

Report of the Board of Directors on the proposals  
relating to items on the agenda of the Shareholders' meeting

**SNAM S.p.A.**

**ORDINARY SHAREHOLDERS' MEETING OF 28 April 2021**

**SINGLE CALL**

**Report of the Board of Directors on the proposals relating to items on the agenda of the  
Shareholders' Meeting**

**Item 5**

**Proposal to change the 2020-2022 long term share incentive Plan. Related and consequent  
resolutions.**

Dear Shareholders,

The Board of Directors has convened you to an ordinary session to submit for your approval a proposed amendment to the plan called the “*2020-2022 Long Term Share Incentive Plan*” (the “**Share-Based Plan**”), approved, in compliance with art. 114-*bis* of Italian Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented (the “**Consolidated Law on Finance**” or “**CLF**”), by the ordinary Shareholders’ Meeting of Snam S.p.A. (the “**Company**”) of 18 June 2020.

The proposal that the Board of Directors intends to submit for the approval of the Company’s Ordinary Shareholders’ Meeting regards the amendment, with reference to the second and third attribution cycle of the Share-Based Plan, of the method used to calculate the value of natural gas emissions relevant to the determination of one of the performance conditions under the Share-Based Plan, as detailed in paragraph 1 above in this explanatory report (the “**Proposed Amendment**”), with all other terms and conditions of the Share-Based Plan remaining unchanged.

This explanatory report, listed under item 5 on the agenda of the Ordinary Shareholders’ Meeting, has been prepared by the Company’s Board of Directors pursuant to art. 125-*ter* of the CLF and art.

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84-*ter* of the Regulation adopted by Consob Resolution no. 11971 of 14 May 1999 and subsequent amendments and supplements (the “**Issuers’ Regulation**”) and intends to explain the reasons and content of the Proposed Amendment. This report is made available to the public in the terms of the law and regulations, at the company’s registered office, on its website [www.snam.it](http://www.snam.it), in the “*Governance and conduct*” – “*Shareholders’ Meeting*” section and also on the authorised storage mechanism “*eMarket Storage*” at [www.emarketstorage.com](http://www.emarketstorage.com).

For an analytical explanation of the contents and provisions of the Share-Based Plan - including the Proposed Amendment -, please refer to the information document drawn up in compliance with Scheme no. 7 of Annex 3A to the Issuers’ Regulation, made available today on the Company’s website [www.snam.it](http://www.snam.it), in the “*Governance and conduct*” – “*Shareholders’ Meeting*” section and on the authorised storage mechanism “*eMarket Storage*” at [www.emarketstorage.com](http://www.emarketstorage.com).

## **1. Reasons for and presentation of the Proposed Amendment**

It should be recalled that in accordance with the Share-Based Plan, the effective accrual of ordinary shares in the Company assigned to each beneficiary is subject to the achievement of specific performance conditions.

The achievement of the performance conditions at target level involves the accrual of 100% of the shares attributed, while achievement of performance conditions at maximum level (cap) involves the accrual of 133% of the shares attributed. Finally, achievement of the performance conditions at minimum (threshold) level entails the accrual of 67% of the shares attributed. For results falling between the minimum, target and maximum achievement levels, the percentage of shares attributed will accrue progressively and by linear interpolation.

The performance conditions envisaged by the Share-Based Plan include a weighting of 20% attributed to the ESG Metric, which is measured through the results achieved with respect to two indicators, of

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which one aimed at verifying the reduction of natural gas emissions at the end of the performance period (with a weight of 10%) (the “**Emissions Reduction Objective**”).

The Share-Based Plan approved by the Shareholders’ Meeting on 18 June 2020 envisages that the degree of achievement of said objective shall be calculated according to a criterion of linear interpolation between the minimum, target and maximum values with respect to the values recorded for emissions at end 2016 (48.08 MSmc).

Following the September 2020 adhesion by the Company to the new Oil & Gas Methane Partnership Framework (OGMP 2.0) prepared by the United Nations Environment Programme (UNEP) (the “**UNEP Framework**”), the Company has adopted a new plan for the reduction of emissions through to 2025, which envisages more ambitious targets than those set previously and originally taken into account for the preparation of the Share-Based Plan, as approved by the Shareholders’ Meeting on 18 June 2020.

Consequently, with reference to the 2021-2023 attribution cycle (the “**Second Cycle**”) and the 2022-2024 attribution cycle (the “**Third Cycle**”) of the Plan, it is necessary to align the calculation methodology and consequently the performance levels of the Emission Reduction Target with the provisions of the Company’s new emission reduction plan (which, in turn, depends on the UNEP Framework). For the sake of completeness, please note that at present, the UNEP Framework has set a target through to 2025 of -44.9%.

In addition, the Board of Directors also proposes envisaging that in the event of subsequent amendments and/or variations under the scope of the UNEP Framework (to which the Company has adhered), and consequent changes to the emissions reduction plan adopted by the Company, the performance levels of the Emissions Reduction Objective of the Second Cycle and/or Third Cycle should be adjusted and remeasured to take such changes into account, in order to achieve the final target envisaged by the UNEP Framework.

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The degree of achievement of the Emissions Reduction Objective shall be calculated according to a criterion of linear interpolation between the minimum, target and maximum values with respect to the values recorded for emissions at end 2015 (49.74 MSmc).

The other terms and conditions of the Share-Based Plan remain unchanged.

It is stressed that the Proposed Amendment only regards the Second Cycle and Third Cycle of attribution of the Share-Based Plan; the terms and conditions relating to the first attribution cycle (i.e. 2020-2022) remain unchanged.

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Dear Shareholders,

For all the foregoing reasons, the Board of Directors proposes that you pass the following resolutions:

*“The Ordinary Shareholders’ Meeting of Snam S.p.A., on the basis of the report by the Board of Directors and having examined the information document made available to the public in accordance with applicable rules and current applicable legislation and the recommendations made by Consob and Borsa Italiana S.p.A.*

*resolves*

- 1. to approve, in accordance with and for the purposes of article 114-bis of the CLF, the change to the “2020-2022 Long Term Share Incentive Plan” with reference to the Second Attribution Cycle and the Third Attribution Cycle, in compliance with the terms and conditions described in the information document made available to the public in compliance with the applicable legislation and without prejudice to all other terms and conditions not otherwise modified;*
- 2. to confer upon the Board of Directors, and/or on its behalf to the Chief Executive Officer, with the faculty to sub-delegate, all the most extensive powers as necessary or appropriate to ensure the complete implementation of the foregoing resolution and the changes envisaged therein in*

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*relation to the Share-Based Plan, including, merely by way of example, to provide for a market disclosure, the preparation and/or finalisation of all documents necessary or appropriate in connection with such resolutions and the Share-Based Plan, in accordance with applicable provisions of law and regulations and, in general, their execution.”*

The Chairman of the Board of Directors

Mr Nicola Bedin