Sustainability Report

2012

CORPORATE MISSION AND VALUES

We are one of Europe's leading operators in the integrated management and construction of gas infrastructure in terms of regulatory asset base.

Our business is the transportation, storage, regasification and distribution of natural gas. We manage a national transportation network that is more than 32,000 km long, including eight storage facilities, one regasification plant and an urban distribution network that covers more than 50,000 km in total.

We provide our customers with a safe and reliable service over time.

We do this by using the principles of competition to develop infrastructure and make the gas system more flexible, and by ensuring equal access and treatment for all.

Our aim is to create value so we can fulfil the expectations of all our stakeholders.

We pursue this goal with the support of our workforce of more than 6,000 people, who use their unique professional expertise on a daily basis to create growth that is sustainable, environmentally friendly and responsible towards the areas and communities where we work.

Sustainability Report

2012

MESSAGE FROM THE CEO

Dear Stakeholders,

The 2012 Sustainability Report is the second report produced by Snam under the new identity adopted by the group since the implementation of the Third Energy Package. Snam produced another set of strong operational and financial results in the year just ended, which saw some important developments: our European strategy was strengthened, there were changes in shareholder control and the consequent debt refinancing programme was successfully completed.

Full ownership unbundling of Snam from Eni, which entailed Cassa Depositi e Prestiti (CDP) becoming the reference shareholder with 30% of the share capital, marked another step towards full managerial autonomy. It also signalled awareness of the role that Snam can – and must – play in developing the Italian gas market, to generate ever greater competition, security and diversification in terms of supply and integration with the European market. The conditions for implementing our mission are all in place, and we are working to make them even more concrete.

First and foremost, Snam is a company with a sound business model, producing durable operating and financial results. Despite the persistently negative economic climate, which has been a severe test for the markets and their ability to support business growth, Snam again posted increased profits in 2012: EBIT grew by 7.8% compared with 2011, while net profit was down slightly, by 1.4%. This decrease was due to higher financial charges, partly arising from the debt refinancing that Snam completed during the year, achieving full independence from Eni also in this respect.

The Snam share closed 2012 at an official price of €3.52, up 3.8% compared with the €3.39 recorded at the end of the previous year. The share was again included in the main sustainability indices in 2012.

Our access to the capital market will allow us to further strengthen our capital and implement the substantial investment programme announced in 2012, supporting our business plans in Italy and our international development strategy of creating an integrated gas network in Europe. In early 2012, we forged a strategic alliance with Fluxys, which led to the first practical step of the joint acquisition of equity interests in the "Interconnector" gas pipeline, linking the continent of Europe with the UK.

Snam, which operates in a regulated market, is responsible by nature and with a particular focus on mitigating risk, whether financial or operational. In 2012, new

Carlo Malacarne
CEO

guidelines were issued for the prevention of corruption risks, and legal compliance protocols were disseminated throughout the supply chain. The crisis management system was also overhauled to ensure business continuity and an appropriate response to emergency situations.
In terms of safety, which is one of our major concerns, we took action in several areas: the "Objective: Safety" project for raising internal awareness; winning OHSAS 18001 certification for Snam, GNL Italia and Stogit; and a stable, strong training plan with nearly 27,000 hours delivered. Finally, the accident indices improved again, due to dissemination of the certified management systems, pursuant to international standards and numerous awareness initiatives. The accident frequency indices for employees were down by 32%, and down by 51% for contractors.
Snam pays close attention to the social implications of its activities. The headcount balance was largely unchanged in 2012. Almost all Snam personnel are on permanent employment contracts, and are distributed through nearly all of Italy. Snam also confirmed its focus on sustainable growth with active support for the Global Compact, its principles and the Millennium Development Goals.
Last but not least, the company has renewed its commitment to building a new form of corporate citizenship, based on projects and initiatives designed to create value that is shared with the regions and communities in question.
At the end of 2011, Snam embarked on the "Shared Value" approach with the aim of strengthening sustainability to incorporate risk reduction, to which the Company has always been committed. This Report sets out the first steps of this approach, which is a gradual and progressive route map that can identify models, feasibility studies and practical projects designed to utilise our tangible and intangible capital and generate value for our stakeholders. The group is sound, with margins for development in its businesses, and above all it creates value.
These factors make Snam a company that is efficient for the market, credible for stakeholders and stable for shareholders. Our task is to continue to work in this direction.

Chief Executive Officer

2012 Highlights

It provides its customers with a safe and reliable service over time, developing infrastructure and flexibility in the gas system in line with the principles of competition, and guaranteeing them equal access to infrastructure and equal treatment. Snam aims to create value to fulfil the expectations of its stakeholders. It has pursued this commitment, thanks to the professional skills and people who work daily to create sustainable growth that respectsthe environment and is responsible towards the region and its communities.

2012 OPERATING HIGHLIGHTS	
KM OF TRANSPORTATION NETWORK	32,245
REGASIFICATION PLANTS	1
ACTIVE STORAGE FIELDS	8
KM OF DISTRIBUTION NETWORK	52,586
MILLIONS OF ACTIVE METERS	5.907

2012 FINANCIAL HIGHLIGHTS (€ MILLION)	
TOTAL REVENUE	**3,730**
EBIT	**2,111**
NET PROFIT	**779**
INVESTMENTS	**1,300**

Cassa Depositi e Prestiti becomes **Snam's biggest shareholder,** taking over 30% of the capital minus one share from Eni

Cooperation with Fluxys launched to promote the marketing of transportation capacity from Italy to northern Europe

Debt **refinancing programme** successfully completed, obtaining a broad consensus on the **soundness of the business model**

Reduction of **32%** in the **accident** frequency index for **employees** and **51%** for **contractors**

The **new dispatching centre** was launched, with a completely new structure and technologies

First **climate analysis** carried out by the Snam **group**

5.4 million cubic meters of natural gas recovered, for **avoided emissions** of more than **84,000 tonnes of $CO_{2\text{-eq}}$**

OHSAS 18001:2007 certification (international standard) achieved for the worker health and safety systems of the **entire Snam group**

6 projects achieved using the **Shared Value** approach with suppliers, communities and regions

83.9% of **employees** engaged in **training**

Snam Rete Gas **becoming a shareholder of PRISMA** to offer transportation capacity via a single, shared IT platform from 2013

Italgas has obtained its **first ISO 50001:2011** (international standard) **certification** for its energy management system

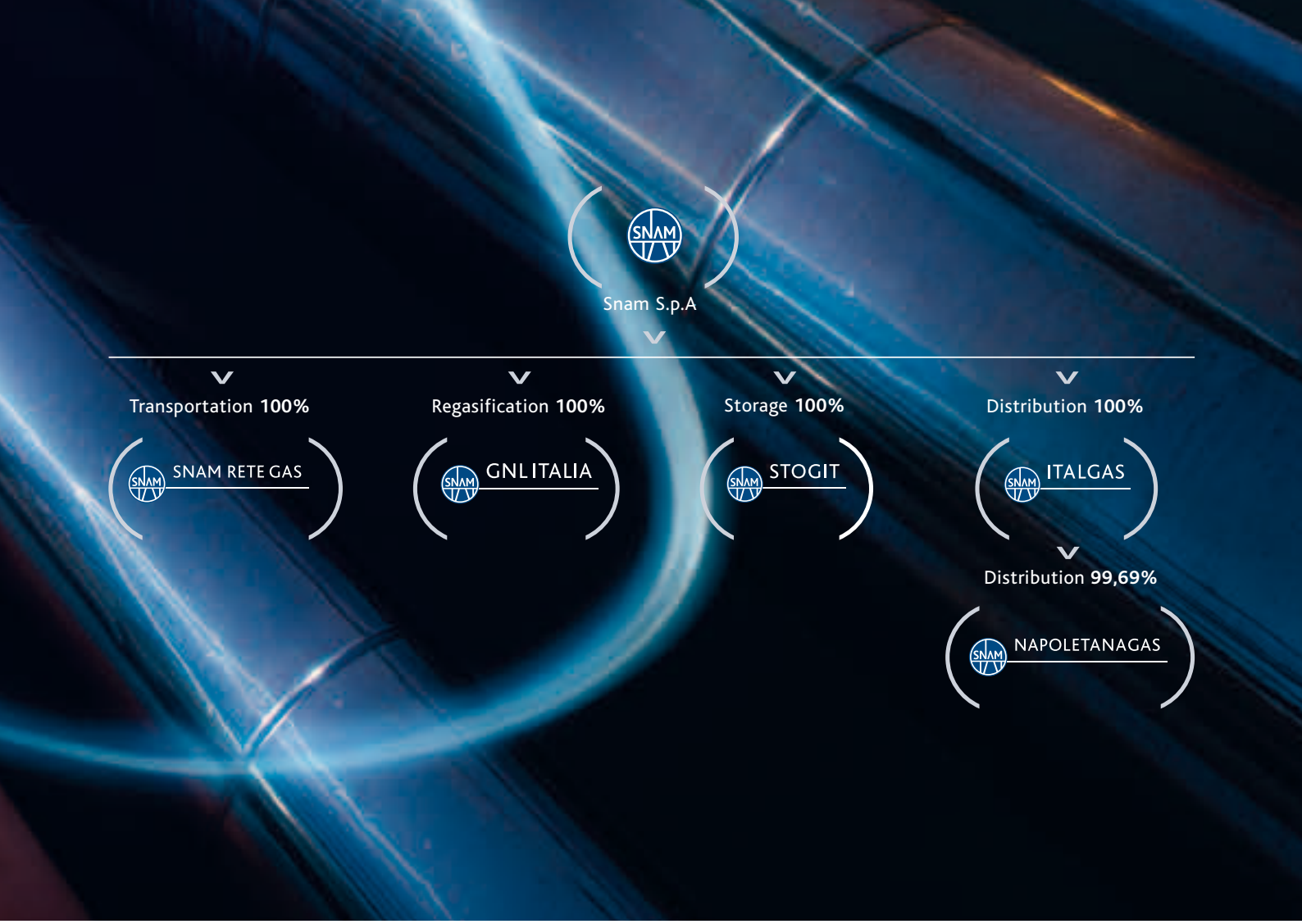
A public information centre for the Stogit storage plant in Fiume Trieste is created at Cupello

The **Snam share was again** – and for the fourth consecutive year – **included in the Dow Jones Sustainability World Index**

Snam website wins **(IMA) 2012** in the Energy category

The Snam group

Snam is a leading group in the construction and integrated management of gas infrastructures and a key operator in Europe in terms of its regulatory asset base (RAB). Listed on the Milan Stock Exchange and its main global sustainability indices, Snam is active in natural gas transportation, regasification, storage and distribution.



THE NEW OWNERSHIP STRUCTURE

The Snam group changed its reference shareholder in 2012. On 15 October, Cassa Depositi e Prestiti (CDP) finalised a contract with Eni for the sale of a 30% equity interest, minus one share, in Snam's voting capital. Added to the 1,000 shares already held, this share package increased the stake held by CDP via CDP Reti to 30.00003%.

The transaction, which was completed after the competition authorities approved it without reservation, represents the full application of the ownership unbundling (OU) model set out in the Third Energy Package of the European Union, and was therefore the final stage in making the gas transportation network operator independent from the vertically integrated company.

CDP's entry to the capital is a milestone in the Company's history, and will enable Snam to pursue its plans to develop its business in Italy and Europe while safeguarding the public service features of its activities.

The new control structure has not changed the company's organisational structure. The parent company Snam, listed on the Milan Stock Exchange, controls the four main operating companies, GNL Italia, Snam Rete Gas, Stogit and Italgas, which are respectively responsible for natural gas regasification, transportation, storage and distribution. These activities are regulated by the Electricity and Gas Authority. Snam provides its subsidiaries with strategic guidance and coordination and control management, and services relating to unbundling legislation.

OUR HISTORY IN BRIEF

1941-1960

1941 – Snam is created

30 October 1941: Società Nazionale Metanodotti (Snam) is created to build and operate methane pipelines and distribute and sell gas.

1941-1960

Methane: Italy's lifeblood

Development of the network begins, most of it concentrated in the Po Valley. 257 km has been developed in total by 1948, more than 700 km by 1950, 2,000 km by 1952 and 4,600 km by 1960.

1961-1999

Development of infrastructur

1961-1980: The methane pipeline network extends throughout Italy, reaching approximately 15,000 km in length. The first gas imports arrive from Siberian deposits and from Holland.

1967-1970: The first plant for reception and regasification of liquefied national gas is built in Panigaglia; the plant is later modernised to enable production of light liquefied natural gas.

1983: Work is completed on the Transmed gas pipeline, which carries Algerian gas for more than 2,400 km, crossing the Mediterranean and Italy (from Sicily to Lombardy).

1997-1999: The development of gas pipelines importing from Russia, northern Europe and Libya is completed. Snam's gas pipeline network reaches 29,000 km.

2000-2011

2000-2008

Market liberalisation and stock market flotation

2000: The EU Directive governing liberalisation of the gas market (98/30/EC) is transposed into Italian law.

2001: Rete Gas Italia is created, becoming Snam Rete Gas in the same year. The company takes on Snam's technology and skills assets in natural gas transportation and is listed on the stock market.

2003: The Electricity and Gas Authority approves the Network Code of Snam Rete Gas, which sets out all rules governing user access to, and use of, the gas transportation service.

2007: Continuing the commitment it made more than a decade ago with its Report on Environmental Health and Safety, Snam Rete Gas publishes its first Sustainability Report.

2009 - 2011

Integration of all regulated gas activities

2009: Snam Rete Gas acquires 100% of Stogit from Eni and Italgas and creates a new integrated operator in regulated activities in the gas sector.

2011: Legislative Decree 93 of 1 June 2011 introduces the EU Third Energy Package into Italian law. The Company also redefines its corporate identity, creating the new Snam brand.

Today

2012

The new ownership structure

The company name is changed from Snam Rete Gas to Snam. The transportation, dispatching, remote control and metering service is transferred to a new company that takes the name of Snam Rete Gas. This company is an Independent Transmission Operator, as defined by the EU Third Energy Package. Procedures and terms are defined for ownership unbundling of Snam from its traditional reference shareholder, Eni.

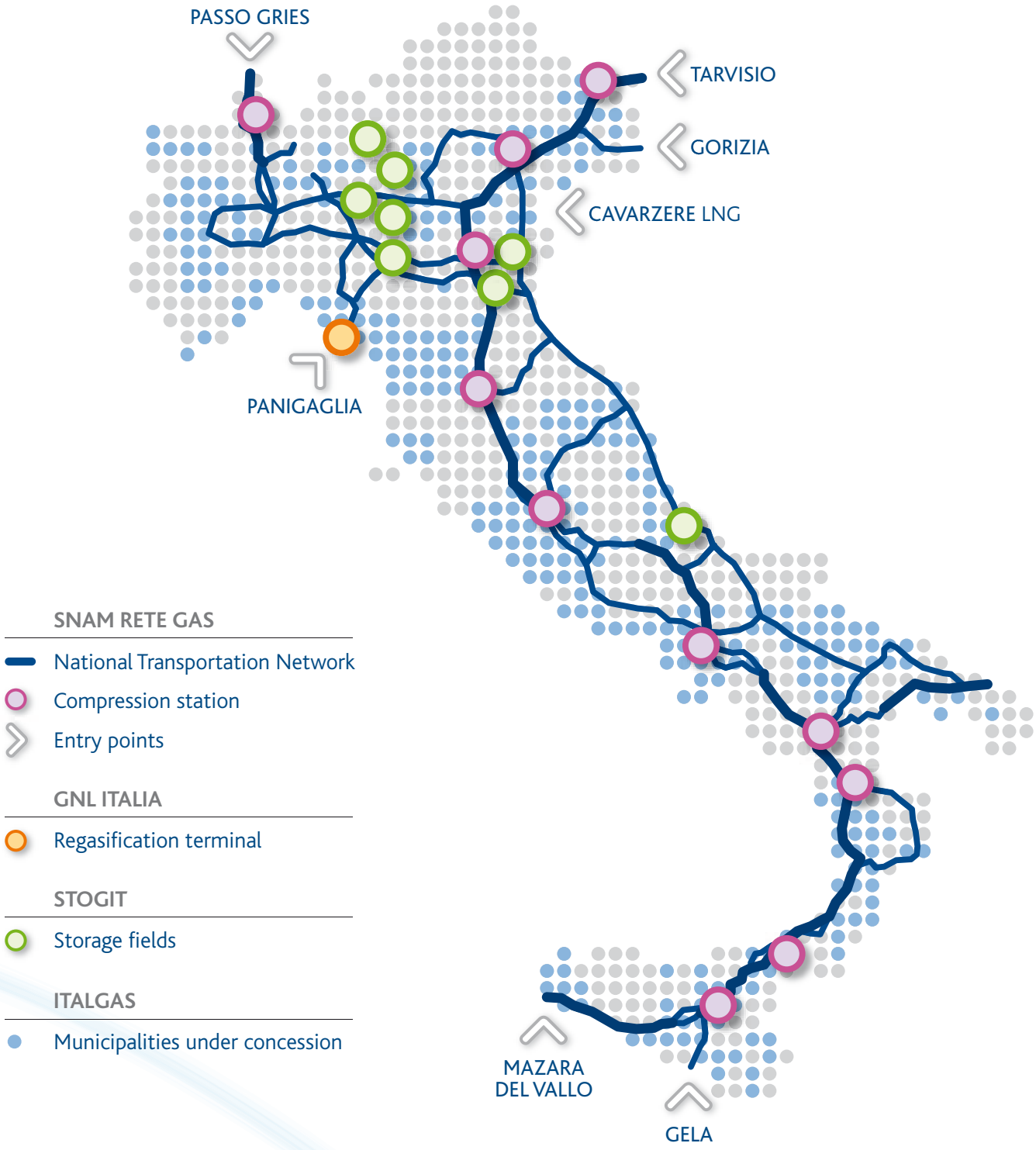
15 October 2012: Cassa Depositi e Prestiti (CDP) completes the transaction and enters Snam's share capital with an interest of 30%.

BUSINESS SEGMENTS

	Infrastructure	Activities	Operating data	2011	2012	Change %
Transportation	**Snam Rete Gas** manages the gas pipeline network via 8 districts, 50 maintenance centres throughout Italy, 11 gas compression stations and a new dispatching centre, with completely new structures and technology.	In transportation, the natural gas is loaded at shipment points connected to the import lines (Russia, northern Europe and North Africa), the regasification plants and the gas production and storage centres dotted throughout Italy. The gas is then transported for delivery, based on customer directions, to redelivery points connected to local distribution networks and to major industrial and thermoelectric consumers	**Pipeline transportation network (km in operation)**	32,010	**32,245**	0.7
			Installed capacity in compression stations (MW)	884	**864**	(2.3)
			Gas injected into the network (billions of cubic metres)	78.30	**75.78**	(3.2)
Regasification	**GNL Italia** manages the regasifier in Panigaglia (La Spezia), the first plant of its kind, which was built in Italy in 1971.	Regasification is the final activity in the liquefied natural gas (LNG) chain and involves taking gas extracted from deposits and then liquefied at -160° back to its original state for transportation on specially built ships. In the gas system, the LNG chain thus enables diversification of supply sources.	**Number of methane tankers unloading**	50	**31**	(38)
			LNG regasification (billions of cubic metres)	1.89	**1.12**	(40.7)
Storage	**Stogit** manages 8 storage fields in Lombardy, Emilia Romagna and Abruzzo, under concession. The fields comprise deposits, wells, pipes, processing plants and compression stations. Stogit also manages an operational dispatching system.	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.	**Storage capacity (billions of cubic metres**	10.0	**10.7**	7.0
			Natural gas moved through the storage system (billions of cubic metres)	15.31	**15.63**	2.1
Distribution	**Italgas**, with the subsidiary Napoletanagas, manages an integrated system of infrastructure, mainly self-owned, comprising stations for withdrawing gas, local pipelines, pressure reduction plants and redelivery points where gas meters are installed.	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 to sell gas. The system is overseen, 24/7 and 365 days a year, by the Integrated Supervision Centre.	***Pipeline distribution network (km)**	52,516	**52,586**	0.1
			Gas distribution concessions (number	1,449	**1,435**	(1.0)
			Active meters (millions)	5.897	**5.907**	0.2
			Gas distribution (billions of cubic metres)	7.450	**7.462**	0.2

* From 2012 onwards, the figure relates to kilometres of network managed by Italgas. The corresponding values for 2011 have been recalculated for consistency.

SNAM'S PRESENCE IN ITALY



150 years of Napoletanagas

Napoletanagas celebrated its 150th anniversary on 18 October. The company was created on 18 October 1862. Originally named "Compagnia Napoletana di Illuminazione e Scaldamento col Gas", its main task was to create the first civic plant for public illumination. In its 150 years of existence, the company has set down strong roots in the region, transforming itself from a metropolitan company into a regional services provider, with 128 concessions awarded by local municipalities, more than 740,000 users served and a distribution network extending for more than 5,000 km.

To celebrate the company's birthday, a book entitled "1862-2012, Napoletanagas: da 150 anni il futuro della Campania" ("1862-2012, Napoletanagas: the future of Campania in 150 years") was published, and the Mediterraneo della Mostra d'Oltremare theatre staged the play "150 years in an evening", an original production that tells the story of the daily lives of a cross-section of Napoletanagas workers, the history and experience of one of Italy's longest-established companies.

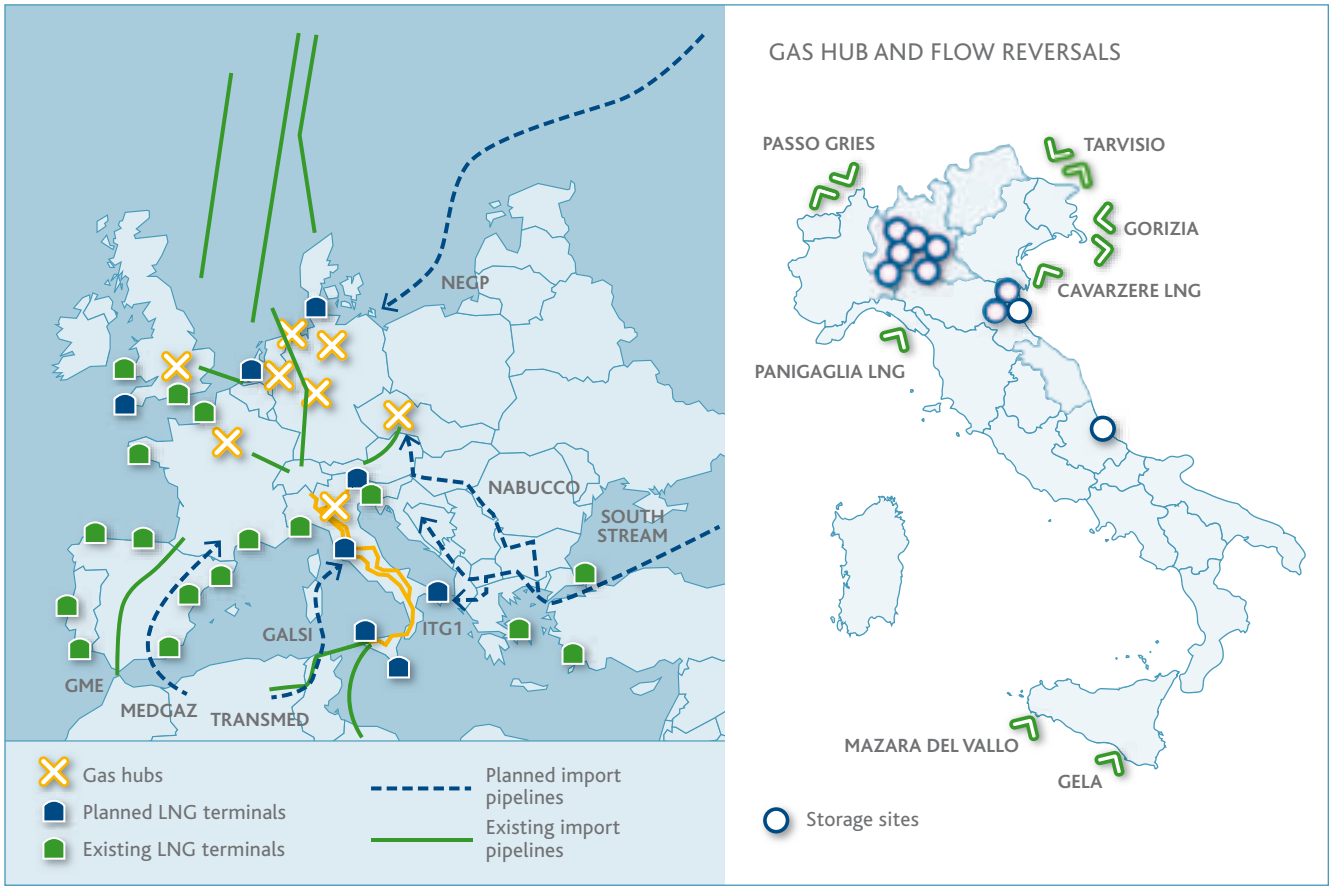
INVESTMENTS AND BUSINESS DEVELOPMENT

Snam follows its own model of sustainable growth, aiming to create value using the three key tools of investments, operational and financial efficiency and return for shareholders. This model is strictly in line with the fundamental aims of community energy policy: security of supply, competition, sustainability and integration of the internal market.

Since the 1960s, Western Europe has capitalised on the growing supply of natural gas from deposits beyond the continent, building a dense network of gas pipelines that currently extends over more than 190,000 km in total, with other gas pipelines close to completion or planned. The interconnected European system, which is constantly expanding, stretches from the North Sea and the Baltic to the Mediterranean, and from the Atlantic to Eastern Europe and Siberia, giving access to reserves from a range of extraction areas, diversifying transportation pathways and enabling quantitative international trade.

In this context, broadening and modernising the gas system is a vital factor in Snam's business development and is also a strategic opportunity for Italy as a whole. Investments in infrastructure, the development of reverse-flow technology and international partnership agreements will help to create an interconnected, flexible European network, boosting cross-border trade and giving all consumers true freedom to choose their providers, with more competitive prices and higher service quality.

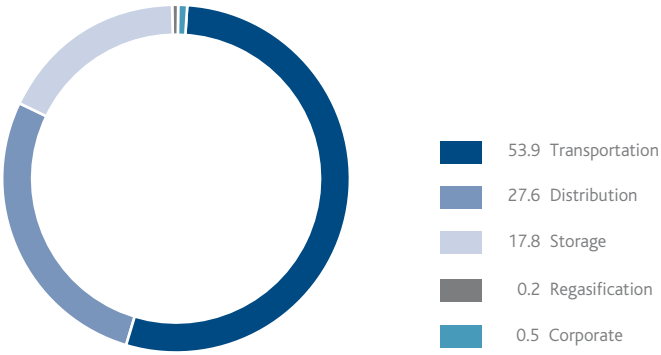
THE EUROPEAN GAS SYSTEM



INVESTMENTS IN ITALY

Italy, which lies at the intersection of gas flows from North Africa, the Middle East, northern Europe and Russia, can transform itself from a consumer country to a transit country due to its geographical position and the development of transportation infrastructure and reverse-flow technology, creating the conditions needed to perform the strategic role of gas interconnection in Mediterranean Europe.
Snam made investments of €1.3 billion in 2012.

INVESTMENTS BY BUSINESS SEGMENT (%)



Snam's four-year plan for 2012-2015 provides for investments in all segments of €6.7 billion at consolidated level. (See the financial report for further details on investments.)

EUROPEAN EXPANSION

The strategic partnership with Fluxys, forged in early 2012 with the aim of further integrating the European gas market, has been reinforced with a Memorandum of Understanding for the development and sale of bi-directional flow capacity on the south-north axis between Italy and the United Kingdom.
In 2012, to this end, Snam and Fluxys completed joint transactions to purchase the equity interests held respectively by Eni and E.ON in Interconnector (UK), which owns and operates the undersea pipeline linking the UK (Bacton) with Belgium (Zeebrugge), and the equity interests still held by Eni in the Interconnector Zeebrugge Terminal, which includes the terminal and compression stations that link the Interconnector gas pipeline to the gas transportation system in Belgium, and Huberator, which operates hub services in Belgium.
At the end of December 2012, Snam Rete Gas then signed up in Leipzig to the shareholder structure of PRISMA – European Capacity Platform, an international project that will allow 19 European operators active in gas transportation in seven countries (Italy, Austria, Belgium, Denmark, France, Germany and Holland) to provide transportation capacity via a single, shared IT platform from April 2013.

Plans for development in France

The mixture of industrial expertise and financial capacity of the consortium led by Snam (45% share), in which the Singapore sovereign fund and Electricitè de France also have interests, was selected for exclusive negotiations in Total's call for tenders to acquire TIGF (Transport et Infrastructure Gaz France), the second-biggest operator on the French gas network.
When it is finalised, this transaction, which entered the exclusive negotiation phase in February 2013, commits Snam to managing and developing a company with 500 employees, 5,000 km of gas pipelines (13% of gas transportation in France) and two major storage sites (22% of French storage capacity) in the south-west of the country, at the heart of the European gas market

CORPORATE GOVERNANCE

Snam's corporate governance system is based on the principles contained in the "Code of Conduct 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. The model focuses particularly on compliance with the Unbundling Regulation, taking account of the specific features of Snam and its subsidiaries, which are regulated by the Electricity and Gas Authority. The Chairman's duties are distinguished from those of the Chief Executive Officer, but both act as Company representatives pursuant to Article 19 of the Bylaws.
Detailed information on Snam's corporate governance system is included in the "Report on corporate governance and ownership structure", which is available on the website (www.snam.it).

BOARD OF DIRECTORS AND COMMITTEES

Snam's Board of Directors, which was appointed by the Shareholders' Meeting of 27 April 2010 and will remain in office until the Shareholders' Meeting to approve the 2012 financial statements, comprises nine Directors, including eight non-executive directors (all except Carlo Malacarne, who holds the position of Chief Executive Officer). A third of the directors are appointed by minority shareholders, and five of them meet the criteria for independence set out in the regulations in force and the Code of Conduct. Gender diversity is represented by two female directors.
At the Board meeting of 15 October 2012, after the change in control of the Company, Chairman Salvatore Sardo and directors Alessandro Bernini and Massimo Mantovani tendered their resignations. At the same meeting, the Board co-opted three new non-executive directors: Lorenzo Bini Smaghi (appointed Chairman), Roberta Melfa and Andrea Novelli.
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 Bylaws or a Board resolution are delegated by it to the Chief Executive Officer of the Company.
The Board of Directors also plays a central role in defining sustainability policy, and reviews and approves the Sustainability Report, which is subsequently brought to the attention of the Shareholders' Meeting. The Board met eight times in 2012, with average member attendance of 77.3%.
In order to carry out its functions more effectively, the Snam Board of Directors has created four committees within its ranks:

- Control and Risk Committee
- Remuneration Committee
- Appointments Committee
- Combined Independent Management Committee

The first three committees are provided for by the Code of Conduct 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, which comprises Snam's Chief Executive Officer and the respective CEOs of GNL Italia, Italgas, Snam Rete Gas and Stogit, which are direct subsidiaries of Snam, has been granted full powers by Snam's Board of Directors to perform its duties, and is governed by its own set of regulations.

SNAM COMMITTEE ACTIVITY

	Meetings (no)	Average member attendance (%)
Control and Risk Committee	9	92.67
Remuneration Committee	4	83.33
Appointments Committee	6	100
Combined Independent Management Committee	3	100

CODE OF ETHICS AND MODEL 231

SO2

Snam and its subsidiaries have implemented rules on corporate administrative responsibility by adopting their own organisation, management and control model in accordance with Legislative Decree 231/2001, tailored to their specific situations. 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 Electricity and Gas Authority. The Addendum places particular emphasis on relations with the Electricity and Gas Authority and the Unbundling Regulation.

Snam personnel, with no distinctions or exceptions, must observe these principles and ensure that others do the same.

In February 2012, a new text was approved for Model 231, after the reorganisation of the Snam group due to adoption of Legislative Decree 93/2011 and the introduction of environmental crimes into the body of Legislative Decree 231/2011. Snam's Board of Directors has also made further amendments to Model 231 following Eni S.p.A.'s loss of control over Snam and as part of a broader redefinition of the Company's reporting flows.

A multi-functional "Team 231" was formed to identify and develop the activities necessary for updating the Company and subsidiaries' Model 231 by incorporating new legislative developments within the scope of application of Legislative Decree 231 of 8 June 2001.

The composition and duties of Team 231 were recently modified so that it could review and draft the update to Snam and the subsidiaries' Model 231, after approval to Law 190 of 6 November 2012 ("Anti-corruption law – Measures to prevent and suppress corruption and illegality in administration").

Anti-corruption compliance

In 2012, the Management System Guidelines were updated to include topics relating to the fight against corruption. Adoption and implementation of the Guidelines is mandatory for Snam and all its subsidiaries, pursuant to a resolution by the Board of Directors.

As well as avoiding sanctions, the purpose of the Guidelines is to protect 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 line with Snam's Code of Ethics, the Anti-Corruption Management Guidelines prohibit corruption with no exceptions, including between private citizens.

A review of the "Anti-Corruption" system of rules and procedures has been launched as part of the update to Model 231, including as it relates to Law 190/12 (the anti-corruption law) and the UK Bribery Act (in relation to Snam's foreign investments, particularly in the UK).

SO2 INTERNAL CONTROL SYSTEM

The Board of Directors is responsible for the internal control and risk management system and, with the help of the Control and Risk Committee, guides and assesses the adequacy of the system and tasks one or more directors from its members to set up and maintain an efficient internal control and risk management system.

Snam's Board of Directors accordingly identified, at its meeting of 11 December 2008, the company's Chief Executive Officer as the director responsible for setting up and maintaining an efficient internal control and risk management system.

Operational management is primarily responsible for implementing the control system, since control activities are an integral part of management processes. Management must therefore encourage creation of an atmosphere that is actively orientated towards control and, in particular, oversee "line controls", which are all the control activities that the individual operating units or companies carry out on their processes.

The Internal Audit unit performs an independent control role and, specifically, is tasked with checking that the internal control and risk management system is operational and adequate. The parent company performed auditing activities in 2012, with a dedicated team of 14 auditors.

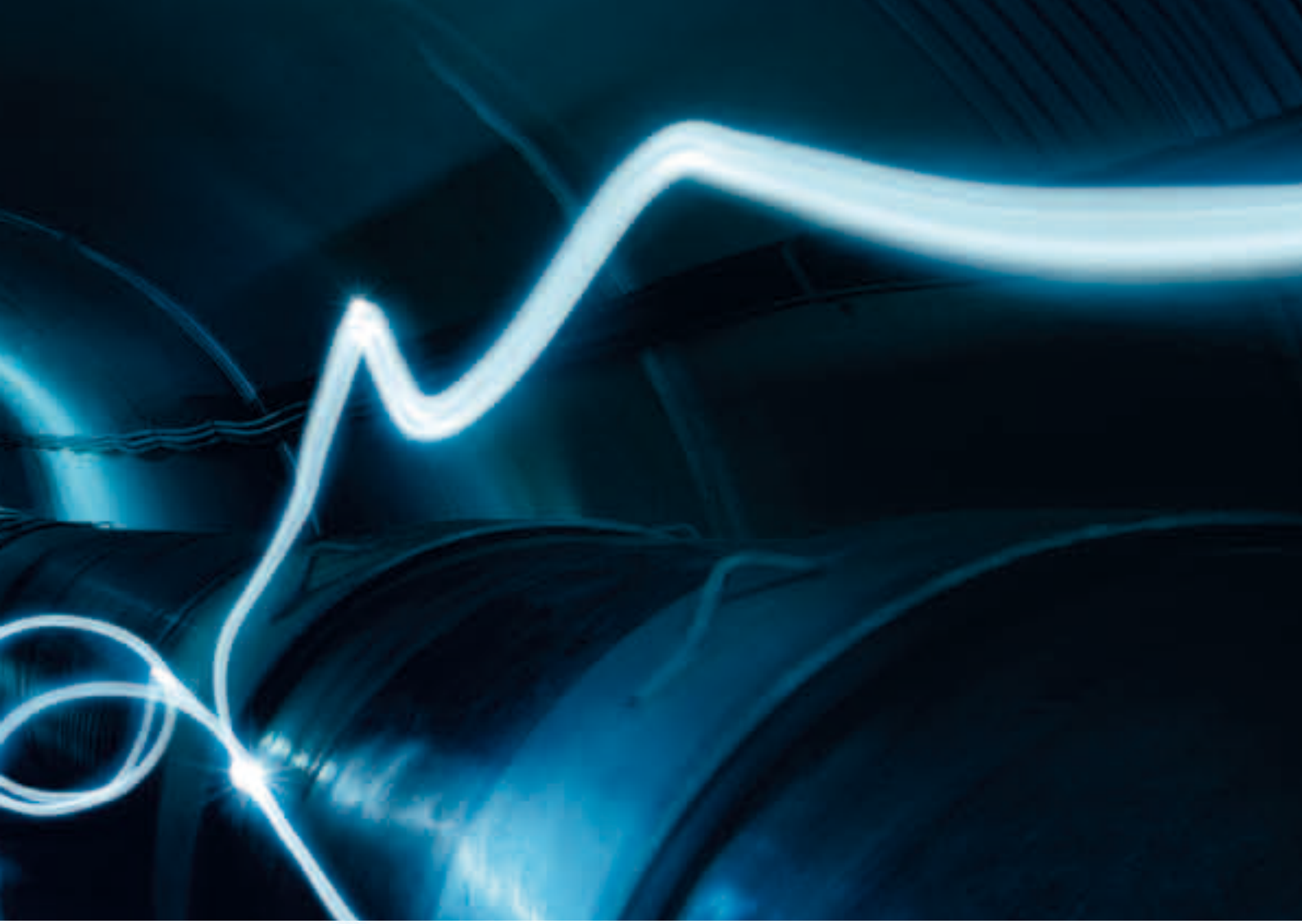
The Board of Statutory Auditors, including in its capacity as the committee for internal control and account auditing, oversees the efficiency of the internal control and risk management system.

SO4-HR4 ACTIVITIES CARRIED OUT BY INTERNAL AUDIT

	2010	2011	2012
Total number of audits performed	51	48	55
Reports received (no)	26	22	17
...those involving the Internal Control System	10	8	10
...those involving accounting, auditing, fraud, etc.	-	-	-
...those involving administrative responsibility pursuant to Legislative Decree 231/2001	-	-	-
...those involving violations of the anti-corruption law	-	1	-
...those involving other subjects (Code of Ethics, mobbing, thefts, security, etc.)	16	13	7
Reports shelved due to lack of proof or because untrue (no)	16	11	13
Reports ending in corporate disciplinary or managerial action and/or filing with a legal authority (no)	-	5	2
Reports in the process of examination (no)	6	6	2

A year of sustainability

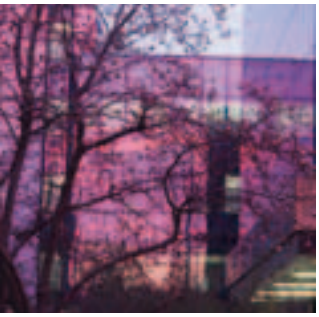
The commitment to Snam's new identity, developments in the regulatory framework and changes to the ownership and organisational structure, had effects in 2012 on various themes and areas of interest for stakeholders outside and the people working in it.



Sustainability is an integral part of Snam's business model. The sustainability management model covers all companies in the group and is embedded in all phases of the company's business (Planning, Management, Monitoring and Reporting, Communications and Stakeholder engagement). Subject to top management approval, sustainability objectives are pursued by means of specific projects and initiatives in the short and medium term, which are included in the company's action plans. All the activities planned by the model are coordinated by Snam's Sustainability Department and are carried out jointly by the different departments of Snam and its subsidiaries.

Many of the initiatives implemented are part of "Areas for Improvement in Sustainability", the four-year corporate plan drawn up with the involvement of the various departments and approved by senior management. The Areas for Improvement are also defined on the basis of stimuli and guidelines arising from Snam's participation in bodies, including international bodies, working for sustainable development, such as the Global Compact.

The year's initiatives include – to name only the most significant areas – action to make risk management more efficient in respect of security of supplies and continuity of service, to improve services provided to customers and users and to nourish relations between communities and regions, as well as the accident prevention commitment, which has a particular focus on suppliers. Other initiatives, including training, encouraged a return to the ethical principles on which management of the company is based, and there were also specific actions relating to compliance and self-regulation in the areas of anti-trust and anti-corruption.



The actions implemented were not confined to the areas mentioned, but also include a review of sustainable development policy and changes in strategic thinking on sustainability. Corporate activities were re-examined in a search for potential new projects to launch under Shared Value, the development approach initiated by Michael Porter that Snam began to explore last year, seeing it as aligned with the Company's vision of creating value for itself and its stakeholders through ever-closer integration between business and corporate social responsibility. A section of this Report is specifically devoted to Shared Value.

The sustainable development policy, which applies to all the group companies, can be viewed at: http://www.snam.it/repository/ENG_file/Sustainability/Sustainable_development/sustainable_development_policy.pdf

COMMITMENTS AND ACTIONS

GOVERNANCE

Area of relevance	KPI	Actions carried out in 2012	In this Report	Actions to be implemented under 2013-2016 Plan
Business ethics		Snam Rete Gas issued Code of Ethics. All of the group's Codes of Ethics published under the new corporate identity and delivered directly to all employees. Management System Guidelines (MSG) on anti-corruption and anti-trust matters adopted. Specific training continued, with 2,268 hours delivered (Code of Ethics, Model 231, anti-corruption, anti-trust) with 595 attendances. Continued participation in activities promoted under Global Compact.	18 18, 45 86 25-26	Disseminate the principles and content of the Code of Ethics, Model 231 and anti-corruption and anti-trust policy, via training courses and specific initiatives. Revise the body of regulations to include, in all key processes, rules on anti-corruption and the defence of human rights. Develop legal compliance protocols. Verify, through business intelligence surveys, respect for human rights and compliance with anti-corruption regulations by third parties (suppliers and customers). Participate actively in the working groups promoted by the Global Compact.
Sustainability model		Sustainable development policy updated. Corporate regulations on "sustainability activity" updated. Continued development of "Shared Value" approach.	21-22 37-39	Keep active, implement and update the corporate sustainable development model, ensure adequate supervision of matters relating to sustainability.
Risk and crisis management		New Business Continuity Management policy published. Business Continuity Management procedure issued. Business Continuity management system adopted. Crisis Management Model created and adopted. Procedure issued containing final instructions for identifying and managing emergency/crisis situations.	50-52	Ensure a continuous cycle of improvement in the Crisis Management Model. Ensure a continuous cycle of improvement in the Business Continuity Management system and obtaining certification for this system. Implement an Enterprise Risk Management System to help senior management to identify, measure, manage and monitor key risks that could affect the achievement of strategic objectives.

PEOPLE				
Area of relevance	**KPI**	**Actions carried out in 2012**	**In this Report**	**Actions to be implemented under 2013-2016 Plan**
Listening to people		Internal climate survey carried out (Snam group).	82	Analyse the results of the climate survey. Plan and implement appropriate improvement actions.
Internal communication		Periodical newsletter, *Energie*, which follows corporate and market developments, was distributed to all employees. *Speciali di Energie*, a supplement to the newsletter that looks in more depth at group regulations, rules and procedures, was published. More than 50 news items on results, the group's future goals, sustainability, occupational safety and corporate events were published.	94-95	Reinforce cascading communication of corporate objectives, and enhance information channels with the support of the intranet.
Initiatives in favour of employees		Programmes continued to ensure continuity of the corporate welfare system following unbundling of the Snam group from Eni. The intranet section on Services to Personnel, wholly dedicated to the corporate welfare, was updated.	94	Review current welfare services/initiatives and propose solutions for improvement.
Health and safety		Awareness and involvement initiatives under the "Objective: Safety" plan continued.	89-90	Develop the "Objective: Safety" project, launching joint initiatives by all the group companies. Define training initiatives and specific communication plans. Maintain the OHSAS 18001 certifications obtained. Create IT applications to support HS processes. Develop safety awareness initiatives for suppliers. Enter the accident frequency indices for employees and contractors into the system of corporate and personal performance indicators.
	✔	OHSAS 18001 certifications obtained for Snam, GNL Italia and Stogit.	28-29, 99	
		Training activities continued, with 26,959 hours delivered and 4,062 attendances.	90	
		Snam Rete Gas suppliers were involved in the issue of safety, with the "My safety is your safety" workshop.	91 Shared Value	
		Safety prize for suppliers established by Italgas.	90	
Valuing people		Verification and optimisation of competitive positioning and fairness in remuneration practices for managerial and professional human resources. 648 jobs assessed and approved on the basis of Complexity, Responsibility, Experience and Autonomy (CREA). Individual business and sustainability objectives assigned to senior executives and managers.	87-88	Implement a growth pathway for young, recently recruited graduates, to create opportunities for meeting and integration. Research new tools for rewarding according to fulfilment of business and personal objectives. Adopt systems to identify and promote managers with strategic know-how and managers under 40. Pursue activities designed to increase personnel skill assets, maintaining a high level of involvement.
	✔	160,771 hours of training delivered in total, with 15,639 attendances.		

STAKEHOLDER ENGAGEMENT

Area of relevance	KPI	Actions carried out in 2012	In this Report	Actions to be implemented under 2013-2016 Plan
Relations with rating agencies and bondholders		Took part in the surveys of the main financial and sustainability rating agencies. Launched a communication process for bondholders and market analysts.	26-27	Consolidate relations with the rating agencies and implement disclosure to bondholders.
Shareholder relations		Communication activities were pursued to allow shareholders and the financial market to assess the Company's value creation levers.	41-43	Increase disclosure to institutional and retail investors. Publish and present the Remuneration Report to the Ordinary Shareholders' Meeting.
Customer relations		Activities for implementation of the web portals continued. Storage and transportation customer satisfaction surveys carried out.	48-49	Develop and apply methods to measure customer satisfaction levels and main high service quality.
Relations with communities and regions		**A green space by the sea near Porto Venere, owned by Snam and environmentally rehabilitated, was opened to the community.**	58 Shared Value	Organise occasions for meeting and dialogue with the region. Apply models and/or instruments to measure the acceptability of infrastructure in the region.
		Initiatives to assist the Emilia Romagna region after the earthquake events were supported.	50, 60, 95	
		Spaces in the Italgas Museum were made available for the "Thursday Laboratories" educational initiative.	60 Shared Value	
	✔	Plant open days were organised.	59	
		The book Sentieri sostenibili. Il Parco dei Nebrodi (Sustainable Paths, Parco dei Nebrodi) was produced.	65 Shared Value	
		Preventative meetings held to present new development projects.	61-65	
Supplier relations	✔	Monitoring of critical suppliers continued.	52-55	Increase information on corporate and environmental responsibility to prevent risks and harm to image and reputation. Activate and promote involvement actions, with a partnership approach, to improve corporate and environmental services.
		Dissemination of the principles of the Global Compact continued.		
		Project launched to revamp the supplier portal with a specific area for sustainability.	54 Shared Value	
		New agreements signed on the dissemination of legal compliance protocols.	53 Shared Value	
Relations with institutions and associations		Institutional relations maintained, in a more autonomous way, after the change to the new ownership structure. Snam/Confindustria autonomy agreement signed. Increase in number of associations to which Snam belongs.	57	Define guidelines for relations with public administrations in line with changes in the ownership structure. Design and plan innovative tools for meeting and comparison with public administrations and institutional decision-makers.

ENVIRONMENT				
Area of relevance	**KPI**	**Actions carried out in 2012**	**In this Report**	**Actions to be implemented under 2013-2016 Plan**
Water		Sites identified for installation of new phytoremediation plants.	78	Reduce withdrawals and rationalise water discharges.
Biodiversity		Environmental restoration, cultivation treatments and environment monitoring continued.	64	Integrate existing documentation on planning and construction of plants (compression stations) with operating instructions on biodiversity.
Reclamation		Water monitoring and pumping took place.	76-77	Pursue reclamation activities for environmental recovery of polluted sites.
Climate change and energy efficiency	✔ ✔	Gas recompression took place for natural gas recovery. Replacement of pneumatic gas valves at some plants. Replacement of cast-iron pipes continued. Photovoltaic plants installed on self-owned buildings. Supply of electricity from renewable sources increased for the two-year period 2013/2014.	68-75	Reduce natural gas emissions. Optimise energy consumption and increase the use of energy from renewable sources, including through purchasing quotas. Help to develop CO_2 capture studies. Carry out a feasibility analysis to estimate amounts of indirect CO_2 produced by company activities (scope 3). Enhance the videoconferencing system.
Atmospheric emissions	✔	Programmes for installation of DLE turbines continued.	75-76	Install low-emission turbines and equipment.
Noise emissions		Noise abatement monitoring and actions carried out.	79	Monitor the most exposed plants and plan potential soundproofing actions.
Mitigation		New planting took place.	64	Reduce visual impact in the area of the wells.
Management systems	✔	All existing ISO 14001 standards maintained.	28	Implement energy management system. Extend ISO 14001 certification to the whole of SRG.

GLOBAL COMPACT ACTIVITIES

Snam further strengthened its commitment to doing business according to a sustainable development model, respecting and safeguarding human rights and protecting the environment, by joining the Global Compact – the world's biggest voluntary sustainable development initiative – in 2009.

Under the aegis of the United Nations, the governments, companies and civil society organisations that have signed up to the Global Compact are permanently committed to disseminating, both internally and externally, ten fundamental principles on human rights, labour, the environment and anti-corruption, and to supporting the Millennium Development Goals.

In 2012, Snam's commitment to the Global Compact continued with many activities for engagement and disclosure of the ten principles, including:

- Active membership of the Global Compact Network Italy as part of the Human Rights Working group, which this year helped to organise a seminar on the subject of "Assessment of human rights performance by investors", and is tasked with analysing John Ruggie's framework from a corporate perspective and preparing and providing training material on human rights.
- Organising a workshop on integrated reporting with Global Compact Network Italy in February 2013. The event, which was designed as a chance to compare notes on and explore this topic, was primarily intended for Snam personnel, and was also open to companies within the Network.
- Disseminating the Global Compact's ten principles in the documentation for commercial contracts, with the hope that increasing numbers of companies will join this initiative.

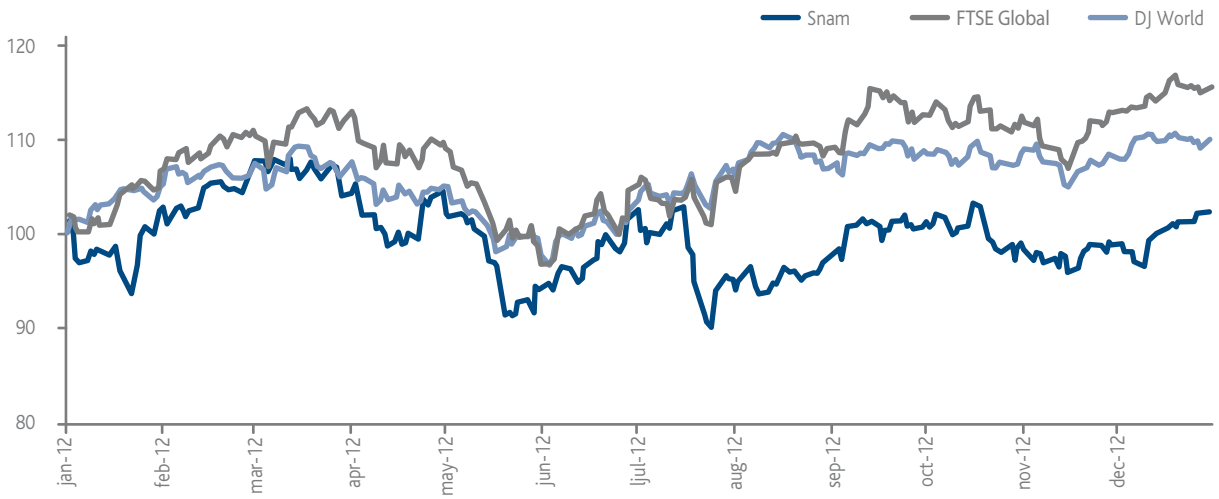
Snam works for the Millennium Development Goals

These are the eight objectives of the United Nations, which all 191 of the organisation's member states are committed to achieving by 2015.
In 2012, Snam made its own contribution to reducing extreme poverty and hunger and achieving universal primary education (1st and 2nd objectives), with a voluntary corporate initiative, and fundraising in partnership with CESVI. It also helped to ensure environmental sustainability (7th objective), with a range of activities designed to safeguard and promote biodiversity and the environment.
With regard to the prevention of extreme poverty, the results published by the UN Department of Economic and Social Affairs (DESA) in 2012 show encouraging results, including the halving of the number of people living on less than a dollar a day since 1990.
For more details on progress towards all the Millennium Development Goals, see the report at www.un.org/en/development/desa/publications/mdg-report-2012.html

SUSTAINABILITY INDICES

Snam's energy and dedication in making sustainability an integral part of its business model was recognised and rewarded with the inclusion of its share on the key international sustainability indices, which increased the Company's visibility in terms of socially responsible investors and, more generally, the entire financial market.
The performance of the Snam share compared with the main ethical indices was affected, particularly in the second half of the year, by dynamics relating to the unbundling from Eni; more details are provided under "Operational and financial performance".

TREND OF THE SNAM STOCK AND PRINCIPAL ETHICAL INDICATORS



In 2012, the Snam share was again – and for the fourth consecutive year – included in the Dow Jones Sustainability World Index, which is the main share index based on corporate performance in maintaining commitments made in the field of economic, social and environmental sustainability.
Snam achieved an overall score of 80 points, improving on the previous year, and moved even closer towards the highest score in the utilities sector (86 points). This year's results included a maximum score (100/100) achieved for approach and good practice in stakeholder engagements, which have long been cornerstones of Snam's sustainability approach.
In May 2012, Oekom Research again recognised Snam as a leading company in terms of its commitment to the environment and social concerns, confirming its allocation of a "PRIME" level and increasing the rating from B- to B. Oekom Research is an international rating agency for socially sustainable investment, which operates on behalf of institutional investors and financial services companies, developing innovative investment strategies that combine sustainability research with high returns.

After the assessment carried out in 2012 by Vigeo (one of Europe's leading environmental and social rating agencies), Snam was included in a new range of indices, the Vigeo World 120 and the Vigeo Europe 120, for companies with the best performance according to the 330 indicators used for the selection.

Snam is also present on the following sustainability indices:

MANAGEMENT SYSTEMS

The Snam group 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 below shows the certifications obtained for the various management systems of Snam and the other subsidiaries, as well as laboratory accreditations. In 2012, Snam, Stogit and GNL Italia obtained OHSAS 18001 certification of compliance with standards for worker health and safety management systems for the entire company. In particular, Snam again obtained certification for the activities previously performed and certified by Snam Rete Gas. Italgas obtained ISO 50001:2011 certification of compliance with standards for energy management systems.

MANAGEMENT SYSTEMS

Company	Field of application	Type of certification and accreditation	Year of initial certification
Snam	Company	**BS OHSAS 18001**	2012
Snam Rete Gas	Compression stations and gas pipeline networks	ISO 14001	2011 (unified certifications)
	Infrastructure Planning Unit	ISO 9001	2011
	Company	BS OHSAS 18001	2010
	Natural gas metering service	ISO 9001	2010
	Test laboratory (gas flows carried)	ISO 17025	2007
	Dispatching Unit	ISO 9001	2003
	Calibration laboratory (natural gas mixtures)	ISO 17025	2002
GNL Italia	Company	**BS OHSAS 18001**	**2012**
		ISO 14001	2000
Stogit	Company	**BS OHSAS 18001**	**2012**
	Natural gas metering and accounting service	ISO 9001	2008
	Company	ISO 14001	2002
Italgas	Company	**ISO 50001**	**2012**
		ISO 14001	2001
		BS OHSAS 18001	2001
		ISO 9001	1996
	Calibration laboratory	ISO 17025	1994
	Test laboratory	ISO 17025	1994
Napoletanagas	Company	ISO 14001	2003
		BS OHSAS 18001	2003
		ISO 9001	2000

During the year, 380 audits were performed (including 325 internal audits by specialised staff and 55 by external companies). In addition, all of the activities necessary for maintaining and renewing existing certifications were implemented.
Note that action was launched to implement Snam Rete Gas's Environmental Management System across the entire company, with a review of the system documentation.
The main objective for 2013 is to extend the ISO 14001 certification of Snam Rete Gas's Environmental Management System across the entire company.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
OHSAS 18001 certification of the worker health and safety management system	2010	Certification of GNL Italia and Stogit by 2012	Certification	Regasification and storage	■

Sharing value

Forming trusting, long-term relationships with all stakeholders and positioning itself to facilitate listening and debate are of fundamental importance to Snam, which acts openly and with transparency towards all key players and aims to maintain and build constructive dialogue both internally and externally.

STAKEHOLDER RELATIONS

These relations are based on a corporate culture that has always sought to express the values of sustainability and corporate responsibility in the best possible way, to make them an integral part of strategic thinking and corporate management: they help to prevent and manage risks and, at the same time, can create value for stakeholders by taking practical action.

From this starting point, Snam has begun a review of its value creation processes, both for the company itself and for its stakeholders, focusing on a new way of expressing sustainability, innovative and diffused – a Sustainability 2.0 – that, with a proactive approach, can be an engine for value creation, responding to the Company's development plans and the social and environmental requirements of the regions and communities in which it operates.

COMMUNICATIONS AND MEDIA

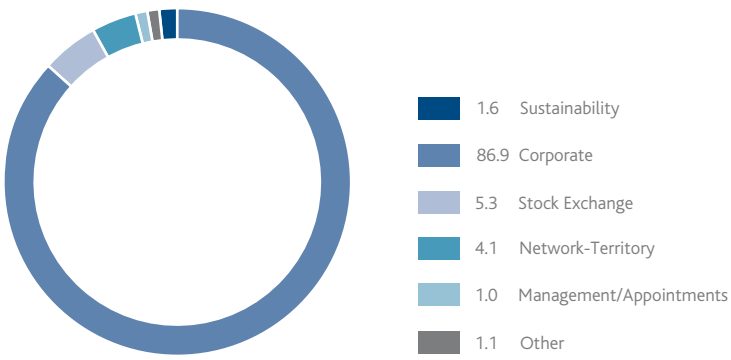
In the context of stakeholder relations, Snam's communication and media presence play a key role that is relevant to all areas of business. Snam has a presence in all communication media, including new media, and aims to maintain an open, balanced and transparent approach and to offer valuable content.
In particular, in early 2012 the group completed a revamp of its web identity, putting nine fully upgraded internet sites online. The Company has continued to improve the usability of these sites and to offer maximum accessibility and transparency in terms of information on the holding company and the operating companies.
The high standard of the work done was recognised with the 2012 Interactive Award in the Energy category. Another significant result was achieved in the area of communication to financial stakeholders, with inclusion on the shortlist in the "major listed companies" category for the Oscar di Bilancio prize, created by FERPI (Federazione Relazioni Pubbliche Italia).

International prize for snam.it

The Interactive Media Council is a non-profit US organisation that rewards the best websites in the world in the respective categories, with the aim of promoting the adoption of standards of excellence. With an overall score of 477 points out of a possible 500, Snam.it was named as best website in the world in its area of activity, for having shown "excellence in all criteria of judgement" according to the voting panel, including design, usability and innovation, and having achieved "a very high level of planning, execution and professionalism".

In 2012 Snam was the subject of approximately 1,000 articles in the national press on various themes, the vast majority of which related to corporate development. The content and tone of these articles was judged to be positive and neutral in 98% of cases.

BREAKDOWN PRESS ARTICLES BY TOPIC (%)

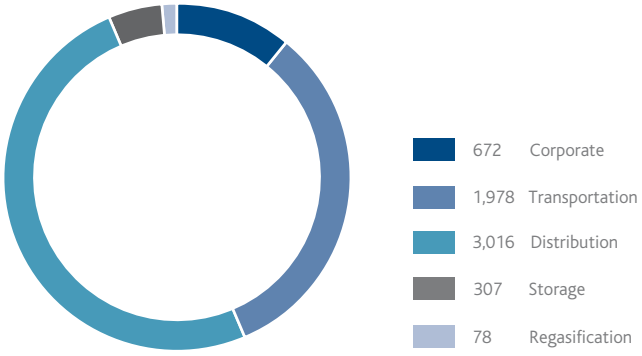


2012 STAKEHOLDERS' IDENTITY CARD

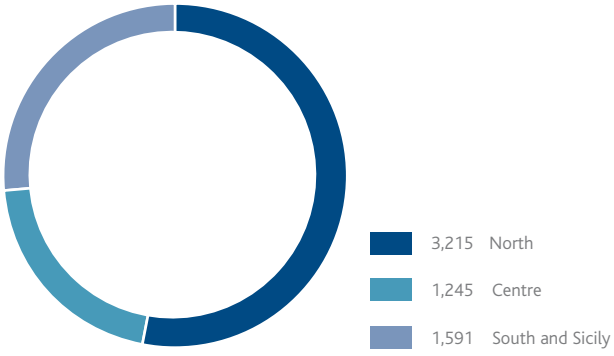
LA1-EC7 PEOPLE

Group staff: 6,051 (no)

Employees by activity (n.)

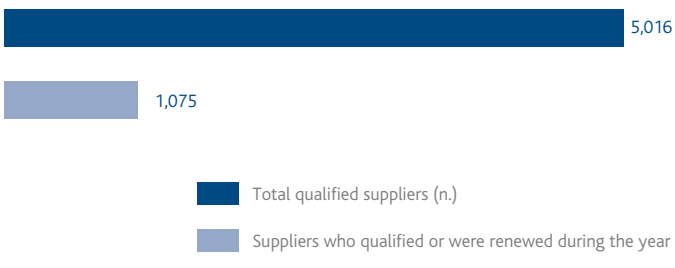


Distribution of employees by geographical area (n.)

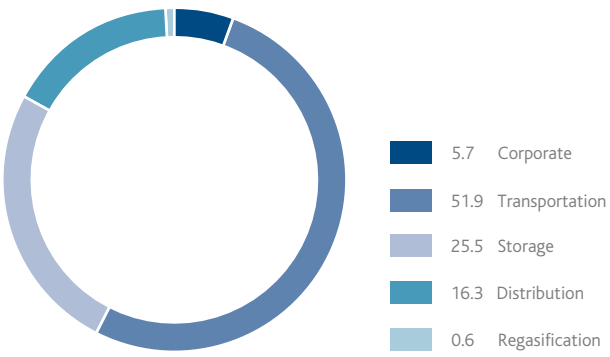


SUPPLIERS

Total qualified suppliers: 5,016 (no)

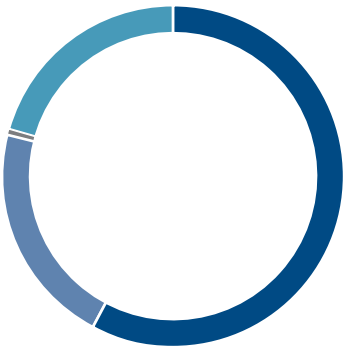


2012 procurement: €1.4 billion



CUSTOMERS

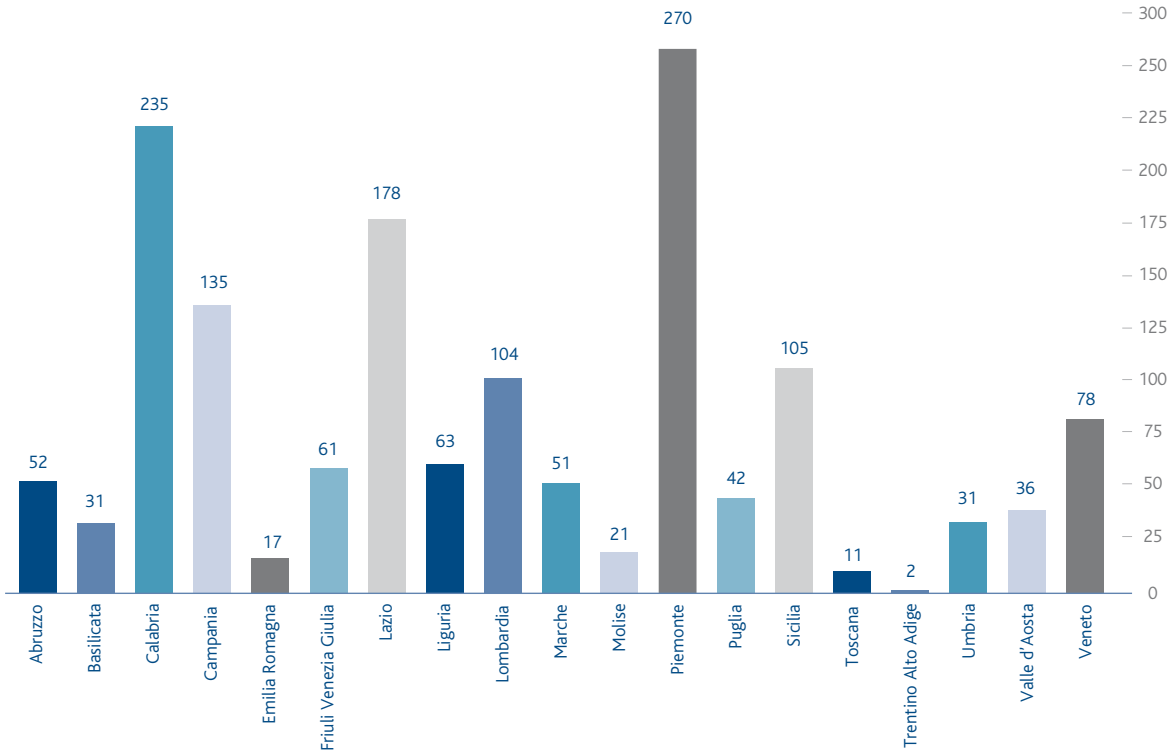
Customers (No.)



260 Distribution
94 Storage
3 Regasification
91 Transportation

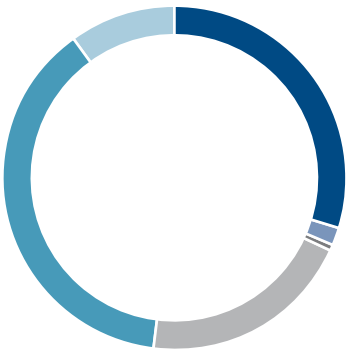
COMMUNITIES AND REGIONS

Snam group - local sites per region (No.)



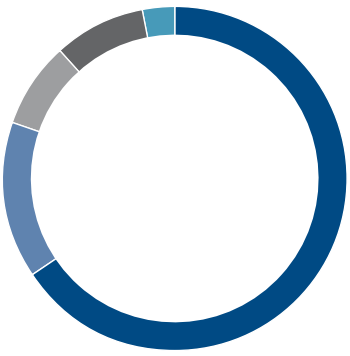
INVESTORS

Shareholders structure (%)



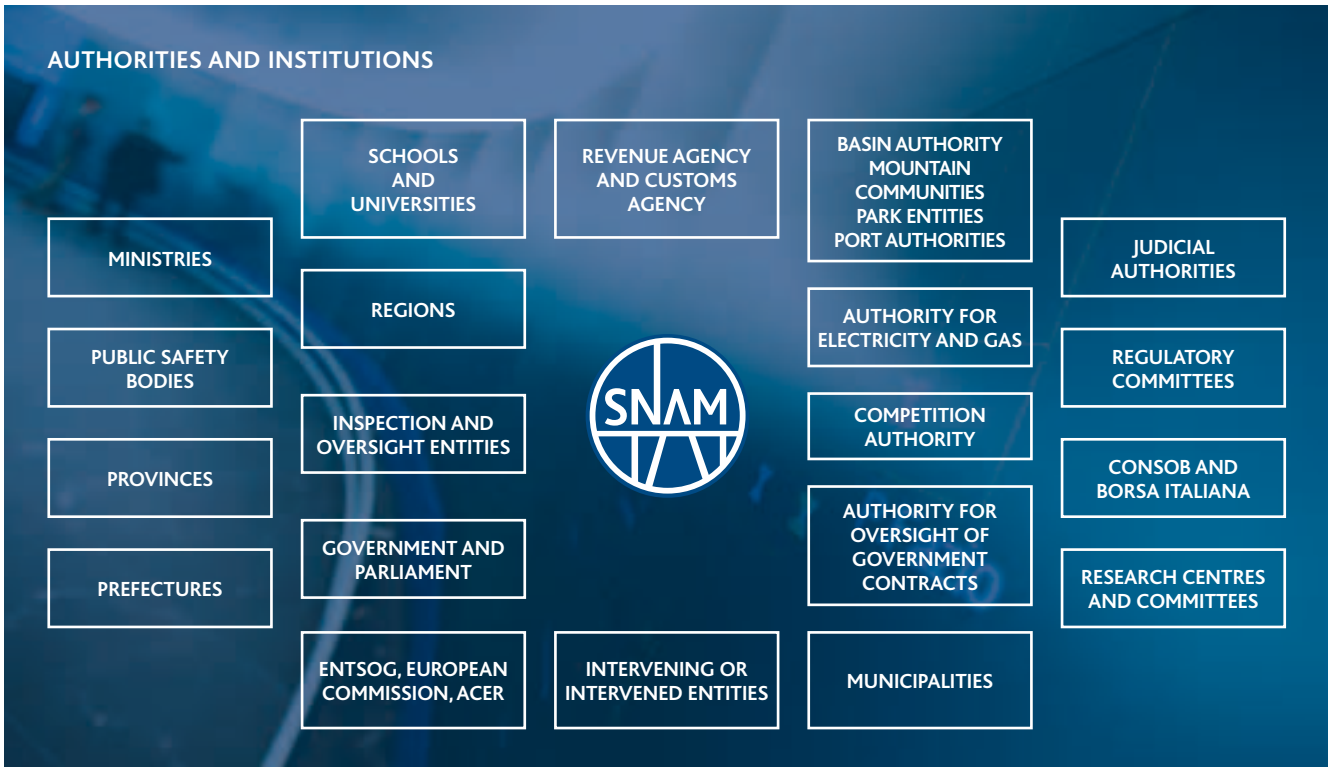
30.0 CDP reti
1.60 Bank of Italy
0.09 Treasury Stock
20.23 Eni
38.26 Institutional investors
9.82 Retail investors

Shareholding geographical breakdown (%)



66.30 Italy (*)
14.09 Continental Europe
7.89 Uk and Ireland
8.77 Usa and Canada
2.95 Rest of the world

(*) The Italian percentile includes the total held by retail investors and treasury shares



TOOLS FOR INVOLVING STAKEHOLDERS

Engagement tools	People	Institutional authorities	Communities and local areas	Customers	Suppliers	Investors
Website	websites of all group companies with dedicated areas					
Web areas	Corporate Intranet			Customer portals	Supplier portal	
Institutional documents	Annual Report – Sustainability Report – Report on Corporate Governance and Remuneration – Financial statements of controlled companies					
Media relations	Press releases– Press conferences – Conferance calls - Interviews					
Social Network	Information and News					
Newsletter	Energy and special related issues Objective Safety Financial Report					Snam shareholder News&Facts Financial Marrkets Review
Survey	Climate analysis			Customer satisfaction	Feedback questionnaires Specal visits	Rating questionnaires
Meetings	Managers' meeting Cascade Project Meeting with union bodies	Institutional presentations Parliamentary and local hearings Meetings with the AEEG Meetings with local authorities Meetings with trade associations Participation in technical committees	Public meetings Open municipal councils Meetings with citizens	Workshops	Workshops Exploratory meetings	Road shows One to one meetings Conference calls
Awareness-raising campaigns	Objective Safety project Health project Company volunteering Ecologically		Clean up the world Educational Sustainable path series Info points			
Plant tours	Safety walk	Open days				

DISTRIBUTION OF ADDED VALUE

In 2012, Snam distributed to its stakeholders an overall amount of €2,261 million, corresponding to the sum of the added value produced (€2,195 million) and the resources drawn by the Company system (€66 million).

Of this amount, 26.23% was distributed to the government (€593 million), 37.37% to shareholders (€845 million), 18.66% to employees (€422 million) and 17.74% to lenders (€401 million).

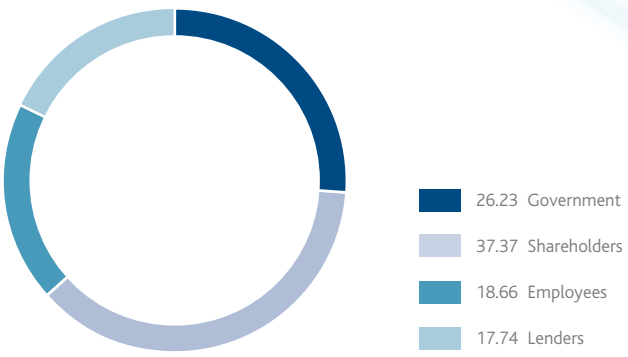
The net overall added value was therefore distributed among different beneficiaries as follows: (i) employees (direct compensation comprising salaries, wages and post-employment benefits, and indirect compensation consisting of social security expenses, as well as costs for staff services (meal services,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

EC1 GLOBAL ADDED VALUE (€ MILLION)

	2010	2011	2012
Core business revenue	3,475	3,539	3,730
Other revenue and income	33	66	216
Purchases, services and sundry expenses*	596	631	760
Net financial expense	120	88	431
Net income from equity investments	47	51	55
Increases on internal works – Cost of work and financial expenses	89	90	91
Gross global added value	**2,928**	**3,027**	**2,901**
less - Amortisation, depreciation and impairment losses	678	654	706
Net global added value	**2,250**	**2,373**	**2,195**

* Net of costs allocated to investment.

BREAKDOWN OF ADDED VALUE (%)



THE SHARED VALUE APPROACH

INITIAL ANALYSIS

Snam has begun to look into ways of reinterpreting and overhauling its sustainability approach under the Shared Value theme.
The concept was formalised in a paper (now well-known) published by Michael Porter and Mark Kramer in December 2010, which explores the current link between the economic system and society and redefines the limits of corporate social responsibility. The assumption behind the new concept is that companies must take action to reconcile business and society, by promoting knowledge, practice and present or potential initiatives: i.e., to create economic value in ways that simultaneously create value for the company as well as for stakeholders and the regions concerned.
Snam's tangible and intangible assets, which are in some senses unique, such as the gas infrastructure network and the technological assets and skills needed to run it, place the Company in a privileged position to develop and discuss a "Sustainability 2.0", in which an innovative concept such as Shared Value would be incorporated into the strongest approach to reducing and controlling operational and reputational risks, thus creating the conditions for a competitive advantage for the Company and the regions in which it operates.

SNAM'S SHARED VALUE TODAY

Snam took up this idea and began a process of reflection in early 2012, aiming to use this new strategic impetus to more effectively combine oversight of risk factors, consolidation of business ethics and enhancement of reputational capital with which management could make the Company a key player in the country's development.
This initial reflection phase was followed by development of an interpretative summary model, leading to a review of the key business processes within this perspective, with the aim of systematising and bringing out not only the Shared Value already produced but also opportunities to produce new value. These processes are:

- the process of relations with suppliers, to give the Company more reliability, flexibility and competitiveness, while also generating healthy entrepreneurial development countrywide;
- the process of making new investments, by sharing with the region, at a reduced marginal cost, the output generated during implementation of infrastructure, from planning to restoration;
- the process of managing and creating value from sites and infrastructure, which legitimises network citizenship;
- the process of delivering service according to criteria of reliability, continuity and quality, at a pace that safeguards and consolidates business and favours value creation.

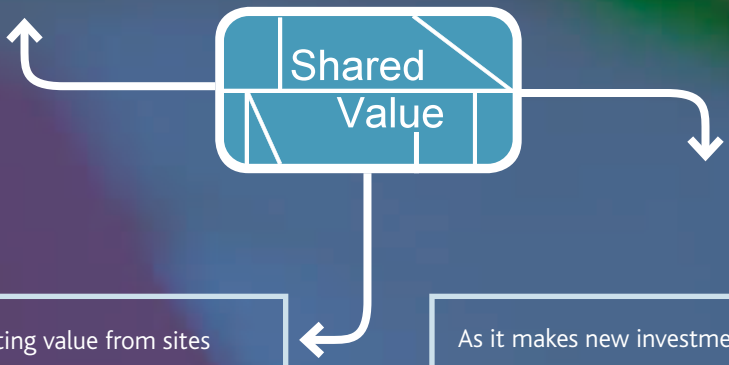
The first Shared Value projects to emerge from this process review phase have already been reported on, in the document "Towards Shared Value", attached to the 2011 Sustainability Report. The Shared Value projects carried out in 2012 also refer to the processes mentioned above. They are described in more detail in the boxes dispersed through this Report, denoted by their respective logos.

SHARED VALUE IN 2012

In its relationships with suppliers, Snam shares value by making corporate know-how available through a knowledge-sharing system that supports the companies in the supply chain on a pathway of continuous improvement. This can both increase the competitiveness of these companies and the reliability of their partnership with Snam, which enhances final service quality.

- Workshops targeted at suppliers on the subjects of health and safety in the workplace by the sharing of best practices
- Continued the distribution of legal compliance protocols in order to disseminate, in areas at greatest risk, a new culture by affirming the universal principles of legality throughout the supply chain
- Launched the creation of a Suppliers Portal, a web platform able to facilitate the exchange of information, with a focus on sustainability topics

Snam has created



In managing and creating value from sites and infrastructure, Snam shares value by providing stakeholders in the region with spaces and knowledge, benefiting local populations and creating a regional competitive advantage.

- Landscape reclamation of a green space and renovation of meeting areas made available to the local community of Portovenere (SP)
- Enhancing the cultural heritage of the Italgas Historical Archive and Museum in Turin

As it makes new investments, Snam shares value with the region, distributing knowledge of corporate best practice among local players as they apply naturalistic engineering techniques in particularly sensitive areas with complex ecosystems, such as parks and protected zones.

- A publishing project which describes an example of the combination of sustainable economic development and environmental improvement in the construction of a methane gas pipeline in the *Parco dei Nebrodi* in Sicily

TOWARDS CONSOLIDATION: AREAS OF INTERVENTION

A road map has now been created, based on priority lines of intervention and planning assumptions. The map:

- identifies areas in which future planning might eventually be developed;
- identifies which of these areas can be taken directly to the creation stage and which require preliminary feasibility studies, i.e. in-depth and systematic analyses aimed at identifying which projects to launch, after establishing the materials and the expected outcomes.

The road map identifies four development areas to explore for potential planning.

SNAM OPEN DATA

In the interventions carried out, and particularly at the restoration stage, Snam provides in-depth information for execution of the project that also aims to deal with authorisation procedures. This in-depth information (measurements, descriptions, environmental monitoring and studies), prepared at times by implementing partnerships with other entities, constitutes a significant source of knowledge sharing. Snam therefore produces and manages unique information and elements of regional knowledge, **to be shared with, and create value for, local and institutional players. This facilitates and systematises their operations and makes it even more incisive, and also creates a multiplier effect in terms of developing synergies (e.g.: creating value from environmental restoration and monitoring).**

SNAM GREENWAYS

Its relationship of osmosis with Italy, its broad geographical presence and its homogenous offerings throughout the regions make Snam one of the main drivers in boosting Italian competition by creating value from environmental resources. With its own infrastructure, Snam is a key player in national competitiveness, covering a large area of the country with a physical and symbolic network. This is even more valuable given that the physical assets are often located in areas of high natural value (e.g. protected areas/areas of high biodiversity). **The Company therefore plans to identify the most suitable procedures to activate ways of creating regional value.**

SHARING LOCAL ENERGY

Snam is a company firmly rooted in the region, which has an effect on local environmental and social assets. Its challenge is to define a network citizenship model as the key to juggling the difficult challenge of competitiveness and system reliability with local presence. This can be developed by sharing assets with the region for a symbolic marginal cost: for example, with regard to the surrounding planted areas, providing them where possible and looking at ways of making them available for local players for projects involving environmental protection and social cohesion (e.g. potential partnerships with social cooperatives to manage green spaces). Snam **plans to verify the potential use of structures, spaces and awareness to nurture resources and skills at local level and improve the company's local citizenship.**

POWERING INNOVATION

Snam boasts a large capacity to stimulate demand and allows indirectly for the growth of high-value local entrepreneurship, because it needs unique, high-tech solutions. The Company therefore **plans to identify the potential for technological partnerships with research entities and stakeholders (e.g. suppliers), to develop innovative products and services to improve business, whilst enhancing its suppliers' ability to open to new markets.**

The markets

2012 was an important year for Snam in terms of operating and financial results achieved and of strengthening of its European strategy.

FINANCIAL PERFORMANCE

RESULTS FOR THE YEAR

Snam posted EBIT of €2,111 million for 2012, an increase of €153 million (+7.8%) on the previous year. This increase, which was due mainly to higher revenue from regulated activities and to containing operating costs, reflects improved performance from the natural gas storage and distribution business segments.

Adjusted net profit, which excludes special items, came to €992 million. It was up 1.4% on 2011 owing mainly to higher EBIT (+€153 million), which was offset partly by higher net financial expense (-€146 million) essentially as a result of higher average borrowing costs and higher average debt during the period.

Positive operating cash flow of €961 million enabled the company to partly finance its net investments for the period of €1,351 million. Following payment of a dividend of €811 million, net financial debt amounted to €12,398 million at 31 December 2012, an increase of €1,201 million compared with 31 December 2011.

PERFORMANCE OF SNAM SHARES

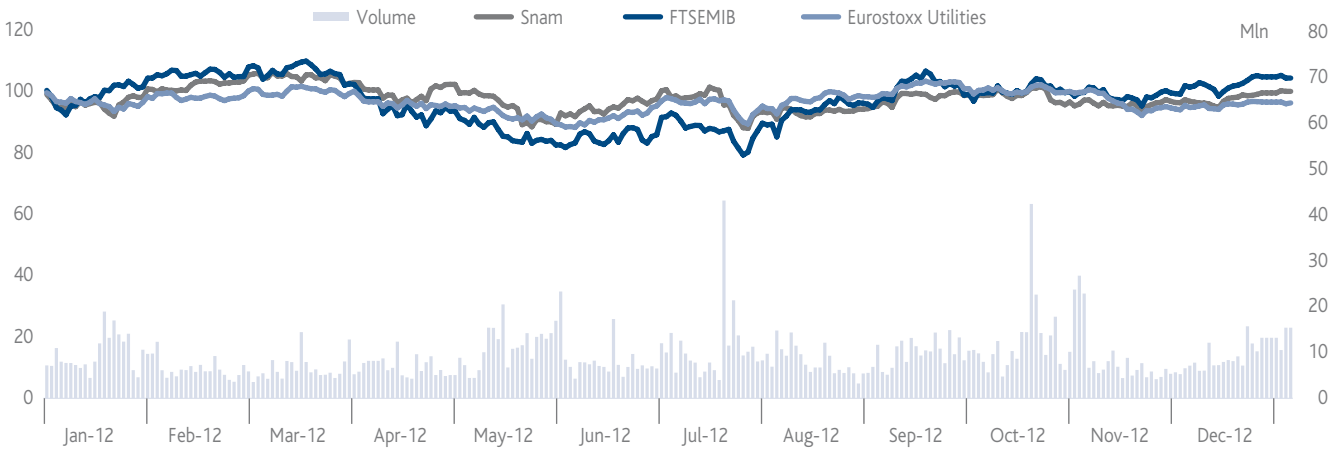
Snam's stock, which is included in the FTSE MIB Italian index as well as the leading international indices (STOXX, S&P, MSCI and FTSE), ended 2012 at an official price of €3.52, up 3.8% compared with €3.39 at the end of the previous year.

This meant that Snam's stock outperformed the sector average (the STOXX Euro 600 Utilities index fell by -0.7%), but was beaten by the index of leading Italian shares (the FTSE MIB climbed by +7.8%) owing largely to uncertainty surrounding the terms and conditions of the sale of Eni's stake, which prompted caution among investors.

This uncertainty was gradually mitigated by progress in the ownership unbundling of Snam from Eni, by the success of Snam's debt refinancing programme, by the company's prospects for domestic and international growth and by the easing of tensions on the European markets and surrounding Italian sovereign debt.

Around 2.3 billion Snam shares were traded on the electronic segment of the Italian stock exchange in 2012, with the average daily trading volume in line with the previous year at just over 9 million shares.

SNAM, FTSEMIB AND STOXX EURO 600 UTILITIES PRICES



Source: Snam calculations using BLOOMBERG data.

Since listing on the stock exchange in 2001, Snam has always aimed to be transparent in its relations with the financial community by expressly communicating its objectives and the results it has achieved.

In order to sustain the quality of these relations, benchmark best practices are adopted each year to allow shareholders and the financial market to fully evaluate the company's levers for creating value. Among these, it is worth mentioning:

- road shows (16 in 2012) aimed at meeting shareholders and institutional investors in the largest European and North American financial markets;

- one-to-one meetings between management and investors (130 in 2012, including more than 20 at the registered office in San Donato Milanese), as well as group meetings and sector conferences;
- conference calls when results are announced (annual, half-yearly and quarterly results), and the presentation of the strategic plan, which is attended by analysts who publish research on the stock.

KEY PERFORMANCE INDICATORS (KPI

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
meetings with socially responsible investors as a % of total meetings	2010	Achieve 33% in 2012	40	Snam group	■
number of meetings with institutional investors	2010	Hold 210 events in 2012	230	Snam group	■
number of Investor Days	2010	Hold 1	1	Snam group	■

During 2012, 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. Information of interest to shareholders and investors, including quarterly/half-yearly reports, both in Italian and in English, are available in the Investor Relations section on the corporate website, www.snam.it.

The launch during the year of the bond placement process, which will help Snam to achieve financial independence following the ownership unbundling from Eni, involved communicating with bond investors and credit market analysts. This communication took the form of five road shows in Europe's major financial centres, 15 one-to-one meetings with investors, four meetings with groups of investors and participation in an industry conference. The company also began to communicate with ratings agencies Standard & Poor's and Moody's in 2012, and was awarded a credit rating (A- from Standard & Poor's and Baa1 from Moody's) that reflects its financial solidity and structure.

RELATIONS WITH THE REGULATOR

IN ITALY

The Electricity and Gas Authority has regulated the gas transportation, storage, regasification and distribution sectors in Italy since 1997. In the context of market liberalisation, regulation has over time become a tool enabling the economically sustainable development of infrastructure and the non-discriminatory access to services by all operators in the free market.

The quality and regularity of relations between Snam and the Electricity and Gas Authority play a key part in this process. 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 of the natural gas sector.

Specifically, the group's companies individually:

- respond, either directly or through trade associations, to the public consultations that the Electricity and Gas Authority holds on different activities in the sector prior to defining new regulations or revising current ones;
- take part in technical working groups established by the Electricity and Gas Authority on changes to the regulatory framework;
- draft changes to the transportation, distribution, storage and regasification network codes, which are then submitted to the Authority for approval;
- 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 periodically send the data requested in compliance with reporting obligations.

The table below summarises relations with the Electricity and Gas Authority for each regulated sector:

RELATIONS WITH THE AUTHORITY

	Transportation	Storage	Distribution	Regasification
Responses to consultation documents (no)	6	2	5	2
Responses to consultations/observations through trade associations (no) *	7	3	15	3
Tariff proposals (no)	3	3	2	2
Data gathering (no)	75	50	95	27
Investigations (no) **	2	0	1	0
Proposed amendments/updates to codes and contractual documents (no) ***	8	5	3	3
Approved amendments/updates to codes and contractual documents (no)	3	3	0	0

* Responses to consultations (Electricity and Gas Authority, Ministry of Economic Development and Energy Market Operator) through trade associations.
** Includes: exploratory investigations in the transportation segment; an ongoing investigation in the distribution segment which began in 2011.
*** Includes proposals still being evaluated by the Electricity and Gas Authority, including agreements and contractual documents with operators in regulated services.

Compliance with anti-trust law

In 2012 Snam adopted the "Anti-trust Code of Conduct" Management System Guidelines, which every employee should be aware of and apply. In this regard the Company has developed a full programme to prevent the risk of anti-trust law violations which could result in monetary fines, third party liability, reputational damage and a negative impact on share price. This programme includes the following initiatives:

- the adoption of the Anti-trust Code, which provides guidelines for compliance with anti-trust law in each business segment;
- training and communication initiatives for all employees in order to ensure knowledge and application of the Code;
- the constitution of a dedicated anti-trust organisation within the Legal and Corporate Affairs and Compliance Department of Snam to provide assistance in the implementation of the Code;
- a specific programme to monitor the effectiveness of the Code and the rules to update it according to changes in anti-trust law and business structure.

Determining revenue and tariffs

The clarity, stability and transparency of the regulatory framework for determining revenue and tariffs are key factors for the economic sustainability of Snam, and are also relevant to network users, who are affected by costs associated with infrastructure use, and to financial investors, in terms of predicting returns on their investments.
In general, tariff criteria are defined every four years. The revenue from all activities is determined so as to ensure coverage of operating costs, amortisation and depreciation, 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 recorded revenue, each Snam company formulates a tariff proposal which is submitted to the Electricity and Gas Authority for approval.

REGULATORY PERIOD	
SNAM RETE GAS	January 2010 - December 2013
GNL ITALIA	October 2008 - December 2013
ITALGAS	January 2009 - December 2013
STOGIT	January 2011 - December 2014

Updating the network codes

The network codes (for transportation, distribution, storage and regasification) are proper contractual documents that define service provision and access conditions. They are updated periodically by group companies according to changes in the regulatory framework and in operating conditions. In order to uphold the principles of transparency, accuracy and fairness, all amendment proposals (except concerning the distribution code) are subject to public consultation before being submitted to the Electricity and Gas Authority for approval.

PR9 All codes have a section containing indicators for monitoring the quality of service provided by the companies. Users are automatically compensated in the event of non-compliance with service quality standards in relation to some of these indicators, listed in the table as those referring to specific quality levels.

IN EUROPE

On a European level, the Electricity and Gas Authority is part of the Agency for the Cooperation of Energy Regulators (ACER) and Snam Rete Gas is part of the European Network of Transmission System Operators for Gas (ENTSOG). These two bodies develop European codes and guidelines to regulate the access and use of cross-border infrastructure and to help towards creating a single gas market.

The "regional initiatives" are responsible for assessing potential cross-border market integration and subsequently working to harmonise the interconnected national systems. Italy is part of the South South-East regional initiative, which is coordinated by the Italian and Austrian regulators. Integration in the region remains difficult for significant reasons such as the vast geographical area and the extremely diverse market conditions and levels of interconnectivity. The South South-East region focuses on security of supply and capacity allocation.

Snam Rete Gas worked with the Electricity and Gas Authority and with interconnected operators during 2012 to establish guidelines on the daily sale of capacity between the Austrian exchange point at Baumgarten and the Italian system entry point at Tarvisio, in coordination with the Austrian regulator. In addition, a new interconnection agreement was signed with Slovene company Plinovodi in relation to the Gorizia entry point, and the existing agreement with Switzerland, with transportation companies Swissgas and Fluxswiss and technical operator Transitgas in relation to Gries Pass, was revised. The interconnection agreement with Austria's TAG is also in the final stages of revision.

Lastly, the Electricity and Gas Authority has asked Snam Rete Gas to draw up a draft schedule, subject to subsequent consultation, for adopting the European balancing code.

European Gas Target Model endorsed

The energy regulators of the 27 EU Member States endorsed the Council of European Energy Regulators' (CEER) new Gas Target Model at the Madrid Forum on 26 March 2012.

The model, which is the result of involving more than 700 stakeholders in five workshops held over the previous year, recommends hub-to-hub trading between five or six main exchange centres as the best way to achieve a single European gas market.

Upon completion of its works, the CEER stated: "Well-functioning and connected wholesale markets are key. CEER's vision of a sustainable internal gas market is based on a core objective of enabling functioning wholesale markets where they do not exist yet. Furthermore, markets need to be connected closely to move forward to an integrated market".

SERVICE SECURITY, CONTINUITY AND QUALITY

Gross domestic gas consumption in Italy was 7.491 million standard cubic metres in 2012, down by 3.9% on the previous year. This decrease is due to lower consumption in the thermoelectric sector (-11.1%), offset only partly by higher consumption in the residential and tertiary sector (+1.2%).

PR1 Natural gas remains the most common energy source in Italy, partly due to the environmental benefits that it is capable of producing if used efficiently in the various sectors.

Snam is committed to supplying the gas that businesses and communities need on a daily basis and to safely managing all activities in the gas system, making available the operational capacity needed to satisfy market demands and granting access to all those who request it, under competitive conditions.

Against this background, service security, continuity and quality are intrinsically linked and represent a shared value.

SERVICE QUALITY

At the start of the 2012-2013 thermal year, Snam Rete Gas customers had 368 million cubic metres of transportation capacity at their disposal, and service access was guaranteed to all operators. The new entry point at Livorno, for which capacity is subject to the conferment request pursuant to Resolution 168/06 of the Electricity and Gas Authority and to the Ministry of Economic Development Decree of 24 November 2010, was also completed in the thermal year.

The process for defining all transportation capacities has been ISO 9001-certified since May 2001. This certification, which was renewed in 2012, shows Snam Rete Gas's continual commitment to developing proprietary software for modelling the network and solving the fluid-dynamics equations that regulate physical gas flows.

New upgrade work by Stogit increased storage capacity from 10.2 billion to 10.7 billion cubic metres (15.2 billion if strategic storage is included). This capacity was fully allocated by April 2012.

The network codes have a list of indicators for monitoring the quality of service provided by the companies. Customers are automatically compensated in the event of non-compliance with service quality standards in relation to some indicators concerning specific commercial quality levels.

Snam's performance remained strong in 2012 with regard to these indicators: there was 99.4% compliance with standards in distribution and 100% compliance in transportation and other services.

Effective as of 1 December 2011, the Electricity and Gas Authority has entrusted Snam Rete Gas, as Italy's biggest transportation company, with the important role of Balancing Supervisor as part of the regulation of transportation, dispatching and storage services. More details can be found in the Annual Report.

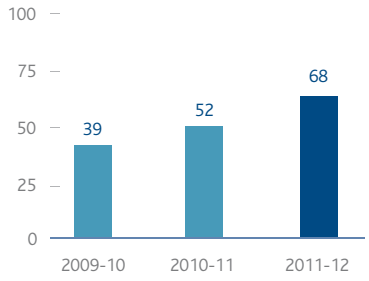
PERCEIVED QUALITY

PR5

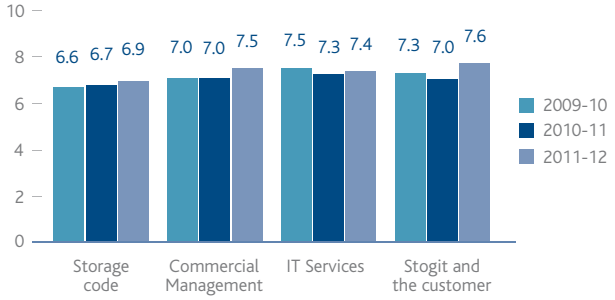
With a view to constant improvement, our service quality monitoring directly involves customers in a continuing and increasingly extensive way. The customer satisfaction survey is conducted every year for storage activities, measuring users' satisfaction levels concerning the clarity of the storage code, commercial management, and the availability and efficiency of IT services. Such surveys also gather suggestions from users aimed at improving the areas covered in the questionnaire.

The participation rate for the 2012 survey was 68%, up compared with approximately 52% in the previous year. The ratings, expressed on a scale from 0 to 10 and broken down into the respective macro areas of reference, showed substantial improvement in how the service we offer is perceived.

RESPONSES RECEIVED BY THERMAL YEAR (%)



AVERAGE RESULT BY THERMAL YEAR (N.)



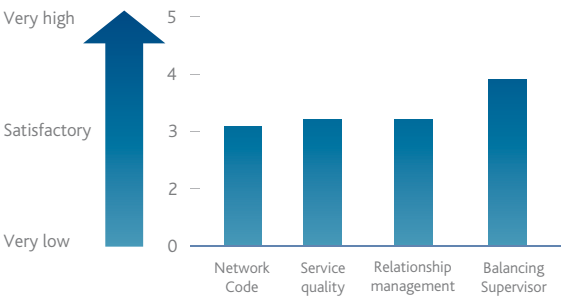
First transportation customer satisfaction survey

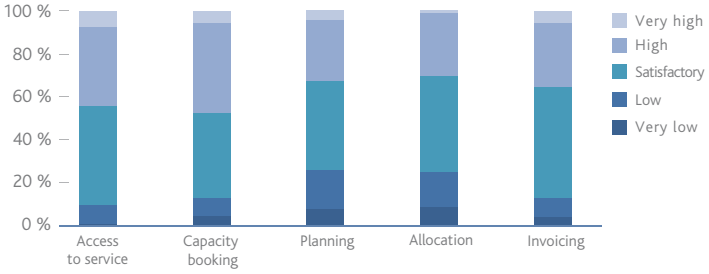
Snam Rete Gas conducted its first transportation customer satisfaction survey in 2012. The questionnaire focused on comprehension of the network code, quality of services offered, balancing and degree of compliance of development initiatives with European guidelines.

The survey interviewed a sample of 133 people, with a 74% participation rate. On a scale of 0 to 5, it showed a more than satisfactory perception of the service offered, with interesting suggestions for improvement in the various macro areas.

As a specific example, 91% of those interviewed found Snam Rete Gas's activities as Balancing Supervisor to be more than satisfactory, while one of the suggestions for improvement was to clearly communicate forthcoming changes as a result of European regulation, of which only around half of respondents are aware.

EVALUATION OF SERVICES OFFERED BY SNAM RETE GAS





SIMPLIFYING COMMERCIAL PROCESSES

In a regulated market, not only is it important to be transparent, impartial and fair and to safeguard free competition in liberalised activities, it is also possible and advisable to improve service efficiency and simplify management of the activities, always in accordance with regulations, creating value for users and therefore, indirectly, for end customers in the gas system.

The IT systems which Snam has continued to develop to adopt new Electricity and Gas Authority measures and to improve application functionality are particularly important in this context.

We are constantly developing the online portals we use to manage relations with customers.

In 2012, the IT applications and related web interfaces with users of the transportation and storage portals were developed to improve management linked to the new balancing system, with a new reporting system also introduced enabling users to monitor key operating and economic parameters related to their own position in the Italian gas balancing system. Stogit is still involved in developing the IT systems pursuant to regulations issued recently by the Electricity and Gas Authority (Resolution 152, Consultation Document 82, Resolution 297).

In order to implement these changes – a process which is still evolving – Snam has adopted an approach aimed at involving customers, holding discussions with them and analysing their requests, partly based on positive talks with the Transportation Consultation Committee.

In 2012, the transportation segment conducted a feasibility study on the creation of an online portal to support the disconnection and opening of redelivery points on the transportation network. Starting in 2013, the portal will simplify related activities for users by using a single, clear channel of communication and monitoring request statuses in real time.

As part of the Default Transportation Supply Service, in 2012 Snam:

- held a public call for tenders to select two users to provide the Default Transportation Service in accordance with Electricity and Gas Authority provisions;
- started and finished the computerisation of activities related to this service, enabling the nominated users to fulfil the obligations laid down by the Electricity and Gas Authority in a straightforward manner thanks to the new functionalities available on the Capacity and M-Gas portals;
- released a new IT platform to support gas transportation balancing and scheduling processes. This will be available by the end of the first half of 2014, guaranteeing better system reliability and performance as well as flexibility and scalability in introducing new requirements, such as those arising from changes to European regulation (MWh, nomination cycles, new communication protocols).

In accordance with the storage code, the Stogit Capacity portal, which covers all exchanges of information between Stogit and its customers, has been enriched by the implementation of the invoice portal, allowing users to check their payable invoices online. SAMPEI (Stogit's system of allocation and measurement for gas withdrawal and injection) has been amended for the management of contracts with industrial users to adopt Legislative Decree 130/10 and the new natural gas balancing system pursuant to Resolution 45/11 of the Electricity and Gas Authority.

In order to meet in a timely manner the demands of end customers who take out new gas supply contracts with sales companies, Italgas has released an interactive website for "online checking". The site helps new customers to fulfil the requirements of Resolution 40/04 of the Electricity and Gas Authority concerning verification of plant safety, making it easier and quicker to send documents than the traditional paper-based methods. The system also enables real-time monitoring of the document verification processes and online submission of any documents required to complete the process and therefore to activate supply.

Snam Rete Gas joins the ownership structure of PRISMA

With the European network code on capacity allocation mechanisms (the CAM Network Code) due to come into force by 2015, and with a view to encouraging the harmonisation of service provision and access rules, Snam Rete Gas – together with 19 other transportation operators from seven European countries – is a member of the international project which led to the creation of a single company dedicated to the development and management of a common IT platform (PRISMA European Capacity Platform) for allocating capacity at interconnection points.
Transportation capacity should be available on this platform from April 2013 for short-term products, with the full set of products defined by the CAM Network Code rolled out at a later date.
Snam Rete Gas is simultaneously implementing management of new day-ahead gas transportation capacity nomination windows on the AltraWEB platform.

BUSINESS CONTINUITY

Crisis management was one of Snam's priorities in 2012. The Company has established a new policy specifically for guiding business continuity management. The aim of this process, particularly in light of the new organisational structure, is to improve the Company's ability to react to emergencies and the resilience of its core activities, enabling business continuity in the face of events that may interrupt business processes or make them unavailable.
The business continuity management policy, which is managed at group level and applied directly to all subsidiaries, can be viewed at:
http://www.snam.it/repository/file/Sostenibilita/sviluppo-sostenibile/Politica_di_Business_Continuity_Management_-_2012.pdf
In accordance with the security management system guidelines and policy, Snam has also established a crisis management model, which consists of all rules and methods for declaring and managing events which may lead to a crisis.

Infrastructure safety: earthquakes in Emilia-Romagna and drill programmes

The two strong earthquakes in Emilia-Romagna in May 2012, which severely affected both the local population and businesses in the region, also affected some Snam Rete Gas infrastructure, namely the transportation network maintenance centres at Bondeno and Bologna, and the compression station at Poggio Renatico.
Snam Rete Gas's dispatching centre at San Donato Milanese asked emergency-service technicians to run checks on the transportation network. These checks found no faults at the plants, and there was no service interruption on the gas transportation network. There was also no interruption to service at the Minerbio and Sabbioncello storage centres, which were more than 50 km from the epicentre of the earthquakes and were therefore only marginally affected. There was no damage to the infrastructure, as verified by on-site inspections, or to the storage field, as evidenced by the continuous normal gas injection pressures.
In order to test Snam Rete Gas's response system, several national, regional and provincial drills were staged in 2012. In December 2012, Snam Rete Gas took part in a national drill simulating an earthquake in the Basilicata region, organised and managed by the central civil protection department in Rome. The Company's Dispatching units, Stations, SECUR and GEST units took part, working with one another and with the other entities/companies involved in the drill.
In November 2012, Snam's Dispatching and SECUR units took part in drill staged by the Lombardy Region simulating a snow emergency, interacting and exchanging information with the other entities/companies involved in the drill.

NETWORK OVERSIGHT AND MAINTENANCE

During a normal year, plants and pipes periodically undergo inspections and maintenance operations.
In the transportation segment, for example, the course of the pipelines is inspected regularly on foot, by land vehicles and by helicopter flyovers to detect potentially dangerous situations caused, for example, by third-party work near the pipelines. Similarly, any landslides at specific points in the course are kept under control. The integrity of the pipes is also monitored by inserting intelligent devices inside them to detect any defects (intelligent pigs).

TRANSPORTATION CONTROLS AND INSPECTIONS

	2010	2011	2012
Km of network inspected with intelligent pigs	1,214	1,145	2,098
Km of network inspected with helicopter flyovers	>14,100	>14,100	>15,000

The 11 gas compression stations situated along the 32,000 km of pipeline network are controlled directly by the recently renovated dispatching unit at San Donato Milanese, which is responsible for ensuring that pressure levels are sufficient to meet demand.
The dispatching unit is a strategic infrastructure that manages gas flows in the national transportation network: its 24/7 operations room monitors and remotely controls the main pipelines and the compression stations of the Italian gas system. A 46-square-metre video wall gives operators an overview of the national gas transportation network, showing the major points of interest and related information.
The dispatching unit regulates and controls the national gas transportation system to ensure that it functions safely, reliably and efficiently, and it also oversees balancing on the basis of actual gas demand, which can fluctuate significantly on a daily and seasonal basis.

The new dispatching unit at San Donato Milanese

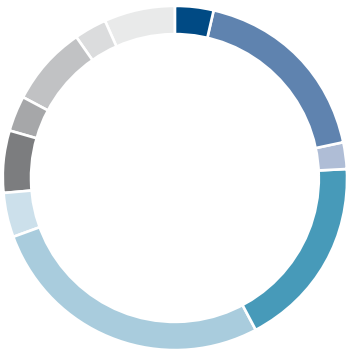
Snam's dispatching unit, which turned 50 in 2012, has been completely overhauled in terms of both its offices and the technological infrastructure that allows it to function.
The new technological infrastructure is the result of intensive work that included, among other things, the digitalisation of the telemetry network of more than 12,000 km, the integration of satellite technology, the creation of a new operations room and the replacement of the data processing and control system, which is at the very heart of dispatching.
The new dispatching unit will enable the operations room to work better with maintenance teams on the ground, as well as enabling better management of key transportation data.
It will also ensure service continuity for Stogit's operations room in Crema, thereby enabling both Snam Rete Gas and Stogit's dispatching units to respond better to emergencies in accordance with corporate business continuity and disaster recovery plans.

In distribution, Snam pays special attention to pressure regulation and reduction facilities such as at the "city gates", where natural gas from national pipelines is delivered, depressurised, preheated where appropriate and odorised for use in civilian and industrial equipment.
Road pipes are subject to regular scheduled replacements and/or upgrades which keep them properly maintained over time and able to guarantee user consumption. The controls involve measuring gas odorisation levels and searching for leaks. During 2012, Italgas performed inspections along 18,630 km of network and 8,446 odorisation controls.

SUPPLY CHAIN: RESPONSIBLE DIALOGUE

Above all, sustainable management of the supply chain for Snam means conducting transparent relations with suppliers and, once the supply relationship is under way, involving them in the quest for long-term performance with a view to mutual growth and value creation.
Potential suppliers of goods and services to Snam must not only satisfy quality, price and reliability requirements, but also share enthusiasm for the sustainable innovation of processes and the search for ways to reduce impact on the environment and society throughout the supply chain.
Potential suppliers, especially of the most important goods, are therefore subjected to careful evaluation in order to determine whether they are likely to sustain the long-term relationship of trust that characterises Snam's partnerships.
During their relationship with the Company, suppliers are constantly monitored by way of audits, inspections and service assessments. This is not only to ensure that their commitment to the agreements with Snam never waivers, but also to respond to their requests for assistance. A company's conduct in terms of social and environmental responsibility is a key aspect of the service assessments.
In 2012, Snam gave work to more than 1,000 companies in Italy and 50 elsewhere in the world, entering into 2,790 contracts worth a total of more than €1.4 billion. Of the orders, 97.6% were in Italy, where they were distributed throughout all the regions, 2.3% were in the rest of Europe and 0.06% were outside Europe. The major goods category in 2012 was steel pipes for building natural gas pipelines, of which Snam acquired around 20,000 tonnes.

EC6 GEOGRAPHICAL BREAKDOWN PROCUREMENT IN ITALY (%)



3.8	Campania	6.0	Piemonte
18.1	Emilia Romagna	3.2	Sicilia
2.3	Friuli Venezia Giulia	7.6	Toscana
18.0	Lazio	3.0	Veneto
27.2	Lombardia	6.5	Other Regions
4.2	Marche		

LEGAL COMPLIANCE PROTOCOLS

Shared Value

After signing up to a voluntary agreement with the Caltanissetta prefectural authorities relating to the Gela region in 2012, Snam also continued to disseminate legal compliance protocols under the agreement between Snam Rete Gas and the Consorzio Stabile SIS Società Consortile per Azioni, relating to construction of the "Pedemontana Veneta" superhighway in Pedaggio, and the protocol signed between the Sicilian regional authorities, the regional office for energy and public utility services, the Italian Ministry of the Interior, prefectural authorities for the Sicilian provinces and Confindustria Sicilia. This experiment, carried out with the involvement of public and private partners, requires ethical conduct in relations between different parties, which is more restrictive than the legal requirements, ensuring sound oversight of the issue of lawfulness, to prevent the risk of corruption and promote the fight against organised crime, in support of fair, ethical and meritocratic local entrepreneurial development. By signing this document, Snam also made a commitment to ensure that its suppliers and sub-contractors also comply with its provisions, to efficiently prevent infiltration by organised crime.

THE VALUE OF TRANSPARENCY IN SUPPLIER RELATIONS

Snam has a transparent, impartial and responsible procurement policy which conforms to the principles of free competition and pays particular attention to local requirements, in line with the company's strong roots throughout Italy.
These principles result in a carefully prepared management model which firstly identifies long-term performance and economic objectives as well as operating efficiency and service level targets.
The model then provides for specific procedures aimed at improving the process of scouting out new suppliers and guaranteeing that the selection process, during both the qualification and contract award stages, ensures equal opportunities for all once the required qualitative standards are met. In order to qualify for selection, potential suppliers must come through various preliminary evaluations, both theoretical and practical, according to the importance of the goods involved. To do this, Snam uses evaluation criteria which, taking into account order volume, financial scale, investments and operating cost analysis, classifies each supplier or product category precisely according to its importance in the Snam supply chain. The evaluation is performed with the systematic support of computer tools in order to ensure that the information gathered is traceable and comparable.
In 2012, there were 1,075 new qualifications or renewals. In total, 5,016 suppliers were qualified as at 31 December 2012, of which around 800 were classified as critical suppliers and responsible for more than 60% of Snam's procurement.
In order to stimulate excellent and long-term performance among its suppliers, Snam monitors them continually by way of specific evaluations performed by the units responsible for managing the respective contracts. Around 600 feedback exercises were conducted in 2012 to monitor the performance of critical suppliers.

SUPPLIERS' PORTAL

Shared Value

In the final months of 2012, Snam launched the first phase in the creation of the supplier portal, a web platform designed to be a single operational access point for managing suppliers. At the same time, the portal will be a useful tool in fostering dialogue with suppliers, including on sustainability themes, including: worker health and safety, human rights and respect for the environment and the regions. A systematic and structured information exchange is an opportunity to encourage reciprocal growth, business consolidation and joint reflection, providing real-time information, better communication, and "training" and information in a perspective of continuous development .

SUSTAINABILITY IN THE SUPPLY CHAIN

Snam pays close attention to managing economic, environmental and social risks relating to its suppliers. It does this particularly during the qualification stage for the most critical goods, the procedures of which have extremely stringent requirements; for example, the supplier must have certified management systems.

Snam requires all suppliers to be familiar with Model 231 and with the principles of its Code of Ethics, thereby ensuring that they comply with workplace safety, health and environmental protection regulations and with international standards on labour rights.

In 2012, Snam also extended its supplier accident index data collection to the suppliers' entire working cycle, rather than just their relationship with Snam. This was done to encourage more transparency and knowledge about the supplier and, where necessary, to start specific awareness-raising initiatives.

Lastly, in 2012 Snam group companies, by way of contractual documents, began a programme to raise suppliers' awareness and information of the UN Global Compact's ten principles.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
Works suppliers (criticality A and B) ISO 9001 and ISO 14001 certified (%)	2010	Achieve 100% by 2013	99	Snam group	■

Local issues and the environment

Snam has infrastructure in every region of Italy, in areas and communities with different values and traditions as well as different economic, social and environmental conditions.
In this context, Snam's policy is to build new infrastructure, adopting a rigorous, transparent and cooperative approach to ensure that establishments are environmentally compatible and to encourage their acceptance by stakeholders.

Snam's priority is its relations with central and local government. These relations were strengthened in 2012, first by the new ownership structure adopted to implement the EU's Third Energy Package and then by support for the separation from Eni. The Company's relations with trade associations and with young people in schools are just as important. During 2012, this area saw the continuation of the programme of events already begun the previous year, with primary and secondary school and college students from different regions among the main participants.

Snam was also more involved with trade associations in 2012. The main developments were: joining, along with its subsidiaries, Anigas (gas industry body and Confindustria member); entering into an autonomous agreement with Confindustria and then registering at 51 regional Confindustria headquarters, with the aim of extending Snam's position in trade associations in line with the presence of Snam companies throughout Italy; and joining the Aspen Institute think tank and the Valore Donna association.

During the year, Snam was also a key adviser to the government on the preparation of the National Energy Strategy document and a major player in the strategic critical infrastructure project managed by the civil protection department of the Lombardy Region. The ultimate aim of this project is to define operating procedures aimed at limiting the impact of severe weather or man-made events on energy, road, transportation and telecoms infrastructure.

GNL ITALIA SHARES NEW GREEN SPACE WITH THE REGION

Shared Value

GNL Italia has provided the local community with a green space that it owns near its Panigaglia plant in La Spezia. The area, which looks out onto the bay of the same name, covers about 4 km2. GNL has fully restored the landscape and environment of this green space, planting typical native Mediterranean species and creating a scenic pathway. The area is open to the public during normal public park opening times. Under the agreement, GNL Italia has also made space in Ca'Bertocchi, the building at the entrance to the regasification terminal, available to the municipality of Portovenere. They will be given the use of a multimedia room with total capacity of about 80 people to host conferences and public events. By making this area available, Snam is pursuing its corporate aim of generating both growth opportunities and competitive advantages for the community.

PROGRAMMES AND INITIATIVES

Name	Objectives and content	Participants and facilities involved
Preserving energy and protecting the local area	Public information point at the town hall in the municipality of Cupello (CH) on the field at Fiume Treste, the largest storage site in Italy. The display aims to spread awareness of the facility and its development projects, which combine production efficiency and environmental protection. Poster boards and videos present the development projects and technological innovation of the facilities to the public, as well as the steps taken to reduce the impact on the environment and to optimise the operating sites in the local area.	The local community affected by the Fiume Treste (CH) storage project
A visit to the station	Programme of guided tours of Snam plants for schoolchildren. Education days for children on the subject of energy and giving them close-up experience, using plant technicians to help them to understand the workings of the sites and equipment, turbines and compressors, and the technology used for the purposes of safety and protecting the environment.	Students from Istituto Superiore Crema (CR), Scuola Media di Minerbio (BO), Pontebba (UD), Tarvisio (UD) and Barcellona P.G. (ME). Stogit plants in Sergnano (CR) and Minerbio (BO), and Snam Rete Gas compression stations in Malborghetto (UD) and Messina
Down to Earth	These events for students aim to raise awareness of the group's commitment to sustainability, touching on topics such as energy and different energy sources, natural gas and its use in relation to the environment, and the environmental restoration best practice carried out by the Company. Legambiente has participated in some of these events, educating children about saving energy.	Students from Scuola Media di Minerbio (BO) and Istituto Superiore di La Spezia
Educational visit to Parco dei Nebrodi	Visit to parts of Parco dei Nebrodi through which the recently constructed Bronte-Montalbano Elicona natural gas pipeline passes. Snam Rete Gas has launched a vegetation restoration project in the park, which, with a view to reinstating the original habitat, will fully restore the area concerned, representing for the company an excellent model for combining environmental sustainability with local development. As well as seeing up close what Snam is doing in an area of considerable natural beauty and importance, students were able to learn the operational methods, processes and best practice developed by the company as a result of continual focus on reducing the environmental impact of its activities.	Students from Istituto Superiore di Sant'Agata di Militello (ME)
Clean Up the World	Snam has taken an active role in raising schools' awareness of and encouraging their participation in "Clean Up the World" days, a Legambiente voluntary environmental initiative. With the help of the municipality, the company has helped to organise a day dedicated to cleaning the town for the Bordolano primary school, handing out cleaning kits and materials to pupils.	Students from Scuola Elementare di Bordolano (CR)
Federparchi protocol agreement	Signed in May 2012, the protocol agreement with Federparchi provides for shared nature projects with a view to improving protection of the local environment and biodiversity. The agreement provides for the creation of an advisory working group, comprising experts from Snam and Federparchi, with the aim of implementing environmental protection practices in areas where infrastructure is being built, as well as conducting local surveys to acquire direct knowledge of the environmental restoration techniques used by Snam.	
Snam on the Sodalitas Social Innovation technical committee	In 2012, Snam remained a member of the technical committee of Sodalitas Social Innovation, the programme created by the Sodalitas Foundation to help non-profit organisations implement quality social business plans that will attract interest from business partners and sponsors. In total, 123 non-profit organisations took part in the second Sodalitas Social Innovation, presenting 129 projects. (The website www.socialinnovation.sodalitas.it has been set up for people to see all the proposed projects).	

EC8 Around €724,000 has been spent on donations, sponsorships and local initiatives, excluding environmental compensation.

For the purposes of continuing with commitments undertaken in previous years, the educational event key performance indicator (KPI) was renewed in 2012. Snam comfortably met its target for the year.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
Hold educational events for schools and citizens (no)	2012	Hold eight events in 2012	14	Snam group	■

THE HISTORICAL ARCHIVE AND THE ITALGAS MUSEUM: CULTURAL HERITAGE FOR COMMUNITIES

Shared Value

More than 1,000 linear metres of documents, 6,000 volumes, pamphlets and magazines, 35,000 newspapers, photos and posters and 350 pieces of equipment and tools from the period. These are the "numbers" for the Historical Archive and the Italgas Museum, which are unique in Italy. Recovering and conserving historical material is a fundamental value in our corporate culture. The Historical Archive and the Italgas Museum demonstrate the importance of seeking out documentation and making it available to the community and academics: this material bears witness not only to a company's life in society, but also to a technological revolution that has helped to shape the country, and the archive and museum have already been recognised by the regional cultural heritage board as an "Archive of Historical Interest". In 2012, to further strengthen the relationship between stakeholders and regional authorities, Snam decided to create value from the cultural and archive assets of the Italgas Museum and Library within a Shared Value perspective, making its own spaces available for educational purposes. In particular, the "Thursday Laboratories" initiative was launched for primary and secondary school students. This is intended to transmit, through direct contact and dynamic learning, an enthusiasm for objects, people, photographs, discoveries and documents conserved in the Museum, a rich heritage that tells not only the history of the Company, but also part of the history of Italy and the city of Turin.
On Thursdays (which are reserved by the Museum for schools interested in taking part in the initiative), the students, guided by an educator, are welcomed and introduced to the educational subject through objects, pictures and films: with the help of ad hoc teaching materials to aid understanding, they are shown how to make a product, to give them a better perspective on the company and the history of the country, which they can take with them throughout their studies.

INFRASTRUCTURE SUSTAINABILITY

SO9-SO10

When developing new installations, Snam adopts procedures that pass stringent safety and environmental compatibility assessments and satisfy technical and economic feasibility criteria.
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.
When 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 minimise the network 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 expanse of the work area, minimising provisional worksite infrastructure and trenchless execution techniques (tunnels and micro tunnels), as alternatives to traditional excavation. Once installation 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.

EIA DECREES OBTAINED DURING THE YEAR

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Piombino - Collesalvetti natural gas pipeline	81	Tuscany	MATTM - MBAC*	07/09/2012
Increase the maximum operating pressure of the Sergnano concession gas storage deposit to 1.05 times the initial pressure when the field was discovered.		Lombardy	MATTM	15/10/2012

* Ministry of Environment (MATTM), Ministry of Culture (MBAC)

EIA REQUESTS SUBMITTED TO MATTM AND MBAC IN 2012

Name	Length (km)	Regions involved	Date of submission
Cervignano - Mortara natural gas pipeline	62	Lombardy	08/08/2012
Increase the storage capacity by increasing the maximum operating pressure (Pmax) to more than the original static bottom-hole pressure (Pi) of the field (Pmax = 1.10 Pi), and increase the peak withdrawal capacity by building a new treatment plant and drilling four new wells.		Lombardy	04/10/2012
Increase the storage capacity by increasing the maximum operating pressure (Pmax) to more than the original static bottom-hole pressure (Pi) of the field (Pmax = 1.07 Pi)		Emilia-Romagna	21/02/2012

EIA DECREES SUBMITTED TO THE REGIONS IN 2012

Name	Capacity (MW)-Length (km)	Regions involved	Date of submission
Minerbio - Poggio Renatico natural gas pipeline	21	Emilia-Romagna	02/03/2012
New compression station at Minerbio	24	Emilia-Romagna	02/03/2012
Upgrade of compression station at Poggio Renatico	25	Emilia-Romagna	02/03/2012

REQUESTS FOR VERIFICATION OF REQUIREMENT FOR AN EIA SUBMITTED TO MINISTRY OF THE ENVIRONMENT IN 2012

Description	Region	Date of submission
New gas plant at Bordolano – Modifications to the plant's equipment and to the lay-out ofthe equipment and buildings of the compression and treatment facilities regarding the configuration which has obtained environment friendly status	Lombardy	10/12/12
Construction/installation of a new turbocharger, the TC-7, at the existing gas storage facility at Concessione Minerbio	Emilia Romagna	21/12/12

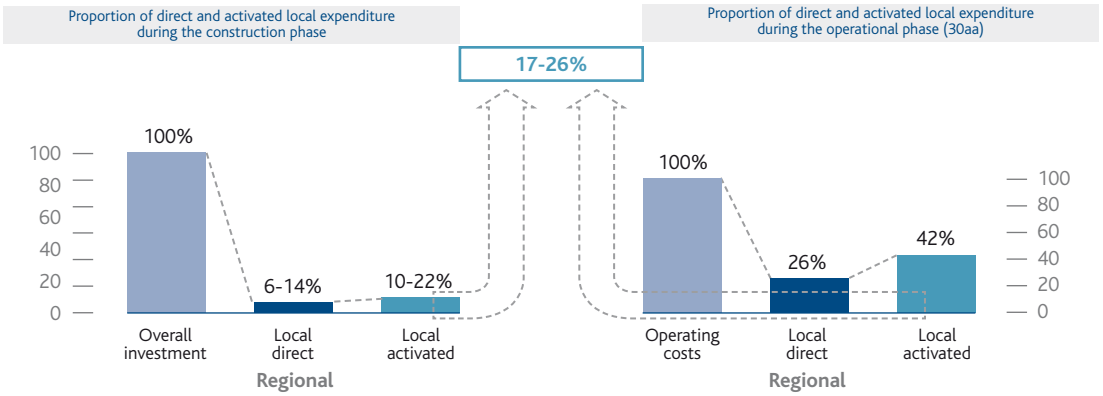
The infrastructure sustainability concept that Snam promotes at all levels also includes socio-economic evaluations associated with the execution of new works. In 2012, Snam continued on an experimental basis to apply "Social Impact Assessment" tools and methods, which are widely used in other contexts 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 social nature.

Gas storage and transportation infrastructure development investments directly and indirectly affect regional and municipal economies. Snam has developed experimental Social Impact Assessment methods to evaluate and measure the social and economic impacts of building certain specific infrastructures.

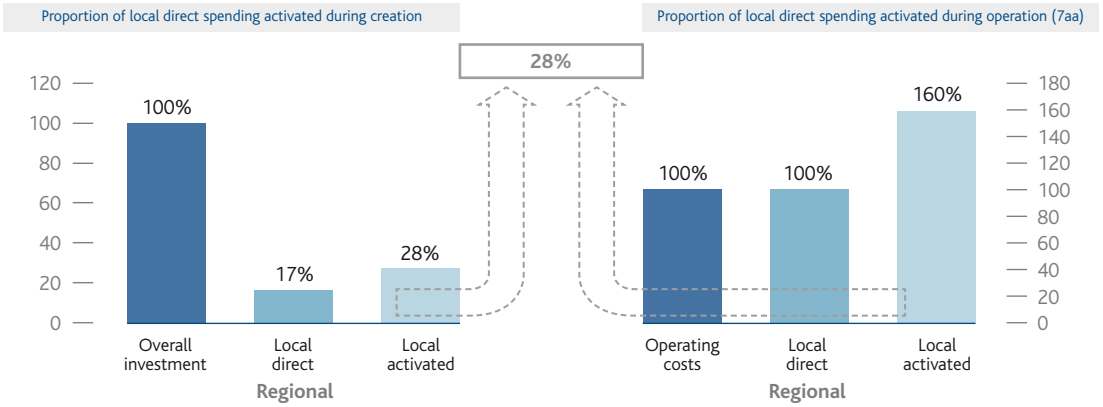
In 2012, and still on an experimental basis, this tool was extended further from a methodological perspective to include the construction of natural gas pipelines, and in terms of economic impacts to include compensation measures as a way of offsetting the environmental impact of certain types of infrastructure.

The analyses conducted using Snam's Social Impact Assessment model show that, in relation to large infrastructure such as compression stations and major pipelines, the impact of Snam's direct (through its activities) and indirect (through subcontracted activities) investments on the local economy (i.e. municipal, provincial and regional) is, on average, 17-28% of the value of the investment over its lifetime.

EXAMPLE OF ESTIMATE OF DIRECT AND ACTIVATED LOCAL EXPENDITURE DURING THE LIFE CYCLE OF A COMPRESSION STATIONS



EXAMPLE OF ESTIMATE OF DIRECT AND ACTIVATED LOCAL EXPENDITURE DURING THE LIFE CYCLE OF A METHANE PIPELINE*

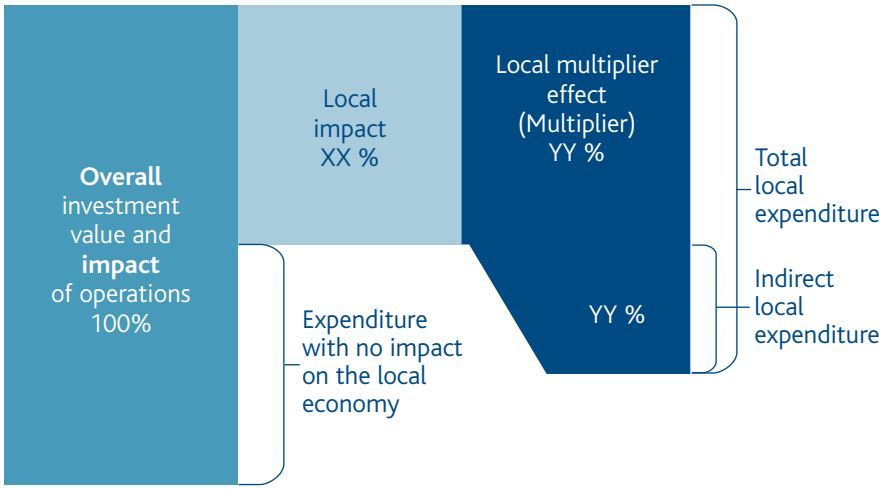


* Example of a methane pipeline about 150 km long with mountainous/mixed territorial structure

Methodology for analysing economic and social impacts on the local area

The socioeconomic impact, which as a concept is based on the difference between pre- and post-investment conditions, can be calculated using various models. Given the type of investments made by Snam, the preferred model is one that focuses on the estimated economic effects arising from construction and operating expense. Local expenditure is calculated along a chain which begins with direct spending on construction and operations. A work site, for example, affects local food services, catering suppliers, employees and others further along the chain.

Once the investment and operating components have been identified, multipliers (specific to each sector/product and available from Istat sources) are applied relating to the positive effect of reinvesting capital in the local economy. This multiplier effect turns direct local expenditure into the total local expenditure.



BIODIVERSITY

SO1 Safeguarding the natural value of areas where it conducts new works is important to Snam. The Company carries out specialist field studies in order to acquire complete knowledge of the area. The results of these studies help to define and implement the most appropriate design choices for minimising the biodiversity impacts generated particularly in the construction 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 also 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. caring for and maintaining the bedded-out plants for a period of at least five years.

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 towards verification of the process of renaturalising areas affected by works, based on a comparison of conditions after restoration ("post-completion") and the original conditions ("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

	2010	2011	2012
Km of network	30.9	15.5	7.4

The main Natura 2000 areas affected by the course of methane pipelines in 2012 were:
- The basins of the old sugar refinery at Argelato and the floodplain of the Reno river (BO)
- The spring areas of Viarolo, the basins of the sugar refinery at Torrile, the floodplain of the Po (PR)
- The marshes at Arsago (VA)
- The marsh at Brabbia (VA)

ENVIRONMENTAL RESTORATION AND MONITORING (NETWORK KM)

	2010	2011	2012
Restoration	173	235	193
Reforestation	25	43	6
Plant care	151	151	158
Environmental monitoring	883	1,065	830

MAJOR ENVIRONMENTAL MONITORING AND RESTORATION DURING THE YEAR

Entity	Name	Activities conducted
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 ten-year fauna research and monitoring activities continued with the help of international experts. 2012 was the eighth year of fauna monitoring and the 10th and last year of vegetation and soil monitoring.
Sicily Region	"Bronte - Montalbano" 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. Periodic plant care was performed in 2012, along with the replacement of plants that had not taken root. The replacement plants will also be supplied by the Sicily state forests agency nurseries. Some soil bioengineering interventions were launched in autumn 2012 along the course of the methane pipeline within the Nebrodi Park, involving rooted and potted plants taken from the Regional Nursery.

SUSTAINABLE PATHWAYS FOR THE PARCO DEI NEBRODI IN SICILY

Shared Value

In the second half of 2012, the book Sentieri Sostenibili, Parco dei Nebrodi (Sustainable Pathways, Parco dei Nebrodi) was published. This was an editorial project developed by Snam and produced by 24 ORE Cultura. The book, which was created with the collaboration of Parco dei Nebrodi, is the first in a series on corporate best practice relating to the application of naturalistic engineering techniques in particularly sensitive regions with complex ecosystems, such as parks and protected zones. The book tells the story of a constructive experience – the building of the Bronte-Montalbano Elicona methane pipeline, which crosses 15 km of Parco dei Nebrodi in Sicily – which provides a positive example of integration between sustainable economic development and protecting and creating value from the environment. This came about due to close collaboration built on dialogue and the sharing of objectives by the various protagonists in the initiative, including the park authority, the Environmental Observatory, experts from the University of Palermo and environmental associations.

The book presents the entire project, through a series of interviews, personal accounts, explorations and illustrations, from research through to creation and the restoration of the morphology and vegetation of the area crossed by the infrastructure, highlighting the geographical features and specific characteristics of the region's landscape and native wildlife, and benefiting the stakeholders.

In the wake of the Snam Nebrodi experience, the University of Palermo delivered its first post-graduate training course on naturalist engineering. Today, this first training course has developed into a Master's degree on environmental recovery and naturalistic engineering.

The book was unveiled at an International Conference on Natural Engineering and Regional Protection promoted by the Parco dei Nebrodi, the University of Palermo and AIPIN (Italian Association for Naturalistic Engineering) and sponsored, inter alia, by the Ministry of Environment and Federparchi. The conference addressed issues connected to defence of the soil and environmental recovery and requalification initiatives, with a particular focus on the Sicilian region. The project carried out by Snam was presented and the naturalistic engineering techniques used to build the methane pipelines were explained, with particular reference to the restoration of the environment and vegetation.

EN12

Safeguarding biodiversity

Vegetation restoration works began in autumn 2012 for the Somma Lombardo - Besnate DN 300 (12") - 24 bar methane pipeline, running for 5.8 km within the Lombardo Park in the Ticino Valley and, for around 1.5 km, within the Paludi di Arsago Site of Community Importance (SIC IT2010011) managed by the Park itself. The section of the Park that the pipeline runs through is characterised mainly by 4.9 km of broad-leaved forest, although it also has many allochthonous tree species. In agreement with the Park, a widespread plantation and reforestation project is under way. Around 12,500 plants and approximately 10,500 shrub species will be bedded out, with the vegetation restoration scheduled for completion in spring 2013.

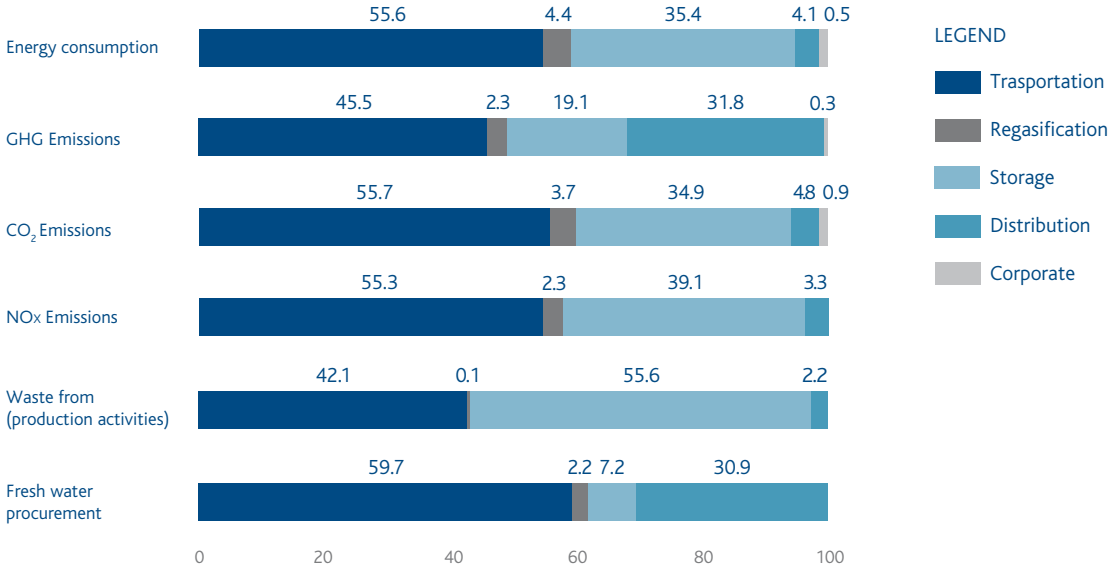
The fauna survey continued in 2012 with a view to taking a census of protected amphibian species within the "Paludi di Arsago" SIC. The survey began in 2011 with the pre-works phase. Snam Rete Gas ensured the presence of expert herpetologists during works in order to identify any individual species present, prepare their transfer to suitable areas outside the excavation zone and record any useful data from their findings. During the works phase (monitoring still in progress), five species of amphibian were found in the areas surrounding the course of the pipeline, including a female Pelobates fuscus insubricus (a species of toad). This toad was found along the initial course of the pipeline, extracted, protected and moved to areas outside the works zone. In terms of the post-works monitoring, the fauna survey was extended to all wet areas conducive to amphibians, both within and on the periphery of the Paludi di Arsago SIC, in order to characterise in greater detail the main breeding sites of the Pelobates fuscus insubricus. These are delimited wet areas either not affected by the course of the Somma Lombardo – Besnate methane pipeline or marginally affected but sufficiently safeguarded with the help of the expert herpetologists, avoiding works during the breeding season and restoring natural features after the works are completed.

The batrachological survey (a fauna survey specific to amphibians) identified 28 amphibian breeding sites within the Paludi di Arsago SIC and its immediate surroundings: 15 of these were inside the SIC and 13 were outside its boundaries. These sites were in wet or aquatic areas. The Pelobates fuscus was found in 14 sites, but evidence of breeding (larvae) was found in only 10 sites. Monitoring of the larvae development stages in relation to the hydroperiod, meanwhile, showed that the duration of inundation was sufficient for the completion of metamorphosis in only eight of these sites. The survey and characterisation of these sites has provided important scientific data for better understanding the local area and managing it more appropriately.

ENVIRONMENTAL MANAGEMENT

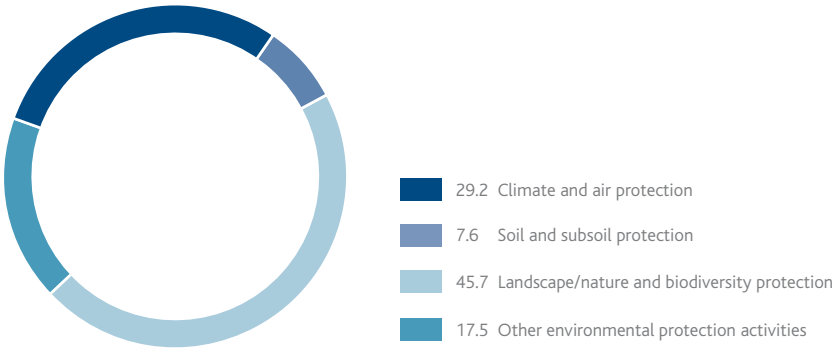
Snam's policy is to minimise the environmental impacts generated by its activities, applying, where technically and economically feasible, the best technologies available and adopting specific management systems and internal procedures.

ENVIRONMENTAL FOOTPRINT BY BUSINESS SEGMENT (%)



EN30 In 2012, environmental expenses amounted to €123.6 million (€104.6 million for investments and €19 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_2) and methane (CH_4), the main component of natural gas. CO_2 is produced in combustion processes and is directly correlated with fuel consumption, while emissions of natural gas, and thus CH_4, 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.

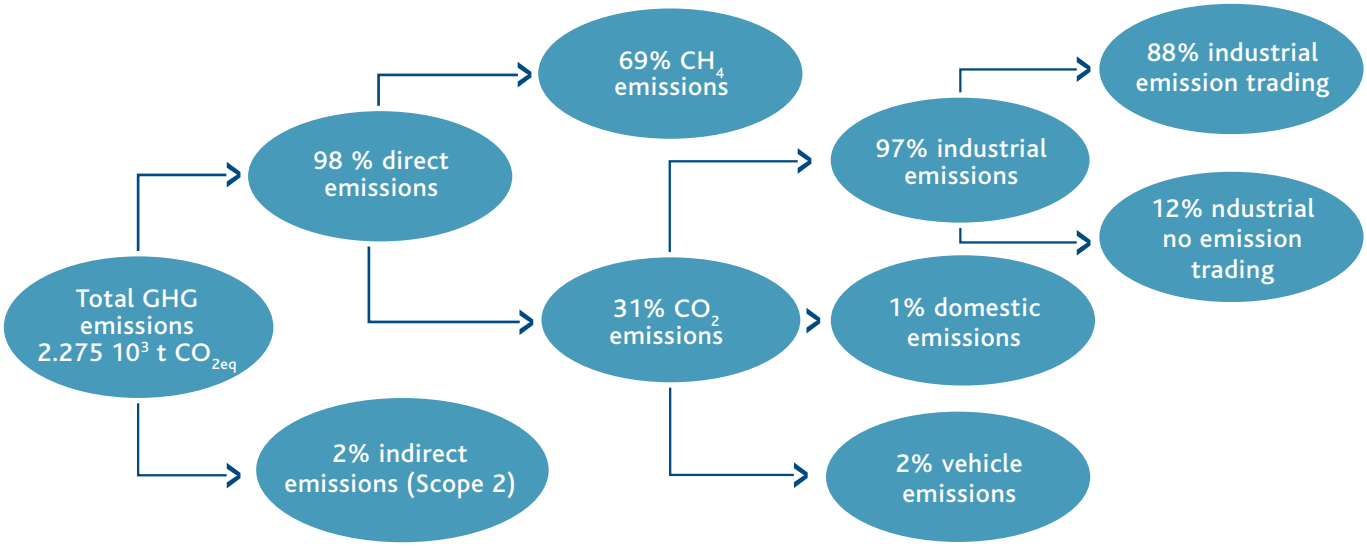
In addition to using natural gas as its main fuel, Snam attempts to minimise GHG emissions in its operating activities by employing specific containment programmes, such as:

- 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).

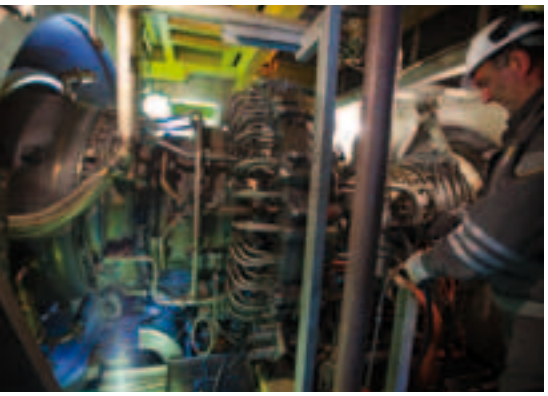
The advantages of natural gas

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 with output of about 40% from traditional steam-powered cycles, makes it possible to reduce CO2 emissions by 52% compared with a traditional fuel oil-powered plant and by 62% compared with a coal-powered plant.

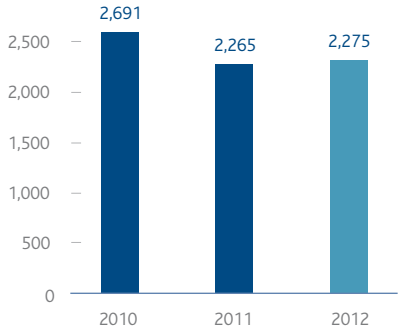
2012 GHG EMISSIONS



EN16 In 2012, total GHG emissions (direct and indirect – Scope 2 were approximately 2.27 million tonnes (unchanged from 2011). The trend of CO_2 emissions from combustion depends greatly on the plans and requests of the customers to which Snam provides transportation, storage, regasification and distribution services.



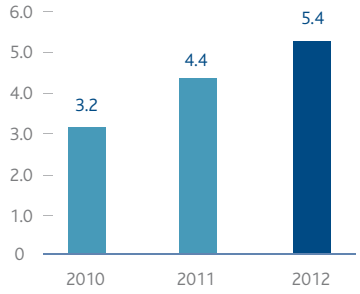
TOTAL GHG EMISSIONS (10^3t)



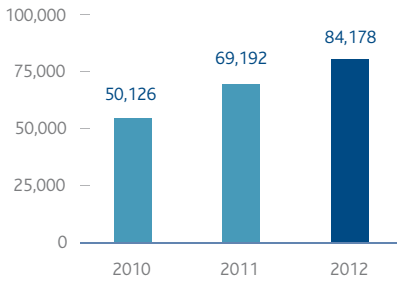
EN18 In order to contain natural gas emissions from the transportation network, activities were continued which involve gas recovery through in-line gas recompression interventions in the network upgrading phase (13 interventions were carried out, recovering 5.4 million cubic metres of natural gas, an increase on the 11 interventions and 4.4 million cubic metres recovered in 2011), as well as the replacement of pneumatic equipment at some plants. As regards containing natural gas emissions in distribution networks, the Company continued to replace cast-iron piping with more high-performance piping (replacing about 85 km of networks).

The value of natural gas recovered in 2012 meant a reduction of more than 84,100 tonnes in CO_{2eq} atmospheric emissions.

NATURAL GAS EMISSIONS RECOVERY TRANSPORTATION ACTIVITIES (10^6m^3)



EMISSIONS AVOIDED TRANSPORTATION ACTIVITIES (t CO_{2eq})



In 2012, natural gas emissions rose by about 1.5 million cubic metres compared with 2011, going from 96.9 million cubic metres to 98.4 million cubic metres (+1.6%). This increase was due mainly to gas transportation network emergencies in 2012 (2.8 million cubic metres). Without those exceptional events, emissions would have been lower than in 2011.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
Natural gas recovered out of total potential emissions from maintenance activities	2010	Recover 30% in 2012	49%	Transportation	■
Replacement of cast-iron networks	2010	Replace the entire grey cast-iron network* by 2014	172	Distribution	○
Natural gas emissions as a proportion of gas injected into the network	2008	Reach a percentage of 0.048% in 2012	0.055%	Transportation	■

*The pre-set target has been changed from replacing 400 km, as reported in 2011, to replacing the entire cast-iron network.

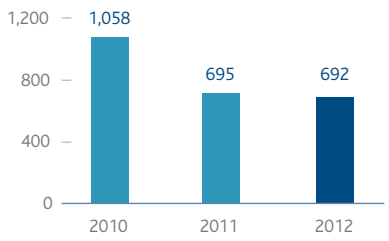
The "Natural gas emissions as a proportion of gas injected transportation" KPI, which was set in 2008 for 2012, was not achieved. This is because of higher natural gas emissions caused by emergencies and lower volumes of gas injected into the network.

DIRECT EMISSIONS

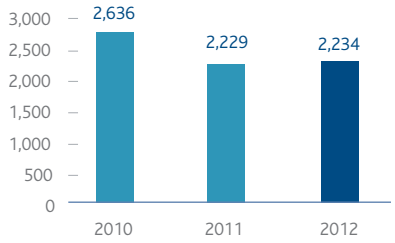
EN16

Direct CO_2 emissions from combustion stood at approximately 691,870 tonnes (in line with 2011), while $CO_{2\text{-eq}}$ emissions deriving from methane emissions were approximately 1.5 million tonnes (also in line with 2011). The $CO_{2\text{-eq}}$ emissions were calculated based on a global warming potential (GWP) of 25 for methane, as indicated in the 2007 scientific study of the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fourth Assessment Report".

DIRECT CO_2 EMISSIONS FROM COMBUSTION (10^3t)



TOTALE EMISSIONI DIRETTE DI CO_{2eq} (10^3t)



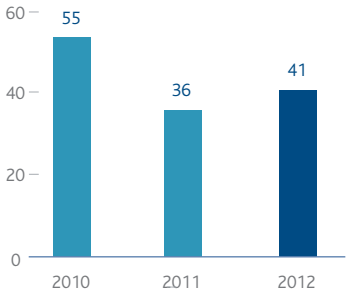
INDIRECT EMISSIONS (SCOPE 2)

EN16-EN17

Indirect $CO_{2\text{-eq}}$ emissions derive from the use of electricity. In 2012, they stood at approximately 40,660 tonnes (+13% compared to 2011). This increase is due to higher electricity consumption by distribution activities and to full-year accounting of the energy consumption of the data processing centre, started in the second half of last year.

Indirect $CO_{2\text{-eq}}$ emissions have been calculated with a national average factor of 0.483 kg CO_2/KWh.

INDIRECT EMISSIONS CO_{2eq} (10^3t)



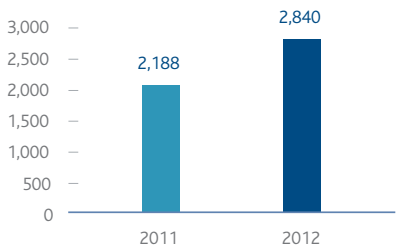
By way of agreements concluded during the year, Snam will procure more electricity from renewable sources in the 2013-2014 two-year period. Specifically, the compression station at Messina (Snam Rete Gas) will join its counterpart at Brugherio (Stogit) and the regasification plant at Panigaglia (GNL Italia) in procuring its electricity in this way. It is estimated that this will reduce the Snam group's total CO_{2-eq} emissions by 36%.

INDIRECT EMISSIONS (SCOPE 3)

EN16-EN17

Scope 3 indirect emissions refer to GHGs related to the supply chain (the provision of goods and services from third parties) and to business travel (business trips of Snam employees).
In 2012, CO_{2-eq} emissions from business travel alone were approximately 2.8 million tonnes (+27% compared with 2011). This increase was due to more rail and air trips, partly owing to the new activities that Snam is involved in at European level.
With regard to supply chain emissions reporting, Snam launched a dedicated project at the start of 2013 with one of the world's leading carbon footprint analysis companies.

INDIRECT EMISSIONS BUSINESS TRAVEL - SCOPE 3 (10^3t CO_{2eq})



EMISSIONS TRADING

EC2-EN16 The Snam plants falling under the scope of application of the Emissions Trading Directive as at 31 December 2012 are shown in the table:

Company	ET 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 2012, the CO_2 emissions verified and certified by an accredited entity, in accordance with the provisions issued by the relevant national authority, stood at 607,148 tonnes, out of a total of 1,001,577 annual quotas allocated by the Ministry of the Environment, Land and Sea (a positive balance of 394,429 quotas).

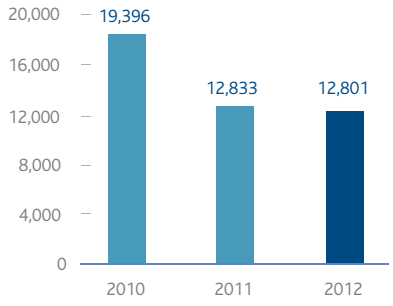
Before the emissions trading regulations on climate change came into force, Snam had already undertaken initiatives to contain emissions using high-yield technologies and natural gas as the main fossil fuel in its plants. Natural gas is used almost exclusively as fuel in the emissions trading plants.

ENERGY CONSUMPTION

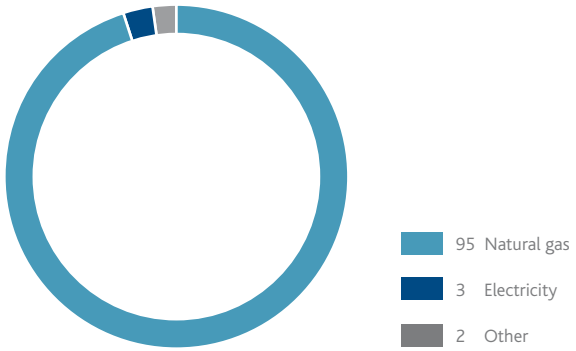
EN4 The company's main energy consumption is due to gas turbines – used in compression stations to provide gas with the pressure necessary for transportation (compression gas) or storage (storage consumption) – and to the evaporators used at the Panigaglia LNG regasification plant.

EN7 To limit energy consumption, the best available technologies have always been used and high-performance turbines have been installed. In particular, the fuel consumption of the compression stations is controlled by the Dispatching Centre 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.
In 2012, total energy consumption was around 12,801 TJ, in line with 2011. The energy source most used was natural gas, which covered 95.1% of total energy needs. The other sources used were electricity (3.3%), other fossil fuels (diesel oil, petrol, LPG) and heat (1.6%).

EN5 ENERGY CONSUMPTION (TJ)



ENERGY CONSUMPTION (%)

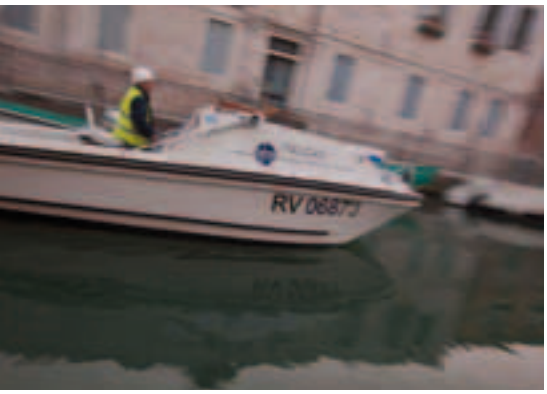


EN7 In energy management, the company continued activities aimed at identifying possible energy consumption rationalisation and containment actions, such as the installation of photovoltaic equipment in buildings and plants, the adoption of LED lights and automatic switches for plant lighting, the installation 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.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
High-efficiency turbines	2010	Achieve 85% out of total units installed by 2015	70	Storage	■
High-efficiency turbines*	2010	Achieve 72% out of total units installed by 2015	93	Transportation	■

*The transportation KPI was achieved on the basis of a new check on machine output.



Italgas energy certification

Energy efficiency is one of the main aspects to consider as we try to reach our targets on reducing primary energy consumption and CO2 emissions and move more towards renewable sources.
In 2012, Italgas's energy management system was found to be in compliance with ISO 50001 standards, which is the first time that a Snam group company or any Italian network services company has received energy certification.
ISO 50001 requires energy efficiency to be promoted throughout the business chain, and it also requires the development of an initial energy analysis, the determination of baselines and the identification of energy performance indicators. We have also appointed an energy management team to ensure that the energy management system is functional and up to date, and to make suggestions for energy improvements and interventions.
Our energy analyses have assessed the various energy uses of Italgas, which include: the efficient use of heat generators to heat gas; office buildings; company vehicles; new electricity generation plants with photovoltaic facilities; and natural gas emissions.
In this first stage, certification applies to the industrial gas distribution infrastructures, but we aim to extend it to the use of energy in civic structures such as offices and buildings not connected to gas distribution.
Two areas of intervention in particular have been identified for specific energy-saving activities in relation to the current certification. These are:

- reducing energy consumption at gas withdrawal and reduction stations by installing a system for distributing flows more evenly;
- replacing grey cast-iron pipeline sections with materials with lower specific emissions (PE/steel).

Our considerable progress is proof of the group's commitment to managing its processes in a controlled fashion, while continually focusing on health, safety, environmental, quality and now energy-saving issues.

PRODUCTION AND USE OF ENERGY FROM RENEWABLE SOURCES

EN3-EN6

Being aware of the importance of using energy from renewable sources, the Company has begun programmes that involve the installation of photovoltaic facilities in buildings that it owns (local headquarters and maintenance centres) and in some natural gas withdrawal and pressure reduction stations in the distribution network.

Renewable source plants	Number	Total capacity (kW)	Energy produced (kWh)
Wind generators	1	1.5	143,542
Impianti Fotovoltaici	1.699	454,6	

The number of renewable-source plants increased from 1,685 in 2011 to 1,700 in 2012 (+0.9%). The total installed capacity of these plants increased substantially, however, from 231 kW in 2011 to 456 kW in 2012 (+97%). This increase is due to the fact that in 2012 we installed 11 20-kW photovoltaic plants for transportation and two 5-kW plants for distribution activities.
The total energy produced by renewable-source plants fell slightly compared with 2011, going from about 156,000 kWh to around 144,000 kWh (-8%). This reduction is due to the fact that the new facilities installed in 2012 were still not connected to the network, meaning their energy contribution was invalid, while a malfunction partially impeded energy production at two existing plants.

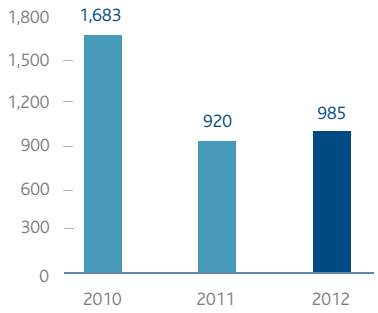
OTHER ENVIRONMENTAL PERFORMANCE

PROTECTING THE AIR

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 evaporators 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 evaporators are used.
In 2012, programmes for upgrading station turbines were continued. Specifically, DLE transformations were completed for the turbines at Settala (TC1) and Sabbioncello (TC1).

TOTAL NO_x EMISSIONS (t)



Total emissions of nitrogen oxides were around 985 tonnes (+7% compared with 2011). This slight increase was due mainly to more storage activity and to less use (for operational reasons) of the DLE turbines in transportation activities than in 2011.

NOx emissions into the atmosphere are determined based on direct measurements or, if these are not available, on emission factors present in the relevant literature (the EMEP/EEA Air Pollutant Emission Inventory Guidebook).
During the year, we updated the continuous emissions monitoring systems (CEMS) of the turbo-compressors at the Ripalta and Sergnano storage centres.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Stato attività
No of DLE turbines out of total no of turbines	2010	Achieve 75% by 2015	72	Transportation	■
No of DLE turbines out of total no of turbines*	2010	Achieve 85% by 2015	45	Storage	■
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm^3*MW) by 2015.	5.9	Transportation	■
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm^3*MW) by 2015.	13.6	Storage	■
No of hours of operation of DLE turbines out of total hours of operation of turbines	2010	Achieve 85% by 2015	75	Transportation	■

*the 2012 figure should be compared with a figure of 35 for 2011, rather than the 65.2 declared in the 2011 Sustainability Report.

WASTE MANAGEMENTI

The waste that Snam produces can be traced mainly to three areas of activity: production, 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.

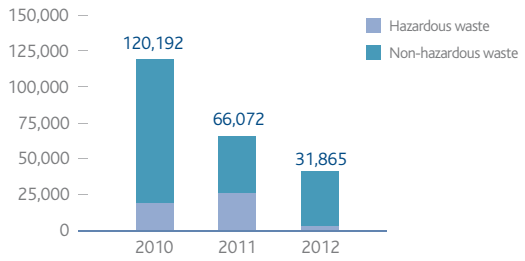
Waste from reclamation activities results from the environmental requalification of 28 areas, with a total buildable area of around 137 hectares, contaminated as a result of earlier industrial activities, mainly due to the production of manufactured gas. Reclamation waste can also be produced during 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.

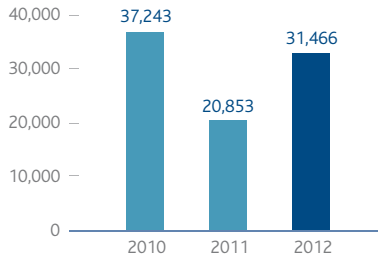
Total waste production was approximately 31,865 tonnes in 2012, down by 52% compared with the previous year. Of this, 95% was non-hazardous waste and 5% was hazardous waste. In total, 47% of the waste disposed was sent for recovery.

The reduction in waste produced is due almost exclusively to reclamation activities, which in 2012 involved only water drainage operations that produced practically no waste. The waste produced in 2012 derived almost exclusively (99% of the total) from production activities.

WASTE PRODUCTION (t)



WASTE BY PRODUCTION ACTIVITIES (t)



Ecologically

The project "Ecologically", started in 2010, continued. This 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.

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

In 2012 the use of recycled paper with respect to total paper bought was 38%, allowing the group to save natural resources and control carbon dioxide emissions.

Trees (n.)	Water (million litres)	Electricity (kWh)	$CO_{2eq.}$ (t)
- 1,110	- 32,6	- 364,700	- 180

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-EN9 In 2012, approximately 4.46 million cubic metres of water were procured (4 million of sea water and 0.46 million of fresh water). The procurement of sea water was practically unchanged compared with 2011, while that of fresh water increased slightly.

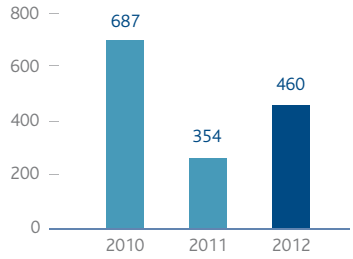
EN9 Sea water is used for cooling auxiliary equipment in the LNG regasification plant, and fresh water is used primarily for office activities, fire-fighting apparatus and the irrigation of green spaces.

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 (91% of the total) or discharged, after treatment, into the soil and into surface water bodies (9% of the total).

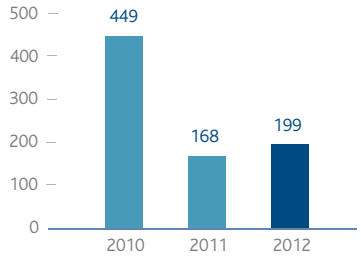
To control the discharge of domestic waste water, we continued to investigate the possibility of installing new closed-cycle phyto-purification plants at corporate sites away from the sewage networks. These phyto-purification plants eliminate discharge since waste water is treated and fully absorbed by planted vegetation following the separation of settleable solids. As a result of this analysis, we drew up plans to build two new plants, starting in 2013.

EN21 In the storage business, in the upstream phase, approximately 3,285 cubic metres of process water were produced. Of this water, about 1,525 cubic metres were reinjected as is, while the rest (about 1,760 cubic metres) was sent to a purification plant for treatment.

FRESH WATER PROCUREMENT ($10^3 m^3$)



FRESH WATER DISCHARGE ($10^3 m^3$)



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 leaks of gas 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 2012, around 157 kg of HCFCs were replaced with ecological fluids. The most recent analysis of all Snam plants shows that around 1,600 kg still needs to be disposed of.

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.

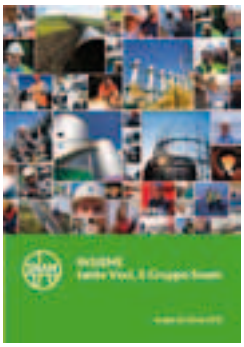
The principal control measures adopted include the installation of soundproofed cabins, noise-reducing hoods, low-noise valves, silencers on operating vents, and the burial of pipes.

In 2012, for purposes of mitigating noise emissions from facilities through technological adaptations, actions continued for improving the acoustic soundproofing of plants in the gas transportation and distribution network. In particular, in the transportation network, 44 interventions were carried out on gas pressure reduction and regulation cabins (9 in 2010 and 45 in 2011), in accordance with plans providing 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 316 plants.

Working together

The main guidelines and basic orientations that Snam follows in relation to everyone active in the group are set forth in a specific corporate policy – "Our People" – approved by the Board of Directors. They are then implemented using an articulated system of company governance that, in constant evolution, sets forth the rules, roles and responsibilities in operations.

Snam managerial action is indeed based on assigning precise objectives to each position of responsibility and on transparent assessment of the results achieved, thus making constant improvement possible, primarily, in the efficiency and effectiveness of organisational processes.
This sort of approach has also proven to be essential for successfully handling the changes that involved the group organisational structure during 2012, which became necessary in order to meet the obligations provided for by the Third European Directive. In light of these changes, Snam's corporate system is ready to handle the new international strategic challenges and adapt itself to the new desires expressed by the market and stakeholders.
Similarly, the attention paid to enhancing internal sensitivities and perceptions has enabled information to be gathered that is useful for defining plans for improving the organisation's "climate". During the last quarter of 2012 the ongoing action of listening has been enriched with the creation of the initiative "Together – So Many Voices, the Snam group", which has enabled all of Snam's people to systematically provide their own assessments and ideas on the organisational climate of the business.



Climate Analysis

The climate analysis "Together – So Many Voices, the Snam group", an initiative to better understand the business of today and tomorrow, was started up in the second part of 2012. This enquiry was an opportunity for everyone in the group to freely express his or her own opinion on the business and on his or her own job.
The climate analysis, conducted by a consulting firm, a world leader in the industry, has been based on a methodology tested and validated on an international level that enables the information and perceptions of people regarding the organisation of the business to intersect on three main components: cognitive, emotional and behavioural.
The enquiry was done by compiling a questionnaire administered on-line and in hard copy. The questionnaire that people answered consisted of about 50 questions related to: the feeling of belonging, work tools and resources, well-being, leadership at the top, relations and cooperation, change and communication, occupational development, social responsibility, health and safety.
The initiative had 75% participation from the corporate population as a whole, a significant outcome that demonstrates the widespread willingness on the part of the people working at Snam to participate in company life and contribute to its improvement.
The results of the analysis, which will be based on a comparison of the assessments by Snam personnel against those provided by a wide national and European benchmark for various business sectors, will be available during the first half of 2013. The results will enable a plan of action to be defined, aimed at further improving the climate of the business.

JOBS AND INDUSTRIAL RELATIONS

LA4

Snam can create "good jobs", in quality terms, because it is a capital-intensive company that is spread over a wide portion of the national territory, because it has activities requiring qualifications and specialisation and because it can offer stable and constant employment.
To work at Snam requires basic skill in operating technologies, control systems and information systems and procedures that are ever more complicated. As a result, about half of the more than 6,000 employees of the group have technical specialist degrees. University graduates, mainly in engineering and economics, amount to nearly 11% of the corporate population and the strategic projects of European networks development involve further enhancement of the skills needed to handle the complexities of the work.
A total of 96% of Snam's people have permanent employment contracts and about 1,600, about a quarter of the total workforce, are employed in Southern Italy.
As of the end of 2012 the workforce level remained substantially unchanged. During the year 99 people joined the workforce, about half of whom from the job market, and about 160 departed, about 48% of whom with incentives, 25% were transferred to other companies (non-consolidated, the Eni group, transfers under tenders), 5% resigned, 5% were laid off and 17% left otherwise. Hours worked in 2012 totalled more than 9.9 million, with an absenteeism of 622,928 hours (of which 55.8% hours due to sickness, 1.5% hours due to accidents and 42.7% hours due to other reasons).

The average age of the workforce of the group is about 49 years and the average seniority of service is about 23 years.

LA1 SNAM GROUP PERSONNEL (No)

	2010	2011	2012
Executives	116	118	115
Managers	508	544	560
Office workers	3,243	3,277	3,257
Manual workers	2,237	2,173	2,119
Employees	**6,104**	**6,112**	**6,051**

LA1 PERSONNEL - BY TYPE OF CONTRACT (No)

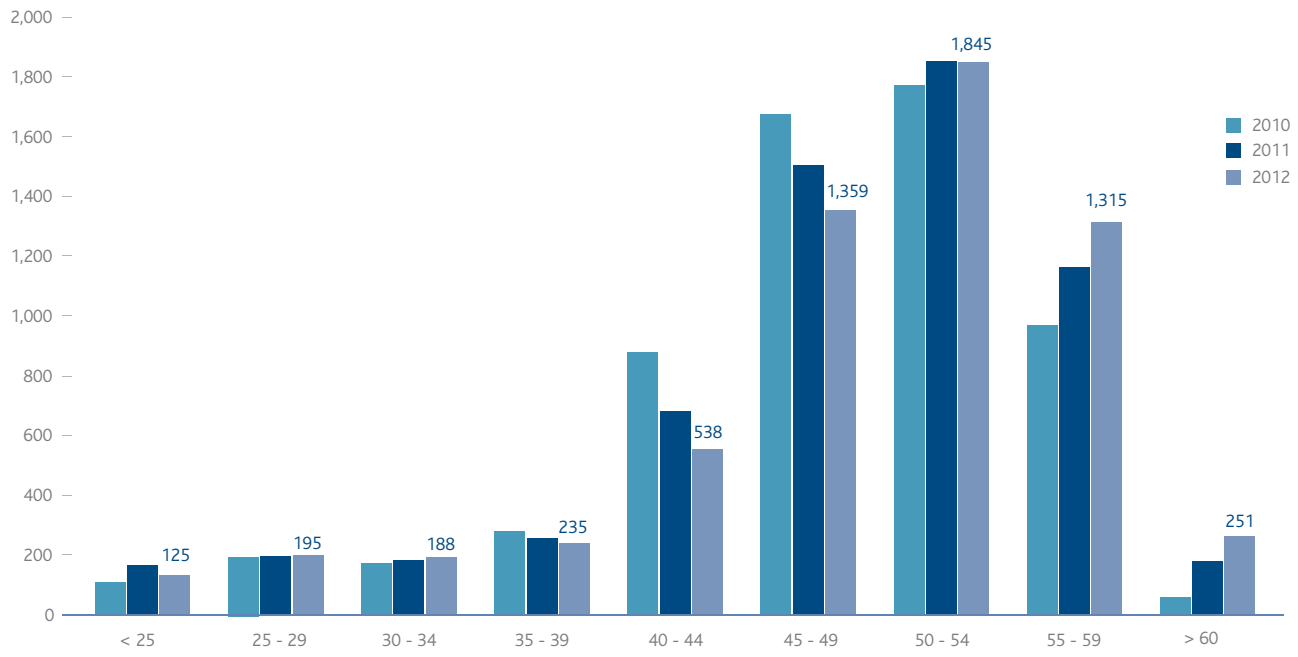
	2010	2011	2012
Permanent contract	5,844	5,797	5,774
Apprenticeship or trainee contract	158	211	183
Temporary contract	3	1	0
Part-time contract	99	103	94

LA2 DEPARTURES DURING THE YEAR (No)

	2010	2011	2012
Hired from the market (total)	55	140	47
of whom university graduates	39*	51	27
of whom college graduates	61*	85	19
of whom holding other qualifications	37*	4	1
Other incoming employees (eni group, non-consolidated companies, tender acquisitions, etc.)	82	228	52

* Data that also include entries from the eni group, amounting to 82 in 2010.

DEMOGRAPHIC DIVERSITY: EMPLOYEES PER AGE BRACKET (No)



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 (Energy and Petroleum Industry Agreement for the Transportation, Storage and Regasification sectors, and the Gas and Water Agreement for distribution). In 2012, 51.65% 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.

During 2012 relations between Snam and the labour organisations continued on both the national and local level, with 190 meetings. The main topics involved the reorganisations in progress within the individual companies and the development of group integration processes.

DEVELOPING AND MAKING THE MOST OF HUMAN CAPITAL

DEVELOPING SKILLS AND ABILITIES

In maximising the potential of Snam's people, a key role has been assumed by the development and strengthening of the system of occupational skills and managerial abilities in harmony with the changing scenario.

Over time, Snam has developed its own repertoire of abilities/skills and a set of indicators for assessing potential. These components, integrated in the performance assessment process, enable people to be assisted in an ongoing development process that already starts in the selection phase. Training, besides playing the traditional role of developing abilities and skills, has been extended as a tool in support of paths to organisational integration and change management to make ever more participants aware of and responsible for corporate strategies and targets.

Therefore, during 2012 the methods of potential assessment were adapted to better reflect the attitudes and conduct that should characterise Snam's people and the training guidelines were redefined with the aim of strengthening specialist technical know-how and orientation towards the business and towards the organisational and market context. There has been a transition from the logic of training courses to a logic of training "paths", namely identifying mainly structured training activities that take place at the same time as the operational management of the activities where territorial HR functions are more greatly focused. Thus the training offered is differentiated by occupational category, partly depending on the specific area of responsibility.

Overall, in 2012 about 160,700 training hours were provided (of which 19% dedicated to sustainability issues, with particular reference to HSEQ issues) with about 15,640 participants, representing involvement by 83.9% of the corporate population. On average this came to 26.4 hours per employee (of which 13.6 hours/year for women and 28.1 hours/year for men).

LA10 TRAINING (No)

	2010	2011	2012
Total hours provided	**148,824**	**187,134**	**160,771**
.. to Executives	3,734	2,369	2,366
.. to Managers	13,358	13,840	15,841
.. to Office Workers	79,526	102,103	65,209
.. to Manual Workers	52,206	68,822	77,355
Participants	13,750	16,437	15,639

To follow up on the commitments made in prior years, the training Key Performance Indicators (KPI) have been confirmed for the 2012-2013 two-year period, pre-setting a quantitative target to be reached both in the provision of average hours per employee as well as in involvement by the personnel. The two targets pre-set for the year have been reached.

LA10 KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2012	Sector	Activity status
Average hours per employee (no)	2012	Reach 25 events for the 2012-2013 two-year period	26.4	Snam group	■
Involvement of corporate population (%)	2012	Reach 83 events for the 2012-2013 two-year period	83.9	Snam group	■

LA11 MAIN TRAINING INITIATIVES

Description	Hours provided (no)	Participants (no)	Recipients
Joining company	1,288	48	Young, newly hired technical specialists
Training sessions to spread the HSEQ culture	28,860	4,228	Technical operating and office worker population
Training sessions to promote development of managerial abilities	2,598	183	Executives and managers
Training dedicated to maintenance of and know-how on technical systems	104,669	7,666	Technical operating and office worker population
Identifying and spreading operational best practices on hand at the company ("Peak Performer Model")	4,192	260	Operating managers
Specific workshops and seminars ("360° Outlook" Project)	1,200	131	Managers under 40
Development of specialised skills of Human Resources	9,555	2,334	Office workers
Foreign languages	6,141	194	Executives, managers, office workers and technical specialists

SO3-HR3

In 2012, training activities continued regarding the requirements of the Organisational Model pursuant to Legislative Decree 231 and anti-corruption. With regard to the latter, to supplement the training campaign conducted in 2011 those who were not able to take part in the previous programme were included. A total of 416 hours were provided, with 136 participants from among managers and executives.

In addition, 1,852 hours of training were provided on anti-trust, with 459 participants from among managers and executives.

360°OUTLOOK

360° Outlook Project	Managerial development programme started in 2012; aimed at a manager population under 40, the population range from which tomorrow's managers are likely to come.
Project goals	To provide skills for building productive relationships within the Company. To obtain tools, techniques and methods in various areas (from delegating to negotiating, from change management to the ability to listen and provide feedback). Rethinking managerial style, from values to the vision that guides everyone's daily activities.
People involved	About 65 managers.
Project execution	Modular programme that each participant can construct and adapt to his or her own needs, alternating traditional training sessions with individual coaching meetings that include "experiential" training sessions.

MEUM Master's

In the context of the training and skills development programme, with the objective of injecting talented young resources into the corporate organisation, for six years Snam has offered its own sponsorship for an energy and environment Master's, Multiutilities Ambiente ed Energia. Participants in this Master's have the opportunity to learn about Snam's business activities from classroom lectures by Company staff and specific educational modules.
As a result of Snam's cooperation over the years, it has been able to hire six young Master's participants, after a period of traineeship, recognising this excellent basic and specialised preparation and advantageous integration into the work environment.
In 2013 Snam also renewed its support for the Master's, which has been recognised as a University Master's, benefiting from a prestigious new partner – IULM (Libera Università di Lingue e Comunicazione) – to strengthen relationship and communication skills within the educational programme.

INCENTIVE AND REMUNERATION SYSTEMS

LA12

The remuneration system has been adjusted periodically using criteria based on meritocracy and internal fairness. This system is aimed particularly at ensuring recognition of the results achieved by an employee, the quality of professional support provided and the employee's development potentials. Also in 2012, a year of particular importance partly because of the change in equity control of the Company, the auditing and optimising of the competitiveness and fairness of compensation practices for managerial and professional personnel were completed.
For that purpose, a management review for managers is carried out each year, which enables accurate monitoring of their performance using consolidated and common criteria. Furthermore, an annual performance appraisal process is employed focusing on the contribution made and the results achieved by individual employees during the year.
In 2012, this appraisal event involved all executives, focusing on their commitment to developing business activities with particular attention to sustainability. This is demonstrated by assigning at least one individual goal linked to sustainability to positions of responsibility within the local operating area both for executives and managers.
In the 2011-2012 two-year period, the sustainability goals have been predominantly assigned within the scope of preventing workplace accidents. The assigned and achieved goals shown in the table refer to personnel (executives and managers in charge) in service at the time these are allocated.

TARGETS ASSIGNED TO SUSTAINABILITY ISSUES

	2011		2012	
	Assigned (no)	Achieved (%)	Assigned (no)	Achieved (%)
Executives	116	100	116	100
Managers	118	100	125	100
Office workers	5	100	5	100

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 tables derived from corporate tables.
A new incentive system is in the implementation phase for young graduates, aimed at supporting the motivation and retention of more talented young people by even more accentuated differentiation connected with performance, professional abilities and managerial potential.
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, Snam Rete Gas, 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. A total of 648 CREA evaluations were approved in 2012. All evaluation processes are formalised and involve feedback sessions that are an important opportunity for discussion and communication between the manager and the 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.
Lastly, 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 (ROACE) and productivity, as measured in relation to annual targets agreed between the Company and union representatives.

HEALTH AND SAFETY

The commitment of the Snam group to ensuring the health and safety of its workers is embodied in the Health and Safety Policy, combining environment and quality. The responsibility for implementing the policy is shared by Snam's HSEQ unit, focusing on the functions of coordination and general direction for the entire group, and the HSEQ structures in the individual companies that have the tasks of specific guidance, coordination and support for the respective operating units.
In its principles on prevention and safeguarding, the policy acknowledges the primary values shared by the business and by society. Consistent with these principles, Snam believes that it is essential to be active both in cultural terms, to improve personal attitudes, conduct and responsibilities as well as in systemic terms, promoting the implementation of suitable and consistent management systems.

Therefore, in 2012 all of the initiatives and actions were continued along these lines, starting from the "Objective Safety" project. Now reaching the third year of activity, the project was started with the objective of reducing occupational accidents by strong involvement of individuals, so that safety awareness becomes a distinctive characteristic of anyone who works for Snam.
The Objective Safety Project will be renewed with the start-up of a new three-year plan which includes the initiatives already begun and new activities aimed at ongoing improvement.

LA8 "OBJECTIVE SAFETY" PROJECT

Initiatives	Description of the initiative
Safety Trophy	This 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.).
Zero Accidents Award	An award given to all corporate organisational units. It offers prizes for all "homogeneous groups" who meet the goal of completing 365 consecutive days without an accident.
Safety Walk	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.

Another important result achieved in the year is the OHSAS 18001 certification for Snam (former Snam Rete Gas certification) and subsidiaries Stogit and GNL Italia. With these certifications, all of the Snam units are now equipped with health and safety management systems developed in compliance with the internationally recognised standard.

ACCIDENT PREVENTION

The prevention of workplace accidents is a primary goal pursued through actions meant to eliminate or reduce risk factors characteristic of the work activities.
The in-depth analysis of accidents has the purpose of determining the causes of the event, identifying the appropriate corrective actions, implementing the technical-organisational and procedural improvements, and acting upon the behavioural styles of employees and third parties involved.
Improvement and prevention plans focused on reducing accidents have mainly involved articulated actions for informing the personnel and increasing their sensitivity so as to promote responsible actions consistent with corporate policy, adherence to operating and safety procedures and proper use and maintenance of work equipment and protective devices.
Also in 2012 these actions have enabled significant reductions in the employee accident indicator data, and various corporate units have succeeded in reaching or maintaining the target of zero accidents. Over the year there were 15 accidents (-32% compared with 2011), none of which were fatal. The frequency index was 1.51 (-32% compared to 2011) and the severity index was 0.06 as in the previous year.

LA10 HEALTH AND SAFETY TRAINING (No)

	2011	2012
Hours provided	28,563	26,959
Participants	4,452	4,062

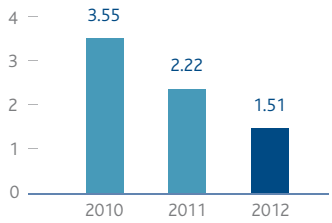
LA7 A YEAR OF ZERO ACCIDENTS

Company	Homogeneous groups
Snam Rete Gas	North District; Central Eastern District; South-eastern District, Sicily District.
Italgas	Turin site; North District; North-western District; Central District; South District, Sicily District.
Stogit	All companies.
GNL Italia	All companies.
Napoletanagas	All companies.

ACCIDENTS AT WORK (No)

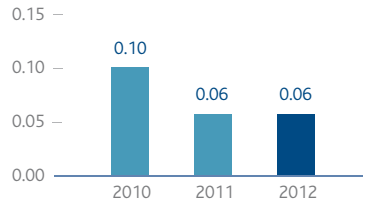
	2010	2011	2012
Total employee accidents	37	22	15
Total contractor accidents	74	78	27

EMPLOYEE ACCIDENTS AT WORK FREQUENCY INDEX*



* number of no-commuting accidents with incapacity of at least one day, per million hours worked

EMPLOYEE ACCIDENTS AT WORK SEVERITY INDEX*



** number of working days lost in relation to no-commuting accidents with incapacity of at least one day, per thousand hours worked

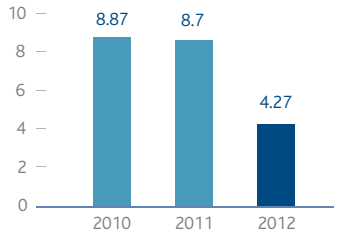
Ongoing research and the adopting of good corporate practices consistent with the change in regulatory, ethical and market contexts have, in recent years, represented the basis for the development of increasing progress, vis-à-vis suppliers as well, strengthening sensitivity orientated towards a proper handling of health and safety issues.

With regard to suppliers, quality standards similar to those adopted by the Snam group are required ever more often. With regard to safety in connection with contracted labour, special attention was paid to suppliers' qualifications and their subsequent evaluation through special inspections performed in the work execution phase.

Initiatives envisioned in 2012, such as the "My safety is your safety" workshop at Snam Rete Gas and the start of the Contractor's Safety Trophy at Italgas, have contributed to further developing

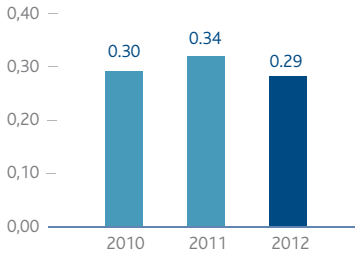
the involvement and sensitivity of suppliers with regard to these issues, including the significance of safety indicators in supplier assessment and qualification criteria.

CONTRACTOR ACCIDENTS AT WORK FREQUENCY INDEX*



* number of no-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 no-commuting accidents with incapacity of at least one day, per thousand hours worked

A total of 27 accidents were recorded for contractors in 2012 (-65% compared with 2011). The frequency index is 4.27 (-51% compared with 2011) and the severity index is 0.29 (-15% compared with 2011).
Regarding the S. Stefano di Magra-Cortemaggiore methane pipeline incident, which occurred on 18 January 2012 in the Municipality of Tresana (MS), involving a rupture with gas leakage and a fire causing a fatal accident involving a worker of the company contracted for the work, it is pointed out that investigations by the Massa public prosecutor are still in progress.

"MY SAFETY IS YOUR SAFETY": SECOND SNAM RETE GAS WORKSHOP FOR SUPPLIERS

Shared Value

Making corporate know-how available with a network approach using a knowledge-sharing system to support suppliers on the path toward continuous improvement is one of the keys to generating Shared Value that may increase the Company's competitiveness. "My safety is your safety" is a workshop, organised in 2012 by Snam Rete Gas in Milan, intended for companies involved in work processes relating to infrastructure construction. The workshop is a chance for the company and its suppliers to meet and discuss the theme of worker safety and protection, which has always been a key part of Snam's policy.

The event is part of a broader process of raising awareness among Snam's business partners: sharing best operating practices is the key to the process of continuously improving relations between buyer and supplier, through a safety partnership system that stresses joint analysis of the safety management process. The workshop is the second step in a process that began with Suppliers' Day for Sustainability, which took place in November 2011. On this occasion, a joint project was launched on sustainability themes, and a survey of suppliers was carried out on the same subject. The results of the survey, which were provided to the companies involved, gave more depth to the debate and led to the second workshop.

SAFEGUARDING HEALTH

Safeguarding workers' health is ensured by continual monitoring of the risks identified in the performance of work activities for corporate personnel. For workers exposed to special risks, appropriate prevention and protection measures have been supplemented with the performance of adequate regular health checks carried out by the competent doctor based on special health protocols defined according to the type of risk.
During the year, there were 3,208 medical visits (of which 2,636 were regular check-ups), 3,504 diagnostic exams and 190 laboratory tests.
Regular on-site inspections of work environments were carried out by the competent doctor and by the person in charge of the prevention and protection service to evaluate environmental conditions and possible prevention or improvement actions.

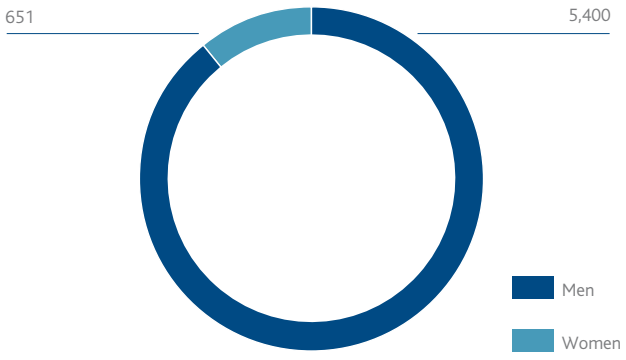
HEALTH MONITORING (No)

	2010	2011	2012
Doctor's visits	3,180	2,533	3,208
Regular doctor's visits	3,097	2,199	2,636
Diagnostic exams	3,934	2,027	3,504
Environmental investigations	357	401	272
Occupational illnesses indicated	0	0	0

LA13 DIVERSITY AND EQUAL OPPORTUNITY

Snam respects the dignity of everyone and offers equal opportunity in all phases and all aspects of employment: selection, hiring, training, compensation, promotion, transfers and termination of employment, not partaking in any form of discrimination that may derive from differences in sex, age, state of health, nationality or political or religious opinions.
Female presence in the group is limited due to the characteristics of our business, which demands particular availability for shift work and continual travel and is therefore not always suitable for some candidates. In particular, the category "Manual workers" is comprised only of male personnel.

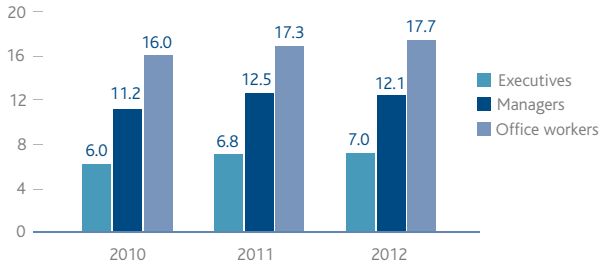
TYPE OF EMPLOYEES (No)



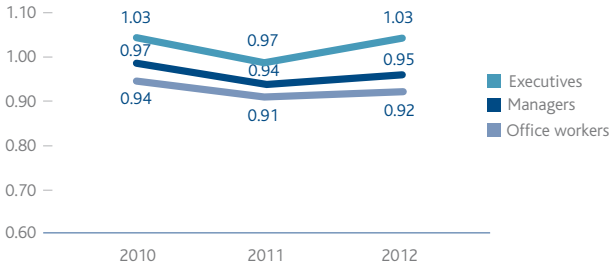
WOMEN IN THE WORKFORCE (%)

	2010	2011	2012
Female presence	9.6	10.5	10.7
Women hired from the market	12	24	40

PERCENTAGE OF WOMEN PRESENT PER RANK (%)



LA14 WOMEN/MEN COMPENSATION DIFFERENTIAL



LA15 With regard to maternity, personnel benefit from more favourable provisions than those required by law, while maintaining the corporate benefits provided. Maternity pay during the mandatory leave period is 100% of the salary for the month prior to commencement of leave (compared with 80% as required by law). During the year, 393 parental leaves terminated and 98% of the workers on such leave returned to work. In detail, 325 men and 68 women made use of parental leave, 97% and 100% returning to work, respectively.

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. A total of 41 workers (male and female) took leave in 2012.

LA13 The group employs 322 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.

EC3 COMPANY WELFARE

Over time, Snam has built an articulated system of tools and services aimed at improving the work/life balance and, more generally, the quality of the system of work.

During 2012, first with the adoption of the Third Energy Package and later with the departure of Snam from the eni group, the Company has pursued its own business plans already initiated, ensuring continuity in the company welfare system and in the major and prioritised initiatives. A dedicated section has been conceived and activated on the corporate intranet to ensure the most complete information and communication of welfare initiatives for people working at Snam.

Considering its more traditional and developed components, the corporate welfare system encompasses:

- insurance cover for work and non-work accidents, offering more than the statutory benefits;
- supplemental health assistance guaranteeing reimbursement for expenses incurred for health and hospital services at public and private facilities;
- supplemental pension funds, which are funded to a great extent by company contributions.

In 2012 Snam paid € 86 million for social security contributions (pensions and healthcare assistance) and €11 million for employee benefits.

LA13 Other initiatives developed, involving opportunities and services for people in the following main areas: “family and free time”, “health and wellbeing” and “arrangements and savings”.

COMPANY WELFARE INITIATIVES

Intervention area	Description of the initiative
Family and free time	Summer camps in the city for children and adolescents, created to assist families during school holidays. Summer beach or mountain outings. Themed outings for adolescents focusing on English language studies, sports and respect for nature. Nursery school: 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 0 to 6 years, allowing parents to have a better work/life balance (operational at San Donato Milanese since September 2010).
Health and wellbeing	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. Special health check-up programmes meant for managers. Anti-flu vaccine 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 services that ensure the use of first-rate raw materials, keep the nutritional value in the preparation process and maintain the quality of the environments and facilities where the service is provided. Take-away is another attractive option, allowing employees to save time by reserving dishes to eat at home.
Arrangements and savings	Snam personnel are offered preferential terms for obtaining personal loans, insurance policies and credit cards, buying used cars, hiring cars, buying name-brand products or booking a holiday. In terms of culture, employees have the opportunity to enjoy free or reduced-cost tickets to visit museums and exhibits, or attend concerts and operas.

To promote the sustainable mobility of employees, Snam offers the possibility to buy discounted public transport passes. In the area of the San Donato Milanese headquarters, the Company also makes available a shuttle service from the metropolitan train station to the worksites.
In 2012, as in 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 2012, 282 people in the group received awards (including 17 at Snam S.p.A., 90 at Snam Rete Gas S.p.A., 131 at Italgas S.p.A., 17 at Napoletanagas S.p.A., 25 at Stoccaggi Gas Italia S.p.A. and 2 at GNL Italia S.p.A.).

INTERNAL ENGAGEMENT

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

Through an integrated approached 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.

INTERNAL COMMUNICATIONS ACTIVITIES

Tools/Initiatives	Description
Intranet	The group's intranet, "Energy", is structured not only as an information tool, but also as a place for sharing and developing knowledge. Specific sections are used to delve into current issues in depth, support initiatives and launch projects. During 2012 news and videos have been used as tools for immediately disseminating crucial points and highlighting significant events; for example, there were more than 50 news stories published online in 2012 putting the focus on topics connected with company operations and results, sustainability and workplace safety, as well as the future objectives of the Company, casting its gaze toward the European context. The distinctive factor characterising the group intranet site is shared content management. In 2012 there was a preliminary update involving personnel-related services, today known as "Snam for you", a completely renovated section dedicated to company welfare topics.
Newsletters, brochures, posters, flyers	In order to involve all personnel, including those difficult to reach with the computer network, Snam makes and uses paper tools. In particular, the Energy newsletter, sent to all of Snam's people, followed corporate and market developments in 2012, commenting on regulatory changes that open up new business and organisational scenarios. It has devoted even more space to special projects, events and initiatives that reflect the life of the company. The newsletter is sent to all employees' homes. In 2012 publication of *Speciali di Energie* began, attached to the newsletter and aimed at more in-depth discussion of Snam group regulations, rules and procedures. The first edition was dedicated to the anti-trust rules and their implications on group activities and on the conduct of its people.
"Sapernedi+"	An initiative that disseminates corporate values and strategies and shares issues, problems and solutions identified by the individual organisational units. It is also an opportunity for increasing managers' managerial skills through a time for involvement and communication with their employees. Sapernedi+ was active between the summer and autumn of 2012 in all organisational units, with a "cascading" process that enabled all of Snam's people to be reached directly.
Executives' meetings	An occasion to reflect on the most significant events in business operations to ensure adequate information as well as constant involvement and assumption of responsibility in corporate objectives and strategies.
Dissemination of Legislative Decree Model 231	Model 231 was published on the corporate intranet for every company and posted on the corporate bulletin boards. Model 231 was also sent to all employees with a cover letter on behalf of the chairmen of the respective supervisory bodies, reiterating the importance of the content of the document and exhorting people to take inspiration for their day-to-day operational activities from the principles set forth therein.

Company volunteering

For the second consecutive year, the Snam group has carried out a volunteering initiative that envisions involvement by its people through activities which support the non-profit sector and through renewal of the cooperation with CESVI. Active in 31 countries worldwide, the mission of this Italian NGO is to fight poverty through qualified development programmes and efforts based on active solidarity in various areas: the fight against malaria and AIDS, children, water and health, emergencies and rehabilitation, and sustainable development.

The 2012 volunteering initiative included Snam's support of "Stop Child Labour", a CESVI project to fight the exploitation of child labour in Kenya with involvement from the authorities, businesses and youth of that country.

"Help from the network 2012" was held in San Donato Milanese and Turin in December, made up of various participatory events with laboratory activities and sales of used goods in which numerous colleagues from Italgas, Snam and Snam Rete Gas chose to volunteer some hours of their work day at corporate sites and with corporate support.

All of the proceeds of the work of the volunteers and co-workers' generosity were given to CESVI to actively contribute to financing the Kenyan project.

Also in 2012, following the earthquake in Emilia Romagna, employees contributed about 600 work hours of remuneration to those affected.

Appendices

NOTE ON METHODOLOGY

The Snam Sustainability Report refers to the year ending on 31 December 2012 and maintains the same reporting scope as the previous year, except for the information on corporate governance and ownership structure, which was updated as of the date of publication of the Report.
The document includes the information for stakeholders provided in the consolidated financial statements, showing physical and monetary data, performance indicators and qualitative information indicative of the significant and material social, environmental and economic impacts of Snam's various 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).

The materiality analysis is updated annually within the scope of the annual planning cycle that leads to determination of the areas and work for improvement, taking account in particular of the indications that emerge from comparison with peers on a European and national level, stakeholder engagement activities and the monitoring of subjects covered by the media.
The economic data shown derive from the Snam group consolidated financial statements, 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 is A+, certified by the GRI. 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 units and the operating companies. Publication of the document, simultaneous with that of the consolidated financial statements, is subject to approval by the Snam Board of Directors on 27 February 2013.
The Report was audited by the company mandated to audit (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 audit results are included in the compliance certification appended to this Report.
Lastly, this year, as is customary, the contents of the Report, with supplementary information, were posted on the sustainability section of the website, www.snam.it.

Reference period	2012
Report coverage	Annual
Previous report	Sustainability Report 2011
Contact person	Domenico Negrini – Bruno Andreetto Snam S.p.A. Piazza Santa Barbara, 7 San Donato Milanese (MI)
Accessibility	www.snam.it
Email	domenico.negrini@snam.it – bruno.andreetto@snam.it

Legend

The sections report the Key Performance Indicators (KPI), the pre-set targets and the results obtained during the year. KPI make it possible to monitor specific sustainability targets with a view to continual improvement

KPI Legend

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

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*

	2010	2011	2012
Natural gas transportation			
Gas injected into the network (10^9 m^3)	83.31	78.3	75.78
Gas pipeline network (km)	31,680	32,010	32,245
Average distance covered by gas in the Italian transportation network (km)	634	506	576
Gas compression stations for transportation (no)	11	11	11
Installed capacity at gas compression stations (MW)	861	884	864
Liquefied natural gas regasification			
Liquefied natural gas injected into the network (10^9 m^3)	1.98	1.89	1.12
Number of methane tankers unloaded	54	50	31
Natural gas storage			
Gas injected into storage sites (10^9 m^3)	8.0	7.78	8.44
Gas provided from storage sites (10^9 m^3)	7.59	7.53	7.20
Operating concessions (no)	8	8	8
Natural gas distribution			
Distribution network (km) (*)	52,530	52,516	52,586
Gas carried in the distribution network (10^9 m^3)	7,953	7,450	7,462
Concessions (no)	1,448	1,449	1,435

(*) From 2012 onwards, the figure relates to kilometres of network managed by Italgas. The corresponding values for 2011 have been recalculated for consistency.

SNAM GROUP – MAIN ECONOMIC DATA*

	2010	2011	2012
Core business revenue (€ million)	3,475	3,539	3,730
Operating costs (€ million)	968	993	1,129
EBIT (€ million)	1,862	1,958	2,111
Net profit (€ million)	1,106	790	779
Investments (€ million)	1,540	1,585	1,300
Net invested capital at 31 December (€ million)	16,257	16,989	18,328
Shareholders' equity including minority interests (€ million)	5,916	5,792	5,930
Group shareholders' equity at 31 December (€ million)	5,915	5,791	5,929
Net financial debt at 31 December (€ million)	10,341	11,197	12,398
Free Cash Flow (€ million)	382	(52)	(390)
Number of shares of share capital (million)	3,570.80	3,571.20	3,381.60
Number of shares outstanding on 31 December (million)	3,376.60	3,378.60	3,378.70
Average number of shares outstanding during the year (million)	3,376.20	3,378.00	3,378.60
Year-end official share price (€)	3.73	3.39	3.52
Average official share price for the year (€)	3.59	3.75	3.43
Market capitalisation (€ million)	12,595	11,453	11,893
Dividends paid during the period (€ million)	776	811	811
Environmental expenses (€ million)	94.5	113.2	123.6
Health and safety expenses (€ million)	29.7	31.4	44.2

* For comments on the economic and financial results, please refer to the 2012 annual financial report.

SNAM GROUP – MAIN SOCIAL INDICATORS

	2010	2011	2012
Employees (no)	6,104	6,112	6,051
Executives (no)	116	118	115
Managers (no)	508	544	560
Office workers (no)	3,243	3,277	3,257
Manual workers (no)	2,237	2,173	2,119
Men (no)	5,521	5,469	5,400
Women (no)	583	643	651
Women/men compensation differential (executive category)	1.03	0.973	1.03
Women/men compensation differential (manager category)	0.97	0.94	0.95
Women/men compensation differential (office worker category)	0.94	0.91	0.92
Employee average age (years)	48	48	49
Seniority (years)	23	23	23
Recruitment during the year from the market (no)	55	140	47
Other incoming employees (from Eni, non-consolidated companies, etc.) (no)	82	228	52
Percentage of university graduates hired (%)	28.5	36.4	57.4
Departures during the year (no)	220	360	160
Employee accident frequency index	3.55	2.22	1.51
Employee accident severity index	0.1	0.06	0.06
Contractor accident frequency index	8.87	8.7	4.27
Contractor accident severity index	0.3	0.34	0.29
Hours of training/no of employees	24	30	26
Hours of training on health and safety matters		28,563	26,959
Hours of training on environmental matters		2,093	1,901
Total HSEQ audits performed (no)	347	359	380
Environmental investigations (no)	357	401	272
Doctor's visits (no)	3,180	2,533	3,208
Diagnostic exams (no)	3,934	2,027	3,504

SNAM GROUP – MAIN ENVIRONMENTAL INDICATORS

	2010	2011	2012
Energy consumption (TJ)	19,396	12,833	12,801
Natural gas emissions (10^6 m^3)	100.8	96.9	98.4
Total GHG emissions (10^3 t $CO_{2\text{-eq}}$)	2,691	2,265	2,275
CO_2 emissions (10^3 t)	1,057.5	694.5	691.9
Indirect CO_2 emissions – scope 2 (10^3 t)	54.9	36.0	40.7
NOx emissions (t)	1,683	920	985
CO emissions (t)	618	383	363
Total waste production (t)	120,192	66,072	31,865
Non-hazardous waste production (t)	102,891	40,467	30,117
Hazardous waste production (t)	17,301	25,605	1,748
Waste recovered from production activities (%)	59	59	47
Water procurement (10^3 m^3)	4,687	4,354	4,460
Water discharges (10^3 m^3)	4,449	4,168	4,198

SNAM GROUP – MAIN ENVIRONMENTAL INDICATORS

	2010	2011	2012
Natural gas transportation			
Energy consumption/energy injected into the network * average distance (%/10^3km)	0.74	0.51	0.45
CO2 emissions/gas injected into the network * average distance (kg/[10^6 m^3*km])	13.71	9.74	8.76
CO2-eq emissions/gas injected into the network (kg/10^6 m^3)	16,420	12,955	13,639
NOx emissions/gas injected into the network * average distance (kg/[10^6 m^3*km])	0.02	0.012	0.012
Natural gas emissions/gas injected into the network (%)	0.049	0.051	0.055
DLE turbine hours of operation/total turbine hours of operation (%)	78.6	80	75
Average rated turbine NOx emissions/total installed capacity ([mg/Nm^3]/MW)	7.19	6.6	5.94
Liquefied natural gas regasification			
Energy consumption/LNG injected into the network (%)	1.38	1.41	1.44
$CO_{2\text{-eq}}$ emissions/LNG injected into the network (kg/10^6 m^3)	39,844	33,827	47,553
Natural gas storage			
Natural gas emissions for storage/gas stored (%)	0.073	0.075	0.070
NOx emissions/gas stored kg/10^6 m^3	68.8	44.3	45.6
Average rated turbine NOx emissions/total installed capacity ([mg/Nm^3]/MW)	16.43	15.6	13.6
Natural gas distribution			
Natural gas emissions/gas distributed (%)	0.57	0.60	0.59
$CO_{2\text{-eq}}$ emissions/gas distributed (kg/10^6 m^3)	91,682	97,913	96,000

Global Reporting Initiative™

Statement
GRI Application Level Check

GRI hereby states that **Snam** has presented its report "Sustainability Report 2012" 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 G3.1 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 G3.1 Guidelines. For methodology, see www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

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

Amsterdam, 18 March 2013

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

A+ GRI REPORT GRI CHECKED

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 12 March 2013. GRI explicitly excludes the statement being applied to any later changes to such material.*

GRI INDICES

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.

RECONCILIATION TABLE

STRATEGY AND ANALYSIS

		Presence	References	Notes/Comments
1.1	Message from top manager – Message from the Chairman	●	4-5	
1.2	Description of principal impacts, risks and opportunities (in terms of sustainability)	●	110-111	

PROFILE

		Presence	References	Notes/Comments
2.1	Name of the organisation	●	Cover, 98	
2.2	Main activities	●	8-12	
2.3	Organisational structure	●	16-19	
2.4	Location of general headquarters	●	Third of cover-98	
2.5	Local market presence	●	11-12, 34	
2.6	Ownership structure	●	34	
2.7	Markets served	●	8-12	
2.8-2.9	Size of the organisation and significant changes in size, structure and ownership structure	●	8-12	
2.10	Awards and prizes received during the period	●	27, 32	

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	●	98	
3.4	Contact persons and addresses	●	98	
3.5-3.7	Reporting process, scope and limitations	●	97-98	
3.8	Information on joint ventures, subsidiaries, leased plants, outsourcing activities and other	●	97-98	
3.9	Data measurement techniques and basis for calculation	●	97-98	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	●	97-98	
3.11	Significant changes in objective, scope or measurement methods used	●	97-98	
3.12	Table of G3.1 content	●	102-...	
3.13	Policies and practices on independent auditing	●	110-111	

GOVERNANCE, COMMITMENTS AND STAKEHOLDER INVOLVEMENT

		Presence	References	Notes/Comments
4.1	Governance structure	●	16-17	
4.2	Executive status of Chairman	●		The chairman of the Board of Directors is a non-executive
4.3	Independence of governance bodies	●	16-17	
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	●	16-17	
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	●	7, 18-19, 44-45	See the website, www.snam.it
4.9	Procedures and committees for managing sustainability-related performance	●	20-21	
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	●	20-32, 37-39	
4.12	Signing and adoption of codes of conduct, principles and charters developed by external organisations	●	25-26	
4.13	Participation in trade associations	●	57	See the website, www.snam.it
4.14	List of stakeholders with which the Company interacts	●	30-35	
4.15	Principles for identifying stakeholders	●	30-35	
4.16	Approach adopted for the activity of involving stakeholders	●	30-31	
4.17	Results of involvement	●	40-55, 80-95	

PERFORMANCE INDICATORS

ECONOMIC INDICATORS (EC)		Presence	References	Notes/Comments
	Information on operating method (EC)	●		
EC1 core	Economic value generated and distributed directly	●	36, 99	
EC2 core	Economic and financial implications associated with climate change	●	72	
EC3 core	Coverage of obligations assumed at the time of defining the pension plan (benefit plan obligations)	●	93	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 bewnefits. (Please refer to the Consolidated Annual Report and to the website, ww.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	●	52	
EC7 core	Procedures for hiring people residing where the activity is primarily carried out and percentage of senior managers hired in local communities	●	33	
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	●	60	
EC9 add	Analysis and description of main indirect economic impacts considering the external effects generated	-		

ENVIRONMENTAL INDICATORS (EN)		Presence	References	Notes/Comments
	Information on operating method (EN)			
EN1 core	Raw materials used by weight and volume	●	52, 73, 78	
EN2 core	Percentage of material used deriving from recycled material	●	77	
EN3 core	Direct energy consumption broken down by primary energy source	●	73, 75, 100-101	
EN4 core	Indirect energy consumption broken down by primary energy source	●	73, 100-101	
EN5 add	Energy savings due to conservation and improvements in terms of	●	73, 100-101	
EN6 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	●	75	
EN7 add	Initiatives geared toward reducing indirect energy consumption and reductions obtained	●	73	
EN8 core	Total water procurement broken down by source	●	78	
EN9 add	Water sources significantly affected by water consumption	●	78	
EN10 add	Percentage and total volume of water recycled and reused	●	78	
EN11 core	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.	●	64	Compared to the 2011 Report the information has been expanded showing the main Natura 2000 areas affected by the distance of the gas pipelines
EN12 core	Description of the major impacts of activities, products and services on the biodiversity of protected areas or areas with high biodiversity outside protected areas.	●	66	
EN13 add	Protected or restored habitats	●	64-65	
EN14 add	Strategies, actions implemented and future plans for managing impacts on biodiversity	●		
EN15 add	Number of protected species that have their habitat in the organisation's areas of operation, broken down by level of risk of extinction	-	68-75	
EN16 core	Total direct and indirect greenhouse gas emissions by weight	●	68-72	
EN17 core	Other indirect greenhouse gas emissions by weight	●	70-71	
EN18 add	Initiatives to reduce greenhouse gas emissions and results achieved	●	68-72	
EN19 core	Emissions of substances harmful to the ozone layer by weight	●	78	
EN20 core	NOx, SOx and other significant emissions into the air broken down by type and weight	●	75-76	
EN21 core	Total water discharged by quality and destination	●	78	
EN22 core	Total weight of waste by type and by disposal method	●	76-77, 100-101	
EN23 core	Total number and volume of significant spills	●		No significant spills occurred during the period
EN24 add	Weight of waste classified as hazardous that is transported, imported, exported or treated and the percentage transported abroad.	-		
EN25 add	Identity, size, protection status and value of the biodiversity of aquatic fauna and flora and the respective habitats significantly affected by water discharges	-		
EN26 core	Initiatives to mitigate the environmental impact of products and services and degree of mitigation of the impact	●	61-66, 68-79	
EN27 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
EN28 core	Monetary value of significant fines and number of non-monetary penalties due to failure to comply with environmental laws and regulations	●		There is not administrative fine in the period
EN29 add	Significant environmental impacts from the transportation of goods/ materials used for the organisation's activity and for personnel travel	-		
EN30 add	Expenses and investments in environmental protection, broken down by type	◓	67	

LABOUR INDICATORS (LA)		Presence	References	Notes/Comments
	Information on operating method (LA)			
LA1 core	Total number of employees, broken down by type, type of contract and geographic distribution	●	33, 83, 100	
LA2 core	Total number of personnel and turnover rate, broken down by age, sex and geographic area	●	83, 100	
LA3 add	Benefits provided for full-time workers	●	93-94	
LA4 core	Percentage of employees covered by collective labour agreements	●	82	
LA5 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)
LA6 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
LA7 core	Rate of workplace accidents, sickness, lost work days, absenteeism and total number of deaths, broken down by geographic area	●	90	
LA8 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	●	89	
LA9 add	Union agreements on health and safety	●		Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements
LA10 core	Average annual hours of training per employee, broken down by worker classification	●	85, 90	The average hours of training divided by workers categories can be found in the table on page 66. The average hours of training are usually present in the body text on p.66
LA11 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	●	85-86	
LA12 add	Percentage of employees who regularly receive performance and career development evaluations	●	87-88	
LA13 core	Composition of the Company's governance boards and breakdown of employees by classification based on gender, age, membership to protected categories and other diversity indicators	●	92-93	See Consolidated Annual Report for the composition of the governance bodies
LA14 core	Ratio of men's base wages to women's base wages for the same classification	●	93	
LA15 core	Rate of return to work after parental leave	●	93	

HUMAN RIGHTS INDICATORS (HR)		Presence	References	Notes Comments
	Information on operating method (HR)	●		
HR1 core	Number and percentage of investments that include clauses on respecting human rights	●		The investments are made in Italy.
HR2 core	Percentage of suppliers and contractors that are subjected to audits on human rights and respective actions taken	●	52-55	99.9% of suppliers are located in European countries, where respect for human rights is guaranteed by law
HR3 add	Total hours of employee training on policies and procedures concerning human rights and percentage of workers trained	●	86	
HR4 core	Total number of episodes of discriminatory practices and actions taken	●	19	
HR5 core	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	●		SNAM operates in Italy and applies the current regulations on the subject
HR6 core	Identification of operations at high risk for recourse to child labour and the measures adopted to aid its elimination	●		SNAM operates in Italy and applies the current regulations
HR7 core	Activities at high risk for recourse to forced or compulsory labour and measures taken to aid their elimination	●		SNAM operates in Italy and applies the current regulations
HR8 add	Percentage of safety personnel that have received training on human rights procedures and policies	●		In the area of site safety, Snam predominantly employs specialised external companies that train staff directly
HR9 add	Number of violations of rights of local communities and actions taken	●	56-79	
HR10 core	Operations analysed for purposes of the human rights impact	n.a		Not relevant, since SNAM is a regulated company
HR11 core	Composition of disputes on human rights	n.a		Not relevant, since SNAM is a regulated company

SOCIETY INDICATORS (SO)		Presence	References	Notes/Comments
	Information on operating method (SO)			
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	●	61-66, 79	
SO2 core	Percentage of business units analysed for corruption risk	●	19-20	
SO3 core	Percentage of employees with anti-corruption training	●	86	
SO4 core	Actions taken in response to incidents of corruption	●	19	
SO5 core	Positions on public policy, participation in the development of public policies and pressures exercised	●	57	For a list of associations in which Snam participates, see http://www.snam.it/it/sostenibilita/area-economica/tecnologia-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
SO9 core	Operations with potential negative impact on local communities	●	61-66	
SO10 core	Prevention measures adopted to mitigate the negative impact of operations on local communities	●	61-66	

PRODUCT RESPONSABILITY INDICATORS (PR)		Presence	References	Notes/Comments
	Information on operating method (PR)			
PR1 core	Impact of product on health and safety	●	47, 50-51	
PR2 add	Total cases of non-compliance with regulations and voluntary codes	-		
PR3 core	Consumer and labelling information	●	50-51	
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	●	48	
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	●	48	

GLOBAL COMPACT RECONCILIATION TABLE

The ten principles	Sustainability Report 2012	GRI Indicators
Human rights		
Principles 1 and 2 - Businesses are required to promote and respect internationally proclaimed human rights within their sphere of influence and to ensure that they are not complicit in human rights abuses, even indirectly.	• Respect for human rights is expressly mentioned in the Snam Code of Ethics and in contractual relations with suppliers. All suppliers are expected to subscribe to and comply with the Code of Ethics, with international labour requirements and to declare that they do not employ personnel below the minimum age imposed by law, p. 55; • As stated in its Code of Ethics, Snam is committed to combating all forms of discrimination and to respect all kinds of diversity, p. 92; • Snam operates in full compliance with Italian law, setting the age of majority as a prerequisite for company recruitment, pp. ; • A knowledge-sharing initiative with suppliers has been launched, aimed at increasing and providing assistance in the field of sustainability, pp. 54; 91 • An initiative has been implemented to disseminate the Global Compact principles among the Company's suppliers, with the adoption of explanatory cover pages on contracts, p. 55; • Inspection audits are carried out on its suppliers, p. 54;	HR1, HR2, HR3, HR4, HR8, LA4, LA7, LA8, LA13
Labour		
Principles 3, 4, 5 and 6 - Businesses are required to uphold freedom of association and the recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the abolition in practice of child labour; and the elimination of all forms of discrimination in respect of employment and work.	• The national collective labour agreements for Energy & Petroleum and Gas-Water have been applied. All workers are guaranteed the right to express their own thoughts freely, to join trade associations and engage in union activities, p. 84; • The process of administering the management systems for the health and safety of workers, in accordance with OHSAS 18001 standards, have been completed for all Snam Group companies, p. 89; • Conducted a workshop specifically for its strategic suppliers on Health and Safety in the workplace, p. 91; • Developed initiatives connected with the Objective Safety Project involving all Snam companies, further improving the accident indices, pp. 89-90; • Provided about 27,000 hours of training on subjects related to Health, Safety and the Environment, p. 90; • Adopted a programme of collective incentives and the use of tools to evaluate the performance of all employees, pp. 87-88; • Sponsored initiatives to help improve the work-life balance, pp. 93-94; • Carried out a climate analysis for the entire group, p. 82; • Implemented initiatives to involve employees in voluntary work, p. 95;	HR1, HR2, LA2, LA3, LA4, LA7, LA8, LA12, LA13
Environment		
Principles 7, 8 and 9 - Businesses are required to provide support for a precautionary approach to environmental challenges; to undertake initiatives to promote greater environmental responsibility; and to encourage the development and diffusion of environmentally friendly technologies.	Companies are certified for compliance with ISO 14001 standards and adopting a precautionary approach to the environment, dedicated to continuous improvement, pp. 28,29; • Adopted the best technology available for minimising impacts on the environment, continued commissioning plants for energy production from renewable sources and used electricity from renewable sources, pp. 68-70; 73-76; • Encouraged eco-responsible behaviour in offices, such as sorting waste at canteens and the use of recycled paper, p. 77; • Participation in the international initiative "Clean up the World" promoted by Legambiente, involving the active participation of employees and some school students, p. 59; • Snam pays particular attention to the subject of biodiversity in its relations with stakeholders and in its daily business activity, taking as reference the Millennium Development Goal on environmental protection and the conservation of biodiversity, pp. 26; 59; 64-66; • Signed a memorandum of understanding with Federparchi for the preparation of guidelines on biodiversity in areas impacted by its infrastructure, p. 59; • Conducted jointly with the Parco dei Nebrodi, an international conference and workshop dedicated to its own recovery best practices in this very area, p. 65;	EN3, EN4, EN6, EN7, EN8, EN9, EN12, EN13, EN14, EN16, EN18, EN20, EN21, EN22, EN24, EN26, EN30
Anti-corruption		
Principle 10 - Businesses are committed to working against corruption in all its forms, including extortion and bribery.	• Signed legal compliance protocols with local government and suppliers which require ethical behaviour in relationships between the various parties, more restrictive than the legal requirements and guaranteeing solid protection in relation to legality, in support of the development of fair, ethical and meritocratic local entrepreneurial activity, p. 53; • Provided 416 hours of training on Model 231 and anti-corruption, p. 86.	SO2, SO3, SO4

ERNST & YOUNG

Reconta Ernst & Young S.p.A.
Corso Vittorio Emanuele II, 83
10128 Torino

Tel. (+39) 011 5161611
Fax (+39) 011 5612554
www.ey.com

Independent auditors' report on the limited assurance engagement of Snam's Sustainability Report as of December 31, 2012
(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 and its subsidiaries (hereinafter "the Snam Group" as of December 31, 2012 (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.I. - Global Reporting Initiative, that are detailed in the paragraph "*Note on methodology*", as well as for determining the Snam 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 to section "Performance indicators" with those included in the Snam Group consolidated financial statements as of December 31, 2012 on which we issued our Audit Report, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010, on March 4, 2013;

   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:

      - interviews and discussions with personnel of the Management of Snam S.p.A. and of its subsidiaries (Snam Rete Gas S.p.A., Società Italiana per il Gas p.A., Stoccaggi Gas Italia S.p.A., GNL Italia S.p.A. and Compagnia Napoletana di Illuminazione e Scaldamento col Gas 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;

- on-site verifications at the LNG regasification plant of Panigaglia (SP) of GNL Italia S.p.A. and at the Sergnano (CR) operating site of Stoccaggi Gas Italia S.p.A.;
- 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 of the consistency of the qualitative information reported in the Report to the guidelines 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 of 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 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 April 3, 2012.

3. Based on our work, nothing has come to our attention that causes us to believe that the sustainability report of Snam Group as of December 31, 2012 is not in compliance, in all material respects, with the guidelines *"Sustainability Reporting Guidelines"* issued in 2011 by the G.R.I. - *Global Reporting Initiative* as stated in the paragraph *"Note on methodology"* of the Report.

Turin, March 4, 2013

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

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For informations:
Snam S.p.A - Sostenibilità
Piazza Santa Barbara, 7
20097 San Donato Milanese (MI)
E-mail: sviluppososteniBile@snam.it
Website: www.snam.it
Piazza Santa Barbara, 7
20097 San Donato Milanese - Milano
Tel +39.0237031

March 2013

The cover and some other images used at the beginning of chapters come from the 2013 Snam Calendar and represent the values of the Group.

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