

## Press Release

London, 25 November 2020

# Security Standard Ethics Rating: for Snam's ESG Euro-Commercial Paper

**London, 25 November 2020.** Standard Ethics has assigned an “EE”<sup>1</sup> **Security Standard Ethics Rating** to **Snam's Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes**. Snam's **Corporate Standard Ethics Rating** is “EE-”.

**Snam** has established a new commercial paper programme up to a maximum of **2.5 billion euros**<sup>2</sup> and with a **3-year** duration: *Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes* (“the Programme”). Each issuance of Notes under the Programme will be denominated as “**ESG Commercial Paper Notes**”, as long as the Programme achieves and maintains at least a **Security Standard Ethics Rating** higher or equal to “EE-” (“Minimum ESG Rating”). If the **Minimum ESG Rating** ceases to be met, the Issuer may continue to issue Notes under the Programme which, however, **may not be designated as ESG Commercial Paper Notes**.<sup>3</sup> The Programme is rated by Standard Ethics Ltd, Fitch Ratings Ireland Limited, Moody's France SAS, S&P Global Ratings Europe Limited. **Arranger:** Citigroup. **Dealers:** Barclays, Citigroup, Credit Suisse, BNP PARIBAS, Crédit Agricole CIB, ING.

**Snam** is a worldwide energy infrastructure operator. The Company's activities involve transportation, regasification and storage of natural gas.

The Company has launched a series of initiatives, mainly in the energy and environmental sectors, with a high technical-scientific innovation content in order to reduce climate-altering gas emissions (carbon dioxide and methane). It is also carrying out a series of projects on energy efficiency and the use of renewable sources for both self-consumption and the development of new business areas through specific Business Units dedicated to its various markets (biomethane, energy efficiency, hydrogen, sustainable mobility). The Company is also clearly committed to Energy Transition and the technological development of hydrogen-based resources. **Snam's** corporate bodies enjoy a high level of independence and show diversity of skills. The level of its **Governance of Sustainability** is adequate; its risk management and compliance functions are well monitored, and the legal function provides solid support. Sustainability strategies are in line with **UN**, **OECD** and **EU** guidelines. **ESG** (Environmental, Social and Governance) reporting is in line with European best practices.

**Snam's** Euro-Commercial Paper Programme seems to be supporting the financing of the Company's **Sustainability targets** and the implementation of its various initiatives. The Programme does not show characteristics that could have a negative impact on the Company's strategic targets. On the contrary, it increases the Company's financial resilience, especially in a stressful period such as the current one.

**PLEASE FIND ATTACHED THE FINAL REPORT**

**\*\* SEE METHODOLOGICAL NOTE BELOW<sup>4 5</sup> \*\***

<sup>1</sup> Ratings are based on a scale comprising 9 letter grades. Any rating equal to or higher than “EE-” indicates good compliance

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level

Investment Grade	Lower Investment Grade	Non-investment Grade
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<sup>2</sup> Source: Company data.

<sup>3</sup> For the avoidance of doubt, any ESG Commercial Paper Notes that have already been issued will not be re-designated if the Minimum ESG Rating ceases to be met.

<sup>4</sup> Sustainability is a planetary theme. It concerns those climatic, social and economic phenomena that go beyond national borders, company or investor ideas, and individual expectations. Standard Ethics believes that Sustainability means aligning business activities with a collective planetary effort. Only by measuring said conformity with comparable, transparent and third-party methodologies will it be possible to ascertain the degree of sustainability of an economic entity and its effect on tomorrow's generations.

<sup>5</sup> Standard Ethics takes into account Press Release Guidelines published by ESMA.



## \*\* NOTE \*\*

Standard Ethics is a **Self-Regulated Sustainability Rating Agency** that issues **Non-Financial Sustainability Ratings**. In the absence of supervisory bodies and international legislative standards for **ESG** solicited ratings, Standard Ethics has been self-regulating since the beginning of its activity, applying the models of credit rating agencies. As a brand, **Standard Ethics**® has been making a name for itself in the world of Sustainable Finance and ESG (Environmental, Social and Governance) studies since 2004.

Standard Ethics aims to promote sustainability and governance standard principles emanating from the **European Union, the OECD and the United Nations**.

### STANDARD ETHICS RATING solicited and unsolicited

The STANDARD ETHICS RATING (SER) combines 'solicited', 'standard', and 'independent' characteristics. It is assigned upon a client's request through a direct and regulated bilateral relationship. Its proprietary algorithm is aligned to the guidelines and recommendations on governance and sustainability issued by the European Union, the OECD and the United Nations. Its assignment is incompatible with the supply of any other services that differ from ESG ratings or evaluation. By applying this methodology, Standard Ethics approach can be considered as **'ethically neutral'**.

Standard Ethics Algorithm ©

$$\frac{(Fc_{EU} + Sa + Id_{EU-OECD} + Mw \cdot f(Sa) \cdot f(Id_{EU-OECD}) + Cg_{UN-OECD-EU} \cdot f(Fc) \cdot f(Id_{EU-OECD}))}{10} + k$$

Any philanthropic or socio-environmental policies that are not aligned with sustainability indications do not have positive effects on the rating. Unsolicited Ratings are issued to update Indices and OECD country rankings. The principles of standardization and independence mentioned above that are at the base of Standard Ethics activities remain valid – even in these cases.

### STANDARD ETHICS RATING (SER) SCALE

The final evaluations by Standard Ethics on the level of conformity of companies and nations to sustainability principles (Standard Ethics principles) are expressed by means of nine different STANDARD ETHICS RATING classifications: **EEE-; EEE+; EE+; EE-; E+; E-; E; F**. An "EE-" classification or above indicates compliance. Each single rating classification can have a positive or negative **Outlook**. Whenever a company or country is downgraded to an "F", holding its securities may have a negative impact and a Security Segregation Impact Notice (SSIN) will disclose details. Those nations and companies which do not comply with the values expressed by the United Nations, OECD and EU, or that do not release enough information, or are facing major changes, do not receive ratings and are included amongst the **"pending"** issuers.

### Vulnerability and Risk Analysis

A STANDARD ETHICS RATING is not a forecasting rating nor is it a probabilistic model. Nevertheless, as the economist Irving Fisher used to say: "The future casts its shadow on the present". Therefore, the analyses on policies and governance highlight levels of implicit vulnerability vis-à-vis the future. Vulnerability can come from economic, operational and reputational risks. The latter ones, unlike the most common practices, have been classified by Standard Ethics since 2011 as primary and secondary risks where primary reputational risks are standalone risks not deriving from operational risks. This classification introduces original elements in vulnerability analysis and leads to the belief that companies with at least a "double E" are structurally better positioned to withstand seriously negative events (either economic, operational or reputational) and capable of reducing their potential frequency.

### Standards for Listed Companies

In principle, Standard Ethics advises that in their Articles of Association, companies formally refer to the Universal Declaration of Human Rights approved by the United Nations on 10 December 1948. Standard Ethics also advises that, in general terms, companies have adapted their structures according to the UN, OECD and EU regulations on sustainability (with particular reference to corporate governance). The basic conditions that listed companies have to meet are as follows: to hold a competitive position and not a monopolistic one and not being linked to cartels; to make sure that their shares are listed and can be bought without restrictions and that they enjoy substantive

rights (voting trusts, for instance, are not acceptable); to have widespread ownership of the capital or no conflict of interest; all Board members must be independent of capital ownership and must abide by a Code of Conduct that ensures transparency; to have procedures to check observance of the latest internationally recognized social and environmental standards (according to UN, OECD and EU guidelines). Further positive elements are: transparent staff selection (including managers); an independent internal monitoring body (liaising with the Shareholders' Meeting and working at Board level) to check that the Board works in line with the latest UN, OECD and EU standards and principles on conflicts of interest and Corporate Governance; an independent internal monitoring body (e.g. the Audit Committee) which is accountable to shareholders and monitors that the Board works in line with the latest UN, OECD and EU standards and principles on extraordinary accounting and finance; an internal body which reports and facilitates the company's adherence to the latest international social and environmental standards and principles; an external relations and communications department which works in line with the latest standards and principles on sustainability and transparency and applies with due independence the "comply or explain" principle whereby failure to comply with international guidelines on sustainability has to be duly motivated.

### Assessments of Negative Events

The assessments carried out by Standard Ethics are not predictive and, therefore, do not primarily focus on the analysis of negative events and their future effects, but rather on the adequacy of organizational adjustments made by companies to reduce the risk of a similar event taking place again. If, over a reasonable period of time, suggested solutions appear to be inadequate for the rating assigned to a company, a new rating will be proportionally assigned so that the most suitable level is reached.

### Standard Ethics Indices

Publication of SERs grants access to one or more Standard Ethics indices according to company type and size. The way Standard Ethics reports on its indices is unique in Europe because its index is an Open Free Sustainability Index which is based on full disclosure. The methodology, the selection criteria, the weights and the calculation formula are public and can therefore be freely used – without costs – as a benchmark for sustainability and sustainable finance. For further information, visit our website.

### Nations

Standard Ethics, as part of its institutional activities, issues ratings to member countries of the OECD to which have been added: Argentina, Brazil, Bulgaria, China, Egypt, India, Romania, Russia, South Africa and the Vatican City State. When evaluating nations, Standard Ethics favours nations with stable and proven democracy, who aim to meet the highest human rights requirements, environmental policies, relations with developing countries, sustainability of economic structures, and are capable of guaranteeing substantial and formal high levels of democracy and security. These aspects are assessed according to the guidelines and principles promoted by the European Union, the United Nations, and the OECD.

### The Company

Standard Ethics is based in 1 King Street, London, UK.

The company managers are its shareholders. This maximizes independence from the market and clients. Standard Ethics has a governance model that has been designed to: a) suit a modern ratings agency; b) avoid conflicts of interest; c) be in line with recent European Parliament requirements; and d) ensure incompatibility between ratings and other activities. Its structure is supervised by a Compliance Officer. Data collection and quotations for assigning Standard Ethics Ratings are supervised by its Rating Committee. For any information on Standard Ethics and its governance, please visit [www.standardethics.eu](http://www.standardethics.eu).

### Legal Disclaimer

The Standard Ethics Rating is the result of statistical and scientific work carried out since 2004 to provide a snapshot of the economic world in relation to ethical principles promoted by large international organizations. Under no circumstances, therefore, does Standard Ethics, by publishing Ratings, intend to solicit the purchase or sale of securities by any issuer.

Standard Ethics est une **agence de notation de durabilité autoréglée** qui émet des **notations de durabilité non financières**. En l'absence d'organes de surveillance et de normes législatives internationales pour les notations ESG sollicitées, Standard Ethics a, depuis le début de son activité, procédé à une autorégulation en appliquant les modèles des agences de notation de crédit. En tant que marque, **Standard Ethics®** est connue depuis 2004 dans le monde de la "finance durable" et des études ESG (environnementales, sociales et de gouvernance). Elle vise à promouvoir les principes standards de durabilité et de gouvernance publiés par l'Union Européenne, l'OCDE et les Nations Unies.

#### STANDARD ETHICS RATING (SER) sollicités et non sollicités

Depuis 2004, le STANDARD ETHICS RATING (SER) est une notation extra-financière qui entend rendre un avis sur le niveau de conformité par les entreprises et nations souveraines dans le domaine de la durabilité. Il s'agit de la seule notation qui se distingue des autres car elle est "Sollicitée", "Standard" et "Indépendante". La notation est émise à la demande du client dans le cadre d'un rapport bilatéral direct et réglementé; son algorithme est axé sur les lignes directrices et les recommandations de l'Union Européenne, de l'OCDE et des Nations Unies en matière de durabilité et de gouvernance de la durabilité; et l'accomplissement de cette tâche est inconciliable avec la fourniture d'autres services que la notation ou l'évaluation ESG. En appliquant cette méthodologie, l'approche de Standard Ethics peut être considérée comme **«éthiquement neutre»**.

Standard Ethics Algorithm ©

$$\frac{(F_{CEU} + S_a + I_{DEU-OCDE} + M_w \cdot f(S_a) \cdot f(I_{DEU-OCDE}) + C_{GUN-OCDE-EU} \cdot f(F_c) \cdot f(I_{DEU-OCDE}))}{10} + k$$

Les politiques sociales, environnementales ou de responsabilité philanthropique qui ne sont pas en ligne avec les directives de durabilité n'ont pas d'effet positif sur la notation. Les notations non sollicitées sont utilisées pour mettre à jour ou pour conserver les indices de Standard Ethics, ainsi que pour le classement des pays de l'OCDE. Les principes de standardisation et d'indépendance mentionnés ci-dessus, qui sont à la base de l'activité de Standard Ethics, restent valables même dans ces cas.

#### STANDARD ETHICS RATING (SER) classes

Les notations finales émises par Standard Ethics sur le niveau de conformité des entreprises et des nations aux principes de durabilité (principes Standard Ethics), sont réparties en neuf classes différentes: **EEE; EEE-; EE+; EE; EE-; E+; E; E-; F**. Le niveau "EE-" ou plus indique un bon niveau de conformité. Chaque classe de notation peut avoir une perspective positive ou négative. Toutefois, les nations et les entreprises ne respectant pas les valeurs exprimées par les Nations Unies, l'OCDE et l'UE, celles ne délivrant pas assez d'informations ou étant confrontées à de grands changements ne reçoivent pas de notation et figurent parmi les émetteurs "en suspens".

#### Normes pour les sociétés cotées en bourse

Standard Ethics souhaite que dans leurs statuts, les entreprises fassent formellement référence à la Déclaration Universelle des Droits de l'Homme approuvée par les Nations Unies le 10 décembre 1948. Standard Ethics souhaite également que, d'une manière générale, les entreprises aient adapté leurs structures selon les lignes guides les plus avancées concernant la durabilité et la gouvernance d'entreprise. Les conditions fondamentales que les entreprises cotées doivent respecter sont les suivantes: avoir une position concurrentielle et non une position monopolistique et ne pas être impliquées dans des affaires de cartels; s'assurer que leurs actions soient cotées, qu'elles puissent être achetées librement, sans restriction aucune, et qu'elles bénéficient de droits fondamentaux (les votes fiduciaires, par exemple, sont interdits); posséder l'intégralité du capital ou n'avoir aucun conflit d'intérêts; tous les membres du Conseil d'Administration doivent être indépendants de toute propriété et soumis à un Code de Conduite assurant la transparence; mettre en place des procédures de contrôle internes s'assurant du respect des normes sociales et environnementales internationalement reconnues (selon les lignes directrices de l'ONU, de l'OCDE et de l'UE). Autres points positifs: un processus de sélection du personnel transparent (y compris des dirigeants); un organe de surveillance interne indépendant (en liaison permanente avec la réunion des actionnaires et faisant partie du Conseil d'Administration) pour vérifier que le travail du Conseil d'Administration soit conforme aux lignes directrices et principes de l'ONU, de l'OCDE et de l'UE en matière de conflits d'intérêts et de gouvernance d'entreprise, de comptabilité et de finance spécifique; un service de communication et relations publiques qui, conformément aux dernières normes et au principe "se conformer ou s'expliquer", communique régulièrement et indépendamment avec le monde extérieur.

#### Vulnérabilité et analyse des risques

UN STANDARD ETHICS RATING n'est ni une notation prévisionnelle ni un modèle probabiliste. Néanmoins, comme le disait l'économiste Irving Fisher: "Le futur jette son ombre sur le présent". Par conséquent, les analyses sur les 'politiques' et la gouvernance met en évidence des degrés de vulnérabilité implicite vis-à-vis du futur. La vulnérabilité peut provenir de risques économiques, opérationnels ou de réputation. Ces derniers, contrairement aux pratiques les plus communes, ont été classés par Standard Ethics depuis 2011 en tant que risques primaires et secondaires, les risques primaires de réputation étant des risques distincts ne découlant pas des risques opérationnels. Cette classification introduit de nouveaux éléments dans les analyses sur la vulnérabilité et porte à croire que les entreprises possédant au moins un "double E" sont structurellement plus à même de résister aux événements négatifs (économiques, opérationnels ou de réputation) et plus aptes à réduire la fréquence potentielle de ces crises.

#### Évaluations des événements négatifs

Les évaluations réalisées par Standard Ethics ne sont pas prévisionnelles. De ce fait, elles ne se concentrent pas essentiellement sur l'analyse des événements négatifs et leurs conséquences, mais plutôt sur le caractère adéquat des ajustements organisationnels effectués par les entreprises, ce, afin de réduire le risque qu'un tel événement ne se reproduise à l'avenir. Si, sur une période de temps raisonnable, les solutions proposées semblent être inadaptées à la notation accordée à une entreprise, une nouvelle notation sera attribuée de façon à ce que l'on parvienne au niveau le plus pertinent. Si ce facteur se révèle être un changement dans les politiques ou la gouvernance d'entreprise, la classe du STANDARD ETHICS RATING pourra être immédiatement corrigée.

#### Indices Standard Ethics

La publication des SER accorde l'accès à un ou plusieurs indices Standard Ethics selon la nature et la taille de l'entreprise. Chaque indice de Standard Ethics est un "Open Free Sustainability Index" et prévoit une divulgation totale: la méthodologie, les critères de sélection et la formule de calcul sont publics et sont donc librement utilisables - sans frais - comme référence dans le domaine du développement durable et de la finance durable.

Pour de plus amples renseignements, veuillez consulter le site web de SE

#### Nations

Dans le cadre de ses activités institutionnelles, Standard Ethics émette ses notations aux pays membres de l'OCDE (y compris le Brésil, la Chine, la Russie, l'Inde, l'Afrique du Sud, l'Égypte, la Roumanie, l'Argentine, la Bulgarie et le Vatican). Lors de l'évaluation des États, Standard Ethics favorise les pays dont le régime en vigueur est une démocratie établie et répondant aux exigences les plus rigoureuses en termes de Droits de l'Homme, lois et politiques environnementales, relations avec les pays en voie de développement, durabilité des structures économiques, niveau de démocratie substantiel et officiel et politique de sécurité. Ces aspects sont évalués selon les principes et les lignes directrices de l'Union Européenne, des Nations Unies et de l'OCDE.

#### L'entreprise

Standard Ethics est basée à 1 King Street, Londres, UK.

Les responsables de l'entreprise en sont également les actionnaires, ce qui garantit son indépendance vis-à-vis des marchés et des clients. Standard Ethics a un modèle de gouvernance d'entreprise conçu afin de: a) Être adapté à une agence de notation moderne en termes de méthodologie et évaluations à long terme; b) éviter les conflits d'intérêts; c) être en accord avec les dernières exigences du Parlement Européen; d) s'assurer de l'incompatibilité entre les notations et les autres activités. Standard Ethics est supervisée par un Agent de conformité indépendant. La collecte de données et les cotations pour l'attribution d'une notation Standard Ethics (SER) sont supervisées par son Comité de notation. Pour toute information sur Standard Ethics et sa gouvernance, veuillez visiter le site [www.standardethics.eu](http://www.standardethics.eu).

#### Mentions légales

La notation Standard Ethics est le fruit d'un travail statistique et scientifique réalisé de manière à avoir un aperçu du monde économique par rapport aux principes éthiques promus par les grandes organisations internationales. Par conséquent, lors de la publication de ses notations, Standard Ethics n'entend en aucun cas solliciter l'achat ou la vente de titres de la part des émetteurs.

Standard Ethics è una “Self-Regulated Sustainability Rating Agency” che emette **rating non-finanziari di sostenibilità**. Standard Ethics si è, fin dall'inizio della sua attività, autoregolata attraverso regole statutarie e procedurali per applicare i modelli delle agenzie di rating di merito creditizio. Il marchio **Standard Ethics**® è noto dal 2004 nel mondo della “finanza sostenibile” e degli studi ESG (*Environmental, Social e Governance*) per promuovere principi standard di sostenibilità e governance provenienti dall'Unione Europea, dall'Ocse e dalle Nazioni Unite.

#### STANDARD ETHICS RATING (SER) sollecitato e non sollecitato

Lo STANDARD ETHICS RATING (SER) unisce le seguenti caratteristiche: è “solicited”, “standard” e “indipendente”; viene emesso su richiesta del cliente attraverso un rapporto bilaterale diretto e regolato; l'algoritmo è uniformato alle indicazioni e linee guida dell'Unione Europea, dell'Ocse e delle Nazioni Unite in materia di sostenibilità e governance della sostenibilità; l'emissione è incompatibile con la fornitura di altri servizi diversi dai rating o valutazioni ESG. Applicando questa metodologia, l'approccio di Standard Ethics si può definire **'ethically neutral'**.

Standard Ethics Algorithm ©

$$\frac{(Fc_{EU} + Sa + Id_{EU-OECD} + Mw \cdot f(Sa) \cdot f(Id_{EU-OECD}) + Cg_{UN-OECD-EU} \cdot f(Fc) \cdot f(Id_{EU-OECD}))}{10} + k$$

Eventuali politiche filantropiche o di responsabilità socio-ambientale non allineate alle indicazioni di sostenibilità, non hanno effetti positivi sul rating. I Rating “unsolicited” vengono emessi per mantenere o aggiornare indici o per aggiornare il ranking delle nazioni Ocse. Rimangono validi – anche in questi casi – i principi di standardizzazione ed indipendenza sopra citati che sono alla base dell'attività di Standard Ethics.

#### Classi dello STANDARD ETHICS RATING (SER)

Le valutazioni finali sul livello di conformità delle aziende e delle nazioni ai principi di sostenibilità (principi di Standard Ethics) sono espresse attraverso nove diverse classi dello STANDARD ETHICS RATING: **EEE; EEE-; EE+, EE, EE-, E+, E, E-, F**. Il livello “EE-” o superiore, indica conformità. Ogni singola classe di rating può avere un **Outlook** positivo o negativo. Qualora una entità fosse declassata a livello “F”, detenere suoi titoli potrebbe avere un impatto negativo ed una *Security Segregation Impact Notice* (SSIN) fornirà i dettagli. Le nazioni e le imprese che non rispettano i valori espressi dalle sopra citate organizzazioni o che non forniscono dati pubblici sufficienti ai necessari approfondimenti, non ricevono valutazioni e sono “sospesi”. Tra gli emittenti “sospesi” vengono inseriti anche i casi in cui si è in attesa di informazioni, evoluzioni o chiarimenti.

#### Elementi standard richiesti alle società quotate

Nel caso delle società quotate, la “tripla E” viene assegnata se sussistono alcuni presupposti *standard*, tra cui, la previsione statutaria del rispetto della Dichiarazione universale dei diritti umani approvata dalle Nazioni Unite il 10 dicembre del 1948 (e delle principali norme internazionali che la completano e specificano), ed in termini generali, l'adeguamento della propria struttura alle indicazioni di sostenibilità e *corporate governance* più avanzate. Le condizioni fondamentali che le imprese quotate devono rispettare sono le seguenti: una posizione competitiva e non monopolistica e senza il coinvolgimento in cartelli competitivi; un capitale liberamente quotato ed acquistabile e con i medesimi diritti sostanziali (es. i patti di sindacato, a secondo della tipologia, possono comportare una valutazione negativa); una proprietà ampiamente diffusa e priva di posizioni dominanti o azionisti di controllo controbilanciati da adeguati strumenti di governo e controllo; tutti i consiglieri d'amministrazione indipendenti dalla proprietà e sottoposti ad un Codice di Condotta che garantisca un operato trasparente; una procedura interna e di controllo che verifichi il rispetto degli standard internazionalmente riconosciuti più aggiornati in materia sociale ed ambientale (Onu; Ocse; UE). Altri elementi positivi sono: una selezione del personale trasparente (compresi i dirigenti); un organismo indipendente di controllo interno (e/o gestione rischi), auspicabilmente collegato all'Assemblea dei Soci ed operativo sino al livello del CdA, per verificare il rispetto delle indicazioni comunitarie e dei principi sui conflitti di interesse, sulla *corporate governance*, su contabilità e finanza straordinaria, promossi dalla UE, dall'Onu e dall'Ocse; un ufficio di relazioni esterne e di comunicazione che in linea con le ultime norme ed il principio “Comply or Explain”, comunica all'esterno con regolarità ed indipendenza.

#### Analisi della vulnerabilità e dei rischi

Lo STANDARD ETHICS RATING non è un rating con funzioni predittive e non è un modello probabilistico. Nondimeno, come sosteneva l'economista Irving Fisher: “Il futuro getta la sua ombra nel presente”; pertanto, l'analisi condotta

sia sulle *policy* e sia sulla *governance* aziendale evidenzia dei livelli di vulnerabilità implicita rispetto al futuro. Vulnerabilità derivante da rischi economici, operativi e reputazionali. Questi ultimi, diversamente dalle prassi più diffuse, sono classificati da Standard Ethics (dal 2011) in *primari* e *secondari*, dove i *rischi reputazionali primari* hanno propria natura e non derivano dai rischi operativi. Questa classificazione introduce elementi originali nell'analisi della vulnerabilità e porta a ritenere che le società classificate almeno con la “doppia E”, siano strutturalmente più idonee a sopportare eventi negativi severi (economici, operativi o reputazionali) e siano ritenute in grado di ridurre la loro potenziale frequenza.

#### Valutazione degli eventi negativi

Le valutazioni di Standard Ethics, non essendo predittive, non si focalizzano primariamente sull'analisi degli eventi negativi ed i loro effetti futuri, ma sull'adeguatezza delle correzioni organizzative che l'azienda fornisce sul momento al fine di ridurre il rischio che un analogo accadimento possa ripetersi. Qualora, nell'arco di un ragionevole lasso di tempo, le soluzioni proposte apparissero inadeguate alla classe di rating in possesso all'azienda, la classe di rating verrà proporzionalmente portata al livello più consono.

#### Indici di Standard Ethics

La pubblicazione del SER consente di poter accedere ad uno o più indici di Standard Ethics, anche a secondo della tipologia aziendale e dimensione. Ogni indice di Standard Ethics è un Open Free Sustainability Index e prevede la totale *disclosure*: la metodologia, i criteri di selezione, i pesi e la formula di calcolo sono pubblici e sono quindi liberamente utilizzabili – senza costi – come *benchmark* in materia di sostenibilità e finanza sostenibile. Per informazioni si rimanda al sito di Standard Ethics.

#### Le nazioni

Standard Ethics, nell'ambito della propria attività istituzionale, emette rating alle nazioni aderenti all'Ocse a cui sono state aggiunte nel corso del tempo: Argentina, Brasile, Bulgaria, Cina, Egitto, India, Romania, Russia, Sud Africa e lo Stato della Città del Vaticano. Nel valutare le nazioni, Standard Ethics favorisce le nazioni dalla democrazia stabile e collaudata, tesa a soddisfare i più alti requisiti in termini di diritti umani, in termini di politiche ambientali, di relazioni con i paesi in via di sviluppo, di sostenibilità delle strutture economiche, in grado di garantire alti livelli sostanziali e formali di democrazia e di sicurezza comune. Questi aspetti vengono valutati secondo le linee guida e principi promossi dall'Unione europea, dalle Nazioni Unite, dall'Ocse.

#### Standard Ethics

Standard Ethics ha sede a Londra, 1 King Street.

Standard Ethics è dotata di un modello di *governance* studiato per essere adeguato ad una moderna agenzia di rating, che eviti casi di conflitti d'interesse, che assicuri l'incompatibilità tra rating ed altre attività. Il processo di raccolta dati e la proposta di emissione del rating viene sovrainvestita da un apposito *Rating Committee* e da un *Compliance Officer*. Per ogni informazione su Standard Ethics e la sua governance si rimanda al sito: [www.standardethics.eu](http://www.standardethics.eu).

#### Legal Disclaimer

Lo Standard Ethics Rating è il risultato di un lavoro scientifico portato avanti dal 2004 per fornire un quadro aggiornato del mondo economico in relazione ai principi etici promossi dalle grandi organizzazioni internazionali. In nessun caso, Standard Ethics - attraverso valutazioni ed emissioni - intende sollecitare l'acquisto o la vendita di titoli da parte di qualsiasi emittente.

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Security Standard Ethics Rating [<sup>sec</sup>SER]: **EE**  
 Long Term Expected <sup>sec</sup>SER [1y to 3y]: **EE+**

**Issuer:** Snam S.p.A.  
**Listing:** Milan Stock Exchange  
**ISIN:** IT0003153415  
**Market Capitalisation:** 14.9 Bn Euro  
**Sector:** Utilities  
**Industry:** Utilities  
**Type of SER:** Security  
**Date:** 25 November 2020  
**Expiry Date:** 25 November 2021  
**Last action:** -  
**Previous SER:** -  
**Issue:** Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes  
**ISIN:** -  
**Issue/Amount/Expiry:** 25.11.20 / 2,5 Bn Euro / 3Y  
**Type of document:** Sustainability Rating Report

#### Level of Compliance

EEE	EEE-	EE+	EE	EE-	E+	E	E-	F
Full	Excellent	Very strong	Strong	Adequate	Non-compliant	Low	Very Low	Lowest level

Investment Grade	Lower Investment Grade	Non-investment Grade
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**Summary:** Snam is a worldwide energy infrastructure operator. The Company's activities involve transportation, regasification and storage of natural gas. Snam is the issuer of the *Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes* ("the Programme"), the subject of the Security Standard Ethics Rating.

The Company has launched a series of initiatives, mainly in the energy and environmental sectors, with a high technical-scientific innovation content in order to reduce climate-altering gas emissions (carbon dioxide and methane). It is also carrying out a series of projects on energy efficiency and the use of renewable sources for both self-consumption and the development of new business areas through specific Business Units dedicated to its various markets. The Company is also clearly committed to Energy Transition and the technological development of hydrogen-based resources. Snam's corporate bodies enjoy a high level of independence and show diversity of skills. The level of its Governance of Sustainability is adequate; its risk management and compliance functions are well monitored, and the legal function provides solid support. Sustainability strategies are in line with UN, OECD and EU guidelines. ESG (Environmental, Social and Governance) reporting is in line with European best practices.

Snam's Commercial Paper Programme seems to be supporting the financing of the Company's Sustainability targets and the implementation of its various initiatives. The Programme does not show characteristics that could have a negative impact on the company's strategic targets. On the contrary, it increases the Company's financial resilience, especially in a stressful phase as the current one.

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## BACKGROUND, METHODOLOGY, RATING

New elements – such as the evolution of the Internet – have created open and transparent financial markets, in which growing segments of the population participate. This has resulted in:

- greater attention to **extra-financial** factors, both tangible and intangible, with repercussions on the level of trust and credibility of issuers;
- new assessments of the quality and long-term durability of listed financial products, related to both companies (stocks, bonds, green bonds) or institutional issuers (such as government bonds).

Standard Ethics has ascertained that we have reached the end of the classic financial era, which was focused exclusively on economic variables. Despite their fallibility and volatility, regulated markets have evolved and are proving to be the most important and independent system in assessing the long-term **sustainability**<sup>6</sup> of numerous human activities.

The Standard Ethics Rating helps refine the strategies, language and ways in which an issuer operates on the market.

### STANDARD ETHICS

**Standard Ethics Ltd (SE)** is a **Self-Regulated Sustainability Rating Agency**<sup>7</sup> that issues **Non-Financial Solicited Ratings** to companies and sovereign nations.<sup>8</sup> The Standard Ethics® brand has been around since 2004 in the world of “sustainable finance” and ESG (Environmental, Social and Governance) studies.

Standard Ethics is supervised by internal control and audit offices. The composition of the Board complies with the international guidelines on diversity of nationality, professional skills, independence and gender equality.

### STANDARD ETHICS RATING

The Standard Ethics Rating, which has been put to the test over the last 15 years, is a Solicited Sustainability Rating (SSR). It has 3 main characteristics:

- **Solicited:** it is issued only at the request of an applicant, by means of a direct, bilateral and regulated agreement.
- **Standard:** it is always comparable to other ratings, as the methodology and issuance parameters are aligned to pre-

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<sup>6</sup> Standard Ethics synthesizes its vision in three cornerstones of **sustainability**:

1. *Sustainable development policies are about the generations of the future; they have taken on a global dimension; and they are implemented on a voluntary basis. It is up to the main supranational organisations, officially recognised by nations across the globe, to establish the definitions, guidelines and strategies related to sustainable development through science.*

2. *Economic entities do not define the guidelines, goals and strategies on sustainability: they pursue them to the extent deemed possible.*

3. *Measuring the sustainability of economic entities means providing comparable and third-party data on their overall compliance with international guidelines.*

<sup>7</sup> In the absence of supervisory bodies and international legislative standards for ESG solicited ratings to corporates, Standard Ethics has, since the beginning of its activity, been **self-regulating applying the models of credit rating agencies**. In the main: Standard Ethics' clients are the companies that apply for a rating (Applicant-pay Model); in order to remain third party to investors, Standard Ethics does not provide any individual investor with advice, analysis or data regarding companies under rating; in order to offer uniformity in ratings, Standard Ethics has an ethically neutral approach and uses only UN, OECD and EU sustainability recommendations for reference; Standard Ethics uses a proprietary algorithm-based methodology to provide comparability, accuracy and transparency in its assessments; the disclosure of any rating action is regulated by procedures. The indications from ESMA are taken into account; Standard Ethics uses an "analyst-driven process", does not use artificial intelligence or software either in data analysis or in decision-making; Chinese Walls, procedures, compliance offices and independent committees are part of Standard Ethics' structure.

<sup>8</sup> SE can issue unsolicited ratings to create and maintain national sustainability indices. SE regularly publishes on its website and updates the ratings of listed companies that are components of its indices.



established guidelines, and the algorithm takes into account the size and typology of the issuer.

- Independent: in order to remain third party to investors, Standard Ethics does not provide any individual investor with advice, analysis or data regarding companies under rating, it does not use the data gathered for asset.
- management advisory services (to banks or funds) and it does not share it with third parties.

In short, the **Standard Ethics Rating** is an opinion about the level of compliance by companies (and sovereign nations) in the field of sustainability on the basis of documents and guidelines published by:

- the European Union (EU);
- the Organisation for Economic Cooperation and Development (OECD);
- the United Nations (UN).

Standard Ethics uses an analyst-driven rating process, meaning the analysis performed does not require applicants to fill out forms and questionnaires or to provide any documents other than those already available and that Standard Ethics does not use artificial intelligence or software either in data analysis or in decision-making.

#### S.E. ANALYSIS UNIT

According to the methodology, guidelines and procedures of Standard Ethics, the Analysis Unit working on this “Security” rating has carefully analysed the following areas based on the set-up of the Client (the areas have been divided into about 40 standard markers):

##### ***Issuer***

1. FAIR COMPETITION, MARKET, DOMINANT POSITIONS, MARKET DISTORTIONS
2. SHAREHOLDERS' AGREEMENTS, OWNERSHIP AND SHAREHOLDERS
3. MARKET WEIGHT, PARTICIPATION AND VOTE IN GENERAL MEETINGS
4. DIRECTORSHIPS, BOARD OF DIRECTORS, INDEPENDENCE AND CONFLICT OF INTERESTS
5. GOVERNANCE OF SUSTAINABILITY, GOVERNANCE, ESG POLICIES, ESG DISCLOSURE
6. HUMAN RIGHTS

##### ***Issue***

7. MAIN FEATURES OF THE FINANCIAL INSTRUMENT
8. FUTURES ESG AND IMPACTS – IN COMPLIANCE WITH EU “DNSH” PRINCIPLE (DO NO SIGNIFICANT HARM) – WITH SPECIAL FOCUS ON THE FOLLOWING STRATEGIC MACRO-AREAS:
  - a. CARBON NEUTRALITY (according to the strategic plan & ESG reporting)
  - b. CIRCULAR ECONOMY (according to the strategic plan & ESG reporting)
  - c. GENDER EQUALITY (according to the strategic plan & ESG reporting)
9. ADDITIONAL TARGETS

#### RESEARCH OFFICE AND RATING COMMITTEE

The Research Office compiles a Final Report and issues a rating based on its review of the work of the Analysis Unit.  
The Rating Committee analyses the conformity of the collected data and the ensuing conclusions and it approves the issued rating.

Chinese Walls between the Analysis Unit, the Research Office, the Rating Committee and all other company offices ensure maximum transparency. A Compliance Officer oversees all steps and processes.

## S.E. ALGORITHM OF SUSTAINABILITY ©

Standard Ethics has developed a **proprietary algorithm**<sup>9</sup> based on five "standards" and a premium variable - "k" - to process the data provided by the Analysis Unit (Fc<sub>EU</sub>; Sa<sub>EU-OECD</sub>; Mw; Id<sub>EU-OECD</sub>; Cg<sub>UN-OECD-EU</sub>). The balance between the five "standards" is the final pre-assessment underlying the rating.

**Fc<sub>EU</sub> = Fair competition.** Main areas: Fair competition, including analysis of dominant positions, market distortions, cartels. Factors that can affect the other variables (Sources: the EU, and the main OECD regulators).

**Sa<sub>EU-OECD</sub> = Shareholders' agreements.** Main areas: Shareholders' agreements, rights of minority shareholders, access to information (Sources: the EU and OECD, and the main OECD regulators).

**Mw = Market weight.** Main areas: Shareholding structure, weight and type of major shareholders, potential conflicts of interest in relation to other variables (Sources: mainly OECD regulators).

**Id<sub>EU-OECD</sub> = Independent directorship.** Main areas: Structure and quality of boards and executive groups, ESG Risk and Control Management system, Risk Analysis. This standard is most likely to mitigate the risks associated with other variables and can increase the "k" variable. (Sources: the EU and the OECD).

**Cg<sub>UN-OECD-EU</sub> = Corporate Governance and Sustainability.** Main areas: Overall assessment of applicant's ESG strategies and corporate governance (in terms of shareholding structure and sustainability) by weighting the various elements also in relation to the balance of the other variables (Sources: the EU, OECD and UN).

**k = Sustainability at Risk (SaR).** Statistical projections.

**g = Use of General-Purpose Bond proceeds.**

$$\left( \frac{(Fc_{EU} + Sa + Id_{EU-OECD} + Mw \cdot f(Sa) \cdot f(Id_{EU-OECD}) + Cg_{UN-OECD-EU} \cdot f(Fc) \cdot f(Id_{EU-OECD}))}{10} + k \right) + g (Cg_{UN-OECD-EU})$$

## RATING ISSUED

Snam (3y/2,5Bn) "**Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes**":

- **Security Standard Ethics Rating [secSER]: EE Stable**
- **Long Term Expected secSER [1y to 3y]: EE+**

In Standard Ethics' opinion, an "**EE-**" rating (or above) qualifies the debt instrument as suitable for an ESG/SRI portfolio.<sup>10</sup>

<sup>9</sup> To ensure accuracy and comparability, Standard Ethics does not use weights and KPI based analyses or indicators, but uses a more sophisticated method based on its own proprietary six-group variable algorithm.

The first variable of the formula (Fc) is related to competition, which positively evaluates the company that competes and faces the market in an appropriate way. While it views negatively risky elements such as antitrust, investigations, fines or sanctions, tax evasion or simply a position of privilege that could, in the long run, prove problematic. The metric of the second and third variables (Sa and Mw) are also linked to typical considerations for many long-term institutional investors and analyse the importance of sensitive aspects for minority shareholders or for new shareholders, for example, with regards to shareholder agreements (not justified by operational needs), double voting rights, the presence of a controlling shareholder, conflicts of interest, and low contendibility. The fourth variable (Id) looks at managerial scope, risk management and control as well as the reporting models and the composition of the Board of Directors, including areas such as independence and gender equality. The fifth (Cg) focuses on ESG factors: to see if the company is aligned with strategies such as the Paris COP21 for the reduction of climate effects or the OECD guidelines for multinational enterprises as examples; k = Sustainability at Risk (SaR); g = Use of General-Purpose Bond proceeds.

<sup>10</sup> Standard Ethics' opinions, analyses and ratings are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the **financial suitability** of any security.

## REPORT

### ISSUER

#### 1. FAIR COMPETITION, MARKET, DOMINANT POSITIONS, MARKET DISTORTIONS

The issuer's **Corporate** Standard Ethics Rating is **EE-**.

Snam S.p.A. is an energy infrastructure company and the main operator for transporting and dispatching natural gas in Italy.<sup>11</sup>

This Italian company is also one of Europe's major regulated gas companies as well as one of the main continental operators in regasification and natural gas storage capacity.

The company is also engaged in international activities in gas infrastructures with direct or indirect shareholdings in companies outside Italy (both in the regulated and non-regulated gas sectors).<sup>12</sup>

Standard Ethics analysts have not found any significant recent case of market distortion by Snam in its sector: no Italian, European or any other foreign supervisory and antitrust authorities have recently reported such cases.

The Company has not benefitted from public financing or State aid that could be considered capable of distorting competition.

Snam has entered into commercial agreements whose nature does not go beyond normal commercial practices followed in this sector.

#### 3. MARKET WEIGHT, PARTICIPATION AND VOTE IN GENERAL MEETINGS

Snam is **listed** on the *Mercato Telematico Azionario* (MTA) of the **Italian Stock Exchange**.

Snam's "**main shareholder**" is the **market** as it holds **61%** of its share capital. CDP Reti<sup>13</sup> holds **31.4%**; Romano Minozzi **7.5%**.<sup>14</sup>

There is a significant **Shareholders' Agreement**.<sup>15</sup>

<sup>11</sup> Snam's market share in the business of natural gas transportation in Italy is around 94%. Source: Company data.

<sup>12</sup> Source: Company Bylaws.

<sup>13</sup> CDP Reti S.p.A. is an Italian majority state-owned holding company. It is currently owned by **Cassa depositi e prestiti** SpA (59.1%), **State Grid** Europe Limited - SGEL (35%), and Italian institutional investors (5.9%). State Grid Corporation of China is a Chinese state-owned enterprise. Its core business is the investment, construction and operation of power grids. Source: State Grid Corporation.

<sup>14</sup> Source: Company data.

<sup>15</sup> Parties to this Shareholders' Agreement are Cassa Depositi e Prestiti S.p.A. (CDP) and State Grid Europe Limited (SGEL), a company controlled by State Grid International Development Limited (SGID) registered in Hong Kong. SGID, in turn, is controlled by State Grid Corporation of China. The Financial Instruments covered by the agreements account for 94.1% of the entire share capital of CDP Reti (59.1% held by CDP and 35% held by State Grid Europe Limited) and, indirectly, all the ordinary shares of Snam (as well as Terna and Italgas) held by CDP Reti (31.4% of Snam's share capital and voting rights as at July 2020). The content of this shareholders' agreement covers matters such as: a) The corporate governance of CDP Reti. By way of example, the agreement states that the Board of Directors of CDP Reti is composed of five members, three of whom are appointed by CDP (including Chairman and CEO) and two by State Grid Europe Limited ("the Investor") as long as it holds a stake of at least 20% of the Company's share capital. In addition, as long as SGEL holds a stake equal to at least 20% of the share capital of CDP Reti, it will be entitled to designate one candidate to be included in the list of candidates for the office of director of Snam (in addition to Terna and Italgas) that will be presented by CDP RETI at their shareholders' meetings. b) Right of first offer between the two parties that have signed the agreement. If one of the parties intends to transfer all or part of its holding in CDP Reti, the other party to the Shareholders' Agreement will have the right of first offer on such holding. c) CDP's right of first refusal in the event of a Transfer to a Direct Competitor. d) Duration of the Shareholders' Agreement: 3 years from the Initial Subscription Date (November 2014), with automatic renewals for subsequent periods of 3 years (unless one of the Parties terminates the Shareholders' Agreement by written notice to be delivered to the other Party at least 6 months in advance).

Note has been taken of economic democracy and minority shareholders' protection as shown by compliance with relevant OECD principles of corporate governance.

The "one share one vote" principle is applied.<sup>16</sup>

Online or postal voting at Shareholders' Meetings is not currently available.<sup>17</sup>

#### 4. DIRECTORSHIPS, BOARD, INDEPENDENCE AND CONFLICT OF INTERESTS

The Company has a "traditional corporate governance model", with a Board of Directors and a Board of Statutory Auditors.<sup>18</sup>

There are **5 Independent directors** out of **9** in Snam's Board of Directors.<sup>19</sup> Gender equality has not been achieved.<sup>20</sup> Diversity principles are applied.<sup>21</sup> The **Environmental, Social and Governance Committee** is one of the four committees within the Board of Directors.<sup>22</sup>

Snam's **Remuneration Policy** takes into account a set of key ESG metrics<sup>23</sup> and Sustainability remuneration targets<sup>24</sup> that apply to the **2020-2022 Long-term share-based incentive plan**<sup>25</sup> of the CEO and the Top Management.<sup>26</sup>

The Company has adopted specific **Anti-Corruption Guidelines** that follow all the internationally recognised best practices.<sup>27</sup> There are also proper regulations against Money-Laundering.

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Source: Corporate website.

<sup>16</sup> According to the Bylaws, Article 6. Source: Snam Bylaws.

<sup>17</sup> "In accordance with Article 106, subsection 4 of Italian Decree Law no. 18 of 17 March 2020, participation at Shareholders' Meetings is only allowed through Designated Representatives. [...] Votes cannot be cast electronically and/or by mail." Source: Shareholders Meeting, June 2020, pp. 1-4

<sup>18</sup> Source: Corporate website.

<sup>19</sup> According to both the Italian TUF (*Testo Unico delle disposizioni in materia di intermediazione Finanziaria* – Consolidated Law on Financial Intermediation and Corporate Governance Code).

<sup>20</sup> Female directors account for 33.3% of the directors whereas the remaining 66.6% of the directors are male.

<sup>21</sup> In terms of nationality, there are 2 Non-Italian directors on the Board. The remaining 7 Directors are Italian.

<sup>22</sup> The ESG Committee offers advice and recommendations to the Board of Directors in order to promote the continuous integration of national and international best practices into the corporate governance of Snam and of environmental, social and governance matters into the Company's strategies. The objective is to create value for shareholders in general and for stakeholders in the medium to long-term, in accordance with the principles of sustainable development. Source: Corporate data.

<sup>23</sup> "A metric aimed at enhancing Group sustainability on various aspects, in particular social, environmental and gender diversity. The indicator consists of two different parameters aimed at assessing the reduction of natural gas emissions and ensuring fair representation in Snam's management team". Source: Information Document 2020-2022 Long-Term Share-Based Incentive Plan, p. 3.

<sup>24</sup> The Company has medium/long-term targets that have already been included in management remuneration (sustainability share raised to 20% last year). These targets will also be published in the ESG dashboard: - % of women in succession planning (first and second reporting line): 25% (in 2021), 26% (in 2022), 27% (in 2023) with 2019 baseline (2019=22%); - % of women in executive and middle-management roles: 21.75% (in 2021), 24.5% (in 2022), 25.5% (in 2023) with baseline 2019 (value 2019=19.3%). Source: Company data.

<sup>25</sup> Approved by Snam's Board of Directors on 18 March 2020, and the Ordinary Shareholders' Meeting held on 18 June 2020. Since 2010, Snam has been using, as resolved annually by the Board of Directors on the proposal of the Remuneration Committee, a long-term incentive plan for the Chief Executive Officer and the roles most directly impacting Company results, in order to better align their performances with the Company objectives over the medium to long term. Source: Information Document 2020-2022 Long-Term Share-Based Incentive Plan, p. 2.

<sup>26</sup> Two objectives are financial (Adjusted Net Profit; Added Value) whereas two objectives concern Sustainability (Reductions in natural gas emissions; Equal representation in terms of gender diversity in Snam's management team). With a weight of 10%, the former is calculated according to a criterion of linear interpolation between minimum, target and maximum values compared to the final emission values recorded at the end of 2016 (48.08 MSmc). With a weight of 10%, the latter is calculated in terms of the % of women managers and middle managers of the total management and middle management figures of the Group. Source: Company data.

<sup>27</sup> Specifically, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention Against Corruption. Source: Snam Antitrust Guidelines, p. 1.

- - The Company has adopted its own corporate policy on **whistleblowing**, a question widely addressed at international level.

Snam has drawn up specific **Antitrust Guidelines**.<sup>28</sup> The Company Internal Code of Conduct addresses the matter of bad practices in fair competition.<sup>29</sup>

5. GOVERNANCE OF  
SUSTAINABILITY,  
GOVERNANCE,  
ESG POLICIES,  
ESG DISCLOSURE

The Company appears to be progressively aligned with the global effort to achieve sustainable development.<sup>30</sup>

In terms of Governance of Sustainability, the Company has a well-structured **Code of Ethics**<sup>31</sup> that complies with the main UN, OECD and EU sustainability guidelines.<sup>32</sup>

The Company has also adopted a series of **sustainability policies**<sup>33</sup> based on UN, OECD and EU guidelines.<sup>34</sup>

Snam has joined the **UN Global Compact**<sup>35</sup> and the **CFO Taskforce for the SDGs**<sup>36</sup>.

**Sustainability Reporting** is carried out in line with GRI Standards and includes the **Global Compact** Communication on Progress.

The **Annual Report** includes the Directors' Report, which makes up the Integrated Report of Snam, and follows the guidelines of the Framework drawn up by the IIRC (International Integrated Reporting Council).

Moreover, since 2018, Snam has been releasing its **Financial Disclosure on Climate Change 2019** in accordance with the recommendations of the **Task Force on Climate-related Financial Disclosures** (TCFD).<sup>37</sup>

Snam is a signatory of the **United Nations Zero Coalition**<sup>38</sup> and member of the **"Gas for Climate"** consortium.<sup>39</sup>

<sup>28</sup> Approved by the Board of Directors on 18 February 2019.

<sup>29</sup> "Snam pursues its business success on the markets by offering quality products and services under competitive conditions while respecting the rules protecting fair competition". Source: Code of Ethics, p. 16

<sup>30</sup> "Through the adoption of the new Business Plan [2019-2023], and consistent with the previous one, Snam aims to act as a point of reference for the Italian and European journey towards decarbonisation". Source: Corporate website.

<sup>31</sup> Source: Snam Code of Ethics.

<sup>32</sup> There are formal references to the UN Universal Declaration of Human Rights, the ILO's Fundamental Conventions and the OECD Guidelines on Multinational Enterprises and other key international sustainability guidelines.

<sup>33</sup> E.g., the Human Rights Policy, the Anti-Corruption Guidelines, the Sustainable Development Policy, etc.).

<sup>34</sup> Given the major global issues and the type of Snam's operating activities, the Company is currently facing two main environmental challenges: a) a growing commitment to fighting climate change and containing energy consumption; and b) the protection of nature and biodiversity. Source: Company data.

<sup>35</sup> "(...) In line with its business model, Snam has joined the UN Global Compact, the most important international sustainable development initiative, which aims to promote and disseminate ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption". Source: Sustainability Report 2019, p. 104.

<sup>36</sup> "The CFO Principles supplement the UN Global Compact's Ten Principles to support companies in the transition to sustainable development and to leverage corporate finance and investments toward the realization of the Sustainable Development Goals (SDGs)". Source: CFO Principles on Integrated Sustainable Finance.

<sup>37</sup> The Company has created an ESG Dashboard, a tool designed to provide maximum disclosure on the main environmental, social and governance aspects and to assess the group's performance against targets to be defined for the coming years. Source: Company data.

<sup>38</sup> "An alliance of the main global businesses and associations involved in the maritime, energy, finance and infrastructure sectors, aimed at the decarbonisation of shipping". Source: 2019 Sustainability Report, p. 43.



## 6.HUMAN RIGHTS

Snam adopted the **Human Rights Policy** in May 2018. The policy complies with the international guidelines on human rights issued by the EU, the UN and the ILO.<sup>40</sup>

Although Snam operates internationally and not just within the EU<sup>41</sup>, no controversial case was identified concerning violation of human rights.

## ISSUE

## 7.MAIN FEATURES OF THE FINANCIAL INSTRUMENT

Snam has established a new commercial paper programme up to a maximum of 2.5 billion euros<sup>42</sup> and with a 3-year duration: **Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes** (“the Programme”).

Each issuance of Notes under the Programme will be denominated as “**ESG Commercial Paper Notes**”, as long as the Programme achieves and maintains at least a **Security Standard Ethics Rating** higher or equal to **EE-** (“Minimum ESG Rating”).

**If the Minimum ESG Rating ceases to be met, the Issuer may continue to issue Notes under the Programme which, however, may not be designated as ESG Commercial Paper Notes.**<sup>43</sup>

The Security Standard Ethics Rating also includes some Additional KPIs: “**Snam ESG Commercial Paper Targets**”.<sup>44</sup>

Standard Ethics takes into account the **DNSH (Do Not Significantly Harm Principle)** principle of the **EU Taxonomy**.<sup>45</sup>

The Programme is rated by Standard Ethics Ltd, Fitch Ratings Ireland Limited, Moody's France SAS, S&P Global Ratings Europe Limited. **Arranger:** Citigroup. **Dealers:** Barclays, Citigroup, Credit Suisse, BNP PARIBAS, Crédit Agricole CIB, ING.

The Programme will obtain a **STEP label**<sup>46</sup> that identifies issuances within the specific market for the notes and facilitates the eligibility of these instruments for the Eurosystem.<sup>47</sup>

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<sup>39</sup> An international panel created in 2017 with 9 European TSOs (Enagás, Energinet, Fluxys, Gasunie, GRTgaz, ONTRAS, Open Grid Europe, Snam and Teréga) and 2 associations operating in the sector of renewable gas (Consorzio Italiano Biogas and European Biogas Association). Source: 2019 Sustainability Report, p. 43.

<sup>40</sup> As specified within the Human Rights Policy: “Snam pursues and disseminates a policy aimed at the effective implementation of the United Nations Universal Declaration of Human Rights, of the fundamental Conventions of the ILO – International Labour Organization, of the OECD guidelines for multinational enterprises and of the principles of the United Nations Global Compact”. Source: Snam Human Rights Policy.

<sup>41</sup> For instance, Snam operates in the Middle East through United Arab Emirates and Abu Dhabi gas pipelines. Source: Interim Results 2020 - Presentation, p. 5 and following.

<sup>42</sup> Source: Company data.

<sup>43</sup> For the avoidance of doubt, any ESG Commercial Paper Notes that have already been issued will not be re-designated if the Minimum ESG Rating ceases to be met.

<sup>44</sup> The Company has also included 2 “Additional KPIs” that will be described further below.

<sup>45</sup> Based on the information exchanged between the Company and Standard Ethics, and the European Commission Taxonomy Do Not Significantly Harm Principle – DSNH, Security will not impact negatively on nor would it significantly harm the strategic macro-areas analysed herein.

<sup>46</sup> It refers to the “Short term European Paper Initiative” as defined by the European Central Bank.

## 8. FUTURES ESG AND IMPACTS

Commercial Papers (“Notes”) are short-term general-purpose debt instruments issued by a corporation to meet its liquidity requirements, and is typically used to finance working capital.<sup>47</sup>

In November 2018, Snam had already launched an ECP programme up to a maximum of 1 billion euros that was increased to 2 billion in 2019.<sup>48</sup> In recent years, Snam has acquired specific expertise in the Sustainable Finance sector.<sup>50</sup>

Overall, the Sustainable Finance instruments account for about 40% of the financing sources.<sup>51</sup>

In recent years, Snam’s business model has been considerably influenced by the extremely challenging sustainability objectives that top management has committed itself to achieving in line with UN and EU targets.

These initiatives are aimed at achieving sustainable development and are implemented through direct investments in technical-productive projects and, indirectly, through the establishment of joint ventures with highly qualified partners. These initiatives also require financial planning which the Company is optimising by using innovative sustainable financial tools to integrate short and medium-term funding.

Notwithstanding the spread of the Covid-19 pandemic, Snam’s commitment to ESG issues has continued in 2020. In such a scenario, the ESG Euro Commercial Paper programme that Snam is launching is a further financial support consistent with the Company’s sustainable development strategy and useful for the implementation of the various initiatives that have been described. It does not show characteristics that could have negative effects on the strategic objectives. On the contrary, it facilitates Company’s targets by increasing its overall financial resilience, especially in a stressful phase like the current one.

### *Carbon Neutrality*

The Carbon Neutrality targets (according to strategic plans & ESG reporting)<sup>52</sup> are those presented in Snam’s 2019-2023 Strategic Plan

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<sup>47</sup> The programme is renewable and expandable, with multiple denominations in individual issues. The issues can be made with a premium or at a discount and pay a variable rate (Libor/Euribor). The Notes are not quoted; in general, the trading markets are the main international ones, in particular EURO. The USA is excluded.

<sup>48</sup> Under the Italian Banking Law, these financial instruments are called *cambiali finanziarie*. The maturity of each individual issue as part of an overall programme must be less than 365 days. In general, the programme is managed by an arranger bank that leads the dealer banks. Subscribers are qualified investors who need to employ liquidity in the short run. Therefore, the sale of the notes to the public is not allowed. The guarantee is implied by the issuer to whom the credit ratings relate. In turn, the programme may obtain a specific credit rating.

<sup>49</sup> See the Information Memorandum of Snam’s 2018 and 2019 Euro Commercial Paper Programme.

<sup>50</sup> In 2018 it structured a revolving credit line called Sustainable/KPIs linked Revolving Credit Facility - RCF (split in two tranches for a total of 3.2 billion euros). In 2019 it issued a Climate Action Bond (500 billion euros) which, with a further issue (500 billion euros), was transformed into the first Transition Bond in 2020: “(...) to reinforce the commitment to initiatives aimed at combating climate change, an important innovation was the issuing, in February 2019, of the first Climate Action Bond in Europe (and the second globally), a financial instrument used to allocate funds to projects for reducing CO<sub>2</sub> emissions, the development of renewables, energy efficiency and the development of green projects based on environmental criteria. In addition, in April 2019 the Company reduced the margin of its sustainable loan from €3.2 billion, after reaching the targets related to social and environmental sustainability parameters”. Source: 2019 Director’s Report, p. 18 and following.

Snam is also part of the CFSF (**Corporate Forum on Sustainable Finance**).

<sup>51</sup> Source: 2020 Interim Results - Presentation, p. 13 and following.

and 2020-2024 Strategic Plan.<sup>53</sup> The Company's targets are based on the **EU 2050 Long-term Climate Strategy**.

Snam, through its sustainability model, already monitors over 140 KPIs in the ESG area, many of which are supported by long-term targets.<sup>54</sup>

A substantial part of its approach to the so called "**Green Hydrogen**"<sup>55</sup> is based on the Climate Strategy. The Green Hydrogen treating process is fully based on the European Commission's recommendations.<sup>56</sup>

The Company has recently signed several strategic partnerships on "Green Hydrogen"<sup>57</sup> and involving the role of Hydrogen in electricity generation.<sup>58</sup>

Several partnerships<sup>59</sup>, projects<sup>60</sup>, agreements<sup>61</sup> and collaborations<sup>62</sup> have followed since then.

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<sup>52</sup> SE Analysts take into account of a list of topic-related "markers" such as: 1) Scope 1 and Scope 2 GHG emission reductions targets; 2) Scope 3 GHG emissions reduction targets; 3) the time frame to reach emission reductions targets (e.g. 2025 vs 2030 vs 2040 vs 2050); 4) the % of energy from renewable sources.

<sup>53</sup> Source: Company data.

<sup>54</sup> With its new ESG Dashboard, Snam has decided to further strengthen this process by defining KPIs and specific annual targets in the environmental (natural gas emissions, energy saving, green innovation, soil and biodiversity protection), social (welfare, employee engagement, safety, gender diversity, responsible and sustainable supply chain, local communities) and governance (governance structure and its functioning, infrastructure reliability, anti-corruption) spheres. On natural gas emissions, Snam has strengthened the objectives that it had previously set by increasing reductions by 2025 (last year the Company reported -40% compared to 2016 whereas this year the target is -45% by 2025. Snam has changed the baseline because it has joined the UNEP protocol on the containment of methane emissions which provides for this baseline). Still on natural gas emissions, the Company will also increase the percentage of gas that is recompressed in the network during maintenance activities. Until last year the target was to keep a minimum of 33% but the Company will increase this percentage and undertakes to always keep it above 40% on average for the last 5 years. Source: Company data.

<sup>55</sup> "Green Hydrogen is generated through electrolysis of water, in which electricity is used to "break down" the water into hydrogen and oxygen without the emission of any CO<sub>2</sub> at the point of release". Source: 2019 Sustainability Report, p. 30 and following.

<sup>56</sup> "(...) Hydrogen will have to be produced by water electrolysis using carbon-free electricity or from natural gas steam reforming using Carbon Capture and Storage. Hydrogen thus produced can then contribute to decarbonise various sectors: first, as storage in the power sector to accommodate variable energy sources; second, as an energy carrier option used in heating, transport and industry and, finally, as feedstock for industry such as steel, chemicals and e-fuels in those sectors that are most difficult to decarbonise (...)" Source: EU COM(2018) 773 final "A clean Planet for all" p. 10 and following.

<sup>57</sup> With ITM Power Plc, a British company among the largest producers of electrolyzers, a key component of "Green Hydrogen". "Within its strategy, focused on the development of the hydrogen value chain, Snam will be able to include ITM Power in projects for the development of green hydrogen through the use of electrolyzers of "membrane" technology (PEM - Proton Exchange Membrane), up to 100MW (...)" Source: Press Release, 22 October 2020.

<sup>58</sup> "Snam and A2A have signed a Memorandum of Understanding on technological cooperation with the aim of studying projects aimed at developing the use of hydrogen in the context of the decarbonisation of the energy sector in Italy and the European Hydrogen Strategy. (...) The partnership, to be developed (...), will primarily focus on the study, analysis and feasibility assessment of projects for the conversion of A2A's thermal power plants from coal to natural gas, hydrogen or natural gas/hydrogen mixtures. The two companies will also study solutions to retrofit A2A's existing gas turbines with a combined cycle of hydrogen or natural gas/hydrogen mixtures and production initiatives, storage and transport of hydrogen from renewable sources and the modification of A2A's gas distribution infrastructure in order to make them "hydrogen ready". Source: Press Release, 25<sup>th</sup> September 2020.

<sup>59</sup> "Snam and Saipem have already started working together; they are focusing on developing the technology of water electrolysis, a process that makes it possible to reduce CO<sub>2</sub> emissions to zero in the production of green hydrogen, thus effectively fighting global warming. This agreement also involves a collaborative effort to develop feasibility studies in order to find new solutions to transport hydrogen in both liquid and gaseous forms by using and adapting existing infrastructure and networks as well as by shipping it by vessel, and to capture, transport, store or enhance CO<sub>2</sub>". Source: Press Release, 10 September 2020.

<sup>60</sup> "Baker Hughes and Snam have announced today that they have successfully completed testing of the world's first "hybrid" hydrogen turbine designed for a gas network. The test paves the way to implement adoption of hydrogen blended with natural gas in Snam's current transmission network infrastructure. The test took place at Baker Hughes' facility in Florence, Italy, with a Baker Hughes' NovaLT12 gas turbine. (...) The turbine will be installed by 2021 at Snam's compressor station of Istrana, in the province of Treviso, Italy.(...)". Source: Press Release, 10 September 2020.

<sup>61</sup> "The agreement between Snam and SOCAR entails collaboration in the areas relating to energy transition and circular economy: researching and promoting the use of biogas and biomethane, including the potential creation of anaerobic digestion plants. The expertise of Snam's subsidiary, IES Biogas, can be applied to the design and construction of these plants. Snam and SOCAR plan to consider potential co-investment opportunities in this area; promoting sustainable mobility using compressed natural gas (CNG), liquefied natural gas (LNG) and hydrogen (H<sub>2</sub>), through the development of new distribution stations, potentially involving Snam's subsidiary, Cubogas. (...)". Source: Press Release, 20 February 2020

Snam has recently completed the acquisition of Miecì S.p.A. and Evolve S.r.l.<sup>63</sup>, two companies operating in the energy efficiency sector.<sup>64</sup>

Its strategic plans provide for significant CO<sub>2</sub> emission reductions. In 2019, Snam cut down the release of CO<sub>2eq</sub> by 182 thousand tonnes.<sup>65</sup> In 2019, Snam produced 452 tonnes of nitrogen oxide emissions.<sup>66</sup> The **Scope 1** and **Scope 2** emission reduction targets<sup>67</sup> are in line with the objectives set by the European Commission in the European Green Deal<sup>68</sup>. Snam has decided to further strengthen its commitment by defining a Plan to become Carbon Neutral by 2040.<sup>69</sup>

The Company is currently implementing an energy efficiency programme for annual savings of 25,000 m<sup>3</sup> of gas and 65 MWh of electricity. According to the Sustainability Report, Snam will achieve these targets by 2022. Targets also comply with the Sustainable Development Goals.<sup>70</sup>

The objectives are reported and monitored on an annual basis.<sup>71</sup> According to Standard Ethics analysts, these objectives are challenging and ambitious as they exceed those defined in the 2030 European Strategy for Carbon Neutrality.<sup>72</sup>

### *Circular Economy*

Following a review of its business activities, Snam is conducting research projects with **Universities** in order to work on Circular Economy<sup>73</sup> (according to its strategic plans & ESG reporting)<sup>74</sup>. To date, Snam is also undertaking specific initiatives aimed at plastic reduction and dedicated to Circular Economy.

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<sup>62</sup> "Snam and Terna have renewed a Memorandum of Understanding to relaunch and extend their partnership on coordinated research, development and innovation activities and on potential convergences between electricity and gas systems. (...). The agreement (...) is divided into three areas of focus: a) Dual fuel plants; Snam plans to convert its compression and storage facilities into gas-electric plants, with a view to reducing CO<sub>2</sub> emissions to the benefit of the country and developing new flexible resources for the electrical grid; 2) Research & Development; Snam and Terna will develop sector coupling initiatives with special focus on the dynamics of flexibility and the integration of renewable energy sources; and c) Co-innovation' the companies will continue to experiment with and develop new initiatives and technological solutions for the sustainability of energy networks – using drones, satellites and IoT sensors to conduct infrastructure monitoring – and to promote workplace and environmental safety". Source: Press Release, 15 April 2020.

<sup>63</sup> 70% of shares of both companies.

<sup>64</sup> "Miecì is a business specialised in the management of integrated energy and technology services for hospitals and public administration buildings, for the tertiary sector and public lighting. Evolve offers integrated efficiency services for private condominiums, urban districts and public housing". Source: Press Release, 5 October, 2020.

<sup>65</sup> With an annual increase of +17% compared to 2018. Source: 2019 Sustainability Report, p. 29.

<sup>66</sup> With an annual reduction of -20% compared to 2018. Source: 2019 Sustainability Report, p. 29.

<sup>67</sup> According to its 2019-2023 Strategic Plan, by 2030 Snam expects a -40% reduction in Scope 1 and Scope 2 emissions (compared to 2016). Source: 2019 Sustainability Report, p. 28 and following.

<sup>68</sup> "The European Union has defined and expressed its commitment within the framework of the Clean energy for all Europeans Package by 2030 and the EU 2050 Climate Long-term Strategy, which aim not only to reduce CO<sub>2</sub> emissions (-40% by 2030 and -100% by 2050), but also increase the share of energy produced from renewable sources (+32% by 2030) and improve energy efficiency (+32.5% by 2030)". Source: 2019 Sustainability Report, p. 28.

<sup>69</sup> The Strategic Plan 2020-2024 identifies ambitious objectives and concrete actions in the short, medium and long term. Source: Company data.

<sup>70</sup> SDG Goals 7, 12, 13 and 15.

<sup>71</sup> Annual data are available on the Company's website (Sustainability section) as well as in its Sustainability Report.

<sup>72</sup> European Commission – DG Energy and Environment. "2030 Climate Energy Framework".

<sup>73</sup> The company is collaborating with the Politecnico di Milano to understand which kind of approach a company like Snam should pursue to Circularity; what indicators the Company should monitor and which aspects should it consider. Source: Company data.

<sup>74</sup> The markers that have been analysed refer to waste management corporate targets such as: 1) % of waste sent to landfill; 2) % recycling of packaging waste; 3) % plastics packaging recyclable; 4) % of products sold in recyclable, reusable or compostable packaging; v) Corporate targets related to single-use plastics.



Thanks to its “PlasticLess” initiative, Snam aims at eliminating **single-use plastics** in the Company’s break-areas by 2020<sup>75</sup> and plastics in the **supply chain** by 2023.<sup>76</sup>

All the above initiatives are in line with EU targets on the elimination of disposable plastics.<sup>77</sup>

Waste recycling is not a material issue for Snam and therefore, for the time being, the Company has not set objectives on this topic.<sup>78</sup> However, the company reports, on an annual basis, a set of specific KPIs that are consistent with Circular Economy.<sup>79</sup>

### *Gender Equality*

Gender Equality has not been achieved at Board level. The Company’s Bylaws have been amended in order to achieve just a “gender balance” in line with Italian law.<sup>80</sup>

Nevertheless, according to its strategic plans and ESG reporting, the Company is focusing on Gender Equality.<sup>81</sup> In 2019, Snam approved its **Diversity & Inclusion Policy**.<sup>82</sup> The Company’s approach to diversity and social inclusion is aligned with international standards.<sup>83</sup>

The number of female employees has been increasing over the years.<sup>84</sup> There have been significant improvements concerning gender equality<sup>85</sup> at employee, middle management and executive levels.<sup>86</sup>

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<sup>75</sup> -100% single-use plastics in Company’s premises by 2020. Source: 2019 Sustainability Report, p. 49.

<sup>76</sup> “Snam wants to make its contribution to reducing the use of plastic. For this reason, in 2019, it launched the “Snam Plastic Less” initiative aimed at reducing the use of plastic in industrial packaging by 100% by 2023 and eliminating single use plastic in drink vending machines in all its premises by 2020. A plan aimed at interventions in the supply chain and communication to Company employees”. Source: 2019 Sustainability Report, p. 65.

<sup>77</sup> See EU COM(2018) 28 final and European Strategy for Plastics in Circular Economy.

<sup>78</sup> Waste production varies considerably from year to year and depends on progress made when laying pipelines and carrying out replacement work (ferrous scrap that goes to recovery). Source: Company data.

<sup>79</sup> According to the 2019 Sustainability Report, the % of waste recovered from production operations has been progressively reduced since 2017. In that year, it amounted to 80% whereas in 2018 it amounted to 60%. Finally, in 2019 it had gone down to 42%. Source: 2019 Sustainability Report, p. 115.

<sup>80</sup> On 23 October 2019, Snam Shareholders Extraordinary meeting amended the Bylaws thus establishing that “(...) In relation to the provisions on gender balance in the composition of the Board of Directors and Board of Statutory Auditors, voluntarily implementing within its Bylaws the current gender division criterion of at least one third of the total number of members of the Board of Directors and of the Board of Statutory Auditors (in reference to both Standing Auditors and Alternate Auditors) in keeping with the most recent recommendations of the Corporate Governance Code for listed companies regarding “gender balance” – approved in July 2018 – and national and international best practices”. Source: Press Release, 23 October 2019.

<sup>81</sup> The markers that were analysed refer to Gender Equality corporate targets such as: a) % of women within the total workforce; b) % of women in managerial roles; c) % of women in executive roles; d) % of women in the Board of Directors; and e) gender pay-gap KPIs or indexes.

<sup>82</sup> This takes inspiration from the UN, OECD and EU principles on Gender Equality.

<sup>83</sup> The two topics are treated in a holistic way in the Company’s D&I Policy that refers to the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the International Labour Organization, the Guiding Principles of the OECD for multinational organizations and the Principles of the Global Compact. Therefore, as stated in the D&I Policy: “Snam guarantees equal dignity and opportunity to everyone regardless of their country of origin, culture, religion, gender, sexual orientation, political opinions and any other characteristic and personal style”. Source: Snam Diversity and Inclusion Policy.

<sup>84</sup> In 2019, 18% of managers were female. The remaining 82% were male. The percentage of female middle managers was 17.6%. The remaining 81.2% was male. 19.8% of employees were female. The remaining 80.2% were male.

<sup>85</sup> In total, women make up 14.6% of Snam workforce. The remaining 85.4% are male.

<sup>86</sup> Snam is committed to a fair, merit-based and transparent approach and the goal is to attract, select and keep the best talent by offering equal opportunities to every individual regardless of age, ethnicity, nationality, religion, gender, disability, sexual orientation, political affiliation, marital or socio-economic status. The recruiting phase is performed according the new Policy on Diversity & Inclusion. Source: Corporate data



Further progress to reduce the Gender Pay Gap is expected.<sup>87</sup>

In 2020, Snam has created a cross-functional **Diversity & Inclusion Team** to monitor current initiatives on the development of an increasingly inclusive organisational culture and recommend new ones. In 2020, various initiatives were launched in this area, both in the field of **Employer Branding & Talent Acquisition** and in Learning and Development. More communicative and **engagement** initiatives have also been launched.<sup>88</sup>

## 9.ADDITIONAL TARGETS

Although this document is assessing, through a set of markers, the Company positioning with respect to the UN, OECD and EU Sustainability Guidelines, Snam has requested that a set of “**Additional KPIs**” already included in other financial instruments such as the **Sustainable/KPIs Linked Revolving Credit Facility**, be highlighted.

The Additional KPIs are:

- Limit natural gas emissions (excluding emergencies).<sup>89</sup>
- Women involved in training (percentage).<sup>90</sup>

The Additional KPIs are considered in the rating process but do not determine the outcome of the evaluation.

## CONCLUSION

Snam is a worldwide energy infrastructure operator. The Company's activities involve transportation, regasification and storage of natural gas. Snam is the issuer of the *Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes* (“the Programme”), the subject of the Security Standard Ethics Rating.

The Company has launched a series of initiatives, mainly in the energy and environmental sectors, with a high technical-scientific innovation content in order to reduce climate-altering gas emissions (carbon dioxide and methane). It is also carrying out a series of projects on energy efficiency and the use of renewable sources for both self-consumption and the development of new business areas

<sup>87</sup> Women/men remuneration differential refers to the ratio between the wages of female employees and the number of female employees and is based on three categories: employees, middle management and executives. On an annual basis, women/men remuneration differential went down by 0.3 points from 2017 to 2019 for managers and 0.1 points for employees; it went up by 0.1 points for executives. Source: 2019 Sustainability Report, p. 73.

<sup>88</sup> To do this, Snam has forged partnerships with important organisations such as Valore D, Parks and Diversity. Many of these initiatives are aimed at schools and universities and their core theme is female STEM (Snam4stem, Scholarship STEM and Ambassador STEM as examples). Source: Company data.

<sup>89</sup> “As for the first target, it is calculated on the perimeter of Snam Group with a base year 2015 and is set to be equal to [-25,1]% as of 31/12/2022 in line with long term target of the Issuer to reach net zero emission in [2040] as per Business Plan 2020-2024. The yearly level of the percentage of natural gas emission reduction is available at the relevant Sustainability Report Statement. It refers SDG 13 (Climate Action).” Source: Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes. Information Memorandum.

<sup>90</sup> “As for the second target, it is based on the current perimeter of Snam group Group and is set to be equal to 82% of the women as of 31/12/2022. The yearly level of the percentage of women population involved in training will be available at the relevant Sustainability Report Statement. It demonstrates the extent to which this training system is applied throughout the organization in favour of women population and whether there is inequality of access to these opportunities. It refers to SDG 5 (Gender Equality) and SDG 8 (Decent work and economic growth)”. Source: Euro-Commercial Paper Programme for the issuance of Notes and ESG Notes. Information Memorandum.

through specific Business Units dedicated to its various markets. The Company is also clearly committed to Energy Transition and the technological development of hydrogen-based resources. Snam's corporate bodies enjoy a high level of independence and show diversity of skills. The level of its Governance of Sustainability is adequate; its risk management and compliance functions are well monitored, and the legal function provides solid support. Sustainability strategies are in line with UN, OECD and EU guidelines. ESG (Environmental, Social and Governance) reporting is in line with European best practices.

Snam's Commercial Paper Programme seems to be supporting the financing of the Company's Sustainability targets and the implementation of its various initiatives. The Programme does not show characteristics that could have a negative impact on the company's strategic targets. On the contrary, it increases the Company's financial resilience, especially in a stressful phase as the current one.

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## SOURCES

*Where there are no dates, the most recent versions prevail*

The documents that have been consulted were published by the Client before the delivery of the guidelines.

The main sources are: Internal Code of Conduct, Financial Statements, ESG Reporting; Report on Corporate Governance and Company Ownership; Articles of Association; Bylaw Italian Legislative Decree 231/2001; Internal Regulations; Minutes of the Meetings of the Board of Directors with amendments to the Articles of Association; Regulations of the Shareholders' Meetings; Minutes of Shareholders' Meetings, Notices of Meetings and related explanatory reports; Various procedures including "related party transactions" and "Internal Dealing"; Documents on remuneration, qualitative and quantitative composition of top management bodies and sustainability strategies (at Group level too). Data and information given during meetings with internal functions were also used.

Other sources

Moreover, documents supplied by national and international regulatory bodies, the national stock exchange and independent sites.



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