

Sustainability Report 2011

Snam transports, transforms, preserves and distributes a future.

A future where Italy is a pioneer.

And where Europe is even closer.

That future already exists.

Uniting the community. Connecting people.

Bringing innovation.

It is the network that goes everywhere and that will always go farther.

It is the thread that joins genius and passion.

Development and sustainability.

With Snam,

discover the network that creates value.

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# MESSAGE FROM THE CEO

#### Dear Stakeholders,

Even in a scenario characterised by extreme market volatility and dampened growth prospects for the world economy, Snam achieved significant operating and financial results in 2011. Confirming Snam's operating efficiency, operating profit and earnings before tax last year were up 5.2% and 3.5% respectively compared to 2010.

Operating profit for 2011 stood at €1,958 million, increasing by €96 million compared to 2010. Net profit for 2011 was €790 million, down by €316 million. This result is strongly correlated with recent fiscal measures passed by the government to repair the public finances and, in particular, with the application of the additional IRES income tax (the "Robin Hood tax") being extended to entities operating in the natural gas transportation and distribution sector. The continual focus on operating efficiency also enabled us to reach the cost-cutting target announced for 2012 a year early.

Snam shares ended 2011 at an official price of €3.39, dropping 9.1% from the previous year. The Company's annual share performance was affected by the negative performance of Italian and European financial markets in general and in particular by the extension of the "Robin Hood tax" to regulated companies in the domestic energy sector. The shares nevertheless outperformed the Italian market (FTSE MIB: -25.2%) and the European utilities sector (Stoxx Europe 600 Utilities: -16.6%), buoyed by interest in shares of companies with solid business fundamentals and long-term earnings and cash flow visibility.

Besides staying in the major sustainability indices, including the Dow Jones Sustainability Index World, the share joined the Stoxx Global ESG Leaders indices, a

new group of indices of 1,800 listed companies worldwide based on a transparent performance selection process, in terms of sustainability. This result validates Snam's ongoing focus on sustainable growth, which is also expressed through its active support of the Global Compact, its principles and of the Millennium Development Goals in general.

December 2011 saw the completion of the process for the new organisational structure, which went into effect on 1 January 2012. Placed at the helm under the group's new corporate structure is Snam S.p.A., which holds 100% of the share capital of the four operating companies (Snam Rete Gas S.p.A., GNL Italia S.p.A., Stogit S.p.A and Italgas S.p.A.) focused on managing and developing their respective businesses: natural gas transportation and dispatching, regasification, storage and distribution. It is a fundamental changeover, ratifying compliance with the EU provisions contained in the "Third Energy Package" by implementing the ITO (Independent Transmission Operator) model, which calls for the separation of the transporter in terms of both functioning and decision-making from the vertically integrated company (Eni) operating in the gas sales sector.

During the year just ended, Snam continued its commitment to increasing system security and flexibility, in order to diversify supply sources and be able to meet needs associated with gas demand growth over the medium and long term. This commitment will continue to support and inform the 2012-2015 four-year development strategy, which calls for €6.7 billion in planned investments in gas transportation, storage and distribution.



Carlo Malacarne

The Company has continued to pay the utmost heed toward social responsibility and local issues in its operations, making investments for the installation of low-emission gas turbines at gas compression stations, implementing environmental restoration operations after the building of methane pipelines, launching programmes for the containment of natural gas emissions, maintaining and increasing certifications for corporate operating systems, and ensuring that high safety levels are maintained. Equal importance has been given to maximum transparency in governance processes, personal growth and appreciation, the involvement of local communities, and constructive relations with shareholders, authorities, customers and suppliers. The results achieved are illustrated in this report which obtained the A+ level of compliance to GRI reporting guidelines, certified by GRI itself.

In 2011, Snam also launched a process that sees sustainability as a combination of two elements: risk reduction and the creation of shared value. The first element is geared precisely toward controlling risks and factors that impact stakeholders and future generations negatively. The second element, which stands alongside the first, is centred on creating shared value and thus on multiplying the opportuni-

ties generated by Snam's presence in local areas and in the value chain.

Shared value defines the manner in which Snam will interpret its own commitment in the coming years, and the operating methods to further strengthen sustainability in corporate processes.

Some projects already carried out in 2011 and mentioned in this document (e.g. the Suppliers' Day for Sustainability, Social Impact Assessment pilot studies, biodiversity and Objective Safety programme) are a distinct starting point for the creation of shared value. This approach is also described in a document attached to the Sustainability Report.

The commitment to sustainable development therefore remains a central topic at Snam, just as it will be for governments and institutions within the international community. The Rio + 20 Conference, coming 20 years after the one that defined the Agenda for the 21st Century, will be an important occasion for the United Nations member countries to define long-term sustainable development objectives. For companies, it will be a time to evaluate the consistency of the approach undertaken with respect to the dual challenge they face: meeting cross-border and global needs and, on the other hand, developing an effective and efficient model of local citizenship.

The CFO



Since 2009, Snam has been a member of the Global Compact, the largest worldwide voluntary initiative on sustainability issues.

Started in 1999, its members include governments, companies, and civil society organisations.

Those who join the Global Compact commit themselves in an ongoing manner to disseminating, both internally and externally, the Global Compact's ten principles, which concern human rights, labour, the environment and the fight against corruption and, in general, supporting the Millennium Development Goals.

Snam's activities have always emphasised respect for and protection of human and labour rights, environmental protection and the search for a sustainable development model. In particular:

- it adopts a code of ethics, containing the most modern guidelines on ethics and corporate sustainability;
- it implements the best international standards in the fight against corruption;
- it adheres to the International Gas Union's "guidelines for sustainable development";
- it communicates with stakeholders through sustainability reporting

In 2011, Snam's commitment to the Global Compact continued with many activities for engagement and disclosure of the ten principles, including:

- actively participating in meetings of the working group on the environment and human rights, as a member of the Global Compact Network Italy.
- participating in the production of the compendium of corporate best practices with an article on cooperation for the environment between for profit and non profit organisations, "Working together for the environment: a new perspective". This compendium was presented by the Global Compact Network Italy at the Annual Meeting of the European Local Networks on 26-27 October 2011 and, in a broader capacity, will also be presented to the Corporate Sustainability Forum in Rio de Janeiro.
- getting the Global Compact Network Italy involved in participating in the Suppliers' Day for Sustainability organised by Snam in November 2011.
- dissemination of the Global Compact's ten principles in the documentation for commercial negotiations (contracts) with the hope that increasing numbers of supplier companies will join this initiative.

# Millenium Development Goals

The Millennium Development Goals are the eight United Nations objectives that all 191 member states of the UN are committed to achieving by 2015:

- 1. Eradicate extreme poverty and hunger;
- 2. Achieve universal primary education;
- Promote gender equality and women's independence;
- 4. Reduce infant mortality;
- 5. Improve mothers' health;

- Fight HIV/AIDS, malaria and other diseases;
- 7. Guarantee environmental sustainability;
- 8. Develop a world development partner-

Snam, due to the nature of its business, is particularly committed to the seventh goal, guaranteeing environmental sustainability, with a specific focus on safeguarding environmental resources and biodiversity.

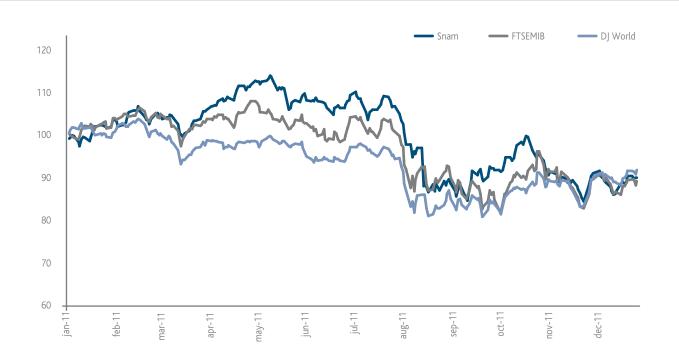


Sustainability is an integral part of the business model of Snam and is a guiding element in making strategic and operational decisions for the Company, and at the same time it is instrumental in ensuring responsible growth over the medium and long term.

This has enabled Snam's shares to be included, over the past few years, in the main international stock exchange sustainability indices, consequently increasing the Company's visibility among socially responsible investors and with the entire financial market in general.

In 2011, Snam shares joined the Stoxx Global ESG Leaders indices, a new group of indices based on a transparent performance selection process, in terms of sustainability, of 1,800 listed companies worldwide. The indices are managed by STOXX, owner of some of the most important international stock indices, such as the STOXX50. Snam's shares have been included not only in the global index, but also in two sub-indices on the environment and governance. Overall, 14 Italian companies are included in the index.

#### TREND OF THE SNAM STOCK AND PRINCIPAL ETHICAL INDICATORS



## SUSTAINABILITY INDICES



For more information on the scores and ratings earned by Snam, go to http://www.snam.it/it/sostenibilita/area-economica/investimenti-socialmente-responsabili/index.html



Through its activities, Snam provides an energy source with a low environmental impact that has always supported the country's civil and industrial development.



# **IDENTITY**

Snam is Europe's top operator in integrated infrastructure management in the regulated gas sector. It is present in natural gas transportation, regasification, storage and distribution, and it boasts major gas infrastructure throughout almost all of Italy. Snam has the ability to execute major local works, capable of ensuring that the country has secure gas supplies and full-capacity storage facility operation thanks to its unique knowledge of managing an integrated national gas system. The Company has been listed on the Milan Stock Exchange since December 2001, and Snam shares are included both in the FTSE MIB Italian index and in the European sector-based Stoxx 600 Utilities index.

As a result of the Legislative Decree through which our country, in choosing functional autonomy in the transportation segment, implemented the European Union's Third Energy Package, Snam has changed its corporate structure, at the same time strengthening its characteristics of specialisation and independence, and continuing to preserve the efficiencies achieved following the Stogit and Italgas acquisitions, which took place in 2009. The new corporate structure, accompanied by a review of the group's entire identity system, is the consequence of the switch from three to four operating companies, one for each business activity, which are responsible for strategies and results, joined under a corporate in charge of exercising guidance, coordination and control functions, and of providing service in observance of unbundling rules. With the new structure, the internal organisation has also changed at the companies, which are now all equipped with their own structures for interfacing with customers (sales) and suppliers (procurement). The Independent Transmission Operator (ITO), Snam Rete Gas, has also become autonomous in managing HR (Human Resources), ICT (Information and Communication Technology) and legal affairs.



#### The new brand

Among the specifics provided for by the Legislative Decree implementing the Third Energy Package is a provision for the Independent Transportation Operator to adopt autonomous communication and branding policies.

This has given Snam the opportunity to redefine its entire identity system and create a new brand. The graphic result is a reworking of the group's historic logo from the 1940s, which emphasises Snam's strategic role, retaining the distinctive features and the value system of the original. The logo refers to the network infrastructure, and its linear elements restore a formal equilibrium that is intended to convey the idea of the stability of a player whose assets have had significant value for the country in terms of security, reliability, and development. The colours chosen are blue, traditionally used to emphasise the natural essence of methane gas, and different shades of grey, to show the physical element of infrastructure and technology.

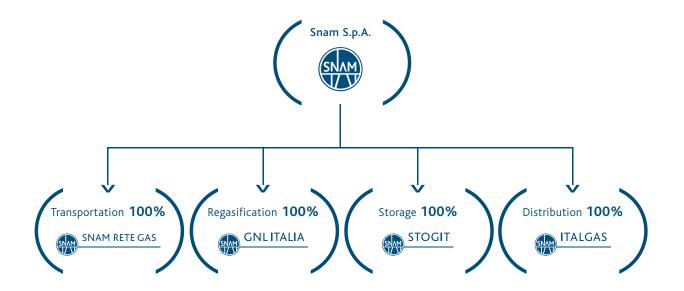
# Ten years on the Stock Exchange

On 6 December 2001, Snam Rete Gas, now Snam, celebrated its debut on the Milan Stock Exchange. Throughout this period, the Company has notched up a success story in terms of both creating value for shareholders and developing the countrywide system. In the decade from 2001-2011, the transportation network went from 29,600 km to almost 31,700 km, transportation capacity increased by 50%, and the volume of gas transported grew from about 70 billion cubic metres in 2001 to over 83 billion cubic metres in 2010.

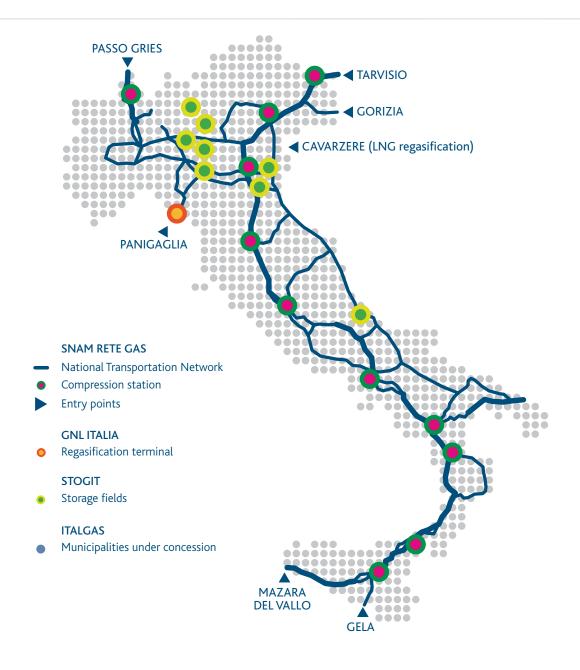
Since listing on the Stock Exchange, Snam Rete Gas has always closed its financial year with a profit and distributed dividends. In 10 years as a listed company, it has distributed approximately 4.7 billion in dividends, corresponding on average to about 73% of net profits. Investors who subscribed for the shares at the time of the initial offering have earned a return of about 150%.

This massive effort has made it possible to meet the country's need to have a gas system that is more secure and more flexible in terms of supply and to ensure attractive and sustainable returns for shareholders, while remaining well rooted in the culture of sustainable development, paying the utmost heed to security and quality in the provision of services.





# **INFRASTRUCTURE AS AT 31 DECEMBER 2011**



# **ACTIVITIES AND OPERATING DATA**

			2011	2010	Change
	The transportation business takes delivery of gas at delivery points located in connection with natural gas importation lines from Russia, Northern Europe and North Africa, with regasification plants and with gas production and storage centres located in Italy. The gas is then transported to be delivered, based on customer instructions,	Pipeline transportation network (km in operation)	32,010	31,680	1
Transportation	at redelivery points connected to local distribution networks and to major industrial and thermoelectric users.  Snam Rete Gas manages the network of gas pipelines through 8 districts, 54 maintenance centres spread out throughout Italy, 11 gas compression stations and a dispatching centre.	Installed power in compression stations (MW)	884	861	2.7
		Gas injected into the network (billions of cubic metres)	78.30	83.31	-6
Regasification is the last activity in the so-called liquefied natural gas (LNG) chain, and it consists of returning to its natural state the gas extracted from deposits and then liquefied at a temperature of -160° to allow it to be transported on specially built tankers.  In the gas system, the liquefied natural gas chain thus allows supply		Number of methane tankers unloading	50	54	-7.4
Regasification	sources to be diversified.  Snam manages the Panigaglia (La Spezia) regasification plant, the first plant of its kind in Italy, built in 1971.	Regasification of LNG (billions of cubic metres)	1.89	1.98	-4.5
Storage	Natural gas storage involves injecting gas into the porous rock of an exhausted deposit that previously contained it, bringing the deposit back, to a certain extent, to its original state. Once stored, the gas can be reintroduced into the transportation system and supplied according to market demand. In the gas system, storage makes it possible to offset the difference between gas supply and demand and therefore to ensure continued supply.	ontained it, bringing the deposit (billions of cubic metres) ortation system and supplied gas system, storage makes it ween gas supply and demand and		9.2	8.7
	Stogit manages eight active storage fields on a concession basis in Italy – located in Lombardy, Emilia-Romagna and Abruzzo – consisting of deposits, wells, conduits, treatment plants, compression stations, and an operational dispatching system.	Natural gas moved through the storage system (billions of cubic metres)	15.31	15.59	-1.8
	The distribution service consists of carrying gas from transportation network connection points to points for redelivery to end customers. The service is performed on behalf of the sales companies authorised	Pipeline distribution 50,307 network (km)		50,307	0.01
Distribution	to sell gas.  Italgas manages an integrated infrastructure system primarily owned	Gas distribution concessions (number)	1,449	1,448	0.1
	by it, comprising stations for withdrawing gas, local gas pipelines, pressure reduction stations and redelivery points where gas meters are installed, overseen 24 hours a day, 365 days a year, by the	Active meters (millions)	5,897	5,848	0.8
	Integrated Supervision Centre.	Gas distribution 7.45 7.95 (billions of cubic metres)		7.95	-6.3

## ETHICS AND CORPORATE GOVERNANCE

Snam's corporate governance system is based on the principles contained in the Corporate Governance Code for Listed Companies proposed by the Committee for the Corporate Governance of Listed Companies, with recommendations from the national financial regulator (Consob) on this topic and, more generally, taking into account international best practices.

Snam's choices in this regard are made with the awareness that the rules of operation of the management and oversight bodies defined by the system must safeguard investors' interests, preserve the balance of power, avoiding the occurrence of conflicts of interest, and be capable of having an effect on the expectations of the other stakeholders. For this purpose, the system pays special heed to observance of unbundling regulations, considering the specifics of the activities engaged in by Snam and its subsidiaries, which are subject to regulation by the Authority for Electricity and Gas and in particular the rules on functional separation.

The validity of the corporate governance system with respect to all requirements is one of the main evaluation criteria in the scores assigned by the different sustainability rating agencies.

Detailed information on Snam's corporate governance system is included in the "Report on corporate governance and the ownership structure", which is available on the website (www. snam.it).





#### **Board of Directors and Committees**

The Board of Directors of Snam is made up of 9 directors (3 appointed by minority shareholders), of which 5 are independent and 8 non-executives. During 2011, it met 9 times.

The Board is vested with the broadest powers for ordinary and extraordinary administration of the Company, including exclusive responsibility for defining the strategic guidelines and objectives and the approval of the respective business and financial plans. The powers that are not reserved for the Board of Directors or for the Chairman pursuant to law, the Articles of Association or a Board resolution are delegated by it to the Chief Executive Officer of the Company.

In order to carry out its functions more effectively, the Snam Board of Directors has created four committees within its ranks:

- Internal Control Committee;
- · Compensation Committee;
- · Nominations Committee;
- The Combined Independent Committee.

The first three committees are provided for by the Code of Corporate Governance and operate in accordance with its instructions.

The Combined Independent Committee is the collegiate body created for joint management of regulated activities involving natural gas transportation, dispatching, distribution, storage and regasification.

This body, made up of the chief executive officers of all the companies in the group, has received all powers from the Board of Directors of the parent company for the execution of its duties and works according to its own regulations.

The Board of Directors has reserved a central role for itself in defining sustainability policies and in approving the Sustainability Report, which is also brought to the attention of the Shareholders' Meeting.

## Code of Ethics and Model 231

So2 Snam and its subsidiaries have implemented the Company's rules of corporate administrative responsibility by adopting their own organisation, management and oversight model in accordance with Legislative Decree No. 231/2001, tailored to their own specifics. Each company has appointed its own Supervisory Body in charge of monitoring the model's implementation and its actual application.

The Code of Ethics adopts the most modern approach to corporate ethics and sustainability, which is wholly consistent with the objective of implementing all of the values that the Company recognises, accepts and shares, and the responsibility that it assumes both internally and externally.

Added to the Snam Code of Ethics is a specific Addendum, which takes into account the specifics of the activities carried out by Snam and its subsidiaries, which are subject to regulation by the Authority for Electricity and Gas. Particular importance is given to relations with the Authority for Electricity and Gas and to the unbundling regulations.

Snam employees, regardless of position and without exception, are required to comply with and ensure compliance with these standards.

In July 2011, the Code of Ethics and Model 231 were updated, for purposes of implementing the legislative changes introduced on crimes of forging money, public credit cards and tax stamps or distinctive signs, computer crime and unlawful data processing, organised crime offences, crimes against industry and commerce, copyright crimes, and crimes against the administration of jus-

tice. In February 2012, as a result of the reorganisation of the Snam group following the implementation of the provisions of Legislative Decree No. 93/2011, as well as the introduction of environmental crimes into the body of Legislative Decree No. 231/2011, a new draft of Model 231 was approved.

# SO2 Internal control system



Responsibility for the internal control system lies with the Board of Directors, which, with the assistance of the Internal Control Committee, sets its guidelines and periodically audits its suitability and actual functioning in order to ensure that the main corporate risks are identified and properly managed. The CEO is charged with implementing the guidelines formulated by the Board of Directors by planning, managing and monitoring the internal control system. Auditing the suitability of the system falls to Internal Audit, which carries out its duties maintaining relations with the Internal Control Committee, the Supervisory Body, the Board of Statutory Auditors and the company in charge of auditing the financial statements. Internal Audit also sees to handling reports received for any reason from Snam and all of the subsidiaries.

#### SO4-HR4

ACTIVITIES CARRIED OUT BY INTERNAL AUDIT	2010	2011
Total number of audits performed	51	48
Reports received	26	22
those involving the Internal Control System	10	8
those involving accounting, auditing, fraud, etc.	0	0
those involving administrative responsibility pursuant to Legislative Decree No. 231/2001	0	0
those involving violations of the anti-corruption law		1*
those involving other subjects (Code of Ethics, mobbing, thefts, security, etc.)	16	13
Reports shelved due to lack of proof or because untrue (No.)	16	11
Reports ending with corporate disciplinary or managerial interventions and/or submitted to the judicial authorities	0	5
Reports in the process of examination (No.)	6	6

<sup>\*</sup> The report concerns the activity of a subcontractor which, in view of the checks made, has been removed from the vendor list

## **Anti-corruption guidelines**

SO<sub>2</sub>

Snam has given primary importance for a long time to the fight against corruption. The Snam Board of Directors has adopted "Anti-Corruption Guidelines". The purpose of the Guidelines is to protect and promote Snam's reputation by introducing a specific system of rules designed to ensure that the Company complies with the best international standards in the fight against corruption.

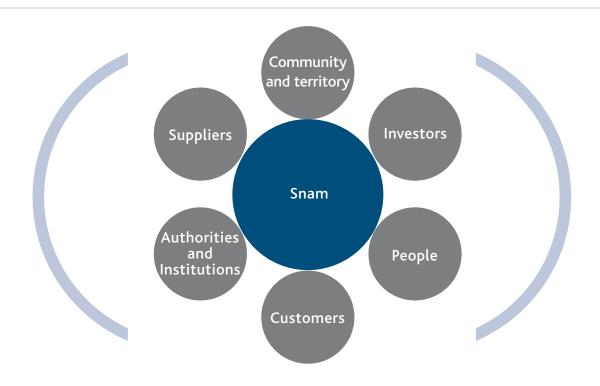
In this area, the Company has also changed its organisational structure with the establishment of the Anti-Corruption Unit, within the Legal and Corporate Affairs and Compliance Department, whose goal is to change existing procedures where necessary and promote both the adoption of new regulations by subsidiaries and sensitising and training staff to be aware of and comply with the Anti-Corruption Guidelines.

# **STAKEHOLDERS**

Building consensus and trust with all stakeholders is a key factor for Snam in developing its role as a responsible company. Dialogue, debate and inclusion are the foundations on which it seeks to build a relationship with stakeholders that is sustainable over the long term.

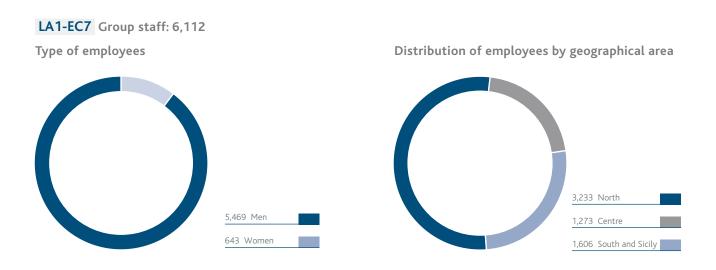
The Company maintains transparent and constant relations with investors, entities, institutions and companies through a system of engagement articulated at every company level.

#### MAP OF STAKEHOLDERS



# 2011 stakeholders' identity card

#### **PEOPLE**



#### **CUSTOMERS**

## **Number of customers**

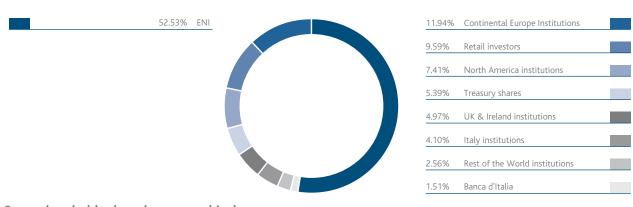


#### **SUPPLIERS**

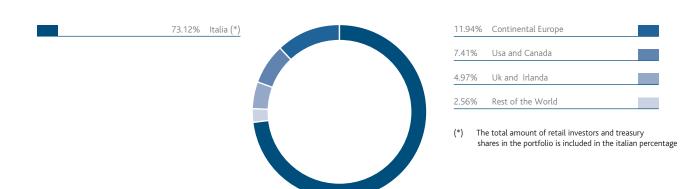


#### **INVESTORS**

# Shareholder base of Snam by type of investor

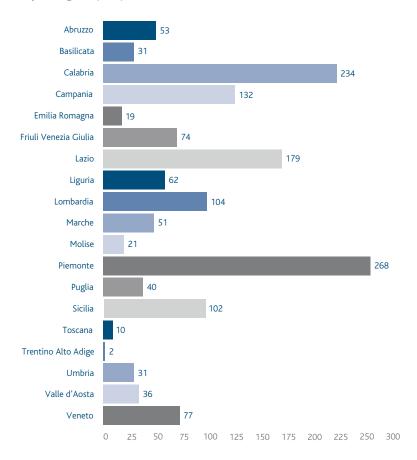


# Snam shareholder base by geographical area



#### **COMMUNITIES AND TERRITORY**

# Snam Group - local sites per region (No.)



#### **AUTHORITIES AND INSTITUTIONS**





## Distribution of added value

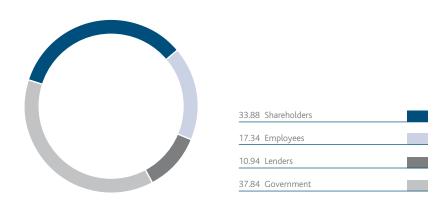
In 2011, Snam distributed to its stakeholders an overall amount of  $\[ \in \] 2,394 \]$  million ( $\[ \in \] 2,250 \]$  million in 2010), corresponding to the sum of the added value produced ( $\[ \in \] 2,373 \]$  million), or 67% of revenue, and the resources drawn by the company system ( $\[ \in \] 21 \]$  million). Of this amount, 37.84% was distributed to the government ( $\[ \in \] 906 \]$  million), 33.88% to shareholders ( $\[ \in \] 811 \]$  million), 17.34% to employees ( $\[ \in \] 415 \]$  million) and 10.94% to lenders ( $\[ \in \] 262 \]$  million).

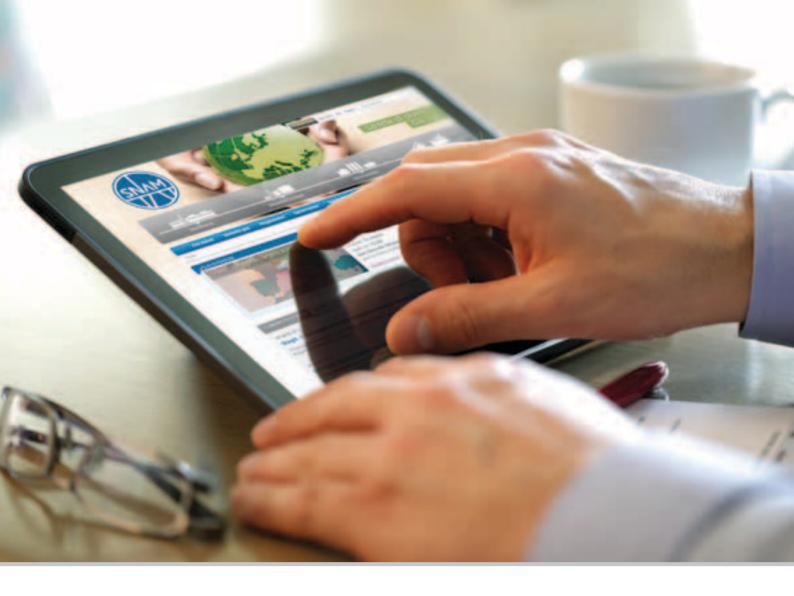
The net overall added value was therefore distributed among different beneficiaries as follows: (i) employees (direct compensation comprising salaries, wages and post-employment benefits, and indirect compensation consisting of social security expenses, as well as costs for staff services (meal services, travel expense reimbursement, etc.); (ii) government (income tax); (iii) lenders (interest on loan capital disbursements); (iv) shareholders (dividends distributed).

2010 3,475	3,539
3,475	3.539
	-,
33	66
596	631
120	88
47	51
89	90
2,928	3,027
678	654
2,250	2,373
	596 120 47 89 <b>2,928</b>

<sup>\*</sup> Net of costs allocated to investment.

### **BREAKDOWN OF ADDED VALUE 2011 (%)**





## Communications and media

Transparent and accurate communication is the foundation of dialogue with stakeholders and bolsters the corporate citizenship of organisations that interact with local areas and communities in their business.

For Snam, communication is not only a business support, but the best tool for increasing the value of its sustainable approach across all its activities. Commitment to the needs of different stakeholders, proactivity in offering success stories, and satisfying media requests as soon as possible are the pillars supporting Snam's communications, from a standpoint of mutual gain for itself and for all its stakeholders.

The intrinsic value of corporate communications is thus developed and cultivated in every individual action and through each individual communication medium, including new media, out of the strong conviction that an activity based on dialogue and openness is not only an opportunity for creating additional value, but an indispensable modus operandi for observing the principles of consistency, transparency and propriety that distinguish Snam's daily operations.

# Corporate identity

During 2011, Snam completed the important activity of reviewing the group's web identity. Begun in 2010, the activity was completed on 1 January 2012 when 9 completely revamped websites went online.

The entry of Stogit and Italgas into the group, the implementation of the ITO (Independent Transmission Operator) model, which led to a broader corporate reorganisation, and the introduction of the new brand identity, together with willingness to dialogue with stakeholders in a clear, direct and transparent manner, were the driving force for asserting a new corporate web identity capable of representing the scope of the change that has taken place. After some new developments introduced between April and July 2010, the key points of Snam's new web identity included revising content, new landing pages, a header representing Snam's segment and an interactive box common to all the sites. These new elements are now common to four sites (Snam Rete Gas, GNL Italia, Stogit and Italgas) which were heterogeneous in terms of technology, content and graphics. The new web identity, which reflects the Company's organisational change, was defined after initial in-depth benchmarking with competitors/peers and identifying cross-sector best practices. To the four "operational" sites, corresponding to Snam's four businesses and broken down primarily according to customer/ user needs, a fifth "corporate" site was therefore added (www.snam.it), which offers institutional information and is geared toward shareholders, analysts, media and authorities.

Besides asserting the new corporate web identity, the site review also targeted improving access to content, offering new services and identifying a single technological platform. The introduction of a

flexible technological solution, such as the common Content Management System (CMS), capable of managing content publication methods in a more structured manner, has also made it possible to speed up publication times, providing a modular approach that is consistent across all the sites. The success of Snam's new web identity approach is confirmed by the results published in the annual study, KWD Webranking (previously known as H&H Webranking), which this year published its tenth edition, examining the corporate web communications of the 101 largest Italian companies by capitalisation. Snam held seventh place for the fourth year running, with a score of 76, while in the fifteenth edition of KWD Webranking Europe 500, a European ranking that analyses the 500 largest companies by capitalisation taken from the FT Europe 500 ranking, Snam ranked eleventh, three places higher than the previous year.

In Lundquist CSR Online Awards Italy 2011, a study which has analysed online CSR communications in Italy for four years now, Snam went from ninth to eighth, with an increase of 7 points, confirming the validity of the group's web policy from the standpoint of clear, transparent and direct dialogue with all its stakeholders.

The Filibro 2012 calendar continued the three-year project aimed at interpreting the calendar concept in an innovative manner: a sort of fusion of genres that makes the work distinctive and capable of describing the Snam of today and, in particular, what it will become in the future. The four installations corresponding to the Filibro panels were the subject of an exhibit held between December 2011 and January 2012 at the Leonardo da Vinci National Museum of Science and Technology in Milan.





Blending corporate ethics and sustainability principles into strategic thinking, governance systems and daily actions by continually seeking new ways to create value is a key factor for Snam to be recognised as a driver of sustainable development



# SUSTAINABILITY IN BUSINESS

Environmental sustainability and social responsibility are among the fundamental aspects of the manner in which Snam creates value for itself and for its stakeholders, and they therefore represent an integral part of defining strategic and operational corporate choices. Sustainability helps to manage business risks, improve performance and enhance the Company's reputation and intangible assets.

Integrating sustainability and business takes place through planning and control procedures and tools that feed into the cycle of continuous improvement. At the basis of this management system, which has been extended to the entire corporation and is currently undergoing a consolidation phase, there is the periodic updating of "Areas for Improvement of Sustainability", approved by corporate management in September 2011 and valid for the 2012-2015 period, with the subsequent identification, by different corporate functions, of the initiatives and projects relative to areas to be included in the Corporate Plan. Areas for improvement are grouped into four macro areas: Governance, People, Stakeholder engagement and Environment.

The state of progress of the projects and the achievement of planned goals with their respective targets are monitored by the Snam sustainability function, which is also responsible for preparing reports for stakeholders through the annual publication of the Report and the updating of the content in the sustainability section on the website.

# **COMMITMENTS AND ACTIONS**

GOVERNANCE	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Sustainability model	Ensuring adequate oversight of sustainability issues at all Snam companies, in line with Snam's governance and guidelines	<ul> <li>"Sustainability Activities" procedure issued</li> <li>Operating instructions for gathering data and for reporting updated</li> <li>Key sustainability indicators (KPIs) reviewed</li> </ul>		24-31
Business ethics	Updating the Code of Ethics and disseminating the principles set out in the Code (and in Model 231) within the group, developing training courses for staff	<ul> <li>Created "Team 231", which will handle the updating of the respective model</li> <li>"Anti-Corruption Guidelines" adopted by the Board of Directors</li> <li>Created Anti-Corruption Legal Support Unit</li> <li>Active participation by Snam in the working group on human rights sponsored by the Global Compact Network Italy</li> </ul>		15-17
Risk & Crisis management	Implementing integrated group risk management, including ethical, social and environmental risks	Development and implementation of Business Continuity project		36-37

PEOPLE	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Training	Increasing the wealth of abilities and skills and maintain a high degree of staff involvement	<ul> <li>More than 187,100 hours of training provided in 2011 to more than 16,400 participants</li> <li>Involved 90% of the corporate workforce</li> </ul>	✓	72-73
Health and safety	Reducing accident rates through an integrated programme and implementing H&S management systems	<ul> <li>More than 30,000 hours of HSE training provided in 2011</li> <li>Continued the activities in the three-year "Objective Safety" programme</li> <li>Continued the implementation of H&amp;S management systems at Stogit and GNL Italia with the goal of certifying them in 2012</li> <li>Instituted "District HSE Teams"</li> <li>Performed 359 HSEQ audits at operating units</li> <li>Activities are under way to make a computer application to support H&amp;S processes</li> </ul>	✓	78-82
Valuing people	Implementing growth tracks and identify specific assessment methodologies based on role and seniority, also taking into account geographic mobility	<ul> <li>A specific two-year trainee programme was begun for university graduates just entering the workforce</li> <li>The "Peak Performance" project for operation heads was begun</li> <li>Prepared the "360° Outlook" initiative for the development of managers under 40</li> </ul>		72-77
Internal communications / Listening to people	Implementing communication and interaction tools and carrying out a group-wide climate survey	<ul> <li>Group intranet platform created</li> <li>Continued publishing the "Energia" newsletter distributed to all employees</li> <li>Held meetings planned under the "Sapernedi+" initiative to disclose values and strategies to the corporate workforce</li> </ul>		82-83
Corporate welfare	Studying and carrying out initiatives to benefit employees	Increased agreements for employees in different sectors (entertainment, culture, sports, travel and hotel stay deals)		76-77

STAKEHOLDER ENGAGEMENT	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Engagement model	Actions for involvement by type of stakeholder and enhancing communication with the media	<ul> <li>Specific initiatives for suppliers and for communities and territory were implemented</li> <li>Completed the restyling of the websites of all group companies</li> </ul>		18-20, 26-28
Philanthropy	Defining an overall strategy consistent with business activities and launching initiatives on the subject	<ul> <li>Developed a structured internal sharing process that made it possible to carry out an engagement plan with non-profits (scouting, workshops and selection).</li> <li>Held "Volunteering Week", which involved staff at San Donato Milanese and Turin sites</li> <li>The specific procedure for non-profit initiatives is in the process of being approved</li> </ul>		49-50, 84-85
Communities and Territory	Implementing actions for dialogue and involvement	<ul> <li>Carried out a pilot study for evaluating the socioeconomic impact of works</li> <li>Carried out a pilot survey on satisfaction with infrastructure execution</li> <li>Instituted an information booth in the Bordolano Town Hall for the new storage project</li> <li>Continued educational meetings at schools</li> <li>Organised open days at some plants</li> </ul>	<b>√</b>	48-52
Institutions	Defining guidelines on relations with the government	The specific procedure is in the process of being approved		
Shareholders	Increasing information for institutional and retail investors	Continued activity for communicating with the financial market (roadshows, sector conferences, group and one-to-one meetings)	✓	43-44
Customers	Implementing sales process quality, traceability and transparency	<ul> <li>Obtained ISO 9001 certification for the transportation capacity process</li> <li>Upgraded websites for managing transportation capacity and storage capacity</li> <li>Held a meeting with representatives of transportation and storage service users to share new operating developments introduced to the websites</li> <li>Conducted a customer satisfaction survey for the storage business</li> </ul>		41-43
Suppliers	Extending sustainability best practices along the supply chain	<ul> <li>Requested certification of HSEQ systems from new strategic suppliers</li> <li>Provided for certification of HSEQ systems by 2012 for existing strategic suppliers</li> <li>Organised the Suppliers' Day for Sustainability, with the participation of about 75 companies</li> <li>Dissemination of the principles of the Global Compact by updating contractual documentation for all group companies</li> </ul>	<b>√</b>	45-47

ENVIRONMENT	Areas for improvement	Actions (2010-2011 and in progress)	KPI	In this Report
Climate change and energy efficiency	Limiting greenhouse gas emissions	<ul> <li>Continued activities for reducing gas leaks</li> <li>Continued activities for reducing energy consumption</li> <li>Increased the share of electricity produced from renewable sources</li> </ul>	<b>√</b>	60-64
Atmospheric emissions	Restricting nitrogen oxide emissions	Continued programmes for installing low-emission turbines and equipment	<b>✓</b>	60-65, 69
Biodiversity	Integrating biodiversity into the sustainability policy	Approved a new sustainability policy including guidelines for safeguarding the biodiversity of ecosystems		56-58
Land recovery	Reclamation of sites contaminated by previous	Continued projects relative to plants undergoing reclamation activity		67
Water	Reducing draws and optimising water discharges	Installed phyto-purification equipment for waste water discharges		68
Waste	Increasing waste sorting and recycling	• Increased waste sorting at the San Donato Milanese, Turin and Crema sites		66-67
Noise emissions	Mitigating emissions from the most exposed facilities	Continued monitoring and soundproofing of some reduction cabins		69
Landscape	Reducing the visual impact of infrastructure	<ul> <li>Completed the study for defining the planting standard for well areas</li> <li>Pilot carried out in Minerbio 85 well area</li> </ul>		

✓ KPIs pre-established with quantitative target



#### Management systems

Snam adopts specific certified management systems with the objective of ensuring that corporate processes and activities meet the required standards on worker health and safety, environmental protection and the quality of the services offered.

The table shows the various management system certifications and laboratory accreditations obtained.

In 2011, Snam Rete Gas obtained the certification of compliance with UNI-EN-ISO 9001 quality management system standards for the process of defining network transportation capacity. The inspections, conducted by DNV, were completed with a favourable outcome in May, confirming the Company's attentiveness to process quality, transparency and traceability. In order to verify the application and effectiveness of the management systems adopted, identify opportunities for improvement and verify legal compliance, periodic audits are systematically planned and performed. During the year, 359 audits were performed (including 313 internal audits by specialised staff and 46 by external companies). In addition, all of the activities necessary for maintaining and renewing existing certifications were implemented. Specifically, we note that at the end of the year the environmental management systems certified according to the ISO 14001 standard for the gas compression stations and gas pipeline networks of Snam Rete Gas, verified by the certifying entity, were integrated into a single management system. Therefore, starting in 2012, a single certification will be implemented. For 2012 the main objectives are:

- extend certification of worker health and safety management systems in accordance with the OHSAS 18001 standard to the entire Snam group;
- plan activities at Snam Rete Gas to extend the environmental management system in accordance with the ISO 14001 standard to the whole company.

Company	Field of application	Type of certification and accreditation	Year of initial certification
Snam Rete Gas	Compression stations (11 facilities)	ISO 14001	2001
Snam Rete Gas	Gas pipeline network (8 districts, 54 maintenance centres, and 32,010 km of gas pipelines)	ISO 14001	2008
Snam Rete Gas	Dispatching of natural gas	ISO 9001	2003
Snam Rete Gas	Natural gas metering service, transportation network, and management of the design and construction of metering apparatus	ISO 9001	2009
Snam Rete Gas	Company	OHSAS 18001	2010
Snam Rete Gas	Defining network transportation capacity	ISO 9001	2011
Snam Rete Gas	Calibration of natural gas mixtures	ISO 17025 (ACCREDIA)	2002
Snam Rete Gas	Piped gas flow emissions analysis tests	ISO 17025 (ACCREDIA)	2007
STOGIT	Company	ISO 14001	2002
STOGIT	Natural gas metering and accounting service	ISO 9001	2008
GNL Italia	Regasification plant	ISO 14001	2000
ITALGAS	Company	ISO 14001-ISO 9001-OHSAS 18001	2001
Napoletana Gas	Company	ISO 14001-ISO 9001-OHSAS 18001	2003

# TOWARD THE CREATION OF SHARED VALUE

The previous edition of the Sustainability Report included some points for reflection in connection with dialoguing with stakeholders on evaluating the shared value that the Company already produces through its practices and know-how, and how it may be articulated. This means starting an approach within a process of continual improvement to combine interpreting sustainability from a "value protection" standpoint, i.e. mitigating operational and reputational risks, with an approach geared more toward "value creation," as a driver of innovation, with express reference to the concept of "shared value creation" theorised by Michael Porter and Mark Kramer.

With this reflection as a starting point, a project was begun in late 2011 aimed at a more in-depth methodological understanding of the concept of shared value and at evaluating its applicability at Snam. In the early months of 2012, specific internal meetings were organised to share the project, which led to identifying different possible current projects and potential new initiatives.

This project is on a path of natural continuity with the sustainability initiatives implemented in the last two-year period, starting with the mapping of stakeholders and the engagement projects deriving from it, including the Social Impact Assessment, the Supplier's Day Sustainability, the same engagement strategy with non-profit organisations and still others that are described in this Report.

The shared value project and its main conclusions are stated in the document "Toward shared value" that accompanies the 2011 Sustainability Report.

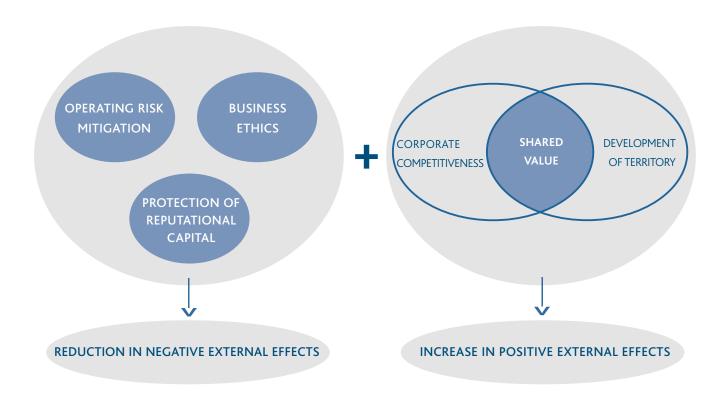
# "Creating Shared Value", by Michael E. Porter and Mark R. Kramer

The shared value approach, conceived by Michael Porter, a professor at Harvard Business School where he heads up the Institute for Strategy and Competitiveness, in collaboration with Mark Kramer, senior fellow of the CSR Initiative at Harvard's John F. Kennedy School of Government in Cambridge, Massachusetts, explores the link between the economic system and society. The concept, published for the first time by the Harvard Business Review in January 2011, is based on the assumption that, in light of the recent financial and economic crises, capitalism is under attack and therefore it is necessary to identify a new model capable of reinventing it.

The starting point is that no company is an isolated entity. The success of all companies is influenced by the support services and infrastructure surrounding them; productivity and innovation are strongly influenced by the logistical infrastructure of a given local area. Players operating in a local area can create conditions for a context favourable to business development. On the other hand, a healthy social and local context depends on the presence of companies that are capable of providing jobs, offering adequate salaries and wages, acquiring quality goods and services, paying taxes, protect-

ing the environment, using resources efficiently, etc.

Companies, says Porter, must act to reconcile business and society, and the path to go down is that of "creating shared value", i.e. creating economic value in such a manner as to generate value at the same time not only for the Company, but also for society, simultaneously meeting the Company's needs and needs of a social nature. It is a new point of view that involves making the most of company know-how and reconfiguring relations throughout the value chain. The concept of shared value in a certain sense includes the idea of social responsibility applied until now: it serves as an innovative approach to sustainability that sees social growth as a central and not an ancillary objective, write the authors. "CSR programmes focus mainly on reputation and have only a limited connection to business, which makes them difficult to justify and maintain over the long term. On the other hand, the Creation of Shared Value (CSV) is functional to profitability and to a company's competitive position. It makes use of a company's specific resources and specific expertise to create economic value through the creation of social value".





The subject of shared value
is not intended to replace the sustainability
measures in existence at the Company,
but to support and enhance that aspect,
from a standpoint of continuity and
consistency with what is already in place.
In an attempt to follow this approach in its
operations, Snam has made a summary
interpretative model,
which has allowed the group
to review its core and support processes
from the standpoint of shared value.



Snam intends to contribute actively to the creation of a gas hub system in Southern Europe, turning Italy into not just a gas consumer, but also a gas transit country



During the last 40 years, European consumption of natural gas has increased 19-fold and now accounts for about one third of the primary consumption of fossil energy in OECD Europe (understood as the original 15 countries, plus the Czech Republic, Hungary, Iceland, Norway, Poland, Slovakia, Switzerland and Turkey).

Historically, satisfying this demand has been possible due to rapid growth in gas production in areas neighbouring Europe – the North Sea, Russia and North Africa – connected to consumer markets mainly through a tight network of high-pressure gas pipelines that have now attained overall development of approximately 190,000 kilometres, of which more than 100,000 are concentrated between France, Germany and Italy. Italy is also a gas producer, having produced 8.03 billion cubic metres in 2011. The fact that domestic demand totalled 77.84 billion cubic metres last year means that Italy, like all the other OECD Europe states, except Norway and the Netherlands, is dependent on gas imports.

Between 2001 and 2008, various geopolitical and economic factors, including competition for energy resources due to the growth of emerging countries, resulted in a need for Western countries, and in particular European countries, to stabilise the supply scenario on world markets, which, just a few years previously, had seen them in a privileged position in terms of the possibility of purchasing and stockpiling their own supplies. The main driver for pursuing this objective was identified by the European Union as the development of a more flexible and competitive European market, in which transportation and distribution infrastructure networks can be developed independently of the contractual sales dynamics of the major integrated operators. The Third Energy Package was issued in 2009 in response to this.

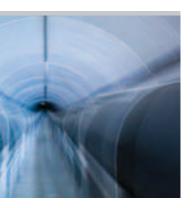
Thanks to its geographical location and due to the development of transportation infrastructure and reverse flow technology, Italy can seize this opportunity, undergoing a transformation from consumer country to transit country, thus creating the conditions for playing a strategic role as Mediterranean Europe's gas hub.

# An agreement for the European maxi-network

In January 2012 Snam S.p.A. and Fluxys G S.A. signed an agreement for the evaluation of future joint strategies aimed at seizing potential opportunities for development in the European gas sector. The agreement involves natural gas transportation, storage and regasification activities, through projects designed to strengthen supply flexibility and security in relation to current European infrastructure. The initiatives also involve two-way transport flows, in line with the recommendations and provisions of the European Third Directive adopted by the EU Council and Parliament

for an integrated gas market in order to promote cross-border flows and connect the major gas exchange infrastructure in North-Western and Southern Europe. Fluxys G is the top Belgian operator and the gas hub for Northern Europe. Through its subsidiary, Fluxys S.A., it builds and manages natural gas transportation and storage infrastructure and liquefied natural gas terminals in Belgium.

For detailed information on the content of the agreement, please see the 2011 financial report.



## INVESTMENTS AND NETWORK DEVELOPMENT

For Snam, opportunities for pursuing strategic goals are strongly tied to the possibility of investing economic resources in network expansion and improvement projects. Snam's investments are focused on the procurement of goods, services and technologies and are currently spread evenly throughout almost all the different Italian regions, resulting in important economic growth factors.

The Snam plan for the 2012-2015 four-year period provides for investments in all sectors in the amount of €6.7 billion at consolidated level:

- the investment in the transportation sector is intended to increase transportation capacity both by extending the network and by increasing installed capacity at the gas compression stations;
- the investment in storage is geared primarily toward increasing capacity by expanding existing fields and creating new storage fields;
- the investment in distribution is aimed partly at network maintenance and development, increasing kilometres of new piping and replacing iron networks, and partly at the development of new distributed gas metering systems.

During 2011, almost €1.6 billion in investments were made, of which approximately 73% were with incentive-based remuneration consistent with ARG/gas Resolution 119/10 issued by the Authority for Electricity and Gas.

# MAIN DEVELOPMENT PROJECTS IN PROGRESS

NORTH	<ul> <li>Strengthening transportation infrastructure in the Padana Valley: <ul> <li>continuation of the construction work on the Poggio Renatico-Cremona methane pipeline in Emilia-Romagna and Lombardy;</li> <li>continuation of the construction work on the Cremona-Sergnano methane pipeline in Lombardy;</li> <li>delivery of materials and continuation of the acquisition of licences for the Zimella-Cervignano methane pipeline in Veneto and Lombardy.</li> </ul> </li> <li>Development of the storage field in Bordolano (CR) primarily by the injection of cushion gas (minimum indispensable quantity of gas present or inserted in deposits in the storage phase, which has the function of making it possible to provide the remaining gas volumes without harming the mineral characteristics of the said deposits over time) and projects to increase pressure in the Minerbio, Sabbioncello (FE) and Settala storage fields.</li> </ul>
CENTRE	<ul> <li>Connection of the Offshore LNG Toscana (OLT) regasification terminal in Livorno.</li> <li>Development of the Fiume Treste (CH) storage field, primarily by the injection of cushion gas.</li> </ul>
SOUTH AND ISLANDS	<ul> <li>New transportation infrastructure on the Adriatic axis - continuation of the construction work for the main line of the Massafra-Biccari methane pipeline in Puglia and Basilicata.</li> <li>Strengthening the import infrastructure in Sicily and Calabria: <ul> <li>revamping the Enna plant in Sicily;</li> <li>strengthening of the Montesano plant in Campania;</li> <li>construction of the Montalbano-Messina methane pipeline in Sicily.</li> </ul> </li> <li>Methanisation of the Calabria Region – construction work for methane pipelines and related connections.</li> </ul>



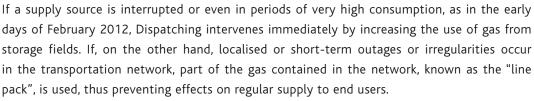
## SERVICE SECURITY AND CONTINUITY

PR1 Natural gas is the energy source used most in Italy, partly due to the environmental benefits that it is capable of producing if used efficiently in the various sectors. However, gas is also a product that, due to its chemical and physical characteristics, must be managed and used responsibly, in order not to create hazardous situations for people and the environment.

Snam adopts and implements principles and international best practices to ensure service continuity, and promotes the acquisition of certifications of compliance with benchmark international standards.

Snam is committed to supplying the gas that companies and communities need on a daily basis, and to managing all activities in the system safely.

# Management of emergencies



Lastly, if significant supply shortfalls should become manifest or be expected, Dispatching starts an internal process at Snam, which provides for immediate communication with the Ministry of Economic Development. The Ministry in turn calls a meeting of the gas system Technical Monitoring Committee, which evaluates the situation and proposes pertinent interventions on both the demand and the supply sides.

Interventions aimed at containing gas demand call for reducing supply to industrial customers that have signed up for voluntary incentive programmes and for action with electricity producers to maximise the use of alternative fuels to gas – generally fuel oil – in compliance with regulatory restrictions on emissions. On the supply side, actions target the network's customers, the shippers, in order for them to increase imports to deal with the potential shortfall.

In terms of Crisis Management activities, besides the operating measures described above, a project is under way to adjust the Business Continuity management system to the new organisational structure. The system aims to guarantee the ability to maintain the business when faced with the occurrence of events serious enough to compromise normal operations.



# Network oversight and maintenance

During the year, plants and pipes periodically undergo inspections and maintenance operations. Special attention is devoted to the course of the pipelines, which is inspected regularly on foot, by vehicles and by helicopter flyovers to detect potentially dangerous situations caused, for example, by third-party work near the pipelines. Snam signage used to give warning of pipeline presence was showed in a corporate planner disseminated among the affected local stakeholders.

Similarly, any landslides at specific points in the course are kept under control. The integrity of the pipes is also monitored, threading intelligent devices, or pigs, inside them, which make it possible to detect the presence of any defects

Network controls and inspections	2009	2010	2011
Km of network inspected with pigs	1,568	1,214	1,145
Km of network inspected with helicopter flyovers	13,700	>14,100	>14,100

# PR3 Information campaign for the safe use of gas equipment

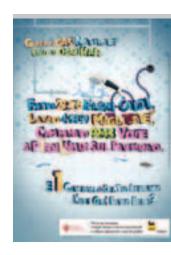
Last year, in cooperation with the Municipality of Rome and the Rome Provincial Fire Service Command, Snam promoted an awareness and information campaign on safety in the use of natural gas.

The campaign's objective was to make citizens aware of a subject as important as the safety of gas equipment for civilian use, thanks to exhaustive and wide-ranging information on the proper use of gas equipment intended to prevent household fires.

The campaign was devoted to proper use of gas equipment and devices, showing how religiously performing periodic maintenance can allow people to enjoy the many benefits that gas has always been able to offer in terms of comfort and safety. The numbers stated in the visuals for the

communications campaign – the result of a hypothetical calculation of consumption for two couples – emphasise precisely the exceptional proportional difference between the time commitment required for proper use of equipment and the innumerable benefits deriving from it.

The campaign was disseminated from 14 November to 4 December in the daily newspapers and the main radio stations in Rome, as well as on the main stations in the greater metropolitan area and on the Roma Capitale communications channels, RadioRomaComune and the websites www.comune.roma. it and www.italgas.it. At the same time, it was disseminated in offices devoted to dealing with the public in the municipalities of Rome and in municipal libraries.





Snam is recognised as a player that is aware of both the role that it plays in the gas sector and the importance of the interests that depend on its operating decisions throughout the markets in question.



# RELATIONS WITH THE AUTHORITY FOR ELECTRICITY AND GAS

#### Regulating Snam's activity

Nationally, the determination of fees, access rules and service quality standards in the gas transportation, distribution, storage and regasification sectors is established by the Authority for Electricity and Gas (AEEG), operational since 1997. As part of the sector's liberalisation, the regulation of infrastructure activities is the right tool for allowing access to services by all players present in free-market activity under non-discriminatory conditions.

In this context, the relations that Snam maintains with the AEEG play a fundamental role. The clarity, stability and transparency of the regulatory framework for determining revenue and tariffs are in fact a key factor for the economic sustainability of the Company, and are also relevant for network users, affected by costs associated with infrastructure use, and for financial investors, in relation to the foreseeability of returns on their investments.

Over the years, Snam has established constructive dialogue and proactive cooperation with the Authority by continually maintaining an advisory role and providing the necessary support to changes in the regulatory framework for the natural gas sector. Since 2009, this relationship has become even more constructive thanks to the acquisition of Italgas and Stogit, which has enabled Snam to become a partner capable of providing complete and effective answers regarding energy market trends and integration.

Effective as of 1 December 2011, the Authority has entrusted Snam Rete Gas, as a major transportation company, with the important role of Balancing Manager in regulating transportation, dispatching and storage services. This role calls for Snam Rete Gas to acquire the necessary storage resources, based on criteria of economic worthiness, to guarantee safe and efficient gas movement from input points to withdrawal points, ensuring continual network equilibrium.

# **Determining revenue and tariffs**

Among regulated activities, the process of defining tariff criteria, which is generally carried out every four years, is particularly relevant.

The revenue from all activities is determined so as to ensure coverage of operating costs, depreciation and amortisation, and a fair return on net invested capital,

which ranges in general from 6 to 8 per cent. Incentives are also provided, differentiated according to the type of investments made during the course of each regulatory period. Every year, based on its own revenue recorded, each Snam company formulates a tariff proposal, which is submitted to the Authority for approval.

Regulatory periods in force				
SNAM RETE GAS	January 2010 - December 2013			
GNL ITALIA	October 2008 - September 2012			
ITALGAS	January 2009 - December 2012			
STOGIT	January 2011 - December 2014			



# Relations with the Authority for Electricity and Gas

Relations with the AEEG are expressed through different commitments and activities. These activities are assigned to the competent functions and positions defined by specific corporate procedures.

The group companies — either directly or through trade associations — respond to the public consultations that the Authority holds on different activities in the sector, which are preliminary to defining new regulations or revising current regulations. The companies also participate in gathering data and in surveys conducted during the year for purposes of evaluating the status of the sector or of the individual services, and they periodically send the data requested in compliance with reporting obligations.

Lastly, the collaboration of group companies with the Authority also includes participating in technical round tables instituted by the regulator, where they have an opportunity to express their own contribution toward changes in the regulatory framework.

Relations with the Authority	Transportation	Storage	Distribution	Regasification
Responses to consultation documents (No.)	6	5	6	2
Tariff proposals (No.)	2	2	4	2
Data gathering (No.)	46	44	102	24
Investigations (No.)	1		1	
Proposed amendments of codes (and contractual documents) (No.)	7*	4***	0	
Proposals approved (No.)	8**	2	0	

- \* includes 1 proposal still in the evaluation phase at AEEG, 1 proposal for updating the Conditions for Access to the Virtual Exchange Point, 1 agreement stipulated with the Energy Market Manager
- \*\* includes the approval of 2 proposals sent in 2010
- \*\*\* includes 2 proposals still in the evaluation phase at AEEG

PR9 During 2011, two investigations were begun by the Authority, in the first case involving the gathering of metering data on distribution networks and, in the second case, regarding the malfunctioning of the metering equipment owned by a distribution company interconnected to the transportation network.

#### **VALUE FOR CUSTOMERS**

# Quality of services provided

Snam pursues its own business success by offering quality services under competitive terms, in compliance with all competition regulations.

In 2011, all customers requesting it were guaranteed the assignment of transportation capacity. This capacity increased from 368 to 370 million cubic metres at the start of the 2011-2012 thermal year.

Thanks to new upgrading works, the storage capacity went from 9.2 to 10.2 billion cubic metres. This capacity was fully assigned by April 2011 in observance of the new competitive procedures developed for the assignment of new capacity to end industrial customers, as provided for by Legislative Decree No. 130/10.

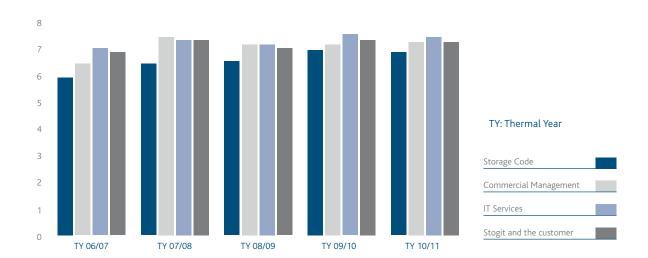
Snam's commitment to customers is reflected in the Transportation, Distribution, Storage and Regasification Network Codes, the contractual documents containing clauses for access to and provision of service. The Codes are prepared by group companies based on criteria defined by the AEEG, and updated as a result of changes in both the Italian and the European regulatory framework and in the processes and systems through which the service is provided. Updates are subject to approval by the Authority, after a public consultation process initiated by the companies (except for the Distribution Code), and may also reflect requests put forth by service customers or third-party operators, the results of which are sent to the Authority for the sake of transparency.

PR9

All the Network Codes provide a series of indicators for monitoring the quality of service offered by the Company, in compliance with the regulatory provisions on the subject. Part of these indicators, referring to specific levels of commercial quality, gives rise to an automatic indemnity to customers in the event of failure to observe service quality standards. With respect to these indicators during 2011, the Company maintained a high level of performance: in distribution, the standard was met in over 99.2% of cases; for transportation and the other services, all services provided were performed in compliance with the required standards.

PR5 In the storage business, quality is monitored with a customer satisfaction survey conducted each year by sending a questionnaire to detect the degree of user satisfaction in terms of the clarity of the storage code, sales management, and the availability and efficiency of IT services. With such surveys, suggestions are also gathered from users aimed at improving the areas mapped in the questionnaire.

#### **CUSTOMER SATISFACTION**



The 2011 survey had a 50% participation rate (33 responses out of 66 questionnaires sent), up from the previous year (approx. 39%). The ratings, expressed on a scale from a minimum of 0 to a maximum of 10, broken down by the respective macro areas of reference, showed substantial confirmation of the perception of the service offered.

Starting in 2012, Snam plans to implement a similar system of measuring customer satisfaction for the transportation and distribution businesses, so as to be able to guide continual improvement programmes more effectively.



# Simplifying processes

In a regulated market, not only is it important to apply the principles of transparency, impartiality, fairness and safeguarding free competition in the liberalised activities in the sector, but it is possible and advisable to improve service efficiency and simplify management of the activities, always in observance of the regulatory framework, thus generating value for customers and users.

During 2011, the actions directed toward these goals referred especially to the following areas of intervention:

- · continuing activities for the implementation of websites for managing customer relations;
- further developing the Transportation Capacity website created to manage all allocation processes and capacity transactions between the Company and customers by exchanging communications with full legal and contractual validity.



Both Snam Rete Gas and Stogit have therefore adjusted their computer applications and their respective web interfaces with users to manage the specifics provided for by the new Balancing Regime. In carrying out these projects, still in progress, Snam Rete Gas adopted an approach geared toward engagement and debate with customers and toward analysing their requests.

The interventions of Snam Rete Gas have included the introduction of:

- new functions within the Transportation Capacity website that allow customers to monitor important operational and economic parameters associated with their own balancing position on a daily basis;
- functions implemented in the Billing website that allow for coordinated management of the billing process of Snam Rete Gas and of Balancing Users.

In May 2011, ISO 9001 certification was also obtained for the process of defining the network's transportation capacity, which will be valid starting from the definition of the capacity published for the 2011-2012 thermal year.

Stogit's interventions have involved developing the "Stogit Capacity" website for managing auction-based allocation processes for the User Balancing Service and Capacity Transfer processes. During 2012, this website will be further developed in order to fully cover information exchanges between Stogit and its customers, as provided for in the Storage Code with regard to allocation processes and storage capacity transactions.

#### FINANCIAL PERFORMANCE

Since its listing on the Stock Exchange in 2001, Snam has always sought to maintain transparent relations with the financial community by expressly communicating its objectives and the results it has achieved.

To keep the quality of these consolidated reports high, each year all the benchmark best practices are adopted to allow shareholders and the financial market to fully evaluate the drivers for the creation of value at the Company. Among these, it is worth mentioning:

- roadshows (20 in 2011) aimed at meeting shareholders and institutional investors in the largest European and North American financial markets;
- one-to-one meetings between management and investors (140 in 2011, including about 15 at the San Donato Milanese site), in addition to which there are group meetings and sector conferences;
- conference calls at the time of disclosure of the corporate results (preliminary annual results, half-yearly and quarterly results), including analysts who publish research on the share.

KPI description	KPI date	Pre-set target	Target achieved in 2011	Sector	Activity Status
Number of meetings with socially responsible investors out of total meetings (%)	2010	Achieve 33% in 2011	40	Snam group	•
Increase the number of meetings with institutional investors (No.)	2010	Hold 176 in 2011	190	Snam group	
Hold Investor Day events	2010	Hold 1	1	Snam group	

During 2011, management also took part in round-table meetings, seminars and conventions on subjects relating to the utilities industry, stock markets and corporate governance with specific presentations on these topics. These and all other information of interest to shareholders and investors, including the relaunch documentation and quarterly/half-yearly reports, both in Italian and in English, are available in the Investor Relations section on the corporate website, www.snam.it.



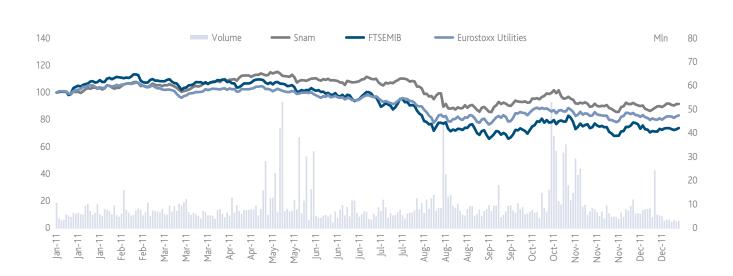
#### Performance of Snam shares

Snam's stock, which is included in the FTSE MIB Italian index, and also in leading international indices (Stoxx Europe, S&P Europe and MSCI Europe), ended 2011 at an official price of €3.39, down 9.1% compared to the price of €3.73 recorded at the end of the previous year. The stock's annual performance was affected not only by the abovementioned negative trend in Italian and European financial markets, but also, in particular, by the extension in the second half of the year of the "Robin Hood tax" to regulated companies in the Italian energy sector, which meant increased tax rates.

During the year, the stock nevertheless outperformed the trend in the European utilities sector (Stoxx Europe 600 Utilities: -16.6%), buoyed by interest, even in contexts of growing country risk and high volatility, in shares of companies with sound business fundamentals and long-term earnings and cash flow visibility.

In 2011, on the Borsa Italiana electronic stock exchange, around 2.4 billion Snam shares were traded, with average daily trading volumes of approximately 9.3 million shares, down from 11.5 million in 2010.

SNAM - COMPARISON OF PRICES OF SNAM, FTSE MIB AND EURO STOXX 600 UTILITIES



# ETHICS AND RESPONSIBILITY IN PROCUREMENT

Snam issued more than 3,500 contracts in 2001, with approximately 2,000 awardee suppliers and total orders of approximately €1,695 million. Of the orders, 95% were concentrated in Italy, where they were distributed throughout all of the Italian regions, except for Sardinia, and the remainder in Europe (4.9%) and outside of Europe (0.02%). The most significant merchandise categories were steel tubing and fittings, of which approximately 45,000 tonnes were purchased in 2011.

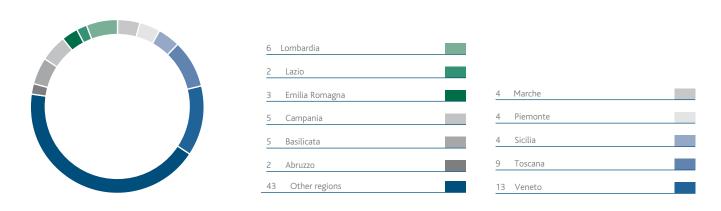
As a result of the Legislative Decree implementing the Third Energy Package, Snam has adjusted its organisational structure and begun updating the procedural systems for the procurement of goods and services.

The new organisation provides for a Supply Chain function at Snam Rete Gas, which carries out centralised procurement planning and control activities, supplier qualification, services for Procurement, and cross-group merchandise procurement services.

The individual operating companies may source their supplies independently for goods and services specific to their activities, provided that they observe the guidelines identified by the centralised function.

#### EC6 GEOGRAPHICAL BREAKDOWN OF PROCUREMENT (%)

EN1









# Transparency in managing suppliers and purchasing processes

Snam adopts a procurement policy that promotes transparency, impartiality and responsibility while observing free competition and paying special attention to local needs, as befits a company that has a nationwide presence and strong links to the various local areas in which it operates.

These principles translate into a management model which, at the strategic level, provides for the production and updating of a multi-year plan for procurement activities which identifies long-term economic and financial performance, operational efficiency and service level goals. From a more operational standpoint, the model translates into procedures aimed specifically at improving the process of scouting out new suppliers and guaranteeing them that the selection process, both in the qualification and in the contract award process, ensures equal opportunities for all once the required qualitative standards are met. The inclusion of a new entity in the list of suppliers is subject to passing the different preliminary documentary and technical evaluation phases, in keeping with merchandise criticality levels. The evaluation is performed with the systematic support of advanced computer tools in order to ensure that the information gathered is traceable and comparable.

KPI description	KPI date	Pre-set target	Target achieved in 2011	Activity sector	Activity Status
Works suppliers (criticality A and B) ISO 9001 and ISO 14001 certified (%)	2010	Achieve 100% in 2013	97.8	Snam group	()

Other parts of the procurement process governed by specific procedures are the awarding of contracts and the management of "open" contracts. Finally, the services of the suppliers used are monitored with "Vendor rating" procedures that assign a score based on gathering and organising feedback prepared by the technical units. During the year, 114 suppliers were monitored.



#### Extending sustainability principles to the supply chain

Our activities have always emphasised respect for and protection of human and labour rights, environmental protection and the search for a sustainable development model.

It is our wish to share these values with all our counterparties. In this context, we ask suppliers to comply with Model 231 and with the principles of the Code of Ethics, to adhere to work safety, health and environmental protection regulations and to comply with international standards on labour rights.

In 2011, Snam organised the "Suppliers' Day for Sustainability", a workshop on two different days involving speakers from corporate management and a significant sample of suppliers grouped into two types of supply of goods, works and services (75 participating companies: 35 for goods and 40 for works and services). With this initiative, Snam wished to disseminate and discuss the concepts of safety, transparency, attention to the community, respect for local areas and enhancement of the licence to operate, indispensable values

around which to cement a responsible and fair relationship with suppliers. The "Suppliers' Day for Sustainability", attended also as speaker by a representative of the Global Compact Network Italy, was just an initial meeting to consolidate increasingly aware cooperation between the Company and its suppliers. The workshops also offered an opportunity to gather structured feedback on needs and wants, and at the same time to reflect on suitable initiatives from the standpoint of continual improvement.

Since early 2012, all companies in the Snam group have disclosed the ten principles stated by the Global Compact to all suppliers with the intention of disseminating the values contained in them.

# The "Suppliers' Day for Sustainability": questionnaire and feedback



During the workshops, with the objective of identifying the level of awareness of social responsibility and sustainable development issues and bringing to light any trends or instances among companies in the supply chain, a questionnaire was distributed to all those present. The questionnaire aimed to investigate suppliers' familiarity with sustainability issues and their perception of Snam's commitment to sustainability, and to evaluate the areas of greatest interest for future initiatives.

#### Feedback gathered

In terms of macro sustainability issues (Environment, Society and Economy), de-

spite good awareness of environmental issues, 93% of the interviewees would like to see greater investments in training, seeking to integrate the three macro areas into a more complete vision of sustainability. Of the interviewees, 34% seek integrated training on sustainability, while 22% consider investments to be necessary in social and economic areas and 17% in environmental and social areas.

Nearly all of the interviewees said they were in favour of the possibility of carrying out support activities, suggesting six different initiatives to develop:

- periodic audits and controls evaluating companies' real and actual sustainability;
- training courses and seminars (online or at the individual companies) that help people to keep abreast of sustainability issues and tools;
- procedures, directives, and guidelines that can support supplier companies on a track toward growth and compliance with the issues in question;
- periodic meetings between companies to share experiences;
- improved communications initiatives and greater supplier involvement by Snam;
- introduction of rewards and incentives for companies that behave sustainably.



Sustainably developing and managing a network present in most of Italy must include the capacity to preserve environmental equilibriums and respect the sensibilities of local communities.



Snam is present in almost all regions of Italy and with its infrastructure network it traverses many local areas and communities that are diverse in terms of values, traditions, and economic, social and environmental conditions.

In this context, Snam's policy is always to support the development of new projects, adopting a rigorous, transparent and cooperative approach to ensure that establishments are environmentally compatible and to encourage their acceptance by stakeholders.

In relations with local communities, the cultural and educational aspect is considered central. Snam thus pays great attention above all to relations with local institutions, the world of associations and, through school involvement, young people, who represent the population group most involved in the concept of sustainability. During 2011, the programme of events already begun the previous year, which saw elementary and secondary school students among the main participants in different local areas, was continued.

**EC8** In 2011, more than €700,000 was spent on donations, sponsorships, and local initiatives, excluding environmental compensation.

# Engagement with the non-profit world

In 2011, besides the usual longstanding philanthropy activities, Snam began a process of more strategic engagement with the non-profit world, continuing on the path already begun in identifying and mapping them.

The objective was to identify the basic elements for building a plan for engagement with non-profit organisations that could share values and help to simplify the dynamics and the issues dealt with daily in the local areas where the Company operates.

As a first step, Snam has identified some simple general principles, guidelines both for the Company and for non-profit organisations, deemed necessary to ensure the representation of general interests:

- Ensure the plurality of opinions and political and cultural orientations
- · Guarantee the clarity of attempts and accordingly transparency in managing projects
- Recognise social, cultural and environmental authorities representative of local areas
- Ensure a project's sustainability over time
- · Ensure design capacity and flexibility in articulating processes

The second step, after having scouted out the most reputable non-profits in environmental and social areas, was that of holding an internal combined multifunctional workshop to share objectives and principles.

During two workshop meetings, the relevant topics and the stakeholders affected were identified, leading to the construction of the materiality matrix considering, on a cross-referenced basis, relevance for stakeholders (with particular reference to those reported as having critical issues) and relevance for Snam.

At this point, based on evaluation forms and indicators for the non-profits identified in the scouting process, the most appropriate organisations have been identified in terms of the materiality index.

This process has led to greater awareness of the topic internally, to instituting a series of shared relationships with a good number of non-profits and to the signing of a memorandum of understanding with FEDERPARCHI, an association that joins and represents Bodies managing Italian natural protected areas and operates in the environmental, biodiversity and sustainability fields.

#### **Snam and the Sodalitas Foundation**

Snam participated in 2011 in the first edition of Sodalitas Social Innovation, the competition for non-profit entities instituted by the Sodalitas Foundation, the association that builds a bridge between the corporate and non-profit worlds founded by Assolombarda in 1995.

Sodalitas Social Innovation is an initiative that aids the widespread growth of the design capacity of the Third Sector and that in the first edition saw the participation of 202 non-profit organisations, which submitted 231 social solidarity projects.

Snam formed part of the group of 23 companies joining the Sodalitas Foundation, which chose the 13 proposals deemed most effective. It will also participate in in-depth partnership workshops (which is held in March 2012) to allow non-profits to make a more effective presentation of their projects.

Programme / Initiative	Objective and content	Participants and facilities involved
Energy Seen Up Close	The initiative consists of an information booth prepared by Snam and Stogit in a room at the Bordolano (CR) Town Hall in cooperation with the Municipal Administration. It is an exhibit open to citizens with the objective of disseminating knowledge of the Bordolano Storage Project, begun in 2006, which involves turning a now exhausted deposit into a storage site for methane gas. Informative panels and videos describe to the public gas storage activities and their purpose, the activities involved in executing the new plant complex, its technical characteristics and the local environmental impact. A special in-depth section is devoted to environmental mitigation works that will allow the new plant complex to be integrated into the existing landscape, minimising its local impact.	Local community affected by the new Bordolano (CR) Storage Project
A visit to the Station	The initiative throws open the doors of Snam sites for guided facilities tours.  After an initial presentation focusing on gas as an energy source and on its journey to end uses, young people have been able to get to know these important facilities up close and from the words of technicians and to understand the functioning of plants and equipment, turbines and compressors, the technology used and the Company's commitment to safety and protecting the environment. At the end of the event, the young guests take home cute gadgets and, above all, an idea of what a gas storage site and a compression station are and how they work.	Stogit plants in Sergnano (CR) and Minerbio (BO) and Snam Rete Gas compression station in Poggio Renatico (FE)
All down underground	The initiative, implemented in cooperation with Legambiente, aims to make the group's sustainability actions and commitment known with dedicated events touching on such topics as energy and different energy resources, natural gas and its use in relation to the environment, and the good environmental restoration practices carried out by the Company.  Students are encouraged in particular to save energy by emphasising the importance of contributions by all, even the youngest, to safeguarding the planet, and asking them to put into practice every day easy energy saving measures. At the end of the gathering, students and teachers received small cans with plant seeds to care for and grow following the example of Snam.	Students of some elementary and secondary schools in Verolavecchia (BS) and Minerbio (BO)
Visit to regasification plan in Panigaglia	The initiative has allowed students, guided through the different areas of the site, to discover and get to know the world of LNG and regasification, as well as the measures adopted by the Company to ensure service under the safest and most reliable conditions, with special attention to protecting the environment.	Secondary schools in Le Grazie (Portovenere - SP) and Riomaggiore (SP)
A shopping bag for life	Snam has sponsored the initiative of the Municipality of Poggio Renatico in connection with its programme to build awareness of sorted waste through a drawing competition geared toward students. The winning drawing was reproduced on cotton bags to be used for shopping, delivered to all families in Poggio, while the winning student was rewarded with an art kit. At the award ceremony, Snam illustrated its good practices and certain concepts relating to gas and energy for all participating groups.	Students from the elementary school in Poggio Renatico and citizens

KPI description	KPI date	Pre-set target	Target achieved in 2011	Activity sector	Status
Hold educational events for schools and citizens	2010	Hold 7 events in 2011	9	Snam group	•

# Clean Up the World, participating in and sharing a commitment to the environment

With the now traditional sponsorship of the *Clean Up the World* initiative, the largest environmental volunteering event worldwide, Snam wishes to reiterate its attention to the environment by supporting an action that is both specific and symbolic.

The Company's commitment aims to make people aware and involved through a series of actions geared toward promoting and facilitating their participation in environmental volunteering events: the home page of the corporate intranet hosts a dedicated banner; news is published that launches, promotes and support the initiative; posters on environmental volunteering events are affixed in all group sites; and managers present at sites in local areas are involved, becoming active in disseminating paper forms for joining the initiative.

Snam always offers its own people the chance to receive free *Clean Up the World* kits at the workplace (hat, gloves, bib and bag), a true "currency" for environmental volunteers.

Many people from the four companies joined the initiative and involved their friends. More than 400 kits for volunteers were made, distributed in the weeks prior to the event, a strong increase compared to previous editions of the event, which confirms the growing awareness of Snam

people about taking care of their local areas.

In order to be able to share in the meaning and the spirit that has characterised the Clean Up the World event, employees who have participated in the initiative have been asked to photograph the most significant moments. A selection of these snapshots was posted on the intranet site. Every person who sent at least one photo also received an illustrated book as a reward. The tome is a literary classic, an account of the value of personal commitment to the environment, which the Company distributed with the intention of nourishing the culture of respect for nature in this and other ways.

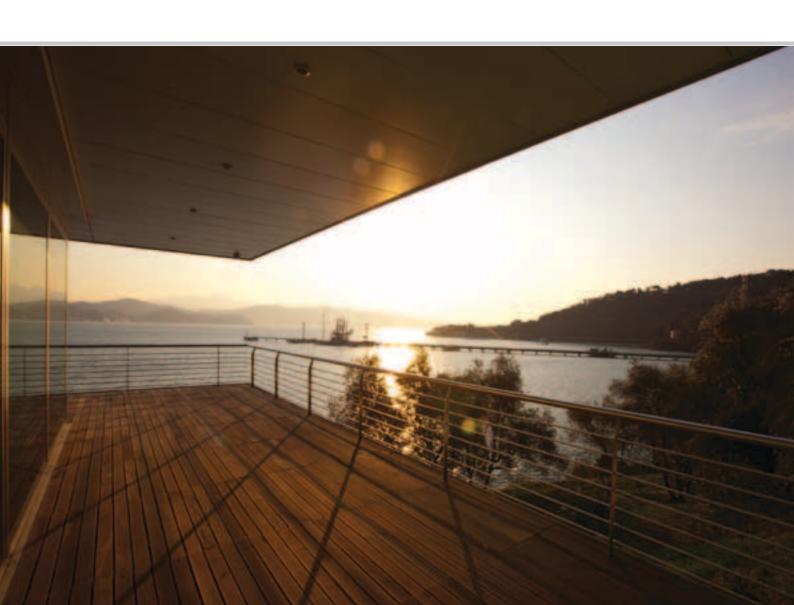


With institutional stakeholders, on the other hand, Snam promotes periodic meetings to illustrate the Company's activities and operational programmes.

In 2011, it continued strengthening dialogue with different institutional levels, both local and central, through a broad-based activity of presenting corporate initiatives intended to explain new development projects. In addition, by participating in formal hearings before Parliament and at regional and municipal councils, we responded to the need stated by citizens and administrations for more widespread and transparent communication on the Company's activities, objectives and operations.

Still from the same standpoint of cooperating with local authorities, data were provided regarding gas consumption at the local level, aimed at contributing to the drafting of an action plan for sustainable energy (PAES).

SO5 The Company's presence within trade associations was bolstered with the entry of Snam and the subsidiaries into Anigas, the main gas sector association belonging to Confindustria.



# INFRASTRUCTURE SUSTAINABILITY

#### SO9-SO10

In order to develop new establishments, besides technical and economic feasibility criteria, Snam adopts procedures that meet stringent environmental compatibility and safety assessments.

Assessments of the effects on the surrounding environment concern all phases of a project's life cycle: location, design, execution, operation and decommissioning. These assessments are made as part of the Environmental Impact Assessment (EIA), after which the administrations in charge, both centrally and locally, issue the authorisations provided for by current regulations.

With regard to developing the network of gas pipelines, which represents the most recurring and significant event, in the design phase, the path is chosen from among different alternatives, seeking to avoid or reduce to the minimum necessary the network's passing through areas of significant natural or cultural interest, archaeological areas, geologically unstable areas and anthropised areas or those in which new residential settlements are expected.

In the construction phase, in special cases, procedures and technologies are used, consistent with technical feasibility, which reduce interference with the surrounding environment, such as reducing the breadth of the work area, minimising provisional worksite infrastructure and trenchless execution techniques (tunnels and micro tunnels), as alternatives to traditional excavation. Once placement is done, accurate environmental restoration activity is carried out so as to return the land to its original conditions.

In the decommissioning phase, infrastructure is removed by agreement with the relevant authorities. In some cases, in order to safeguard the biodiversity reconstituted thanks to restoration interventions, the possibility of keeping piping underground after it has ceased to be active, thus avoiding additional worksite activities, is evaluated.

#### ENVIRONMENTAL IMPACT ASSESSMENT DECREES OBTAINED DURING THE YEAR

Name	Power (MW)/ Length (km)	Regions affected	Jurisdiction	Date of decree
Project pilot injection CO <sub>2</sub> in the storage deposit in Cortemaggiore		Emilia Romagna	State	15-04-2011
Sulmona-Foligno pipeline and Sulmona compressor station	3x11 - 170	Abruzzo, Lazio, Marche, Umbria	State	07-03-2012
Melilli - Bronte pipeline	106	Sicilia	State	29-03-2011
Zimella - Cervignano pipeline	170	Veneto, Lombardia	State	29-03-2011
Foligno - Sestino pipeline	114	Umbria, Marche, Toscana	State	16-05-2011
Flaibano - Istrana pipeline	87	Friuli Venezia Giulia, Veneto	State	11-11-2011
Sapri pipeline	12	Basilicata	Regional	16-03-2011
Viggiano - Moliterno pipeline	5	Basilicata	Regional	08-11-2011

#### EIA APPLICATIONS PRESENTED IN 2011 TO THE MINISTER OF THE ENVIRONMENT AND CULTURAL HERITAGE

Name	Regions affected	Date of submission
Project for increasing maximum operating pressure of gas storage deposit in Sergnano	Lombardia	04-05-2011



The infrastructure sustainability concept that Snam promotes at all levels also includes socioeconomic evaluations associated with the execution of new works. In 2011, on an experimental basis, Snam launched the application of "Social Impact Assessment" tools and methods, which are widely used in other contexts and countries and which make it possible to deal with these issues systematically by specifically evaluating quantitative and "measurable" impacts of an economic, demographic and labour nature.

# The application of Social Impact Assessment methods

At the "Malborghetto-Bordano" methane pipeline, the stakeholder satisfaction detection method was applied, which is provided for in the Snam Social Impact Assessment model. The stakeholders affected underwent a survey on 4 subject areas, evaluating the construction and operation phases separately: environment and landscape, relations with Snam, effects on the local economy and impact on daily life. The questionnaire was administered in different ways: performing the interview in person or by phone, and sending it by regular mail, with a response rate of

59.6% in the former case and 21% in the latter. Questionnaire responses provided precious information for evaluating how Snam operates in local areas and for identifying areas for improvement on which to intervene. By using the NPS (Net Promoter Score) methodology, supported by a section with questions for more specific in-depth technical information, it was also possible to perform international benchmarking in the sectors in which Snam appeared as "best in class" according to different measurements.



#### **BIODIVERSITY**

In terms of environmental sustainability, Snam considers it particularly important to safeguard the natural value of local areas affected by new works, beginning with specialised field investigations to acquire knowledge that is as complete as possible of the local area traversed. The results of these investigations help define and implement the most appropriate design choices for reducing to a minimum the biodiversity impacts generated particularly in the execution phases, which are followed by environmental restoration and monitoring thereof, carried out in agreement and in cooperation with the entities in charge.

EN13 The objective of vegetation restoration, in particular reforestation, is not merely to reconstitute forest areas, but to reconstitute the landscape in general and to revive the biological functionality of vegetated areas, understood especially in their role as habitats for fauna with specific biodiversity characteristics. Restoration and reforestation are followed by the execution of "plant care", i.e. care and maintenance, for a period of at least five years, of the plants planted.

EN14 Monitoring projects concern the courses of some methane pipelines that interfere, albeit marginally, with natural local areas high in fauna and ecological value, and they are geared toward verification of the process of renaturalising areas affected by works, based on a comparison of conditions after restoration ("post-completion") and the original condition ("pre-completion"). Monitoring is normally performed for the most significant habitats identified in the design phase.

#### **EN11**

Distance covered by methane pipelines in Natura 2000 Networking sites	2009	2010	2011
Km of network	0	30.9	15.5

Environmental monitoring and restoration	2009	2010	2011
Restoration (network km)	270	173	235
New reforestation (network km)	27	25	43
Plant care (network km)	191	151	151
Environmental monitoring (network km)	550	883	1,065

# Snam at the "From Saying to Doing" Social Responsibility Fair

Snam participated in Milan at the 2011 edition of "From Saying to Doing", the only fair dedicated to Corporate Social Responsibility in Italy. Here it presented environmental restoration and fauna monitor-

ing results in connection with the upgrade of the Abbadia Lariana gas pipeline, carried out in 2009, testimony to excellence in best practices in biodiversity.

Entity	2011 restoration and envi	2011 restoration and environmental monitoring activities		
Friuli-Venezia Giulia Region	"Malborghetto — Bordano" methane pipeline	Cooperation continued with the Region's Parks Office on monitoring vegetation restoration along the course of the methane pipeline. In particular, in one section of the pipeline, in the Val Alba regional nature reserve, the 10-year fauna research and monitoring activities continued with the help of international experts. In 2011, the 7th year of monitoring was conducted, the first in a second 15-year monitoring phase that will end in 2013.		
	"Flaibano — Gonars" methane pipeline	In relation to the "Paludi di Gonàrs" Site of Community Interest, the environmental recovery works continued, in cooperation with local authorities, within the site of some publicly-owned land. A project for monitoring the spontaneous renaturalisation of these areas was also launched and phytosociological studies carried out. In 2011, the third and last annual "post-completion" monitoring was conducted, which confirmed the effectiveness of the environmental recovery interventions carried out, with cutting to contain the growth of shrub species in the grassy areas of the "valley bogs" within the Site of Community Interest, thus preserving the level of biological diversity.		
Sicily Region	"Flaibano — Gonars" methane pipeline	Collaboration with the Sicily state forests agency continued, with the growing of native forest plants destined for reforestation projects along the course of the pipelines laid in the Nebrodi regional park. In 2011 the reforestation projects along the course of the pipeline were completed, with the planting of approximately 19,000 forest plants. Starting in 2012, periodic plant care will be performed, along with the replacement of plants that have not taken root. The replacement plants will also be supplied by the Sicily state forests agency nurseries.		

# Safeguarding biodiversity

#### **EN12**

In autumn 2011, work commenced on the construction of the Somma Lombardo - Besnate DN 300 (12") - 24 bar methane pipeline, a course 5.8 km long traversing areas of the municipalities of Somma Lombardo, Arsago Seprio and Besnate in the province of Varese. The pipeline's path is placed within the Lombardo Park in the Ticino Valley and will run for about 1.5 km along the peripheral portions of the "Paludi di Arsago" Site of Community Importance (IT2010011), managed by the Park itself. The area traversed is characterised mainly by forests of broad-leaved trees for a total of 4.9 km (including chestnut, oak and oak-hornbeam trees) but with a sizeable presence of non-native tree species, such as the black locust (*Robinia pseudoacacia*) and the red oak (*Quercus rubra*), both of Central and North American origin. The remaining portion of the path, on the other hand, involves agricultural areas.

In order to obtain environmental licences, especially from the Lombardo Park in the Ticino Valley, a vegetation restoration project to recreate the tree and shrub cover along the pipeline's path was prepared and submitted to the said agency for approval. The specific purpose of this project is to requalify the area, increasing its biodiversity by planting native tree and shrub species, appropriate to the biogeograhical context. Reforestation is planned, with widespread planting, in agreement with the Park, for the dual purpose of recovering work areas in a homogeneous manner and performing targeted cutting during the plant care period to prevent regrowth by spontaneous dissemination of the black locusts and red oaks present along the sides of the pipeline's path. The following tree species will be planted: pedunculate oak (Quercus robur), European chestnut (Castanea sativa), European ash (Fraxinus excelsior), field maple (Acer campestre), and wild cherry (Prunus avium), totalling approximately 12,500 plants. The shrub species planned are: common hazel (Corylus avellana), common hawthorn (Crataegus monogyna) and European cranberrybush (Viburnum opulus), totalling approximately 10,500 plants. The vegetation restoration will be carried out when the pipeline construction work ends, most likely between autumn 2012 and spring 2013.



Pelobate foscus insubricus.

Prior to the commencement of the work, in summer 2011, a fauna survey (pre-completion monitoring) was conducted, aimed at taking a census of protected amphibious species within the "Paludi di Arsago" SCI. In particular, attention focused on the community of common spadefoot toads (*Pelobates fuscus*), a species of anuran amphibian (toad) present in Italy in the "insubricus" subspecies (*Pelobates fuscus insubricus*), endemic to the Padana Plain. It is a species linked to land of morainic or alluvial origin (river flood plains, moorlands, stable uncultivated parts) and due to its state of conservation is entered on the Priority Species list provided by "Habitat" Directive 92/43/EEC.

In summary, the pre-completion monitoring made it possible to delve further into the following main aspects:

- the potential suitability of reproduction sites near the course of the planned pipeline;
- the presence of wet areas behind the path, in particular north of the inhabited areas of Somma Lombardo;
- the analysis of water samples, in search of possible larvae that could confirm the presence of the amphibious species of interest;
- the lack of spadefoot toad larvae and the finding only of larvae belonging to the green frog complex (Rana esculenta).

The inquiries made appropriately guided the choice of the pipeline's path, avoiding interfering with certain sensitive areas of the "Paludi di Arsago" SCI (wetlands). The areas traversed by the pipeline in fact lie on only limited and circumscribed areas within the SCI and, except for individual exceptions, such areas are placed at a reasonable buffer distance away from the amphibians' main reproduction sites.

To rule out or reduce to a minimum any interference, the works inside the site area will be carried out outside the spadefoot toad's breeding season (spring).

In the portions of the path closest to potential reproduction sites, where the likelihood of the presence of individuals in hibernation is consequently greater, Snam Rete Gas will provide for an expert herpetologist to be present during the works, in order to identify any individual fauna present, arrange for them to be transferred outside the excavation area and record any useful data obtained from the findings.

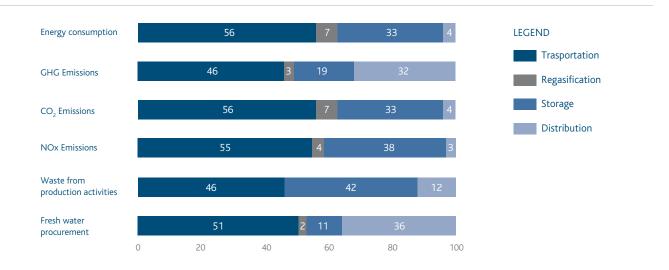
Completion of the work is scheduled by 28 February 2012, as indicated in the authorisations phase by Consorzio Parco Lombardo Valle del Ticino.

Lastly, post-completion monitoring is planned, with particular reference to the population of *Pelobates fuscus insubricus*.

#### **ENVIRONMENTAL MANAGEMENT**

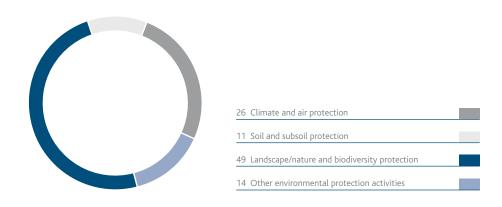
Snam's policy is to reduce the environmental impacts generated by its activities to a minimum, applying, where technologically and economically feasible, the best technologies available and adopting specific management systems and internal procedures.

# **ENVIRONMENTAL FOOTPRINT BY BUSINESS SEGMENT (%)**



**EN30** In 2011, environmental expenses stood at approximately €113.2 million (over €93 million for investments and around €20 million for management costs).

#### **ENVIRONMENTAL EXPENSES (%)**



# CARBON FOOTPRINT AND ENERGY EFFICIENCY

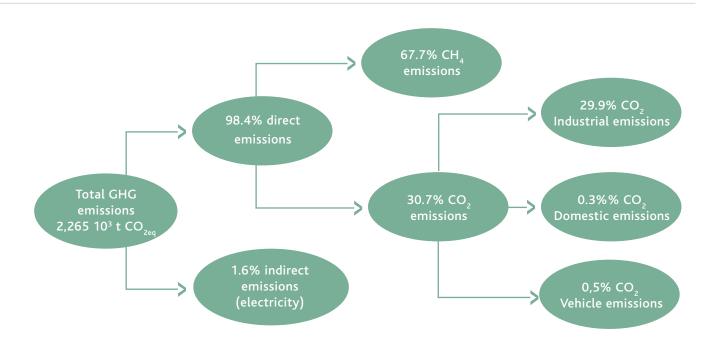
#### **Greenhouse** gases

EN26 The greenhouse gases (GHG) emitted into the atmosphere by the activities of Snam are carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>), the main component of natural gas. CO<sub>2</sub> is produced in combustion processes and is directly correlated with fuel consumption, while emissions of natural gas, and thus CH<sub>4</sub>, derive partly from normal plant operation and partly from discharges into the atmosphere caused by new pipeline connection works or maintenance works, or by accidents on the transportation and distribution networks.

In addition to using natural gas as its main fuel, Snam attempts to minimise emissions of GHG in its operating activities by employing specific containment programmes, such as:

- the reduction of natural gas emissions (through the recompression of gas in pipelines, the replacement of pneumatic equipment and the replacement of cast-iron pipes in distribution networks);
- the reduction of power consumption (using specific energy management measures);
- the use of electricity produced from renewable energy sources (through specific purchase contracts and the installation of photovoltaic panels)

#### **2011 GHG EMISSIONS**

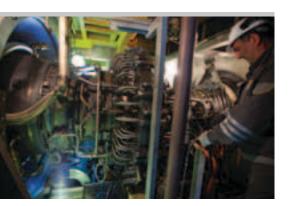


EN16 In 2011, total GHG emissions (direct and indirect) were approximately 2.26 million tonnes (-16% compared to 2010). This reduction is attributable to both a decrease in energy consumption and the initiatives undertaken to reduce natural gas emissions. The trend of CO<sub>2</sub> emissions from combustion depends greatly on the plans and requests of the customers to which Snam provides transportation, storage, regasification and distribution services.

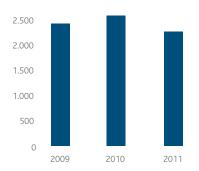
EN18 In order to contain natural gas emissions from the transportation network, activities were continued which involve gas recovery through online gas recompression interventions in the network upgrading phase (11 interventions were carried out, recovering 4.4 million cubic metres of natural gas), as well as the replacement of pneumatic equipment at some plants.

As regards containing natural gas emissions in civic distribution networks, activities were continued involving replacing iron piping with more high-performance piping (replacing about 136 km of networks). In 2011, natural gas emissions were reduced by about 4 million cubic metres compared to 2010, going from 100.8 million cubic metres to 96.9 million cubic metres (-3.9%).

KPI description	KPI date	l date Pre-set target		Sector	Activity Status
Natural gas recovered out of total potential emissions from maintenance activities	2010	Recover 30% in 2011	42.7%	Trasporto	•
Replacement of iron networks	2010	Replace 400 km by 2014	136	Distribuzione	Q
Natural gas emissions as a proportion of gas injected into the network	2008	Reach a percentage of 0.048% in 2012	0.051%	Trasporto	0



#### TOTAL GHG EMISSIONS (103t)



# The advantages of natural gas

At equal energy usage, the carbon dioxide produced by the combustion of natural gas is 25-30% less than petroleum products and 40-50% less than coal. The decrease in emissions per unit of energy produced is further accentuated by the possibility of using natural gas in high-performance applications and technologies, such as condensation boilers, co-generation plants and

combined cycles for producing electricity. A gas-powered combined cycle with output of 56-58%, compared to output of about 40% from traditional steam-powered cycles, makes it possible to reduce CO<sub>2</sub> emissions by 52% compared to a traditional oil-powered plant and by 62% compared to a coal-powered plant.

#### **Direct emissions**

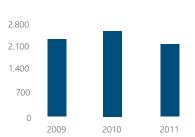
**EN16** 

Direct  $CO_2$  emissions from combustion stood at approximately 694,530 tonnes (-34% compared to 2010), while  $CO_{2eq}$  emissions deriving from methane emissions were approximately 1.5 million tonnes (-2.8% compared to 2010). The  $CO_{2eq}$  emissions were calculated based on a global warming potential (GWP) of 25 for methane, as indicated in the scientific study of the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fourth Assessment Report of 2007".

# DIRECT CO<sub>2</sub> EMISSIONS FROM COMBUSTION (10<sup>3</sup>t)

# 1.200 900 600 300

# TOTAL DIRECT CO<sub>2eq</sub> EMISSIONS (10<sup>3</sup>t)



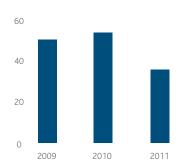
#### **Indirect emissions**

#### EN16-EN17

Indirect  $CO_{2eq}$  emissions derive from the use of electricity. In 2011, they stood at approximately 36,040 tonnes (-35% compared to 2010). The reduction in emissions is the result of a series of initiatives, started in 2010, aimed at increasing the use of electricity produced exclusively from renewable sources. These initiatives primarily concerned two plants high in electricity consumption (the LNG regasification plant and the Brugherio storage station, which is equipped with electric motors). The indirect  $CO_{2eq}$  emissions were calculated based on a national average factor of 0.483 kg $CO_2$ /KWh.



INDIRECT CO<sub>2eq</sub> EMISSIONS (10<sup>3</sup>t)



# **Emission Trading**

# **EC2-EN16**

The Snam plants falling under the scope of application of the Emissions Trading Directive as at 31 December 2011 are shown in the table:

Company	E.T. plants (No.)	Name
Snam Rete Gas	12	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini and the Mazara del Vallo entry point terminal
Stogit	7	Gas compression storage stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala.
GNL Italia	1	Liquefied natural gas regasification plant in Panigaglia

In 2011, the CO<sub>2</sub> emissions verified and certified by an accredited entity, in accordance with the provisions issued by the relevant national authority, stood at 611,367 tonnes, out of a total of 1,001,577 annual quotas allocated by the Ministry of Environment and Protection of Land and Sea (a positive balance of 390,210 quotas).

Before the emissions trading regulations on climate change came into force, Snam had already undertaken initiatives to contain emissions using high-yield technologies and natural gas as the main fossil fuel in its plants. Natural gas is used almost exclusively as fuel in the emissions trading plants.

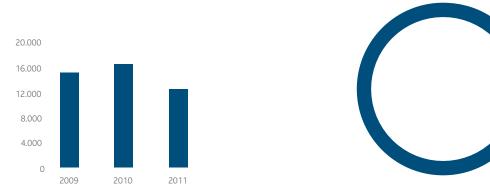
#### **Energy consumption**

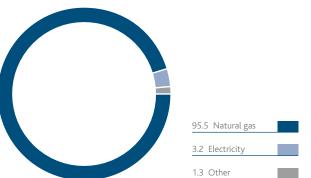
EN4 The Company's main energy consumption is due to gas turbines – used in compression stations to provide gas with the pressure necessary for transportation (compression gas) or storage (storage consumption) – and due to the vaporisers used at the Panigaglia plant to regasify liquefied natural gas (LNG).

EN7 To limit energy consumption, the best available technologies are used and high-performance turbines have been installed. In particular, the fuel consumption of the compression stations is controlled by the Dispatching department through the use of software systems which make it possible to manage the transportation network as efficiently as possible, in keeping with transportation and storage needs, with an optimal configuration of the individual compression stations.

# **ENERGY CONSUMPTION (TJ)**







In 2011, total energy consumption was around 12,830 TJ. The energy source most used was natural gas, which covered around 95% of total energy needs. The other sources used were electricity (3.2%) and other fossil fuels (diesel oil, petrol, LPG) and heat (1.3%).

Energy consumption in 2011 decreased by 33% compared to the previous year. This decrease is due mainly to the reduction in gas injected into the transportation network by customers and to a different breakdown of gas transported, which saw a drastic reduction compared to 2010 in gas injected on the North African backbone (-33%), conditions which have led to decreased use of the gas compression stations. Added to these operational factors are the initiatives implemented by the Company to contain energy consumption.

EN7 In energy management, the Company continued activities aimed at identifying possible energy consumption rationalisation and containment actions, such as the installation of photovoltaic equipment in buildings and plants, the adoption of LED lights and automatic switches for plant lighting, the installation of more efficient heat generators, the implementation of videoconferencing services to limit travel, and more efficient management of the movement of merchandise to and from the central warehouse.

KPI description	KPI date	Pre-set target	Target achieved in 2011	Sector	Activity Status
High-efficiency turbines	2010	Achieve 72% out of total units installed by 2015	67.4%	Transportation	۵
High-efficiency turbines	2010	Achieve 85% out of total units installed by 2015	65.2%	Storage	()

#### Production and use of energy from renewable sources

EN3-EN6

Aware of the importance of using energy from renewable sources, the Company has begun programmes that involve the installation of small photovoltaic plants in buildings that it owns (local sites and maintenance centres) and some plants in the distribution network for withdrawing and reducing the pressure of natural gas.

Renewable source plants Number		Total capacity (kW)	Energy Produced (kWh)	
Wind generators	1	1.5		
Photovoltaic plants	1,684	229.5	156,548	

Renewable source plants increased from 1,642 in 2010 to 1,685 in 2011 (+2.6%). In line with this increase, the total installed capacity of the plants increased, going from 226 kW in 2010 to 231 kW in 2011 (+2.3%). These increases were due mainly to the installation of new photovoltaic plants over the course of the year in the distribution business.

The total energy produced by renewable source plants increased considerably in 2011, going from about 111,000 kWh in 2010 to about 156,000 kWh (+41%). The increase in energy produced is attributable to the photovoltaic equipment installed in 2010 at company buildings and which were connected to the distribution network during the year.

#### OTHER ENVIRONMENTAL PERFORMANCE

# Air protection

**EN20** 

The use of natural gas as its principal energy source enables the Company to minimise emissions of sulphur oxides and particulate matter.

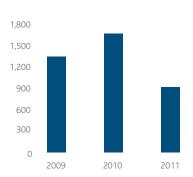
Nitrogen oxide (NOx) emissions, the only significant polluting emissions, derive from the use of the gas turbines installed in compression stations (compression and storage) and of the vaporisers at the liquefied natural gas regasification plant.

In order to reduce nitrogen oxide emissions deriving from the combustion of natural gas in the gas turbines used in compression stations, in recent years some existing turbines were modified and new units installed with dry low emission (DLE) combustion systems, while at the regasification plant, submerged flame vaporisers are used.

In 2011, programmes for upgrading station turbines were continued. In particular, a new turbine (TC4) went on line at the Montesano (SA) compression station, and the conversion of the turbine (TC3) at the Fiume Treste (CH) to DLE was completed. The conversion of the turbines at Messina (TC1), Settala (TC1) and Sabbioncello (TC1) to low emissions was begun. In the coming years, these programmes will be implemented predominantly in the storage business.



# TOTAL NOX EMISSIONS (t)



In 2011, total emissions of nitrogen oxides were around 920 tonnes (-45% compared to 2010). Such a significant reduction in emissions is attributable to lower energy consumption during the year and to the greater number of hours of operation of the DLE turbines compared to the previous year.

NOx emissions into the atmosphere are determined based on direct measurements or, if not available, by emission factors present in the literature (United States Environmental Protection Agency and CORINAIR - COordination Information AIR project).

KPI description	KPI date	Pre-set target	Target achieved in 2011	Sector	Activity Status
No. of DLE turbines out of total No. of turbines	2010	Achieve 75% by 2015 67.4 Tra		Transportation	()
No. of DLE turbines out of total No. of turbines	2010	Achieve 85% by 2015	65.2	Storage	()
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm3*MW) by 2015.	6.6	Transportation	0
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm3*MW) by 2015.	15.6	Storage	Ø
No. of hours of operation of DLE turbines out of total hours of operation of turbines	2010	Achieve 85% by 2015.	80	Transportation	()



# Waste management

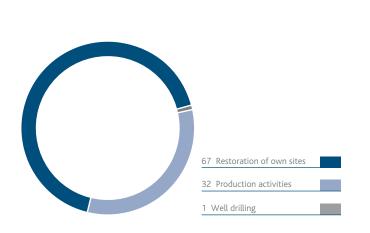
The waste produced by Snam is attributable mainly to three macro activities: production activities, site reclamation and well drilling.

Waste from production activities has always been a relatively insignificant environmental factor in terms of both the quantity and the type of waste. The waste generated derives mainly from the maintenance and management of the plants, and the majority of it consists of ferrous materials which are recovered in full.

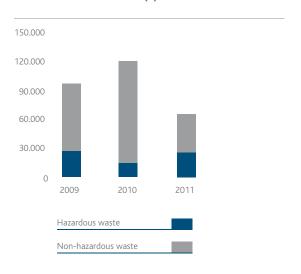
Waste from reclamation activities derives from the environmental requalification of some areas contaminated by previous industrial activity. Reclamation waste can also be produced during the laying of pipelines through contaminated sites not owned by Snam in which it must operate.

Waste deriving from well drilling consists mainly of slurries typically produced in some phases of the storage activity.

#### WASTE PRODUCTION BROKEN DOWN BY ACTIVITY %



#### WASTE PRODUCTION (t)



# **EN22**

In 2011, total waste production stood at approximately 66,070 tonnes, down 45% from 2010. The decrease in waste produced is attributable mainly to extraordinary activity carried out in 2010, which saw the laying of a pipeline in a national polluted site (SIN) for the connection of a third-party plant, which entailed reclamation and disposal of polluted soil.

Out of total waste produced, 40,467 tonnes belong to the non-hazardous waste category (61% of the total) and 59% of disposed waste from production activities was sent for recovery.

During the course of the year, reclamation activities were continued for the recovery and environmental requalification of 29 areas, with a total buildable area of around 134 hectares, contaminated as a result of earlier industrial activities, mainly due to the production of manufactured gas. The areas include sites for which contamination complaints have been submitted to the authorities in accordance with current legislation and sites where only decommissioned plant structures are present.

With these activities, Snam confirms its commitment to the recovery of abandoned industrial sites, with the objective of returning substantial areas to the local community for new development initiatives, while simultaneously aiming to make the best possible use of them.

# **EN2 Ecologically**

The project "Ecologically" continued successfully. Started in 2010, it includes initiatives aimed at promoting good eco-sustainable practices even in the office, with small daily gestures that help to improve the quality of the surrounding environment.

"Some habits make a difference", the waste sorting initiative at the San Donato Milanese refreshment stands launched in February 2010, was applied to the Turin site for Italgas, the Crema site for Stogit

and the Panigaglia site for GNL Italia during 2011. In 2012, we will seek to extend it to certain operating sites.

"All paper recycled" means making all personnel at all group sites aware of the advantages of using recycled paper and at the same time raising awareness of environmental protection issues.

Use of recycled paper increased from 2010, going from 38% to 54%, allowing the group to save natural resources and contain carbon dioxide emissions.

Trees (No.)	Water (litres)	Electricity (kWh)	CO <sub>zeq</sub> .(t)
- 1,126	- 32,900,056	- 367,892	- 178

#### Water

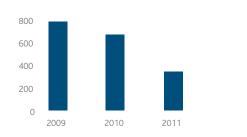
Water procurement and discharge in the activities of Snam represents a relatively insignificant environmental factor, in terms of both the quantities used and the type of discharges.

- EN8 In 2011 approximately 4.35 million cubic metres of water were procured (4 million of sea water and 0.35 million of fresh water). The procurement of sea water remained practically unchanged compared to 2010, while that of fresh water decreased 48% compared to 2010.
- **EN9** Sea water is used for cooling auxiliary equipment in the LNG regasification plant, and fresh water is used primarily for office activities, firefighting apparatus and the irrigation of green spaces.
- EN10 With regard to water discharges, the sea water consumed for cooling is released into the sea as is, without any treatment, while the waste water is channelled into the sewage networks (89% of the total) or discharged, after treatment, into the soil and into surface water bodies (11% of the total).

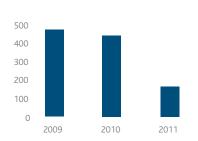
To control the discharge of domestic waste water, activities continued for the construction of closed-cycle phytopurification plants that make it possible to eliminate this type of discharge: the waste water is treated and completely absorbed by the planted vegetation, after separation of the sedimentable solid material. We are evaluating the possibility of extending this technology, used until now primarily at gas compression stations for transportation, to buildings we own (maintenance centres) where no sewage networks are present. In particular, in 2011, a new plant was installed at the Terracina maintenance centre, and a technical audit of the suitability of another 10 sites is under way.

**EN21** In the storage business, in the upstream phase, approximately 2,018 cubic metres of process water were produced. Of this water, about 1,630 cubic metres were reinjected as is, while the rest (about 388 cubic metres) was sent to a purification plant for treatment.

#### FRESH WATER PROCUREMENT (103m3)



#### FRESH WATER DISCHARGE (103m3)



# Management of substances harmful to the ozone layer

**EN19** 

The initiatives in progress concern the monitoring and control of all conditioning plants containing substances harmful to the ozone layer in order to check for any gas leaks into the atmosphere. These substances can be found, in modest quantities, in a limited number of plants, and a programme is under way to replace them with ecological fluids. In 2011, at all Snam plants, a small quantity still remains to be disposed of, amounting to approximately 1,480 kg (-31% compared to 2010).

#### **Restricting noise emissions**

**SO1** 

For the restriction of noise emissions, Snam implements a prevention policy which consists of correct plant sizing in the design phase, accompanied by the conducting of a noise impact forecast.

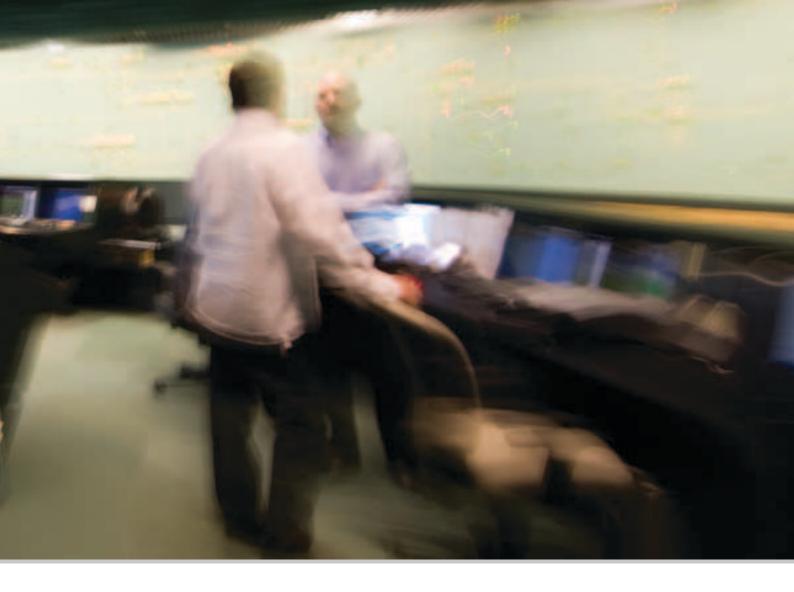
The main sources of noise are the gas compression stations (transportation and storage), generally located in rural areas, the pressure reduction and regulation plants that link pipelines with different operating pressures, and the LNG regasification plant.

The principal control measures adopted include the installation of soundproofed cabins, noise-reducing hoods, low-noise valves, silencers on operating vents, and the burial of pipes. In 2011, for purposes of mitigating noise emissions from facilities via technological adaptations, actions continued for improving the acoustic soundproofing of plants in the gas transportation and distribution network. In particular, in the transportation network, 45 interventions were carried out on gas pressure reduction and regulation cabins (9 in 2010), in accordance with plans calling for interventions at a total of 120 plants by 2013, while in the distribution network, the monitoring of noise emissions, with consequent managerial and/or plant-related interventions, involved 345 plants.





Maximising the potential of our people and monitoring and developing the skills necessary for maintaining the company's competitive position are strategic factors for achieving our objectives.



The year 2011 saw various changes to the group's organisational system and scope.

After the issuance of the "Our people" policy, approved by the Board of Directors in 2010, which represented a significant step in expressing the principles of management and development of the people who operate in the group, during the year, through the corporate regulatory system and in particular the Management System Guidelines, these principles were made operational, redefining management rules, roles and responsibilities.

Then, at year-end, the need arose to comply with the obligations provided for by the implementation of the Third European Directive. In addition to creating an independent transportation company and repositioning some activities (sales and procurement) within the operating companies, Snam expanded and insourced a series of services previously carried out by the integrated operator, Eni, for which another 120 people were absorbed into the group in addition to hires from the market. These interventions will guide Snam's organisational system toward greater specialisation and decision-making autonomy so as to be able to focus more attention on managing and developing the different businesses. The new hires, together with planned departures, have left staff size substantially unchanged, since the enlarged scope of activities overseen was offset by the effects of policies for increasing efficiency.

LA2

New hires	2009	2010	2011
Hired from the market (No.)	40	55	140
of which university graduates (No.)	30	39	51
of which high school graduates (No.)	92	61	85
of which holding other qualifications (No.)	46	37	4

LA7

Hours worked in 2011 totalled more than 9.9 million, with an absenteeism rate of approximately 665,260 hours (of which 55.9% hours due to sickness, 1.9% hours due to accidents, and 42.2% hours due to other reasons).

LA1

Personnel (by type of contract)	2009	2010	2011
permanent contract (not including part-time) (No.)	5,957	5,844	5,797
apprenticeship or trainee programme (No.)	145	158	211
fixed-term contract (No.)	5	3	1
part-time contract (No.)	103	99	103
employees with part-time contracts (No.)	99	94	95



# DEVELOPING AND MAKING THE MOST OF HUMAN CAPITAL

# Developing skills and abilities

Training and consolidating professional and managerial skill sets, in a changing scenario, are an integral part of maximising people's potential.

Along with enhancing people's job opportunities, training serves as a support to organisational integration and change management. These activities are based on an ongoing partnership with the various internal units in order to encourage the design and continual improvement of training courses, making them more efficient and consistent with the requirements of people, professional families and corporate objectives.

**LA10** 

Training data	2009	2010	2011
Hours of training provided	154,010	148,824	187,134
of which executives	3,143	3,734	2,369
of which managers	15,072	13,358	13,840
of which office workers	84,967	79,526	102,103
- of which manual workers	50,828	52,206	68,822
Number of participants	15,484	13,750	16,437

#### **LA10**

KPI description	KPI date	Pre-set target	Target achieved in 2011	Sector	Activity Status
Average hours per employee (No.)	2010	Achieve 24 in 2011	30	Snam group	•
Involvement of corporate population (%)	2010	Achieve 80% in 2011	90	Snam group	•

Managerial development activities continued in 2011, basically in continuity with the previous year but with differentiated interventions aimed at specific needs, identified due to segmenting the corporate workforce both horizontally by role and professional family, as well as vertically, i.e. by level of responsibility.

These activities have also been integrated into the performance evaluation system and into the individual potential and ability evaluation.

Other initiatives have concerned specific corporate population groups. University graduates just entering the workforce have been involved in a trainee plan, which will be carried out over a two-year time period, aimed at encouraging knowledge of the business and at facilitating their integration into the corporate fabric. For managers under 40, an initiative known as "360° Outlook" has been prepared, with the objective of increasing their managerial skills from the standpoint of self-development.

#### **LA11**

2011 training initiatives	Recipients
Training courses were carried out on "The economic and managerial rationales of regulated markets", in cooperation with the Politecnico di Milano.	Managers and recently hired university graduates
Continued commitment to professional training for developing and consolidating specialised technical know-how and training in support of local reorganisation for manual workers.	Manual workers
More than 30,000 hours of HSE training were provided. The topics dealt with in specific training courses, designed and implemented internally, included: "Safe Driving", "The Role of the Safety Officer" (Legislative Decree No. 81/08) and Implementing Management Systems.  In terms of the environment, a new high-impact development has been the introduction of the new waste traceability system (SISTRI), which has required a significant widespread training initiative throughout the country.	Managers, office workers, technical personnel and manual workers (4,913 participants)
<b>SO3-HR3</b> Continued training activity on the requirements of the Organisation, Management and Oversight Model pursuant to Legislative Decree No. 231/2001, in a targeted anti-corruption course aimed at disseminating the guidelines adopted by the Company (more than 12,900 hours)	Managers and office workers (3,231 participants)
Continued training in support of the "Project for insourcing maintenance activities and implementing the new SAP system"	Stogit personnel (more than 50,000 hours of training)
Explained the procedure approved by the Board of Directors of Snam Rete Gas and implemented by the subsidiaries on provisions regarding related-party transactions, governed by Consob Regulations	Involved 200 people affected by the rules
Specific training initiatives were implemented to develop managerial skills (see below)	Executives and managers
Offered training in support of the introduction of Work Force Management. Courses were also held on the New Mapping Update, and courses were designed on the New Organisational Model for operational activities.	Mainly technical personnel in distribution
Implemented a training course project on middle manager skills, the Peak Performer Model (see box below), aimed at maximising and disseminating existing best practices in the group's different business areas	Technical operations managers (more than 130 people) working nationwide
Held events for providing information on and sharing corporate strategies. In particular, a workshop was organised to ensure awareness of the business context in expectation of the implementation of the Third European Directive and illustrate the core points of the strategic plan.	Executives

#### THE PEAK PERFORMER MODEL FOR OPERATIONS MANAGERS

Launched in early 2011, the "Peak Performer Model" is a project carried out in cooperation with Towers Watson.

Peak Performer Project	This is a project designed to allow for active participation both by managers, whose responsibility for employee development is key, and by employees themselves to clarify their role in the development process and target certain behaviour that has emerged as critical, all by interacting and working as a group. It is a methodology with the objective of maximising and disseminating existing best practices, identifying a set of distinctive behaviours, common across the transportation, distribution and storage businesses; the commitment to disseminating and inculcating these behaviours in the organisation, and sharing a platform of operating methods and values, is synonymous with building a "culture of development", a group culture to be extended to the entire
Project goals	<ul> <li>improving performance;</li> <li>encouraging corporate integration (through personal acquaintance, team work, meetings and discussions among different professionals).</li> </ul>
People involved	Some 150 people are involved, including executives (district heads) and operations managers (centre/plant heads) from Stogit, Italgas and Snam Rete Gas operations management.
Project phases The project, broken down into different phases, is currently under way and will continue for a good part of 2012	<ul> <li>directives and guidelines defined and agreed upon by a working group including executives, HR managers and consultants;</li> <li>completed the initial phase of the project with individual interviews and focus groups involving all interested parties in order to identify a list of behaviours implemented in the main phases of the business process;</li> <li>held group training and individual coaching events, which made it possible to obtain key methodological models and to support executives in becoming for all practical purposes coaches for their own employees thanks to development plans prepared and shared with operations managers, as the basis for defining and implementing specific actions in the near future.</li> </ul>
Results (as at 2011)	The Peak Performer model was applied to information of a qualitative nature, cross-referenced against more strictly quantitative data deriving from operating results, giving rise to the identification of a limited number of "win-win behaviours".

#### Incentive and remuneration systems

**LA12** 

Performance appraisals assess the contribution made and the results achieved by individual staff members over the course of the year and are a way of communicating and involving them in meeting targets.

For managers, a management review is carried out each year, which enables accurate monitoring of their performance using consolidated and common criteria.

In 2011, the competitiveness and fairness of compensation practices for managerial and professional personnel were audited and optimised following the update of the job evaluation begun in 2010.

The compensation system is adjusted periodically using criteria based on meritocracy and internal fairness. It is particularly aimed at ensuring recognition of the results achieved by an employee, the quality of professional support provided and the employee's potential for development.

Alongside the policy of meritocracy, related to roles and responsibilities, a variable incentive system for managers and executives has been built up over the last few years in connection with performance appraisal through the allocation of specific individual charts derived from the corporate ones. In 2011, this appraisal involved all executives and their commitment to developing business activities, with a particular focus on sustainability.

This is demonstrated by the allocation of individual sustainability targets to nearly 100% of the executives. Meanwhile, as far as managers are concerned, 38% were assigned an individual target associated with sustainability issues.



For young graduates, we began studies aimed at defining differentiated compensation policies on the basis of performance and professional and managerial ability in order to support the motivation and retention of our most talented youngsters.

We also continued our commitment to improve the system of benefits.

As in previous years, as part of our internal communication initiatives, we extended our Total Reward Statement (an itemised breakdown of an individual's overall pay packet) to all managers.

All jobs at Snam Rete Gas S.p.A., GNL Italia and Stogit are subject to analytical and overall evaluation of complexity, responsibility, experience and autonomy (CREA) factors, as specified by the national collective labour agreement for the energy and petroleum industry. 395 evaluations were carried out in 2011. All evaluation processes are formalised and involve feedback sessions that are an important opportunity for discussion and communication between manager and employee with a view to gathering information that can be used to draw up new actions for developing and maximising the potential of our people.

A collective incentive programme is used for all group companies: the "Profit-sharing scheme" introduced pursuant to the respective national collective labour agreements. This scheme is based on company profitability (return on average capital employed, or ROACE) and productivity, as measured in relation to annual targets agreed between the Company and union representatives.

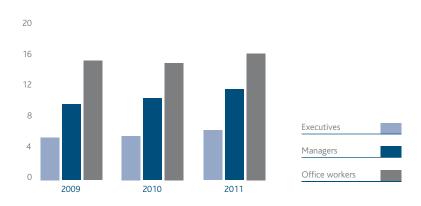
#### Diversity and equal opportunities

LA13 In line with the Code of Ethics and the "Our people" policy, Snam respects each person and offers equal opportunities in all aspects of employment, including recruitment, training, pay, promotion, transfers and termination, avoiding any form of discrimination which may arise from differences in gender, age, health, nationality and political or religious beliefs.

	2009	2010	2011
Women in the workforce (%)	9.7	9.6	10.5
Women hired * (%)	23	12	24

These figures reflect the characteristics of our business, which demands particular availability for shift work and continual travel and is therefore not suitable for some candidates. "Manual workers" include men only.

#### PERCENTAGE OF WOMEN PRESENT PER RANK (%)



We offer more favourable maternity provisions than those required by law, maintaining the company benefits provided for all staff. Maternity pay during the mandatory leave period is 100% of the salary for the month prior to commencement of leave (compared with 80% required by law).

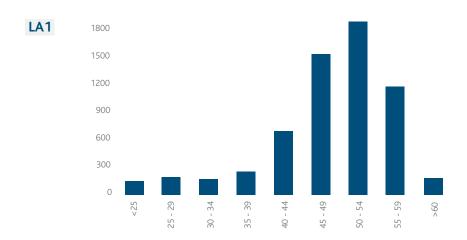
LA15 In 2011, all personnel taking parental leave returned to work.

A guide has been published on the intranet for both biological and adoptive parents with a view to raising awareness about their rights and highlighting the Company's dedication to parents.

Thirty-two workers (male and female) took parental leave in 2011.

LA13 Snam promotes generational turnover by training new employees to support the technological changes that will be necessary to deal with the introduction and development of new IT systems.

#### DEMOGRAPHIC DIVERSITY: EMPLOYEES PER AGE BRACKET



**LA13** The group employs 319 disabled people, whose development programmes focus on training and integration into corporate processes.

There is not a significant presence of ethnic and linguistic minorities in our workforce, partly due to the fact that Snam operates only in Italy.



#### Wellbeing among personnel

Snam offers employees and their family members a varied system of initiatives intended to enhance their wellbeing, improve their work/life balance and improve the quality of the work environment.

Over the years, a system of opportunities has been developed which includes:

- insurance cover for work and non-work accidents, offering more than the statutory benefits;
- supplemental health care: provides reimbursement for expenses incurred for health and hospital services at public and private facilities;

• employee access to supplemental pension funds, which are funded to a great extent by company contributions

LA3

Snam has adopted a welfare system using a multi-year plan involving the activation of strands of services in the areas of "family", "health" and "other agreements".

#### WELFARE PROJECT

Intervention area	Interventions
Family	<ul> <li>Summer camps in the city for children and adolescents, created to assist families during school holidays</li> <li>Summer beach and mountain outings</li> <li>Themed outings for adolescents focusing on English language studies, sports and respect for nature</li> <li>Eni 0-6, a centre of excellence in terms of both its teaching and its architecture, comprises a crèche and a nursery school that cater for employees' children aged zero to six years, allowing parents to have a better work/life balance (operational at San Donato Milanese since September 2010)</li> <li>Snow Trophy: the winter sporting event that involves Eni employees and their families in a weeklong programme of ski competitions. 126 people from Snam participated in the 2011 edition</li> </ul>
Health	Promoting health:  • early cancer detection programme in cooperation with the Italian League against Cancer and with participating health facilities, and agreements with some health centres on hospital and outpatient services and the flu vaccination campaign;  • wellbeing Programme: this offers the opportunity to engage in physical activities at selected and approved sports centres in the vicinity of the office buildings, at preferential membership rates.  Meals  • Snam is committed to providing high quality in corporate catering, using first-rate raw materials and taking care in the preparation process to keep nutritional value intact. The commitment to guarantee people continually evolving service increasingly focused on wellbeing has also led to the restructuring of some corporate eateries, such as those in Turin (Italgas), Crema (Stogit) and San Donato Milanese (Snam). Take Away is another attractive option, combining wellbeing with the chance to save time by allowing employees to reserve and pick up dishes to eat at home.
Other agreements	<ul> <li>Snam personnel are offered preferential terms for obtaining personal loans and credit cards, buying used cars, hiring cars, buying name-brand products or booking a holiday. Some agreements also offer a chance to take out insurance</li> <li>In terms of culture, employees have the opportunity to enjoy free or reduced-cost tickets to visit museums and exhibits, attend concerts and operas, and attend international festivals, such as MITO Settembre Musica, held in Turin and Milan in autumn 2011.</li> </ul>



As part of its respect for the environment and limiting CO<sub>2</sub> emissions produced by personal travel and in order to identify the most suitable solutions for effectively meeting its employees' mobility needs, the Company offers the Mobility Management area. It was created to encourage employees to regularly use sustainable means or methods to travel between home and work, and offers a chance to become informed about and acquire passes for public transportation and bike sharing and car sharing schemes. At San Donato Milanese, the Company also makes available a shuttle service from the metropolitan train station to the worksite. In 2011, as every year, employees who have provided 25 years of service to the Company were awarded a prize and a gold medal, attesting to their individual contribution to the Company's growth. In 2011, 452 Snam people received awards.

#### Industrial relations



Snam guarantees all workers the right to freely express their thoughts, join associations and engage in union activities. National collective labour agreements apply to all Snam workers (for the transportation, storage and regasification sectors, the energy and petroleum industry agreement applies, and for distribution, the gas and water agreement applies).

In 2011, 53% of employees were members of a trade union. Special meeting spaces are provided for union activities to be engaged in, and workers enjoy dedicated leave, as provided for by current regulations and the applicable industry agreement. All workers can submit topics of interest to them to the unitary union representative bodies (RSU), which are periodically replaced through elections.

In 2011, dealings between Snam and the trade unions focused, on the one hand, on developing group integration processes, dictated in particular by the implementation of the Third European Directive and, on the other hand, on the entry into force of the more recent regulations on distribution, which by introducing new rationales for assigning concessions and specific occupational requirements (the "solidarity clause") will govern the subject in a highly innovative manner.

From that standpoint, in a dialectical climate of intense debate, the following, among others, have been discussed both nationally and locally and have been the subject of an agreement:

- the acquisition of the ICT and Administrative Services business units of Eni S.p.A. and Eni Adfin S.p.A., respectively;
- the group's reorganisation, which saw the transfer of transportation activities to newly formed company Snam Trasporto, the reallocation of some activities to Stogit, again by business unit transfer, and the creation of Snam S.p.A., with corporate functions.

At Italgas, an agreement was reached on the new operating organisation, aimed at better overseeing the territory in keeping with the entry into force of the abovementioned regulations..



#### **HEALTH AND SAFETY**

Preventing accidents and working in a safe environment are primary objectives for Snam. Proof of this can be seen in the setting up, within the companies, of appropriate organisational structures responsible for defining, scheduling and controlling plans for improving workplace health and safety.

Within the group, a distinction is made between the duties of general management, which are centralised within Snam, and the duties of special management, coordination and support for operating units, which are assigned to the individual companies. Specifically, the centralised organisational structures:

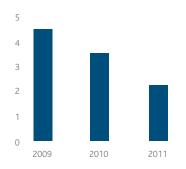
- ensure the safeguarding of know-how;
- assist corporate units in identifying the most effective technical and organisational solutions;
- define guidelines, methodologies, standards and operating methods to be implemented for all of the companies;
- define, implement and maintain management systems, including by means of technical audits. The operating companies maintain an internal organisational structure which allows them to operate with an adequate level of decision-making autonomy.

In 2011, Snam continued implementing planned actions aimed at reducing workplace risk factors, grouped together within the "Objective Safety" project (see box below).

LA7 Commitment and ongoing action in recent years have enabled a significant reduction in employee accident indicator values. Over the year there were 22 accidents (-40% compared to 2010), none of which was fatal. The frequency index was 2.22 (-37.5% compared to 2010) and the severity index was 0.06 (-40% compared to 2010).

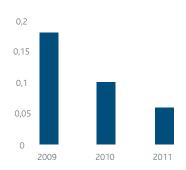
Health and safety indicators	2009	2010	2011
Total employee accidents	46	37	22

## EMPLOYEE ACCIDENTS AT WORK FREQUENCY INDEX\*



<sup>\*</sup> number of non-commuting accidents with incapacity of at least one day, per million hours worked

# EMPLOYEE ACCIDENTS AT WORK SEVERITY INDEX\*\*



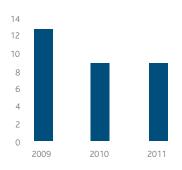
<sup>\*\*</sup> number of working days lost in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked

Snam places great emphasis on health and safety issues with its suppliers and contractors, for which it requires observance of quality standards comparable to those it puts into effect.

While contract work is being carried out, it ensures that activities are monitored periodically by the "Contract Manager" to verify observance of contractual obligations and agreements made during the work, and also promotes the improvement and prevention actions deemed most appropriate.

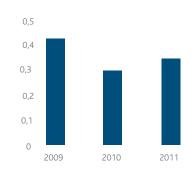
Contractor safety was also the subject of a dedicated session within the "Suppliers' Day for Sustainability" workshop, during which Snam reiterated the importance of adopting behaviour in line with prevention principles and stated that safety indices will have an increasingly significant weight among supplier qualification and evaluation criteria. For 2012 specific projects are being studied for sharing with suppliers the best practices on the subject adopted in operations managed directly by Snam.

# CONTRACTOR ACCIDENTS AT WORK FREQUENCY INDEX\*



number of non-commuting accidents with incapacity of at least one day, per million hours worked

### CONTRACTOR ACCIDENTS AT WORK SEVERITY INDEX\*\*\*



\*\* number of working days lost in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked

Following the rupture of the S. Stefano di Magra-Cortemaggiore methane pipeline, which occurred on 18 January 2012 in the Municipality of Tresana (MS), causing a gas leakage and fire, a fatal accident occurred involving a worker of the company contracted for the work. Investigations are under way by the Massa Public Prosecutor's Office, which has already named a court-appointed expert witness, who has been assigned the task of ascertaining the causes — and effects — of the rupture, as well as any other circumstances useful for purposes of these investigations.

#### LA8 Objective Safety, a project for translating values into behaviour



Launched in late 2010, the three-year *Objective Safety* project carried out initiatives and actions in 2011 aimed at influencing the culture of Snam personnel to improve attitudes, behaviour and personal responsibility with respect to workplace safety. The actions go hand in hand with those of the Company, creating synergies and even more effective results. The project's goal is to reduce group accidents by involving people, so that paying heed to safety becomes a distinctive element of the corporate culture.

Objective Safety thus develops new initiatives, at the same time leveraging the best practices present in some corporate areas with the intention of making them common practice throughout the entire group.

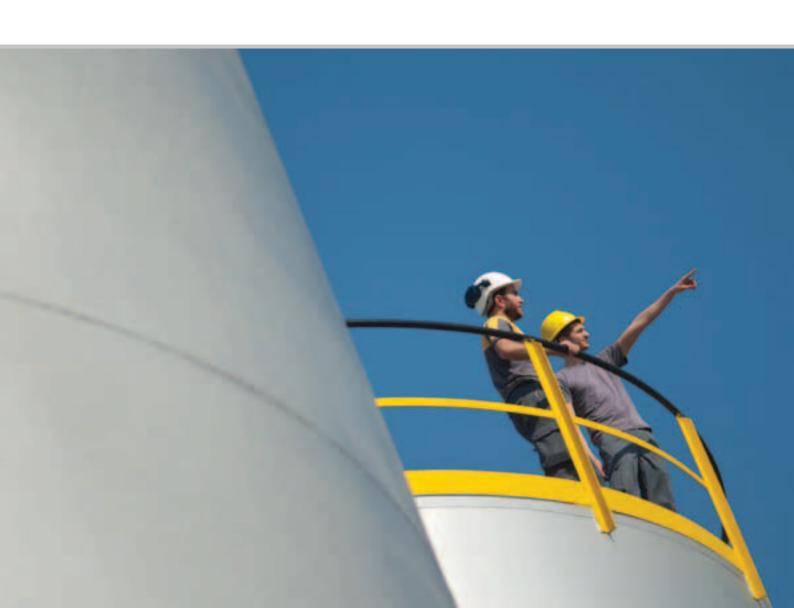
By putting prizes up for grabs, the *Safety Trophy* and the *Zero Accidents Prize* encourage all company units to team up to reduce accidents in terms of both frequency and severity, aiming to bring them down to zero. The *Safety Trophy* is competed for within each individual company by workers in operating areas subdivided into "homogeneous" groups by local area, which vie to achieve the best results in terms of workplace safety (number of accidents, severity, proposals for improvement, reporting of near misses, etc.).

The Zero Accidents Prize, on the other hand, is extended to all corporate organisational units and puts prizes up for grabs for all "homogeneous groups" who meet the goal of completing 365 consecutive days without an accident.

Accurate monitoring of scores, provisional quarterly rankings and "tallies" affixed in the individual units showing the number of consecutive days without an accident help to keep people focused on the goal and increase personal involvement in the performance of an employee's "team".

Among the new initiatives introduced, *Safety Walks* reinvigorate the way safety is handled, creating occasions in which top management, as active project sponsors, meet up with Snam personnel to shadow their operational activities on site, reiterating with their presence the importance of participatory involvement by all company staff to achieve effective workplace safety. *Safety Walks* are held at all group companies from May to October at various sites spread throughout Italy: in 2011 the Verona and Venice operating centres, the Sergnano station and the Panigaglia plant were involved.

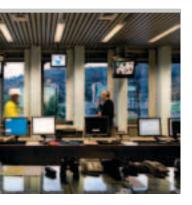
The group's intranet site with articles supporting project initiatives and results, the statements affixed at the headquarters of the four companies for purposes of reiterating the goals sought by the project, the videos designed to summarise the meaning of the initiatives carried out in images, and a dedicated newsletter are all communication and training tools that help consolidate knowledge and revive attention on the subject. In fact, in June 2011, the newsletter Objective Safety News was started, dealing specifically and in-depth with workplace health and safety issues, risks and tools. The newsletter, produced in paper



format and distributed to all Snam group personnel, contains in each issue not only indepth information on specific safety topics and explanations on the proper use of personal protective equipment (PPE), but also a comic strip in which the project mascot, Gaspare, a keen but slightly distracted manual worker, learns, partly through mistakes, the importance of unflagging attention to observing safety rules.

In November 2011, the project celebrated its first birthday and the significant results achieved by group companies in terms of reducing the number of accidents. On this occasion, top management renewed its decided commitment, confirmed as one of the drivers characterising the project, through a video by Snam's CEO geared toward employees and disseminated throughout the group companies.

The year 2012 will be a year of renewed commitment to the Objective Safety Project, which will shore up the initiatives already started and introduce additional actions aimed at improving results continually.



#### Involvement and internal communication

Snam considers communication to be a fundamental driver for promoting personal participation, going beyond information to create awareness, sharing and debate.

Through an integrated approach to group-wide internal communications, while still respecting the different company needs, Snam shares values, challenges and goals, increasing the degree of employees' satisfaction in performing their activities.

Sharing values and principles, as well as projects and initiatives, takes place through numerous channels and tools.

The group's intranet site is structured not only as an information tool, but also as a place for sharing and developing knowledge. Boxes are used to delve into current issues in depth, support initiatives and launch projects. In 2011, videos were mainly used as tools for immediately disseminating crucial issues and reporting significant events; there are films, for example, in which top management communicates objectives, values and results (such as the video series "Looking at 2011", published in early 2011 and focused on near-term strategies and objectives) or comments on Company milestones (such as the report for the first year of the Objective Safety Project). Other videos, on the other hand, involve people and turn highlights in corporate life or significant events into common heritage; this is the case, for example, with the Objective Safety Project's Safety Walks, the 10th anniversary of Stogit and the launch of the new Snam brand.

The 62 news items posted online in 2011 give preference to topics associated with results and corporate life, sustainability and workplace safety.

The distinctive factor characterising the group intranet site is shared content management. The energy corporate network calls, in fact, for widespread writing at the level of the organisational units, which, with a network of more than 120 correspondents, feed and update the section on the site under their responsibility with content and documentation, so that the website is the result of contributions from the different organisational areas of each company and makes specific knowledge and skills available to all.

In order to involve all group personnel, including those difficult to reach with the computer network, Snam makes and uses many paper tools: posters, flyers, brochures and newsletters

(Objective Safety News, Work Force Management News, and the "energie" newsletter). In particular, the "energie" newsletter, distributed to everyone at the four companies, followed corporate and market developments in 2011, commenting on regulatory changes that open up new business and organisational scenarios, so that everyone at Snam has a wealth of information to feel part of a group that pursues ambitious goals and is going through important changes.

Reaching everyone in a timely manner is a signal that values both the person, involving families too, and the message: for this reason, the "energie" newsletter is sent to each group employee's home.

In 2011, the Sustainability Report was also sent to group people in order to share the stages of the sustainable development process, demonstrating the great commitment and initiatives undertaken with people, the environment and the local areas in which Snam operates. Another important area in which time and resources are invested is meetings between people, a significant vehicle for knowledge and sharing. In 2011 this area was broken down into a series of events and initiatives in which top management communicated results, goals, scenarios and values to people.

Sapernedi+ is an initiative that organises group-wide opportunities for meetings, the dissemination of corporate values and strategies and the sharing of issues, problems and solutions identified by the individual organisational units. It is also an opportunity for increasing managers' managerial skills and consolidating their role as bosses through a time for involvement and communication with their employees. Sapernedi+ was carried out in autumn 2011 at all organisational units, with a "cascade" process that enabled it to reach everyone at Snam, becoming a significant opportunity for involvement on new scenarios and the coming group reorganisation, as well as for debate on activities and projects of the organisational unit itself.

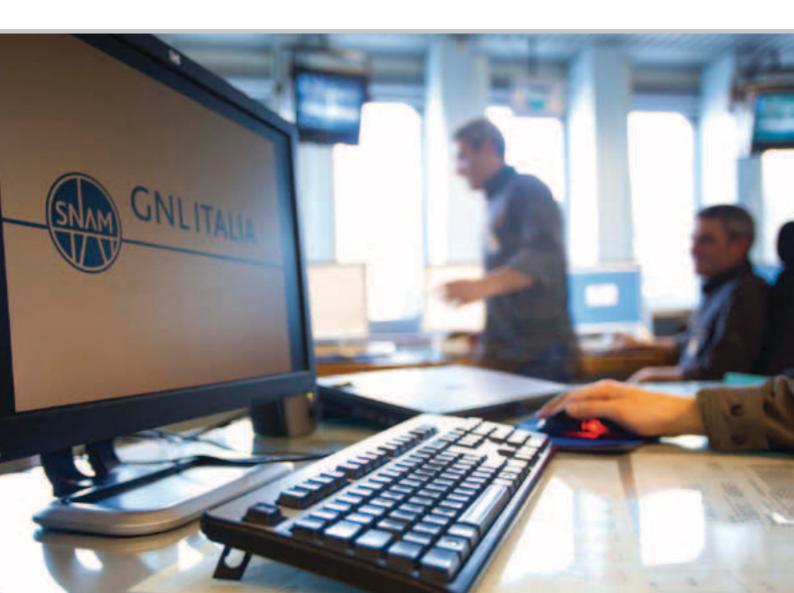
# Help from the network, corporate volunteering that comes from being involved

In 2011 Snam developed a project that identifies and implements corporate volunteering actions. Involvement by Snam people in every project phase and the intent to build a dialogue between company areas and the volunteer world are the basis of the project.

The three cornerstones of the project (as shown in the chart) are: integrated sustainability, involvement and participation, and meeting points.

In its launch year, the project was focused on the group's two main management sites: San Donato Milanese and Turin, which have a target population of more than 1,100 people. In May 2011, an internal survey was conducted, the results of which, used to guide the

next phases of the project, attest to strong interest in the world of volunteering. Employees were also involved in choosing the name to be given to the corporate volunteering project: thus "Help from the network" was born. In 2001, the project's first important initiative was held: the Snam "Volunteering Week", which saw a meeting between Snam people and the non-profit sector and led to a week of events at corporate sites, during working hours, in which volunteer associations, foundations and non-profits introduced themselves independently to employees interested in the initiative, out of the conviction that, through knowledge, the right conditions can be created for increasing interest in the world of volunteering and implementing occasions for meetings and cooperation.



# help from the network a volunteer is made, not born

#### Meeting up

- The project takes its shape from the meeting point between the company's intentions and people's interests
- The initiatives are focused on meetings between the corporate world and the volunteer world
- Meetings are the starting point for future actions (collaborations, volunteering, support).

#### Integrated sustainability

The company aims to achieve a sustainability profile that creates synergies, involving the outside world (with special attention to local social specifics) with the internal culture (increasing personal awareness, sustainable actions through Snam people).

#### Involvement and participation

Personal involvement is at the heart of the project:

- Employees are surveyed to assess their interest in the subject and to guide the project's activities;
- The choice of the name to be given to the project was left up to employees;
- The volunteer associations involved in the initiatives are largely ones pinpointed by Snam people.

Even in the phase of identifying the associations to be invited to the initiative, the Company chose its people's involvement as a distinctive factor of the project. Employees were thus prompted to point out non-profit organisations of interest to them, because often they are active there as volunteers, and 83% of the associations invited came from this channel.

The gatherings, open to all employees at the two sites involved, were held from 21 to 25 November 2011, with 340 participants.

The 34 associations joining the initiative presented their activities and their areas of intervention, focusing on the volunteering opportunities offered in their sectors, ranging from the environment to social assistance, from international cooperation to socio-educational issues, and from health to protecting rights. Among the participating organisations, large and extremely well-known non-profit organisations were side by side with small associations established in local areas and operating in specific fields.

During the gatherings, participants showed great interest and asked a number of questions, meaning the presentations turned into dialogues.

Following the week of gatherings, the group created Volunteering Round Tables, ad hoc spaces set up to renew contact and become better acquainted with the associations involved, where informational and educational materials brought by the associations (brochures, magazines, leaflets and flyers) were made available to Snam people.

A detailed communications plan supported the project during 2011, identifying tools, channels and timings: the project logo, posters, emails, detailed programmes and news were used to launch the project, raise awareness in advance of the initiative and get people involved in corporate volunteering.

For 2012, additional initiatives are being studied, so that the meeting point between Snam people and the world of volunteering will develop and grow.



#### NOTE ON METHODOLOGY

The Snam Sustainability Report refers to the year ending on 31 December 2011 and maintains the same reporting scope as the previous year, except for the information on corporate governance, which refers instead to the new corporate structure on the date of publication of the Report.

The document includes the information for stakeholders provided in the Consolidated Annual Report, showing physical and monetary data and performance indicators indicative of the entire range of significant social, environmental and economic impacts of Snam's different activities:

- transportation (Snam Rete Gas S.p.A.);
- liquefied natural gas regasification (GNL Italia S.p.A);
- storage (Stogit S.p.A.);
- distribution (Italgas S.p.A., with subsidiary Napoletanagas).

Economical information presented in this report are drawn from Snam's Consolidated Annual Report, while the methods of calculation used to determine the different indicators are described in the specific sections.

In addition, information is provided in the appropriate form on significant events occurring after the end of the year.

To ensure the comparability over time of the indicators deemed most significant and to give the reader the chance to compare the performance obtained, current values have been placed alongside those for the previous two years, using graphs and tables.

The Report is prepared in accordance with the Reporting Guidelines in their most up-to-date G3.1 version, issued by the Global Reporting Initiative in May 2011. The Report's level of compliance with the standards has been enhanced through more specific coverage of all the "core" indicators. In fact, the group's self-declared level of compliance, as certified by GRI itself, increased from B+ to A+, the highest grade possible.

Verification of the Report's reconciliation with GRI protocols is facilitated by the specific table appended to the Report

The process of gathering data and information and preparing the Report was coordinated and managed by the Sustainability unit of the parent company, Snam, in cooperation with the different corporate functions and the operating companies. The publication of the document, simultaneous with that of the Consolidated Annual Report, is subject to approval by the Board of Directors of Snam on 12 March 2012.

This Report has been reviewed by the external auditor engaged to perform the audit of Snam's annual report (Ernst & Young) based on the principles and guidelines of the International Standard on Assurance Engagements (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB). The results of the audits performed are included in the compliance certification appended to this report.

Lastly, this year, as is customary, the contents of the Report and further information are posted on the sustainability section of the website, www.snam.it.

Period of reference	2011
Report coverage	Annual
Previous report	2010 Sustainability Report
Contact person	Domenico Negrini - Bruno Andreetto
Snam Spa - Piazza Santa Barbara, 7 - San Donato Milanese (MI)	
Accessibility	www.snam.it
email	domenico.negrini@snam.it - bruno.andreetto@snam.it

#### Legend:

Following the new organisational structure, Snam has redefined the key performance indicators (KPIs). KPIs make it possible to monitor specific sustainability targets, from the standpoint of continual improvement. The pre-set targets and the results obtained during the year are reported in the relevant chapters.

#### KPI symbols - Activity status

- Target achieved
- Annual target achieved (KPI with multi-year targets)
- Activity in progress

The document contains the codes corresponding to the GRI guidelines, for ease of reference and interpretation.

#### **GRI Indicator Symbols**

**EC1** (e.g.) Content corresponding to a GRI indicator

#### **PERFORMANCE INDICATORS**

Snam group – main operating data*	2009	2010	2011
Natural gas transportation			
Gas injected into the network (10 <sup>9</sup> m <sup>3</sup> )	76.9	83.32	78.3
Gas pipeline network (km)	31,531	31,680	32,010
Average distance covered by gas in the Italy transportation network (km)	639	634	506
Gas compression stations for transportation (No.)	11	11	11
Installed capacity at gas compression stations (MW)	830	861	884
Liquefied natural gas regasification			
Liquefied natural gas injected into the network (10 <sup>9</sup> m³)	1.32	1.98	1.89
Number of methane tankers unloaded	38	54	50
Natural gas storage			
Gas injected into storage sites (10 <sup>9</sup> m <sup>3</sup> )	7.81	8	7.78
Gas provided from storage sites (10° m³)	8.71	7.59	7.53
Operating concessions (No.)	8	8	8
Natural gas distribution			
Distribution network (km)	49,973	50,307	50,301
Gas carried in the distribution network (10 <sup>9</sup> m <sup>3</sup> )	7.537	7.953	7.450
Concessions (No.)	1,441	1,448	1,449

Snam group – main economic data*	2009	2010	2011
Core business revenue (b) (€ million)	2,438	3,475	3,539
Operating expenses (€ million)	581	968	993
Operating profit (€million)	1,274	1,862	1,958
Net profit (€ million)	732	1,106	790
Technical investments (€ million)	1,254	1,540	1,585
Net invested capital at 31 December (€ million)	15,652	16,257	16,989
Shareholders' equity including minority interests (€ million)	5,703	5,916	5,792
Shareholders' equity, Group share, at 31 December (€ million)	5,702	5,915	5,791
Net financial debt at 31 December (€ million)	9,949	10,341	11,197
Free Cash Flow (€ million)	-4,489	382	-52
Number of shares of share capital (million)	3,570.80	3,570.80	3,571.20
Number of shares outstanding on 31 December (million)	3,375.90	3,376.60	3,378.60
Average number of shares outstanding during the year (c) (million)	2,579.30	3,376.20	3,378.00
Period end official share price (€)	3.46	3.73	3.39
Average official share price during the period (€)	3.22	3.59	3.75
Market capitalisation (€ million)	11,681	12,595	11,454
Dividends for the period ( € million)	675	777	811
Dividends paid during the period (€ million)	450	776	811
Environmental expenses (€ million)	93.6	94.5	113.2
Health and safety expenses (€ million)	31.	29.7	31.4

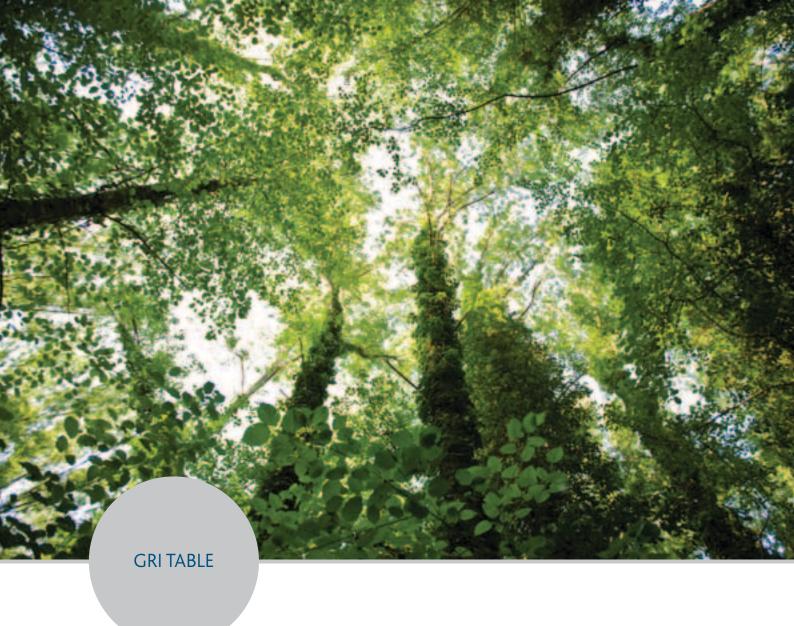
<sup>\*</sup>For comments on the economic and financial results, please refer to the 2011 annual financial report

Snam group – main social indicators	2009	2010	2011
Employees (No.)	6,187	6,104	6,112
Executives (No.)	121	116	118
Managers (No.)	493	508	544
Office workers (No.)	3,320	3,243	3,277
Manual workers (No.)	2,253	2,237	2,173
Men (No.)	5,589	5,521	5,469
Women (No.)	598	583	643
Men/women compensation differential (executive category)	-	1.03	0.973
Men/women compensation differential (manager category)	-	0.97	0.94
Men/women compensation differential (office worker category)	-	0.94	0.91
Employee average age (years)	47	48	48
Seniority (years)	22	23	23
Recruitment during the year from the market (No.)	40	55	140
Other incoming employees (from Eni, non-consolidated companies, etc.) (No.)	128	82	228
Percentage of university graduates hired (%)	18	28.5	36.4
Departures during the year (No.)	295	220	360
Employee accident frequency index	4.54	3.55	2.22
Employee accident severity index	0.18	0.1	0.06
Contractor accident frequency index	12.74	8.87	8.97
Contractor accident severity index	0.43	0.3	0.35
Hours of training/No. of employees	25	24	30
Hours of training on health matters			7,405
Hours of training on safety matters			21,158
Hours of training on environmental matters			2,093
Total HSEQ audits performed (No.)	239	347	359
Environmental investigations (No.)	771	357	401
Medical examinations (No.)	2,634	3,180	2,533
Diagnostic exams (No.)	4,288	3,934	2,027

Snam group – main environmental indicators	2009	2010	2011
Natural gas emissions (10 <sup>6</sup> m³)	99.9	100.8	96.9
Total GHG emissions (10³ t CO <sub>2eq</sub> )	2,451	2,691	2,265
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	799.4	1,057.5	694.5
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	50.5	54.9	36.0
NOx emissions (t)	1,353	1,683	919
CO emissions (t)	926	618	383
Total waste production (t)	96,618	120,192	66,072
Non-hazardous waste production (t)	68,886	102,891	40,467
Hazardous waste production (t)	27,732	17,301	25,605
Waste recovered from production activities (%)	-	59	59
Water procurement (10³ m³)	4,787	4,687	4,354
Water discharges (10 <sup>3</sup> m <sup>3</sup> )	4,479	4,449	4,168
Scarichi idrici (10³ m³)	4.479	4.449	4.168

	2009	2010	2011
Natural gas transportation			
Energy consumption for transportation/energy injected into the network * average perc. (%/10³km)	0.56	0.74	0.51
CO <sub>2</sub> emissions for transportation/gas injected into the network * average perc. (kg/[10 <sup>6</sup> m³*km])	10.64	13.71	9.74
${\rm CO}_{\rm 2eq}$ emissions for transportation/gas injected into the network (kg/10 $^{\rm 6}$ m $^{\rm 3}$ )	15,176	16,420	12,955
NOx emissions for transportation/gas injected into the network * average perc. (kg/[10 <sup>6</sup> m <sup>3</sup> *km])	0.016	0.02	0.012
Natural gas emissions for transportation/gas injected into the network (%)	0.053	0.049	0.051
DLE turbine hours of operation/total turbine hours of operation (%)	74.4	78.6	80
Rated turbine NOx emissions/turbine total installed capacity ([mg/Nm3]/MW)	7.64	7.19	6.6
Liquefied natural gas regasification			
Energy consumption for regas./LNG injected into the network (%)	1.74	1.38	1.41
CO <sub>2eq</sub> emissions for regas./LNG injected into the network (kg/10 <sup>6</sup> m³)	24,737	39,844	33,827
Natural gas storage			
Natural gas emissions for storage/gas stored (%)	0.076	0.073	0.075
NOx emissions /gas stored kg/10 <sup>6</sup> m <sup>3</sup>	51.1	68.8	44.3
Rated turbine NOx emissions/turbine total installed capacity ([mg/Nm³]/MW)	18.30	16.43	15.6
Natural gas distribution			
Natural gas emissions / gas distributed (%)	0.61	0.57	0.60
CO <sub>2eq</sub> emissions for distribution/gas distributed (kg/10 <sup>6</sup> m³)	99,405	91,682	97,913





#### Legend:

- The **Presence** column indicates the level of compliance with the standards (disclosure) according to the legend specified below:
- Fully reported
   (the data/information meet the requirements of the standards completely)
- Partially reported
   (the data/information meet the requirements of the standards only in part)
- Not reported
   (the data/information have not been gathered or are not sufficiently representative)

   n.a. Not applicable
  - (the data/information called for by the standards are not significant or are not relevant)
- The **References** column indicates the report pages where the contents referring to the requirements of the standards are shown (pages in italics refer to full sector details)
- The **Notes / Comments** column includes information additional to the Sustainability Report or that provides further clarification on the statements made in the Report.



# Statement GRI Application Level Check

GRI hereby states that Snam has presented its report "Sustainability Report 2011" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level A+.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, March 21st 2012





The "+" has been added to this Application Level because Snam has submitted (part of) this report for external assurance. GRI accepts the reporter's own criteria for choosing the relevant assurance provider.

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance, www.globalreporting.org

Disclaimer: Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on March 9th 2012. GRI explicitly excludes the statement being applied to any later changes to such material.

#### STRATEGY AND ANALYSIS

		Presence	References	Notes / Comments
1.1	Message from top manager – Message from CEO	•	4-5	
1.2	Description of principal impacts, risks and opportunities (in terms of sustainability)	•	24-31	

#### **PROFILE**

		Presence	References	Notes / Comments
2.1	Name of the organisation	•	Copertina-87	
2.2	Main activity	•	10-14	
2.3	Organisational structure	•	15-17	
2.4	Location of general headquarters	•	Terza di copertina-87	
2.5	Local market presence	•	13-14, 20	
2.6	Ownership structure	•	19	
2.7	Markets served	•	10-14	
2.8-2.9	Size of the organisation and significant changes in size, structure and ownership structure	•	10-14	
2.10	Awards and prizes received during the period	•	9	

#### PARAMETERS OF THE REPORT

		Presence	References	Notes / Comments
3.1-3.3	Period of reference of the document, last report published and frequency of reporting	•	86-87	
3.4	Contact persons and addresses	•	87	
3.5-3.7	Reporting process, scope and limitations	•	86-87	
3.8	Information on joint ventures, subsidiaries, leased plants, outsourcing activity and other	•	86	
3.9	Data measurement techniques and basis for calculation	•	86-87	The calculation methods used to determine the various figures are indicated in the relevant related sections.
3.10	Explanation of effects of any change to information included in previous reports and reasons	•	86-87	
3.11	Significant changes in objective, scope or measurement methods used	•	86-87	
3.12	Table of G3.1 content	•	93-97	
3.13	Policies and practices on independent auditing	•	99-100	

#### GOVERNANCE, COMMITMENTS AND ENGAGEMENT

		Presence	References	Notes / Comments
4.1	Governance structure	•	15	
4.2	Executive status of Chairman	•		The chairman of the Board of Directors is a non-executive
4.3	Independence of governance bodies	•	15-16	
4.4	Mechanisms available to shareholders and employees to provide recommendations or directives to the highest governance body	•		Investors are asked to exercise their role at shareholders' meetings. For information on how shareholders' meetings work, see the governance report. To encourage dialogue with shareholders, SNAM has an Investor Relations function
4.5	Link between compensation and performance of the organisation	•		See the Corporate Governance Report
4.6	Activities to ensure that conflicts of interest do not occur	•	15-16	
4.7	Processes for determining the qualifications of the highest governance body to guide the organisation's strategy	•		See the website, www.snam.it
4.8	Mission, values and Code of Conduct	•		See the website, www.snam.it
4.9	Procedures and committees for managing sustainability-related performance	•	25	
4.10	Performance evaluation of the members of the highest governance body	•		See the Corporate Governance Report
4.11	Explanation of any method of application of the prudence principle or approach	•	24-31	
4.12	Signing and adoption of codes of conduct, principles and charters developed by external organisations	•	16	
4.13	Participation in trade associations	•	53	See the website, www.snam.it
4.14	List of stakeholders with which the Company interacts	•	18-20	
4.15	Principles for identifying stakeholders	•	18-20	
4.16	Approach adopted for the activity of involving stakeholders	•	18	
4.17	Results of involvement	•	38-53, 69-85	

#### PERFORMANCE INDICATORS

ECONOMIC INDICATORS (EC)  Information on operating method (EC)		Presence	References	Notes / Comments
		•	11-17, 21, 33-36, 43-47	
EC1 core	Economic value generated and distributed directly	•	21, 88	
EC2 core	Economic and financial implications associated with climate change	•	62	
EC3 core	Coverage of obligations assumed at the time of defining the pension plan (benefit plan obligations)	•		Snam offers its employees pension coverage that is supplemental to the public system, on a voluntary acceptance basis. At the time of termination of employment, all employees receive postemployment benefits. (Please refer to the Consolidated Annual Report and to the website, www.fondenergia.it)
EC4 core	Significant government economic assistance	•		There is none
EC5 add	Ratio of wages of new hires to local minimum wage in the most significant operating sites	-		
EC6 core	Policies, practices, and percentage of expenses concentrated on local suppliers	•	45	
EC7 core	Procedures for hiring people residing where the activity is primarily carried out and percentage of senior managers hired in local communities	•	18	
EC8 core	impacts of investments in infrastructure for the benefit of local communities, through commercial commitments, donations of products/services or other pro-bono activities	•	49	
EC9 add	Analysis and description of main indirect economic impacts considering the external effects generated	-		

ENVIRON	MENTAL INDICATORS (EN)	Presence	References	Notes / Comments
nformati	on on operating method (EN)	•	45-47, 54-69	
N1 core	Raw materials used by weight and volume	•	45-47	
N2 core	Percentage of material used deriving from recycled material	•	67	
N3 core	Direct energy consumption broken down by primary energy source	•	63-64, 89-90	
N4 core	Indirect energy consumption broken down by primary energy source	•	63, 89-90	
:N5 add	Energy savings due to conservation and improvements in terms of efficiency	•	64-65, 89-90	
:N6 add	Initiatives to provide services that are energy efficient or based on renewable energy and consequent reduction in energy needs as a result of these initiatives	•	64	
N7 add	Initiatives geared toward reducing indirect energy consumption and reductions obtained	•	63-64	
N8 core	Total water procurement broken down by source	•	68, 89	
N9 add	Water sources significantly affected by water consumption	•	68	
N10 add	Percentage and total volume of water recycled or reused	•	68, 89	
N11core	Location and size of land owned, leased or managed in protected areas (or adjacent to protected areas) or in areas with high biodiversity outside of protected areas.	•	56	We will assess whether to expand upon this information in the next report
N12 core	Description of the major impacts of activities, products and services on the biodiversity of protected areas or of areas with high biodiversity outside	•	56-58	
N13 add	Protected or restored habitats	•	56-58	
N14 add	on biodiversity	•	56-58	
N15 add	Number of protected species that have their habitat in the organisation's areas of operation, broken down by level of risk of extinction	-		
N16 core	Total direct and indirect greenhouse gas emissions by weight	•	60-63	
N17 core	Other indirect greenhouse gas emissions by weight	•	60, 62	
N18 add	Initiatives to reduce greenhouse gas emissions and results achieved	•	60	
N19 core	Emissions of substances harmful to the ozone layer by weight.	•	69	
N20 core	NOx, SOx and other significant emissions into the air broken down by type and weight	•	65-66	
N21 core	Total water discharged by quality and destination	•	68, 89	
N22 core	Total weight of waste by type and by disposal method	•	66-67, 89	
N23 core	Total number and volume of significant spills	•		No significant spills occurred during the period
N24 add	Weight of waste classified as hazardous that is transported, imported, exported, or treated and the percentage transported abroad.	-		
N25 add	Identity, size, protection status and value of the biodiversity of aquatic fauna and flora and the respective habitats significantly affected by water discharges	-		
N26 core	Initiatives to mitigate the environmental impact of products and services and degree of mitigation of the impact	•	60-69	
N27 core	Percentage of products sold and respective packaging material recycled or reused by category	n.a.		Not relevant, since Snam's core business is the provision of services that do not involve the use of packaging
N28 core	Monetary value of significant fines and number of non-monetary penalties due to failure to comply with environmental laws and regulations	•		In 2011, there was one administrative fine of about €500 due to a delayed notification
N 29 add	Significant environmental impacts from the transportation of goods/materials used for the organisation's activity and for personnel travel	-		

	NDICATORS (LA)	Presence	References	Notes / Comments
nformati	on on operating method (LA)	•	71-82	
A1 core	Total number of employees, broken down by type, type of contract and geographic distribution.	•	18, 72, 76, 89	
A2 core	Total number of personnel and turnover rate, broken down by age, sex and geographic area	•	70, 89	
A3 add	Benefits provided for full-time workers	•	71, 76-77	
A4 core	Percentage of employees covered by collective labour agreements	•	78	
.A5 core	Minimum period of notice for operational modifications (organisational changes), specifying whether or not such conditions are included in the collective labour agreement	•		The provisions of the national collective labour agreements are applied (see LA 4)
.A6 add	Percentage of workers represented on the health and safety committee	•		Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements
.A7 core	Rate of workplace accidents, sickness, lost work days, absenteeism and total number of deaths, broken down by geographic area	•	72, 78	
.A8 core	Educational, training, consulting, and risk prevention and control programmes implemented in support of workers, their families or the community, relative to disturbances or serious diseases	•	79	
A9 add	Union agreements on health and safety	•		Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements
A10 core	Average annual hours of training per employee, broken down by worker classification	•	72	
A11 add	Programmes for managing skills and for promoting training/continuing education in support of the continuing employment of employees and for managing the final phase of their careers	•	72-73	
A12 add	Percentage of employees who regularly receive performance and career development evaluations	•	74-75	
A13 core	Composition of the Company's governance boards and breakdown of employees by classification based on gender, age, belonging to protected categories and other diversity indicators	•	75-76	See Consolidated Annual Report for the composition of the governance bodies
A14 core	Ratio of men's base wages to women's base wages for the same classification	•	89	
A15 core	Rate of return to work after parental leave	•	76	
JIIMANID				
IOMAN	RIGHTS INDICATORS (HR)	Presence	References	Notes / Comments
	on on operating method (HR)	Presence	16-17, 45-47	Notes / Comments
	, ,	Presence	16-17,	Notes / Comments  The investments are made in Italy.
nformation	on on operating method (HR)  Number and percentage of investments that include clauses on respecting	• • •	16-17,	The investments are made in
nformation of the state of the	on on operating method (HR)  Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human	• • • • • • • • • • • • • • • • • • •	16-17, 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where
nformati HR1 core HR2 core	on on operating method (HR)  Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human	Presence  •  •  •  •  •  •  •  •  •  •  •  •  •	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where
HR1 core HR2 core HR3 add	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights	Presence  • • • • • • • • •	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and
HR1 core HR2 core HR3 add HR4 core HR5 core	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights  Identification of operations at high risk for recourse to child labour and the measures adopted to aid its elimination	Presence  •  •  •  •  •  •  •  •  •  •  •  •  •	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and applies the current regulations on the subject SNAM operates in Italy and applies the current regulations on the subject
IR1 core IR2 core IR3 add IR4 core IR5 core	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights  Identification of operations at high risk for recourse to child labour and the	Presence	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and applies the current regulation on the subject SNAM operates in Italy and applies the current regulation SNAM operates in Italy and Italy Ita
IR1 core IR2 core IR3 add IR4 core IR5 core IR6 core IR7 core	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights  Identification of operations at high risk for recourse to child labour and the measures adopted to aid its elimination  Activities at high risk for recourse to forced or compulsory labour and measures	Presence	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and applies the current regulation on the subject SNAM operates in Italy and applies the current regulation SNAM operates in Italy and Italy Ita
IR1 core IR2 core IR3 add IR4 core IR5 core IR6 core IR7 core	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights  Identification of operations at high risk for recourse to child labour and the measures adopted to aid its elimination  Activities at high risk for recourse to forced or compulsory labour and measures taken to aid their elimination	Presence	16-17, 45-47 45-47	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and applies the current regulation on the subject SNAM operates in Italy and applies the current regulation SNAM operates in Italy and applies the current regulation.  In the area of site safety, Snam predominantly employs specialised external companies
HR1 core HR2 core HR3 add HR4 core HR5 core HR6 core HR7 core	Number and percentage of investments that include clauses on respecting human rights  Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken  Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained  Total number of episodes of discriminatory practices and actions taken  Identification of activities in which the freedom of association and collective bargaining could be exposed to significant risks and actions taken in defence of such rights  Identification of operations at high risk for recourse to child labour and the measures adopted to aid its elimination  Activities at high risk for recourse to forced or compulsory labour and measures taken to aid their elimination  Percentage of safety personnel that have received training on human rights procedures and policies	Presence	16-17, 45-47 45-47 73 17	The investments are made in Italy.  99.9% of suppliers are located in European countries, where respect for human rights is  SNAM operates in Italy and applies the current regulation on the subject SNAM operates in Italy and applies the current regulation SNAM operates in Italy and applies the current regulation.  In the area of site safety, Snam predominantly employs specialised external companies

SOCIETY	INDICATORS (SO)	Presence	References	Notes / Comments
Informati	Information on operating method (SO)		6-7, 39-40, 45-54, 84-85	
SO1 core	Nature, objective and effectiveness of programmes and/or practices for evaluating and managing impact on a given community, including activity commencement, operation and decommissioning phases	•	54-58, 69	
SO2 core	Percentage of business units analysed for corruption risk	•	16-17	
SO3 core	Percentage of employees with anti-corruption training	•	73	
SO4 core	Actions taken in response to incidents of corruption	•	17	
SO5 core	Positions on public policy, participation in the development of public policies and pressures exercised	•	53	For a list of associations in which Snam participates, see http://www.snam.it/it/sostenibilita/area-economicatecnologia-innovazione/enti_istituz_snam.html
SO6 add	Total financial contributions and benefits provided to parties, politicians and institutions by country	•		SNAM does not make direct or indirect contributions in any form to political and union parties, movements, committees or organisations their representatives or their candidates, except those provided for by specific regulations
SO7 add	Total legal actions regarding unfair competition, anti-trust and monopolistic practices and respective judgments	-		
SO8 core	Monetary value of significant fines and total number of non-monetary penalties due to non-compliance with laws or regulations	•		See Consolidated Annual Report
SO 9 core	Operations with potential negative impact on local communities	•	54-57	
SO10 core	Prevention measures adopted to mitigate the negative impact of operations on local communities	•	54-57	

PRODUCT RESPONSIBILITY INDICATORS (PR)			Riferimenti	Notes / Comments
Information on operating method (PR)		•	36-43	
PR1 core	Impact of product on health and safety	•	36-37	See PR3
PR2 add	Total cases of non-compliance with regulations and voluntary codes	-		
PR3 core	Consumer and labelling information	•	36-37	
PR4 add	Total cases of non-compliance with regulations or voluntary codes on information on and labelling of products/services	n.a.		
PR5 add	Customer satisfaction practices	•	42	
PR6 core	Compliance with laws, standards and voluntary codes on marketing activities	n.a.		Not relevant, since SNAM is a regulated company
PR7 add	Total cases of non-compliance with regulations or voluntary codes on marketing activities	n.a.		Not relevant, since SNAM is a regulated company
PR8 add	Number of complaints for violation of privacy and loss of consumer information	-		
PR9 core	Amount of penalties for violation of regulations on the supply and use of products and services	•	41	

#### GLOBAL COMPACT RECONCILIATION TABLE

Global Compact – the ten principles	2011 Sustainability Report	GRI Indicators
	Human rights	
to promote and respect universally recognised human rights in their respective spheres of influence and to make sure they are not complicit, even indirectly, in human rights violations.	<ul> <li>Respect for human rights is expressly mentioned in the Snam Code of Ethics and in contractual relations with suppliers. Since early 2012, all companies in the Snam group disclose to all employees and partners, through contractual documentation, the ten principles stated by the Global Compact with the intention of disseminating the values contained in them. Pages. 7, 15-17, 45-47</li> <li>Snam is committed, as stated in the Code of Ethics, to fighting any form of discrimination and respecting any type of diversity. pages 7, 16</li> <li>Snam operates in full compliance with Italian law, with the setting of legal age being an indispensable requirement for hiring at the Company, pages 15-17</li> <li>All suppliers are asked to accept and respect the Code of Ethics and the declaration not to employ personnel younger than the minimum age stipulated by law, pages 45-47</li> <li>An initiative has been implemented to disseminate the Global Compact principles among company suppliers, with the adoption of explanatory cover pages on contracts, pages 45-47</li> <li>Audits are performed at suppliers, pages 45-47</li> </ul>	HR1, HR2, HR3, HR4, HR8, LA4, LA7, LA8, LA13
	Labour	
Principle 1, 2 - Companies are asked to promote and respect universally recognised human rights in their respective spheres of influence and to make sure they are not complicit, even indirectly, in human rights violations	<ul> <li>The Energy and Petroleum and Gas-Water national collective labour agreements apply. All workers are guaranteed the right to express their own thoughts, join associations and engage in union activity, page 78</li> <li>All companies in the Snam group are completing the procedure for managing the worker health and safety management system according to the OHSAS 18001 standards, pages 28-29</li> <li>Snam has also held a workshop with full details on workplace health and safety, page 47</li> <li>Initiatives have been developed associated with the Objective Safety Project, which involves all Snam companies. The project also includes the "Safety Trophy" and "Zero Accidents Prize", pages 80-81</li> <li>More than 30,000 hours of training on health, safety and environmental topics have been provided, page 73</li> <li>Snam adopts a collective incentive programme and uses tools to evaluate the performance of all employees, pages 74-75</li> <li>Initiatives are promoted to encourage a good work/life balance, pages 76-77</li> <li>The group intranet platform was made to encourage integration between the different companies, pages 82-83</li> </ul>	HR1, HR2, LA2, LA3, LA4, LA7, LA8 LA12, LA13
	Environment	
Principle 7, 8, 9 – Companies are asked to maintain a preventive approach to environmental challenges; to undertake initiatives that promote greater environmental responsibility; and to encourage the development and dissemination of technologies that respect the environment	<ul> <li>The companies are certified according to the ISO 14001 standard, and a preventive environmental approach aimed at continual improvement is adopted, pages 28-29</li> <li>The best technologies available have been adopted to minimise environmental impacts, and plants have been started up for the production of energy from renewable sources, pages 60-66</li> <li>Eco-responsible behaviour has been encouraged at offices, such as sorting waste at canteens and the use of recycled paper, page 67</li> <li>Snam has joined the international initiative "Clean Up the World", promoted by Legambiente, involving the active participation of employees and some school students, page 52</li> <li>Snam particularly pays attention to biodiversity issues in relation to its relationship with stakeholders and to its operating activities, taking as reference the Millennium Development Goal concerning environmental and biodiversity protection, pages 7, 56-58</li> </ul>	EN3, EN4, EN6, EN7, EN8, EN9, EN12, EN13, EN14 EN16, EN18, EN20 EN21, EN22; EN24 EN26, EN30
	Fight against corruption	
Principle 10 – Companies commit to fighting corruption in any form, including extortion and bribery	<ul> <li>The Anti-Corruption Guidelines have been adopted and the organisational structure has been made compliant with the creation of the Anti-Corruption Legal Support Unit, page 17</li> <li>Training activities on Model 231 and on the topic of fighting corruption have been provided, page 73</li> </ul>	SO2, SO3, SO4

#### LETTER OF ASSURANCE



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Independent auditors' report on the limited assurance engagement of Snam's Sustainability Report as of December 31, 2011 (Translation from the original Italian text)

To the Board of Directors of Snam S.p.A.

- 1. We have carried out the limited assurance engagement of the sustainability report of Snam (former Snam Rete Gas) and its subsidiaries (hereinafter "the Snam Group", former "Snam Rete Gas Group") as of December 31, 2011 (hereinafter the "Report"). The Management of Snam S.p.A. is responsible for the preparation of the Report in accordance with the "Sustainability Reporting Guidelines", issued in 2011 by G.R.L. Global Reporting Initiative, that are detailed in the paragraph "Note on methodology", as well as for determining the Group's commitments regarding the sustainability performances and the reporting of the achieved results. The Management of Snam S.p.A. is also responsible for the identification of the stakeholders and the significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally the data and disclosures reported in the Report. Our responsibility is to issue this report based on the limited assurance engagement described in this report.
- 2. Our work has been conducted in accordance with the principles and guidelines established by the "International Standard on Assurance Engagements 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standard Board. ISAE 3000 requires the compliance with ethical requirements ("Code of Ethics for Professional Accountants" issued by the international Federation of Accountants "IFAC"), including professional Independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the Report is free from material misstatements. A limited assurance engagement of the Report consists of making inquiries, primarily with company's personnel responsible for the preparation of the information included in the Report, in the analysis of the Report and in other procedures in order to obtain evidences considered appropriate. The procedures performed on the Report are summarized below:
  - a. Compared the economic and financial information and data included in the Report with those included in the Snam Group consolidated financial statements as of December 31, 2011 on which we issued our Audit Report, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010, on April 3, 2012;
  - b. Analyzed the operation of the processes that support the generation, recording and management of the quantitative data reported in the Report, in particular, we have carried out the following procedures:

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- interviews and discussions with personnel of the Management of Snam S.p.A., to
  obtain an understanding about the information, accounting and reporting system
  in use for the preparation of the Report and about the processes and the internal
  control procedures supporting the collection, aggregation, data processing and
  transmission of data and information to the department responsible for
  preparation of the Report;
- analyzed, on a sample basis, the documentation supporting the compilation of the Report in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the Report;
- c. analyzed the consistency of the qualitative information reported in the Report to the quidelines indicated in paragraph 1, of the present report and the internal consistency, with reference to the strategy, the sustainability policies and the identification of the main matters for any kind of stakeholder;
- d. analyzed the process relating to the engagement of the stakeholders, with reference to the procedures applied and the completeness of the stakeholders involved, trough the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;
- e. obtained the representation letter, signed by the legal representative of Snam S.p.A., relating to the compliance of the Report with the guidelines indicated in paragraph 1., as well as to the reliability and completeness of the information and data presented in the Report.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement performed in accordance with ISAE 3000, and it does not provide a similar level of assurance; as a consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

With respect to the data and information relating to the Report of the prior year presented for comparatives purpose, reference should be made to the limited assurance report issued by us on March 22, 2011.

3. Based on our work, described in this report, nothing has come to our attention that causes us to believe that the sustainability report of Snam Group as of December 31, 2011 is not in compliance, in all material respects, with the guidelines "Sustainability Reporting Guidelines" issued in 2011 by the G.R.L. - Global Reporting Initiative as stated in the paragraph "Note on methodology" of the Report.

Turin April 3, 2012

Reconta Ernst & Young S.p.A. Signed by: Stefania Boschetti, Partner

This report has been translated into the English language solely for the convenience of international readers



#### Format control

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#### Graphics

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#### Pre-printing

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#### Printing

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