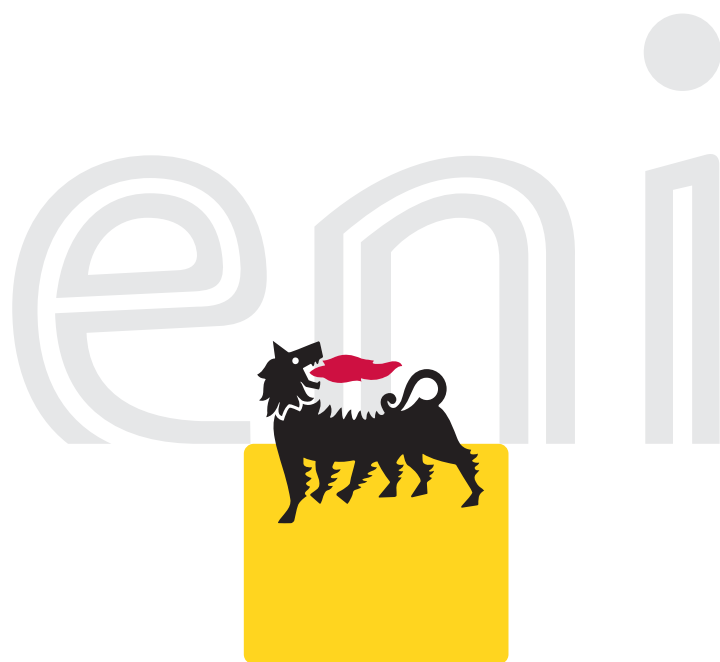


snam rete gas



Sustainability Report 2009



snam rete gas



Sustainability Report 2009



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# letter from the Chairman and the Chief Executive Officer



Alberto Meomartini



Carlo Malacarne

2009 was a very important year in our history. In a context that saw the world economy still characterised by great uncertainty, we concluded one of the biggest acquisitions of the year in Europe, and the share capital increase aimed at funding it was completely subscribed by the market, a clear sign of appreciation for our solid business model, characterised by a limited industrial and financial risk profile. The result was the creation of an integrated Group which, in continental Europe, leads the way in terms of the amount of capital invested for regulatory purposes. In an increasingly complex and competitive scenario, there is the need for an operator that can effectively face the coming up challenges, providing comprehensive and consistent solutions to the problems related to the evolution of the gas market, not only domestically but also at European level. The decision to integrate Snam Rete Gas, Italgas, Stogit and GNL Italia conforms with the expectations of our main stakeholders: the shareholders and the market, the Italian Electricity and Gas Authority, and in general all stakeholders in the gas market that may benefit from the acquisition. We will therefore continue to provide our customers with efficient, safe and reliable services. We will do this by guaranteeing the growth of infrastructures and the flexibility of the gas market, supporting the development of competition and the safety of the supply system.

The success of this operation and its sustainability owe much to the enthusiastic and concrete contributions of the people who work for the company. To enhance these contributions, we developed the “energie” program, a skills and processes integration project that allowed the four companies personnel to work in structured groups to shape the management processes and operating structures of the

new company. This integration process thus enabled us to identify the best practices in each individual company, placing them at the disposition of the new, united group.

We acquired Italgas and Stogit following the rules that have always acted as our guidelines: transparency, attention to finances, and the sustainability of operations. We therefore put into practice those behaviours that in 2009 enabled us to meet another important objective: inclusion in the Dow Jones Sustainability World Index, the leading and most prestigious international corporate social responsibility index, only open to companies that have shown an excellent ability to manage their activities according to sustainability criteria. An important milestone, just like our adhesion of the Global Compact, whose principles have always inspired us and which we will continue to support also via our stakeholders.

The financial crisis reached its most intense phase last year, although towards the end the first signs of recovery became evident. As you will discover in the next few pages, the crisis that began in the second half of 2008 had a major impact on natural gas consumption levels in 2009. There was a fall in consumption of almost 7 billion cubic metres, from 84.9 billion cubic metres in 2008 to the 78.1 billion recorded last year, the equivalent of an 8% drop.

We responded to these stormy waters by employing our resources and expertise with renewed determination. Because a stormy sea doesn't affect all vessels in the same way. Those who managed to stick to their course, who have a long history of experience, expertise and operational abilities behind them, were able to face the problems

with greater strength and make the most of the opportunities that even the most difficult moments present. We managed to do this. We never stopped to look at the future and pursuing growth. Not only did we finalise an extremely valuable acquisition, we also continued to invest – around € 1.3 billion by the end of the year – with positive consequences for our suppliers and related activities.

Furthermore, for the four-year period 2009-2012, we have planned to make investments of € 6.4 billion in all of our areas of activity: transport, regasification, distribution and storage. We continue to move forward, respecting our plans and working towards increasing the importance of Snam Rete Gas' role in the European network, fully aware that we represent an important bridge between North African producers and continental Europe.

2009 also saw the Copenhagen Climate Change Conference, which underlined just how far we still have to go.

There are many things still to do, and many others that we can improve on. There can be no other way. We want to instil an even closer relationship with our stakeholders, whose perimeter has widened following the acquisitions, improving our dialogue and working relationship. We want to further improve our relationships with local communities, alongside whom we have worked so successfully for many years. We want to continue to guarantee the high quality of the activities we carry out in respect of the environment. We are a steady ship that knows how to navigate stormy seas because we have a clear and solid route that drives us.



The Chairman



The Chief Executive Officer





2009 was a year of challenges and positive results achieved with great determination.

The acquisition of Italgas and Stogit represented the culmination of a major project that enabled us to optimise the value of the gas supply chain and continue to grow in a sustainable manner. At the same time as this significant commitment, we also continued to improve our company performance levels, whose main results we present at the beginning of the report.







2009 according to us

# "energie": the integration program

Welcome, include, work together, and pursue shared objectives. This is what we have done to create a cohesive Group after the acquisition of Italgas and Stogit. To develop this integration, we have put in place the "energie" program, a project whereby Snam Rete Gas, Italgas, Stogit and GNL Italia have combined forces, histories and different professional cultures to reach a common goal. Our principal objective has been to appreciate human capital and corporate know-how.

It is on the people, their know-how, their experience and their aspirations that the project has been based. The integration has not been a straightforward merger of four companies, but rather a formidable opportunity for growth that bases its foundations on the capacities of everyone and on the values that bind us together.

The work of the people involved in the project is inspired by words like synergy, coordination and convergence, while at the same time it is guided by a clear vision and a specific mission. We have examined all of our experience, in order to promote the excellence and strengths of the originating companies, and we have turned to look ahead, to the future, to express the knowledge and capacities that the people display.

A unified vision of the regulated gas business, maintenance of the decision-making independence of the operating companies, increasing our credibility and authority to stakeholders, and developing economies of scope and scale to the utmost: these are just some

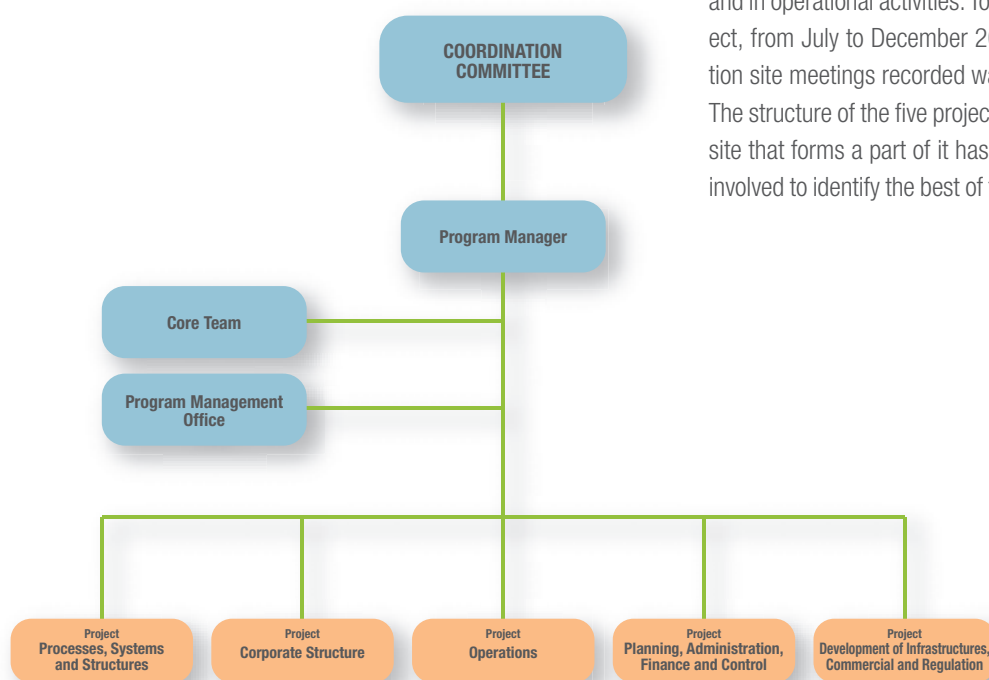


of the principles that we have assumed as the manifest foundation of our programme, and based on which the "construction sites" have operated.

To sketch out the future of our Group, 300 people including executives, expert middle managers and young people have worked in 26 construction work sites, coordinated in 5 projects that hinge on the key themes of the integration process. Their objective was to focus on the best practices of the four companies and identify possible economies of scale and scope, both between staff functions and in operational activities. To give an idea of the extent of the project, from July to December 2009 the number of official construction site meetings recorded was 388.

The structure of the five projects and of each individual construction site that forms a part of it has been designed to enable the people involved to identify the best of the specific capabilities of each com-

## THE ORGANISATIONAL STRUCTURE OF THE PROGRAM





pany individually, so placing it at the service of the new Group. The work on the construction sites enabled the Group to already sketch out the organisational structure early in 2010, three months ahead of the deadline specified at the start of the project.

Organisational departments, processes and procedures are the tangible results of this comprehensive program, which has been deeply integrated within the Group. Also important are the intangible results, processes that are equally vital in the life of the corporate organism. The interdepartmental and intercompany teams have developed a solid process of reciprocal knowledge, identified as individual, business and functional-area knowledge. But also deriving from this is a process of sharing, which means developing a common vision and organisational design, shared objectives, and a culture, as fertile ground for an integration that is not only formal but substantial.

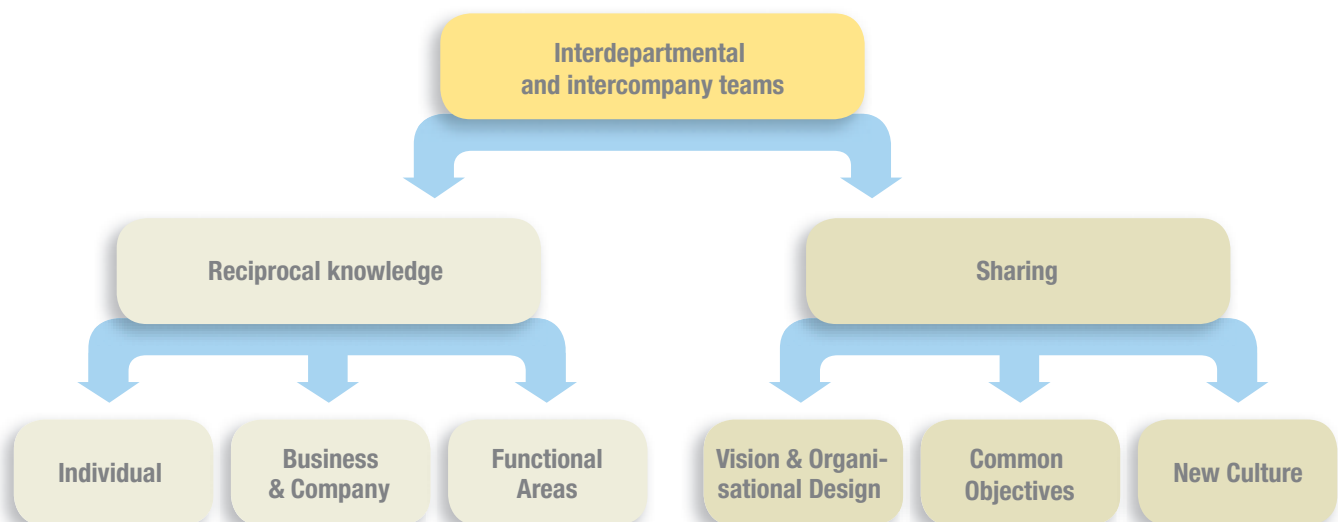
This important occasion of change has been managed by seeking the involvement of people and, at the same time, putting in place communication that is open, transparent and addressed to everyone. For those who were not directly involved in the project, a variety of innovative internal communication tools has been set up to disseminate information clearly and promptly. Videonews, printed newsletters and common intranet platforms have enabled the entire corporate population to be informed of the process under way. In the "energie" logo, people can clearly identify a message of aggregation, the first step in the construction of a shared culture. The integration is obviously an ongoing process which will be consolidated through cooperation and reciprocal learning in carrying out day-to-day activities. And this in the full awareness that diversity is a factor for enrichment, when it is geared towards a single, shared objective.

## principles of the process of integration

- United vision of the regulated gas business
- Single and cohesive definition of the strategic direction of the business
- Maintenance of decisional and management independence of the operative companies
- Greater strength and credibility on the market
- Greater authority in relations with the Italian Electricity and Gas Authority
- Consolidation of the technical know-how of the operative companies
- Implementation of the best organisational economies of scope and scale



### THE INTANGIBLE RESULTS



# Dow Jones Sustainability Index: a success from which start again

Snam Rete Gas is listed in the DJSI World (Dow Jones Sustainability World Index). This is a major achievement that tangibly shows the company's commitment on the sustainability front. In the last twenty years the markets have begun to evaluate companies not only on the basis of their book value, but also on the basis of their intangible assets like human capital, relational capital and organisational capital. One of the tools that the market avails of for this type of evaluation is the Dow Jones Sustainability Index, created in 1999 in order to track the financial performance of companies that are distinguished by excellent results from an economic, social and environmental viewpoint.

To be included in the list, companies need to be able to manage sustainability issues, they need to be able to include sustainability in the strategic decision-making process, and they need to be able to represent an attractive investment opportunity. The evaluation, which is subjected to external verification, is conducted by SAM Sustainability Asset Management rating company, which avail of a specific questionnaire per sector of activity as well as official documents (public and private) made available by the company.

## EVALUATION CRITERIA - UTILITIES SECTOR-GAS DISTRIBUTION:

### Economic Dimension

Corporate Governance  
Risk & Crisis Management  
Codes of Conduct/Compliance/Corruption&Bribery  
Customer Relationship Management  
Market Opportunities  
Price Risk Management  
Scorecards/Measurement Systems

### Environmental Dimension

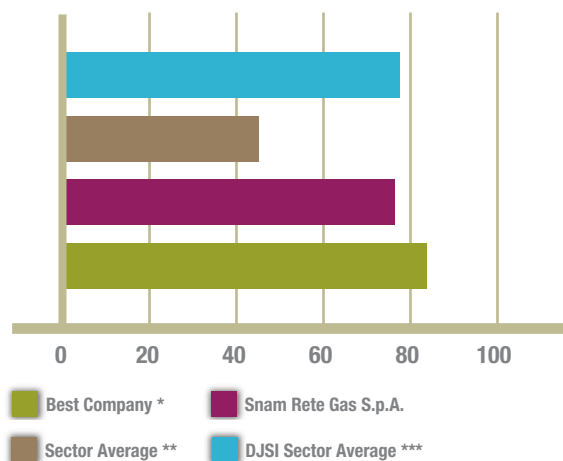
Environmental Reporting  
Environmental Policy/Management System  
Operational Eco-Efficiency  
Storage, Transportation and Distribution Infrastructure  
Manufactured Gas Plants  
Climate Strategy  
Biodiversity

### Social Dimension

Labor Practice Indicators  
Human Capital Development  
Talent Attraction & Retention  
Corporate Citizenship/Philanthropy  
Social Reporting  
Stakeholder engagement  
Occupational Health & Safety

The DJSI index is calculated for industrial categories (59), which are in turn aggregated into sectors of activity (19). We are represented in this analysis in the Gas Distribution Utilities category, part of the more general utilities sector, a sector that presents many challenges: market liberalisation, management of demand, efficiency of assets, the impact of climate change, the cost of energy etc. The DJSI World selects around 300 companies out of a total of around 2,500 that are eligible in terms of capitalisation. In our sector we were ranked with a total score of 76 points compared to the result of 83 given to the best performer. It should also be noted that just 4 companies (out of 29 eligible companies) in the Gas Distribution sector were represented in the 2009 DJSI World. Snam Rete Gas has also been included in the SAM Silver Class 2010 excellence cluster and credited, for the Gas Distribution sector, with the SAM Sector Mover 2010 qualification. The title recognises the company that recorded the most remarkable improvement, in the sustainability area, compared to the previous year. For us, being part of this index represents something to be proud of, given the ongoing and widespread commitment to the issues of sustainability in which we believe. In addition to highlighting our strengths

## TOTAL SCORE



\* Score of the best company within the GAS sector  
\*\* Average score of the analyzed companies in the GAS sector  
\*\*\* Average score of the companies in the GAS sector, which are member of the DJSI 2009

(involvement of stakeholders, excellence in accounting for performance in the areas of health, safety and environment, and effective working methods), the analysis to which we were subjected also indicates the possible areas for improvement (risk management, philanthropy management, integration of measurement systems to control non-financial variables) which will see us involved in the future. The result achieved is not - and in fact cannot be - a finish line. On the contrary, it represents a further challenge that will accompany us year after year on our path to sustainability.

# our contribution to environmental sustainability

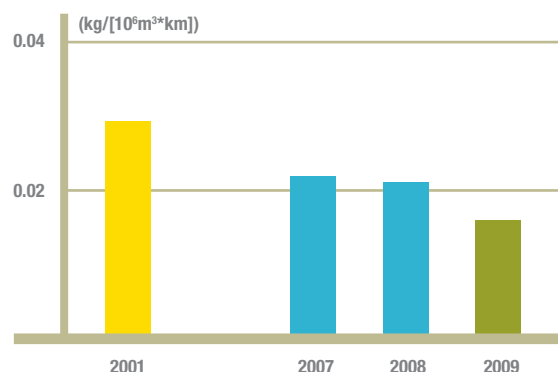
The quality of the environment influences the lives of millions of people who live in urban areas. The concentration of activities and population makes the environmental effects associated with the use of energy sources especially critical. The most important effect is represented by atmospheric pollution.

Our activities have made available an energy source, natural gas, which has a low environmental impact and which meets growing energy needs in domestic applications, in industry and in the production of electricity. Owing to its capacity for transmission without affecting the environment and owing to its chemical and physical characteristics, it is used in technologies with increasingly improved energy efficiency and lower emissions of pollutants.

Our contribution to the development of the Italian gas system infrastructure from 2001 to the present translates to an increase in the transmission network of over 1,900 km, an increase in the installed power at the gas compressor stations of over 260 MW and an increase in the transmission capacity from the entry points connected with other countries of around 116 million Sm<sup>3</sup> per day.

The activities have been carried out applying the best available technologies so as to interfere as little as possible with the environment both during the plant construction phases and afterwards during

## NO<sub>x</sub> EMISSIONS FOR TRANSMISSION/NATURAL GAS SENT INTO NETWORK\* AVERAGE DISTANCE TRAVELLED



their operation.

The positive environmental results achieved are the recognition of our commitment.

2010 is the international year of biodiversity, and in October 2010, in Japan, an international conference will be held on this increasingly important issue (Conference of the Parties (COP10) of the United Nations Convention on Biodiversity). Before this convention the European Union must set out a policy that protects, recovers and takes account of biodiversity and the functions of the ecological system. In line with this trend, and always attentive to Nature and its protection, in 2009 Snam Rete Gas published operating instructions for safeguarding and the sustainable use of biodiversity in the design, construction and decommissioning of gas pipelines.

## COMPOSITION AND CHARACTERISTICS OF NATURAL GAS USED IN ITALY IN 2009 (a)

	Italian	Russian	Northern European	Algerian	Libyan	LNG Regasified
(% volume)						
Methane	98.915	96.893	89.842	88.839	85.108	89.213
Ethane	0.432	1.419	5.060	6.585	6.767	7.753
Other hydrocarbons	0.145	0.624	1.443	1.585	2.948	1.759
Carbon dioxide	0.087	0.212	1.425	1.027	1.496	
Nitrogen	0.421	0.841	2.194	1.864	3.522	1.141
Oxygen					0.050	0.134
Helium		0.011	0.036	0.100	0.109	
Higher Heating Value (kJ/Sm <sup>3</sup> )	37,810	38,201	38,833	39,571	39,775	40,619
Lower Heating Value (kJ/Sm <sup>3</sup> )	34,049	34,420	35,043	35,724	35,940	36,680

(a) data source Snam Rete Gas

## an operation at the service of the environment

When the TMPC submarine gas pipeline owned by third party which connects Italy to Tunisia was interrupted (the interruption was due to the accidental breakage of the pipeline) Snam Rete Gas made available its equipment, expertise and procedures

to recover the gas present in the pipeline and consequently contain the atmospheric emissions.

**From this operation, the release into the atmosphere of over 30,000 tonnes of CO<sub>2eq</sub> was avoided.**

# Global Compact: sharing the principles

Our activities have always been characterised by respect for and protection of human rights and labour rights, protection of the environment, and the quest for a model of sustainable development. This is an orientation that is an integral part of our governance and which translates in real terms to the adoption and application of a code of ethics, a Sustainable Development policy, a Health, Safety and Environment policy, adherence to the "Guidelines for Sustainable Development" issued by the International Gas Union, and communication of the results achieved to the stakeholders through corporate information channels (Sustainability Report, Financial Statements, internet website etc.). With its participation in the Global Compact, Snam Rete Gas has taken a

major step towards confirming and strengthening its commitment as a socially responsible enterprise and engages to make an active contribution to the work of the Global Compact network in Italy, the organisation of which is entrusted to FONDACA ("*Fondazione per la Cittadinanza Attiva*", Foundation for Active Citizenship).

Fulfilling the formal requirements stipulated for communications on the progress achieved in applying the 10 principles (Communication On Progress), the activities undertaken in 2009 are briefly described in the following table and discussed in more detail in the various sections of this report.



The Global Compact is an international initiative launched in July 2000 by United Nations to support ten universal principles in the areas of human rights, labour, environment and anti-corruption, that unite governments, companies, agencies of the UN, labour organisations and organisations representing civil society with the aim of contributing to the creation of "a more sustainable and inclusive global economy" by introducing, within that economy, respect for, and application of, values that are common to all. The Global Compact has developed rapidly and today it is a continually-expanding network that includes six agencies of the United Nations: the Office of the High Commissioner on Human Rights (UNHCHR), the United Nations Environment Programme (UNEP), the International Labour Organisation (ILO), the United Nations Development Programme (UNDP), the United Nations Industrial Development Organisation (UNIDO), and the United Nations Office on Drugs and Crime (UNODC).

## GLOBAL COMPACT - THE TEN PRINCIPLES

Principle 1, 2 - Businesses should support and respect the protection of internationally proclaimed human rights; and make sure that they are not complicit in human rights abuses.

Principles 3, 4, 5, 6 - Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation.

Principles 7, 8, 9 - Businesses are asked to support precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.

Principle 10 - Businesses should work against corruption in all its forms, including extortion and bribery.



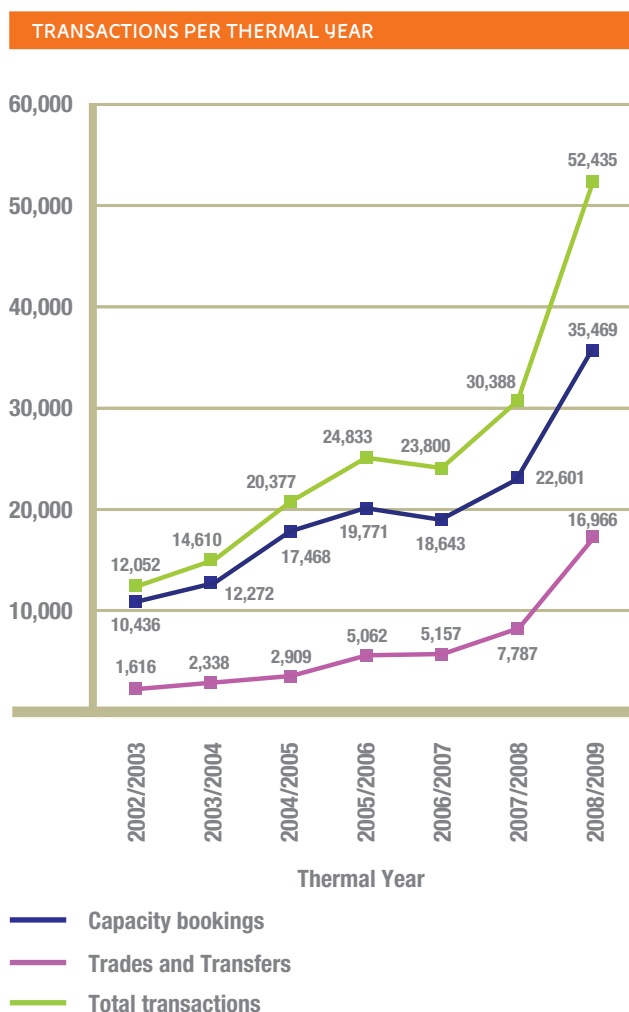
2009 SRG SUSTAINABILITY REPORT		GRI INDICATOR
<b>Human Rights</b>		
<ul style="list-style-type: none"> <li>In this regard we have adopted the Code of Ethics and Sustainable Development Policy, pages 34-35</li> <li>In 2008 we initiated the process of certification of the Safety Management System under OHSAS 18001, page 40</li> <li>We have started a campaign to raise awareness of problems with employee safety, pages 53-55</li> <li>We require all our suppliers to adhere to and observe our Code of Ethics and to declare that they do not employ personnel below the minimum legal age, page 65</li> </ul>		HR1, HR2, HR4, LA4, LA7, LA8, LA13
<b>Labour</b>		
<ul style="list-style-type: none"> <li>We apply the National Labour Contract for the Energy and Oil Industries and we guarantee all employees the right to express their opinions, to join associations and to carry out union activities, page 50</li> <li>We adopt a collective incentive programme and we use instruments to evaluate the performance levels of all employees, page 53</li> <li>To monitor the level of employee satisfaction, in December 2008 a questionnaire on organisational climate was distributed to all employees, page 51</li> <li>We favour initiatives for employees and their families, page 55</li> <li>We have promoted the participation of employees with discussion forums on the intranet platform and, as part of the "energie" Program, with targeted communications initiatives to favour the process of integration, pages 8-9</li> <li>We operate in full observance of Italian law, setting the age of majority as an essential prerequisite, page 50</li> <li>As reported also in the Code of Ethics, we undertake to combat all forms of discrimination and respect differences, page 50</li> </ul>		HR1, HR2, LA2, LA3, LA4, LA7, LA8, LA12, LA13
<b>Environment</b>		
<ul style="list-style-type: none"> <li>We are ISO 14001 certified and we adopt an environmental approach that is preventive and geared towards ongoing improvement, as shown in the Sustainable Development Policy, page 40</li> <li>We adopt specific Guidelines for Protecting Biodiversity, page 74</li> <li>Regarding atmospheric pollution and climate change, we have set up projects geared at their prevention, pages 71-72</li> <li>In our initiatives for 2010 we have inserted the promotion of eco-responsible behaviours, like differentiated waste collection and the use of recycled paper, page 44</li> <li>We have promoted the "Puliamo il mondo" (Let's Clean Up The World) initiative, by making the participation kit prepared by Legambiente available to all employees, page 64</li> <li>We have a programme underway to adapt the buildings we own to use photovoltaic systems, page 69</li> <li>We use the best available technologies to minimise environmental impacts, pages 68-77</li> </ul>		EN3, EN4, EN6, EN7, EN8, EN9, EN12, EN13, EN14, EN16, EN18, EN20, EN21, EN22, EN24, EN26, EN30
<b>Fight against corruption</b>		
<ul style="list-style-type: none"> <li>We have set up the Supervisory Department, implemented the Code of Ethics and provided special training on the Italian Legislative Decree 231/2001 (231 Model) to top management, to all executives and to the managers of the company units, and we have also distributed the "231 Model" to all employees, pages 35,42</li> </ul>		S03, S04



# Capacity Portal: simplifying the work of our customers

The customers, for whom we transport their gas on our network, represent a valuable stakeholder for us. Listening and dialogue has enabled us to improve our gas transmission service and make it ever more flexible. We made a further step forward in this direction in 2009, by making a new online service available to our customers: the Capacity Portal, which was developed to respond to the changing scenario and to the emergence of new needs.

In recent years there has been a constant increase in the number of customers of the transmission service: from 30 in 2002 to 70 in 2009. The introduction of new contractual processes with different time periods has resulted in an increase in the number of requests for access to the network, with significant growth both in demand for transmission capacity (bookings carried out by Snam Rete Gas for its customers) and in the number of transmission capacity exchanges (trades and transfers between the customers themselves). These bookings and exchanges involved movements of around € 1.423 million in the 2008-2009 thermal year.

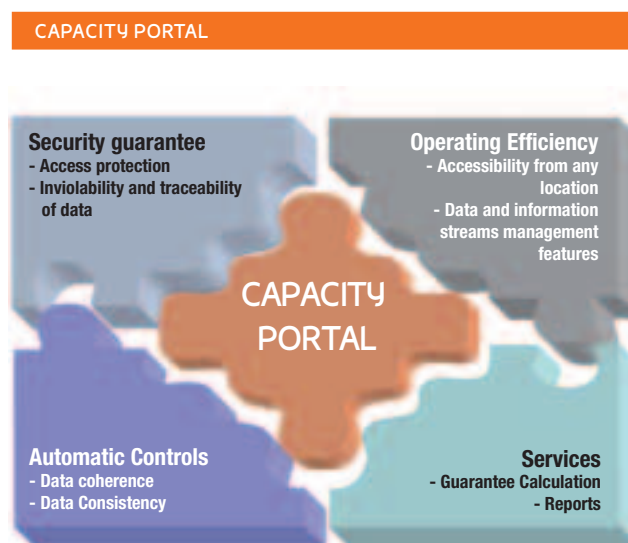


To respond to the emergence of new requirements, we have set up a computer system called "Capacity Portal", which is used on on-line web platforms. Our objective was straightforward: simplify and speed up the required activities by our customers to reserve transmission capacity, and also manage the exchange of communications between the company and the customers with tools having full legal and contractual force.

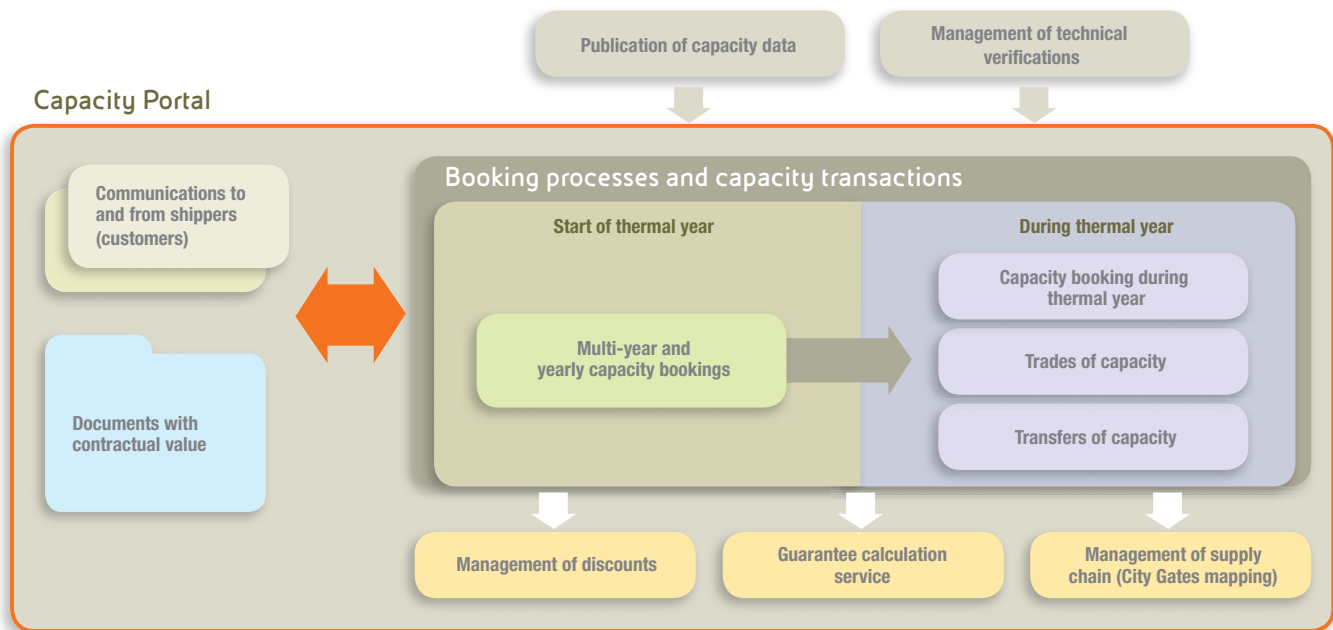
Our project was not developed in a sterile laboratory, but involved our customers right from the outset. During the design phase we considered their requirements, carefully analysing all requests, reports and suggestions that were sent in to us by the customers at this point. We organised meetings with them to discuss the functions and features of the Capacity Portal and to incorporate suggestions for improvement. The high level of participation and the pro-active contribution of our customers demonstrated the level of interest, not just in the subject matter, but also in the method of approach.

In less than a year, we succeeded in implementing the web application and, from July onwards, we gradually rolled out the online functionality for the annual and multi-year booking processes that take place in August, with the ability to display, via a series of reports, the state of progress of the activities carried out through the Portal.

From September to December, the Capacity Portal was incrementally implemented so as to be able to manage all of the various different and complex types of capacity bookings and capacity transactions.



## CAPACITY PORTAL



To guarantee the security and confidentiality of the information handled, access to the Capacity Portal by the customers is achieved by means of assigning a username and accesses protected by password, while operators authorised to work on behalf of the various companies are given access profiles that are differentiated according with their necessities.

The launch of the Capacity Portal has resulted in several advantages, both for the company and for the customers, including:

- improvement of the communication activities and verification of the data exchanged, with the guarantee that the information streams and the services are consistent with the Network Code and with reference regulations;
- high degree of automation in managing the processes;
- elimination, via the introduction of automatic checks at data entry time, of the risk of material errors and errors in the information required to request the transmission service, owing to the incompleteness, incoherence and/or inconsistency of the requests coming from the customers;

- improvement of customers' operations, since the system allows access from any computer station with an internet connection 24 hours a day, 7 days a week, independently of the computer's location.

The Capacity Portal also allows customers to use additional online services like managing discounts, mapping the commercial supply chain, calculating bank guarantees, and ancillary reports.

The importance of implementing the Capacity Portal was further demonstrated by the exceptional increase in capacity bookings and transactions conducted in the initial months of the 2009-2010 thermal year.

The customers, in this initial period of use, have put forward requests for possible improvements to be made to the system. These requests have been evaluated, categorised and prioritised and starting in 2010 work will begin on implementing those considered to be most significant.

# the report profile

## A wider scope

The Sustainability Report is published annually to communicate the company's environmental, social and economic performance with regards to the activities involved in transmission of natural gas, dispatching of natural gas and regasification of liquefied natural gas carried out by Snam Rete Gas S.p.A. and GNL Italia S.p.A. and, from this year for effect of the acquisition dated 30 June 2009, with regards to the activities involved in distribution and storage of natural gas carried out by Italgas S.p.A. and Stogit S.p.A.. In particular, the activities of Italgas also include those of Napoletana Gas, its subsidiary company. The area of accounting, or "scope of the report", therefore has been widened and the reader will find in this document details, news and comments that will enable him to gain a better insight into the activities conducted and of some sustainability aspects that distinguish these activities.

## The methodology followed

The Report has been drawn up in accordance with "Sustainability Reporting Guidelines" version 3.0 issued by Global Reporting Initiative which, by setting out a specific system of accounting and a set of meaningful indicators for each area of sustainability, enables a precise presentation of the effects of the business activity.

## How our Report is organised

In terms of content and inspiring principles, the Report generally aims to maintain continuity with previous reports. The Report, drawn up by the Sustainability Unit in association with the Sustainability Team (the latter made up of representatives from the various company departments), is organised into four main sections: "2009 according to us", in which we highlight the projects/events with major communicative impact, "we are a new Group", in which we report on the activities and economic results of the new asset, "our way", in which we explain and account for our governance and the commitments we have assumed, and "our stakeholders and the territory", in which we present the results and the most important activities relating to our people, our stakeholders and environmental protection. The results of the Group in terms of sustainable development are conveyed through the formulation and calculation of specific indicators.

## Criteria adopted in drawing up the report

Physical, environmental, social and monetary data characteristic of the company have been gathered, so that the entire spectrum of significant social, environmental and economic impacts has been considered. The information and data contained in the Report are collected and processed by the company departments concerned, after verification and approval of those responsible. Information for the financial year ending on 31 December 2009 has been included, taken from internal management tools or from public documents released by accredited institutions. Information regarding meaningful events occurred after the financial year ending are also reported conveniently highlighted. Data and information refers to Snam Rete Gas Group as constituted from 30 June 2009. Data and information about the Group refers to the entire financial year with the exception of economic financial data that follows the consolidation scope of Financial Statement. Where data refers exclusively to one or more company between the Group the scope was specified.

In particular, in the section "environmental protection", the data and information for the newly-acquired companies (Stogit and Italgas) is also presented. To ensure comparability over time of the indicators considered most significant, the results obtained in the last three years, regarding the activities of transmission and regasification, are given in order that the reader will be able to compare the performance levels with those of previous years.

The economic indicators refer exclusively to 2009 and are extracted from Financial Statement, because comparison with previous years would not be uniform. The economic data presented follows the IAS/IFRS accounting principles.

Also, in consideration of how the Italian market is structured, it is not possible to compare the results presented in the Sustainability Report with other, similar enterprises.

The calculation methods used to determine the various values are explained in the specific reference paragraphs. The Report was published at the same time as the Financial Statements and was approved by the Board of Directors on 10 march 2010.

## Topics and indicators

The topics and indicators included in the Report have been selected based on their relevance in terms of sustainability and on their capacity to influence the assessments and decisions of stakeholders. To do this, we developed processes to involve the company hierarchies and of "stakeholder engagement".

## Management method

For the first year, the management approach (i.e. the process whereby the company has tackled the principal environmental, social and economic issues and established the context of the performance-related information) is described explicitly in the text for each major topic. The “What we said - what we did” tables have been extended with the addition of the “What we will do” column, which briefly lists the actions planned to achieve the pre-established objectives over a longer time frame.

## Assurance

The Report was subjected to an audit by an independent third party (PricewaterhouseCoopers) in accordance with the principles and indications of the International Standard on Assurance Engagement (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB). The results of the audit conducted are contained in the letter of conformance enclosed with this Report.

THE SUSTAINABILITY REPORT IN BRIEF		PERSON OF REFERENCE	ACCESSIBILITY
Period of reference:	2009	Domenico Negrini	<a href="http://www.snamretegas.it">www.snamretegas.it</a>
Coverage of Sustainability Report:	annual	Snam Rete Gas – Piazza Santa Barbara, 7	e-mail:
Previous Sustainability Report:	2008 Sustainability Report	San Donato Milanese (MI), Italy	<a href="mailto:svilupposostenibile@snamretegas.it">svilupposostenibile@snamretegas.it</a>





Transport,  
regasification,  
distribution  
and storage:  
these are the activities  
that the new  
Snam Rete Gas Group  
is founded on.  
We have created  
an integrated operator  
that is present right  
along the regulated  
gas supply chain  
in order to supply,  
both efficiently  
and reliably, an energy  
source with low  
environmental impact.







we are a new group

# Snam Rete Gas today

gas supplies

infrastructures

national production

imports

import by tankers

import pipeline



## Our activities

### TRANSMISSION NETWORK

**Snam Rete Gas** plans, builds and manages a network of over 31,500 km, distributed across most of Italy. Development of the network also includes environmental restoration work, actions that give unique character to the company's commitment to environmental sustainability. In 2009, environmental restoration work was carried out in areas affected by the laying of over 260 km of pipelines.



snam rete gas

### LNG REGASIFICATION

**GNL Italia** is active in the regasification of liquefied natural gas and operates at the Panigaglia plant, the first plant of its kind in Italy and one of just 40 in the world. It has a maximum capacity of 3.5 billion cubic metres of regasified gas a year.



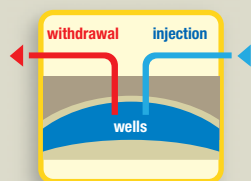
gnl italia



sales

#### STORAGE

Forty years of experience in gas storage using disused gas fields at a depth of around 1000-1500 metres, eight storage fields, wells, treatment plants and compressor plants: this is the integrated system that **Stogit** brings to the market.



electricity generation sector

industrial sector

#### DISTRIBUTION NETWORK

Founded in 1837, **Italgas** was the first Italian company to involve itself in the gas distribution sector.

It is the leader on the Italian market, carries out its activities in over 1400 contracted municipalities, and manages a network of over 50,000 km and 5.7 million active meters.



residential sector

# Snam Rete Gas today

## Activities

### Transmission

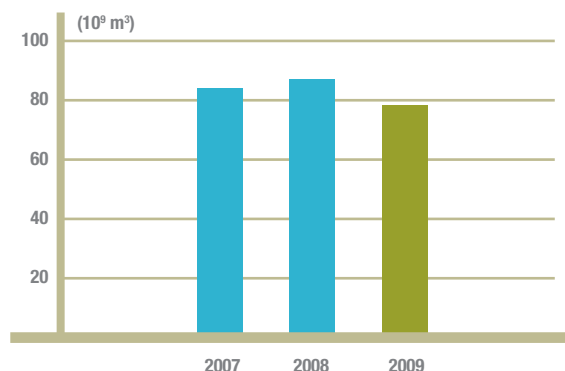
Snam Rete Gas takes charge of natural gas at delivery points. These are located at interconnections with import lines from Russia, Northern Europe and North Africa, with LNG regasification plants, and with domestic gas production and storage centres situated throughout Italy. The gas is then transmitted, on the basis of instructions provided by the customers, to the delivery points connected to local distribution networks and to major industrial users and power stations.

The gas transmission system is comprised of a network of gas pipelines extending for 31,531 km throughout most of Italy, 11 gas compressor stations, and 567 plant areas containing pressure reduction and regulation plants.

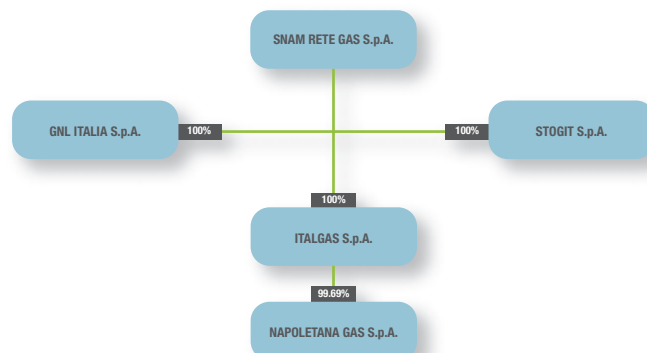
Control and management of the system are carried out by the Dispatching Centre in San Donato Milanese in cooperation with the local Operating Centres distributed throughout Italy. These Operating Centres, comprising 8 districts and 55 maintenance centres, are responsible for ensuring the operation, maintenance and control of the entire system.

The volume of gas put into the transmission network totalled 76.90 billion cubic metres, with a reduction of 8.74 billion cubic metres (-10.2%) over 2008 levels. The reduction is due to the lower demand for natural gas in Italy, which is mainly associated with the lower consumption of the thermoelectric sector (-15.5%) and the industrial sector (-14.6%) as a result of the difficult economic climate, the effects of which have in part been absorbed by the increase in consumption of the residential sector (+4.9%).

#### NATURAL GAS INJECTED INTO THE TRANSMISSION NETWORK



#### CORPORATE STRUCTURE



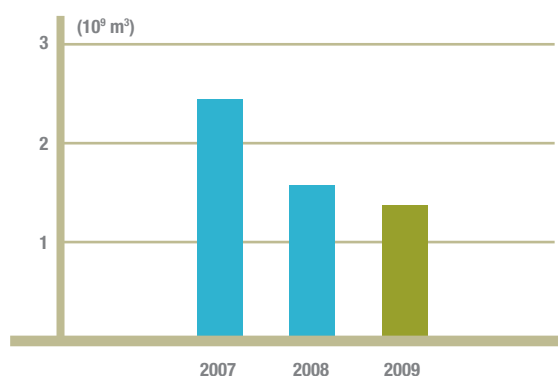
### Regasification

GNL Italia is the company that takes charge of its customers' liquefied natural gas (LNG) at the Panigaglia facility, located in Fezzano di Porto Venere (La Spezia), regasifies it and injects it into the transmission network. This regasification is the last phase of the LNG chain which begins in the exporting country, where the natural gas is brought to a liquid state (by cooling it to -160°C at atmospheric pressure) and loaded on ships (called "methane tankers") for transportation by sea.

The convenience of transforming the natural gas, which in nature is present in its gaseous phase, to liquid form lies in the fact that its volume is reduced by a factor of around 600, both facilitating and making economic its transport by ship as an alternative to transmission via pipeline. This becomes particularly interesting when the need arises to diversify sources of supply, especially considering the increase in distance between the regions of production and the regions of consumption, thus enabling gas to be imported from producer countries that cannot be connected by pipeline.

The Panigaglia facility occupies a productive area of around 45,000 square metres and it is made up of two storage tanks of 50,000 cubic metres each, steam plants, and a berth for ships. In 2009, 38 tankers of different types were unloaded and around 1.32 billion cubic metres of natural gas were injected into the national transmission network.

#### LNG REGASIFIED



## Storage

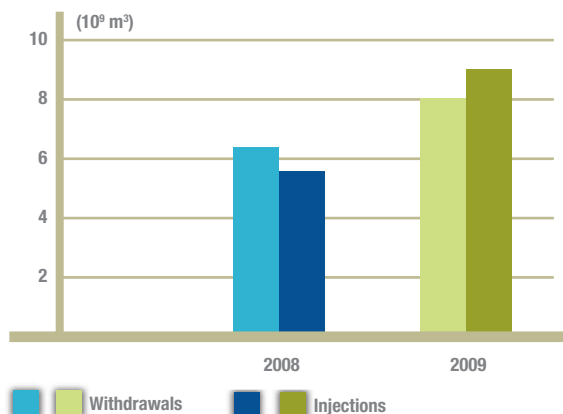
Stogit is the biggest operator in Italy and in Europe in the natural gas storage service activity; by means of eight storage fields, located in Lombardy (four), Emilia Romagna (three) and Abruzzo (one) the company puts its storage capacities at the disposal of the market according to technical and economic efficiency criteria. The company does that using an integrated system (gas fields, gas treatment plants, compressor plants and a dispatching system) that is capable of providing the required modulations of performance, compatibly with the available storage capacities.

The natural gas storage activity acts to compensate for the fluctuating needs between supply and consumption of gas. Actually supply is an essentially constant activity throughout the year, while the demand for gas has a strongly seasonal variability, with wintertime demand being significantly higher than summertime demand.

The activity is essentially divided into two phases. The injection phase, when the natural gas coming from the national transmission network is injected into the gas field (between April and October), and the supply phase, in which the natural gas is withdrawn from the gas field (between November and March), treated and delivered to the customers, again through the transmission network. For the storage, gas fields are used that have already been exploited for production, located at depth of around 1,000 - 1,500 metres.

In 2009 around 16.52 billion cubic metres of natural gas were handled (8.7 supplied and 7.8 injected), an increase of 4.95 billion cubic metres over 2008 (+42.8%). This increase can be attributed to the major withdrawal of gas during the Russian supply crisis in January 2009, and to the consequent increased injection to restore the volumes supplied and to progressively fill the additional capacity made available for the 2009-2010 thermal year.

NATURAL GAS MOVED THROUGH THE STORAGE SYSTEM



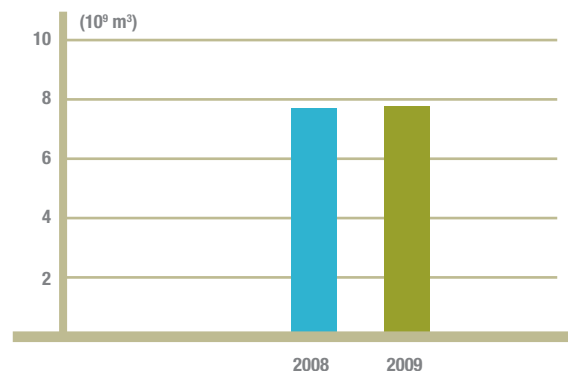
## Distribution

Italgas, together with its subsidiary Napoletana Gas, provides a natural gas distribution service, under concession, for the selling companies authorised to sell on the gas (local public bodies). The activity is conducted by means of an integrated system of infrastructures (cabins for withdrawal, pressure reduction plants, distribution networks, delivery points), for the most part directly owned, which allow the companies to withdraw the gas from the national transmission network and deliver it to the end customers (domestic and industrial). At the withdrawal points, the gas (actually the gas itself is odourless) is also odorized to make its presence noticeable in the event of leaks. Of no lesser importance is the metering activity, which is carried out both at the withdrawal points and at the delivery points.

An integral part of the infrastructure is the Integrated Supervision Centre, which constantly monitors the plant remote control systems, to ensure rapid response in the event of anomalies and also in the event of limitations or interruptions to the service. The data coming from remote control and remote reading is made available immediately throughout Italy by telematic means, so as to allow the operating units to have a picture of the status of the distribution system that is always up-to-date.

In 2009 the volume of gas distributed in the distribution network was 7,537 million cubic metres, an increase of 106 million cubic metres over 2008 (+1.4%), basically as a result of the effect of climate and the development of the network. At the end of the year the gas distribution service was provided in 1,441 municipal concessions and with 5,770,672 active meters installed at end customers' premises.

NATURAL GAS DISTRIBUTED



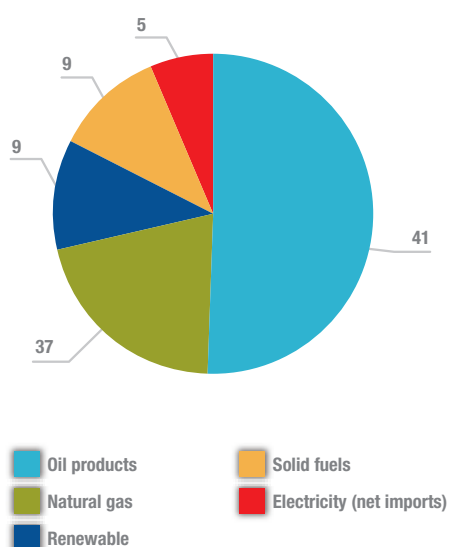
## The energy scenario

In the Italian energy system, natural gas is the energy source with the highest rate of growth measured in recent years and is expected to remain so in the medium-to-long term.

From 2001 (the year Snam Rete Gas was founded) to 2008 consumption of natural gas grew at a rate of 2.6% annually on average, going from 70.9 to 84.9 billion cubic metres. The share held by natural gas of total primary energy consumption went from 31% in 2001 to 37% in 2008, the gains serving predominantly to replace petroleum products. This growth is mainly due to the electricity production sector: in 2008, natural gas was used to generate around 173 TWh or 68% of the 254 TWh total thermoelectric production from fossil fuels. Today natural gas represents by far the most important fuel in the Italian electricity system. This position has been achieved in a relatively short period of time, considering that in 2001 electricity production from natural gas was only 96 TWh, equivalent to 44% of the 216 TWh deriving from thermoelectric production from fossil fuels.

In the 2001-2008 period, the growing use of natural gas with high-efficiency combined-cycle technology (replacing the traditional technology) in the electricity sector has enabled the electricity generation sector to save over 5 billion cubic metres of natural gas, thus avoiding the emission of over 10 million tonnes of CO<sub>2</sub> from natural gas. If we also consider that natural gas has displaced fuels that produce higher emissions, like fuel oil in the electricity generation sector, then the contribution of natural gas to environmental quality is even more noteworthy.

ENERGY NEEDS IN ITALY IN 2008 SUBDIVIDED BY PRIMARY SOURCE (%) - 191.5 Mtoe



The financial crisis of 2008-2009 had a significant negative impact on international and Italian energy consumption. In particular, it is estimated that consumption of natural gas decreased by 7 billion cubic metres, going from 84.9 billion cubic metres in 2008 to 78.1 billion cubic metres in 2009, equivalent to a negative growth rate of 8%. Nevertheless, from 2010 onwards we expect that the national and worldwide economic recovery will lead to a gradual return to growth in the overall energy consumption and also in natural gas.

With regard to Europe, according to the latest World Energy Outlook of the IEA (International Energy Agency), natural gas should be the only traditional energy source expected to have an increase in demand in the coming years (about 1% annually), while demand for oil and coal are expected to decrease.

Beside the quantitative aspects, we believe that important changes will affect the context in which the gas industry will be operating. It will be characterised by an emphasis on sustainability. Indeed, the European Union has made significant commitments to the challenge against climate change and to improving air quality. These commitments have been translated into real-world action through a series of EU directives, implemented by national legislation in the various member states. The prospective energy scenario will therefore see a growing effort to promote further reductions in emissions, greater energy efficiency in end uses, and wider use of renewable energy sources both in end uses and in the electricity generation sector. The pursuit of these objectives will require the launch of research and development programmes aimed at identifying innovative technological and economic solutions in the efficient use of energy resources and in the production of electricity from renewable sources. In any case, natural gas is destined to play a central role in this scenario, with an ever more important impact in its use to generate electricity with conventional technologies (the IEA forecast an increase on the order of 1.4% annually), in addition to a supporting role in the development of electrical power generation from renewable sources, considering that gas turbines with their flexibility can provide the optimal option in terms of reliability and cost-benefit to ensure reserve capacity.

Another strategic area on which energy policy of European countries will be concentrated is the security of supplies, especially for natural gas: the recent crises linked to the supply of Russian gas have highlighted the strategic necessity for Europe to actively promote the diversification of sources of supplies. This has a twofold objective, i.e. preventing the producer countries from gaining excessive negotiating power and the use of energy supplies as an instrument of political pressure.

The natural gas industry in Europe will thus find itself faced with a threefold challenge: environmental sustainability, cost efficiency, diversification and safety of supplies.

In the Italian energy context, the issues just described will hold special significance. Indeed, Italy is one of the most important natural gas markets in Europe, both in terms of consumption (third place

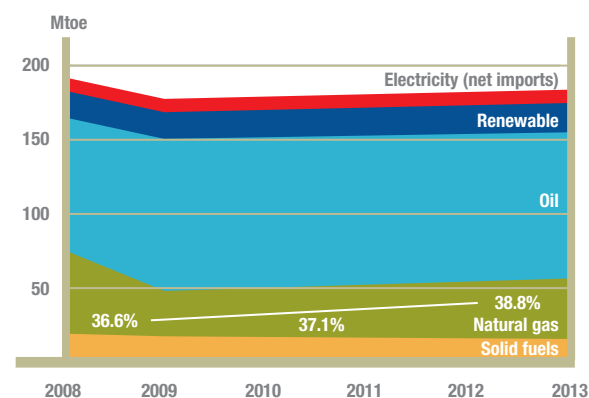
after the United Kingdom and Germany) and in terms of the transportation and distribution network. We expect this trend to strengthen further in the future in terms of the relative share of natural gas in the consumption of primary energy, rather than in the production of electrical power. In Italy, the phenomena of offshoring and restructuring seen in the last few years by industrial sectors have translated to a limited growth in energy consumption, especially in the energy intensive categories. The current crisis will probably further accelerate this phenomenon, tending to limit growth in Italy's energy consumption: in 2013 we expect a consumption of primary energy of around 183 million TOE, a lower level than the 191.5 million TOE consumed in 2008. The share of natural gas in matching this energy demand is expected to reach 39%, a slight increase over the 37% share recorded in 2008 (data prepared by the Ministry for Economic Development).

The demand for natural gas in Italy in 2009 was 78.13 billion cubic metres, down by 6.75 billion cubic metres, or 8%, compared with 2008 owing to the effects of the economic crisis. The reduction was concentrated mainly in the thermoelectric (-15.5%) and industrial (-14.6%) sectors, although this was partly offset by higher demand from the residential and tertiary sector (+4.9%) owing primarily to weather conditions.

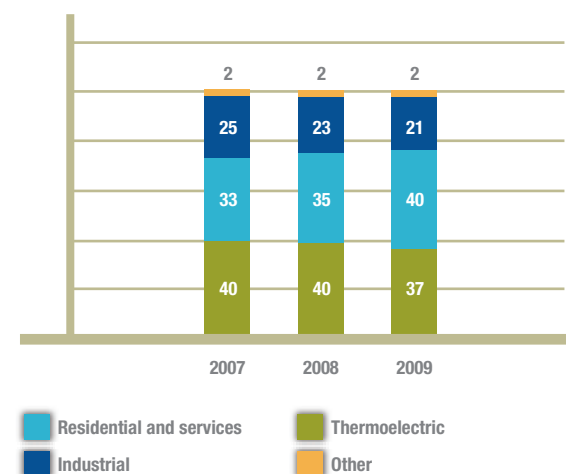
Based on the most recent estimates, domestic natural gas demand is expected to grow by an annual average of more than 2% in the four years from 2010 to 2013. The predicted growth is due to consumption in the thermoelectric sector, which is expected to increase annually by an average of more than 5%.

Smaller increases are predicted in residential, tertiary and industrial consumption.

#### CONSUMPTION OF PRIMARY ENERGY



#### GAS DEMAND BY SECTOR (% OF TOTAL GAS DEMAND)



#### NATURAL GAS DEMAND

(billions of m³)	2007	2008 (*)	2009
Residential and tertiary	28.18	30.18	31.65
Thermoelectric	34.29	33.90	28.66
Industrial (**)	20.89	19.31	16.49
Other	1.54	1.49	1.33
	84.90	84.88	78.13

(\*) Gas demand was aligned with the data published by the Ministry of Economic Development.  
 (\*\*) Includes consumption by the industrial, agricultural and fishery, chemical synthesis and automotive sectors.

# economic performance

The economic scenario and the results achieved during the year, the share capital increase and the acquisition, the market and future plans.

## Disclosure on management approach

### The Planning, Administration, Finance and Control Manager responds to key questions

#### Has the economic crisis influenced the operations of the company?

The key event of 2009 was the acquisition of Italgas and Stogit, which made Snam Rete Gas a leading operator at European level. The integration with those two companies, beginning in the second half of the year, has enabled us to reach an operating profit that has grown by 25% and a net profit that has increased by 38% over 2008. In a general context of contracting energy demand, our limited exposure to the economic situation as a result of the structure of regulation has allowed us to mitigate the economic impact of the crisis, with a small reduction, of around 2%, in the operating margin of the transmission activity.

#### What were the reasons for acquiring Italgas and Stogit?

With this operation we have created a single group that operates in the regulated gas activities in Italy. We are the biggest group in continental Europe in terms of capital invested for regulatory purposes (RAB) and with a limited business risk profile. We will be able to increase the creation of value through the development of infrastructures, the sharing of know-how, the improvement of efficiency and the implementation of industrial economies of scope and scale. And we are also taking account of sharing the cultural values deriving from the common membership of Eni.

#### Will the financial structure be modified?

Our objective is to maintain the current asset structure and financial flexibility in the medium to long term.

#### How has the market reacted?

The market has appreciated the industrial and strategic reasons for the operation, which is geared towards sustaining the company's growth. All this represents a tangible and significant opportunity for the creation of value for our shareholders.

#### How did the increase in capital come about?

The increase in share capital, which was implemented via the issue of shares offered as an option to Snam Rete Gas shareholders based on the number of shares owned, saw the exercising of 1,756,673,448 stock options in the option offer period, which began on 27 April 2009 and concluded on 15 May 2009. Overall 1,610,283,994 new-issue ordinary Snam Rete Gas shares were subscribed, or 99.75% of the 1,614,292,394 shares offered. The non-exercised option rights, numbering 4,372,800 rights, which were valid for subscribing 4,008,400 new ordinary shares, were offered by Snam Rete Gas on the stock exchange from 21 to 27 May 2009. All the rights have been exercised. Overall therefore 1,614,292,394 new-issue ordinary shares were subscribed, or 100% of the shares offered.

#### What guidelines is Snam Rete Gas assuming with the market after the merging of Italgas and Stogit?

The merging with Stogit and Italgas enables Snam Rete Gas to confirm a solid and significant investment plan, of around € 64 billion (net of expected contributions) in consolidated terms in the 2010-2013 four-year period, geared towards developing the gas system in Italy and sustaining and increasing the company's opportunities for growth in the medium and long term.

#### More in depth, what are the plans for transmission and regasification areas?

In these sectors we want to meet the requirements associated with development and gas demand in the medium to long term and increase the flexibility and safety of the transmission system in Italy, improving at the same time the quality of the transmission service without leaving out our contribute to the creation of a European gas hub.



It is expected that the planned measures will enable the company to increase, in the period under consideration, the number of kilometres in the national transmission network (31,531 kilometres in 2009) by around 4% and, in 2013, to increase the installed power in the compressor stations by around 21% over 2009 levels (857 MW in 2009).

### And what's about the distribution area?

We want to optimise the portfolio of concessions in order to maximise its profitability and to work on improving the quality of the gas distribution service.

The planned measures will enable the company to continue sustaining the development of the business with an estimated light growth in the number of users in 2013 of around 8% compared to 2009 (5.8 million users in 2009).

### There is still the storage area...

For the storage area we are going to work on improving the overall safety and flexibility of the storage system, through increasing the modulation service capacity and managing the peak capacity, and on optimising the balancing and favouring the liquidity of the gas system in Italy. It is expected that the projects specified in the plan will bring an increase in the modulation capacity of around 35% in the period under consideration (8.9 billion standard cubic metres in 2009) and an increase, in the four-year period, of around 13% of the peak capacity (270 million standard cubic metres in 2009).





## Financial markets

In 2009 there was a widespread recovery of the share values of all the main world stock exchanges, compared to the minimum levels registered at the beginning of the year. The performance seen at the end of the year on the main European stock exchanges were as follows: Dow Jones Stoxx Index 50 +24.1%, FTSE 100 in London +22.1%, DAX in Frankfurt +23.9% and CAC 40 in Paris +22.3%. The Italian stock market showed a recovery in line with the other European stock exchanges: the FTSEMIB index, which includes the 40 biggest companies in terms of share capitalisation listed in the Italian stock market, saw an increase of 19.5% and the FTSE Italia All-Share index, which includes all the listed companies, recorded an increase of 19.2%.

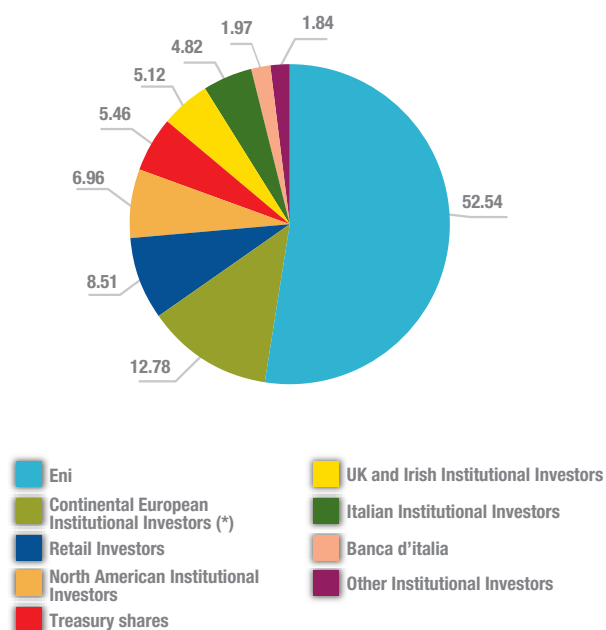
The financial markets were supported by a climate of greater confidence, based on the progressive intensification of positive signs coming from the evolution of the economic trend, although this improvement was not uniform and it affected various sectors of the economy at different speeds with uncertainties regarding its actual extent.

The improvement of the economic and financial situation also benefited the expansive monetary policies of the Central Banks, which have gradually reduced interest base rates to exceptionally low levels. The improvement also benefited the support and stimulation initiatives implemented by various governments to kick-start consumption and the principal manufacturing sectors.

In this context, the Snam Rete Gas share closed 2009 at an official price of € 3.46, a growth of 6.1% over its previous year value, rec-

tified to take account of the increase in capital. In 2009 on MIBTEL (the telematic stock market of the Italian stock exchange) approximately 2.6 billion Snam Rete Gas shares were traded, with growth in daily trades due to the greater number of shares in circulation (following the increase in share capital) which now stands at approximately 10.1 million shares (compared with 7.3 million shares in 2008).

SHAREHOLDING STRUCTURE (%)



(\*) 2.9% held by PICTET FUNDS (Europe) SA



## Review of the year

The results of the 2009 financial year incorporate the effects associated with the acquisition, beginning on 30 June 2009, the date the operation was concluded. Therefore the income statement includes the effects of the consolidation of the acquired companies in the second half of the year.

The EBIT (Earnings Before Interests and Taxes) of € 1,274 million shows an increase of 24.7% over 2008 owing to the contribution of the natural gas distribution (€ 203 million) and storage (€ 92 million) sectors following the consolidation of Italgas and Stogit. These effects were partly compensated for by the lower operational performance of the transmission activity (€ -43 million), which was slightly reduced (-4.2%), despite the significant fall in gas demand (-8.0%) and the consequent reduction of the volumes of natural gas transmitted (-10.2%). The regasification activity showed an operating profit of € 5 million, unchanged from 2008.

The net profit amounts to € 732 million, an increase of € 202 million, or 38.1%, over 2008. The increase is due to the higher operating profit (€ +252 million), the recording of net income on holdings (€ +22 million), mainly relating to the company's shares of the results for the period of associated companies evaluated with the net equity method, and the reduction in net financial charges (€ +9 million), which can basically be attributed to the marked reduction in market interest rates. These factors were partly absorbed by the increase in the tax on income (€ -81 million), which was due to the higher profit before tax.

### Investments

Technical investments (€ 1,254 million) principally addressed the development and maintenance of the natural gas transmission and regasification infrastructures (€ 933 million). Investments in the natural gas distribution and storage sectors, made as from the ac-

quisition completion date, were respectively € 172 million and € 149 million.

### Net financial debt

Net financial debt amounts to € 9,949 million, a € 3,713 million increase compared to 31 December 2008. The increase is essentially due to the effect of acquiring Italgas and Stogit, which also involved the consolidation of their respective net financial debts (€ 2,381 million as at 31 December 2009).

The financial liabilities (€ 9,986 million) are entirely to Eni and are entirely in euro. Long-term financial liabilities (€ 7,486 million) represent 75% of the financial debt (83% as at 31 December 2008). The average term of long-term financing is around 4 years (from a little more than 4 years as at 31 December 2008).

In terms of sources of financial resources, the incidence of the net financial debt on the net invested capital is 63.6%, unchanged from 31 December 2008.

### Dividend

The 2009 results, together with the solid capital structure, will enable the Company to offer the next Shareholders' Meeting the distribution of a dividend of € 0.20 per share, of which € 0.06 per share was distributed in October 2009 as advance payment on the dividend, confirming Snam Rete Gas' attractive and sustainable dividend policy. The dividend in full of € 0.14 will be paid starting on 27 May 2010 (coupon detachment at 24 May 2010).

#### MAIN ECONOMIC INDICATORS (€ million)

	2009
Core business revenues	2,438
Operating costs	581
EBIT	1,274
Net profit	732
Investments	1,254

## Breakdown of added value

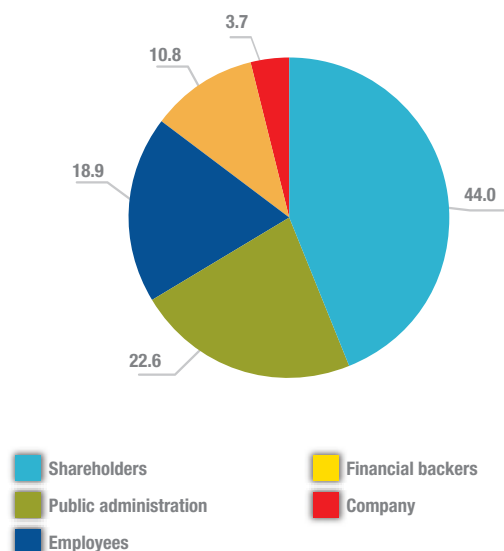
Snam Rete Gas contributes to sustainable development through the economic growth of the context in which it operates, generating wealth and distributing it to its stakeholders. The added value, which is the wealth the company generates in the course of its activities, was calculated, fitting for Snam Rete Gas Group peculiarities the principles of the Corporate Financial Statements study Group, as the difference between the production value and the intermediate costs associated with it (consumption of raw materials, consumables, costs for services, use of third-party assets, provisions for risk, other provisions, other costs). The Total Added Value net of amortisation is the configuration chosen for these Financial Statements.

The determination of the added value is shown below.

GLOBAL ADDED VALUE	
Core business revenues	2,438
Other revenues and income	30
Purchases, provision of services and other costs (*)	384
Net financial expenses	75
Net incomes on equity investments	22
Increases due to internal works – Cost of work and financial expenses	118
<b>Gross global added value</b>	<b>2,149</b>
for deduction	
Amortisation and depreciations	613
<b>Net global added value</b>	<b>1,536</b>

(\*) Net of investments costs

### BREAKDOWN OF ADDED VALUE 2009 (%)



The net global added value is then broken down amongst the different beneficiaries in the following way: (i) employees (direct remuneration consisting of salaries, wages and severance pay, indirect remuneration consisting of social expenditure, as well as costs for personnel-related services (canteen services, travel expenses reimbursement etc.); (ii) Public Administration (income tax); (iii) financial backers (interest for the availability of credit capital); (iv) shareholders (distributed dividends); company (amount of reinvested profit).

In 2009 Snam Rete Gas distributed € 1,536 million (63% of revenues) to its stakeholders. The added value was distributed: 44% to shareholders (€675 million), 22.6% to Public Administration (€347 million), 18.9% to employees (€291 million), 10.8% to financial backers (€166 million), and the remaining 3.7% (€ 132 million) was reinvested in business activities.









In the “Policy of Sustainable Development” we have declared the principles and values that inspired us when formulating our sustainability programmes.

Not only do we outline the objectives that guide our work in this document, we also describe the methods we employ to carry it out: methods we believe to be correct and sustainable.







our way



# principles

We consider sustainability to be an integral part of our corporate culture and the engine of a process of ongoing improvement that is transversal across the company and which strengthens the process of growth that must be sustainable, environment respectful and responsible for the territory and its communities.

## Governance and Sustainability

### The Corporate and Legal Affairs Manager responds to key questions

#### How does the governance represent a sustainable issue in Snam Rete Gas?

We believe that sustainability contributes to the management of business risks, to the improvement of performance, and to the strengthening of reputation and of intangible asset.

To ensure that sustainability is properly addressed, the Board of Directors has taken a central role in defining sustainability policies and in approving the Sustainability Report. On 20 March 2009 the CEO attributed specific functions to the Steering Committee which, to the extent of its responsibilities, is assigned to supervising company sustainability activities, assessing their consistency with business strategies and ensuring the definition of the sustainable development model, and in particular ensuring the assessment and approval of key indicators and the verification of the Sustainability Report.

#### What are the essential features of Corporate Governance?

The corporate governance system is developed to create value for shareholders and it takes account of the social relevance of the activities that the company carries out. The system considers safeguarding the environment, personal health and safety, protection of employees and equal opportunities, cooperation with local and national communities and, in general, the interests of all stakeholders, to be of fundamental and non-ignorable importance.

Our corporate governance system is based on the guidelines set out in the Code of Conduct for Listed Companies drawn up by the Committee for Corporate Governance of Listed Companies, with recommendations made by CONSOB (National Commission for Listed Companies and the Stock Exchange) as well as, more generally, international best practices. In this regard, it's noteworthy to remind that the corporate governance system is a specific evaluation criteria considered by Dow Jones Sustainability Index in the Gas Distribution Utilities sector.

#### MEMBERS OF THE BOARDS OF DIRECTORS OF THE COMPANIES OF THE GROUP AT 10/03/10

	Snam Rete Gas	GNL Italia	Stogit	Italgas
Members of the BoD	9	5	5	5
Independent	5	---	---	1
Non-Executives	7	4	4	4
Minority members	3	---	---	---
Annual meetings	11	4	8	10

Full details of the company's corporate governance system are given in the Report on Corporate Governance and Ownership Structures, which is available on the Snam Rete Gas internet website ([www.snamretegas.it](http://www.snamretegas.it)).

## policy of Sustainable Development

The principles and values from which we have drawn inspiration in our sustainability policy have been published in a document, The "Pol-

icy of Sustainable Development" is a document drawn up and shared in the company and approved by the CEO. In ongoing improvement we recognise a strategic lever for sustainability practices. In the creation of value we identify our commitment to stakeholders

and we consider the natural resources protection a responsible way of conduct that we strive to constantly implement in the activities we carry out. The "Policy of Sustainable Development" is available on the internet website [www.snamretegas.it](http://www.snamretegas.it) in the Sustainability area.

## Business ethics

On 27 June 2008 the Board of Directors of Snam Rete Gas approved the new Code of Ethics, which implements the most advanced guidance in the areas of corporate ethics and sustainability. In 2008 the subsidiary companies adopted the new Eni Code of Ethics integrally. The purpose of the Snam Rete Gas and Eni Codes is to ensure that all activities are performed in compliance with the law, in a climate of fair competition, with honesty, integrity, correctness and in good faith and with due regard to the legitimate interests of customers, employees, shareholders, commercial and financial partners and the communities in which the company operates.

All Snam Rete Gas Group employees, without distinction or exception, have a duty to comply with, and ensure compliance with, these principles in the fulfilment of their duties and responsibilities. Under no circumstances can the conviction of acting for the benefit of the company justify any form of behaviour that contrasts with these principles.

Application of the principles for all companies of the Group is ensured via internal audits and the role of Guarantor of the Code of Ethics is entrusted to a corporate organ, the Supervisory Department, set up pursuant to Italian Legislative Decree no. 231 of 8 June 2001 ("231 Model").

### Ex D. lgs 231/01 Model

Italian Legislative Decree no. 231 of 8 June 2001 introduced the concept of corporate administrative liability, whereby companies can be held liable, and therefore penalised, for certain offences committed or attempted in the interests of or to the advantage of the company by its management or employees. The liability of the company is excluded if it has adopted and effectively implemented, before the offences were committed, models of organisation, management and control to prevent these offences, and has set up a supervisory body to oversee the functioning of these models and their compliance with the requirements of the Decree.

All companies of the Snam Rete Gas Group have implemented the law by adopting its organisational, management and control Model, commensurate with its specificity, and appointing a Supervisory Department responsible for monitoring the implementation of the Model and its effective application.

## Internal audit

The Internal Audit is responsible for verifying the adequacy of the internal control system and ascertaining that it can reasonably guarantee that the organisation can accomplish its objectives economically and efficiently.

The Internal Audit function, which reports directly to the Chairman to guarantee its independence, performs the following specific duties:

- it ensures the operational, compliance, financial, IT and fraud audit activities, the supervisory activities pursuant to Italian Legislative Decree 231/2001, and the independent monitoring activities envisaged by the corporate information control system for the company;
- for its activities, it maintains relations with the Audit Committee, the Supervisory Body pursuant to Legislative Decree 231/2001, the Board of Statutory Auditors and with the company appointed to audit the financial statements;
- it ensures the management of reports, which may be anonymous, received for any reason from Snam Rete Gas and subsidiaries, and carries out inspections according to the provisions of the corporate procedure issued in September 2006. In 2009, 12 reports were received, of which 4 addressed the Code of Ethics. The resulting investigations conducted did not find any irregularities of note.

Audits are carried out by following a risk-based approach which involves the preliminary analysis of the risks correlated to the process objectives in order to focus the audits on those aspects that are most exposed to risk. The risk assessment analyses also include the risk factors associated with possible fraudulent conduct by employees and/or third parties. At the conclusion of each intervention, any weaknesses in the internal control system are identified along with the corresponding corrective actions agreed with the management. The implementation of corrective actions is regularly monitored via follow-up measures.

Italgas and Stogit, acquired by Snam Rete Gas with effect from 30 June 2009, have their own Internal Audit unit which in 2009 carried out, similarly to Snam Rete Gas, risk-oriented audits, checks of conformance to Legislative Decree no. 231/2001 and monitoring of the corporate information control system.

In particular, during 2009 have been issued 15 audit reports (9 Snam Rete Gas, 3 Italgas and 3 Stogit), 30 reports regarding monitoring of the internal corporate information control system SOA/262 (16 Snam Rete Gas, 10 Italgas and 4 Stogit) and 26 report about check of conformance to Legislative Decree no. 231/2001 (8 Snam Rete Gas, 15 Italgas and 3 Stogit).



## Risk management

By its very nature, entrepreneurial activity is deeply associated with risk factors. Prudent management of these risks forms part of a company's solidity and reputation. For Snam Rete Gas the principal risks identified and monitored are those specified below. The reader will, in any case, find a more extensive and careful examination in the Financial Statements and on the Snam Rete Gas website, as for the specific risks of the sectors of activity in which the Group operates.

### Market risk

#### Interest rate fluctuation risk

The Group aims to minimise interest rate risks while pursuing financial structure objectives laid down in its business plans. In order to limit the risk associated with the volatility of interest rates, Snam Rete Gas uses derivative instruments, and in particular Interest Rate Swaps (IRS), to manage the balance between fixed-rate and floating-rate debt. The fair value of such interest-rate derivatives is calculated systematically on the basis of market prices provided by the major info providers. Snam Rete Gas does not have derivative contracts held for trading or speculative purposes.

#### Natural gas purchase price fluctuation risk

From 1 January 2010 onwards, with the beginning of the third regulation period, the Italian Electricity and Gas Authority has defined methods for payment in kind, by shippers to transporters, of gas volumes to cover fuel gas, network losses and unaccounted-for gas, owed as a percentage of the volumes respectively injected into and withdrawn from the transportation network. As a result of these measures and taking into account the mechanism for allocating gas to shippers, changes to the purchase price of natural gas are no longer a risk for the group.

### Credit risk

The Group provides business services to a limited number of gas sector operators, the largest of which by revenue is Eni S.p.A. With the parent company Eni S.p.A. representing 50% of trade receivables, credit risks are not expected in view of their reliability. The rules for customer access to the services offered are established by the Italian Authority for Electricity and Gas, and set out in the Network Codes, and have contractual conditions that reduce the risks of the customers' not fulfilling their obligations. The company did not experience any significant cases of counterparty non-compliance.

### Liquidity risk

Liquidity risk is the risk that the company is unable to meet its payment commitments due to an inability to raise new funds or to liquidate assets on the market. The aim of the Group is to have a financial structure which ensures an adequate level of liquidity for the Group, minimising the related cost and maintaining a balance between the term and composition of its debt. Today Snam Rete Gas raises funds solely through its ultimate parent, Eni S.p.A. Under the existing agreements, Eni S.p.A. can request the early repayment of loans should it lose its controlling stake in Snam Rete Gas. At present, the company believes that cash flows from operations and its current financial and capital structure can reasonably allow access to a wide range of financing from the capital market and credit institutions at normal market conditions.

### Operational risk

Our activities are subject to the observance of many rules and regulations protecting the environment, health and safety at national, regional, local and EU levels. Failure to observe the current regulations may result in individual criminal and/or civil sanctions and, in some cases where safety rules are violated, companies may be liable on the basis of a European liability model adopted in Italy through Legislative Decree no. 231/2001. The possibility of Snam Rete Gas's incurring costs or liabilities, possibly significant, cannot be definitively ruled out.

Snam Rete Gas has adopted a Health, Safety and Environment policy. The HSE management system is based on organisational regulations which establish the responsibilities and the procedures to be adopted in the planning, implementation, operation and decommissioning stages pertaining to all company activities, the aim being to ensure compliance with the regulations. In the Snam Rete Gas organisational structure, unit managers are required to take responsibility for the health, safety and environmental issues for their respective activities.

### Risks connected with failing to meet infrastructure development objectives

The actual possibility of Snam Rete Gas's achieving the development projects on its infrastructure is subject to many unforeseeable events linked to operating, economic, regulatory, authoritative and competition factors, independently of the company's will. Therefore Snam Rete Gas is unable to guarantee that the planned projects to extend and upgrade are actually undertaken, nor, if undertaken, that the projects are successfully concluded or that they enable the achievement of the benefits specified by the tariff system. In addition, the development projects may require greater investments or longer timeframes than those initially estimated, so influencing the financial position and economic results of Snam Rete Gas.

### Risks deriving from possible malfunctioning of plants

Managing regulated gas activities implies a series of risks of malfunctioning and unforeseeable service disruptions due to factors which are outside the group's control such as accidents, breakdowns or malfunctioning of equipment or control systems, the underperformance of plants and extraordinary events such as explosions, fires, earthquakes, landslides or other similar events beyond Snam Rete Gas' control. Such events could also cause significant damage to persons, property or the environment.

Any interruptions to service and subsequent compensation obligations could lead to a decrease in revenue and/or cost increases. Although Snam Rete Gas has stipulated specific insurance contracts to cover some of these risks, the related insurance cover could be insufficient to meet all of the losses experienced, compensation obligations or cost increases.

### Risks deriving from the need to manage a significant flow of information to operate regulated services

The regulatory framework in which the company operates requires Snam Rete Gas to continually collect and prepare a significant flow of information from its customers. The information sent to Snam Rete Gas includes, among other things, capacity bookings, daily indications of gas provenance and destination, balancing mechanisms both physical and commercial, and forecasts about and transmission capacity usage. This flow of information, which is also managed through the extended use of IT systems, is large and complex and, therefore, Snam Rete Gas cannot guarantee that its management does not lead to operating and planning difficulties with consequences for its activities.

### Risks deriving from the seasonal nature of the business

The activity performed by the Group does not present seasonal phenomena that can significantly influence its annual or interim financial results.

## Litigation

Several Companies of the Snam Rete Gas Group are involved in civil and administrative proceedings and legal actions related to their normal business activities. According to the information currently available and considering the existing provisions for risks, it is believed that these proceedings and actions will not have material adverse effects on the financial statements. More specifically, the proceedings involve investigations of the Italian judiciary, the Italian Guarantor Authority for Competition and the Market (Autorità Garante della Concorrenza e del Mercato – AGCM), the Electricity and Gas Authority and other regulatory authorities. The table indicates current litigation while, for further details, the reader can refer to the Annual Report.

In 2009, Snam Rete Gas Group was neither fined nor sanctioned for any violation of legislation on the environment.

MAIN CURRENT LITIGATION IN 2009	
<b>Penal cases</b>	
<b>Italgas SpA</b>	Investigation on presumed unlawful conduct relating to the use of gas measurement equipment, the payment of excise duties, the billing of customers and relations with the Supervisory Authority (2007)
<b>Snam Rete Gas S.p.A</b>	Judiciary investigation on the issue of gas measuring and the legitimacy and reliability of what are referred to as the Venturi meter measuring systems, the reason that why the Mazara del Vallo measuring system has been placed under precautionary seizure
<b>Civil and administrative cases</b>	
<b>Snam Rete Gas S.p.A</b>	Involvement in civil proceedings against End Customers for the recovery of amounts for improper withdrawals of gas by them
<b>Tax cases</b>	
<b>GNL Italia S.p.A</b>	Litigation concerning local property tax (ICI)
<b>Stoccaggi Gas Italia S.p.A</b>	Litigation concerning local property tax (ICI)
<b>Guarantor Authority for Competition and the Market (Antitrust)</b>	
<b>Italgas SpA</b>	Possible existence of an abuse of dominant position identified from AGCM (2009)
<b>Stoccaggi Gas Italia S.p.A</b>	Conclusions from the fact –finding investigation (started in 2007) conducted by AGCM that recognise that the conduct of Stogit was in line with the provisions of the rules and regulations defined
<b>Electricity and Gas Authority</b>	
<b>Snam Rete Gas S.p.A</b>	Investigation on violation of the regulation on availability of natural gas higher heating value measurements (2009)

# commitments

## Management model

To implement the actions that follow on from our sustainability principles, we have developed a management model that enables us to rationally manage the process through several phases: Planning, Management, Control and Communication. This is a process which, beginning with the policy of sustainability and the corporate strategic plan, defines the improvement objectives, identifies the key performance indicators, monitors the objectives, and draws up the accounting. The model, in addition to designing the process, also enables us to precisely identify areas of responsibility and competence for its implementation. The model is not a closed and unalterable process as such, but necessitates improvements and adaptations in line with the organisational changes. This is why work continued on its implementation in 2009. In this regard the new "Sustainability" unit was set up within the Department of Public Affairs and Communication to create better economies of scope and scale and to implement the integration of the newly-acquired companies into the sustainability processes.

In 2009, the sustainability management model became part of the corporate management system for the first time. This means that the processes of planning, monitoring and control of sustainability will, beginning next year, allow the involvement of all company functions in the planning and implementation of sustainability objectives.

In the planning phase we defined the sustainability Improvement Areas in order to identify initiatives and projects to put into the Corporate Plan. Subsequently, we drafted the Section on sustainability of the Corporate Plan, confirming the company's willingness to present its financial data together with its non-financial data.

### THE MODEL OF SNAM RETE GAS



Consequently, after approval by the company management, these programmes/projects, which included investments among other initiatives, were monitored for the first year through the standard corporate control channels.

In addition, control and systematic analysis of the set of key performance indicators published in the 2009 Sustainability Report proceeded on a quarterly basis.

We have developed initiatives to support clear and transparent communication to the stakeholders, particularly for the acquisition process, by means of information campaigns in the newspapers, website communications, and meetings. For the first time the interactive version of Sustainability Report has been published on the internet website. Actions continued on initiatives such as Open Days and public meetings, to give a proper overall representation of the activities carried out by the Group. Dialogue and debate have also been achieved through a series of meetings with the several different categories of stakeholder. These events are organised for the various areas of responsibility by the appropriate departments in the company.

These activities were regulated by a new procedure which defined the roles and responsibilities in terms of sustainability.

## Key performance indicators

To ensure continuity and consistency with what we have achieved in the past, once again in this year's Report we have continued reporting the key performance indicators. Please note that these KPIs do not address the distribution (Italgas) and storage (Stogit) activities, as these companies were only recently acquired. In the table that follows, for each key performance indicator, the target set in 2008 and the result achieved at the end of 2009 are given.

OBJECTIVE	KEY PERFORMANCE INDICATOR	ACCOUNTING BEGINS 2007 2008	TARGETS SET IN 2008	RESULTS AS AT 2009
Maintain and expand the company's various certifications.	Number of company certifications.	X	Obtain OHSAS 18001 certification (employee health and safety) by 2010.	Work continued on implementing the system, with the objective to obtain its certification in 2010 being confirmed.
Maintain high staff involvement in training activities.	Number of training hours /number of employees.	X	Maintain an average value of 29 for 2009.	Achieve an average value of 36.9 at year end.
	Number of participants in training courses/number of employees.	X	Maintain an average value of 84% for 2009.	Achieve a value of 96% at year end.
Reduce injury indices.	Injury frequency index (not including commuting accidents).	X	Reduce the value of the index by 30% over the 2008 value by 2012.	Reduction of 2% achieved over the 2008 value.
Apply low-emission combustion technologies to reduce emissions of nitrogen oxides in existing stations and to install new low-emission gas turbines.	Hours of DLE turbine operation/total hours of turbine operation.	X	Reach 80% by 2011.	Reached 74.4 % in 2009, in line with what was set.
	Average nameplate NOx emissions, turbine/total installed turbine power.	X	Reach 7 mg/(Nm <sup>3</sup> *MW) by 2011.	Reached 7.64 mg/(Nm <sup>3</sup> *MW) in 2009, in line with what was set.
Continue with programmes for containing emissions of natural gas.	Index of Natural Gas Emissions for natural gas transmission/sent into network.	X	Reduce the index value achieved in 2008 by 10% by 2012.	Achieved index value of 0.053% (indicator in line with 2008).
Create value for the shareholders and the community.	Percentage of floating capital of investors encountered.	X	Reach 40% by 2012.	A 34% value was achieved at year-end.
	Number of meetings with socially responsible investors.		X Meet annually with at least 1/3 of the socially responsible investors registered in the shareholding structure during the 2009-2012 period.	Met 35% of socially-responsible investors registered in the shareholding structure.
Maintain a constructive relationship with stakeholders: Suppliers.	Value of contracts assigned by means of electronic negotiation/ value of contracts assigned.	X	Maintain the value of the index at 85% for 2009.	A 94 % value was achieved at year-end.



## Certifications and accreditations

An organisation's success must necessarily depend on responsible attitudes and demeanors that are characterised by fairness and business ethics. Respect for employee health and safety (employees satisfaction), for the environment (community satisfaction), and quality of service (customer satisfaction), are integral parts of these forms of conduct. For this reason we have adopted specific management systems that help us to handle and manage these topics. The standards that govern management of these issues are OHSAS 18001 (health and safety of employees), ISO 14001 (environment) and ISO 9001 (quality).

The table gives the certifications obtained for the various management systems and the accreditations of some laboratories.

COMPANY	ACTIVITY	TYPE
Snam Rete Gas	Compressor stations (11 plants)	ISO 14001
Snam Rete Gas	Gas pipeline network (8 districts, 55 maintenance centres, 31,556 km of pipeline)	ISO 14001
Snam Rete Gas	Dispatching of natural gas	ISO 9001
Snam Rete Gas	Natural gas metering service for the transmission network and management of the design and construction of metering plants	ISO 9001
Snam Rete Gas	Analysis laboratory	ISO 17025 (SINAL) (SIT)
Snam Rete Gas	Metallurgical laboratory	ISO 17025 (SINAL)
STOGIT	Company	ISO 14001
STOGIT	Natural gas accounting and metering service	ISO 9001
GNL Italia	Regasification terminal	ISO 14001
ITALGAS and Napoletana Gas	Company	ISO 14001-ISO 9001-OHSAS 18001
ITALGAS	Measurement laboratory	ISO 17025 (SINAL) (SIT)

In 2009 all necessary actions were put in place to maintain and renew the existing certifications. In total 239 audits were carried out, conducted both by specialist in-house personnel and by external companies.

The certification of the environmental management system and of the gas compressor stations was extended, under the UNI EN ISO 14001 standard, to include the new station in Poggio Renatico (FE), and certification was obtained for the quality management system under the UNI EN ISO 9001 standard, "Provision of the service of metering natural gas injected into and withdrawn from the Snam Rete Gas transmission network in Italy. Management of the design and construction of natural gas metering plants."

Work progressed on obtaining certification for the Snam Rete Gas employee health and safety management system under the OHSAS 18001 standard. Specifically, an internal workgroup has been set up and tasked with updating the existing management system, beginning with a Gap Analysis conducted by an external consultancy company. It is expected to achieve the goal of certification by the end of 2010.



## Technological innovation and research

To introduce new technological, methodological and plant solutions, in order to increase the reliability of the plants and of the network, and therefore the quality of service, we rely on our technicians who, through careful monitoring of the best available technologies, are continually searching for improvements.

In this regard, as well as following the benchmarking activity with the objective of identifying and comparing, with other European gas transmission companies, the principal technical-economic indicators, we also participate in technical associations and workgroups at national and international level.

In GERG, “Groupe Européen de Recherches Gazières” ([www.gerg.eu](http://www.gerg.eu)), a group comprising the most important European gas companies, we have continued to hold the presidency of the “Transmission & Storage” Programme Committee and we have coordinated the setting up of new projects to check and monitor pipelines, verify and assess the structural integrity of the network, and transfer technologies from other business sectors to the gas transmission processes. For example, in the transmission sector we will use laboratory tests to assess the performance of new families of coverings for buried pipelines, comparing them with the performance levels of the solutions commonly adopted to date.

Another area of interest is the experimental verification of the “weldability” of the types of steel used for pipelines using the innovative “friction stir welding” process. Under the aegis of GERG, we have completed a project (coordinated by Italgas) in the odorization of natural gas, which saw the participation of Europe’s biggest gas distribution companies and also a large number of makers of odorization substances. The primary purpose is to make possible an exchange of information, obtained using various different methods of assessment of the intensity of the odour, relative to the olfactory properties of the odorizing agents. The result of this project was presented to Technical Committee TC 193 of the ISO for inclusion in the ISO series of standards.

In EPRG, “European Pipeline Research Group” ([www.eprg.net](http://www.eprg.net)), a research group made up of European gas companies, steelworks and pipe-makers, we are participating in research projects to improve the integrity of the pipelines for gas transmission, with particular attention to aspects of structure, metallurgy and corrosion. We are working to offer new models for assessing the quality of welds in high-grade steel (steel with superior resistance levels than that currently in use) and for assessing the mechanical resistance of damaged pipelines under the effect of internal pressure. We have also started up an experimental analysis of environmental effects on the residual mechanical resistance of damaged pipelines.

In the distribution sector, we have acquired a latest-generation model of portable laser pointer, ATEX-certified, for operating in potentially hazardous environments. The pointer detects gas dispersion from pipelines or plants above ground at a distance. Field experimentation has shown good results, to the extent that we are now considering introducing the equipment to the company.

Also in the distribution sector, work has continued on a number of projects on metering:

- a study of large-calibre ultrasound meters for installation on REMI (regulation and measurement) plants;
- turning to domestic meters, a testing campaign has been started on an ultrasound meter that offers several advantages over traditional meters. The meter has an automatic interception system in the event of major earthquakes, excess flow and/or inversion of flow of the gas, or forced entry;
- following resolution no. 155/2008 of the Italian Electricity and Gas Authority, the “Gas Meter Remote Reading” project has been started to test remote reading technologies for G4 and G6 calibre meters currently available on the market. After an initial phase of market investigation, a number of different solutions have been selected which use different technologies (radio-frequency and GSM/GPRS) and which have led to the field installation of around 4000 devices, which are still undergoing testing.

## What we said-what we did-what we will do

In the following table, for continuity of reporting with previous Reports, in the “Commitments” and “What we did” columns we show the actions carried out for the transmission and regasification activities only. For the storage and distribution activities, the principal actions carried out are described in various sections in the Report.

COMMITMENTS WHAT WE SAID IN 2008	WHAT WE DID IN 2009	WHAT WE WILL DO 2010-2013 OBJECTIVES
People		
		– Implement all necessary initiatives to finalise the process of integration between Snam Rete Gas, GNL Italia, Italgas and Stogit.
Maintain the commitment to training.	<ul style="list-style-type: none"> <li>– Consolidation and updating of the technical and professional skills associated with the development of specialist know-how.</li> <li>– Sharing and training on the contents of the “231 Model” and of the Code of Ethics, an essential activity for the effective application of the principles set out therein.</li> <li>– 96% of our people took part in training and updating activities.</li> </ul>	– Keep the index of involvement of personnel in training activities high, by promoting, among other things, initiatives aimed at the comprehension and implementation of the new organisational model.
Continue with initiatives for the continuing improvement of the safety and health of employees.	<ul style="list-style-type: none"> <li>– Continue implementation of the OHSAS 18001-compliant workplace safety management system.</li> <li>– Training and communication activities on safety issues.</li> </ul>	<ul style="list-style-type: none"> <li>– Set up specific training courses on the issue of safety at work.</li> <li>– Implement a communication plan, aimed at offices and at operational units, to raise people’s awareness of the importance of safety at work.</li> </ul>
Promote and encourage the new communication tools introduced with the new corporate intranet site.	<ul style="list-style-type: none"> <li>– Updating and improvement of the functions of the corporate intranet and promotion of the use of tools for developing and sharing know-how.</li> <li>– Experimentation with new communication channels for disseminating information on the energie programme.</li> </ul>	– Implement a group intranet platform that can be an effective work tool for all persons in the group.
Continue with experimentation with the new professional growth path for young new hires with level I degrees (equivalent to a BA or BSc).	– Consolidation of the professional growth path for young new hires with level I degrees, through experiences in the region and workshops exploring the operational side of the business.	<ul style="list-style-type: none"> <li>– Create the conditions to provide a growth path for young new hires with level I degrees (equivalent to a BA or BSc), in line with corporate requirements.</li> <li>– Develop the necessary capacities and skills to deal with the new business scenario.</li> <li>– Identify and categorise the various different professional roles in order to develop their respective skills and expertise.</li> </ul>
Analyse the results of the survey of the internal organisational climate.	<ul style="list-style-type: none"> <li>– Share the results of the analysis of the climate at particular corporate events.</li> <li>– Improve communications activity (energie Programme) as a response to a widespread need thrown up by the analysis.</li> </ul>	– Redefine improvement actions, applying them to the new corporate perimeter.

COMMITMENTS WHAT WE SAID IN 2008	WHAT WE DID IN 2009	WHAT WE WILL DO 2010-2013 OBJECTIVES
<b>External stakeholders</b>		
	<ul style="list-style-type: none"> <li>– Snam Rete Gas has been included in the DJSI World Index and in the ECPI Ethical Index Global, confirming the inclusion in the other indices for which it has already been selected.</li> </ul>	<ul style="list-style-type: none"> <li>– Work to maintain and increase the inclusion of SRG in the major ethical indices that are associated with sustainability (FTSE4Good and DJSI).</li> </ul>
Continue the activities undertaken to implement the principles contained in the "Policy for managing philanthropic activities and social initiatives".	<ul style="list-style-type: none"> <li>– The Sustainability Team have set out the Rules for managing philanthropic activities and social initiatives, which will be submitted for legal and organisational verifications.</li> </ul>	<ul style="list-style-type: none"> <li>– Define initiatives that are consistent with the company's philanthropic policy.</li> </ul>
<p>Ensure continuous and precise information to the national and local media, giving transparent information about corporate strategies.</p> <p>Improve and expand online communication.</p>	<ul style="list-style-type: none"> <li>– The third photographic reportage has been completed, covering the Alpine frontier: the access point of gas from Russia and Northern Europe.</li> <li>– Communication improved and expanded for company activities and in particular for the operation to increase share capital and for the acquisition of Stogit and Italgas.</li> <li>– Online communication extended with more information, with particular reference to the new corporate structure.</li> <li>– Communication with stakeholders improved through the publication of two economic/financial newsletters.</li> </ul>	<ul style="list-style-type: none"> <li>– Develop a proactive model of stakeholder engagement, in line with the corporate sustainability model.</li> </ul>
Update the supplier qualification process in accordance with methodologies that are better focused on the business.	<ul style="list-style-type: none"> <li>– New criteria have been drawn up for defining the levels of critical importance of categories of goods and services, to make the supplier selection process more efficient and effective.</li> </ul>	<ul style="list-style-type: none"> <li>– Improve suppliers' knowledge and awareness of sustainability issues and ethical forms of conduct.</li> <li>– In the procurement processes, keep the level of transparency and traceability high.</li> </ul>
Maintain an attractive and sustainable remuneration policy for the shareholders, also in a context of growth in the company's activities.	<ul style="list-style-type: none"> <li>– For 2009, the Board of Directors of Snam Rete Gas offered the distribution of a dividend of € 0.20 per share (of which € 0.06 per share was distributed in October 2009 as advance payment on the dividend).</li> </ul>	<ul style="list-style-type: none"> <li>– For the financial years 2010-2012 the distribution of a dividend per share on the rise by 4% average per year respect to 2009 unit level is expected.</li> </ul>
Meet all the customers' capacity requirements and increase the flexibility of the service offered.	<ul style="list-style-type: none"> <li>– All of the customers' capacity requirements were met.</li> <li>– Regasification companies have been offered the possibility of requesting transport capacity on a half-yearly, quarterly and monthly basis at the Entry Points interconnected with their terminals.</li> </ul>	<ul style="list-style-type: none"> <li>– Keep the customer satisfaction index for the services offered high.</li> </ul>
Continue to play a proactive role in responding to consultation documents issued by the Authority.	<ul style="list-style-type: none"> <li>– SRG has responded to 11 consultation documents, and in particular has constructively participated in the process of drawing up the "Consolidated Act on the regulation of the quality and tariffs of natural gas transmission and dispatching services for the 2010-2013 period." In addition SRG drew up 4 modifications to the Network Code which were subsequently approved by the Regulator.</li> </ul>	<ul style="list-style-type: none"> <li>– To optimise dialogue with the Authority, set up a centralised structure to manage relations between the Regulator and the companies of the Group with the objective of giving complete, effective and consistent responses to the problems that the integration of the energy markets will pose in the coming years.</li> <li>– Continue maintaining a proactive role in relations with the Authority with reference both to consultation documents and to proposals for changes to the Codes.</li> </ul>



COMMITMENTS WHAT WE SAID IN 2008	WHAT WE DID IN 2009	WHAT WE WILL DO 2010-2013 OBJECTIVES
<b>Environmental protection</b>		
Contain the atmospheric emissions of nitrogen oxides and of natural gas.	<ul style="list-style-type: none"> <li>– 1 DLE turbine installed at the Malborghetto station.</li> <li>– Transformation of 1 DLE turbine at the Melizzano station.</li> <li>– 10 recompression interventions carried out.</li> <li>– A total of 63 valves with hydro pneumatic actuators have been eliminated or replaced, 117 pneumatic regulators have been eliminated, and 38 control valves have been replaced with emission-free piloted valves.</li> </ul>	<ul style="list-style-type: none"> <li>– Low-emission turbines will be installed and/or will replace existing turbines in compressor stations in Enna, Messina, Montesano and Melizzano.</li> <li>– Efforts will continue to widen the field of intervention for recompression in order to minimise the gas leaked into the atmosphere during operations carried out on the network.</li> <li>– Compressed air technologies will be installed to reduce natural gas emissions at the Palmi and Mortara plants.</li> </ul>
Rationalise energy consumption by developing energy management activities.	<ul style="list-style-type: none"> <li>– Photovoltaic systems installed in 3 owned maintenance centres.</li> <li>– Work has begun on updating the computer system to optimise transmission of gas at the Dispatching Centre.</li> </ul>	<ul style="list-style-type: none"> <li>– Buildings will be constructed and/or existing buildings renovated with installation of photovoltaic systems and/or solar systems to produce hot water at the centres in Avezzano, Novedrate, Pregnana Milanese and Bari.</li> <li>– Implementation will continue, and will conclude, of the new computer system to optimise gas transmission.</li> </ul>
Maintain and/or renew the certifications of the environmental management systems (EMS).	<ul style="list-style-type: none"> <li>– Renewed (September) the ISO 14001-compliant EMS of the Panigaglia LNG regasification facility.</li> <li>– Maintained (March) and renewed (November) the ISO 14001-compliant EMS of the gas compressor stations.</li> <li>– Maintained (December) the ISO 14001-compliant EMS of the gas pipeline network.</li> </ul>	<ul style="list-style-type: none"> <li>– Maintain and/or renew the certifications of the environmental management systems (EMS).</li> </ul>
Ensure high standards of safety and environmental protection, by regularly monitoring the plants and the network.	<ul style="list-style-type: none"> <li>– Approx 1,600 km of network inspected with "intelligent pigs" and 13,700 km of network inspected by helicopter (transmission activity).</li> </ul>	<ul style="list-style-type: none"> <li>– Proceed with control and monitoring activities of the network using the best available technologies.</li> </ul>
Limit disturbance to the land, implementing environmental restoration operations following the laying of gas pipelines.	<ul style="list-style-type: none"> <li>– The land disturbed by the laying of about 270 km of gas pipeline has been restored to its original conditions; the land affected by the laying of 27 km of pipeline has been reforested; and lands reforested in previous years following the laying of 191 km of pipeline have undergone cultivation measures.</li> <li>– A Technical Operating Instruction, "Protection and Sustainable Use of Biodiversity", has been drawn up.</li> </ul>	<ul style="list-style-type: none"> <li>– Continue environmental recovery operations following laying of pipelines and ensure the care and maintenance of the forest plant species planted on it.</li> </ul>
Mitigate the sound emissions caused by the installations by means of technological upgrading and soundproofing.	<ul style="list-style-type: none"> <li>– Improvement of the acoustic soundproofing in 7 pressure reduction cabins.</li> </ul>	<ul style="list-style-type: none"> <li>– Improve the acoustic soundproofing in the coming four-year period on around 120 plants (review of 2010-2013 plan).</li> </ul>
	<ul style="list-style-type: none"> <li>– To reduce waste water, phyto-purification systems have been installed at the stations in Terranuova Bracciolini and Enna.</li> </ul>	<ul style="list-style-type: none"> <li>– Install phyto-purification systems on the entire fleet of compressor stations (where there is no connection to the sewerage system, or authorisation of the respective public bodies is not forthcoming).</li> <li>– Encourage, by means of various initiatives, eco-responsible forms of conduct such as the use of recycled paper, recycling of waste packaging material in unit activities etc.</li> </ul>





We have always been  
a company strongly  
rooted in the community.

We want to achieve  
important corporate  
objectives, doing so  
thanks to our skills  
and our dialogue  
with the communities  
in which we work.

We will continue  
to pursue this goal  
with more synergies  
and greater  
determination.







our stakeholders and the territory



People are the focal point of a virtuous corporate organisation. And they are even more central during transition phases, as 2009 was for Snam Rete Gas.

## Disclosure on management approach

### The Corporate Systems, Human Resources and Services Manager responds to key questions

#### **What was the main development in managing personnel in 2009? And what are the prospects, especially in light of the integration with Stogit and Italgas?**

The event of year was certainly the creation of the new group formed from Snam Rete Gas, GNL Italia, Stogit and Italgas, and the consequent integration project in which we have called on a great many people to actively participate. The initiative is a unique one of its kind, because the reorganisation was drawn up together with a group of 300 people including executives, middle managers and young graduates, and it was shared by involving all personnel in order to make them feel a part of the current change.

But the process of integration does not end with the redefinition of the organisational structure. It is a project that will see us all involved in the coming months.

The activities to implement the new organisational model will influence the daily work of each and every one of us, and differently according to our roles and responsibilities. Competence, talent, enthusiasm and relational capacity are strategic factors, capable of making the difference in terms of efficiency and operating results, and it is essential to reach the objectives.

This new group, bigger and more articulated, will offer greater opportunities for professional growth, in particular for the young and the talented, for whom there will be opportunities to demonstrate all of their value.

The enhancement of personnel and the development of professionalism, as a key factor for business growth, will be an integral part of our cultural heritage and of our system of values: the training and involvement of personnel will constitute the principal tools for favouring full comprehension of the operating logic and methods that are our distinguishing characteristic.

#### **How are the principles of the sustainable development policy implemented in the development of people?**

Developing and increasing the capacities of people, in line with the Group's business development strategy, and enhancing the distinctive skills set within the Group, are the principal objectives for the coming years. We also want to provide information that is transparent, clear and consistent, by means of an effective corporate intranet and regular meetings with the top management, and we want to contribute to creating a positive climate, keeping the degree of involvement high in the corporate processes. Then there is the subject of our people's safety, which will be ensured by joint measures that are in line with the analysis of injury rates and will be strengthened by the dissemination of a corporate culture that places safety at the centre of everyone's attention.

#### **What impact will the reorganisation have on the personnel of the four companies?**

An integration of several companies is first and foremost an integration of skills, knowledge and company cultures, placed at the service of a new business model. The most evident aspect to emerge from the reorganisation is the significant turnover that the integration brings to the management and staff of the four companies involved. The change in duties and responsibilities reflects the capacity of the managerial group to get involved and take on new challenges. The turnover has been conducted by following twofold criteria: renewal, which brings new blood and creativity into the management of the company, and exchange, which is essential to favour real integration of the repository of knowledge contained within the four companies. The new organisational structure will involve a new way of operating for everyone: the staff functions will have to provide a prompt, effective service to a greater number of persons and in a wider context. For those who work in operational activities, the change will mean pooling and sharing technical knowledge with other colleagues, in the process increasing their own knowledge.

## Employment

### EMPLOYMENT (DATA AS AT 31 DECEMBER 2009)

	Snam Rete Gas	GNL Italia	Stogit	Italgas	Total
Employees in service	2,254	87	301	3,545	<b>6,187</b>
University graduates	272	11	53	250	<b>586</b>
High school diploma holders	1,271	50	130	1,659	<b>3,110</b>
Permanent employment contracts	2,111	80	284	3,482	<b>5,957</b>
Employees regulated by CCNL (National Labour Contract)	2,254	87	301	3,545	<b>6,187</b>
Average age	45	40	46	49	<b>47</b>
Length of time in service	20	13	22	23	<b>22</b>

As at 31 December 2009, overall 6,187 persons work at Snam Rete Gas Group. The breakdown of employees in service as at 31 December 2009 is as follows: Executives (2%), Middle Managers (8%), Office workers (53.6%) and Manual workers (36.4%).

96.3% of employees have a permanent employment contract, and 145 people have an apprenticeship or trainee contract.

51% of employees work in the North of Italy, 22.1% in Central Italy and 26.9% in the South and in Sicily. The concentration in the North of the country is principally due to the presence of the company's head offices in San Donato Milanese and in Turin, and the presence of the GNL Italia facility in the province of La Spezia.

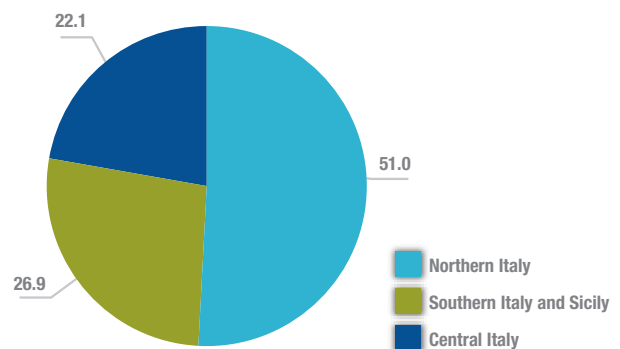
In 2009 we hired 168 new employees: of these, most (108) were hired in the North of Italy, 52 were hired in the Southern regions and 8 in Central Italy.

Of the new hires 18% are degree holders and 55% have a high school diploma. At year end the percentage of all personnel holding degrees was 9.5%, with 50.3% having a high school diploma.

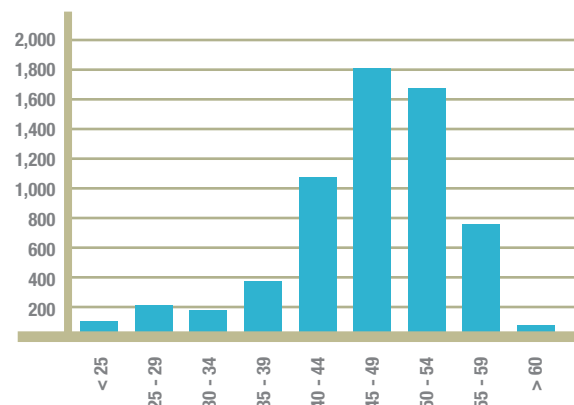
The average age of the personnel employed in the group is 47 years, while the average length of service is around 22 years.

255 people left the Snam Rete Gas Group in 2009, of which 155 either had reached the age requirement and level of contributions necessary to obtain their pensions. The people left are comprehensive of 3 lay-offs, 34 persons in mobility and 45 transfers of personnel to Eni companies.

### DISTRIBUTION OF PERSONNEL BY GEOGRAPHIC REGION (%)



### DISTRIBUTION OF PERSONNEL BY AGE (No.)



### EMPLOYEES IN SERVICE AS AT 31 DECEMBER 2009

Position	Snam Rete Gas	GNL Italia	Stogit	Italgas	Total
Executives	66	3	7	45	<b>121</b>
Middle managers	263	9	50	171	<b>493</b>
Office workers	1,215	31	201	1,873	<b>3,320</b>
Manual workers	710	44	43	1,456	<b>2,253</b>
<b>Total</b>	<b>2,254</b>	<b>87</b>	<b>301</b>	<b>3,545</b>	<b>6,187</b>

## Equal opportunities

In line with our Code of Ethics, we guarantee equal opportunities and we do everything in our power to avoid all forms of discrimination that may result from differences in sex, age, state of health, nationality, political opinions or religious beliefs. In the company's recruitment policy we guarantee equal opportunities to all candidates without any form of discrimination. Assessment of the candidates' professional profiles and any psychological or attitude testing is performed with the utmost respect for the candidates' private lives and personal opinions.

Women hired in 2009 made up 23% of the total, a percentage that is significantly higher than the average total percentage of females in the workforce in the five-year period (9.7%). The values reflect the characteristics of our activities which, since they require availability for shift work and continuous travel and movement, are not always attractive to female candidates.

In 2009, 103 people worked with a part-time contract (including 99 office workers). As regards maternity leave, employees are offered better treatment than that envisaged by law, and the company benefits are enjoyed by all employees. During the period of compulsory leave, we calculate maternity pay on the basis of 100% (rather than the 80% established by law) of the salary of the month prior to that of the employee's absence from work. In 2009, 41 employees, male and female, took leave periods.

The Group employs 325 people with disabilities. For us, hiring people with disabilities is not merely a legal obligation. It also demonstrates our willingness to encourage the introduction and inclusion of such persons in the organisation.

## Industrial relations

We guarantee all employees the right to freely express their own opinions, to join associations and to carry out union activities. In 2009, 55.3% of employees were members of a union organisation. We set aside specific areas for union activity and we grant permission to employees to conduct such activity, in accordance with the rules established by the legislation in force and by the labour contract for the industry.

Relations with union organisations, which are characterised by discussion on areas relating to the acquisition of Italgas and Stogit and the resulting reorganisation, have proceeded in a constructive man-

ner. The debate between the parties has also been extended to other areas including renewal of the unitary trade union representatives (RSU), and safety, and locally on working hours and the impact of the organisational reviews implemented over the course of the year. In 2009, overall 229 meetings were held between the companies and union representatives.

## Listening and promoting participation

Promoting participation, through listening to the needs of people and requests for improvement, contributes to building a positive internal climate and to increasing the degree of satisfaction of employees in conducting their activities.

Systematically planned listening tools for the management and development of personnel consist of motivational interviews with young graduates and manager/employee feedback meetings held as part of the assessment process.

In addition to consolidating the traditional channels and surveying the quality of the internal organisational climate, 2009 also saw some other important initiatives: the experiment with forums on the intranet platform in Snam Rete Gas (with almost 50 discussions begun over the course of the year) and the Italgas CEO's blog (begun in December).

The "energy" programme also represents an important initiative for promoting participation: those involved in the project activities are actively contributing to build the effective functioning of the activities of the new structure, while a great many information instruments have been put in place (videonews and newsletters) to serve the rest of the corporate population.

Also in this area, we have created a common intranet platform - a further example of integration - the aim of which is to disseminate the main information about the organisation together with news and projects. The dissemination of information on a single platform for the four companies helps to create the awareness of belonging to a single Group, and helps to consolidate a common culture with which everyone can identify.

As well as this, to make the processes of involvement and participation even more effective for all personnel, at all Maintenance Centres and Compressors Stations of Snam Rete Gas we have installed a computer access point, which is available to the operations personnel and with which they can consult information of general interest, access the principal corporate services and consult technical standards. The access point also allows the employees to avail of a useful tool for work and up-to-date information, so that they will feel involved in the changes currently underway.

## the network of our opinions

The survey on the climate in the organisation, known as "The network of our opinions" ("La rete delle nostre opinioni"), was conducted in December 2008 as a continuation of similar experiments conducted in previous years (2003 and 2005). The difference from previous years is that this survey involved the entire corporate population. The personnel of Snam Rete Gas were asked to express their opinions and expectations of the company, in order to be able to focus on the areas considered to be most important and so identify possible measures to improve our way of working. The survey was based on the anonymous completion of a questionnaire of 66 questions. The questionnaire could be completed online or in hardcopy, to enable everyone to participate. The structure, contents and methods of the survey were outlined to the union representatives before the survey was carried out.

The percentage of participation was 89.9% of all personnel (a percentage that rises to 90.3% if we also consider the number of re-

sponses "on paper"). This is an important result, which demonstrates the sense of belonging and the desire to participate in the improvement process. This value is significantly higher than the rate of participation found in similar surveys, as noted by the Hay Group consulting company, which provided methodological support for the entire project, both in preparing the questionnaire and in analysing the results.

The overall index of satisfaction (calculated on the total number of answers submitted) is 44%, which is in line both with similar surveys conducted in Italian industrial companies by the Hay Group and also with the previous surveys conducted in Snam Rete Gas.

The profile that emerges is positive: the perception is that of an established and solid company, with a positive external reputation, confirmed by an acknowledged priority accorded to the environment and to personnel. The strong sense of belonging, the sharing of the corporate values and culture, the clarity on the results to be achieved and the guarantee of organised relations within the units are all important, tangible characteristics of daily working life, expressed by the majority of personnel. In addition to these positively-assessed aspects, personnel also perceive the need for

a company that is more flexible, dynamic in its decisional processes, and featuring greater interfunctional integration. Personnel have shown an explicit willingness to do more and do better, and to actively participate in the processes of internal improvement.

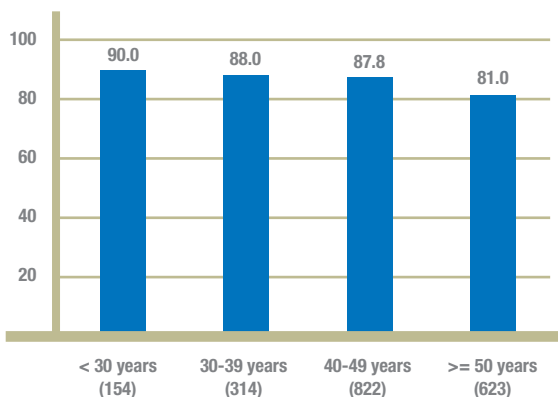
However, female personnel (who are generally more critical) perceive, much more than their male colleagues, the inadequacies of the company's attention to the need for balance between private life and working life, and to the assignment of reasonable workloads.

At the annual meeting held in early April and after the summer we presented the principal results of the survey to the executives and to the union representatives, respectively.

Obviously, with the reference scenario changing in February while defining the areas of intervention, with the integration of Stogit and Italgas, the points that emerged were, and will continue to be, important inputs to the process of drawing up the new company programmes (for example, for communication and training) necessary for implementing the new organisational model. The "energie" program and the communication actions associated with them are also a response to the requests for greater involvement and information found by the analysis.

### WORKING IN SNAM RETE GAS THE NETWORK OF OUR OPINIONS

#### PERCENTAGE RESPONSE BY AGE GROUP



Not specified: 79 replies  
Absolute number of replies in brackets

### WORKING IN SNAM RETE GAS THE NETWORK OF OUR OPINIONS

#### PERCENTAGE RESPONSE BY RANK



Not specified: 79 replies  
Absolute number of replies in brackets



## Developing skills

The training measures implemented in 2009 were aimed at developing capabilities and knowledge that are distinctive to the Snam Rete Gas group, in line with the organisational, business and market context.

The basic objectives to which the training actions provided respond have followed a criterion of continuity with what has been done in previous years, and they have concentrated on consolidating the partnership in order to listen closely to requirements, and on constructing shared training paths geared to the needs of the employees, the professional families and the corporate objectives. They have also concentrated on giving constant feedback on the courses provided and in putting together tailored courses for specific requirements, and on the development of knowledge and skills within the company by favouring the pooling and integration of know-how. Overall in 2009 we provided about 153,700 hours of training (around 25 hours per employee) with 15,484 attendances. The percentage of the corporate population involved in training courses was greater than 76%, testifying to an ongoing and wide-ranging commitment. The commitment to professional technical training to further the development and consolidation of specialist technical know-how continued with great intensity, and these activities saw involvement from all technical and operational personnel. At the same time we set up a number of specific training courses, which were aimed principally at the professional families of the operations area. The content of these courses was targeted both at supporting specialist knowledge and also at easing the introduction of new and more efficient information tools to support the processes of gas operation and maintenance. Evidence of the commitment expended in this area is testified by the fact that around 50% of the training hours provided address these activities.

We implemented specific training programmes on topics of administrative legal responsibility pursuant to Italian legislative decree no. 231 of 8 June 2001 ("231 Model"), and in the areas of quality, health, safety and environment, as well as the established training activities on specific risks and environmental protection. The im-

pacts deriving from Legislative Decree no. 81/2008 (Consolidated Act on Health and Safety in the Workplace) are considerable, as are those deriving from current legislation on tenders, with consequent training activities being held to update all personnel.

Of particular note are the training activities conducted to obtain OHSAS 18001 certification for the parent company, which saw the involvement of the entire corporate population in specific courses on their corporate role, and the continuation of the safe driving project, with the participation of over 600 personnel.

Overall around 27% of the total number of hours of training provided concentrated on this area.

For newly hired graduates in the company, we have redesigned and implemented the new introduction path, which has been made more consistent with the new requirements of the Group.

Also for the graduates, we have set up a special pilot project for a group of young new hires with primary engineering degrees. The objective is to create, within a shorter timescale than previously, a team of people with a solid technical foundation and with the necessary managerial skills to assume greater responsibilities in Operations in the near future.

The commitment to developing managerial skills has continued for the population of executives and middle managers, through participation in specific training courses. This population has also been closely involved with the "energie" program associated with the process of integration between Snam Rete Gas, GNL Italia, Stogit and Italgas.

For middle managers, we have set up three opportunities for information, discussion and pooling on corporate strategies.

In particular, we have set up the "Snam Rete Gas: Developments and Synergies Towards an Integrated Energy Market" workshop, with the objective of ensuring awareness of the business context, in the light of the acquisitions made, and illustrating the principal thrusts of the strategic plan.

At this meeting the participation of the top management of Italgas and Stogit certainly favoured a better awareness both of the respective businesses and of the management models adopted, and it represented the first step towards the process of integration that will accompany us in the near future.

## performance and sustainability

Continuing on from last year, again in 2009 for all companies in the Group one of the corporate objectives is directly linked to the commitment to sustainability. For all the companies, one of

the objectives is to reduce accident indices, while for Snam Rete Gas there is also the objective of reducing vented gas emissions. In addition, among the people to whom we have assigned objectives, all executives and 52% of middle managers have an objective relating to sustainability issues that measures, for each role concerned and according to the specific area of responsibility, the effectiveness of the initiatives promoted.

The results achieved—both for corporate objectives and for individual objectives—also contribute to delineating the conditions for determining the variable part of compensation.

This is a tangible demonstration of the strategic value that we attribute to sustainability, and of the capacity of the assessment systems to orient managerial performance to our strategic directions.

## Consolidation of appraisal processes

Enhancing and advancing human resources also translates to applying appraisal processes, in order to better focus on training needs and opportunities for professional growth.

The existing systems make it possible for employees to discuss their objectives and, later, the results they have achieved, with their direct superior. In general, the role of appraiser is occupied by the head of each organisational unit, who has the task of appraising the people that work in his/her area of responsibility. The Personnel Department provides the methodological support and the appropriate assistance to appraisers, and plays an important role in analysing the results and drawing up the consequent management, training and development programmes.

In line with measures in previous years, 100% of executives and 65% of middle managers are assigned individual annual objectives, strictly correlated to those of the company: performance quality is measured in terms of the degree to which the assigned objectives have been achieved.

In order to assess the managerial capabilities of some executives in the Group, in 2009 we held a management appraisal, which was conducted by the Egon Zehnder International consulting company. A total of 34 people, including department managers and executives in positions of considerable interest for the operations business, were involved in the appraisal which enabled us to define the best mix of skills and experience required for an optimal covering of managerial positions in the new organisational structure.

The compensation system for executives, approved and monitored by a specific committee established by the Board of Directors, clarifies the relationship with performance results (acting on the variable part of compensation) and with the evolution of the responsibilities assigned and with their impact on company results (acting on the fixed part of compensation), with constant reference to trends in the relevant markets.

All positions in Snam Rete Gas, GNL Italia and Stogit are subject to the analytical and comprehensive appraisal of the factors of Complexity, Responsibility, Experience and Autonomy (CREA), as also provided for in the National Labour Contract for the Energy and Petroleum industries. The appraisal process for each position is repeated at least every two years: in 2009, 750 appraisals were conducted. All of the appraisal processes adopted are formalised and envisage a feedback interview which represents an opportunity for exchange and dialogue between the employee and his/her superior, and it also serves to gather information that may be useful in defining new programmes for the development and professional enhancement of staff.

Snam Rete Gas is adopting a collective incentive programme for all the companies in the Group: the "Participation Bonus" established by the respective National Labour Contracts. It is based on the trend of parameters related to the company's returns (ROACE) and the productivity measured against the objectives agreed annually between the company and union representatives.

## Health and Safety at work

Preventing accidents and working in safety is an objective of primary importance for Snam Rete Gas. Proof of this are the Snam Rete Gas Health, Safety and Environment Policy and the setting up of special organisational departments in the companies which are responsible for drawing up, scheduling and checking plans to improve hygiene and safety in the workplace.

We firmly believe that, to achieve and obtain these objectives, the engagement of everyone who works in the company is essential. For this reason we have worked on several fronts: information, communications campaigns and training.

Personnel are regularly and promptly informed on the activities and initiatives underway, by means of the company intranets. In addition we organise regular safety meetings in the various different work areas, to cover more specific topics.

Periodic safety meetings have also been held which have involved the Employers, the Safety executives concerned, the head of the Prevention and Protection Service, the occupational physician and employees' safety and environment representatives.

In our companies we have started specific accident prevention campaigns and initiatives, such as: "Communicating Safety", "Let's Do Safety", "Italgas Safety Trophy", and "Zero Accidents Award".

All of these initiatives have the primary objective of involving the employees to adopt careful and safe forms of conduct in carrying out their work duties, as a contribution to safeguarding health and safety for oneself and for others.

To manage these issues, all companies of the Group have set up employee health and safety management systems in line with international regulations. The objective that we have set ourselves is to certify, within two to three years, all the management systems in



our companies to the international OHSAS 18001 standard. This objective has already been achieved by Italgas.

## Accident prevention

The prevention of accidents in the workplace is our principal safety objective, and it is implemented through the adoption of targeted actions to eliminate or reduce the risk factors that are characteristic of work activities, and through in-depth analysis of the causes of accidents that enables the implementation special improvement actions. The analysis and recording of all accidents (professional, general, due to road accidents, commuting accidents) is done using a specific software application that enables all affected managers and departments to be notified immediately of the accident, giving details of the event, an analysis of the causes and the proposed actions identified.

The actions and results that emerge from the accident analysis are also a topic for discussion at the regular safety meetings, at which the staff is informed and made aware of the causes and of any measures for prevention and protection adopted.

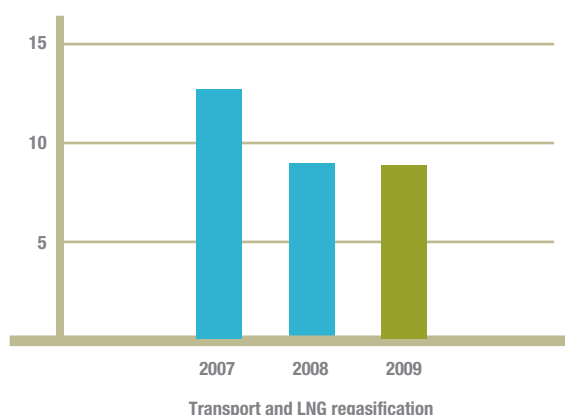
Plans for safety improvement and accident prevention, mainly cen-

tred on reducing accidents, have mainly concerned actions to inform personnel and raise their awareness, in order to promote safe and careful forms of conduct, observance of the safety and operating procedures, and the correct use of work equipment and of safety devices. These plans have been accompanied by the maintenance and verification of equipment, plant systems and devices and safety devices, conducted both by in-house personnel and by external bodies or qualified external companies.

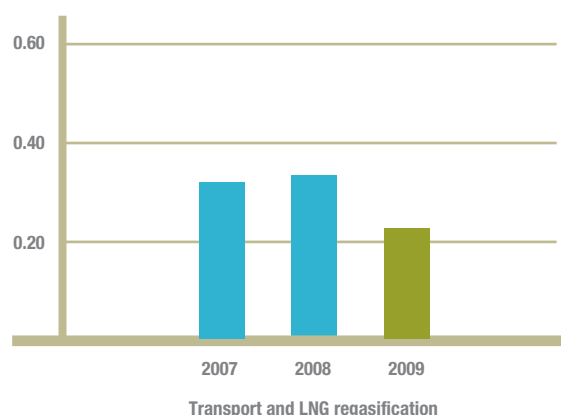
The actions put in place in recent years have produced good results both for the Group and for the individual companies, as can be seen from the trend in the accident indicators.

In 2009 in total there were 73 accidents of which 27 while commuting (i.e. an accident that occurred to the employee while he or she was travelling from home to work or vice-versa). Of the 46 accidents that occurred while the employee was actually at work, 22 were cause by road accidents (48%), 19 by professional risks (41%) and 5 by generic risks (11%). The Group's frequency index was 4.54 and its severity index was 0.18. This year once again no fatal accidents occurred.

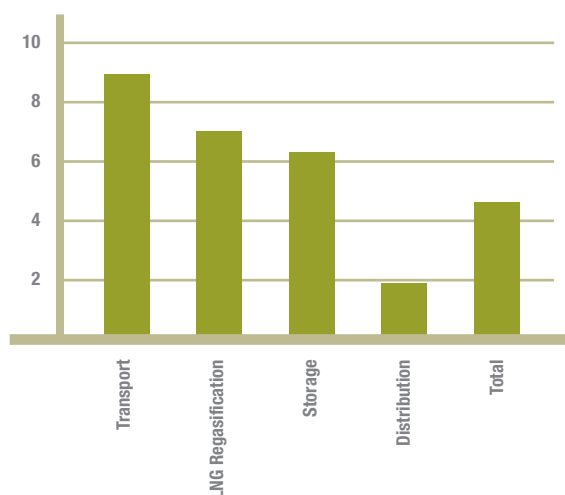
INJURIES AT WORK - FREQUENCY INDEX (\*)



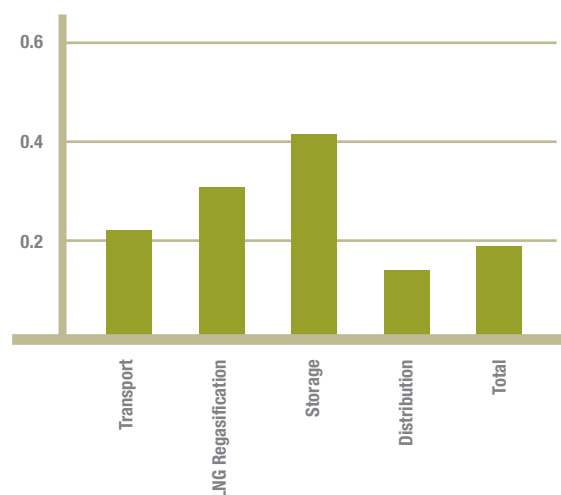
INJURIES AT WORK - SEVERITY INDEX (\*\*)



INJURIES AT WORK - FREQUENCY INDEX - 2009 (\*)



INJURIES AT WORK - SEVERITY INDEX - 2009 (\*\*)



(\*) number of accidents at work (not including commuting accidents), with incapacity of at least one day, per million hours worked

(\*\*) number of days of work lost due to accidents (not including commuting accidents) with incapacity of at least one day, per thousand hours worked

## Safeguarding health

We are continuing our commitment to protect the health of employees, principally by working on the ongoing control of the risk elements identified in the company processes and on the implementation of adequate measures of prevention and protection.

We regularly carry out on-site inspection visits with the aim of assessing adequate and suitable environmental and working conditions and to identify possible preventive and/or improvement measures, and, where there are characteristic agents of specific work environments, we carry out instrumental investigations and regular monitoring. In 2009, 771 environmental investigations were carried out.

Specific preventive health measures are provided for employees who, for work reasons, need to visit countries outside Europe.

We have continued to promote specific health protection initiatives, such as the cancer prevention and influenza vaccination campaigns, the smoking ban in company work areas and the ban on selling alcoholic drinks in the company canteens.

For personnel who are exposed to specific risk factors, we have regular health monitoring procedures in place, and over the year 2,584 medical checkups were conducted by the Occupational Physician based on specific health protocols drawn up according to the specific risk. Added to these are any supplementary specialist check-ups that are deemed necessary.

Overall, health control activities included 2,634 medical checkups, 4,288 medical scans, and 633 protocols for lab tests.

## Initiatives for our people

The Snam Rete Gas Group encourages social initiatives for its employees and their families by making economic and specific resources available.

Over the years a comprehensive system of opportunities has been developed that includes supplementary health assistance and insurance cover for accidents in the workplace, and additional non-occupational coverage in addition to the mandatory minimum or in addition to that provided by state bodies. Employees also have access to complementary pension funds and health prevention campaigns, as well as sports and recreation events (such as the Snow Trophy or "trofeo della neve" and study holidays for children of employees). And for employees who have completed 25 years of service with the company or at other Eni group companies, a prize is awarded together with a gold medal for the individual's contribution to the company's growth. 434 people received this award in 2009.

In the area of health prevention, the main activities are:

- the "Early Diagnosis Plan": a scheduled campaign for employees in association with Lega Italiana per la Lotta contro i Tumori (an

Italian association for the fight against tumours), with screening tests and check-ups in specialist medical centres, aimed at preventing the most common forms of cancer. Over 1,100 tests have been conducted to date.

- The influenza vaccination campaign: about 174 vaccinations were given to staff working in the San Donato Milanese and Rome areas in 2009.

Direct involvement continues in the activities associated with the Eni Welfare Project, to implement a system of services to improve the quality of life of employees by facilitating the reconciliation of work commitments with personal and family commitments. Among these, of particular note is the project, begun in 2009, to set up the company creche and nursery school.





# relations with external stakeholders

Dialogue with stakeholders is not just a value, but an essential way of conducting business. A number of specific departments within the company carry out this important role.

## Disclosure on management approach

### The Public Affairs and Communication Manager responds to key questions

#### How is the relationship with external stakeholders changing as a result of the new acquisitions?

The first task that we addressed was to make the experiences and best practices within the new Group common to all, in so doing setting up a process of integration that has characterised the entire acquisition operation. From the “energie” project construction sites, analyses and solutions have emerged that have led to the setting up of a new Department, Public affairs and communication, which will enable us to create integration and economies of scope and scale in the three areas of responsibility, i.e. institutional relations, sustainability, for which we have set up a specific department, and communication. Three activities which we believe, by closely interacting with each other, can create added value to the pursuit of sustainable development.

#### What are the advantages of this organisational solution?

We have centralised three departments that we consider to be very closely interrelated with each other and which up to now were located in different sectors. We’ve centralised them according to a plan that will enable us to manage these issues more rationally and effectively, especially in the light of the widening of the Group’s perimeter. This is a rationalisation in the management of stakeholders, but it is also an approach towards a more qualitative dimension. We must not forget that the new Department will have a responsibility to serve the company internally, by proactively contributing to dialogue and consultation with the stakeholders in the regions together with the people who manage the operations. But it will also serve externally, and here we want to enrich the dialogue with institutions, communities and regions.

### The Construction of Investment Projects Manager responds to key questions

#### On what principles is the relationship with the regions founded, with regard to building new infrastructures?

The essential prerequisite is to carry out every activity in line with our strategic growth plans and with the Sustainable Development Model. To this end we are basing our relations with the region affected by the construction of new works on the principles that have always distinguished our presence: dialogue, transparency, cooperation and concern for the environment. For example, before submitting the first authorisation requests, we present the work to all the town mayors concerned.

#### What is the aim?

We do it in order to put in place a relationship of information and dialogue with the communities. These meetings, of which 132 were held in 2009, have the twofold objective of describing the main characteristics of the project in advance to the local government authorities, as well as the authorization procedure used, and the work phases and morphological and re-vegetation works that are performed; and verifying with the authorities whether the works interfere with any future variations to the government scheme being adopted for the area, or new infrastructures that the authorities have planned or scheduled.

### The Network Manager responds to key questions

#### Managing the network also means dialoguing with the stakeholders. In what way?

In managing the transmission network it is always important to pay attention to maintaining good relations with the stakeholders. First and foremost there are the various bodies, be they public, inspection or controlling bodies, with which the heads of the regional units maintain periodic contact in order to maintain the authorisations to operate. We do this not just to observe the Group’s principles of ethical conduct, but also be-

cause cooperating means ensuring a sustainable presence on the country, in terms of natural resources. Other stakeholders are the members of the public through whose property the pipelines pass. In this case too it is essential to have a systematic capacity for dialogue that maximises the technical compatibility of the network with protecting the resources and respecting their needs. In this relationship, a fundamental role is played by our operational personnel who regularly travel the length of the pipeline sections to verify the protection of rights of way and the safety of operations, and who know and dialogue with the owners.

#### **Then there are the end customers and the suppliers. Here what does sustainability mean?**

For them, implementing a policy of sustainable development means ensuring quality of service, integrity, transparency and safety. For the suppliers, who provide network maintenance services, we develop relationships that encourage the respectful application of the contractual conditions and techniques in question. At the same time, and this is something that we believe is particularly important, we seek simultaneously to promote the business development of the skills and the management capacities necessary to the network maintenance objectives.

### **The Investor Relations Manager responds to key questions**

#### **Snam Rete Gas is a major industrial group with a growing number of external stakeholders. What initiatives have been implemented for the retail shareholders?**

Drawing on the the experience of last spring capital increase, characterised by a positive relationship with retail shareholders, we strengthened our commitment to make more continuous the contact with this important segment of our shareholding.

#### **How?**

The strategy involves greater attention towards our retail shareholders and, if possible, their deeper involvement, with the aid of new tools aimed at providing more complete information for their specific needs and with better accessibility of the Investor Relations pages on the Company's website.

In addition to the new initiatives introduced to the website in 2009, described in the "Shareholders and Investors" section, the first half of 2010 will see the publication of an online Shareholder's Guide, aimed at encouraging active participation in corporate affairs. In this publication, in addition to the profile of the Group's structure, business performance and strategic objectives, we offer a complete and easy-to-understand picture of the characteristics of the Snam Rete Gas share and of the ways in which the shareholder can perform his role.

### **The Supply Chain Manager responds to key questions**

#### **How does the company contribute to the sustainable development of its suppliers?**

The rules and procedures with which we manage the procurement process are based on ethical principles and on the principles of transparency and non-discrimination.

Both the qualification process and subsequent commercial relations include verification of observance of the aforementioned principles through, for example, observing our Code of Ethics and declaring that they do not employ personnel below the minimum legal age, and verifying the correct payment of social insurance and pension contributions.

Becoming a supplier, by means of the qualification process, allows the establishment of a continuous commercial relationship that promotes companies' loyalty building and consequently the chance to develop for suppliers themselves.

#### **What are the tools used?**

The objective of transparency has led us towards an increasing use of electronic platforms to manage tenders (in 2009 over 90% of all tenders were managed in this way), while access to the principles and procedures that regulate the relationship between us and our suppliers is provided by the internet website.

We pay special attention to protecting health and safety on the construction sites, and to protecting the environment in all phases of the works, by monitoring the activities of our suppliers not just from a technical point of view, but also by highlighting any forms of conduct that are not in line with our ethical and HSE standards and suggesting improvement actions aimed at a sustainable growth path for each supplier.

## The Business Development and Commercial Manager responds to key questions

### What does giving service to the customer mean in a regulated market?

For us the customers are anyone with whom we stipulate commercial agreements in the activities of transmission, regasification, storage and/or distribution. We do this within a market that is regulated by the Authority, applying very strict quality criteria and ensuring a service that is efficient, continuous and impartial, and which meets the customers' requirements. To improve our service, we maintain a relationship of reciprocal exchange with our customers, which enables us to meet their needs and to put in place efficient operational support. A real-life example of this is the Capacity Portal which has been set up for the customers of the gas transmission service.

### What are the advantages for customers with the Capacity Portal?

A tool is available to the customers that has full legal and contractual value and which simplifies and speeds up the activities necessary for reserving transmission capacity. The most evident benefit is the elimination of the risk of material errors, which is due to the introduction of automatic checks on the data entered. We have met the requirements of our customers right from the beginning of the design process, by consulting them and identifying the various needs concerning the size of the market served, the type of business and the geographic location. In this way we have designed a system that ensures the necessary solidity and safety of operation and which, based on the reports and suggestions that we have received, offers usage methods that are modular and flexible. The experience acquired in implementing and using an integrated tool for managing contractual relationships will enable us to assess extending this way of relating with our customers to other services offered by the Group.

## The Regulatory Affairs Manager responds to key questions

### The Italian Authority for Electricity and Gas is a major stakeholder in Snam Rete Gas. How will the relationship be configured once the process of integration is complete?

Relations with the Authority for Electricity and Gas play a fundamental role for all who operate in the energy business. Our commitment will be to continue maintaining constructive relations with the Authority along with increasingly effective cooperation. The creation of a centralised department will enable us to bring the resources that currently manage regulatory aspects in the different companies of the group under a single function. The objective is to create a skills hub with a complete overview on all the regulated gas activities.

### What are the benefits expected from a new centralised department?

The Regulator will be able to dialogue with one large company that can give responses that are complete, effective and in line with the problems that the energy markets, which are increasingly extended and integrated, will bring in the coming years.



## Customers

We have always devoted particular attention to the relationship with our customers, to satisfy the various requests deriving from the evolution of the gas market. We do this by monitoring the needs and by introducing new tools and procedures to facilitate access to our services.

The operations and commercial activities are carried out using increasingly advanced computer systems, with applications that also run on web-based systems, and these also allow a high degree of automation in managing the various different contracts. These systems are implemented on a case-by-case basis to improve communication with customers. In this way we meet the terms of the resolutions issued by the Italian Electricity and Gas Authority, which regulates our services.

APPLICATION NAME	REFERENCE ACTIVITIES	DESCRIPTION
Virtual Trading Point	Transmission and regasification	Point of contact between demand and supply at the service of the customers, enabling bilateral transactions between trading operators of discrete lots of natural gas. At the close of the daily trading session, it automatically settles the net balance of transactions performed by each customer.
Capacity Portal	Transmission	Management of contractual processes both for booking (effected by Snam Rete Gas to its customers) and for transactions (exchanged between the customers themselves) of transmission capacity.
Allocation and measurement system for provision and injection	Storage	Management of operations and commercial activities. Enables the real-time sharing of gas allocations and of the "warehouse" trends of customers and verification of transactions carried out between customers.
Storage Trading System	Storage	Management of trades of gas and of capacity between customers
Gasoline and Application to Application	Distribution	Communications tools that make it possible for customers to manage distribution service requests and their outcomes.

This year we have made every effort to make available as much transport capacity as possible in order to guarantee allocations to all customers requesting capacity, by building new infrastructure. These works have enabled an increase in transmission capacity at the entry points of around 14%, going from 321 million cubic metres/day at the beginning of the thermal year 2008/2009 to 365 million cubic metres/day at the beginning of the thermal year 2009/2010.

We carried out all requests for connection of new delivery and redelivery points received from consumers of gas for industrial use, distributors of gas in city pipeline networks, automotive, thermoelectric plants, operators of regasification terminals, and producers of gas from fields located in Italy, and we have observed all the conditions specified in the connection contracts stipulated with our customers.

One of our objectives is to support our customers in the careful and rational use of energy, because we believe that energy efficiency is an opportunity to be grasped not only to reduce costs but also to increase environmental sustainability. For this reason, in 2009 we promptly responded to the needs for a flexible gas system in recent winter months by adopting tailor-made procedures in applying emergency measures ordered by the Ministry of Economic Development and the Italian Electricity and Gas Authority in order to cope with emergency weather events. Amongst these are the procedures tied to the curbing of consumption by end industrial customers connected to the transmission and distribution networks. All the related forms are published on the Snam Rete Gas website and all necessary information is provided to the parties involved.

TRANSPORT	REGASIFICATION	STORAGE	DISTRIBUTION
<b>No. Customers</b> <b>70</b>	<b>No. Customers</b> <b>6</b>	<b>No. Customers</b> <b>56</b>	<b>No. Customers</b> <b>138</b>
<b>Gas transmitted</b> <b>76.9 * 10<sup>9</sup> m<sup>3</sup></b>	<b>LNG received</b> <b>2.1 * 10<sup>6</sup> m<sup>3</sup></b>	<b>Gas moved</b> <b>16.52 * 10<sup>9</sup> m<sup>3</sup></b>	<b>Gas distributed</b> <b>7.54 * 10<sup>9</sup> m<sup>3</sup></b>
<b>Transport Capacity</b> <b>365 * 10<sup>6</sup> m<sup>3</sup>/g</b>	<b>Regasification Capacity</b> <b>12 * 10<sup>3</sup> m<sup>3</sup> GNL/g</b>	<b>Storage Capacity</b> <b>8.9 * 10<sup>9</sup> m<sup>3</sup></b>	<b>Nr. Concessions</b> <b>1,441</b>



## Italian Electricity and Gas Authority

The Italian Electricity and Gas Authority is an independent body set up in 1995 to regulate and control the electricity and gas sectors. Its principal task is to promote competition, efficiency and quality of service in these sectors, by acting as a point of reference for all the companies operating in the energy market.

To regulate the business of Snam Rete Gas, the Authority's principal role is to define the criteria (via specific provisions, i.e. "Resolutions") by which the revenues of the regulated activity of transmission are to be calculated along with the tariffs, the principles for access and for providing services, and the standards of quality.

Over the years, Snam Rete Gas has fostered a constructive relationship of effective cooperation with the Authority, continually maintaining a proactive role and providing many elements to support the evolution of the legislative framework in the natural gas sector. In particular, Snam Rete Gas has always made a significant contribution to the consultation processes for drawing up the Resolutions on the transmission activity, supporting the Authority in its every request for information, including by means of roundtable discussions and special-purpose technical meetings.

Through its constant relationship with the Authority, Snam Rete Gas combines the strict application of the standards established by the Regulator with the achievement of the company's objectives. This means moderating the needs of the shareholders, who want an attractive and sustainable return, with those of the Authority and of the Clients, who want price reductions and quality of service.

In this context, particular importance is assumed by the Authority's process of deciding tariff criteria for the subsequent regulation period, which takes place every four years. At the end of 2009, at the conclusion of this process, the Authority issued the Resolution set-

ting out criteria and rules for the third regulation period, confirming a regulatory framework that is transparent, clear and stable for the 2010-2013 four-year period. This is an essential prerequisite to allow the company to maintain a low risk profile and maximise the creation of value for its shareholders. The characteristics of the new regulatory framework, in continuity with those of previous periods, are essential to enabling the company to achieve sustainable growth over time, confirmation of the constructive and cooperative relationship that Snam Rete Gas has succeeded in establishing with the Authority over the years. There are similar systems of standards that oversee the activities of distribution, regasification and storage (this last item is nearing the end of its term and will be renewed in 2010).

Another essential fulcrum in the relationship between the companies of the Group and the Regulator is the Codes, i.e. the contractual documents that define, according to the principles and resolutions drawn up by the Authority, the conditions for accessing and providing the services and which regulate the relationship between each company and its customers. In the process of drawing up and updating the Codes, which also involves all of the interested parties through specially-appointed Committees, constant work is done, in ongoing dialogue with the Authority, to draw up conditions for the offered services that respond as far as possible to the needs of the market and to its future evolutionary changes.

Following the process of acquisition of Italgas and Stogit by Snam Rete Gas, the relationship with the Authority will be further strengthened and still imbued with a spirit of effective cooperation. But this is not all. The corporate reorganisation will make this relationship even more dynamic, since it no longer involves four separate companies (each of which will maintain operational responsibility for its obligations) but instead a single, all-encompassing body which, with its size and repository of inter-sectorial knowledge, will be capable of providing responses that are complete, effective and in line with the problems that the integration of the energy markets will pose in the coming years.

## "Transparency Platform" project

Snam Rete Gas is taking an active part in the "Transparency Platform" project coordinated by the European transporters' association, ENTSOE. The aim of the "Transparency Platform" is to make available a range of information useful for transmitting gas in Europe accessible on a single website, such as the capacities available, their rates, and the

quantities of gas transmitted. Together with Snam Rete Gas, today around 20 leading European transmission operators are involved in the project, and these operators send updated information to the system. The "Transparency Platform" has been accessible to all interested parties since November 2008 by way of the link [www.gas-roads.eu](http://www.gas-roads.eu).

## Shareholders and investors

Ever since it was first listed on the stock market (December 2001), Snam Rete Gas has been committed to building a corporate identity that would express the company's goals and spirit of management in its forms of financial communication as well.

Since then we have been distinguished by transparent relationships with investors and the financial community by means of clear-cut communications of our objectives and our results so that investors and the financial markets can have a full understanding of all our value drivers.

During the year we held around twenty road shows, aimed at meeting with shareholders and institutional investors, in the leading European and North American financial markets. Overall, our management met with about 100 investors in one to one meetings, about 20 of which were held at the Snam Rete Gas headquarters in San Donato Milanese. Another 20 group meetings with several investors at a time were also held. Utilities Conferences also represented additional opportunities for exchanging views.

In particular, in 2009 the implementation of extraordinary operations, i.e. the acquisition of Stogit and Italgas and the increase in share capital in order to partly finance this acquisition, saw our man-

agement involved in special meetings both with the member banks of the underwriting consortium and with investors, in order to delineate the strategic consistency of the acquisition operation as well as consolidate and extend our shareholding structure as part of the operation to increase the share capital.

We also organise conference calls, in which usually around 50 persons participate, including the twenty-six analysts who cover the share, when we present financial results (preliminary annual, half-yearly and quarterly reports). We make the financial statement documents and quarterly/half-yearly reports available (in both Italian and English) immediately after their approval by the management bodies.

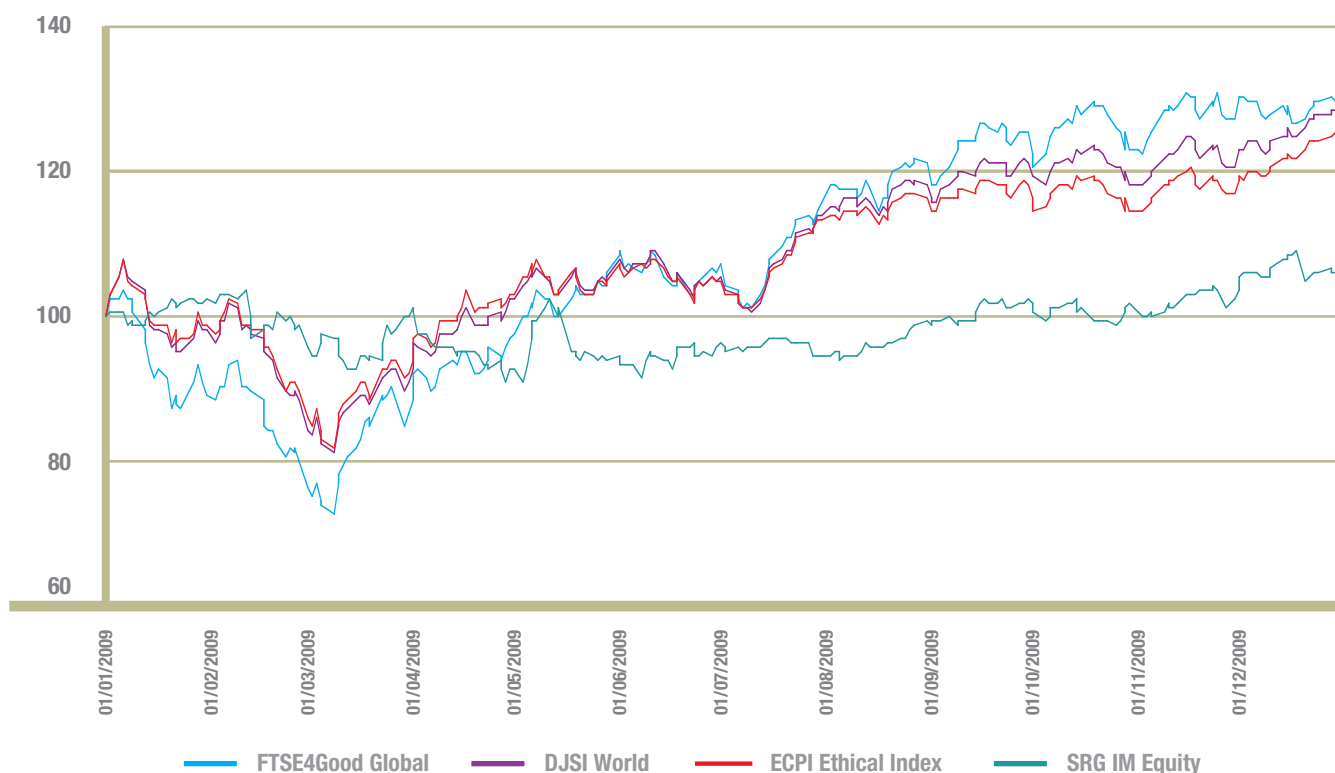
During the year, management took part in roundtable discussions, seminars and conferences on utilities, stock market and corporate governance issues. We prepare special presentations for each meeting, and these are then published in a specific section of the Snam Rete Gas website.

In 2009 we updated and extended the pages on the website in the Investor Relations area, and improved the graphics and charts, in order to be able to provide more effective information and improve site navigation.

Among the new features introduced are the online publication of "Financial Markets Review", which offers a monthly analysis of



## TREND OF THE SRG STOCK AND PRINCIPAL ETHICAL INDICATORS



the financial markets and the stock market trend in the utility sector, of the Snam Rete Gas share, and of the shares of other competitors. To this publication was added, starting in December, "News&Facts", a quarterly publication aimed specifically at individual investors.

In addition, we have devoted special attention to sustainability with further expansion and rationalisation of the area on socially-responsible investors, improving the information and links which an ethical investor, or an ethical ratings company analyst, might need in order to make an assessment of the company. Among the changes and improvements made, in addition to the stock market trends of the international indices, we have also added the trends of the principal sustainability indices to which the company belongs: the Dow Jones Sustainability World Index, the FTSE4Good Europe Index and the FTSE4Good Global Index.

In its half-yearly review of September 2009, FTSE4Good (Financial Times Stock Exchange) Group confirmed the inclusion of Snam Rete Gas in the FTSE4Good sustainability index, for the eighth year in succession. The FTSE4Good index series evaluates our results in attaining sustainable economic development standards on a world level.

In December 2009 Snam Rete Gas was included in ECPI Ethical Index Global, and we also received confirmation of inclusion in the other two indices, ECPI Ethical Index Euro and ECPI Ethical Index

EMU, for which our share had been selected in 2008. The ECPI Ethical Index Global includes 300 companies with high market capitalisations, belonging to the international market and selected using the ECPI methodology. The other two indices both comprise 150 companies belonging to the European market (ECPI Ethical Index Euro) and to the Economic and Monetary Union (ECPI Ethical Index EMU). The new certification was conducted by ECPI, now part of Mittel S.p.A. and listed on the Milan stock exchange, which since 1997 has been a leading company in research, ratings and sustainability indices.

Since 2007 we have participated in the assessment of the Carbon Disclosure Project, one of the most important independent organisations engaged in monitoring the position of major international companies on the issue of climate change and greenhouse gas emissions.

We have been part of the Ethibel Investment Register and Sustainability Indices since 2005. Ethibel is a leading research organisation in Europe in the Corporate Social Responsibility (CSR) sector and sustainable development.

In addition, our commitment to sustainable development has recently been recognised by VIGEO, an environmental and social rating agency, which has found a significant improvement in our overall performance.

## Community and territory

Our relationships with Government Authorities, Regions and local institutions have always been characterised by maximum collaboration and principally tied to the submission of applications for the necessary permits to lay down new pipelines and plants.

As explained in the Disclosure on the management approach, we present projects to the mayors of all the municipalities involved before starting the authorisation process. We also encourage the participation of managers and officers from the institutions in charge of issuing authorisation during inspections of open and restored work sites, in order to improve their knowledge of technical issues and of the results achieved, especially in the case of environmental restoration.

We meet with local farming associations to inform them of the indemnities for easement and crop damage that it intends to pay the owners of land affected by the passage of the pipelines to be laid. When the conditions are met, the meetings end with the parties signing an agreement. During 2009, we held 26 meetings and signed seven agreements.

We highlight the public meetings with the citizens of Cortemaggiore and Besenzone to present and discuss launching the Pilot Project to injected capture and storage of CO<sub>2</sub>.

Our consideration of communities and the territory is demonstrated by some collaborations with local bodies. For example, in 2009, as part of the environmental permit procedure started to upgrade the gas compressor station at Montesano sulla Marcellana (in Salerno

province), we signed an agreement with the Municipality for carrying out environmental rebalancing works.

Concerning the project to modernise the natural gas regasification plant in Panigaglia, begun in 2007, we organised project presentations and a series of meetings and/or guided tours of the plant for institutional contacts, associations and interested public parties.

We made our expertise available to facilitate training and introduction courses. This heading includes supporting and participating in the "Environment, Landscape, Infrastructure" Conference sponsored by CATAP (*Coordinamento delle Associazioni Tecnico Scientifiche per l'Ambiente e il paesaggio*, Co-Ordination of Technical and Scientific Associations for Environment and Landscape), participating in the Italian Gas Safety Forum organised by the CIG (Comitato Italiano Gas, Italian Gas Committee) to make the point about safety in the civilian uses of gas, and supporting the training course, "New principles and experiences on the subject of Environmental Impact Assessment". In addition, the traditional meetings continued with the people, the local institutions and information organisations to illustrate the activity of our industrial plants with the help of specialised technicians. In particular, the compressor station in Messina and the storage facilities at Minerbio, Fiume Treste and Settala held Open Days.

Sponsorships throughout the country are chosen based on our Guidelines for managing philanthropic activity and social initiatives according to various criteria, such as consistency with the overall strategy of the company, the ties to the area, adherence to development objectives and, as a common denominator, consistency with sustainability principles.





Using this approach, in 2009 we continued to sustain initiatives for the land, the environment and culture.

We participated in the improvement of street illumination in Terranuova Bracciolini using solar powered streetlamps.

As GNL Italia, we helped realise a series of events and shows, organised by the Regional National Park of Porto Venere and the City of Porto Venere. This included the shows "Tourism and Environment, Porto Venere 2009", "The Two-Day Closing of the Canal of Porto Venere", and other initiatives aimed at spreading awareness of the Protected Area and the city land.

Through donations, we supported various social realities through the country. Among these is the San Vito Foundation Onlus and in particular, the solidarity initiatives planned by the San Vito Foundation Onlus in Mazara del Vallo, committed to charitable projects in the area, and which manages assets confiscated from the mafia, turning them to socially beneficial use. The donations of Italgas including supporting the Theodora Foundation, an organisation working in the field of playtime activities at children's cancer centres.

Since 2002, we have been supporting Legambiente's "Puliamo il Mondo" (Let's clean up the world) project, the world's biggest international voluntary environmental initiative, under the aegis of the UNEP (the United Nations Environmental Programme), and supported in Italy by the Ministry for the Environment and for the Protection of the Territory and Seas and also by the Ministry for Public Education. The 16th edition took place in 4,500 locations, involved 1,700 municipalities and saw participation from over 700,000 volunteers who helped clean up many deteriorated areas. To promote

"Puliamo il Mondo" within the company, we made available participation kits prepared by the Legambiente. In addition, for each photograph taken by the employees who participated in the initiative, we planted one tree in the planting area of the fluvial Park of the Po and the Orba, in Piemonte, to contributing to CO<sub>2</sub> reduction.

We strengthened our support of the FAI (Fondo per l'Ambiente Italiano, Italian Environment Fund) through which we want to underscore its attention to the country and upgrading the Italian artistic and environmental heritage.

As a corporate member, we have continued to support the activities of the Poldi Pezzoli Museum in Milan, one of the best-known and appreciated museums and cultural institutions in that city.

We completed the movement and reopening of the Italgas Museum, inaugurated on 15 May 2009. This structure has already received about 500 visitors (mainly schools, but also associations, researchers, and Recreational and Welfare Centres for Workers). We also started a project to organise and computerize the documentation held in the archive (more than 1,000 linear meters of documents, 6,000 volumes, brochures and magazines, 35,000 prints, photographs and posters).

## Organisations and Associations

Our staff actively participates in working groups, committees and commissions set up within the framework of Italian and European non-profit associations which carry out studies and research in the gas sector or in sectors with similar interests to those of the company.

### SNAM RETE GAS GROUP PARTICIPATION IN NON-PROFIT ASSOCIATIONS

Associations or Committees	International Associations or Committees (acting as representative for Italian associations/committees)	Industrial and Sector Associations:
<b>AEIT</b> - Associazione Elettrotecnica ed Elettronica Italiana <b>AIEE</b> - Associazione Italiana Economisti dell'Energia <b>ANIPLA</b> - Associazione Nazionale Italiana per l'Automazione <b>APCE</b> - Associazione Protezione Corrosioni Elettrolitiche <b>ASSOCIM</b> - Istituto Certificazione Industriale per la Meccanica <b>CEI</b> - Comitato Elettrotecnico Italiano <b>CIG</b> - Comitato Italiano Gas <b>CONSULTA</b> - Improvement of Artistic and Cultural Assets of Torino <b>CTI</b> - Comitato Termotecnico Italiano <b>EASEE-gas</b> - European Association for the Streamlining of Energy-Exchange-Gas <b>EGIG</b> - European Gas Pipeline Incident Data Group <b>EPRG</b> - European Pipeline Research Group <b>FIRE</b> - Federazione Italia per l'uso Razionale dell'Energia <b>GERG</b> - Groupe Européen de Recherches Gazières <b>GIE</b> - Gas Infrastructure Europe <b>GIIGNL</b> - Groupe International Des Importateurs de Gaz Naturel Liquéfié <b>IATT</b> - Italian Association for Trenchless Technology <b>UNI</b> - Ente Nazionale di Unificazione <b>UNICHIM</b> - Associazione per l'Unificazione nel settore dell'Industria Chimica <b>UNIPLAST</b> - Ente Italiano di Unificazione nelle Materie Plastiche <b>UNSIDER</b> - Ente Italiano Unificazione Siderurgica	<b>CEN</b> - Comitato Europeo di Normazione: representing CIG, UNI and UNSIDER <b>GENELEC</b> - Comitato Europeo Normalizzazione Elettrica: representing CEI <b>ECISS</b> - Comitato Europeo Normazione Ferro Acciaio: representing UNSIDER <b>IGU</b> - International Gas Union: representing CIG <b>ISO</b> - International Organization for Standardization: representing CIG, UNI and UNSIDER <b>MARCOGAZ</b> - Technical Association of the European Natural Gas Industry: representing CIG	<b>ANIGAS</b> - Associazione Nazionale Industriali Gas <b>ANFIDA</b> - Associazione Nazionale Industriali Acquedotti <b>National Manufacturing Associations</b> <b>ASSOMINERARIA</b> - Associazione Mineraria Italiana <b>Confindustria Energia</b>

We have a significant commitment to developing legislation, technical regulations, studies and projects in relation to scientific and technical problems relating to the gas industry, as well as studies on market regulation, paying particular attention to safety, environmental protection, the increasingly efficient use of energy resources, and the integration of the use of natural gas with renewable energy sources.

About 105 people from Snam Rete Gas Group were involved in the work of the Associations in 2009, both operationally (in around 120 positions of involvement including workgroups, commissions and committees) and, in some cases, taking up office in the management structures.

## Suppliers

After the acquisition, the Company redesigned the procurement process for goods, work and services constituting the Supply Chain Department and centralised the Procurement units into a single organisation.

The system behind this process is aimed at ensuring objecting assessment of suppliers, both in qualification step and in assignment contracts, to assure them a fair opportunity once the required qualitative standards are met. Depending on the critical level of its commercial category, adding a new company to the list of suppliers is subject to a positive assessment of various preliminary, documentary and technical aspects. Suppliers are required to adhere to the "231 model" of Snam Rete Gas, to principles of Codes of Ethics and also to respect the worksafety criteria, health protection and the international standards on workers' right.

Once a contract is assigned, staying on these lists depends on assessments of the services rendered in terms of product quality, processes and meeting deliveries.

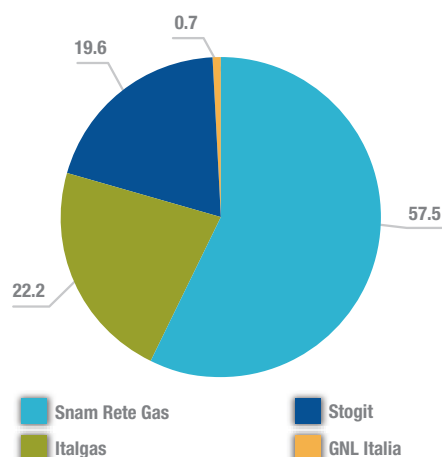
Supplying processes integration and sharing is not a serious obstacle for Snam Rete Gas Group since the acquired companies already use instruments coherent with the common strategies. The transparency, trackability and confidentiality level toward the suppliers, a fundamental value to maintain a positive relationship, is granted by the use of the most advanced data processing tools for the electronic negotiation managing.

The use of such tools led the value of allocated contracts by means of electronic negotiation to about the 90% of their total number.

Under the new organisational arrangement, about 1,400 suppliers won at least one Group contract in 2009, for a total order of € 1,907 million.

To face the deep and rapid changes in market conditions caused by the global crisis of mid-2008, we used our tools appropriately and modified some purchasing policies, without reducing the order volume among our suppliers.

ORDERS € 1,907 MILLION BROKEN DOWN BY COMPANY (%)



Snam Rete Gas initiated a project to review commercial categories, with the objective of promoting transparent cooperation, streamlined procedures, and efficient qualification processes. This concluded with the publication of the new commercial product tree on the website ([www.snamretegas.it/it/lavora\\_con\\_noi/lcn\\_categorie\\_merceologiche.shtml](http://www.snamretegas.it/it/lavora_con_noi/lcn_categorie_merceologiche.shtml)).

The project was basis to detect new and up-to date criteria for the determination of critical levels to define personalized qualification processes. The aim was to direct the suppliers qualification process inspections according to the productive process importance or according the suppliers features, granting transparency and undiscrimination together with a sufficient evaluation of the applicants quickly and generally more efficiently. At end of 2008, an analysis of commercial goods categories was initiated, involving various company functions that had shown critical issues in terms of supply. When purchasing difficulties were linked to technical aspects, we sought to standardise the product not matching with the offer. In other cases, marketing intelligence analysis was started to identify new suppliers able to increase competitiveness thanks to a greater market.

In the Distribution sector, we launched various European requests for tenders to reach the objective of replacing the meters that were more than 20 years old by the end of the spring of 2011 (about 2,000,000 of the 6,000,000 installed) following the commitment we undertook on this subject with the consumer associations in December 2008.

The Company also issued a request for tenders for contracts to supply measurement and remote reading on all large-size meters, at the request of the AEEG. Finally, it formalised contracts with various sector companies to screen different technologies for remote reading of household meters, to identify the most suitable solutions for applying remote reading to household meters in general.

CONTRACTOR INJURIES			
TRANSPORT	REGASIFICATION	STORAGE	DISTRIBUTION
<b>Injuries</b> <b>49</b> <b>Frequency index*</b> <b>11.21</b> <b>Severity rate**</b> <b>0.35</b>	<b>Injuries</b> <b>0</b>	<b>Injuries</b> <b>14</b> <b>Frequency index*</b> <b>16.04</b> <b>Severity rate**</b> <b>0.84</b>	<b>Injuries</b> <b>25</b> <b>Frequency index*</b> <b>14.86</b> <b>Severity rate**</b> <b>0.41</b>

\* Number of injuries (not including commuting accidents), resulting in an inability to work at least one day, for every million hours worked

\*\* Number of working days lost, from injuries (not including commuting accidents) resulting in inability to work for at least one day, for every thousand hours worked

## Safety in contracted works

In managing suppliers, the Company's businesses focussed on ensuring compliance with legal and procedural prescriptions on the subjects of health and safety.

In the transportation sector, activities continued to qualify new suppliers, issue new technical opinions during contract competition and checking on suppliers during the performance phase. These activities involved 34 assessment procedures of qualifying contractors, 169 technical evaluations during the tender stage and carrying out 20 inspections at the work sites of suppliers, to verify compliance with legal and contractual standards.

Specialised assistance was also provided to contract managers to implement the requirements of current legislation.

In general, safety meetings are held with the suppliers both before the work and during its performance, with periodic progress meetings, paying special attention to the specific risks present, to measures for prevention, protection and emergency response, to measures for coordination and cooperation taken in the places where the suppliers are working and to applicable health and safety procedural provisions.

The Company also continued information activities on providing health and safety in temporary and mobile job sites.

Analysis of the figures for accidents and injuries in contracted-out work shows a frequency index of 12.74 and a severity rate of 0.43. There were 84 accidents in 2009, unfortunately one of which was fatal, caused by a fall from the roof of a Snam Rete Gas building. This accident is still under investigation by the authorities.

In 2009, the accident indexes for transportation and regasification activities posted a frequency of 11.15 (-48% from 2008) and a severity of 0.35 (-35% from 2008).

## External communication

The new shareholder structure brought about the definition of an organisational structure that could respond to the communications needs of stakeholders in a more integrated manner. To this end, we

combined the activities of external communication, relationships with institutions and sustainability under the same department.

This new organisational framework was defined during the second half of 2009. With it, we will respond to the broader range of institutional contacts using a more proactive and synergic model that fits the new business reality.

During the year, we continued to develop the website on the base of the communications needs of the Company towards its stakeholders. In particular, by approaching the shippers' needs more effectively and more rationally, we developed and activated a new portal for managing bookings and transactions of capacities. Regarding external communication, we concluded, with its third edition, the project about Italian landscape and realised the press and online information campaign about the share capital increase operation.

## Share capital increase campaign

Concerning the share capital increase operation to acquire Italgas and Stogit, we realized an informational-advertising campaign that was transparent and in line with the rules of the Italian Stock Exchange, aimed at Snam Rete Gas shareholders and, especially, the retail market. For this purpose we launched an informational campaign in the principal national dailies and their websites. The company website was also a crucial means for publishing the operation and for making information available to investors. We published exhaustively all the information needed to subscribe to the new shares and a toll-free telephone number for private investors to obtain information. The operation closed with all shares offered being subscribed. In particular, the campaign contributed to high subscription levels, not only by institutional investors, but also by individuals, that is, retail shareholders.

## The Italian landscape

We have promoted the "Italian Landscape" project to emphasize areas crossed by the pipeline network. This is an artistic and cultural project, assigned to three major photographers, who have depicted the frontiers of methane importation in their images. In 2009, the ini-

tiative marked its third edition. After Sicily (the arrival point for gas from North Africa) and the Po Valley (strategic junction of the pipeline network), the alpine range has played the starring role in this new photographic journey. Giorgia Fiorio, an internationally renowned photographer, has depicted the snow-covered peaks, glaciers and valleys crossed by pipelines that supply our cities with gas, photographing the frontier where the imports arrive from distant gas fields in Russia and Northern Europe. It was an intense and impassioned work, collected in the book, *"Sotto il Cielo"* (Below the Sky), from

which the 2010 calendar was prepared.

With more than 60,000 copies in print, the calendar was sent as a gift to the local bodies with which we work and to all who asked for a copy through the website.

The calendar also makes it possible to provide contact details for emergency services on the pipeline network as well as points of contact for the Districts and Peripheral Sites distributed throughout the country. It also illustrates the signage used to indicate areas crossed by the pipeline network.





# environmental protection

Snam Rete Gas stands out for its focus on the environment. What are the strategies and plans for the future?

## Disclosure on management approach

### The Health, Safety, Environment and Quality Manager responds to key questions

#### **The environmental protection has always been at the center of Snam Rete Gas' attention. Why?**

The stakeholders are paying growing attention to our activities. Permit procedures require a greater involvement of the public in the decision-making processes on the subject of the environment, considering that the rules for environmental protection are becoming ever more stringent. Just think of the beginning of 2013, when greater emission reductions will be required to reach the objectives of the third implementation period of the Kyoto Protocol. Snam Rete Gas also pursues energy management activity aimed at optimising and rationalising the consumption of energy. These are all issues that will continue to engage us more and more.

#### **How will Company's changes affect environmental issues?**

The HSE (*Health, Safety, and Environment*) function has always had the objective of creating a close connexion between internal and external requirements: legislation and stakeholder requirements on one hand and the company's business needs of on the other. This will be more and more complex and varied with the creation of the new group, but it will also be a way to create greater synergy knowledge exchange between the various entities. Unlike Snam Rete Gas, Stogit has always been subject to the regulations for mining permits, which require complex management of environmental aspects. With a greater Group there is also the increasing in the number of sites subject to the Emissions Trading Directive and to the IPPC Directive. This will allow us greater synergy in managing similar issues and improve the coordination of activities.



## Reduction of energy consumption

Among the activities of the Group, the principal energy consumers are the gas turbines used in the compressor stations that supply the gas pressure needed for transportation (transmission consumption) or for storage (storage consumption) and the vaporisers used at the Panigaglia plant to regasify LNG.

The Company has always used the best technology available to limit energy consumption and it has always installed high efficiency turbines. In particular, fuel consumption by the compressor stations is controlled by Dispatching centre by means of optimisation software systems that make it possible, according the requirements for storage and transportation, to manage the arrangement of the individual compressor stations and the transportation network as efficiently as possible.

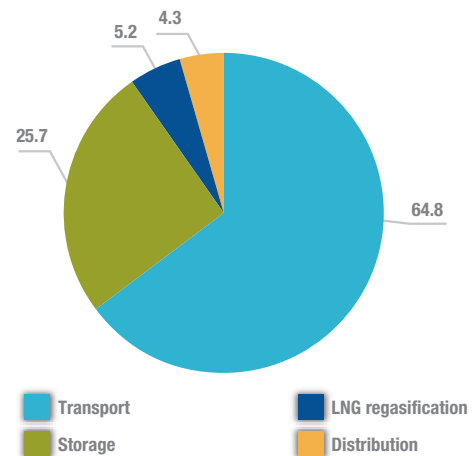
In 2009, total energy consumption was 15,330 TJ. The most-used energy source was natural gas, which covered about 92% of the total energy requirement. Other sources included electrical energy (7%) and other fossil fuels (diesel, petrol, LPG) and thermal energy (1%).

Activities carried out being equal (transportation and regasification), electrical consumption in 2009 dropped by about 20% compared to the previous year. This decrease can be attributed above all to a reduction in the gas introduced into the transportation system by customers, which brought about lower usage of the compressor stations, but also to the initiatives put in operation by the company to contain energy consumption.

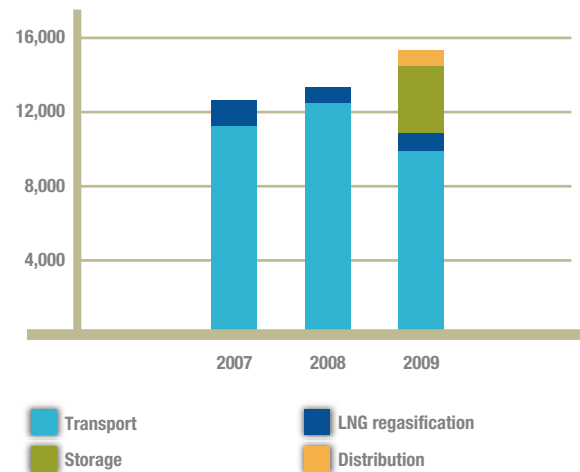
As part of its Energy Management activities, the Company continued activities aimed at identifying possible actions for rationalising and containing energy consumption. Among these initiatives was a new guideline for energy sustainability of company-owned buildings. Aware of the importance of using renewable sources, during the year, the Company installed three 20-kW photovoltaic systems at the maintenance centres for the transportation network of Tortona, Foggia and Palmi with the objective of providing partial coverage of the electrical energy needs of the buildings. These systems were in

addition to the one developed last year in Genoa, which became operational in 2009. Regarding distribution activities twelve pilot photovoltaic systems were also installed, with power outputs between 3 and 6 kW, in the cabins for withdrawal and pressure reduction plants. In addition, the Company installed automation systems to control the power plant in 29 gas pre-heaters in the distribution network still with aim of optimising energy consumption.

ENERGY CONSUMPTION (%)



ENERGY CONSUMPTION (TJ)



### RENEWABLE-SOURCE INSTALLATIONS IN 2009

	NUMBER	TOTAL POWER (kW)
Wind generators	2	3
Photovoltaic systems	1,737	199
Total	1,739	202



## distribution activity - energy savings through White Certificates

The Ministerial Decrees of 20 July 2004, as amended, promote “energy-saving” through “white certificates”. The Authority has defined technical and economic regulations for implementing the mechanism, and each year specifies national quantitative targets to electricity and natural gas distributors of according to the criteria defined in the decrees.

The “white certificates”, also called Energy Efficiency Certificates (Italian acronym TEE), certify the achievement of energy savings through the application of efficient technologies and systems. They are issued by the Electrical Market Manager (Italian acronym GME) based on certification of the savings achieved, performed by the Authority. Each certificate is equivalent to the saving of one ton-equivalent of petroleum (TOE), which is the traditional unit of measure in energy statements to express all sources of energy

by taking into account their heat content.

The decrees require that each year mandatory savings objectives be set for electrical energy distributors and natural gas distribution companies.

These quantitative targets increase over time; to achieve them, distributors may:

- implement projects favouring end-users that improve the electrical efficiency of installed technologies. The projects may be carried out directly, through subsidiaries, or through companies operating in the energy services sectors (ESCO's);
- implement projects designed to save energy in their own manufacturing processes;
- purchase Energy Efficiency Certificates from third parties, covering all or part of their targets. These would confirm the achievement of savings by other parties (other distributors or companies operating in the energy services sector).

The purchase and sale of securities takes place either through bilateral contracts or on the Energy Efficiency Certificates market, organised and managed by the GME using regulations established in agreement with the Authority.

Each year, the Authority determines the size of the contribution to be given to distributors for meeting their obligations. The contribution is financed through a small duty on the distribution rates for electrical energy and gas, established by the Authority in order to ensure that the overall burden on the energy bill of customers is always considerably less than the overall economic benefit from the implementation of the mechanism (between 6 and 12 times). Thus, the contribution helps achieve the actions taken for end-users, by reducing their costs.

In 2009, the Company met the energy -savings objective of 352,108 TOE, by implementing internal projects (about 10% or 33,693 TOE) and by purchases on the Stock Exchange (the remaining 90% or 318,415 TOE).

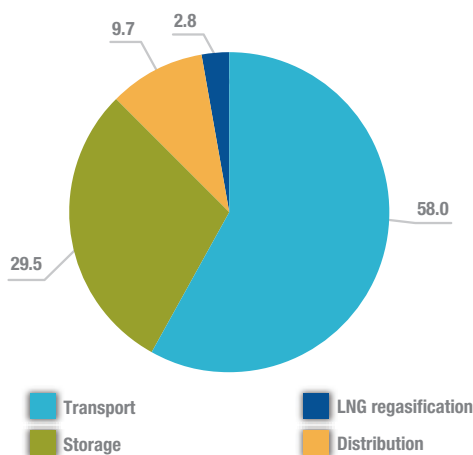
## Air protection

Emissions of polluting substances into the atmosphere come mainly from the processes of combustion. The use of natural gas as the principal energy source by all the businesses of the Group makes it possible to reduce emissions of sulphur oxides and particulates to a minimum.

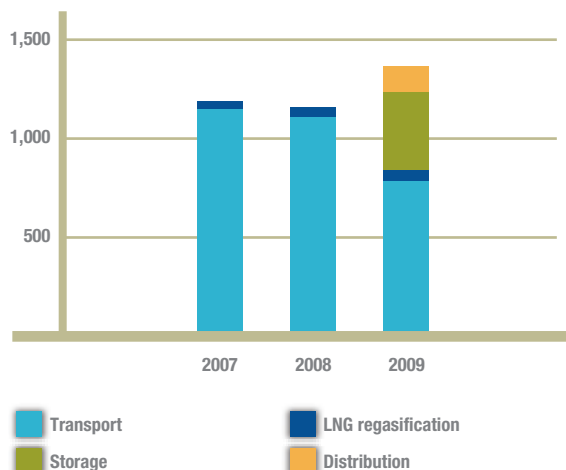
To reduce nitrogen oxides emissions, the only significant polluting emissions from our activities, some existing turbines have been retrofitted and new ones have been installed with low-emission combustion systems. Specifically, in 2009, two compressor units were converted to low-emission at the compressor stations at Melizzano (BN) and Sergnano (CR) and a new low-emission unit went operational in the compressor station at Malborghetto (UD).

During 2009, total nitrogen oxide emissions were about 1,350 tonnes, of which about 820 tonnes were from transportation and regasification activities (-27% compared to 2008). This reduction

NOx EMISSIONS (%)



NOx EMISSIONS (t)



can be attributed both to a decrease in activity, and to continued actions implemented to upgrade the fleet of turbines in the compressor stations.

Atmospheric emissions were determined by direct measurement or if not available, using emissions factors in the reference literature (United States Environmental Protection Agency and the CORINAIR project - COoRdination INformation AIR ).

## Climate protection

The challenge against climate change is becoming an ever more important topic at the international level, because there is growing scientific proof that greenhouse gases (GHG) emissions affect the climate. Snam Rete Gas is engaged every day in providing our country with an energy source, natural gas, which, thanks to its chemical and physical properties and the possibility to be used in high efficiency technologies in various sectors (civil, manufacturing and thermoelectric), can make an important contribution to the reduction of GHG. Besides using natural gas as its principal fuel, Snam Rete Gas tries to minimise GHG emissions in its operating activities using specific containment programs.

The GHG emitted into the atmosphere deriving from Snam Rete Gas's activities consist of carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>), the main component of natural gas. CO<sub>2</sub> is produced during combustion and is directly correlated to the consumption of fuel, while natural gas emissions originate partly from the normal operation of plants and partly from atmosphere discharges in the transportation and distribution networks when connecting new gas pipelines, during maintenance operations or as a result of accidents.

During 2009, direct emissions of CO<sub>2</sub> totalled about 799,400 tonnes, of which about 564,340 tonnes were caused by transportation or regasification activities (-15% from 2008), while emissions of natural gas totalled about 100 million cubic metres (equal to about 64,000 tonnes of methane). To contain the emission of natural gas, the Company continued the replacement of pneumatic equipment and the natural gas in-line operations during the laying down of new pipelines. This has allowed us to recover about 6 million cubic metres. As for the containment of natural gas emissions from the municipal distribution networks, the Company replaced about 55 km of cast-iron pipeline, involving mainly the networks in the cities of Rome and Venice.

Overall emissions of GHG were about 2.4 million tonnes, of which about 1.2 million tonnes were caused by transportation and regasification activities (-15% from 2008) This reduction can be imputed to both a reduction of energy consumption because of reduced activity and to initiatives undertaken to reduce emissions of natural gas.



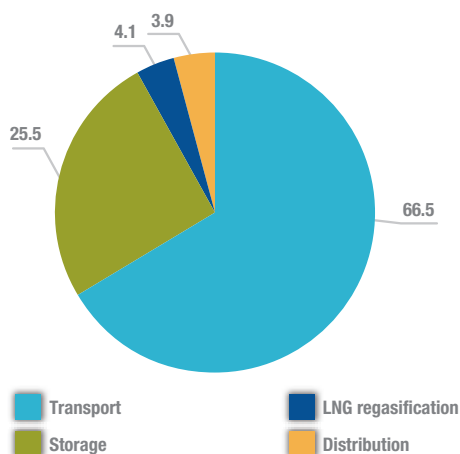
During 2009, indirect emissions of CO<sub>2</sub>, caused by the purchase of electrical energy totalled about 49,190 tonnes, of which about 28,420 tonnes were caused by transportation and regasification activities, in line with the emissions last year.

Natural gas emissions were estimated using the methodology prepared by the Gas Research Institute (GRI) in collaboration with the US EPA, applied to the facilities of Snam Rete Gas, with a specific research project and campaigns of field measurements.

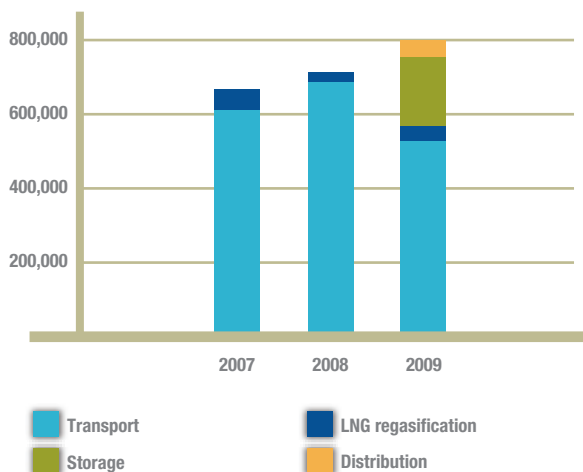
CO<sub>2</sub> equivalent emissions from methane were calculated with a GWP of 25 as indicated in a scientific study by the Intergovernmental Panel on Climate Change (IPCC) "Fourth Assessment Report IPCC of 2007".

Indirect CO<sub>2</sub> emissions were calculated with a national average factor of 0.47 kg of CO<sub>2</sub>/KWh.

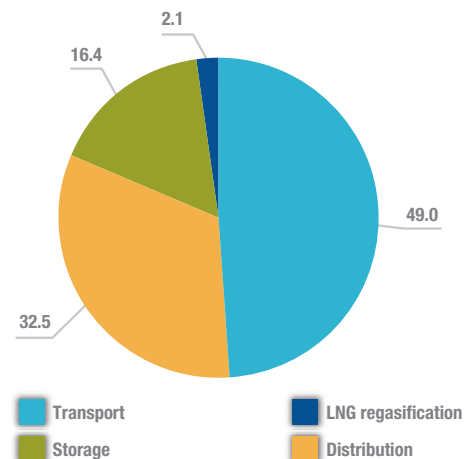
CO<sub>2</sub> EMISSIONS (%)



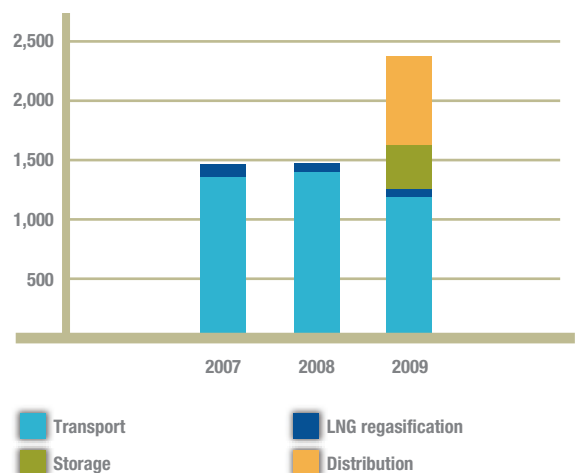
CO<sub>2</sub> EMISSIONS (t)



GHG EMISSIONS (%)



GHG EMISSIONS (10<sup>5</sup> t)



## Emission Trading

The Snam Rete Gas installations that fall under the jurisdiction of the Emission Trading Directive as at 31 December 2009 are the 11 compressor stations (Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia and Teranuova Bracciolini), the entry point terminal in Mazara del Vallo, the LNG regasification plant in Panigaglia and 7 of the 8 storage facilities (Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala).

To our installations were assigned 1,001,577 annual quotas. The values assigned do not include quotas that will be assigned to "new entries".

Concerning the installations covered by the E.T. Regulation, during 2009, we emitted 709,869 tonnes of CO<sub>2</sub>, with a positive balance for the year of 291,708 quotas.

Even before the coming into effect of the emission trading regulation on climate change, we had already undertaken initiatives for containing emissions through the use of high-efficiency technologies and by using natural gas as the main fossil fuel in our plants. In particular, In the emissions trading plants, natural gas makes up practically 100% of the fuel used. The combustion of natural gas produces 25-30% less carbon dioxide compared with petroleum products and 40-50% less compared with coal, for the same energy input (Source: National Plan for the Reduction of Emissions of Gas Responsible for the Greenhouse Effect: 2003-2010, Ministry of the Environment and for the Protection of the Territory - Ministry of Economy and Finance).

Our emissions of carbon dioxide are not constant over time but vary from year to year. They are heavily dependent on the transmission programmes of Customers, to whom we provide services of transportation, storage, distribution and regasification.

## Protection of nature and biodiversity

Our infrastructure is present throughout almost the entire country. Our activities run into territory with varying morphological features. For this, we design and set in operation suitable measures to safeguard and to restore the environment, in order to recover its natural value.

During the year, environmental restoration activity following the laying down of new pipelines has involved mainly the regions of the North (Friuli Venezia Giulia - Veneto - Piemonte - Liguria and Emilia

Romagna) and of the South (Calabria - Basilicata - Sicily). Specifically, the Company restored about 270 km along pipelines and reforested about 27 km of woods. The purpose of vegetative restoration and reforestation is not only to re-establish the wooded areas affected by the construction of pipelines, but to re-establish in general the landscape and to restore the biological functionality of the planted areas affected by the work, above all their role as a habitat for fauna with specific features of biodiversity.

“Cultivation” (agronomic activity to maintain seedlings set aside) was carried out on about 191 km of areas reforested in previous years. These activities go on normally for about five years after planting.

The Company continued environmental monitoring projects along some pipelines that interfere (even if only marginally) with natural environments having high wildlife or ecological value. The purpose of the monitoring is to verify the re-naturalisation of the areas affected by our work, by comparing environmental conditions after restoration (*post operam*) with the original environmental conditions (*ante operam*). Monitoring is carried out for the most significant habitats identified during the design phase through special investigations to detect and correlate the principal environmental parameters, documenting the actual degree of biodiversity. Monitoring continues during the realisation of the work and after the work is completed. During 2009, the Company conducted monitoring on about 550 km of pipeline.

The table below shows the Environmental Impact Assessment Decrees (EIA) obtained and submitted during the year.

### EIA DECREES OBTAINED IN 2009

Name	Power / Length (km)	Regions concerned	Jurisdiction	Decree Date
Montesano sulla Marcellana upgrading compressor station	25 MW	Campania	Regional	09.23.09
Villesse - Gorizia pipeline	23	Friuli - Venezia Giulia	Regional	05.07.09
Villesse - Gonars pipeline	14	Friuli - Venezia Giulia	Regional	09.30.09
Branch pipeline for Diamante and Buonvicino	26	Calabria	Regional	04.23.09
S. Andrea Apostolo dello Ionio - Caulonia pipeline	58	Calabria	Regional	04.23.09
Menfi - Agrigento pipeline	54	Sicily	State	01.22.09
Sulmona - Oricola pipeline	93	Abruzzo	State	01.22.09
Massafra - Biccari pipeline	195	Apulia - Basilicata	State	10.27.09
Biccari - Campochiaro pipeline	74	Apulia - Campania - Molise	State	05.07.09
Poggio Renatico - Cremona upgrading pipeline	149	Emilia Romagna - Lombardy	State	06.15.09
Cremona - Sergnano upgrading pipeline	50	Lombardy	State	09.08.09
Bordolano (CR) new gas storage plant	53.6 MW	Lombardy	State	11.12.09

#### EIA APPLICATIONS PRESENTED IN 2009 TO THE MINISTER OF THE ENVIRONMENT AND THE MINISTER FOR CULTURAL HERITAGE

Name	Length (km)	Regions concerned	Date Presentation
Pontremoli - Cortemaggiore pipeline	110	Tuscany - Emilia Romagna	05.14.09
Flaibano - Istrana pipeline	86	Friuli - Venezia Giulia - Veneto	05.15.09
Piombino - Collesalveti pipeline	81	Tuscany	06.25.09
Cortemaggiore (PC) project pilot injection CO <sub>2</sub> in pool A of the storage deposit		Emilia Romagna	09.24.09

#### EIA APPLICATIONS PRESENTED IN 2009 TO REGIONAL

Name	Length (km)	Regions concerned	Application Date
Bordano - Flaibano pipeline	32	Friuli - Venezia Giulia	01.08.09
Viggiano - Moliterno pipeline	6	Basilicata	05.21.09
Porto Empedocle pipeline connexion at LNG Nuove Energie	14	Sicily	07.21.09

## safeguarding and the sustainable use of biodiversity in the design, construction and decommissioning of gas pipelines

In proclaiming 2010 the International Year of Biodiversity, United Nations Secretary-General Ban Ki-Moon published three fundamental messages: "Biodiversity is essential for the well-being of the humanity, because without it we would all be poorer in economic, social and cultural terms. The current rate of biodiversity is extremely serious and the loss of even a single species weakens the capacity of ecosystems to provide their precious support and represents the final loss of a unique and precious asset. Everyone must contribute at various levels to stop the loss of biodiversity. First of all, governments and the scientific community have the responsibility to cooperate to prepared effective strategies to stop the loss of biodiversity" ([www.cbd.int/2010/](http://www.cbd.int/2010/); [www.minambiente.it/](http://www.minambiente.it/)).

On the occasion of this celebration, sponsored by the United Nations, we wanted to anticipate our contribution by preparing the

Technical Operating Instruction "Safeguarding and the sustainable use of biodiversity in the design, construction and decommissioning of gas pipelines", in late 2009.

The document explains our approach to biodiversity, which is understood to be the ensemble of all genetically different animal or vegetable forms that are present in the Earth and the ecosystems related to them, with reference to current legislation on the subject, compared with the criteria normally applied in some of our operating activities.

The document consists of two parts: the first part explains how the entire life cycle of gas pipelines (planning, construction, dismantling, restoration, monitoring) relates to the issues of biodiversity, highlighting the species and habitats that are most often affected by our operations on the land, even if only potentially. The second part describes the documentation to be produced and the principal actions to take to reach the objectives set to

safeguard biodiversity and sustainable use of the land.

The document also includes four appendices containing:

- conventions, international, European, transnational and national agreements on biodiversity;
- the regulatory frame of reference for the planning and construction of gas pipelines;
- the state of biodiversity in Italy;
- references.

We prepared this document for two purposes: to provide guidelines and direction to carry out the best actions possible to assure the respect and sustainable use of biodiversity by pipeline-related activities, and to provide additional useful knowledge to company personnel, even if they are not directly involved from an operational point of view, in order to help disseminate an ecological culture and environmental sustainability.

The principal collaborations undertaken during 2009 by Snam Rete Gas with local bodies overseeing environmental restoration activities are shown below.

## Friuli - Venezia Giulia Region

Following the realisation of the Malborghetto – Bordano pipeline, the Company continued collaborating with the Regional Parks Office concerning a project for planning and international environmental protection, sponsored by the European Union (INTERREG Project 3), monitoring the vegetative restorations done along the pipeline path. Specifically, along the path of the pipeline near Val Alba, the Company continued the 10-year wildlife research and monitoring activity, with the help of international experts. At the end of the year, the Company completed the first five years of monitoring. In addition, thanks to a participation process that involved us with the local population and other operators, the regional planning project for Val Alba was completed with the official establishment of the “Val Alba natural reserve”, which was entrusted to the management of the PreAlpi Giulie Natural Park.

After the realisation of the pipeline that crossed the “Paludi di Gonars”, Site of Community Interest (SCI), in cooperation with local agencies, the Company continued environmental recovery operations within the site on some pieces of public property. It also launched a project to monitor the spontaneous process of renaturation of these areas, taking phytosociological samples. During 2009, it carried out the first annual *post operam* monitoring of the five scheduled.

## Sicily Region – State Forestry Agency

The Company continued its collaboration with the State Forestry Agency of the Region of Sicily to produce indigenous tree species for replanting woods along the path of pipelines laid within the Nebrodi Regional Park. During 2009, it conducted monitoring on a total of 1.6 km of pipeline.

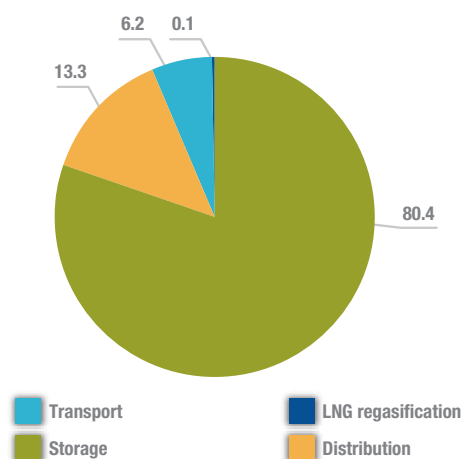
## Waste management

Waste management has not been a very significant environmental aspect in the history of Snam Rete Gas, in terms of either the quantity or the type of waste produced. Indeed, the waste produced came mainly from maintenance and operations of the installations; most of it consisted of ferrous material, which was completely recovered. With the acquisition of Stogit and Italgas, the scenario has com-

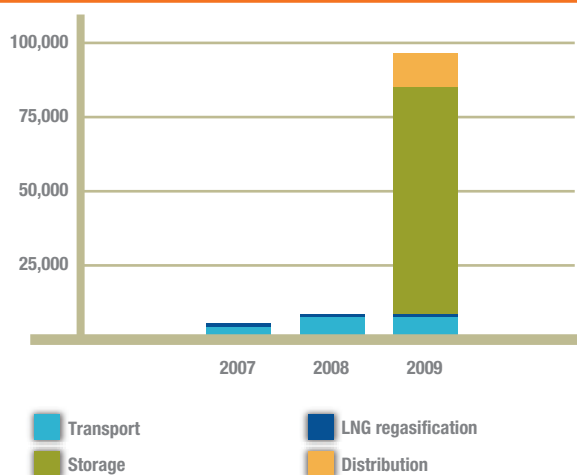
pletely changed compared to previous years, because the two new companies, in addition to producing a limited amount of waste from manufacturing activities, also manage waste produced both by the restoration of some contaminated areas following industrial activity and by drilling wells. Indeed, this latter activity, conducted mainly by Stogit, generates great quantities of waste, consisting mainly of sludge.

During 2009, total waste production was about 96,620 tonnes, of which about 68,890 tonnes belong to the category of non-hazardous waste (71% of the total). The newly acquired companies contributed to produce more than 93% of Group’s waste, for the activities described above. Total waste produced by transportation and regasification activities was about 6,080 tonnes (-7% compared to 2008). Of the waste disposed by these activities, 91% was recycled.

WASTE PRODUCTION (%)



WASTE PRODUCTION (t)





## Noise reduction

The main sources of noise from our activities are compressor stations, usually located in rural areas along the gas pipeline network, pressure reduction stations, which connect distribution and transportation gas pipelines at different operating pressures, and the LNG regasification plant.

In order to contain the acoustic impact of our installations, we first pursue a policy of prevention. This consists of correctly sizing the installations during the design phase, and drawing up an acoustic impact forecast. Measures taken consist of installing soundproof cabinets, acoustic flues, low-noise valves, mufflers on operating vents and burying the pipes.

During 2009, the Company also continued specific measurement campaigns to verify the level of sound emitted by our installations, conducted both by specialised internal personnel and by outside companies qualified to provide this service.

## Water consumption and waste water management

Water consumption and waste water disposal from our activities has not had a significant environmental impact, in terms of either the quantities or the types of discharges.

During 2009, the Company used about 4 million cubic metres of seawater and 0.79 million cubic metres of fresh water.

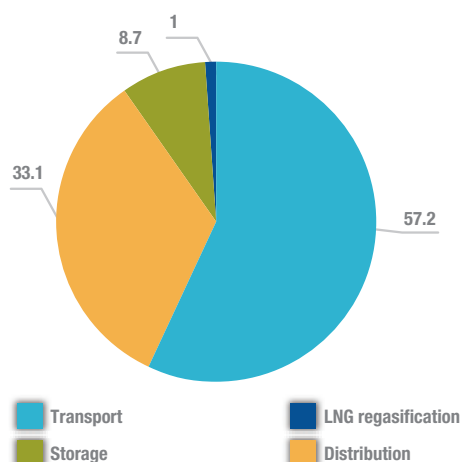
Seawater is used to cool the auxiliary installations at the LNG regasification plant, and the fresh water is used mainly for office activities, fire fighting and irrigating green areas.

During 2009, transportation and regasification activities consumed about 450,000 cubic metres of freshwater (+31% compared to 2008). This increase can be attributed to a greater use of both well water to irrigate green areas and waterworks water for office activities.

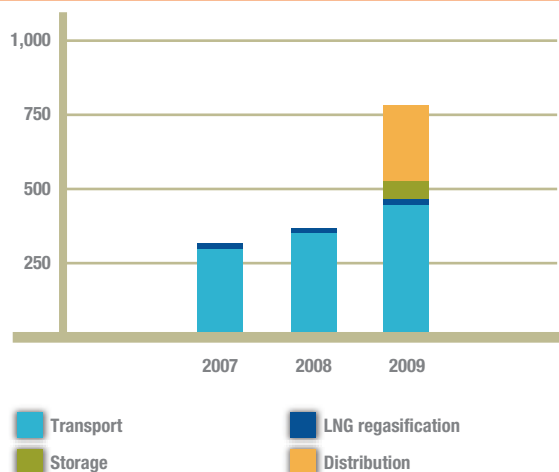
With regard to waste water discharges, the sea water used for cooling is returned to the sea untreated, while the fresh waste water is gathered in the sewer networks (97% of the total) or is treated and discharged into the soil or surface water bodies (3% of the total).

To limit the discharge of domestic waste water from the gas compressor stations, the Company continues to develop closed-cycle reed bed purification plants, which eliminate this type of discharge, because the waste water is treated and entirely absorbed by the planted vegetation, after solid sediment is separated out. During 2009, these installations were developed in the compressor stations of Enna and Terranuova Bracciolini.

FRESH WATER SUPPLIED (%)



FRESH WATER SUPPLIED (10<sup>3</sup> m<sup>3</sup>)



## Management of ozone-depleting substances

Ongoing initiatives regarding this issue involve monitoring and checking all air conditioning installations containing substances that can harm the ozone layer, to check for gases leaking to the atmosphere. Modest quantities of these substances are contained in a limited number of installations, and a program is underway to replace them with environmentally friendly fluids.

## Pipeline monitoring

When plants and pipelines are in operation, they are subjected to regular checks and maintenance to ensure high safety standards. Special attention is paid to the transmission route, which is inspected regularly with motor vehicles, helicopters and on foot to de-

tect potentially dangerous situations (for example, caused by third parties working near the pipelines), or to discover potential gas leaks along roadways.

It is now standard practice to use advanced inspection technologies such as intelligent pigs to inspect the interior of wide-diameter pipelines. Without interrupting the flow of gas, intelligent pigs run along the inside of the pipelines, detecting and recording information on their characteristics and their condition, for example the presence of any defects.

To detect any gas leaks in the inspection of municipal gas networks, we normally use GPS-equipped vehicles suitably provided with the most modern detection equipment to sample and analyze continu-

ously gas-air mixtures along the surface of the roadway along the upper generatrix of the buried pipeline.

During 2009, we inspected more than 1,600 km of the network with "intelligent pigs" and about 13,700 km of the network using helicopters. We also conducted geological surveys of about 1,200 km of the pipeline network in unstable areas and conducted two inspections of the five undersea lines crossing the Strait of Messina.

With regard to the municipal network, we inspected more than 18,600 km of pipeline, posting qualitative standards in excess of those required by the Italian Electricity and Gas Authority.





## INDEPENDENT REPORT ON THE LIMITED ASSURANCE ENGAGEMENT OF THE SUSTAINABILITY REPORT 2009

To the Shareholders of  
SNAM RETE GAS SpA

1. We have carried out the limited assurance engagement of the sustainability report of the Snam Rete Gas Group (hereafter the "Group") as of 31 December 2009 (hereafter the "Report") following the procedures summarized in paragraph 2 of the present document. The Board of Directors of Snam Rete Gas SpA are responsible for the preparation of the Report in accordance with "Sustainability Reporting Guidelines", version 3.0, issued by Global Reporting Initiative that are detailed in the paragraph "The report profile" of the Report. The Board of Directors are also responsible for the definition of the Group objective regarding the sustainability performance and the reporting of the achieved results. We are responsible for the preparation of this report on the basis of the work performed.
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" (ISAE3000), issued by the International Auditing and Assurance Standards Board. ISAE3000 requires the compliance with ethical principles ("Code of Ethics for Professional Accountants"), including professional independence. It also requires that our work is planned and performed with the aim of obtaining a limited assurance, rather than a reasonable assurance, that the Report is free of material errors. A limited assurance engagement of the sustainability report consists in interviews, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the sustainability report and in other verification procedures. The verification procedures performed on the Report are summarized as follow:
  - a) comparison between the economic and financial information and data included in the Report with those included in the Group consolidated financial statements as of 31 December 2009;
  - b) analysis of processes underlying the generation, recording and management of quantitative data included in the Report. In particular, we have carried out the following procedures:
    - meetings with management representatives of Snam Rete Gas SpA, Società Italiana per il Gas pA, Stoccaggi Gas Italia SpA, to achieve a general understanding of the information, accounting and reporting systems in use to

PricewaterhouseCoopers Advisory SpA

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prepare the Report, as well as of the internal control processes and procedures supporting the collection, aggregation, processing and transmission of data and information to the department responsible for drawing it up. These companies were selected on the basis of a qualitative and quantitative risk analysis;

- on-site verifications at the headquarter, in Turin, of Società Italiana per il Gas pA, of the Cortemaggiore (PC) operating site and of the Crema (CR) operating unit of Stoccaggi Gas Italia SpA;
- c) analysis, on a sample basis, of the documentation supporting the Report, in order to confirm the reliability of data and information collected through meetings, interviews and on-site verifications and to confirm they were properly managed;
- d) analysis of the completeness and internal consistency of qualitative information included in the Report compared with the guidelines identified in paragraph 1 of the present document;
- e) obtaining a representation letter, signed by the legal representative of Snam Rete Gas SpA relating to the completeness and reliability of the Report and of the information and data included in it, as well as to the compliance with the guidelines identified in the paragraph 1 of the present document.

A limited assurance engagement is less in scope than a reasonable assurance engagement carried out in accordance with ISAE3000 and, as a consequence, it provides a lower level of assurance that we became aware of all the significant events and circumstances that a reasonable assurance engagement could have identified.

Regarding the comparative data relating to the sustainability report of the previous year, reference should be made to our assurance statement dated 24 March 2009.

3. Based on the procedures carried out, nothing came to our attention that causes us to believe that the sustainability report as of 31 December 2009 is not in compliance, in all material respects, with "Sustainability Reporting Guidelines", version 3.0, issued by Global Reporting Initiative, as stated in paragraph "The report profile" of the Report.

Milan, 8 April 2010

PricewaterhouseCoopers Advisory SpA

Signed by  
Paolo Bersani  
(Partner)

This report has been translated from the original, which was issued in Italian.  
We have not performed any control on the Sustainability Report 2009 translation.



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Snam Rete Gas self-declared the GRI application level of Sustainability Reporting Guidelines (G3 Guidelines) affirming to match level B+.

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	<div><div>G3 Profile Disclosures</div><div>OUTPUT</div></div>	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	<div><div>G3 Management Approach Disclosures</div><div>OUTPUT</div></div>	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach disclosed for each Indicator Category	
	<div><div>G3 Performance Indicators &amp; Sector Supplement Performance Indicators</div><div>OUTPUT</div></div>	Report on a minimum of 10 Performance Indicators, including at least one from each of: social, economic, and environment.		Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, society, product responsibility.		Respond on each core G3 and Sector Supplement* Indicator with due regard to the materiality Principle by either: a) reporting on the indicator or b) explaining the reason for its omission.	
*Sector supplement in final version							

2002 In Accordance		C	C+	B	B+	A	A+
Mandatory	Self Declared						
Optional	Third Party Checked		Report Externally Assured		Report Externally Ass		Report Externally Assured
	GRI Checked						

# performance indicators

## SNAM RETE GAS GROUP

### Activity Indicators

Natural gas transmission	2009	2008	2007
Natural gas sent into network (10 <sup>9</sup> m <sup>3</sup> )	76.90	85.64	83.28
Natural gas pipeline network (km)	31,531	31,474	31,081
Average distance travelled by natural gas in Italy for transmission network (km)	639	608	602
Compressor stations for gas transmission (no.)	11	11	10
Power rating in compressor stations (MW)	857	830	758

### LNG regassification

Liquefied natural gas sent into the network (10 <sup>9</sup> m <sup>3</sup> )	1.32	1.52	2.38
Number of tanker loads	38	42	73

### Natural gas storage

Gas injected into storage fields (10 <sup>9</sup> m <sup>3</sup> )	7.81
Gas withdrawn by storage fields (10 <sup>9</sup> m <sup>3</sup> )	8.71
Operational storage sites (no.)	8

### Natural gas distribution

Gas distribution network (km)	49,973
Gas distributed (10 <sup>9</sup> m <sup>3</sup> )	7.54
Municipal concessions (no.)	1,441
Active meters (no.)	5,770,672

## SNAM RETE GAS GROUP

### Economic Indicators (a)

2009

Core business revenues (€ million)	2,438
Operating costs (€ million)	581
EBIT (€ million)	1,274
Net profit (b) (€ million)	732
Investments (€ million)	1,254
Net invested capital at 31 December (€ million)	15,652
Equity including minority interests at 31 December (€ million)	5,703
Group net equity at 31 December (€ million)	5,702
Net financial debt at 31 December (€ million)	9,949
Free Cash Flow (€ million)	(4,489)
Number of shares (millions)	3,570.8
Number of shares outstanding during at 31 December (millions)	3,375.9
Average number of shares outstanding during the year (c) (millions)	2,579.3
Official price per share at year-end (d) (€)	3.46
Average official price per share during the year (d) (€)	3.22
Stock market capitalisation (e) (€ million)	11,681
Dividends for the year (f) (€ million)	675
Dividends paid out during the year (€ million)	450
Environmental expenditure (€ million)	93.6
Health and safety expenditures (€ million)	31.3

## SNAM RETE GAS GROUP

### Social Indicators

2009

Employees (no.)	6,187
Executives (no.)	121
Middle managers (no.)	493
Office workers (no.)	3,320
Manual workers (no.)	2,253
Males (no.)	5,589
Females (no.)	598
Average age of employees (years)	47
Length of service (years)	22
Number of persons hired (no.)	168
From Eni group companies (no.)	121
Percentage of university graduates recruited (%)	18
Employee injury frequency rate	4.54
Employee injury severity rate	0.18
Contractor injury frequency rate	12.4
Contractor injury severity rate	0.43
Hours of training/no. employees	25
Environmental surveys (no.)	771
Medical controls (no.)	2,634
Diagnostics tests (no.)	4,288

## SNAM RETE GAS GROUP

### Environmental Indicators

2009

Energy consumption (TJ)	15,330
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	99.9
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	799.4
CO <sub>2eq</sub> emissions (10 <sup>3</sup> t)	2,400
indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	49.2
NOx emissions (t)	1,353
CO emissions (t)	926
Total waste production (t)	96,618
Non-hazardous waste production (t)	68,886
Hazardous waste production (t)	27,732
Water consumption (10 <sup>3</sup> m <sup>3</sup> )	4,787
Waste water (10 <sup>3</sup> m <sup>3</sup> )	4,479

Notes (a) The results for 2009 include the associated effects of consolidating Italgas and Stogit as from 30 June 2009, the completion date of the transaction.

(b) Net profit is attributable to Snam Rete Gas.

(c) As required by IAS 33 "Earnings per share", the ordinary shares issued as part of the cost of a business combination have been included in the weighted average number of shares from the date of acquisition of control (30 June 2009).

(d) According to the "Principles and Conventions" of Borsa Italiana, an appropriate adjustment coefficient must be applied to the historical price series after extraordinary transactions (capital increases, share splits, groupings, mergers, payment of extraordinary dividends) in order to restore the continuity and comparability of share prices. The official Snam Rete Gas share prices for 2007 and 2008 have therefore been adjusted.

(e) Number of shares outstanding multiplied by the official year-end price per share. The figures for 2007 and 2008 were calculated on the basis of historical prices (€4.35 and €3.98 respectively at the end of each year) and do not take into account the price adjustment following the capital increase.

(f) The amount for 2009, relating to the balance, was estimated on the basis of the number of shares outstanding at 31 December 2009.

SNAM RETE GAS S.P.A.			
Social Indicators	2009	2008	2007
Employees (no.)	2,254	2,252	2,270
Executives (no.)	66	62	60
Middle managers (no.)	263	256	245
Office workers (no.)	1,215	1,207	1,219
Manual workers (no.)	710	727	746
Males (no.)	2,044	2,045	2,061
Females (no.)	210	207	209
Average age of employees (years)	45	45	45
Length of service (years)	20	21	20
Number of persons hired (no.)	73	85	70
From Eni group companies (no.)	47	14	7
Percentage of university graduates recruited (%)	22	39	39
Employee injury frequency rate	8.9	8.8	12.6
Employee injury severity rate	0.21	0.33	0.31
Contractor injury frequency rate	11.21	21.5	23.5
Contractor injury severity rate	0.45	0.54	0.52
Hours of training/no. employees	37	31	34
Environmental surveys (no.)	33	26	43
Medical controls (no.)	419	487	483
Diagnostics tests (no.)	380	564	499

SNAM RETE GAS S.P.A.			
Environmental Indicators	2009	2008	2007
Energy consumption (TJ)	9,929	12,531	11,349
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	41.1	45.2	47.4
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	531.6	678	608
CO <sub>2eq</sub> emissions (10 <sup>3</sup> t)	1,176	1,386	1,353
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	17.9	17.7	17.9
NOx emissions (t)	785	1,110	1,140
CO emissions (t)	301	404	397
Total waste production (t)	5,996	6,482	3,035
Non-hazardous waste production (t)	5,699	5,677	2,813
Hazardous waste production (t)	297	805	222
Total waste recovered (%)	91	90	87
Water consumption (10 <sup>3</sup> m <sup>3</sup> )	450	335	290
Waste water (10 <sup>3</sup> m <sup>3</sup> )	252	182	132
Energy consumption for transmission/energy sent into network * av.dist.trav. (a) (%/10 <sup>3</sup> km)	0.56	0.67	0.62
CO <sub>2</sub> emissions for transmission/natural gas set into network * av.dist.trav (a) (kg/[10 <sup>6</sup> m <sup>3</sup> *km])	10.64	12.90	11.94
CO <sub>2eq</sub> emissions for transmission/natural gas set into network (a) (kg/10 <sup>6</sup> m <sup>3</sup> )	15,176	16,114	16,143
NOx emissions for transmission/natural gas set into network * av.dist.trav (a) (kg/[10 <sup>6</sup> m <sup>3</sup> *km])	0.016	0.021	0.022
Natural gas emissions for transmission/gas set into network (%)	0.053	0.053	0.057
Hours of DLE turbine operation/total hours of turbine operation (%)	74.4	65.3	65
Average nameplate NOx emissions, turbine/total installed turbine power ([mg/Nm <sup>3</sup> ]/MW)	7.64	8.2	9

(a) operating data, non including general services.



# performance indicators

GNL ITALIA S.P.A.			
Social Indicators	2009	2008	2007
Employees (no.)	87	93	87
Executives (no.)	3	3	2
Middle managers (no.)	9	9	10
Office workers (no.)	31	34	31
Manual workers (no.)	44	47	44
Males (no.)	82	88	83
Females (no.)	5	5	4
Average age of employees (years)	40	40	39
Length of service (years)	13	13	13
Number of persons hired (no.)	1	9	3
From Eni group companies (no.)	1	0	1
Percentage of university graduates recruited (%)	100	33	66
Employee injury frequency rate	6.92	13.7	13.9
Employee injury severity rate	0.30	0.32	0.25
Contractor injury frequency rate	0	0	0
Contractor injury severity rate	0	0	0
Hours of training/no. employees	40	39	47
Environmental surveys (no.)	5	4	6
Medical controls (no.)	49	62	64
Diagnostics tests (no.)	78	83	77

GNL ITALIA S.P.A.			
Environmental Indicators	2009	2008	2007
Energy consumption (TJ)	804	829	1,367
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	1.2	1.7	1.1
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	32.7	34	61
CO <sub>2eq</sub> emissions (10 <sup>3</sup> t)	51	60	78
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	10.5	10.6	12.9
NOx emissions (t)	37.32	18	41
CO emissions (t)	70	3	30
Total waste production (t)	81	19	28
Non-hazardous waste production (t)	78	12	16
Hazardous waste production (t)	3	7	12
Total waste recovered (%)	74.7	33	29
Water consumption (10 <sup>3</sup> m <sup>3</sup> )	4,008	4,009	4,017
Waste water (10 <sup>3</sup> m <sup>3</sup> )	4,005	4,003	4,005
Energy consumption regas./lng sent into network (%)	1.74	1.54	1.62
CO <sub>2eq</sub> emissions regas./lng sent into network (kg/10 <sup>6</sup> m <sup>3</sup> )	24,737	22,338	25,584

STOGIT	
Social Indicators	2009
Employees (no.)	301
Executives (no.)	7
Middle managers (no.)	50
Office workers (no.)	201
Manual workers (no.)	43
Males (no.)	270
Females (no.)	31
Average age of employees (years)	46
Length of service (years)	22
Number of persons hired (no.)	9
From Eni group companies (no.)	3
Percentage of university graduates recruited (%)	44.4
Employee injury frequency rate	6.30
Employee injury severity rate	0.41
Contractor injury frequency rate	16.04
Contractor injury severity rate	0.84
Hours of training/no. employees	25.3
Environmental surveys (no.)	15
Medical controls (no.)	140
Diagnostics tests (no.)	206
Total audit HSEQ (no.)	12

ITALGAS S.P.A.	
Social Indicators	2009
Employees (no.)	3,545
Executives (no.)	45
Middle managers (no.)	171
Office workers (no.)	1,873
Manual workers (no.)	1,456
Males (no.)	3,193
Females (no.)	352
Average age of employees (years)	49
Length of service (years)	23
Number of persons hired (no.)	85
From Eni group companies (no.)	70
Percentage of university graduates recruited (%)	10.6
Employee injury frequency rate	1.69
Employee injury severity rate	0.13
Contractor injury frequency rate	14.86
Contractor injury severity rate	0.91
Hours of training/no. employees	17
Environmental surveys (no.)	718
Medical controls (no.)	2,026
Diagnostics tests (no.)	3,624
Total audit HSEQ (no.)	115

STOGIT	
Environmental Indicators	2009
Energy consumption (TJ)	3,944
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	12
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	203.8
CO <sub>2eq</sub> emissions (10 <sup>3</sup> t)	392
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	14.2
NOx emissions (t)	399.37
CO emissions (t)	55
Total waste production (t)	77,663
Non-hazardous waste production (t)	54,427
Hazardous waste production (t)	23,236
Water consumption (10 <sup>3</sup> m <sup>3</sup> )	68.51
Waste water (10 <sup>3</sup> m <sup>3</sup> )	4.72

ITALGAS S.P.A.	
Environmental Indicators	2009
Energy consumption (TJ)	653
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	45.6
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	31.3
CO <sub>2eq</sub> emissions (10 <sup>3</sup> t)	781
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	6.6
NOx emissions (t)	131.32
CO emissions (t)	500
Total waste production (t)	12,878
Non-hazardous waste production (t)	8,682
Hazardous waste production (t)	4,196
Water consumption (10 <sup>3</sup> m <sup>3</sup> )	260.3
Waste water (10 <sup>3</sup> m <sup>3</sup> )	217.6



Piazza Santa Barbara, 7  
20097 San Donato Milanese - Milan  
Tel +39.025201



snam rete gas

### **Limited Company**

Full paid-up capital: € 3,570,768,494.00  
Tax code and Milan Company Register No 13271390158  
R.E.A. (Economic-Admin. Roll) No 1633443  
VAT No 13271390158  
Company controlled and coordinated by Eni S.p.A.

#### *Format control*

Snam Rete Gas – Sustainability

#### *Publishing coordination*

Snam Rete Gas - Public affairs and communication

#### *Graphics*

Inarea and Korus

#### *Pre-printing*

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#### *Printing*

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#### *For informations:*

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*Photographs appearing in opening chapters are taken by  
Giorgia Fiorio and they belong to the author's work realised for  
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