framework 2020, and Sustainable Finance Framework 2021. The report is in line with the initial commitments set in the three Frameworks above Carbon & emission reduction projects, Renewable energy projects, Energy efficiency projects, Green development projects, Retrofit of the gas transmission network, and Manufacture of green gases (Advanced Biomethane & Hydrogen).</p> <p>The Issuer's green categories align with the project categories and are in accordance with the eligibility criteria set in Snam's three Frameworks listed above. Environmental benefits at either category or project level are described and quantified.</p>	✓
2. Process for Project Evaluation and Selection	<p>Snam confirms to follow the Process for Project Evaluation and Selection description provided by Snam's Transition Bond Framework 2020, Sustainable Finance Framework 2021, and Climate Action Bond Framework 2018. The report is in line with the initial commitments set in the three Frameworks above the eligibility of projects is to be evaluated and selected based on compliance with the eligibility criteria set out by Snam's Sustainable Finance Committee, which is comprised of members of Finance Department, CSR Department, Technical Department, and the Planning & Control Department.</p>	✓

⁵ The Snam's Sustainable Finance Framework was assessed as aligned with the GBP (as of June 2021 version) and GLP (as of February 2021) as of November 29, 2021.

	<p>The projects selected are defined and structured in a congruous manner. The Issuer ensures compliance with the Eligibility Criteria. ESG risks associated with the project categories are identified and managed through an appropriate process.</p> <p>The eligible projects are selected by relevant functions of Snam from the pool of investments included in the Business Plan. During the assessment, the Sustainable Finance Committee reviews the list of selected projects included in Snam’s capex plan and evaluates their alignment with the requirements set in the Framework. At the end of the analysis, the Committee will have to unanimously agree on the eligibility status of each project.</p> <p>The Issuer confirms that various stakeholders are involved throughout the process as is stated in the Frameworks.</p>	
<p>3. Management of Proceeds</p>	<p>Snam confirms to follow the Process for Management of Proceeds description provided by Snam’s Climate Action Bond Framework 2018, Transitional Bond Framework 2020, and Sustainable Finance Framework 2021. The report is in line with the initial commitments set in Snam’s three Frameworks above: The proceeds from the bonds will be managed by Snam’s Finance Department. The net proceeds from the instruments will be tracked internally and an amount at least equivalent to the net proceeds of each instrument will be earmarked for allocation to the portfolio of eligible projects. The proceeds collected are representative to 80% of the amount allocated to eligible projects, with no exceptions. Approximately 3% of the proceeds has been allocated to refinance eligible projects. The proceeds are tracked in an appropriate manner and attested in a formal internal process. Snam has committed to periodically adjust the balance of proceeds to match the allocation for eligible projects (re)financed during this period. If the projects are no longer eligible, Snam commits to substitute them as soon as practically possible, on a best-effort basis.</p> <p>Moreover, the Issuer discloses the temporary investment instruments for unallocated proceeds. Snam will invest the balance of net proceeds per its liquidity management policy, including to reimburse outstanding credit facilities, pay down existing debt, or keep it in cash or cash equivalents, overnights, or other short-term financial instruments.</p>	<p>✓</p>
<p>4. Reporting</p>	<p>The Snam Use of Proceeds Debt Instruments Annual Report is coherent with the Reporting description provided by Snam’s Climate Action Bond Framework 2018, Transitional</p>	<p>✓</p>

Bond Framework 2020, and Sustainable Finance Framework 2021. The report is in line with the initial commitments set in the Snam's three Frameworks above:

Publish an Allocation Report, which includes:

- Allocation of the net proceeds of financing instruments to eligible projects, at the project level, or otherwise at the category level.
- Brief description of all eligible projects funded such as their location, types and sectors of projects, and the respective NACE codes⁶
- Contribution to the EU environmental objectives⁷,
- Proportion of proceeds used for financing vs refinancing,
- Current funded amount, % funded by proceeds, and funding dates,
- Assertions by management that an amount equal to the net proceeds of that tranche or series of financing instruments are invested in qualifying Eligible Projects and that, until full allocation, an amount equal to any unallocated net Proceeds is used to reimburse outstanding credit facilities / pay down existing debt or kept in cash, overnight or other short-term financial instruments
- A minimum annual reporting frequency.

The Issuer has also committed to publish an Impact Report, which includes:

- The environmental impacts of the projects financed,
- Estimation of positive and adverse environmental impacts in an aggregated form,
- Information on the methodology and assumptions used to evaluate the impacts of projects,
- Information about the projects' positive and negative environmental impacts and metrics if applicable.
- Detailed case studies on a select number of projects
- Evidence of the linkage between the projects financed and Snam's Climate Transition Strategy⁸.
- A minimum annual reporting frequency.

⁶ Please note that this commitment is only applicable to instruments financed according to Snam's Sustainable Finance Framework (2021).

⁷ Please note that this commitment is only applicable to instruments financed according to Snam's Sustainable Finance Framework (2021).

⁸ Please note that this commitment is only applicable to instruments financed according to the Sustainable Finance Framework (2021).

	<p>The sections “Allocation reporting” and “Impact Reporting” of the Use of Proceeds Debt Instruments Annual Report comply with the pre-issuance commitment expressed in the framework. The report is intended to be publicly available to the borrowers. All financial figures included in the Report are audited by an independent Accountant.</p> <p><i>Further analysis of this section is available in Part III of this report.</i></p>	
5. Verification	<p>ISS has provided a Second Party Opinion (SPO) on Snam’s Sustainable Finance Framework (2021). Snam’s Transition Bond Framework (2020) and Climate Action Bond Framework (2018) have also received Second Party Opinions (SPO).</p>	

PART II: ASSESSMENT AGAINST THE ICMA HFIR

Reporting is a core component of the GBP and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green financing instrument Issuers are required to report on both the use of Green Financing Instruments proceeds, as well as the environmental impacts at least on an annual basis until full allocation or maturity of the bond. ICMA HFIR has been chosen as a benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Snam's Use of Proceeds Debt Instruments Annual Report against ICMA HFIR.

CORE PRINCIPLES		
ICMA HFIR	USE OF PROCEEDS DEBT INSTRUMENTS ANNUAL REPORT	ASSESSMENT
Reporting on an annual basis	Snam has reported on an annual basis, and 80% of the proceeds have been allocated to the eligible projects outlined in the Climate Action Bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance Framework (2021). Approximately 20% has not been allocated, Snam has stated that the unallocated amount is expected to be invested in the next few years. The report will be available on Snam's website: https://www.snam.it/en/Investor_Relations/debt_credit_rating/sustainable_finance.html	✓
Illustrating the environmental impacts or outcomes	The assessment and measurement of the impacts generated by Snam's Green Financing Instruments covering the following areas: <ul style="list-style-type: none"> a. Energy saving expected at the end of the activity⁹ b. Methane emission/ leakages avoided c. NOx lower emissions d. Lower fuel gas used with lower emissions of CO₂ e. Lower consumption of fuel gas f. Aggregated installed /expected electricity production capacity based on the biomethane production in plants using 	✓

⁹ According to Snam, this value reflected does not factor in the level of obsolescence of the old heaters, indeed assuming a certain degree of obsolescence vs nominal efficiency of the heaters at the end of the useful life to be replaced the energy efficiency would be comfortably above 15%.

	<p>Organic Fraction Municipal Solid Waste (OFMSFW) feedstock</p> <ul style="list-style-type: none"> g. Aggregated installed/expected infrastructure electricity production capacity based on the 1) electricity production from biogas and 2) full conversion of biogas production to biomethane using Livestock Manure, Agricultural by-products and agricultural biomass feedstock h. Estimated energy saving on an annual basis i. (Acquisitions of) companies operating in the energy efficiency sector for residential, industrial, and tertiary business solutions j. Avoided CO₂ emissions both direct and indirect (raw materials transport and extraction) k. The number of new developments achieving green building certifications l. The number of projects achieving upgrade on energy class m. Ton/CO₂eq reduced per year as a result of energy saving due to building renovation projects n. The number of new developments receiving LEED certification o. Kilometers of gas transmission network replaced with hydro-ready pipelines¹⁰ 	
<p>ESG Risk Management</p>	<p>The Issuer stated that it has a dedicated Environmental Risk Management team which executes risk analysis on the group and project level, including ESG assessments.</p>	<p>✓</p>

¹⁰ For hydrogen-ready pipelines Snam means SNAM internal standards ("GASD") coming from the implementation of international standards currently available. Design and construction of all SNAM network are based on these standards including company's know-how. The SNAM's network "hydrogen-ready" is based on the ASME B31.12' "Hydrogen Piping and Pipeline" standard. GASD remain unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate design and construction phases of new gas network. For more details, see the case study "Retrofit of gas transmission network projects: qualification of H-ready pipelines".

<p>Allocation of proceeds- Transparency on the currency</p>	<p>As part of the general audit carried out by Deloitte & Touché S.p.A. and more specifically the half-year 2022 financial statements and its limited audit, Issuer reports the cash flow related to the Green Financing Instruments and the allocations to the projects.</p> <p>The half-year 2022 report with a limited audit is available on Snam's website: https://www.snam.it/export/sites/snam-rp/repository/ENG_file/investor_relations/reports/interim_reports/2022/SNAM_2022_Half_Year_Report.pdf</p> <p>As of 2022, Issuer reports the cash flow related to the Green Financing Instruments and the allocations to the projects. All cash flows are reported in Euros.</p>	<p>✓</p>
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RECOMMENDATIONS

ICMA HFIR	USE OF PROCEEDS DEBT INSTRUMENTS ANNUAL REPORT	ASSESSMENT												
<p>Define and disclose period and process for Project Evaluation and Selection</p>	<p>80% of the proceeds raised have been allocated to eligible projects as defined in the Climate Action Bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance Framework (2021).</p> <p>The Issuer defined and disclosed a transparent process for evaluating and selecting the Eligible Green Projects in the Report. The project data and proceeds allocated are monitored on a quarterly basis by the finance department, and the information collected from the eligible projects are reported on an annual basis.</p>	<p>✓</p>												
<p>Disclose total amount of proceeds allocated to eligible disbursements</p>	<p>A total of 3,225 million euros raised through the Climate Action bond in 2019, the Transition bonds in 2020 and 2021, the Green Loan and EU taxonomy aligned Transition Bond in 2022. As of the end of 2022, 80% of the proceeds has been allocated to Green Assets issued before 12/02/2022 which are:</p> <table border="1" data-bbox="483 1890 1046 2024"> <thead> <tr> <th>Instrument</th> <th>ISIN #</th> <th>Allocation %</th> </tr> </thead> <tbody> <tr> <td>Climate action bond</td> <td>XS1957442541</td> <td>100%</td> </tr> <tr> <td>Transition Bond</td> <td>XS2190256706</td> <td>100%</td> </tr> <tr> <td>Transition Bond</td> <td>XS2268340010</td> <td>100%</td> </tr> </tbody> </table>	Instrument	ISIN #	Allocation %	Climate action bond	XS1957442541	100%	Transition Bond	XS2190256706	100%	Transition Bond	XS2268340010	100%	<p>✓</p>
Instrument	ISIN #	Allocation %												
Climate action bond	XS1957442541	100%												
Transition Bond	XS2190256706	100%												
Transition Bond	XS2268340010	100%												

	<table border="1"> <tbody> <tr> <td>“Dual tranche” Transition Bond</td> <td>XS2300208928 XS2300345837</td> <td>57%</td> </tr> <tr> <td>Transition Bond</td> <td>XS2358231798</td> <td>60%</td> </tr> <tr> <td>Green Loan</td> <td>Private transaction</td> <td>26%</td> </tr> <tr> <td>EU Taxonomy aligned Transition Bond</td> <td>XS2562879192</td> <td>50%</td> </tr> </tbody> </table>	“Dual tranche” Transition Bond	XS2300208928 XS2300345837	57%	Transition Bond	XS2358231798	60%	Green Loan	Private transaction	26%	EU Taxonomy aligned Transition Bond	XS2562879192	50%	
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Transition Bond	XS2358231798	60%												
Green Loan	Private transaction	26%												
EU Taxonomy aligned Transition Bond	XS2562879192	50%												
Formal internal process for the allocation of proceeds and to report on the allocation of proceeds	<p>The Issuer followed a transparent process for the allocation of proceeds.</p> <p>Projects financed and/or refinanced through the Green Financing Instruments issued under Snam’s, Climate Action Bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance Framework (2021) were evaluated and selected based on compliance with the Eligibility Criteria.</p>	✓												
Report at project or portfolio level	The Snam’s Use of Proceeds Debt Instruments Annual Report includes the total amount of proceeds allocated per eligible project category and project type within categories.	✓												
Describe the approach to impact reporting	The Issuer identifies the specific eligible projects and clearly defines, for each project, the total project’s allocated proceeds.	✓												
Report the estimated lifetime results and/or project economic life (in years)	Snam has reported estimated lifetime results for the following project categories: Carbon & emission reduction projects, Renewable energy projects (Bio-methane), and Retrofit of gas transmission networks.	✓												
Ex-post verification of specific projects	There is no ex-post verification of specific projects.	N/A												
Report on at least a limited number of sector specific core indicators	<p>Carbon & emission reduction projects</p> <ul style="list-style-type: none"> ▪ Energy saving expected at the end of the activity¹¹ ▪ Methane emission/ leakages avoided (MSmc/year, MSmc) ▪ NOx lower emissions (%) ▪ Lower fuel gas used with lower emissions of CO₂ ▪ Lower consumption of fuel gas 	✓												

¹¹ According to Snam, this value reflected does not factor in the level of obsolescence of the old heaters, indeed assuming a certain degree of obsolescence vs nominal efficiency of the heaters at the end of the useful life to be replaced the energy efficiency would be comfortably above 15%.

Renewable energy projects (Bio-methane)

- Aggregated installed /expected electricity production capacity (MW) based on the biomethane production in plants using Organic Fraction Municipal Solid Waste (OFMSFW) feedstock
- Aggregated installed/expected infrastructure electricity production capacity (MW) based on the 1) electricity production from biogas and 2) full conversion of biogas production to biomethane using Livestock Manure, Agricultural by-products and agricultural biomass feedstock

Energy Efficiency projects

- Estimated energy saving (MWh) on an annual basis
- (Acquisitions of) companies operating in the energy efficiency sector for residential, industrial, and tertiary business solutions
- Avoided CO₂ emissions (ton) both direct and indirect (raw materials transport and extraction)

Green development projects

- Number of new buildings gaining green
- Number of new buildings gaining green building certification
- Number of projects achieving upgrade of energy class
- Ton/CO₂eq reduced per year as a result of energy saving due to building renovation projects
- Number of new developments receiving LEED certification

Retrofit of gas transmission network

	<ul style="list-style-type: none"> Kilometres of gas transmission network replaced with hydro-ready pipelines¹² 	
If there is no single commonly used standard, Issuers may follow and disclose their own calculation methodologies	For those indicators where there is no single commonly used standard, Issuer has elected reasonable and easy to quantify measurement units and methodologies. In places where helpful, Issuer has added footnotes in its report further clarifying methodology.	✓
Disclosure on the conversion approach (if applicable)	The Issuer elects to convert units reported for individual projects based on a standard conversion factor and includes appropriate disclosure of the conversion approach in the report.	✓
Projects with partial eligibility	The Issuer has not financed partially eligible projects.	N/A
When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach	The Issuer reports impact at project level, and the impact of each project is clear. Reporting on project impact at a component level is not applicable.	✓

OPINION

Snam follows ICMA's Harmonized Framework for Impact Reporting (HFIR)'s core principles and 10 relevant key recommendations. The Issuer provides transparency on the level of expected reporting as well as on the frequency, scope, and duration, aligned with best market practices. The Issuer reported on an annual basis and illustrated the environmental impacts of the projects. In addition, the Issuer disclosed the ESG Risk Management system in place and the total amounts disbursed on eligible projects with associated currency.

¹² For hydrogen-ready pipelines Snam means SNAM internal standards ("GASD") coming from the implementation of international standards currently available. Design and construction of all SNAM network are based on these standards including company's know-how. The SNAM's network "hydrogen-ready" is based on the ASME B31.12' "Hydrogen Piping and Pipeline" standard. GASD remain unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate design and construction phases of new gas network. For more details, see the case study "Retrofit of gas transmission network projects: qualification of H-ready pipelines".

PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS

Use of Proceeds Allocation

Use of Proceeds allocation reporting is key to put the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' projects.

The Use of Proceeds Debt Instruments | Annual Report (March 17, 2023 version) is an annual update report which represents Snam's Green Financing Instruments issued under Climate Action bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance Framework (2021) in an aggregated manner.

This is the second year of allocation reporting and the 80% of allocation in 2022 compares with the 60% of allocation in 2021. The Use of Proceeds allocation reporting occurred within the regular annual cycle from the issuance.

The Issuer also disclosed transparently the amount of unallocated proceeds and the temporary investments. Proceeds that have not been unallocated are expected to be invested in the next few years and, until full allocation, the company will hold funds in cash and cash equivalent or temporarily repay the outstanding debt.

Proceeds allocated to eligible projects/assets

The proceeds' allocation is broken down at the project category level, by type of project. Proceeds allocation has been reported at the bonds and loan level and the Use of Proceeds category level. The Issuer has provided detail about the type of projects included in the portfolio. For each project, the project description, amount funded, environmental performance indicators, and environmental benefits are documented.

The allocation report section of the Use of Proceeds Debt Instruments Annual Report of Snam aligns with best-market practices by providing information on:

- The number of projects (re-)financed
- The percentage of allocated proceeds for each financial instrument
- The total amount of proceeds in million euros (divided per environmental assets)
- Breakdown of the allocated amount per project type
- Case studies of eligible projects (available in last year's report)

Impact Reporting Indicators

The table below presents an independent assessment of the Issuer's report and disclosure on the output, outcome, and/or impact of projects/assets using impact indicators.

ELEMENT	ASSESSMENT
<p>Relevance</p>	<p>The impact indicators chosen by the Issuer for this bond are the following:</p> <p>Carbon & emission reduction projects</p> <ul style="list-style-type: none"> ▪ Energy saving expected at the end of the activity¹³ ▪ Methane emission/ leakages avoided (MSmc/year, Smc/year, MSmc) ▪ NOx lower emissions (%) ▪ Lower fuel gas with lower emissions of CO₂ (MSmc) ▪ Lower consumption of fuel gas <p>Renewable energy projects (Bio-methane)</p> <ul style="list-style-type: none"> ▪ Aggregated installed /expected electricity production capacity (MW) based on the biomethane production in plants using Organic Fraction Municipal Solid Waste (OFMSFW) feedstock ▪ Aggregated installed/expected infrastructure electricity production capacity (MW) based on the 1) electricity production from biogas and 2) full conversion of biogas production to biomethane using Livestock Manure, Agricultural by-products, and agricultural biomass feedstock <p>Energy Efficiency projects</p> <ul style="list-style-type: none"> ▪ Estimated energy saving (MWh) on an annual basis ▪ (Acquisitions of) companies operating in the energy efficiency sector for residential, industrial, and tertiary business solutions ▪ Avoided CO₂ emissions (ton) both direct and indirect (raw materials transport and extraction) <p>Green development projects</p> <ul style="list-style-type: none"> ▪ Number of new buildings gaining green building certification ▪ Number of new buildings gaining green building certification ▪ Number of projects achieving upgrade of energy class















¹³ According to Snam, this value reflected does not factor in the level of obsolescence of the old heaters, indeed assuming a certain degree of obsolescence vs nominal efficiency of the heaters at the end of the useful life to be replaced the energy efficiency would be comfortably above 15%.

	<ul style="list-style-type: none"> ▪ Ton/CO₂eq reduced per year as a result of energy saving due to building renovation projects ▪ Number of new developments receiving LEED certification <p>Retrofit of gas transmission network</p> <ul style="list-style-type: none"> ▪ Kilometres of gas transmission network replaced with hydro-ready pipelines¹⁴ <p>These indicators are qualitative, quantitative, and material to the Use of Proceeds categories financed through the Green Financing Instruments, the indicators are broadly in line with the Suggested Impact Reporting metrics by the ICMA Harmonized Framework for Impact Report for Green Bonds.</p>
<p>Data Sourcing and Methodologies of quantitative assessment</p>	<p>For the impact indicators, the Issuer uses internationally recognized impact indicators relevant to each of its Use of Proceeds categories, which are in line with the core indicator proposed by the ICMA Harmonized Framework for Impact Reporting (for Green Bonds). The data is sourced from the Issuer’s internal system and is processed by the Issuer.</p>
<p>Baseline selection</p>	<p>Some of the impact indicators selected by the Issuer, such as expected/installed electricity production capacity by biomethane from Organic Fraction Municipal Solid Waste (OFMSW) and kilometers of gas pipeline replaced with hydrogen-ready pipelines are calculated by the Issuer on an absolute basis without a benchmark/baseline. The other indicators such as methane leakages avoided per year, Avoided CO₂ emissions both direct and indirect (raw materials transport and extraction) are compared with the previous years’ data which is in line with the suggestions of the ICMA Harmonized Framework for Impact Reporting (for Green Bonds).</p>
<p>Scale and granularity</p>	<p>The impact data is presented at the Use of Proceed category level for the indicators.</p>








¹⁴ For hydrogen-ready pipelines Snam means SNAM internal standards ("GASD") coming from the implementation of international standards currently available. Design and construction of all SNAM network are based on these standards including company’s know-how. The SNAM’s network "hydrogen-ready" is based on the ASME B31.12' "Hydrogen Piping and Pipeline" standard. GASD remain unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate design and construction phases of new gas network. For more details, see the case study "Retrofit of gas transmission network projects: qualification of H-ready pipelines"

High-level mapping of the impact indicators with the UN Sustainable Development Goals

Based on the project categories financed and refinanced by the bonds as disclosed in the Issuer’s Use of Proceeds Debt Instruments Annual Report, the impact indicator(s) adopted by Snam for its Climate Action Bond, Transition Bond, and Green Loan can be mapped to the following SDGs, according to the ICMA “A High -Level Mapping to the Sustainable Development Goals”¹⁵.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
Energy saving expected at the end of the activity	
Methane leakages/emissions avoided	
NOx lower emissions	 
Lower fuel gas used with lower emissions of CO ₂	 
Lower consumption of fuel gas	 
Aggregated installed /expected electricity production capacity (MW) based on the biomethane production in plants using Organic Fraction Municipal Solid Waste (OFMSFW) feedstock	 
Aggregated installed/expected infrastructure electricity production capacity (MW) based on the 1) electricity production from biogas and 2) full conversion of biogas production to biomethane using Livestock Manure, Agricultural by-products, and agricultural biomass feedstock	 
Estimated energy saving on an annual basis	 

¹⁵ [ICMA’s Mapping-SDGs-to-Green-Social-and-Sustainability-Bonds](#)

<p>(Acquisitions of) companies operating in the energy efficiency sector for residential, industrial, and tertiary business solutions</p>	
<p>Avoided CO₂ emissions both direct and indirect (raw materials transport and extraction)</p>	
<p>Number of new buildings gaining green building certification</p>	
<p>Number of projects achieving upgrade of energy class</p>	
<p>Ton/CO₂eq reduced per year as a result of energy saving due to building renovation projects</p>	
<p>Number of new developments receiving LEED certification</p>	
<p>Kilometers of gas transmission network replaced with hydrogen-ready pipelines¹⁶</p>	

OPINION

The allocation of the Green Financing Instruments' proceeds have been disclosed, with a detailed breakdown across different eligible project categories/asset categories as proposed in Snam's Climate Action Bond Framework, Snam's Transition Bond framework, and Snam's Sustainable Finance framework. Snam's three Frameworks have adopted appropriate methodologies to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA HFIR's recommended metrics.

¹⁶ For hydrogen-ready pipelines Snam means SNAM internal standards ("GASD") coming from the implementation of international standards currently available. Design and construction of all SNAM network are based on these standards including company's know-how. The SNAM's network "hydrogen-ready" is based on the ASME B31.12' "Hydrogen Piping and Pipeline" standard. GASD remain unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate design and construction phases of new gas network. For more details, see the case study "Retrofit of gas transmission network projects: qualification of H-ready pipelines"

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ANNEX 1: Methodology

Review of the post-issuance Reports

The external review of post-issuance reports provides the Issuer with an independent opinion on the soundness of its post-issuance report and of its alignment with recognized market guidelines and it provides investors with independent information regarding the reliability of the report produced. On the basis of the information provided by the Issuer, the alignment of the report is assessed with recognized market guidelines, the metrics chosen by the Issuer and the soundness of process and methodology of reporting. The metrics are analyzed based on specific sets of indicators using proprietary method referring to common market guidelines.

High-level mapping to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method based on ICMA's Green, Social and Sustainability Bonds: A High-Level Mapping to the Sustainable Development Goals, the extent to the Issuers reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

SCOPE

Snam commissioned ICS to compile an External Review on its Use of Proceeds Debt Instruments | Annual Report 2023. The External Review process includes verifying whether the Bond Report aligns with the Issuer's Green, Social and Sustainability Bond Framework and the respective market standards, i.e. the Green Bond Principles, Social Bond Principles, and Sustainability Bond Guidelines and to assess the robustness and completeness of the reporting methodologies.

CRITERIA

Relevant Standards for this Report Review:

- ICMA Green Bond Principles
- ICMA Green Loan Principles
- ICMA Harmonized Framework for Impact Reporting

ISSUER'S RESPONSIBILITY

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

- Use of Proceeds Debt Instruments Annual Report 2023
- Climate Action Bond Framework 2018
- Transition Bond Framework 2020
- Sustainable Finance Framework 2021
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis, and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG 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 External Review has been conducted by following the ICMA Guidelines for Green, Social, Sustainability and Sustainability-Linked Bonds External Reviews, and its methodology, considering, when relevant, the ISAE 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

The engagement with Issuer Name took place from February to March 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS 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 External Review

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyzes companies and countries regarding their environmental and social performance.

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

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

For information on External Review services, contact: SPOsales@isscorporatesolutions.com

For more information on this specific Use of Proceeds Debt Instruments | Annual Report Report Review, please contact: SPOOperations@iss-esg.com

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