

REPORT REVIEW

Snam Use of Proceeds Debt Instruments | Annual Report

Snam Use of Proceeds Debt Instruments | Annual Report 2024
5 April 2024

VERIFICATION PARAMETERS

Type(s) of reporting

- Use of Proceeds Instruments

Relevant standard(s)

- Harmonized Framework for Impact Reporting (HFIR), updated June 2023, as administrated by the International Capital Market Association (ICMA)
- Snam's Use of Proceeds Debts Instruments | Annual Report (as of March 13, 2024)
- 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)
- Bond(s) identification: ISIN / bond maturity (bond issuance amount):

Scope of verification

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	Transition Bond Framework
XS2300345837	9 years		
XS2358231798	10 years	500	Transition Bond Framework
Private Green Loan	4 years	75	Sustainable Finance Framework
XS2562879192	4 years	300	Sustainable Finance Framework
XS2693301124	5 years	500	Sustainable Finance Framework
XS2725959683	6 years	650	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 13, 2024

CONTENTS

SCOPE OF WORK.....	3
ASSESSMENT SUMMARY.....	4
REPORT REVIEW ASSESSMENT.....	5
PART I: ALIGNMENT WITH COMMITMENTS SET FORTH IN SNAM'S CLIMATE ACTION FRAMEWORK (2018), TRANSITION BOND FRAMEWORK (2020), AND SUSTAINABLE FINANCE FRAMEWORK (2021).....	5
PART II: ASSESSMENT AGAINST THE ICMA HFIR.....	9
PART III: DISCLOSURE OF PROCEEDS ALLOCATION AND SOUNDNESS OF THE IMPACT REPORTING INDICATORS.....	15
ANNEX 1: Methodology	21
ANNEX 2: Quality management processes	22
About this Report Review	23

SCOPE OF WORK

Snam (“the Issuer”) commissioned ISS-Corporate to provide a Report Review¹ 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)².
2. Snam’s Use of Proceeds Debt Instruments Annual Report - benchmarked against ICMA Harmonized Framework for Impact Reporting updated as of June 2023.
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.

¹ 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.

² 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 Framework</p>	<p>The Snam’s Use of Proceeds Debt Instruments Annual Report meets the Issuer’s commitments set forth in the Climate Finance 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 market practices. Snam tracks the proceeds and has clearly reported on the Use of Proceeds 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 Framework³.</p> <p>Snam’s Use of Proceeds Debt Instruments Annual Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculation methodologies, and granularity reflecting best market practices.</p>	<p>Positive</p>

³ 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 TRANSITION BOND FRAMEWORK (2020), AND SUSTAINABLE FINANCE FRAMEWORK (2021)⁴

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 & GLB	OPINION	ALIGNMENT WITH COMMITMENT
<p>1. Use of Proceeds</p>	<p>Snam confirms to follow the Use of Proceeds’ description 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 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>	<p>✓</p>
<p>2. Process for Project Evaluation and Selection</p>	<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</p>	<p>✓</p>

⁴ The Snam Sustainable Finance Framework was assessed as aligned with the GBP (as of June, 2021) and GLP (as of February 2021) as of November 29, 2021.

	<p>by Snam’s Sustainable Finance Committee, which is comprised of members of Finance Departments, CSR Department, Technical Department, and the Planning & Control Department.</p> <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 Transition Bond Framework 2020, and Sustainable Finance Framework 2021. The report is in line with the initial commitments set in the 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 of 87% 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</p>	<p>✓</p>

	<p>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>4. Reporting</p>	<p>The Snam Use of Proceeds Debt Instruments Annual Report is coherent with the Reporting description provided by Snam’s Transition Bond Framework 2020, and Sustainable Finance Framework 2021. The report is in line with the initial commitments set in the three frameworks above:</p> <p>Publish an Allocation Report, which includes:</p> <ul style="list-style-type: none"> ▪ 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 codes ▪ Contribution to the EU environmental objectives, ▪ 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 	<p style="text-align: center;">✓</p>

	<p>The Issuer has also committed to publish an Impact Report, which includes:</p> <ul style="list-style-type: none"> ▪ 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 Strategy ▪ A minimum annual reporting frequency. <p>The sections "Allocation reporting" and "Impact Reporting" of the Use of Proceeds Debt Instruments Annual Report comply with the pre-issuance 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>	
<p>5. Verification</p>	<p>ISS has provided a Second Party Opinion (SPO) on Snam's Sustainable Finance Framework (2021). Snam's Transition Bond Framework (2020) have also received a Second Party Opinion (SPO).</p>	

PART II: ASSESSMENT AGAINST THE ICMA HFIR

Reporting is a core component of the Green Bond Principles and transparency is of particular value in communicating the expected and/or achieved impact of projects in the form of an annual reporting. Green bond Issuers are required to report on both the use of green bond 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 benchmark for this analysis as it represents the most widely adopted standard.

The table below evaluates Snam 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	<p>Snam has reported on an annual basis, and 87% of the proceeds have been allocated to the eligible projects outlined in the Transition Bond Framework (2020), and Sustainable Finance Framework (2011). Approximately 13% has not been allocated, Snam states that the unallocated amount is expected to be invested in the next few years.</p> <p>The report will be available on Snam’s website.⁵</p>	✓
Illustrating the environmental impacts or outcomes	<p>The assessment and measurement of the impacts generated by Snam Use of Proceeds Instruments covered the following areas:</p> <ul style="list-style-type: none"> a. Energy savings expected at the end of the activity b. Methane emissions/ leakages avoided c. NOx lower emissions d. Lower consumption of fuel gas 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 	✓

⁵ <https://www.snam.it/en/investor-relations/investing-in-snam/debt-and-credit-rating/sustainable-finance.html>

	<p>using 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. (Acquisition 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. Number of new developments achieving green building certifications l. 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. Number of new developments receiving LEED certifications o. Kilometers of gas transmission network replaced with hydro-ready pipelines 	
<p>ESG Risk Management</p>	<p>Snam's project categories are reviewed using an internal Enterprise Risk Management (ERM) function. The Board of Directors (BoD) supervises the risks related to the projects. The Issuer has respected its ESG risk management process in line with its framework.</p>	<p>✓</p>
<p>Allocation of proceeds - Transparency on the currency</p>	<p>The data included in the bond annual report regarding the allocation process are monitored internally through software used for accounting purposes. These data are part of the general audit carried out by the corporate auditor and its</p>	<p>✓</p>

	<p>limited assurance in relation to the annual report.</p> <p>The Issuer reports the cash flow related to the Use of Proceeds Instruments and the allocations to the projects. All cash flows are reported in Euros.</p>	
--	--	--

RECOMMENDATIONS

ICMA HFIR	USE OF PROCEEDS DEBT INSTRUMENTS ANNUAL REPORT	ASSESSMENT																															
Define and disclose period and process for Project Evaluation and Selection	87% of the proceeds raised have been allocated to eligible projects as defined in the Transition Bond Framework (2020), and Sustainable Finance Framework (2021).	✓																															
Disclose total amount of proceeds allocated to eligible disbursements	<p>A total of EUR 4,375 million has been raised through the Issuer’s Use of Proceeds Instruments. 87% of the proceeds have been allocated to Eligible Assets:</p> <table border="1"> <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> <tr> <td rowspan="2">“Dual tranche” Transition Bond</td> <td>XS2300208928</td> <td rowspan="2">100%</td> </tr> <tr> <td>XS2300345837</td> </tr> <tr> <td>Transition Bond</td> <td>XS2358231798</td> <td>100%</td> </tr> <tr> <td>Green Loan</td> <td>Private Green Loan</td> <td>45%</td> </tr> <tr> <td>EU Taxonomy-aligned Bond</td> <td>XS2562879192</td> <td>100%</td> </tr> <tr> <td>EU Taxonomy-aligned Bond</td> <td>XS2693301124</td> <td>69%</td> </tr> <tr> <td>EU Taxonomy-aligned Bond</td> <td>XS2725959683</td> <td>42%</td> </tr> </tbody> </table>	Instrument	ISIN	Allocation %	Climate Action Bond	XS1957442541	100%	Transition Bond	XS2190256706	100%	Transition Bond	XS2268340010	100%	“Dual tranche” Transition Bond	XS2300208928	100%	XS2300345837	Transition Bond	XS2358231798	100%	Green Loan	Private Green Loan	45%	EU Taxonomy-aligned Bond	XS2562879192	100%	EU Taxonomy-aligned Bond	XS2693301124	69%	EU Taxonomy-aligned Bond	XS2725959683	42%	✓
Instrument	ISIN	Allocation %																															
Climate Action Bond	XS1957442541	100%																															
Transition Bond	XS2190256706	100%																															
Transition Bond	XS2268340010	100%																															
“Dual tranche” Transition Bond	XS2300208928	100%																															
	XS2300345837																																
Transition Bond	XS2358231798	100%																															
Green Loan	Private Green Loan	45%																															
EU Taxonomy-aligned Bond	XS2562879192	100%																															
EU Taxonomy-aligned Bond	XS2693301124	69%																															
EU Taxonomy-aligned Bond	XS2725959683	42%																															
Formal internal process for the allocation of proceeds and to report on the	The Issuer followed a transparent process for the allocation of proceeds. Projects financed and/or refinanced through the Use of Proceeds Instruments issued under Snam’s, Climate Action Bond Framework (2018), Transition Bond Framework (2020), and Sustainable Finance	✓																															

allocation of proceeds	Framework (2021), were evaluated and selected based on compliance with the Eligibility Criteria.	
Report at project or portfolio level	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 (Biomethane), and Retrofit of gas transmission networks.	✓
Ex-post verification of specific projects	There is no ex-post verification of specific projects.	-
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 activity⁶ ▪ Methane emission/ leakages avoided (MSmc/year, MSmc) ▪ NOx lower emissions (%) ▪ Lower fuel gas used with lower emissions of CO₂ ▪ 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 	✓

⁶ 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>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> <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 ▪ 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 <p>Retrofit of gas transmission network</p> <ul style="list-style-type: none"> ▪ Kilometres of gas transmission network replaced with hydro-ready pipelines⁷ 	
--	--	--

⁷ For hydrogen-ready pipelines Snam means SNAM internal standards ("GASD") coming from the implementation of international standards currently available. The design and construction of all SNAM networks are based on these standards including the company's know-how. The SNAM's network "hydrogen-ready" is based on the ASME B31.12' "Hydrogen Piping and Pipeline" standard. GASD remains unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate the design and construction phases of the new gas network. For more details, see the case study "Retrofit of gas transmission network projects: qualification of H-ready pipelines".

<p>If there is no single commonly-used standard, Issuers may follow and disclose their own calculation methodologies</p>	<p>For those indicators where there is no single commonly used standard, the Issuer has elected reasonable and easy-to-quantify measurement units and methodologies. In places where helpful, the Issuer has added footnotes in its report further clarifying methodology.</p>	<p>✓</p>
<p>Disclosure on the conversion approach (if applicable)</p>	<p>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.</p>	<p>✓</p>
<p>Projects with partial eligibility</p>	<p>The Issuer has not financed partially eligible projects.</p>	<p>-</p>
<p>When the expected impacts of different project components may not be reported separately, Issuers may use (and disclose) the attribution approach</p>	<p>The Issuer reports impact at a project level, and the impact of each project is clear. Reporting on project impact at a component level is not applicable.</p>	<p>✓</p>

OPINION

Snam follows ICMA’s Harmonized Framework for Impact Reporting (HFIR)’s core principles and 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 has illustrated the environmental impacts of the projects. In addition, Snam disclosed the ESG Risk Management system in place and the total amounts disbursed on eligible projects with associated currency. Snam indicates the total amount signed and allocated to eligible disbursements, describes its approach to impact reporting, and has chosen sector specific core indicators.

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 putting the impacts into perspective with the number of investments allocated to the respective Use of Proceeds' categories.

The Use of Proceeds allocation reporting occurred within one year from the issuance, and 87% of the proceeds have been allocated. Snam has issued a total of EUR 4,375 million consisting of Climate Action bonds in 2019, Transition bonds in 2020 and 2021, Green Loans, and EU taxonomy-aligned Transition Bonds in 2022 and 2023.

This is the third year of allocation reporting and the 87% of allocation in 2023 compares with the 80% of allocation in 2022. 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. The Issuer has provided details 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 2022'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 indicator chosen by the Issuer for this bond is the following:</p> <p>Carbon & emission reduction projects</p> <ul style="list-style-type: none"> ▪ Energy savings expected at the end of the activity⁸ ▪ Methane emission/leakages avoided (MSmc/year, Sms/year, MSmc) ▪ NOx lower emissions (%) ▪ Lower fuel gas with lower emissions of CO₂ (MSmc) ▪ Lower consumption of fuel gas <p>Renewable Energy projects</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 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>













⁸ 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"> ▪ Number of new buildings gaining green building certification ▪ 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 <p>Retrofit of gas transmission network projects</p> <ul style="list-style-type: none"> ▪ Kilometres of gas transmission network replaced with hydro-ready pipelines.⁹
<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 and 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>

⁹ For hydrogen-ready pipelines Snam means SNAM internal standards (“GASD”) coming from the implementation of international standards currently available. The design and construction of all SNAM networks are based on these standards including the company’s know-how. The SNAM’s network “hydrogen-ready” is based on the ASME B31.12’ “Hydrogen Piping and Pipeline” standard. GASD remains unchanged for H2NG mixtures up to H2 100% in volume. These standards regulate the design and construction phases of the 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 Sustainable Finance Instruments can be mapped to the following SDGs, according to ISS ESG SDG Solutions (SDGA), a proprietary methodology designed to assess the impact of an Issuer’s product or services on the UN SDGs.

IMPACT INDICATORS	SUSTAINABLE DEVELOPMENT GOALS
<p>Energy saving expected at the end of the activity</p>	
<p>Methane leakages/emissions avoided</p>	
<p>NOx lower emissions</p>	 
<p>Lower fuel gas used with lower emissions of CO₂</p>	 
<p>Lower consumption of fuel gas</p>	 
<p>Aggregated installed /expected electricity production capacity (MW) based on the biomethane production in plants using Organic Fraction Municipal Solid Waste (OFMSFW) feedstock</p>	 
<p>Aggregated installed/expected infrastructure electricity production capacity (MW) based on 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>	 

Estimated energy saving on an annual basis



(Acquisitions of) companies operating in the energy efficiency sector for residential, industrial, and tertiary business solutions



Avoided CO₂ emissions both direct and indirect (raw materials transport and extraction)



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



Kilometers of gas transmission network replaced with hydrogen-ready pipelines



OPINION

The allocation of the bond's proceeds has 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 and the Use of Proceeds Debt Instruments Annual Report has adopted an appropriate methodology to report the impact generated by providing comprehensive disclosure on data sourcing, calculations methodologies, and granularity reflecting best market practices. Besides, the impact indicators used align with best market practices using ICMA's recommended metrics, in the HFIR.

DISCLAIMER

1. Validity of the External Review ("External Review"): Valid as long as no changes are undertaken by the Issuer to its Use of Proceeds Debt Instruments Annual Report as of March 13, 2024.
2. ISS Corporate Solutions, Inc. ("ISS-Corporate"), a wholly-owned subsidiary of Institutional Shareholder Services Inc. ("ISS"), sells, prepares, and issues External Reviews, on the basis of ISS-Corporate's proprietary methodology. In doing so, ISS-Corporate adheres to standardized procedures designed to ensure consistent quality.
3. External Reviews are based on data provided to ISS-Corporate by the contracting party and may change in the future, depending in part on the development of market benchmarks and ISS-Corporate's methodology. ISS-Corporate does not warrant that the information presented in this External Review is complete, accurate or up to date. ISS-Corporate will not have any liability in connection with the use of these External Reviews, or any information provided therein. If the External review is provided in English and other languages, in case of conflicts, the English version shall prevail.
4. Statements of opinion and value judgments given by ISS-Corporate are not investment recommendations and do not in any way constitute a recommendation for the purchase or sale of any financial instrument or asset. In particular, the External Review is not an assessment of the economic profitability and creditworthiness of a financial instrument but refers exclusively to social and environmental criteria.
5. This External Review, certain images, text, and graphics contained therein, and the layout and company logo of ISS-Corporate, are the property of ISS-Corporate (or its licensors) and are protected under copyright and trademark law. Any use of such ISS-Corporate property requires the express prior written consent of ISS-Corporate. The use shall be deemed to refer in particular to the copying or duplication of the External Review wholly or in part, the distribution of the External Review, either free of charge or against payment, or the exploitation of this External Review in any other conceivable manner.

© 2024 | ISS Corporate Solutions, Inc.

ANNEX 1: Methodology

Review of the post-issuance Reports

The ISS-Corporate Report Review provides an assessment of labeled transactions reporting against international standards using ISS-Corporate proprietary methodology.

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 which the Issuer's reporting and project categories contribute to related SDGs is identified.

ANNEX 2: Quality management processes

ISSUER'S RESPONSIBILITY

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

- Use of Proceeds Debt Instruments Annual Report
- Sustainable Finance Framework
- Proceeds Allocation
- Reporting Impact Indicators
- Methodologies, and assumptions for data gathering and calculation
- ESG Risk Management

ISS-CORPORATE'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 Report 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 March to April 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.

About this Report Review

Companies turn to 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 the alignment of the Issuer's report with external principles (e.g., ICMA Green / Social Bond Principles, ICMA Green Bond Principles, Social Bond Principles, and Sustainable Bond Guidelines), analyze the alignment of the Issuer's Report against the commitments in the respective Framework, and analyze the disclosure of proceeds allocation, the data source, and calculation methodologies of the reporting indicators against best market practices. Following these guidelines, we draw up an independent Report Review, so investors are as well as informed as possible about the proceeds allocation and the impact of the sustainability finance instrument(s).

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

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

Project team

Project lead

Claudia Muñoz Carmona
Associate
Sustainable Finance Research

Project support

Clara Schouler
Analyst
Sustainable Finance Research

Project supervision

Marie-Bénédicte Beaudoin
Associate Director
Head of Sustainable Finance
Research