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# 2020 PERFORMANCE




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## RESULTS

In order to allow for a better assessment of the performance of economic-financial operations, this Report includes the reclassified financial statements and some alternative performance indicators (non-GAAP measures), mainly represented by the results in the adjusted configuration<sup>21</sup>. Specifically, adjusted EBIT and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the reported EBIT and the reported net profit, as per the Income Statement.

Income components classified as special items in 2020 are represented: (i) by financial expenses deriving from the repurchase of bonds on the market in the context of the liability management transaction (32 million euros, 24 million euros, net of the relative tax effect); (ii) by the costs incurred as a result of the Covid-19 pandemic-related emergency (27 million euros; 22 million euros net of the relative tax effect), mainly related to donations of medical supplies and cash to the Italian health system and the third sector (16 million euros), purchases of personal protective equipment for internal use and costs for services (11 million euros); (iii) by funds allocated to provisions for risks and charges (17 million euros) regarding the estimation of probable fiscal and financial charges in relation to circumstances and/or events already existing as at 31 December 2020.

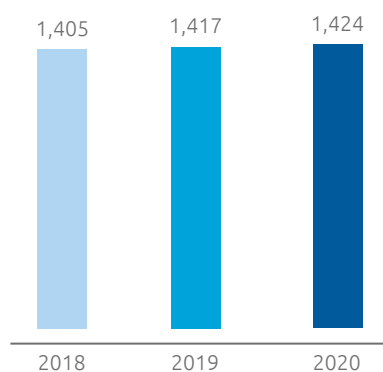
<sup>21</sup> For the definition of these indicators and the reconciliation with the related reported results, in line with the guidelines of the 2015/ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015, please refer to the chapter "Financial review and other information - Non-GAAP measures".



## ADJUSTED RESULTS

Thanks to the solidity and efficiency of the operational management and strict financial discipline, Snam achieved positive results in line with expectations in 2020, notwithstanding the effects of the Covid-19 pandemic.

### Adjusted EBIT (million €)

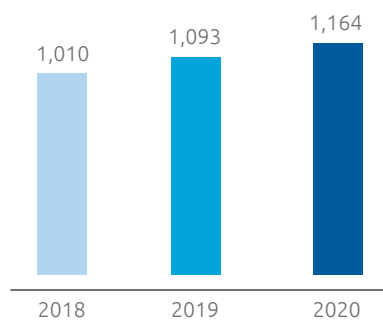


**Adjusted EBITDA** for 2020 amounts to 2,197 million euros, an increase of 28 million euros or 1.3% with respect to the adjusted EBITDA recognised in 2019. The positive contribution made by new energy transition businesses and Snam Global Solution (for approximately +13 million euros overall) and the greater regulated revenues deriving from the increase in the RAB base (+16 million euros), together with the continuation of actions under the Efficiency Plan (63 million euros of cost efficiencies compared to 2016) and the containment of costs following lockdown measures, have more than offset the reduction in regulated revenues deriving from the lower volumes transported following the Covid-19 health emergency, notwithstanding the fact that climate trends are in line with 2019.

**Adjusted EBIT** for 2020 totalled 1,424 million euros, up by 7 million euros (0.5%) compared with adjusted pro-forma EBIT for 2019. The aforementioned increase in EBITDA was partially absorbed by the natural increase in amortisation/depreciation (-40 million euros, 5.5%), essentially due to the entry of new assets to operations, partially compensated for by lower writedowns (+19 million euros, 63.3%).

With regard to business segments, thanks to higher regulated revenues linked to the increase in the RAB base, which more than absorbed the effects of a reduction in the volumes transported, the positive performance of the natural gas transportation sector was partially absorbed by a fall recorded in the storage sector, mainly attributable to tariff adjustment mechanisms and, in particular, lower incentives for new investments paid out for the fifth regulatory period.

### Adjusted net profit (million €)



**Adjusted net EBIT** for 2020 totalled 1,164 million euros, up by 71 million euros (6.5%) compared with adjusted net profit for 2019. The increase is due to the greater EBIT, as well as: (i) the sharp decline in net financial expenses (+39 million euros; equivalent to 23.6%), thanks mainly to the actions to optimise the financial structure and management of the treasury, with the cost of gross debt coming to 0.9%, notwithstanding the greater average debt for the period, influenced by investments in equity investments as well as the payment of dividends to shareholders and the share buyback activity; (ii) greater revenue from equity investments (+33 million euros; +15.3%), including one-offs or temporary effects, attributable to investees TAP and TAG, which benefit from non-recurrent income components, as well as ADNOC Gas Pipelines, an equity investment acquired in July 2020.

Income taxes recorded an increase (8 million euros; equivalent to 2.1%) following the greater pre-tax profit, partly offset by the effects of the reintroduction of the ACE - Aid to Economic Growth benefit.

**Net financial debt** was 12,887 million euros at 31 December 2020 (11,923 million euros at 31 December 2019). Cash flow from operations (1,597 million


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Proposed dividend

**0.2495 €**

per share

euros) made it possible to fully cover net technical investment requirements (-1,110 million euros). Taking into account net outflows associated with the acquisition of equity investments (-522 million euros, including the shareholders loan to OLT acquired by Snam with the purchase of the equity investment), free cash flow stood negative at 35 million euros. The net financial debt, after equity cash flow deriving from the payment to shareholders of the 2019 dividend (779 million euros, of which an interim dividend of 313 million euros and 466 million euros for the balance) and the acquisition of treasury shares (114 million euros), recorded an increase of 964 million euros compared with 31 December 2019, including non-monetary components related to financial debt (36 million euros), which refer mainly to the change in the scope of consolidation and the financial debt recorded through the application of IFRS 16 "Leasing".

## DIVIDENDS

Our healthy results and solid business fundamentals allow us to propose a **dividend of 0.2495 euros per share**, to the Shareholders' Meeting, of which 0.0998 euros per share was paid in January 2021 as an interim dividend (326 million euros) and the balance of 0,1497 euros per share will be paid from 23 June 2021 with an ex-dividend date of 21 June 2021 (record date 22 June 2021). The proposed dividend, up 5% compared with 2019, in line with the dividend policy announced in the strategic plan, confirms Snam's commitment to guaranteeing shareholders an attractive remuneration that is sustainable over a period of time.

### Main income statement data (a)

(million euros)	2018	2019	2020	Change	% change
Regulated revenue (b)	2,429	2,491	<b>2,548</b>	57	2.3
Total revenue (b)	2,530	2,606	<b>2,770</b>	164	6.3
Operating costs (b)	435	437	<b>573</b>	136	31.1
EBITDA	2,095	2,169	<b>2,197</b>	28	1.3
EBIT	1,405	1,417	<b>1,424</b>	7	0.5
Net profit (c)	1,010	1,093	<b>1,164</b>	71	6.5

(a) Figures are stated in the adjusted configuration.

(b) Starting 1 January 2020, the cost components that are offset in revenues (so-called pass-through items), essentially attributable to interconnection, are recognised as a direct reduction of the corresponding revenue (53 million euros in 2020). Similarly, the relative values from previous years (59 and 56 million euros respectively for 2019 and 2018) have been restated.

(c) Entirely attributable to parent company shareholders.

### Reported results

(million euros)	2018	2019	2020	Change	% change
EBIT	1,384	1,452	<b>1,380</b>	(72)	(5.0)
Net profit (a)	960	1,090	<b>1,101</b>	11	1.0

(a) Entirely attributable to parent company shareholders.


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## Key share and income figures

		2018	2019	2020	Change	% change
Net profit per share (a)	(€)	0.286	0.330	<b>0.336</b>	0.006	1.9
Adjusted net profit per share (a)	(€)	0.301	0.331	<b>0.356</b>	0.025	7.4
Group shareholders' equity per share (a)	(€)	1.78	1.90	<b>1.98</b>	0.08	4.3
Pay-out (Relevant dividend/Group net profit) (b)	%	77.71	71.56	<b>74.11</b>	2.55	3.6
Dividend yield (Relevant dividend/Year-end official share price) (b)	%	5.9	5.1	<b>5.1</b>	0.0	0.0
Price/Book value (Official average price per share/ Group shareholders' equity per share)	(€)	2.10	2.36	<b>2.23</b>	(0.13)	(5.4)

(a) Calculated considering the average number of shares outstanding during the year.

(b) The 2020 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 27 February 2021.

## Key shareholder figures

		2018	2019	2020	Change	% change
Number of shares of share capital	(million)	3,469	3,395	<b>3,361</b>	(34)	(1.0)
Number of shares outstanding at 31 December	(million)	3,301	3,292	<b>3,270</b>	(22)	(0.7)
Average number of shares outstanding during the year	(million)	3,358	3,301	<b>3,272</b>	(29)	(0.9)
Year-end official share price	(€)	3.820	4.686	<b>4.601</b>	(0.085)	(1.8)
Official average price per share for the year	(€)	3.747	4.474	<b>4.417</b>	(0.057)	(1.3)
Stock Market Capitalisation	(million)	12,606	15,428	<b>15,046</b>	(382)	(2.5)
Dividend per share	(€ per share)	0.2263	0.2376	<b>0.2495</b>	0.0119	5.0
Dividends for the year in question (*)	(million)	746	780	<b>816</b>	36	4.6
Dividends paid in the financial year	(million)	731	746	<b>779</b>	33	4.4

(\*) The 2020 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 27 February 2021.


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# OPERATING REVIEW AND SUSTAINABILITY IMPACTS



## TECHNICAL INVESTMENTS



### Plant security and quality levels

Technical investments for 2020, totalling 1,189 million euros<sup>22</sup>, up on 2019 (+226 million euros; +23.5%) and in line with forecasts, despite the difficulties deriving from the restrictions that characterised the first part of the year due to Covid-19, and related mainly to the transportation (981 million euros) and storage (134 million euros) business segments.

Investments in projects aimed at maintaining plant security and quality totalled 529 million euros for transportation (336 million euros in 2019) and 101 million euros for storage (57 million euros in 2019).

Snam guarantees **360° degree monitoring of its assets**, committing to the study and development of technologies which make it possible to have full control over infrastructure. In order to detect potentially critical situations on the network and act in a timely manner in the event of unforeseen external phenomena, the methane pipelines are regularly inspected by qualified personnel, including through the use of motor vehicles, helicopter or drone overflights, or technology.

To control and check the pipelines, Snam uses an intelligent device equipped with sensors, called “pig”, which, by travelling inside the gas pipelines, allows to detect any defects or anomalies in terms of the material or minimum pipe movements.

Moreover, Snam has implemented a pipe inspection method through a detection system able to identify any methane leaks (**Leak Detection**); this activity responds to the ARERA directives which require the entire network to be monitored every 3 years.

The Company has always **constantly monitored the technological evolution**, in order to identify solutions that are potentially applicable to its own business and capable of improving the quantity and quality of checks on all its assets, for the purpose of increasing reliability and safety over time. Ever since their invention, Snam has trialled and, where deemed effective and applicable, subsequently adopted various **in line inspection** solutions, which have evolved from the use of simple internal pipeline cleaning devices to advanced devices equipped with complex systems of sensors capable of identifying deformations in the pipe section, any construction defects or corrosion, as well as any movements in the pipeline’s axis over time.

<sup>22</sup> An analysis of the technical investments made by each business segment is provided in the “Business segment operating performance” section of this Report.


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Experimental activities are currently in an advanced state of implementation, involving the use of **satellite survey technologies** in order to assess the possibility of improving the ability to intercept potential activities that interfere with and could damage or jeopardise the integrity of the pipelines, and to identify geographical areas characterised by land movements of a particularly slow nature that cannot be identified with the conventional monitoring methods currently employed (periodic geological surveying by qualified geologists), which potentially pose a danger to the maintenance of the pipeline's integrity over time.

Lastly, Snam carries out continuous monitoring and control activity on its storage facilities through detection systems which activate when needed to immediately ensure the safety of the facilities. The most commonly used systems related to fire, smoke, pressure and gas leak detection.

### Control and inspection of transportation business

(km)	2018	2019	2020
Network inspected using smart pigs	1,651	1,651	1,487
Network inspected using helicopter overflights	18,462	20,178	20,662
Network inspected with Leak Detection technology			10,535
Network subject to geological inspection	4,209	5,163	4,438

## INTERCONNECTED TRANSPORTATION-STORAGE CAPACITY AND NETWORK UTILISATION

The average transportation capacity provided in 2020 was 363.1 million cubic metres/day on average, which was in line with 2019, while transferred capacity totalled 207.2 million cubic metres/day on average. Network saturation<sup>23</sup> was 57.1%, a decrease compared with 2019 (63.8%).

The number of active transportation users in 2020 was 213, compared with 150 active users in 2019. In 2020, 103 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 19 contracts for the injection of biomethane and 35 relating to CNG service areas.

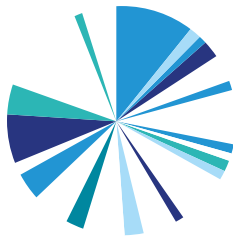
The total storage capacity at the end of 2020, on a like-for-like basis with strategic storage, came to 17.0 billion cubic metres, thanks to the Bordolano field gradually coming into operation, confirming the most extensive capacity at the European level for 2020 too.

There were 91 active storage customers (unchanged from 2019).

## BUSINESS VOLUMES

In 2020, a total of 69.97 billion cubic metres of gas was injected into the network, a decrease of 5.40 billion cubic metres (-7.2%) compared with 2019.

<sup>23</sup> Ratio of capacity transferred to available capacity.


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# 71.30 bcm

## Gas demand

(-4.3% compared with 2019)

# 71.60 bcm

## Normalised gas demand

(-4.4% compared with 2019)

# 60 methane tankers unloaded

(+39 compared with 2018)

# 19.60 bcm

## Gas moved through the storage system

The reduction is due to the significant decline in gas demand, which comes to 71.30 billion cubic metres (-3.18 billion cubic metres; -4.3%), due to the decrease in withdrawals in all consumption sectors. More specifically, the drop in gas demand is attributable: (i) to lower consumption in the thermoelectric sector (-1.47 billion cubic metres; -5.5%), following the decrease in electricity demand due to the lockdown measures implemented to contain Covid-19, in particular during the months from March to June, as well as the increase in photovoltaic production, partially offset by a significant drop in imports of electricity and a reduction in hydroelectric and wind production; (ii) to lower consumption in the industrial sector (-0.91 billion cubic metres; -5.3%), due to a 12% reduction in industrial production with respect to 2019, intensified by the closure of various productive activities during the lockdown (March/April), followed by a slow recovery in industrial production which has not yet returned to pre-Covid levels. Additionally, the reduction in gas demand was affected by lower consumption in the residential and tertiary sector (-0.72 billion cubic metres; -2.6%), essentially due to a progressive increase in energy efficiency measures and modernisation of heating systems with higher efficiency hot water heaters, relative to similar climate conditions in the two periods.

Total storage capacity as at 31 December 2020, including strategic storage, was 17.0 billion cubic metres (unchanged with respect to 2019), of which 12.5 billion cubic metres related to available capacity fully allocated for the thermal year 2020-2021 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2019-2020, as established by the Ministry of Economic Development by means of the notice dated 17 January 2020).

Volumes of gas moved through the storage system in 2020 amounted to 19.60 billion cubic metres, an increase of 0.27 billion cubic metres, or 1.40%, compared with 2019. Greater disbursements to deal with the reduction in injections to the national network were partially compensated for by lower injections in storage.

During 2020, the Panigaglia (La Spezia) terminal regasified 2.52 billion m<sup>3</sup> LNG (2.40 billion m<sup>3</sup> in 2019; +5%).

The continued increase in volumes of activities compared with 2018 (0.91 billion m<sup>3</sup> in 2018, more than doubled in 2020) is mainly due to the greater competitiveness of the cost of LNG compared with natural gas, as well as the new regasification capacity allocation mechanisms through dedicated auctions.

In 2020, 60 methane tankers were unloaded (+3 with respect to 2019; +39 with respect to 2018).


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## KEY OPERATING FIGURES

In accordance with IFRS 8 "Operating Segments," the operating segments that are reported separately were not changed and refer to regulated activities related to the transportation, regasification and storage of natural gas. Therefore, the new companies which head activities relating to the Energy Transition (sustainable mobility, energy efficiency and biogas/biomethane) are included in the "Corporate and other activities" segment, not operating under the terms of IFRS 8. An analysis of EBIT by business segment is provided in the "Business segment operating performance" section.

### Key operating figures

	2018	2019	2020	Var. ass.	Var. %
<b>Natural gas transportation (a)</b>					
Natural gas injected into the National Gas Transportation Network (billion cubic metres) (b)	72.82	75.37	<b>69.97</b>	(5.40)	(7.2)
Gas transportation network (kilometres in use)	32,625	32,727	<b>32,647</b>	(80)	(0.2)
<b>Liquefied Natural Gas (LNG) regasification (a)</b>					
LNG regasification (billion cubic metres)	0.91	2.40	<b>2.52</b>	0.12	5.0
<b>Natural gas storage (a)</b>					
Available storage capacity (billion cubic metres) (c)	12.4	12.5	<b>12.5</b>		
Natural gas moved through the storage system (billion cubic metres)	21.07	19.33	<b>19.01</b>	(0.32)	(1.7)
<b>Employees in service at year end (number) (d)</b>	3,016	3,025	<b>3,249</b>	224	7.4
<i>of which business segment:</i>					
- Transportation	1,915	1,945	<b>1,910</b>	(35)	(1.8)
- Regasification	64	65	<b>67</b>	2	3.1
- Storage	59	61	<b>62</b>	1	1.6
- Corporate and other activities (e)	978	954	<b>1,210</b>	256	26.8

(a) With regard to 2020, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10,572 kWh/SCM) for transportation and regasification activities and 39.23 MJ/SCM (10.895 kWh/SCM) natural gas storage for the 2019-2020 thermal year.

(b) The data for 2020 were updated at 14 January 2021. 2019 figures were definitively updated.

(c) Working gas capacity for modulation, mining and balancing services, allocated in full for the 2020-2021 thermal year.

(d) Fully consolidated companies.

(e) The figures for 2020 include resources coming from the entry of Mieci and Evolve into the scope of consolidation (137 resources overall).


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## Staff employment and development

The number of employees in service at 31 December 2020 was 3,249, an increase of 224 (+7.4%) over 2019. Over the year, the following were recorded:

- the entry of 376 resources, of which 137 were due to the entry of Mieci and Evolve into the scope of consolidation, and 226 were appointed from the market, including to strengthen new energy transition businesses, particularly in the field of biomethane.
- the exit of 152 resources, principally due to termination of employment relationships (143), 47 of which were unilateral.

With respect to the Group's distribution country-wide, 2,495 people are employed in the northern regions of Italy, 246 in the central regions and 498 in the south and Sicily. Moreover, 10 resources are permanently in service abroad.

During 2020, 66,385 hours of training were delivered with 17,277 participants, involving 90% of the company workforce (95% of women participated in at least one training course). On average, 20.4 hours of training took place per employee (20.8 hours on average for male staff and 18.5 for female staff).



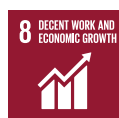
## Industrial relations

During 2020, Snam maintained a constant relationship with Trade Unions at the national and local level through 155 teleconferencing meetings, in line with government provisions and specific business policies aimed at containing the spread of Covid-19.

The Parties discussed several plans for the evolution of consolidated and recently created businesses, as well as issues of organisational importance triggered by the crisis situation that had emerged over the year.

In particular, pathways deriving from the integration of commercial and physical dispatches were discussed and established, in order to optimise transportation and storage activities.

As regards the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics intrinsic to the business evolution. The Parties met to establish productivity and profitability indicators for the 2020 Participation Bonus for Group companies and the benefits related to the 2019 bonus were booked. Moreover, a series of trade union discussions on smart working was set up, to extend that way of working to the business's entire office-based population, including operational units in the territory in response to the pandemic.


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## Supply chain management<sup>24</sup>

Snam adopts an 'extended' management model aimed at going beyond the boundaries of its company perimeter in order to empower supply chain operators (suppliers and subcontractors). In this framework, everyone is encouraged to achieve increasingly sustainable performance in terms of risk mitigation, innovation of management processes, increasing in operational efficiency and the promotion of responsible governance procedures. Moreover, in consideration of the new objectives linked to the reduction of Scope 3 emissions included in the new Towards Net Zero Strategic Plan, it is even more necessary and important to establish collaboration and a mutual commitment from Snam and its suppliers and subcontractors in order to tackle climate change.

In 2020, there were 541 suppliers under contract, of which 377 belong to the small-medium business (SME) sector (69% of the total), concluding 1,338 procurement contracts worth a total of approximately 1,832 million euros (+18% compared with 2019). From the geographical point of view, more than 96% of assets, works and services were acquired in Italy, involving suppliers located throughout almost all of the national territory (19 regions). Among the goods purchased, the most important material is steel (piping, connectors, etc.) which, in 2020, amounted to a supply of approximately 84,000 tonnes.

As regards the companies TEP, IES Biogas, Cubogas and Snam 4 Environment, together with their subsidiaries, 189 million euros worth of goods and services were procured from more than one thousand suppliers belonging to the new businesses sector (mobility, biomethane and hydrogen).

### Supply

(million euros)	2018	2019	2020
Value of procurement	1,520	1,550	<b>1,832</b>

Snam also incurred expenses of approximately 11 million euros for the supply of goods and services to ensure the safety of its own employees and deal with the Covid-19 pandemic in the best possible way.

To ensure the adequacy of suppliers in relation to current and future procurement requirements, Snam is constantly conducting market intelligence analyses and scouting activities for new suppliers. Thus, the correct balancing of the number of supplier companies on the Vendor List is ensured, according to criteria that follow the evolution of the need to acquire goods, works and services over time.

In 2020, the number of suppliers on the Vendor list and the related product groups were rationalised (-12% and -7%, respectively, compared to 2019), researching new and efficient synergies between the supplier companies already

<sup>24</sup> The figures in this paragraph relate to the following companies only: Snam, SRG, GNL Italia, Stogit, Enura, Snam 4 Mobility, Cubogas.

available, and, at the same time, the population of suppliers linked to energy transition activities and Snam's new businesses was increased, together with critical activities connected to the management of the health emergency.

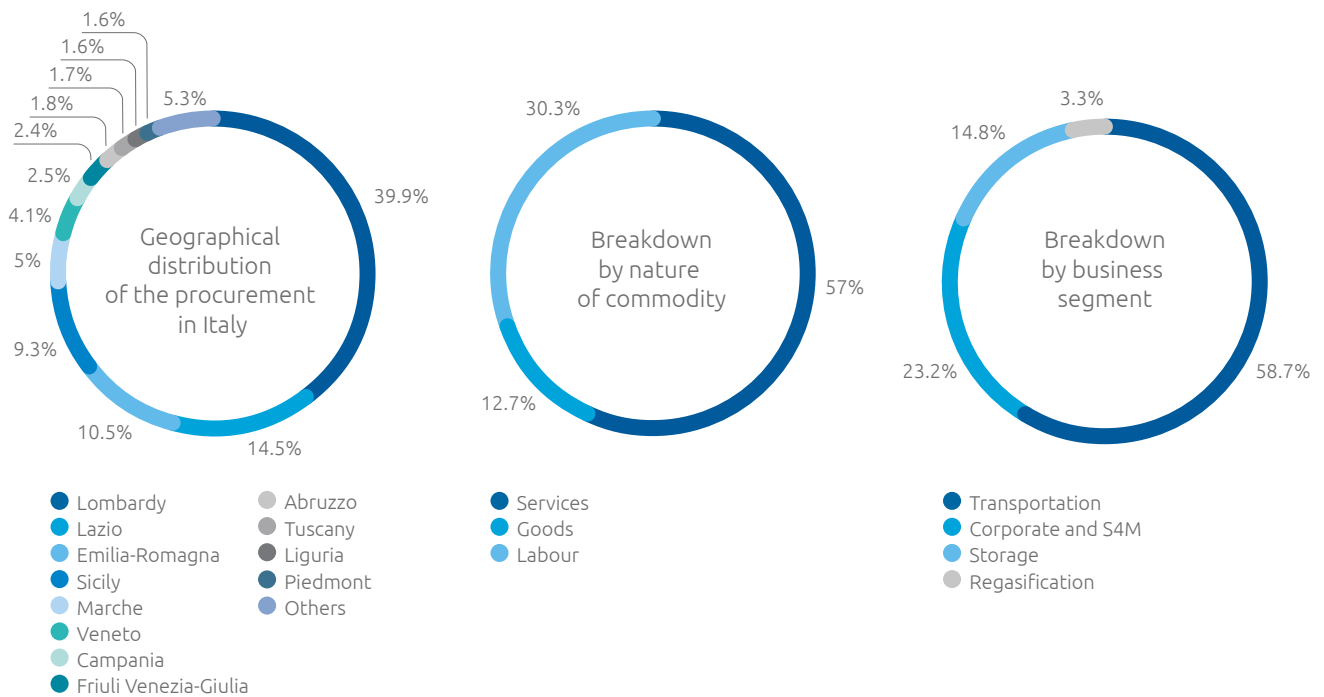
In 2020, over 700 businesses were contacted and more than 1,000 new candidates were activated for accreditation/qualification. The number of spontaneous candidatures increased by 2.7% compared to 2019, coming to 1,007.

As at 31 December 2020, the total number of qualified suppliers was 1,855, of which 221 belonged to the most important and strategic product categories (A and B). Snam exercises control of its supply chain by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the course of the year, 877 feedback reports were collected, relating to the services of 166 suppliers (+41% compared to 2019), 371 contracts were analysed and, in line with the promotion of sustainable behaviours along the supply chain, 3,815 audits on the tax compliance of 1,768 suppliers and subcontractors were also carried out, detecting irregularities in 2.28% of cases (+1.3% compared with 2019).

Moreover, with regard to the fight against corruption, all suppliers and subcontractors are required to accept the Integrity Ethics Pact and are subject to reputational checks. In 2020 2,758 reputational checks were conducted on suppliers and contractors. Moreover, since July 2020, Snam has been introducing a new category of checks carried out on its own suppliers, called "**Compliance Checks**", which also entail the analysis of the financial solidity of suppliers (or aspiring suppliers), as well as their suitability and fitness both from a technical point of view and in terms of HSEQ.

In procurement of works related to Snam's core activities, the suppliers considered critical (critical levels A and B) must be in possession of quality and environment management systems certified with ISO 9001, ISO 14001, OHSAS 18001 and ISO 45001 standards.

To evaluate the performance of its own suppliers over time, Snam uses a rating index (IR) that takes into consideration compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Level of service), establishing a good relationship with the customer for the entire duration of the contract (Behaviour). Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. In 2020, 13 provisions were issued in this area.





## Health and safety

Although the issues of health and safety at work have become even more important during the course of 2020, due to the Covid-19 pandemic, Snam is constantly committed to developing and promoting health and safety in the workplace. Research into and the adoption of good business practices is subject to gradual promotion not only within the company, but also vis-à-vis suppliers, to extend and improve collaboration so as to achieve the best performance.

In 2020 a total of 5 accidents took place (7 in 2019), 3 of which involved Snam Group employees (2 in 2019). All of them took place in companies in the unregulated sector (2 Cubogas and 1 Miec), and 2 involved contractors (5 in 2019), with one sadly resulting in a fatality.

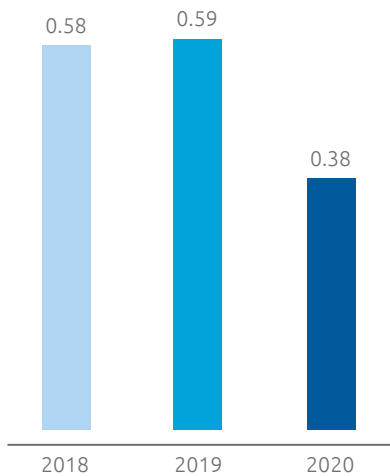
In 2020, the accident frequency index for employees was 0.59, a slight increase compared to 2019 (0.41), while for contractors it was 0.25, a reduction compared to 2019 (0.71).

The accident severity index for employees was 0.01, a reduction compared to 2019 (0.03), while for contractors it was 0.93, a marked increase compared to 2019 (0.07) due to the fatal accident<sup>25</sup>.

Overall, for employees and contractors, the frequency index was 0.38 while the severity index was 0.58.

### Frequency index

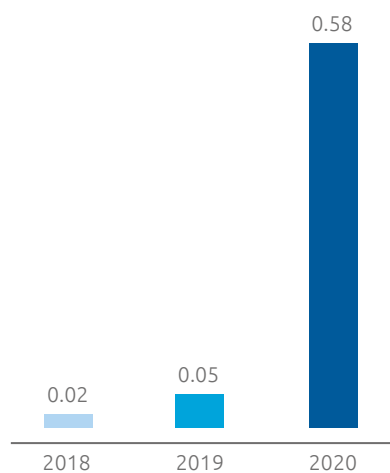
Employees and contractors



The frequency index was calculated as days of absence for injury / total hours worked.

### Severity index

(including fatalities) Employees and contractors

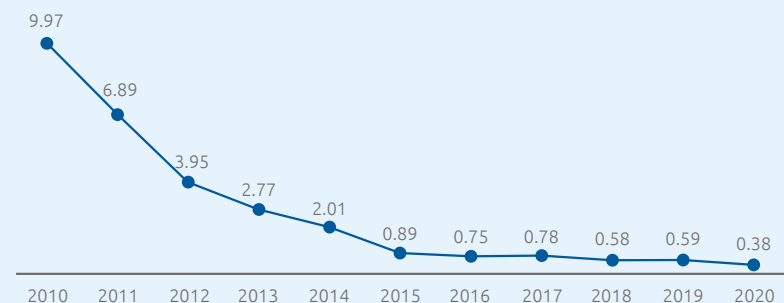


The severity index was calculated as number of injuries / total hours worked.

### Frequency index

Employees and contractors

**In the past 10 years, Snam has disseminated a culture based on protecting health, preventing injuries and safety at all levels of the Company, involving the whole corporate population and contractors. This approach enabled a constant reduction of injuries.**



\* The frequency index was calculated as days of absence for injury / total hours worked.

25 One fatal accident is computed as 7,500 days of absence.



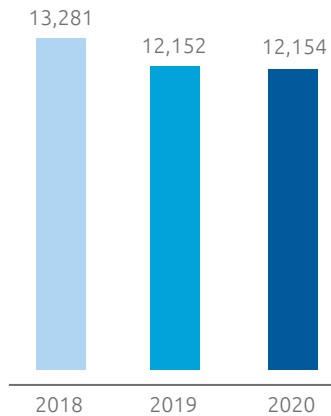
## Energy consumption

The main sources of Snam's energy consumption are the gas turbines used in compression facilities, which in 2020 represented 82% of total consumption. Moreover, 2020 saw an increase in the consumption of the regasification plant (+4% compared to 2019), in line with the increase in quantities of gas being regasified and a simultaneous reduction in consumption for storage (-6% compared to 2019), in line with the reduction in stored gas.

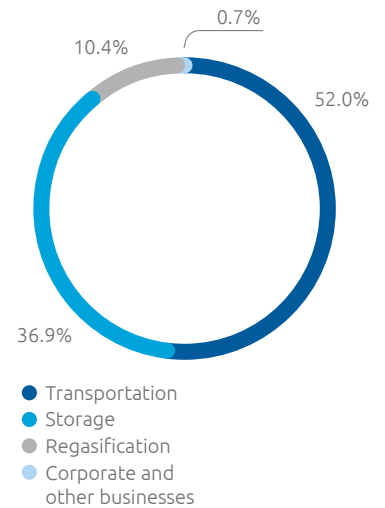
In 2020 total energy consumption was 12,154 TJ (similar to in 2019, +0.02%), influenced principally by the use of backbone pipelines for importation. In fact, during the course of the year, a 7% reduction in gas injected into the network compared to 2019 was recorded; the gas was transported by the North Africa backbone route, which is more energy-intensive than the northern Europe and Russia backbones.

The Company's energy mix is almost entirely made up of natural gas (95.4%); the other sources of which it is composed are electricity (increased from 3.5% in 2019 to 3.8% in 2020) and other fuels (diesel fuel, gasoline, LPG and heat), which together amount to 0.8% of the total consumption.

Energy consumption (TJ)



Energy consumption by business segment




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**In 2020, Snam reduced its atmospheric emissions by more than 200 thousand tonnes of CO<sub>2eq</sub>, a much higher figure than for 2019 (+12%), and it also avoided the emission of more than 10 million m<sup>3</sup> of natural gas, equivalent to 183 thousand tonnes of CO<sub>2eq</sub> (+11% compared to 2019).**

## GREENHOUSE GAS EMISSIONS

Total GHG emission were approximately 1.74 million tonnes of CO<sub>2eq</sub> (-13% compared with 2019). The total reduction in emissions was principally due to various concurrent causes, including:

- recovery of natural gas emissions through gas recompression, hot tapping<sup>26</sup> and Leak Detection and Repair (LDAR);
- production and/or purchase of electricity from renewable sources;
- installation of facilities with LED lighting;
- installation of more energy-efficient heat generators;
- restructuring and improvements to the energy-efficiency of buildings;
- increase in smart working.

Direct emissions of CO<sub>2eq</sub> came to 1.27 million tonnes. Of these, 0.66 million tonnes were attributable to fuel emissions, while CO<sub>2eq</sub> emissions deriving from methane and HFC emissions amounted to approximately 0.62 million tonnes and 0.001 million tonnes (-11% compared with 2019 and -20% compared with 2018, respectively). Natural gas emissions stood at 35 million m<sup>3</sup>, down compared with 39.2 million m<sup>3</sup> in 2019.

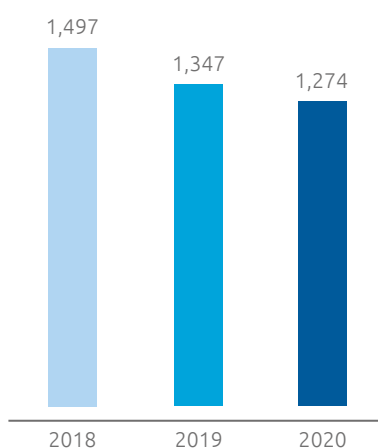
Indirect CO<sub>2eq</sub> emissions from energy consumption derived from the procurement of electricity and heat generated by third parties, which the Company uses for its own activities. Electricity consumption, which came approximately 128,750 MWh, increased by 10% compared to 2019, principally caused by the Renerwaste sites (not accounted for in 2019). Notwithstanding the increase, emissions did not increase for those sites, as almost 60% of the electricity consumed was generated by renewable sources.

CO<sub>2eq</sub> emissions, calculated according to the market based approach, came to 31.3 thousand tonnes, down compared to 2019 (-3.4%), thanks precisely to the growing use of renewable energy sources, thus avoiding the atmospheric emission of approximately 18,600 tonnes of CO<sub>2eq</sub>, an increase compared to the 16,100 tonnes avoided in 2019. As regards Scope 3 emissions, in 2020 the Group implemented a number of measures to calculate and subsequently reduce such emissions. Of these measures, Snam intends to continue to request its suppliers to complete the CDP Supply Chain questionnaire, promote working groups for the establishment of a common strategy for reducing emissions, hold thematic meetings on problems related to climate change and introduce stricter sustainability criteria in the choice of suppliers.

with regard to Scope 3 emissions, in 2020 some 8 different categories pertaining to such emissions were accounted for, therefore recalculating the emissions of previous years. In 2020, Scope 3 emissions came to approximately 433 thousand tonnes, a 31% reduction on the recalculated 2019 figure, following a decline in procurement and the different nature of the supplies. The 433 thousand tonnes of CO<sub>2eq</sub> relating to scope 3 emissions does not include the category linked to investments (which historically represents approximately 50% of total scope 3 emissions), due to the timing of data validation by investee companies.

<sup>26</sup> Advanced technique for the attachment of branches from pipelines in operation that make it possible not to interrupt the flow of gas or discharge the gas contained in the pipeline from which the branch leads.

**Direct GHG emissions  
– Scope 1 (kt CO<sub>2eq</sub>)\***



\* The emissions of CO<sub>2eq</sub> were consolidated according to the operational control approach. The GHG gases included in the calculation are CO<sub>2</sub> and CH<sub>4</sub> and the emissions are calculated with a GWP of methane equal to 28, as indicated in the scientific study by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC"



> Highlights

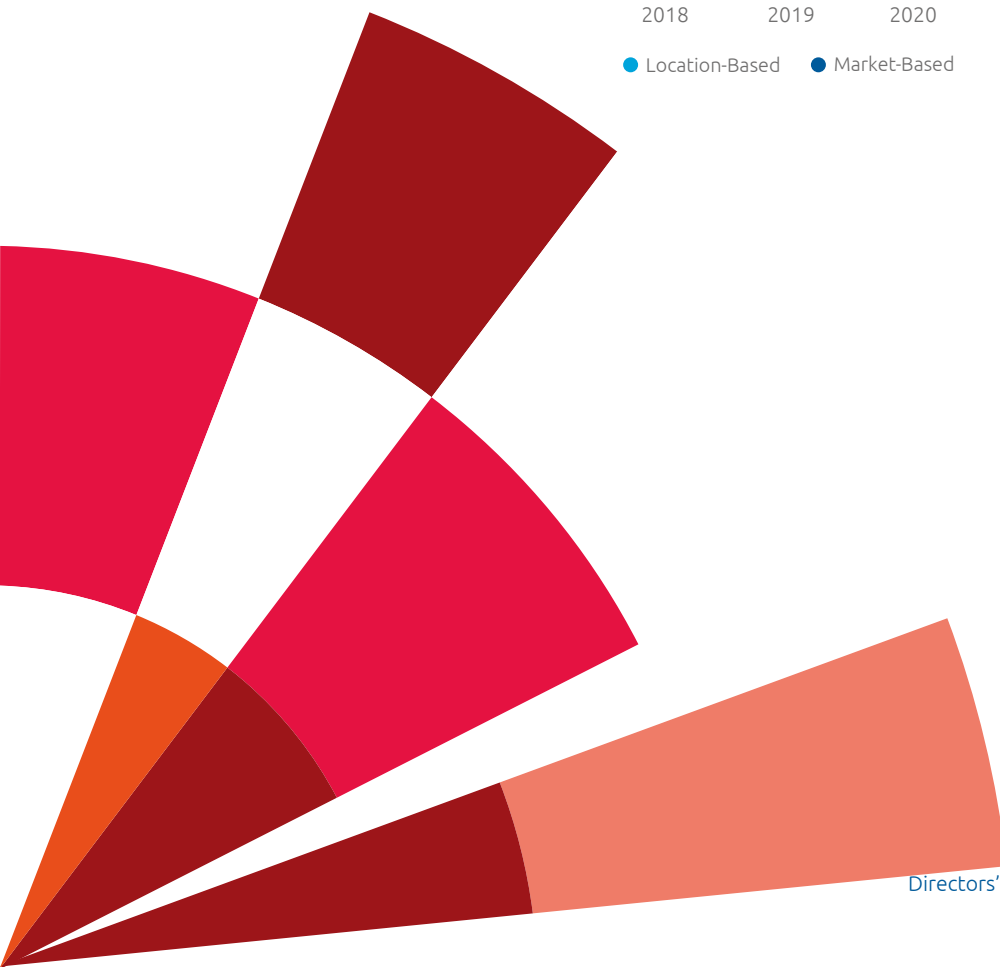
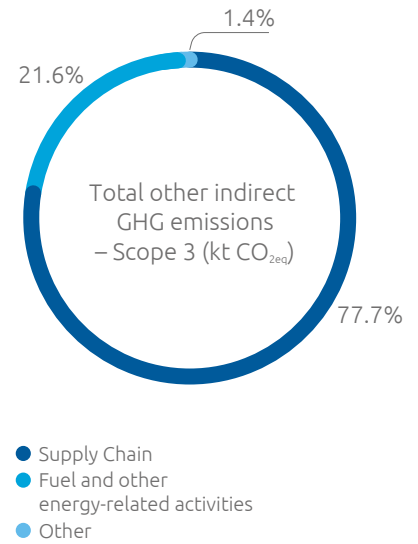
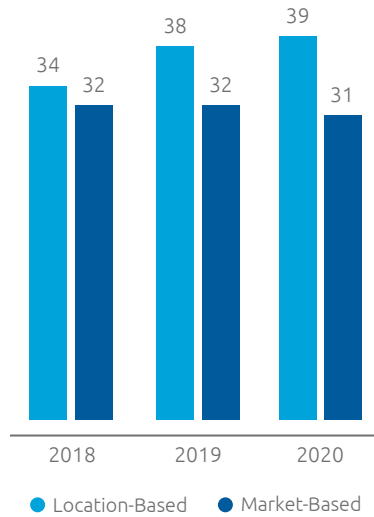
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Lastly, as regards carbon dioxide emissions from the Snam Group facilities covered by the ETS, overall they were greater than the allocated emission allowances. The allocation of free allowances by the competent national authority each year is gradually reduced each year as set out from the third regulatory period in Article 10 bis of Directive 2009/29/EC, which ended in 2020. In view of around 0.615 million tonnes of carbon dioxide emitted into the atmosphere, around 0.120 million tonnes were allocated free of charge, resulting in a 0.495 million tonne deficit.

**Indirect GHG emissions – Scope 2 (kt CO<sub>2eq</sub>)**




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# SNAM AND THE FINANCIAL MARKETS

## SNAM SHARE PERFORMANCE

The Snam share price ended 2020 at an official price of 4.601, down 1.81% on the price recorded at the end of 2019, which was 4.686.

The average value of the share during the period was 4.417 euros, peaking at 5.1 euros in the second half of February.

The stock continued to benefit from both growth prospects in all the economic and financial indicators presented to the market in the strategic plan at the end of 2019 and confirmed in the 2020 plan, and clarity of the regulatory framework.

Since the beginning of March, the effects of the Covid-19 pandemic and lock-down measures have triggered strong tensions and volatility in financial markets and global equity indices have fallen sharply. The Snam share also fell in relation to the intensification of restrictive measures. Despite the restrictions imposed by the authorities on the mobility of people, the company has

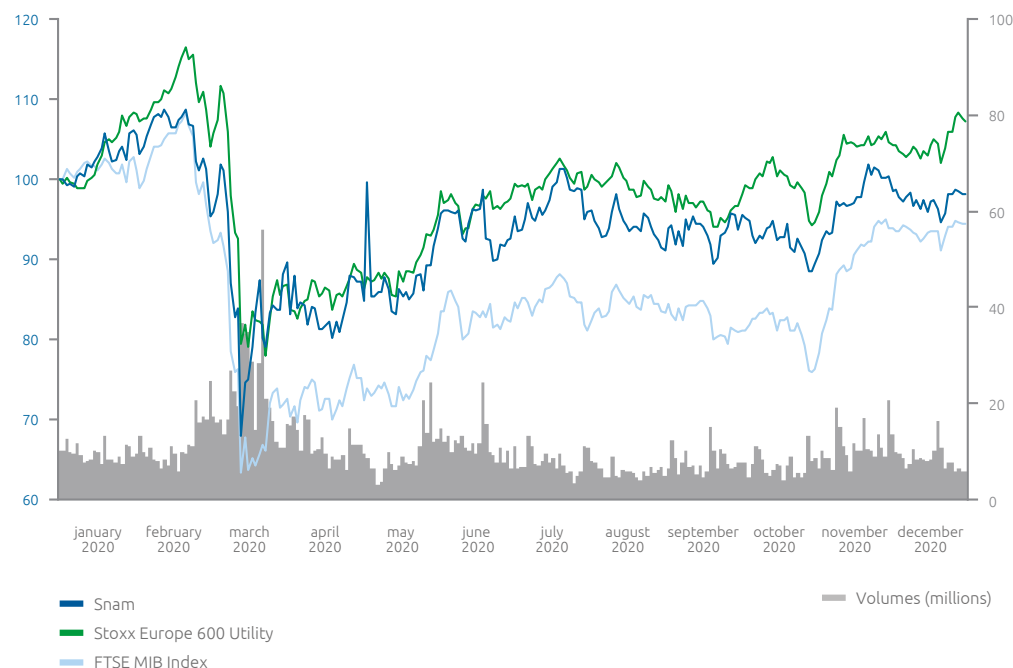
worked with great commitment and extraordinary measures to guarantee its essential energy security service.

The success of the issue of the first Transition Bond in June 2020, followed by two further issues in December 2020 and February 2021, whose funds will be used to finance projects in the energy transition sector, the agreement with ADNOC to join the networks of the Arab Emirates, the partnerships with the British ITM Power, one of the largest global producers of electrolysers, and through the partnership with De Nora, a global leader in alkaline electrodes, are factors that contributed to the recovery of the share in the last months of the year.

During the course of the year, the Company continued its investing activities both in its own regulated infrastructure, which is confirmed to be central to the energy transition to a low-emissions economy, and in the new energy transition activities in order to guarantee sustainable and profitable growth for shareholders.

### SNAM – Comparison of Snam, FTSE MIB and STOXX Europe 600 Utilities listings

(1 January 2020 – 31 December 2020)




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## Snam shareholder composition at 31 December 2020

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A. (a)	31.35
	Mr. Romano Minozzi	7.46
	Snam S.p.A.	2.70
	Other shareholders	58.49

(a) CDP S.p.A. holds 59.10% of CDP Reti S.p.A.

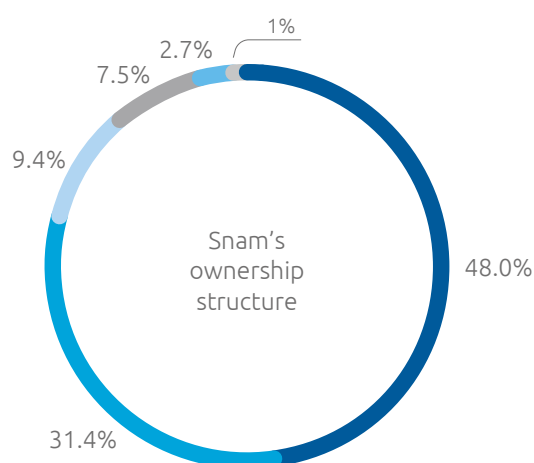
Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At the end of 2020, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 31.35% of share capital, Snam S.p.A. held 2.70% in the form of treasury shares, and the remaining 65.95% was in the hands of other shareholders.

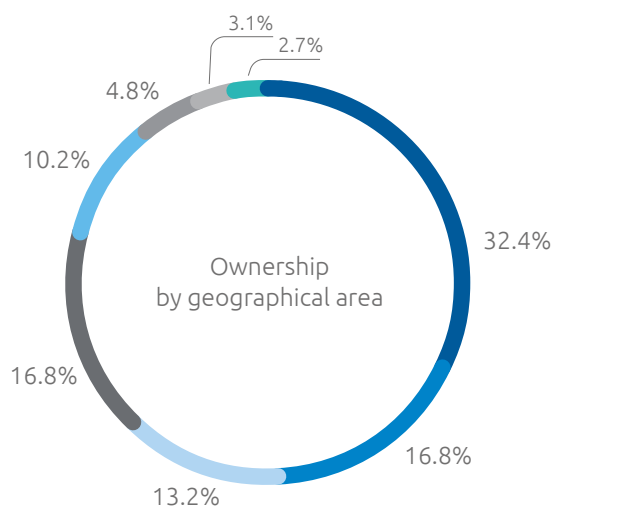
The share capital at 31 December 2020 consisted of 3,360,857,809 shares without indication of nominal value

(3,394,840,916 at 31 December 2019), with a total value of 2,735,670,475.56 euros (unchanged from 31 December 2019).

As at 31 December 2020, Snam's portfolio contains 90,642,115 treasury shares (102,412,920 as at 31 December 2019), equal to 2.70% of its share capital, with a book value of about 361 million euros (3.02% for a book value of around 388 million euros at 31 December 2019). More information with regard to the changes in treasury shares in the portfolio in 2020 can be found in the chapter "Other information - Treasury shares" of this Report.



- Institutional investors
- CDP Reti
- Retail investors
- Mr. Minozzi
- Treasury shares
- Bank of Italy



- Italy - Strategic Investors (\*)
- USA and Canada
- Continental Europe
- Italy - Retail (\*\*)
- UK and Ireland
- Rest of the world
- Italy - Institutional
- Treasury shares

(\*) Italy's strategic investors include the Bank of Italy and CDP Reti.

(\*\*) Italy's retail investors include the shares held by Romano Minozzi (7.6%).

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## RELATIONS WITH THE FINANCIAL COMMUNITY AND INVESTOR RELATIONS POLICY

Snam believes that maintaining constant relations with investors and the entire financial community is of strategic importance for its reputation. In this respect, it endeavours to disseminate comprehensive and timely information, capable of effectively representing the business's strategy and performance, particularly enhancing the dynamics that ensure the creation of value over time.

### 2020 Engagement Activity



In addition to the normal activities in presenting the Strategic Plan and conference calls upon the publication of the Company's results (annual, half-year and quarterly) during 2020, and notwithstanding the restrictions on movement that emerged following the onset of the Covid-19 pandemic, Snam has virtually participated in:

- 10 roadshows to meet shareholders and institutional investors in the major financial centres of Europe and North America;
- 15 industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet senior management.


## INCLUSION OF SNAM STOCK IN SUSTAINABILITY INDICES AND ESG RECOGNITION


As in previous years, Snam stock was included in the main international SRI (sustainable and responsible investment) stock market indices, an instrument that guarantees transparency in relation to the market and comparability in relation to the Group's peers, in addition to making the Company visible to other investors and the financial market as a whole.


There are 245 investors within Snam's shareholder composition that are classified as ESG, representing 34.1% of all institutional shareholdings in Snam and 13.8% of the total as of September 2020 (Nasdaq analysis).


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**Sustainability indices**


- 


Snam is once again present in the FTSE4Good index, where it has been listed since 2002, an index created by the FTSE Group to encourage investment in companies that meet globally recognised social responsibility standards and an important point of reference to establish benchmarks and ethical portfolios.
- 


Snam's listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Also reconfirmed in the Ethibel PIONEER and in the Ethibel EXCELLENCE Investment Registers: the Forum Ethibel decision indicates that the company can be characterised as an industry leader in terms of CSR.
- 


Snam's listing has been confirmed for the fourth year running in the two sustainability indexes MSCI ACWI SRI Index and MSCI ACWI ESG Leaders, by MSCI, an international leader providing IT tools to support the investment decisions of global investors. The MSCI Global Sustainability indices includes companies having high sustainability ratings in their affiliated sectors.
- 

For the ninth consecutive year Snam stock has been included into the STOXX Global ESG Leaders Indices, a group of indices based on a transparent process of selection of the performance, in terms of sustainability, of 1,800 companies listed worldwide.
- 

Snam is included in five of the main ECPI sustainability indexes. Snam's inclusion in the family of ECPI indices dates back to 2008. The ECPI methodology consists in screening based on testing more than 100 ESG (Environmental, Social and Governance) indicators
- 


Snam is confirmed to be included in 2020 as well in the (Europe, Eurozone, World) NYSE Euronext Vigeo 120 indices, managed by Vigeo, a leading company on a European level in rating companies with regard to CSR issues.
- 


Snam was also listed, in 2020, for the fifth year running, in the United Nations Global Compact 100 index (GC 100), developed by the United Nations Global Compact with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on the human rights, labour, environment and anti-corruption issues.
- 


Snam is for the second consecutive year among the companies included at the global level in Bloomberg's Gender-Equality Index (GEI). The index includes this year 380 businesses, of which 18 belonging to the energy sector. The company, one of the leading operators of energy infrastructures in the world, obtained a total score of 71.21% improving the GEI score by 2.1 percent compared to the previous year.
- 


In the context of the CSA assessment 2020, Snam was included in the **Sustainability Yearbook 2021** which rewards companies included in the top 15% of their industry.

**ESG ratings**

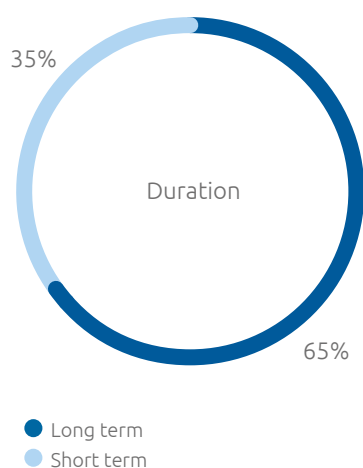
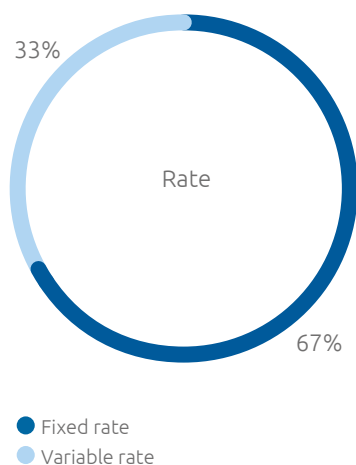
- 

Snam has been included again among the top-scoring companies of CDP, a non-profit organisation among the most important at the international level on the subject of climate change. In 2020, Snam came back to the global top, obtaining inclusion in the A List which comprises only 273 companies at the world level (8 in Italy), testifying to the strong commitment put into action on subjects related to climate change and the energy transition.
- 

Snam joined for the second year the CDP supply chain programme, the CDP programme aimed at the involvement of its supply chain in the climate change questionnaire. Snam got a score of A-, demonstrating the commitment of its suppliers in engagement activities involving issues related to the reduction of emissions and the development of sustainable strategies. In 2020 the company widened the perimeter of analysis, involving a higher number of suppliers and obtaining from these a higher level of response compared to 2019 (60% of respondents vs. 56%). The quality of the responses of suppliers also improved.
- 

In 2020, Snam was confirmed at "PRIME" level (with rating B-) by ISS ESG, which recently acquired the service Oekom Research, a leading international agency rating socially responsible investments, which operates on behalf of institutional investors and financial services companies.
- 

Snam was also confirmed in 2020 in the Sustainalytics index, a leading ratings agency that evaluates companies from an ESG perspective and which the company has been part of since 2013. The score of 19.8 indicates a low level of risk of the company in the ESG field, compared to an average risk level in 2019.



## DEBT MANAGEMENT AND CREDIT RATING

Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure.

The Group's net financial position at 31 December 2020 was 12,887 million euros, the result of a gross financial debt of 15,937 million euros and cash and cash equivalents of 3,050 million euros.

With reference to the capital market, in June 2020 Snam concluded the issue of its first Transition Bond, which followed the first Climate Action Bond, issued in 2019, for a sum of 500 million euros, with an annual coupon of 0.75% maturing on 17 June 2030. Moreover, in November 2020, Snam issued a second Transition Bond for a sum of 600 million euros, with an annual coupon of 0%, a re-offer of 99.728%, maturing on 7 December 2028. That issue was structured as the longest bond loan with a coupon equal to 0% to have ever been issued by an Italian issuer, when it was issued.

In December 2020, Snam successfully completed a buyback on the bond market of bonds (Liberty Management) with a total nominal value of around 629 million euros, with an average coupon of approximately 0.62% and a remaining maturity of approximately 2.80 years. The total disbursement resulting from the buy back of securities as part of the Liability Management transaction stood at 651 million euros, including the fees paid to intermediaries and accrued interest (4 million euros in total).

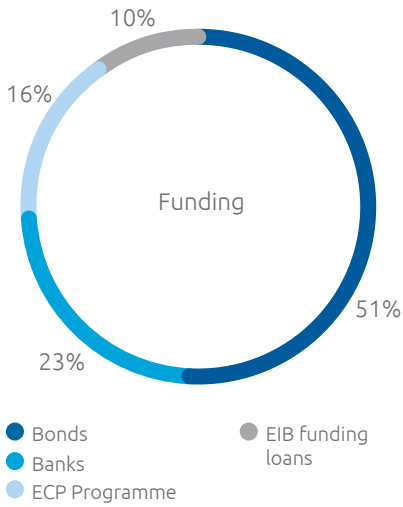
At 31 December 2020, Snam has unused committed long-term credit facilities ("Sustainable Loan") for an amount of approximately 3.2 billion euros. During the year, as part of the process to optimise the financial structure of Group, their duration was extended without an increase in margins. Moreover, in May 2020 Snam maintained the reduction of the margin for the "Sustainable Loan" that had been obtained previously in April 2019 following the achievement of the objectives linked to social and environmental sustainability parameters.

In order to increase the proportion of total available funding represented by sustainable finance, the Euro Commercial Paper programme was renewed, rising from 2 billion to 2.5 billion euros, linking it to environmental and social sustainability targets in line with the Sustainable Loan and with the instrument obtaining an ESG rating of EE assigned by the ESG rating company Standard Ethics.

As at 31 December 2020, Snam had an active Euro Medium Term Notes (EMTN) programme with a total nominal maximum value of 11 billion euros, of which it has used approximately 7.8 billion euros.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs in 2020.

As at 31 December 2020, sustainable sources of financing stood at around 7 billion and represented approximately 40% of Snam's committed funding. This



percentage is in line with the company's ambition to increase the proportion of available funding represented by sustainable finance from the current 40% to 60%, over the life of the plan.

At the same time, the communication activity continued with the rating agencies Moody's, Fitch and Standard & Poor's, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody's (Baa2 with a stable outlook), Fitch (BBB + with stable outlook), and Standard & Poor's (BBB + with a stable outlook).

In addition, when the Commercial Paper programme was renewed by Snam, the agencies confirmed the short-term rating of the company at P-2 for Moody's, A-2 for S&P and F2 for Fitch. Snam's long-term rating by Moody's and Standard & Poor's is a notch higher than that of Italian sovereign debt, while the rating assigned by Fitch is two notches higher.

	MOODY'S	STANDARD & POOR'S	FitchRatings
Latest update	11 <sup>th</sup> January 2021	22 <sup>nd</sup> February 2021	22 <sup>nd</sup> January 2021
Rating on long-term debt	Baa2	BBB +	BBB +
Rating on short-term debt	P-2	A-2	F2
Outlook	Stable	Stable	Stable



## KEY EVENTS

### CORE BUSINESS DEVELOPMENT

#### Snam and Iren sign: acquisition of a stake in the OLT - Livorno regasifier

Completed on 26 February 2020, Snam' acquisition of 49.07% stake in the share capital of OLT (Offshore LNG Toscana), the company that built and manages the offshore regasification terminal (FSRU - Floating Storage and Regasification Unit) located offshore of the Tuscan coast between Livorno and Pisa.

The consideration paid by Snam to the Iren Group for the acquisition of the entire equity investment in OLT owned by Iren Mercato S.p.A., as well as the remaining share of a shareholders' loan from Iren S.p.A. in favour of OLT stands at around 332 million euros in total. The amount, paid by Snam with its equity, may be subject to possible contractually-required price adjustment mechanisms.

Following the transaction, Snam took control of the regasification terminal in conjunction with First State Investments International Ltd. which, via the subsidiary FS SP S.à r.l., owns 48.24%.

### INTERNATIONAL BUSINESS DEVELOPMENT

#### Snam - in consortium with five international funds - signs agreement with ADNOC to join the networks of the Arab Emirates

On 15 July 2020, the consortium consisting of Snam and the investment funds Global Infrastructure Partners (GIP), Brookfield Asset Management, GIC (the Singapore sovereign fund), Ontario Teachers' Pension Plan and NH Investment & Securities, following the fulfilment of all conditions precedent, completed the acquisition of 49% of ADNOC Gas Pipeline Assets LLC (ADNOC Gas Pipelines) from The Abu Dhabi National Oil Company (ADNOC), as had been announced on 23 June.

The transaction values 49% of ADNOC Gas Pipelines, a company that holds for 20 years the management rights

to 38 pipelines in the United Arab Emirates, at about 10.1 billion dollars.

The consortium has obtained approximately 8 billion dollars in funding from a pool of international banks. The equity contribution is distributed proportionally among the consortium members, all of whom hold equal shares with the exception of the GIP leader. For Snam, in particular, the disbursement from own resources amounted to approximately 250 million dollars. As at the date of this document, the bank debt obtained upon entry was entirely refinanced on the market through five bond issues which took place in October 2020 and February 2021, respectively, for around Usd 8 billion at a weighted average cost of around 2.6% and an average effective duration of more than 10 years.

The transaction represents for Snam, the consortium's only industrial operator, an important investment opportunity in a strategic infrastructure, also in the framework of possible future collaborations in the energy transition in the Gulf area.

### BIOMETHANE

#### Entry into the agricultural biomethane sector: agreement signed for the acquisition of a 50% stake in Iniziativa Biometano

On 30 September 2020, through its subsidiary Snam 4 Environment, Snam completed its acquisition, from Femogas S.p.A., of a 50% stake, with joint control rights, in the share capital of Iniziativa Biometano S.p.A., a company operating in Italy in the management of biogas and biomethane plants fed with biomass of agricultural origin.

The equivalent value of the transaction, announced 7 May last upon the presentation of results for the first quarter of 2020, following the signing of a binding letter of a binding letter of intent reported on 21 November 2019, is around 10 million euros.

The acquisition allows Snam to enter into the agricultural biomethane sector, the development of which is expected to give rise to the largest contribution as biomethane


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establishes itself as a strategic source for the purposes of the energy transition and circular economy in Italy.

Iniziativa Biometano, through its subsidiaries, currently owns six operational biogas plants, which will be converted into biomethane plants thanks to IES Biogas (controlled by Snam), with an overall production potential of around 39 megawatts when fully operational. It is also one of the principal shareholders of an additional biomethane plant which entered into operation in October.

Iniziativa Biometano will be the platform with which Snam and Femogas will develop further projects in the national territory to give a decisive boost to the availability of biomethane in increasingly significant quantities within the national energy mix.

## ENERGY EFFICIENCY

### Crédit Agricole Italia and TEP Energy Solution for energy reclassification in Italy

In January 2020, Crédit Agricole Italia and TEP Energy Solution, a subsidiary of Snam, signed an agreement to encourage energy reclassification work on residential and tertiary-sector buildings in Italy, with a particular focus on condominiums, in order to make these solutions accessible to the largest possible number of users.

In the agreement, TEP will offer clients the energy efficiency solutions included in the Casa Mia programme, while Crédit Agricole Italia will offer them "Flexcondominio" financing and other financial services to support the technical offer from TEP.

The actions provided for in the **Casa Mia** programme, from the construction of thermal walls to insulate buildings to the reclassification of boilers and structural consolidation, provide the means to reduce the energy costs of properties by as much as half, while also providing concrete improvements to habitability and increasing market value by up to 10-15%.

The proposed formula finances the works through the saving achieved from lower consumption and the assignment of the tax credit linked to the Ecobonus and Sismabonus mechanisms.

### Snam strengthens itself in energy efficiency: acquisition of 70% of Miecì and Evolve

On 5 October 2020 Snam, through its subsidiary Snam 4 Efficiency, acquired, in cash, 70% of two companies active in the energy efficiency sector in Italy, Miecì S.p.A. and Evolve S.r.l. (renamed Evolve S.p.A., at the same time as the operation), for a total value of approximately 50 million euros, in execution of agreements signed on 10 June 2020.

The transaction enables Snam to achieve structural development of its portfolio of activities and a consequent substantial improvement in its competitive positioning in this business by acquiring, through its partnership with Gemma and Fen Energia, one of the leading national operators in energy and technology services for public bodies and private customers, new skills in energy efficiency in the public and residential sectors. In particular, in the residential sector, the synergies between Evolve and the ESCo (Energy Service Company) TEP Energy Solution, already controlled, will allow Snam to increase its market position and play a leading role in the spread of energy efficiency in Italian condominiums, also in the context of the new "ecobonus".

As part of the transaction, options are envisaged to allow Snam 4 Efficiency to acquire 100% of both companies in the long term and, for the seller, to invest in Snam 4 Efficiency.

## SUSTAINABLE MOBILITY

### Awarded third order for public transportation in Paris

Cubogas, controlled by Snam 4 Mobility and specialized in technological solutions for CNG (compressed natural gas) refuelling stations, was awarded the tender for the construction of a new natural gas distributor for buses launched by RATP, the Parisian public transportation company active in the entire Île-de-France region.

The order, worth approximately 1.4 million euros, provides for the supply of three compressors, two additional storages of 45 cylinders each and further accessories for the new Nanterre refuelling station, which will be able to supply CNG to about 200 buses that run in the Paris metropolitan area. The Nanterre site, which is already set to supply an increasing number of buses in the future, follows the orders assigned by RATP to Cubogas over the past months for two other locations close to the French


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capital.

These tenders will allow Snam to contribute to the decarbonisation of Paris' public transportation through a greater diffusion of natural gas to replace traditional fuels; as well as helping to demonstrate the international breadth of Cubogas' activities.

### The Indian market and opportunities for sustainable mobility

In November 2020, Snam officially entered India, concluding a number of cooperation agreements relating to the sustainable mobility sector.

The company involved is **Adani Gas Limited** (a joint venture between the Adani Group and Total SE), with which it will create an equitable joint venture aimed at promoting the production of compressors that will support the adoption and diffusion of sustainable mobility in India, favouring the use of natural gas. The objective will be to create a compressor factory using technology developed by Cubogas, a Snam 4 Mobility company, for the provision of natural gas for motor vehicles, to be installed at existing refuelling stations, as well as those in development.

## HYDROGEN

### Snam enters "The Hydrogen Council"

On 15 January 2020, Snam officially became part of **The Hydrogen Council**, a global coalition of leading companies in the energy, industrial and transportation sectors committed to promoting the use of hydrogen to encourage the energy transition.

### Snam and ITM Power, a partnership for green hydrogen

The agreement between Snam and ITM, signed on 22 October 2020, concluded with a 33 million euros investment in ITM Power Plc. Following its subscription of the capital increase, Snam possesses a 2.318% shareholding.

Snam will acquire technical competence for the development of green hydrogen, and at the same time ITM Power can take advantage of Snam's position in the value chain in order to develop its own business and joint projects.

ITM Power Plc is engaged in the production of electrolyzers, essential components for obtaining hydrogen from renewable sources through the electrolysis of water. Therefore, Snam will involve ITM Power in the development of green hydrogen with "membrane" technology (PEM – Proton Exchange Membrane) hydrolysers of up to 100 MW power.

### Partnership with De Nora

On 18 November, Snam's arrival as a significant minority shareholder in Industrie De Nora was announced (a transaction finalised on 8 January 2021), replacing Blackstone's 33% share in the company, based on an enterprise value of 100% of its value of approximately 1.2 billion.

This highly strategic partnership allows Snam to increase its exposure to the mega-trends of the energy transition, particularly with regard to the production of green hydrogen and water treatment, taking advantage of De Nora's leadership and technical competence in the field of alkaline electrodes – essential components for the production of alkaline electrolyzers.

Moreover, De Nora possesses a 34% shareholding in **ThyssenKrupp Uhde Chlorine Engineers (TKUCE)**, one of the global leaders in the development, assembly and installation of alkaline electrolyzers and the production of chlorine and caustic soda, whose alkaline electrolyser technology is used in several major global hydrogen-based projects.

### The Indian market for the hydrogen business

In November 2020, in addition to the agreement for sustainable mobility with Adani Gas Limited, Snam signed another agreement for the hydrogen business with Greenko. Snam will start a collaborative project to support the development of the hydrogen supply chain in India, specifically studying methods for producing hydrogen from renewable sources, designing hydrogen-ready infrastructure and applying those solutions to both industry and transportation, including fuel cell mobility.

### Alstom and Snam: agreement for the development of hydrogen trains in Italy

Snam and Alstom, a global leader in integrated solutions for sustainable mobility, have signed a five-year agreement to develop hydrogen trains in Italy.


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The aim of the agreement is to implement, including in 2021, rail mobility projects including both hydrogen-powered trains and the technological infrastructure necessary for the supply, as well as vehicle management and maintenance services.

Under the agreement, Alstom will be responsible for the supply and maintenance of hydrogen trains, whether newly built or converted, while Snam will work on developing the infrastructure for production, transportation and refuelling.

The collaborative project arose from the two companies' common commitment to hydrogen: Alstom launched the Coradia iLint in Germany, the world's first fuel cell train, already in service for a year and a half on a regional route, while Snam was among the first companies in the world to experiment with the injection of 10% hydrogen into the natural gas transportation network.

## SNAM FOR THE ENERGY TRANSITION: AGREEMENTS AND COLLABORATION

### Snam and Milan Polytechnic University for the energy transition

In October 2020, Snam and Milan Polytechnic University started a collaborative project to develop joint research activities into the role of the gas system in the energy transition, with a particular focus on hydrogen and other green gases as the principal assets in the fight against climate change.

The agreement envisages joint studies on hydrogen, sustainable mobility, biomethane, liquefaction and SSLNG, as well as the development of projects for the capture, transportation, storage and reuse of carbon dioxide. Other research activities will concern the digital transformation applied to the gas transportation networks, sustainable finance, staff training and talent attraction.

Lastly, in collaboration with Fondazione Snam, Snam will contribute to Milan Polytechnic University's Equal Polytechnic Opportunities (Pari Opportunità Politecniche / POP) programme with the "Girls@Polimi" initiative, with the donation of three three-year study bursaries to encourage girls to study STEM subjects (science, technology, engineering, mathematics).

### Snam and Indian Oil, collaboration to implement the energy transition in India

In November 2020, Snam signed a Memorandum of Understanding with **Indian Oil**, a government-owned company and one of the country's largest integrated energy operators, aimed at possible joint projects for the energy transition and the gas infrastructure supply chain, with a particular focus on initiatives in the natural gas storage and liquefaction sectors.

### CDP, Eni and Snam for the decarbonisation of the energy system

In December 2020, Casa Depositi e Prestiti, Eni and Snam signed a letter of intent to initiate strategic collaboration in energy transition that will lead to the joint creation of integrated projects in key sectors for the energy transition, such as the hydrogen supply chain, the circular economy and sustainable mobility.

Eni and Snam will offer their own complementary technical and industrial competence, upstream downstream and midstream, respectively, while CDP will leverage its own economic-financial and relationship management competence with the institutions involved in the initiatives.

The letter of intent also envisages collaborative projects in the decarbonisation of those industrial sectors in which the reduction of CO<sub>2</sub> emissions is more difficult, both through the development of Carbon Capture and Storage (CCS) to promote the production of blue hydrogen in the transition phase, and progressively through green hydrogen. Moreover, the three companies plan to build infrastructure and carry out research and development activities for the storage and transportation of hydrogen and CO<sub>2</sub>.

## OTHER

### New share buyback and cancellation plan treasury shares without reduction of share capital

On 18 June 2020, the Snam Ordinary Shareholders' Meeting, after revoking the resolution of the Ordinary Shareholders' Meeting of 2 April 2019 to authorise the purchase of treasury shares, for the part that remained unexecuted, authorised the purchase of treasury shares, to be carried out on one or more occasions through one or more top-level intermediaries appointed by the Company, for a maximum duration of 18 months from the date of the


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resolution, with a maximum disbursement of 500 million euros, and in any case up to the maximum limit of shares in portfolio equal to 6.50% of the subscribed and paid-up share capital (taking into account treasury shares already held by the Company).

The shareholders' resolution also specifies the terms and conditions of the price for the purchase of treasury shares and provides that acts of disposal may be carried out on one or more occasions, without time limits and even before the purchases have been exhausted, in relation to all or part of the Company's treasury shares purchased on the basis of the same resolution, as well as those already held. The Extraordinary Shareholder's Meeting held on the same date also approved the cancellation of 33,983,107 treasury shares with no nominal value with no change to the share capital and the resulting amendment of art. 5.1 of the company Bylaws. The shares were cancelled on 6 July 2020 following the deposit with Companies House of the amended company Bylaws.

As a result of this transaction, the share capital consists of 3,360,857,809 shares with no nominal value for a total value of 2,736 million euros (unchanged from 31 December 2019). At the date of this report, Snam has 90,642,115 shares in its portfolio, equal to 2.70% of the share capital.

### Renewal of EMTN and ECP programmes

On 12 October 2020, Snam's Board of Directors approved the annual renewal of the EMTN (Euro Medium Term Notes) Programme launched in 2012, to be executed by 12 October 2021, for a maximum overall equivalent value of 11 billion. In the context of the EMTN Programme, as at the date of this document, around 8.2 billion worth of bond loans have been issued<sup>27</sup>, net of the bond redeemed on 29 January 2021 and considering the issue of the dual tranche in February 2021 worth 750 million euros.

The same Board also approved the renewal of the Euro Commercial Paper Programme (ECP Programme), which started in 2018, and the issuance of one or more Euro Commercial Papers within a period of 3 years from 12 October 2020, which may be associated with ESG indicators defined as part of the November 2020 Strategic Plan. Moreover, the Board approved the extension of the maximum value of the ECP Programme from 2 billion up to a maximum equivalent value of 2.5 billion, to be placed with institutional investors in accordance with the terms

and procedures established in the ECP Programme. To date, in the context of the ECP Programme, the value of commercial papers issued stands at 2 billion.

### Bond buyback

On 7 December 2020 Snam successfully concluded the buyback on the market of its bonds for a total nominal value of 629 million euros. The effects of this transaction on the 2020 income statement (32 million euros, 24 million euros excluding the tax effect) are essentially represented by the charges deriving from the difference between the outlay deriving from the repurchase of part of the bonds on the market and the amortised cost valuation of the bonds themselves.

Through this operation, Snam proposes to continue the process of optimising its debt structure and continuously improving the cost of capital, in line with its objectives.

The year just ended represents the last of the six years of liability management which, from 2015 to the present day, has contributed to reducing Snam's cost of borrowing from 2.4% in 2016 to 0.9% in 2020.

<sup>27</sup> The convertible bond, for a nominal value of 400 million euros, is not part of the EMTN Programme.