

Sustainability Report 2013



MISSION

Snam is a European leader in the construction and integrated management of natural gas infrastructure. It favours the right conditions for fair energy costs by managing the gas system efficiently, developing infrastructure and providing integrated services for the market. It promotes the integration of the European networks, including through strategic partnerships with the biggest operators in the sector, along the main continental energy corridors.

Snam follows an ethical and socially responsible business model, capable of generating value for the Company and for the community in which it operates, with acknowledged professionalism and transparent dialogue with all its stakeholders, respecting the environment and the regions.

A clear and sustainable long-term development strategy, based on one of the most substantial investment programmes in Italian industry, has enabled the Company to attract Italian and foreign capital, boosting growth and employment.

With 6,000 employees, Snam is active in natural gas transportation, storage, regasification and urban distribution. We manage a national transportation network that is more than 32,000 km long, including eight storage facilities, one regasification plant and a local distribution network that covers more than 52,000 km in total.

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Dear Stakeholders,

The year just ended was a very eventful and important one, in which Snam again showed itself to be efficient for the market, reliable for institutions and remunerative for its shareholders.

We achieved the targets that we set, and took further decisive steps on our pathway of growth, benefiting our stakeholders and, more generally, the Italian and European gas system as a whole.



In 2013, we implemented one of the most sizeable investment plans in the Italian industrial sector, with the dual aim of developing gas infrastructure in Italy for greater interconnection with the European networks and expanding the scope of our international activity to confirm our position as the leading infrastructure operator in Europe. Clear evidence of this was the acquisition of TIGF from Total, successfully completed in July 2013 by the consortium comprising Snam (45%), Singapore sovereign wealth fund GIC (35%) and EDF (20%). This represents a key stage in our international development route, following on from the strategic alliance forged with Fluxys in 2012 and the subsequent joint acquisition of 31.5% of Interconnector UK. These operations have given Snam increasing influence over two of the main European energy corridors.

Despite a market context of rapid change, and a macroeconomic landscape that still remains somewhat uncertain, robust operational management and efficient financial management again ensured that we achieved strong results in 2013, with solid EBITDA of more than €2.8 billion, and net profit growth of 17.7%, to more than €0.9 billion. The Snam share price closed 2013 at an official price of €4.04, up 14.8% from the €3.52 recorded at the end of the previous year.

We have successfully achieved increasingly ambitious goals, whilst retaining intact the characteristics of soundness and reliability that our stakeholders know us for. The leadership position that we have won over time – including internationally – has enabled us to expand our own horizons and those of our country and set our sights on Europe, where we can help to develop a truly integrated European gas system, increase security of supply and market liquidity and, as a result of these

efforts, achieve the goal of reducing energy costs. Growing investor attention on assessment criteria that combine financial analysis with social and governance aspects – including in relation to the adoption of international standards and regulations, environmental investments and, in a broader sense, good sustainability practices – means that we must carefully monitor these themes, which we see as material in view of their scale and importance. Responsible investment is an investment style that requires more robust sustainable development and corporate social responsibility principles and practices. In this context, in 2013 Snam's share, already listed on the world's biggest corporate social responsibility indices, including the Dow Jones Sustainability World Index, the FTSE4Good Index and the various ECPI and Vigeo indices, joined the Climate Disclosure Leadership Index (CDLI), which assesses the transparency of international corporate disclosure on climate change and greenhouse gas emissions. Snam also confirmed its focus on sustainable growth with active support for the Global Compact, its principles and the Millennium Development Goals.

This new edition of the Sustainability Report describes this new phase, and the challenges that we face. In it, the concept of sustainable development is placed firmly alongside the idea of creating and sharing value between the Company and all of its stakeholders. It presents, as is mandatory, a timely and transparent account of what was done during the year just ended. 2013 also proved to be an important year for our sustainability commitment. On the safety front, which is always a priority, we registered a reduction in the contractor accident indices, a sign of the work on efficiency carried out in recent years, as well as another substantial reduction in the employee accident indices. Our training plan remains robust, with nearly 200,000 hours delivered. The workforce level was substantially unchanged: nearly all of Snam's employees are on permanent contracts, and are geographically distributed throughout almost all of Italy, which are further indications of the social consequences of our activity. The 2013 Report also provides a picture of our outlook.

In our reporting, we have also begun a process of moving progressively closer to the new GRI guidelines. In this first approach, we have concentrated on analysis of the most relevant and significant questions for the Company and for our key stakeholders. This process has involved the entire Snam Group and has given rise to a range of points of reflection on themes that are affecting us more, and which will interest us still further in the future if we want to continue to strengthen the credibility of our networks. Some of these points had already emerged, and Snam has always been fully committed and active in addressing them. As a result, as well as safety at work (which has already been mentioned), we have turned our attention to the environment and the regions, where the satellite activities and social investment that have always supported the development of the network and the infrastructure are targeted.

The commitment to sustainability is also focusing on new themes, such as the development of new services of even higher quality for customers with a range of needs, the change in corporate culture necessarily involved in transforming ourselves from an infrastructure pure player to a market facilitator on an international scale, and the development of Shared Value projects that can generate both value for us and social value for the communities in which we operate. As we play an increasingly important role in the European gas market, we are aware that – more than ever in the current socioeconomic climate – large companies have big responsibilities. It is this sense of responsibility that has driven us to make a major contribution to the global movement towards sustainable development.

The CEO

Carlo Malacarne





2013 HIGHLIGHTS

Strengthening Snam's **international growth** in **Europe** with the **TIGF acquisition**

Underpinning our **development strategy** with **€1.29 billion** in **technical investments**

Reduction in supplier accident indices: frequency **(-38%)** severity **(-45%)**

Signed an **Industrial Regulations Protocol** governing **negotiations** between the parties

Biodiversity: environmental monitoring of 1,000 km of network, 130 km of **restorations** and 130 km of **plant care**

15,400 km of network inspected with helicopter fly-overs and 2,300 km inspected using **smart robots**

Approximately 85,000 tonnes of **CO₂** equivalent **avoided** thanks to **in-line gas recompression interventions**

Snam is included on the **Dow Jones Sustainability World Index** for the fifth consecutive year, as well as the **CDP Italy 100** Climate Disclosure Leadership Index

Over **96%** of staff **involved in training**

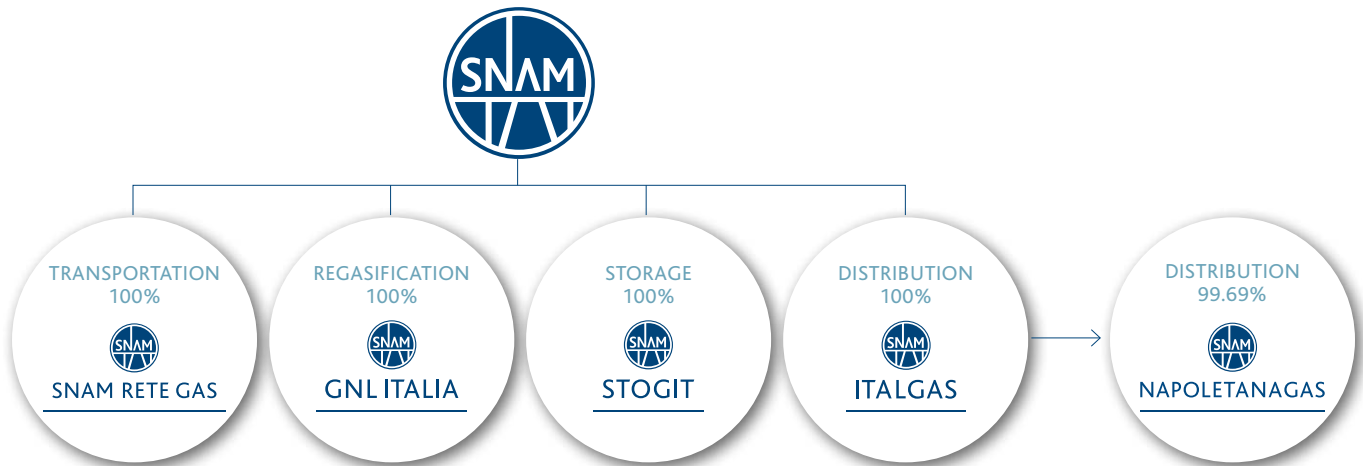
34,640 hours of health and safety training delivered **(+29%)**

The Snam **supplier portal** goes online

The **CAM** (Capacity Allocation Mechanisms) **Code** is adopted, a major step towards **standardising the operating rules** of the **European gas market**

More than 1,600 **supply contracts** stipulated for approximately **€1.35 billion** in total

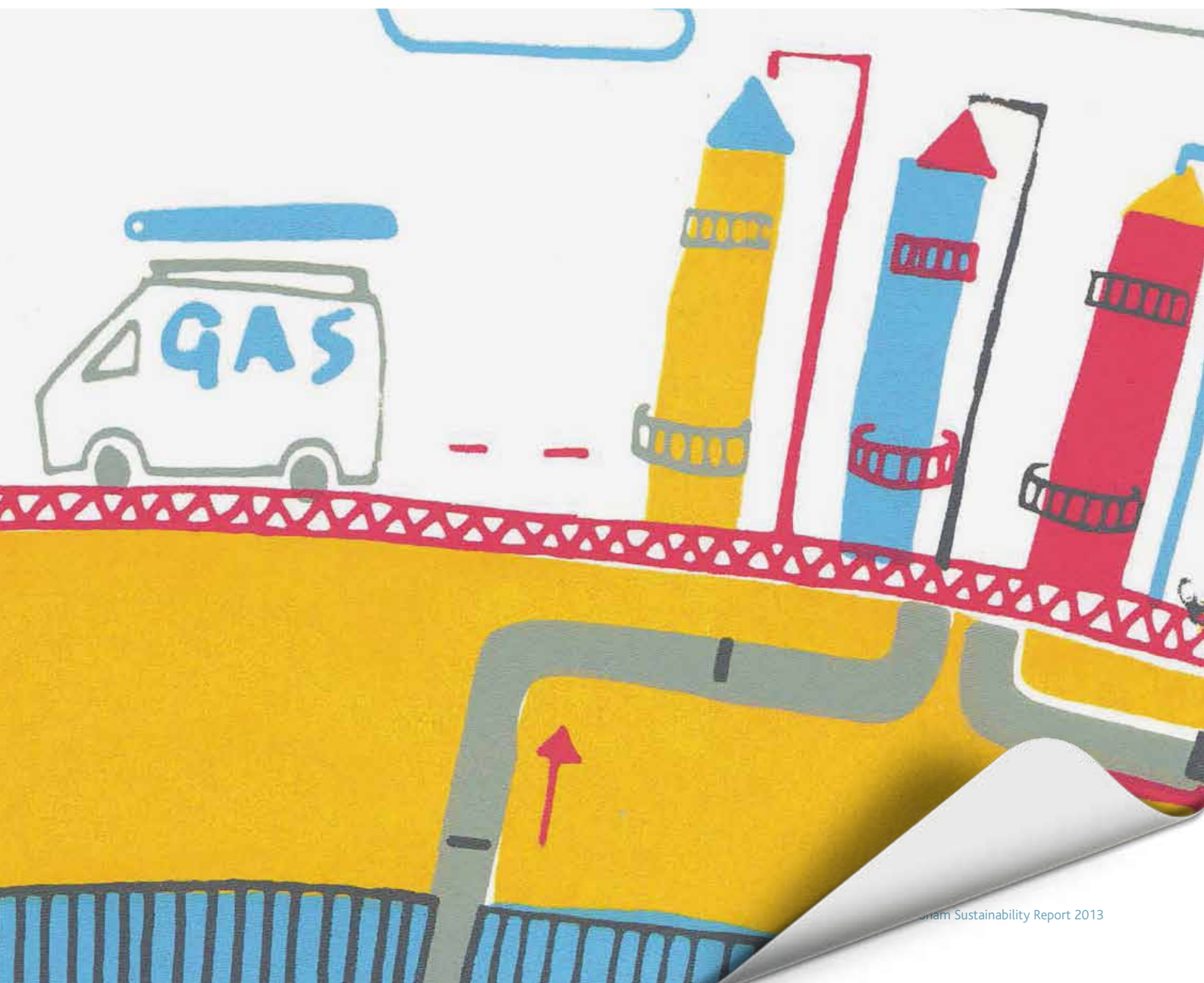
The Snam Group







OWNERSHIP STRUCTURE

The parent company Snam, listed on the Milan Stock Exchange, controls the four main operating companies, Snam Rete Gas, GNL Italia, Stogit and Italgas, which are respectively responsible for natural gas regasification, transportation, storage and distribution. These activities are regulated by the Italian Electricity and Gas Authority. Snam provides its subsidiaries with strategic guidance and coordination and control management, and services relating to unbundling legislation.

CDP's entry to Snam's share capital as the reference shareholder in 2012 was not only a significant milestone in the Company's history, but also enabled Snam to consolidate its business development plans in Italy and Europe, while safeguarding the public service aspects of its activities and ensuring full independence of the gas transportation network operations from the vertically integrated business.



BUSINESS SEGMENTS

Infrastructure	Activities	Operating data	2012	2013	Change %
 <p>TRANSPORTATION</p> <p>Snam Rete Gas manages the gas pipeline network via 8 districts, 49 maintenance centres throughout Italy, 11 gas compression stations and a new dispatching unit, with completely new structures and technology.</p>	<p>In transportation, the natural gas is loaded at delivery points connected to the import lines (Russia, Northern Europe and North Africa), the regasification plants and the gas production and storage centres distributed throughout Italy. The gas is then transported for delivery, based on customer directions, to redelivery points connected to local distribution networks and to major industrial and thermoelectric consumers.</p>	Transportation network	32,245	32,306	0.2
		Installed capacity in compression stations (MW)	864	867	0.3
		Gas injected into the network (billions of cubic metres)	75.78	69.01	(8.9)
 <p>REGASIFICATION</p> <p>GNL Italia manages the regasifier in Panigaglia (La Spezia), the first plant of its kind, which was built in Italy in 1971.</p>	<p>Regasification is the final activity in the liquefied natural gas (LNG) chain and involves taking gas extracted from deposits and then liquefied at -160° back to its original state for transportation on purpose-built ships. In the gas system, the LNG chain thus enables diversification of supply sources.</p>	Number of methane tankers unloading	31	1	(96.8)
		LNG regasification (billions of cubic metres)	1.12	0.05	(95.5)
 <p>STORAGE</p> <p>Stogit manages eight storage fields in Lombardy, Emilia-Romagna and Abruzzo, under concession. The fields comprise deposits, wells, pipes, processing plants and compression stations. Stogit also manages an operational dispatching system.</p>	<p>Natural gas storage involves injecting gas into the porous rock of an exhausted deposit that previously contained it, bringing the deposit back, to a certain extent, to its original state. Once stored, the gas can be reintroduced into the transportation system and supplied according to market demand. In the gas system, storage makes it possible to offset the difference between gas supply and demand and therefore to ensure continued supply.</p>	Available storage capacity (billions of cubic metres)	11.2	11.4	1.8
		Natural gas moved through the storage system (billions of cubic metres)	15.63	18.42	17.9
 <p>DISTRIBUTION</p> <p>Italgas, with the subsidiary Napoletanagas, manages an integrated system of infrastructure, mainly self-owned, comprising gas withdrawal stations, local pipelines, pressure reduction plants and redelivery points where gas meters are installed.</p>	<p>The distribution service consists of carrying gas from transportation network connection points to points for redelivery to end user. The service is performed on behalf of the sales companies authorised to sell gas.</p> <p>The system is overseen, 24/7 and 365 days a year, by the Integrated Supervision Centre.</p>	Distribution network (km)	52,586	52,993	0.8
		Gas distribution concessions (number)	1,435	1,435	0.0
		Active meters (millions)	5.907	5.928	0.4
		Gas distribution (billions of cubic metres)	7.462	7.352	(1.5)

Natural gas transportation

Some 69.01 billion cubic metres were injected into the transportation network in 2013, down by 6.77 billion cubic metres (-8.9%) on 2012. The fall was due mainly to lower natural gas demand in Italy (-6.46% on 2012), primarily as a result of lower consumption in the thermoelectric sector (-16.3%), as well as greater withdrawals from storage (-1.92 billion cubic metres).

Regasification of liquefied natural gas (LNG)

In 2013, 0.05 billion cubic metres of LNG were regasified (1.12 billion cubic metres in 2012) and one methane tanker was unloaded (31 unloaded in 2012). The lower volume regasified was mainly due to the trend in global LNG demand, which produced particularly high demand in the Middle Eastern markets.

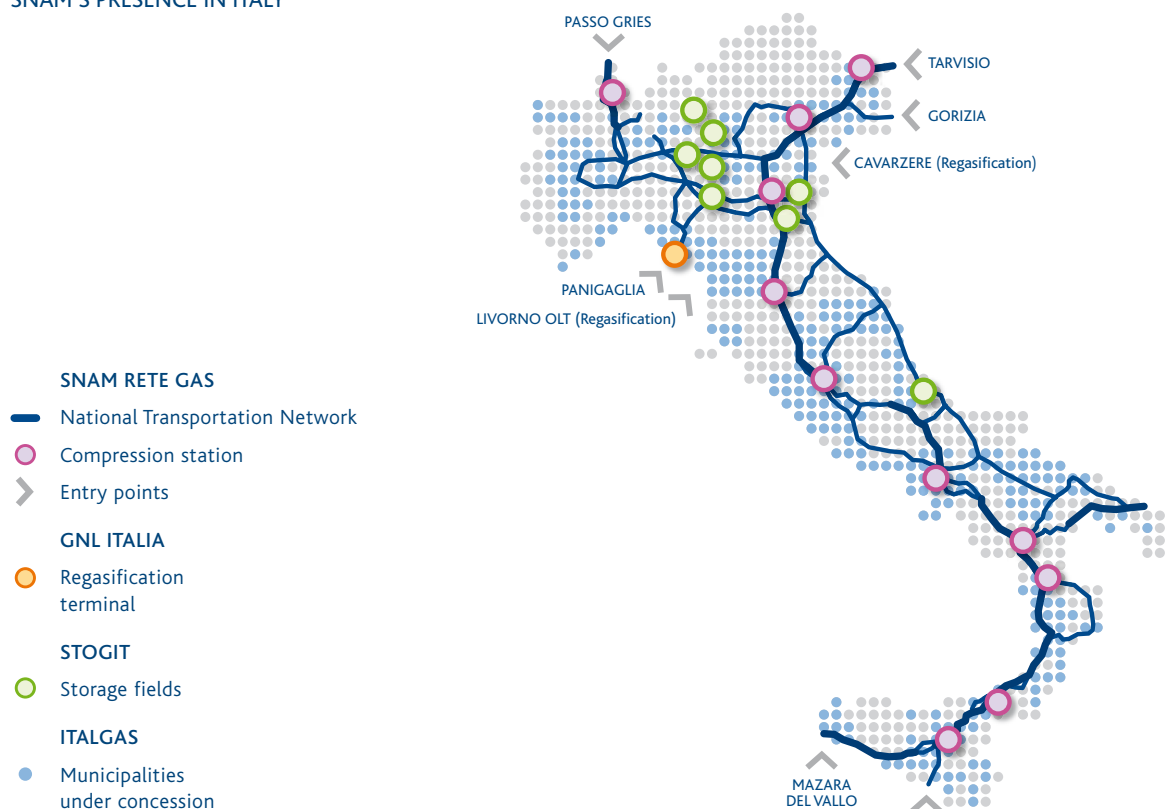
Natural gas storage

The storage system moved gas volumes of 18.42 billion cubic metres in 2013, up 2.79 billion cubic metres, or 17.9%, on 2012. The increase mainly reflected greater withdrawals from storage (+2.30 billion cubic metres, or 31.9%), owing to the weather conditions. Available storage capacity at 31 December 2013 was 11.4 billion cubic metres (+0.2 billion cubic metres, or +1.8%, compared with 31 December 2012), of which 9.9 billion cubic metres related to available capacity transferred (10.7 billion cubic metres in thermal year 2012-2013) and 1.5 billion cubic metres related to available capacity not yet transferred.

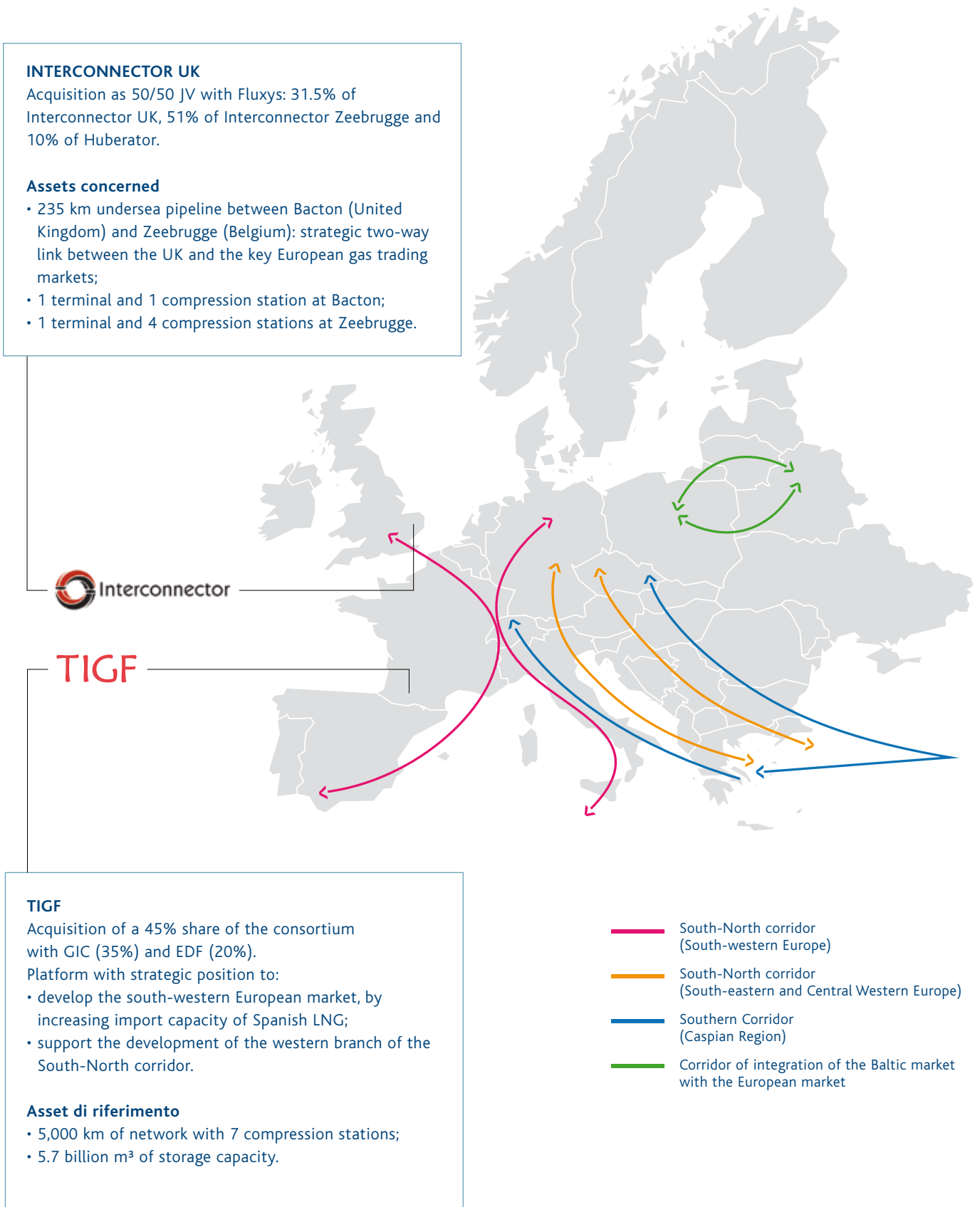
Natural gas distribution

As at 31 December 2013, the number of active meters located at end-user (households, businesses, etc.) gas redelivery points stood at 5.928 million units (5.907 at 31 December 2012).

SNAM'S PRESENCE IN ITALY



SNAM'S PRESENCE IN EUROPE



ECONOMIC AND FINANCIAL RESULTS

In 2013, Snam posted EBIT of €2,034 million, down €77 million, or 3.6%, compared with 2012.

Net profit for 2013 amounted to €917 million, up by €138 million, or 17.7%, compared with the previous year.

Net cash flow from operations (+€1,698 million) allowed us to cover almost all of the borrowing costs associated with net technical investments and development of our activities abroad for the period (€1,790 million in total). Following payment of a dividend to shareholders of €845 million, net financial debt amounted to €13,326 million, an increase of €928 million compared with 31 December 2012.

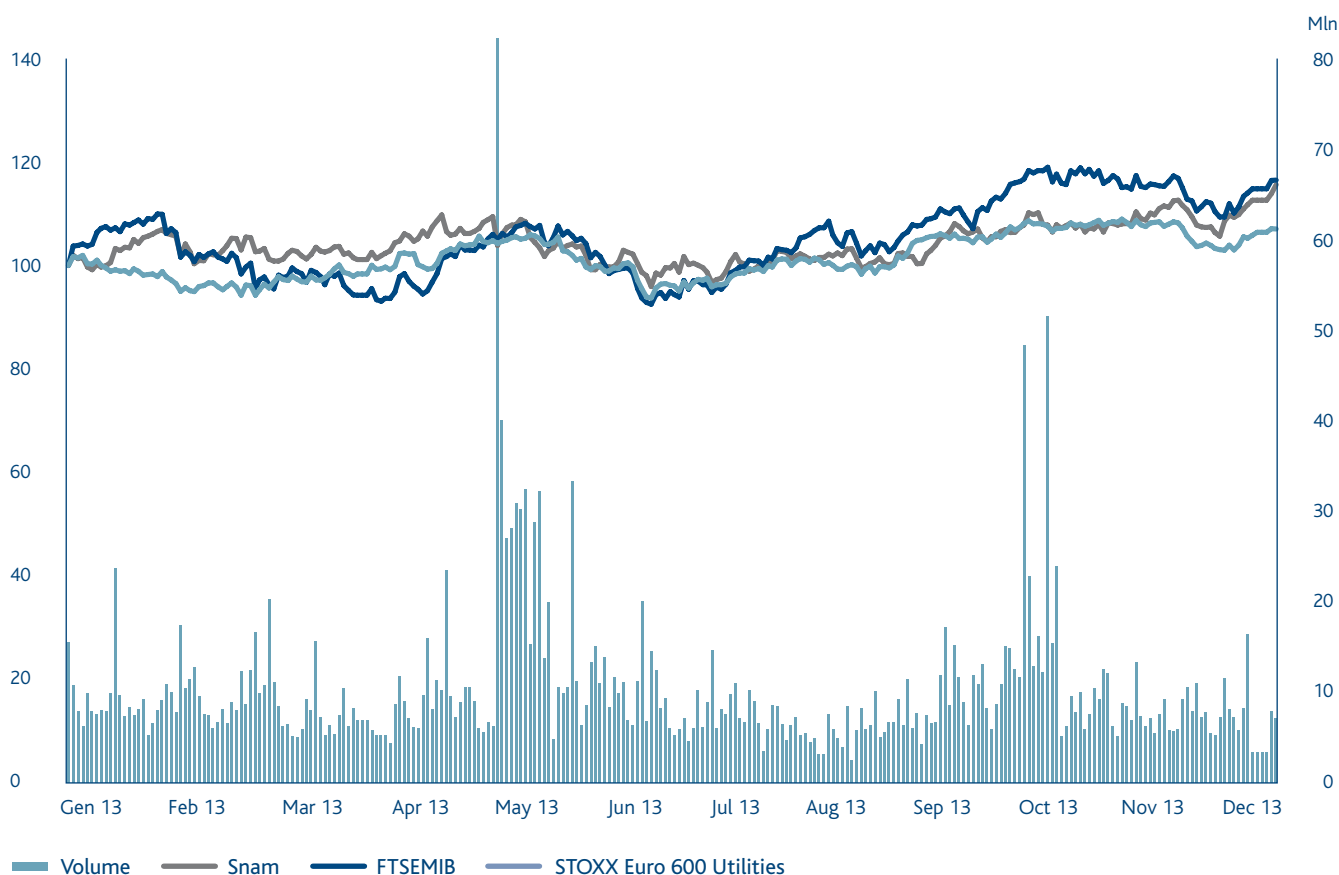
Please see the Annual Report for further details.

Performance of Snam shares

Snam's stock, which is included in the FTSE MIB Italian index as well as the leading international indices (STOXX, S&P, MSCI and FTSE), closed 2013 at an official price of €4.04, up 14.8% compared with €3.52 at the end of the previous year. The shares were boosted not only by the positive trend in the financial markets, but also by the positive investor response to the strategic plan for 2013-2016, as well as early results from the international development strategy. In addition, the regulatory risk diminished towards the end of the year, when the Electricity and Gas Authority drew up a new regulatory framework for natural gas transportation and distribution services.

In 2013, a total of approximately 2.7 billion Snam shares were traded on the MTA segment of the Italian Stock Exchange, with an average daily trading volume of 10.2 million shares (compared with about 9 million in 2012).

SNAM LISTINGS ON FTSEMIB AND EUROSTOXX UTILITIES



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

In order to sustain the quality of these relations, benchmark best practices are adopted each year to allow shareholders and the financial market to fully evaluate the Company's levers for creating value. These include:




- road shows (11 in 2013) in order to meet shareholders and institutional investors in the largest European and North American financial markets;
- sector conferences (eight in 2013), which enable specialist investors in the utilities and infrastructure





sector to meet the Company's top managers;

- one-to-one meetings between management and investors (100 in 2013), in addition to numerous group meetings (30 in 2013);
- conference calls when results are announced (annual, half-yearly and quarterly results), and the presentation of the strategic plan, which is attended by analysts who publish research on the stock.

An Investor Day was also held in 2013, at which the Company presented details of its international strategy to the financial community and also gave a group of investors the chance to visit the infrastructure of Interconnector UK (15.8% owned by Snam) in the south of England.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2013	Sector	Status of activity
Meetings with socially responsible investors as a % of total meetings	2010	Achieve 33% in 2013	40	Snam Group	
Number of meetings with institutional investors	2010	Hold 230 in 2013	260	Snam Group	
Number of Investor Days (no)	2010	Hold one during the year	1	Snam Group	

 Target achieved  Annual target achieved (KPI with targets for more than one year)  Activity in progress  Target not achieved

During the year there was also a significant amount of communication with Snam's bond investors and with credit market analysts, through management's participation in dedicated conferences (three in 2013) and a large number of one-to-one meetings and conference calls.

The Company also continued to communicate with ratings agencies Standard & Poor's and Moody's, and maintained an investment-grade credit rating (BBB+ from Standard & Poor's and Baa1 from Moody's) that

reflects its financial solidity and structure.

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

The same section includes several periodical publications such as the "Financial Markets Review", which provide a monthly analysis of the financial markets and stock market trends in the utilities sector, Snam's stock and the shares of its competitors,

and "News&Facts", a quarterly publication aimed specifically at retail investors.

In 2010, the Investor Relations section of the Company website added an interactive version of the "Guide for shareholders", which is updated semi-annually and provides a summary of useful information for all shareholders to actively follow their investment in Snam.

In 2013, the publication "Sustainability. Creating shared value", was released. This annual document summarises the sustainability policies that lie behind Snam's decisions and actions in its relations with stakeholders.

Distribution of added value ▷ GRI - G4: EC1

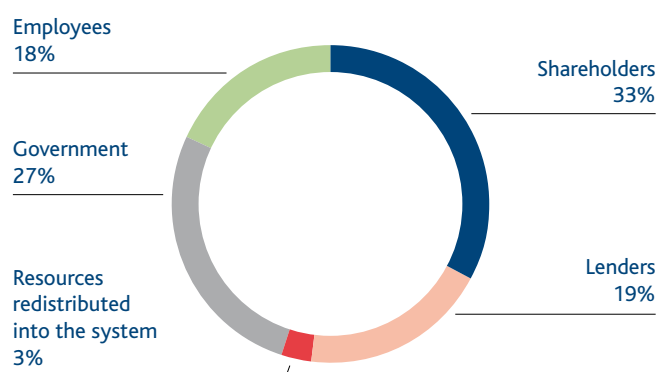
In 2013, Snam distributed to its stakeholders an overall amount of €2,485 million, from added value produced of €2,557 million.

Of this amount, 33% was paid out to shareholders (€845 million), 27% to the government (€690 million), 19% to lenders (€489 million) and 18% to employees (€461 million). The remaining 3% (€72 million) was reinjected into the system.

Net overall added value was distributed among a range of beneficiaries, as follows: (i) employees (direct compensation comprising salaries, wages and post-

employment benefits, and indirect compensation consisting of social security expenses, as well as costs for staff services (meal services, travel expense reimbursement, etc.)); (ii) government (income tax); (iii) lenders (interest on loan capital disbursements); and (iv) shareholders (dividends paid out).

DISTRIBUTION OF ADDED VALUE



TOTAL ADDED VALUE

	2011	2012	2013
Core business revenue	3,539	3,730	3,735
Other revenue and income	66	216	113
Purchases, services and sundry expenses*	631	760	644
Net financial expense	88	431	17
Net income from equity investments	51	55	45
Increases on internal works – Cost of work and financial expenses	90	91	94
Gross total added value	3,027	2,901	3,326
less – Amortisation, depreciation and impairment losses	654	706	769
Net total added value	2,373	2,195	2,557

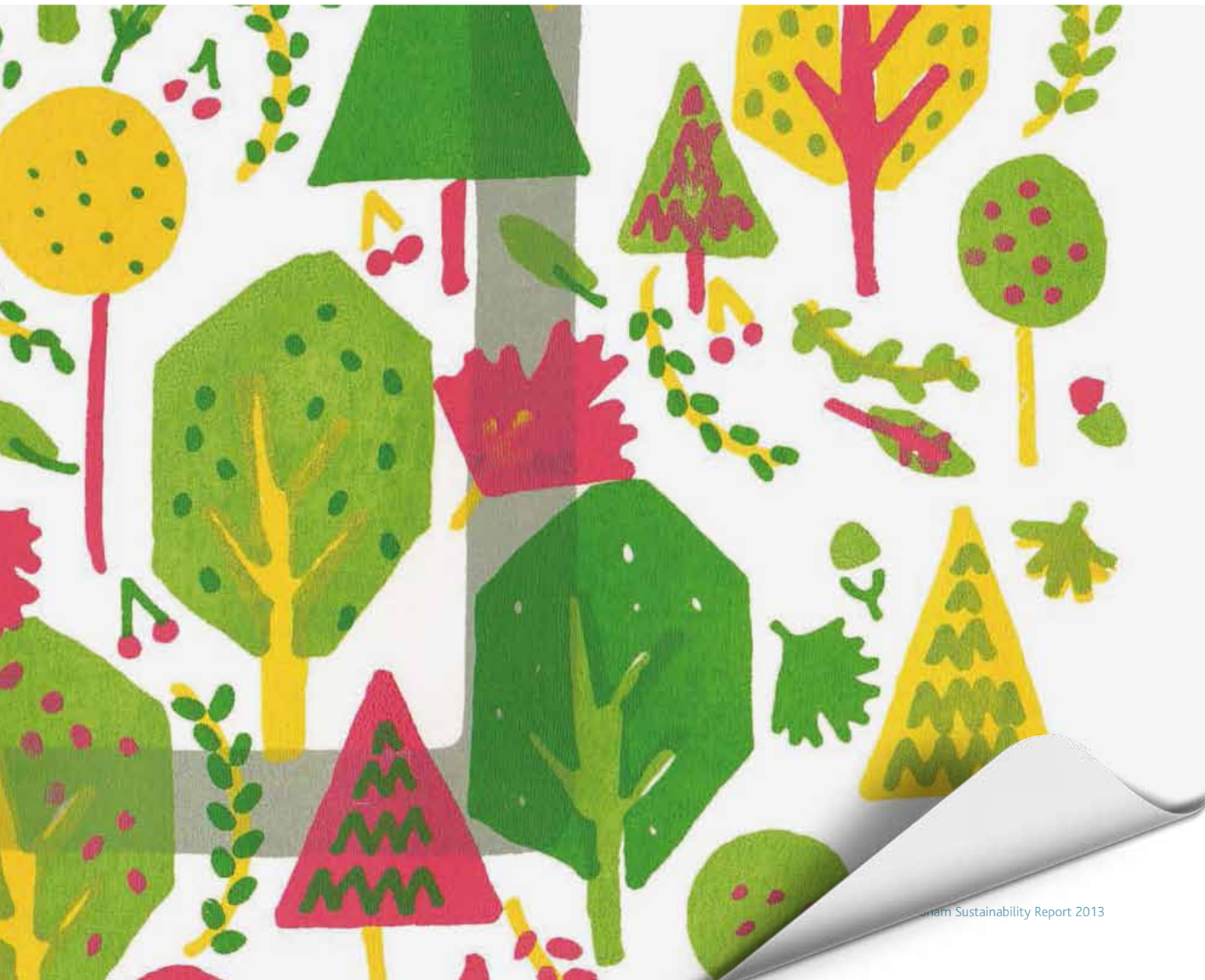
* Net of costs allocated to investment.

Sustainability incorporated within the business



For Snam, sustainability is a process of continuous improvement, going beyond the short term and guaranteeing long-lasting results and reputational and business advantages. Strengthening appreciation of and respect for the Company among regional authorities, institutions, the employees themselves and all its other stakeholders is a chance to facilitate the creation of infrastructure, boost the productivity of the "gas" system and reduce environmental and operational risks.

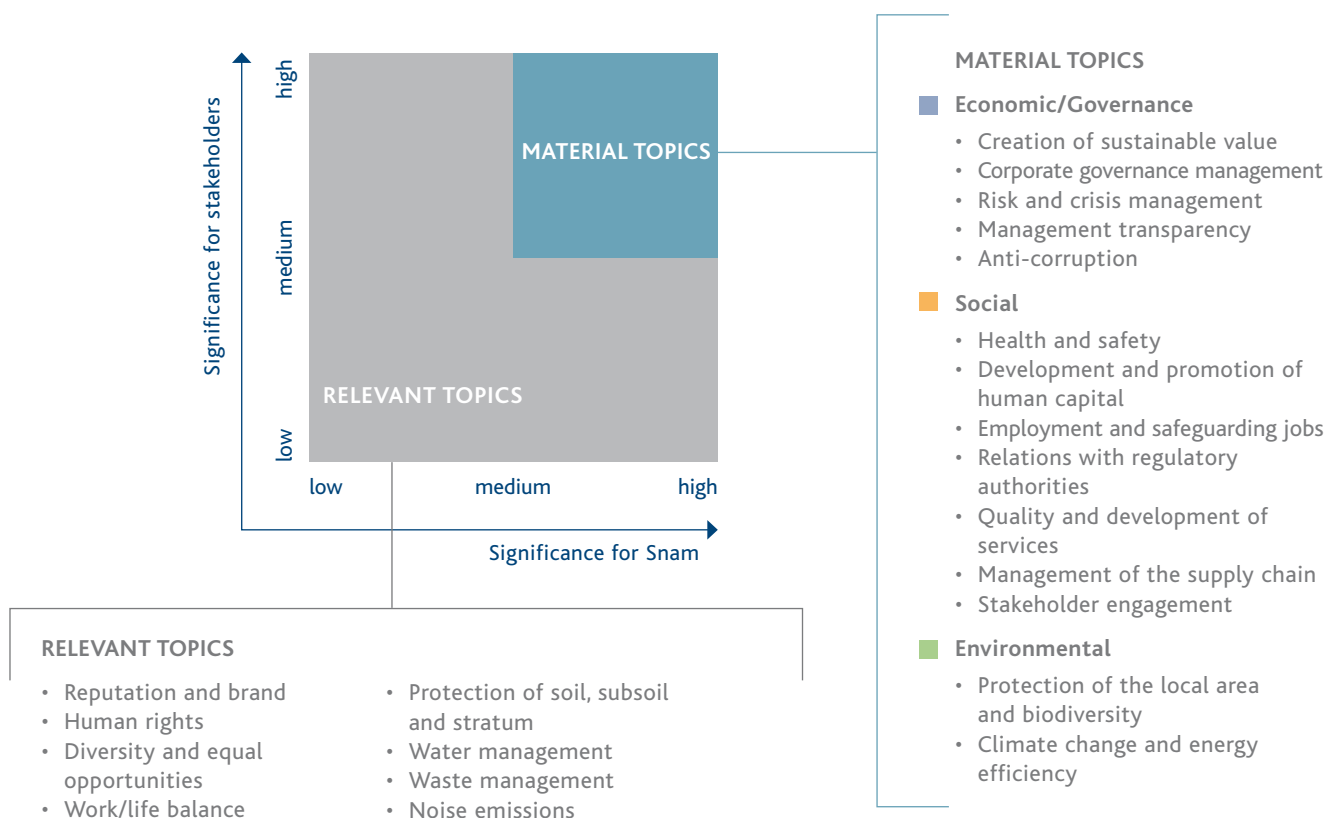
Snam is committed to conducting its activities while promoting dialogue with all of its stakeholders, aiming to take practical action with high added value. To achieve this, Snam has incorporated the Shared Value approach into its sustainability pathway. Snam considers the approach to be in keeping with the Company's vision of creating value for itself and its stakeholders, through an increasingly close connection between business and corporate social responsibility.



MATERIALITY

Materiality is a key element in strengthening Snam's sustainability strategy. Taking into account the recommendations of the new G4 reporting guidelines from the GRI (Global Reporting Initiative), which give more emphasis to the reporting of material topics, Snam has begun updating those topics that have historically

fallen within the scope of its sustainability activities, to bring the most important of these into sharper focus. The materiality analysis, which necessarily included management involvement and the point of view of stakeholders, gave rise to the reasoned selection of topics that strengthen Snam's sustainability commitment and on which its reporting will focus.



Methods

The analysis starts by identifying the topics highlighted in the main sustainability guidelines (ISO 26000 and GRI-G4), generally seen as representative of the Company's external outlook since they are identified in a context of multi-stakeholder debate and dialogue at the international level.

These topics are then put into context in the utilities sector, in which all Snam's core businesses operate, using the benchmark of 2012 sustainability reporting by the biggest international players in this sector and the questionnaires of the main ratings agencies.

A series of important topics emerged from this initial phase. To define the materiality of these topics, we:

1. Analysed the situation in the sector, public opinion and the pressures on the Company. This not only enabled assessment of the changes in political, economic and social phenomena,

both globally and locally, that could influence Snam's strategies in the short and long term, but also enabled identification of further topics or the strengthening of topics already identified through analysis of the press, the internet and other media;

2. Analysed the perception of the topics from the point of view of external stakeholders, using commitment tools that pick up the perception of Snam's image among key spokespeople, designed to gather opinions, uncertainties, ideas and observations in terms of sustainability and governance;
 3. Analysed the Code of Ethics and the policies adopted by Snam;
 4. Analysed the topics from an internal point of view by interviewing the managers of various departments.
- Combined examination of important internal and external factors led to the identification of priority areas with greater materiality for the Company.

List of Material Aspects according to the GRI-G4 standard

The outcomes emerged from the materiality check previously described, were subsequently associated to the aspects predefined by G4, choosing those that are most representative in relation to our purpose. The materiality aspects are reported in a list in the table below (column "materiality aspects").

The analysis proceeds specifying the fields in which

the aspects were resulting positive to the materiality check (column "activity for which the aspect resulted material") both internally (relating to the different activities undertaken by Snam) and externally to the organization. Moreover, the limitations emerged with the reporting activity referring to the boundaries of each aspect, were as well reported (when needed) in the table, under the column ("Limitation concerning the aspect's boundaries").

Material Aspects	Aspect Boundary		Limitation of Aspect Boundary	
	Within the Organization	Outside the Organization	Within the Organization	Outside the Organization
Economic Performance	T, D, S, R, C	Investor. Regulation Authority Client	-	-
Indirect economic impacts	T, D, S, R, C	-	-	n.a.
Procurement practices	T, D, S, R, C	Suppliers	-	Reporting not extended second -tier suppliers
Energy	T, S	Suppliers	-	Suppliers' energy consumption not accounted
Biodiversity	T	-	-	n.a.
Emissions	T, D, S, R,	Suppliers	-	Suppliers' nitrogen oxide emissions not accounted
Overall	T, S	-	-	n.a.
Suppliers Environmental Assessment	T, D, S, R, C	Suppliers	-	Reporting not extended second -tier suppliers
Employee	T, D, S, R, C	-	-	-
Labor/Management Relations	T, D, S, R, C	-	-	n.a.
Occupational Health and Safety	T, D, S, R, C	Suppliers	-	-
Training and education	T, D, S, R, C	Suppliers	-	Suppliers' training not accounted
Suppliers assessment for labor practices	T, D, S, R, C	Suppliers	-	Reporting not extended second -tier suppliers
Local communities	T, D, S, R, C	-	-	n.a.
Anti-Corruption	T, D, S, R, C	Suppliers	-	Reporting not extended second -tier suppliers
Compliance	T, D, S, R, C	-	-	n.a.

T Transportation S Storage C Corporate
 D Distribution R Regasification n.a. Not applicable

ANALYSIS AND ASSESSMENT OF MATERIAL

Topic	External outlook	Internal outlook
Creating sustainable value	This is the most important topic for all strategic infrastructure operators, which are now required to pursue their mission in a difficult economic and social landscape.	Snam has always focused on promoting sustainable development throughout the value chain. Today, it is earmarking the financial, technical and organisational resources that it needs to respond to future challenges.
Corporate governance management	Corporate governance is now seen as a key variable in investment decision-making, as there is a clear link between good governance and creating and distributing value.	Snam has always regarded its corporate governance system as an essential factor in pursuing its corporate mission, as it ensures a balance between the expectations of shareholders and of parties with legitimate interests in the Company's activities, and, more generally, in the proper functioning of the "gas system". Snam's corporate governance system is based on certain key principles, such as creating fair and transparent Company management. This includes marking out information flows between the corporate bodies and defining the internal control and risk management system effectively. Snam has always been committed to maintaining and strengthening a corporate government system aligned with national and international best practice, which can handle the complexities of the situations in which the Company has to operate, and the challenges associated with a clear and sustainable development strategy.
Risk and crisis management	Companies aim to create closer links between risk management and strategic planning.	Snam monitors this topic closely, and has continued to work in this area to ensure a cycle of continuous improvement in the management of its risk model. As well as establishing a Corporate and Enterprise Risk Management department and implementing a system designed to help senior management to identify, measure, manage and monitor the key risks that could affect the achievement of strategic objectives, Snam recently issued a new Business Continuity Management policy.
Management transparency	This is an important topic in terms of safeguarding legitimate stakeholder interests.	In Snam's case it is even more important given that it operates in regulated markets.
Anti-corruption	Combating corruption is a key global challenge. Nearly all countries have increased their anti-corruption efforts in recent years. Corruption is an obstacle to effective business and fair competition that cannot be tolerated.	Snam has been combating corruption for several years, expressly prohibiting "corrupt practices, illegitimate favours, collusion and requests for personal benefits for oneself or others, either directly or through third parties" in its own Code of Ethics. Specifically, since 2010 Snam has launched its own action against corruption by: - creating the Anti-Corruption Unit within the Legal and Corporate Affairs and Compliance Department; - issuing the anti-corruption procedure and the ancillary procedures; - raising employee awareness with specific information and training activities. Since 2010, about 16,000 hours of training have been delivered on the subject.
Health and safety	Health and safety at work is one of the most recognised and consolidated rights in every sector. The topic is generally regarded as material by definition, particularly in the industrial sectors. It is highly relevant and a major focus for public opinion, as demonstrated by the recent amendment to planned regulations relating to health and safety in the workplace, carried out during the process of conversion to law of Decree-Law 69/13 (the "Fare" Decree).	The topic, which is relevant and significant for Snam's business, is closely monitored. To ensure the timely alignment of its management systems and compliance with the laws in force, Snam is constantly meeting with people, employee safety representatives and stakeholders.

Topic	External outlook	Internal outlook
Developing and making the most of human capital	Developing professional skills and managerial abilities, as well as managing human capital, is particularly important in view of the greater complexity caused by market changes at both national and international level.	Snam invests in activities designed to increase its employees' range of skills and develop their management and professional expertise.
Employment and safeguarding jobs	This is perhaps the most relevant "social" topic, given the persisting negative effects that the economic crisis is having on Italy, particularly in terms of the outlook for youth employment.	Snam maintains its employment levels, and will see substantial generational turnover with the hiring of 250 young people, which will also help with age management.
Relations with regulatory authorities	In a difficult context for the national economy, the regulatory authority is increasingly keen to foster competition in the system.	Snam will have to pay increasing attention to the efficiency of its infrastructure, assessing its investments very carefully and sharing its plans with the Authority.
Quality and development of services	One priority for European policy in the next few years will be growth in competition and flexibility in the sector, benefiting end users (high-quality service and lower costs).	As part of its plan to take on the role of market facilitator, Snam will have to continue to adjust its commercial offering while keeping service quality high.
Management of the strategic supply chain	The opportunity to extend the scope of corporate liability to the supply chain is a factor that has now been taken on board in many sectors of the global economy.	Snam operates almost exclusively at national level, but has for some time been committed – partly due to the role it plays – to transparency and proper management of suppliers and the extension to these suppliers of good practice and culture in terms of safety at work and environmental protection.
Stakeholder relations and involvement	Stakeholder engagement is now playing an even greater role in response to the changing conditions in which companies operate. Increasingly, companies have to interact knowledgeably with a world that is more complex, globalised and dynamic, and made up of multiple problems (environmental, moral, legal and institutional), players and interests needing attention.	Snam works to encourage and reward stakeholder involvement through a corporate culture that aims to express the values of corporate responsibility as fully as possible. Snam uses a wide variety of tools and opportunities for involvement (e.g. the climate analysis, workshops, portals, customer satisfaction surveys, etc.).
Protecting the territory and biodiversity	The infrastructure-related actions that support network development can spark conflict at local level. To avoid this, procedures to involve the communities concerned should be used during the various phases of these actions, from planning and creating pipeline courses to restoring and replenishing habitats. In some cases, compensation is not a principle that is shared by communities that experience environmental damage. Involvement and dialogue make it easier to establish new sites, and to reduce transaction costs.	This topic is constantly monitored, given the nature of Snam's infrastructure-related actions. When it develops new sites, Snam uses procedures that pass stringent environmental and safety compatibility assessments to make them more acceptable for stakeholders. These assessments are made as part of the Environmental Impact Assessment (EIA), after which the administrations in charge issue the authorisations provided for by current regulations. Safeguarding the natural value of areas where it conducts new works is important to Snam. In choosing courses for pipeline development, Snam tries to limit passage through areas of natural importance. When this cannot be avoided, close attention is paid using surveys and biodiversity monitoring.
Climate change and energy efficiency	The environmental emergency has led to the creation of hundreds of protest movements worldwide, giving rise to activism and a civil commitment to change the energy model. Broad-based popular involvement in global movements, which represents much more than just being in environmental association, shows the scale of the challenge and confirm the widespread awareness that the solutions adopted so far are still not enough. Nevertheless, during the last year the topic has been less present among communication channels and public opinion discussions. The reason for this lies in the increasing importance that the economic crisis is playing and in the fact that CO ₂ emissions have recently fallen due to the economic downturn.	Snam is a national energy market operator, and is a key adviser to the government in the preparation of National Energy Strategy documents. It is also part of the UN Global Compact initiative. Issues of energy consumption and CO ₂ and methane emissions are inherent to the Company's activity. The Company therefore has a very high level of responsibility towards its stakeholders in respect of its commitment to reducing GHG emissions to limit the phenomenon of climate change

STAKEHOLDERS

Forming trusting, long-term relationships with all stakeholders and positioning itself to facilitate listening and debate are of fundamental importance to Snam, which acts openly and with transparency towards all key players and aims to maintain and build constructive dialogue both internally and externally. These relations are based on a corporate culture that has always sought to express the values of sustainability and corporate responsibility in the best possible way, to make them an integral part of strategic thinking and corporate management: they help to prevent and manage risks and, at the same time, can create value for stakeholders by taking concrete action.

MAP OF STAKEHOLDERS



TOOLS FOR INVOLVING STAKEHOLDERS

Tools of engagement	People	Authorities Institutions	Communities and local areas	Customers	Suppliers	Investors
Website	websites of all Group companies with specific dedicated spaces					
Web areas	Company intranet			Customer portals	Supplier portal	
Institutional documents	Annual Report – Sustainability Report Report on Corporate Governance and Compensation – Financial statements of the subsidiaries					
Media relations	Press releases – press conferences – conference calls – interviews					
Social networks	Information and news					
Newsletter	Energies and special features Objective Safety Economic and financial report					The Snam shareholder News&Facts Financial Markets Review Sustainability – creating shared value
Survey	Workshop Feedback questionnaires			Customer satisfaction	Feedback questionnaires Specific visits	Ratings questionnaires
Meetings	Executive meetings Cascade Project RSU meetings	Institutional presentations Parliamentary and local hearings Meetings with the Electricity and Gas Authority Meetings with local entities Meetings with trade associations Participation and technical committees	Public meetings Open council meetings Meetings with citizens	Workshops	Workshops Exploratory meetings	Road shows One-to-one meetings Conference calls Sector conferences
Awareness campaigns	Objective Safety” Project Health project Corporate volunteering Ecologically		Let’s Clean Up the World Educational Sustainable Pathways series			
Site visits	Safety walk					Investor Day

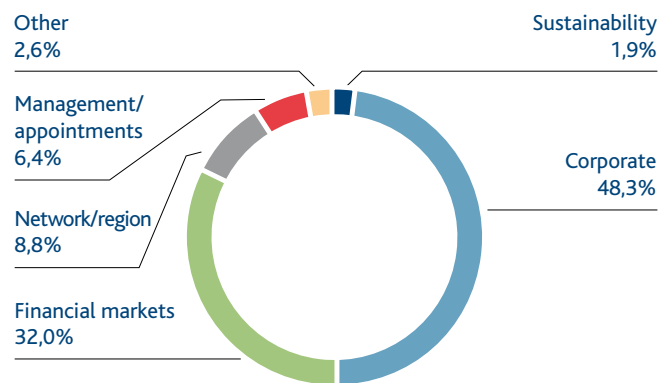
Communications and media

In the context of stakeholder relations, Snam's proactive communication and constant media presence play a key role that is relevant to all areas of its business. Snam has a presence in all communication media, including new media, and aims to maintain an open, balanced and transparent approach and to offer valuable content.

In 2013 Snam completed a review of its web identity, restyling the websites of nine operating companies, replanning some sections of the Company website and steadily increasing its presence on major social media sites. The review prompted Snam to open new communication channels on Twitter, YouTube, LinkedIn, Google+, Flickr and Instagram, to help disseminate and strengthen awareness of the Group among its stakeholders, supporting its growth strategies and creating new opportunities for dialogue and interaction. As testament to the high quality of this online work, Snam achieved fourth position in Italy and sixth in Europe in the KWD Webranking, which is created by specialist consultancy company Lundquist to reward efficient web-based corporate communications. Snam was also shortlisted in the "major listed companies"

category for the Oscar di Bilancio prize, created by FERPI (Federazione Relazioni Pubbliche Italia), for the quality of its communication to financial stakeholders. In 2013, Snam was the subject of 362 articles in the national and international press, with a marked prevalence of corporate and financial themes. The content and tone of these articles was deemed to be positive or neutral in 98% of cases; moreover, the percentage of positive articles has increased from year to year, from approximately 39% in 2012 to 50% in 2013.

BREAKDOWN OF PRESS ARTICLES BY TOPIC

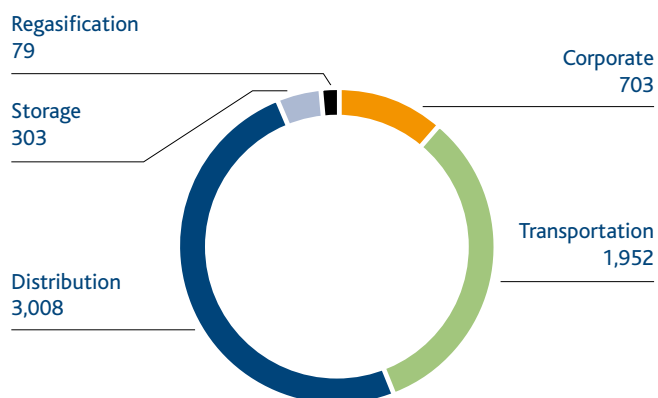


2013 STAKEHOLDERS' IDENTITY CARD

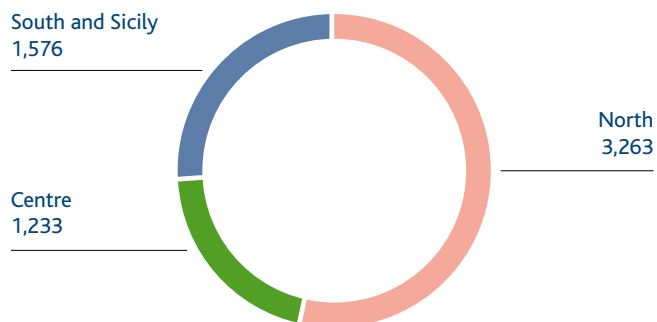
People

total workforce (no): 6,045

EMPLOYEES BY ACTIVITY (no) ▷ GRI - G4: LA1



EMPLOYEES BY GEOGRAPHICAL AREA (no) ▷ GRI - G4: EC6



Suppliers

2013 procurement (€1.35 billion)

QUALIFIED SUPPLIERS BY PRODUCT GROUP (no)

Suppliers with renewed qualifications



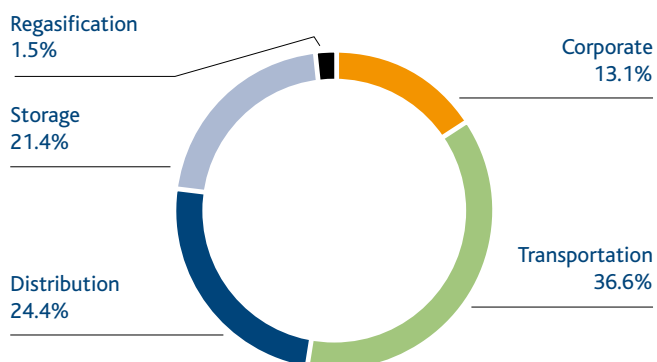
Suppliers qualified or renewed during the year



Total qualified suppliers (no)

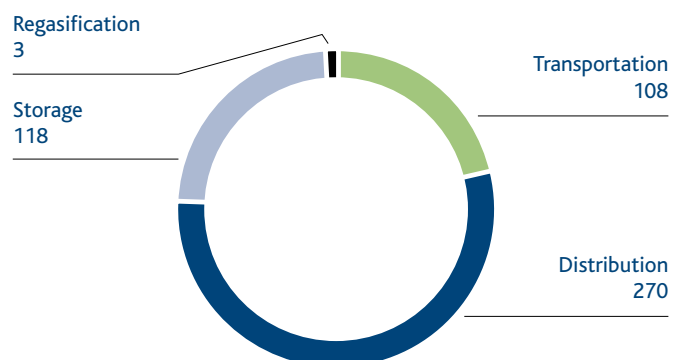


PROCUREMENT BY BUSINESS SEGMENT



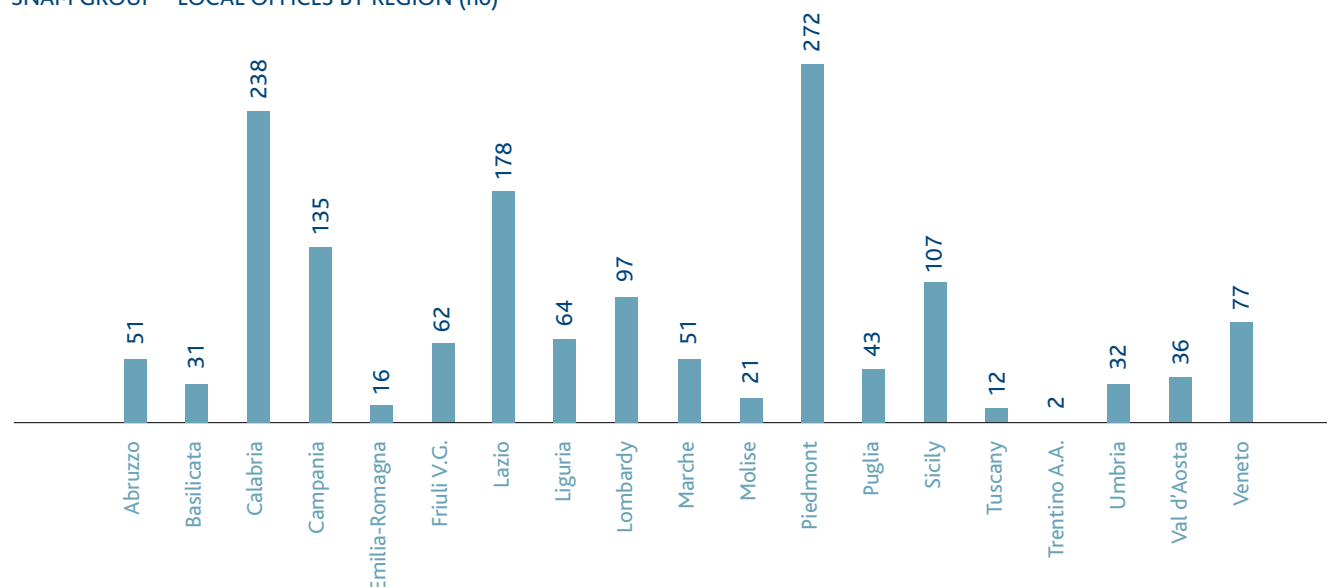
Customers (n.)

Group total (no) 499



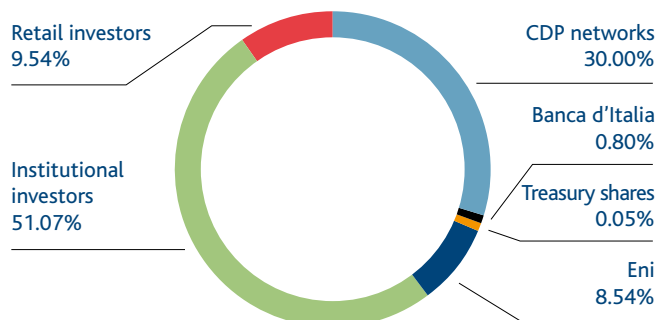
Communities and regions

SNAM GROUP – LOCAL OFFICES BY REGION (no)

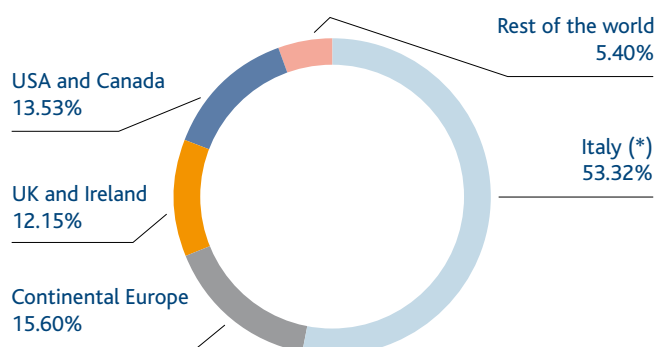


Investors: ownership structure

BY TYPE OF INVESTOR



BY GEOGRAPHICAL AREA



(*) The total amount of retail investors and treasury shares in the portfolio is included in the Italian percentage.

Authorities and institutions

Ministries

Public safety bodies

Provinces

Prefectures

Schools and universities

Regions

Inspection and control bodies

Government and parliament

ENTSOG

European Commission

ACER

Revenue agency

Customs agency

Intervening or intervened entities

River basin authorities/Mountain communities

Park authorities

Port authorities

Electricity and Gas Authority

Competition Authority

Supervisory Authority

for Government Contracts

Municipalities

Legal authority

Regulatory committees

Consob and Borsa Italiana

Committees, research centres

COMMITMENTS AND ACTIONS

Sustainability forms an integral part of Snam's business model. Snam's sustainability management model extends to all Group companies and is integrated into all phases of the corporate business process (planning, management, control, reporting, communication and stakeholder engagement). It also sets out targets for improvement; identifies, through the relevant corporate departments, the initiatives and projects to be implemented; monitors the results of these; and reports clearly and effectively, on the basis of the Sustainability Policy, the Company's strategic plan and the needs of stakeholders.

The sustainability targets, which have been approved by top management, apply to a range of areas for improvement and are pursued through specific projects and initiatives, in both the short and medium term, which are included in the operating plans of the Company's departments. All the activities set out in the model are coordinated by Snam's Sustainability department. The areas for improvement are also defined on the basis of stimuli and guidelines arising from Snam's participation in bodies, including international bodies, working to disseminate knowledge and the application of the principles of sustainable development, such as the Global Compact.

GOVERNANCE

Area of relevance	Actions carried out in 2013	Actions to be implemented under the 2014-2017 Plan
Business ethics and governance	<p>The Corporate System Framework was adopted: this document represents the highest point of the pyramid of Snam's regulatory system.</p> <p>Snam's Model 231 was updated and approved by the BoD.</p> <p>The new anti-corruption procedure was issued.</p> <p>Training activities continued (11,390 hours delivered, with approximately 3,800 attendees).</p> <p>Participation in activities promoted under the Global Compact continued.</p>	<p>Maintain a level of governance that is still in line with the optimum international examples.</p> <p>Disseminate the principles and content of the Code of Ethics, Model 231 and anti-corruption and anti-trust policy, via training courses and specific initiatives.</p> <p>Implement actions to maintain constant adherence to the provisions of the Corporate Governance Code.</p> <p>Revise the body of regulations to include, in all key processes, rules on anti-corruption and the defence of human rights.</p> <p>Verify, through business intelligence surveys, respect for human rights and compliance with anti-corruption regulations by third parties (suppliers and customers).</p> <p>Participate actively in the working groups promoted by the Global Compact Network Italy.</p>
Sustainability model	<p>Development of the "Shared Value" approach continued.</p> <p>A materiality analysis was carried out on key aspects in the area of sustainability.</p>	<p>Keep active, implement and update the corporate sustainable development model, and ensure adequate supervision of matters relating to sustainability.</p>
Risk and crisis management	<p>The Enterprise Risk Management department was created.</p> <p>Risk mapping was carried out.</p> <p>The activities of the business continuity management system continued.</p>	<p>Implement both the Enterprise Risk Management organisational structure and integrated risk management.</p> <p>Business continuity management and the crisis management model: fulfil conditions for the implementation of processes and the adoption of the relative technological solutions; assessment of the compliance of programmes with international standards and regulations.</p>



Network Italy

PEOPLE

Area of relevance	Actions carried out in 2013	Actions to be implemented under the 2014-2017 Plan
Listening to people	The results of the internal climate survey (Snam Group) were examined, and improvement programmes were launched.	Continue activation of the improvement plan by consulting the corporate population.
Internal Communication	Newsletters, brochures and other communication tools – circulation and informative content – were increased. The Company intranet was implemented and interactivity increased. Sapnerdi+ 2013, the traditional communication initiative that aims to disseminate Company values and strategies, continued.	Reinforce cascading communication of corporate objectives, and enhance information channels with the support of the intranet. Send a personalised communication to each executive every year setting out their compensation package (monetary elements, benefits and corporate services). Enhance the “Energie” newsletter with special features on individual themes.
Initiatives for employees	Programmes to ensure the continuity of the corporate welfare programme were continued and expanded. A questionnaire was created and distributed to assess the awareness, use and appreciation of these services, and gather suggestions. The dedicated section of the Company intranet was expanded and enhanced to ensure the provision of as much information and communication as possible on the welfare initiatives to the people who work at Snam.	Corporate welfare: launch of a project for the analysis of the current situation every two years, listen to people and define actions. Implement welfare initiatives.
Health and safety	Awareness and involvement initiatives under the “Objective: Safety” plan continued. Training activities continued (approximately 34,640 hours delivered, with more than 4,250 attendees). Transportation suppliers were involved in the topic of safety through the workshop “Make comparisons to prevent and improve”. The Snam portal for all Group suppliers, to share best practice in health and safety, was created and put online. The accident frequency indices for employees and contractors were entered into the system of performance indicators.	Define training initiatives and implement specific communication plans. Draw up environment survey plans in the workplace. Improvement in both site access conditions and operational procedures. Safety objective: to continue the action undertaken, involving more corporate activities. Create IT applications to support HSE processes. Develop safety awareness initiatives for suppliers. Maintain the accident frequency indices for employees and contractors in the system of corporate and personal performance indicators.
Valuing people	Approximately 198,350 hours of training delivered in total, with 23,800 attendances. All Snam staff were offered the opportunity to join an online English course. Competitive positioning and fairness in remuneration practices for managerial and professional human resources were optimised and verified. 746 jobs were assessed and approved on the basis of complexity, responsibility, experience and autonomy (CREA). Individual business and sustainability objectives were assigned to executives and managers. A new performance management process was drawn up.	Continue with activities designed increase the range of skills of employees, including using criteria of functional and geographical mobility, always favouring a high level of staff involvement. Implement the system to identify and generate value from managers with know-how that is strategically important for the Group, and implement the process to ensure coverage of key management positions. Continue to develop skills for the under-40s, and study the conditions needed to effectively manage and generate value from the contributions of staff of increasing average age. Adopt the new system for identifying and assessing staff skills and potential, and review the performance management process. Develop ways to promote diversity, particularly gender diversity. Implement projects that foster greater efficiency and effectiveness of communication outside the Company and with the regions, to create integration and develop shared tools and approaches.

STAKEHOLDER ENGAGEMENT

Area of relevance	Actions carried out in 2013	Actions to be implemented under the 2014-2017 Plan
Relations with rating agencies and bondholders	Took part in the surveys of the main financial and sustainability rating agencies. Launched a communication process for bondholders and market analysts.	Consolidate relations with the rating agencies and implement disclosure to institutional investors.
Shareholder relations	Communication activities were pursued to allow shareholders and the financial market to assess the Company's value creation levers.	Consolidate disclosure to institutional and retail investors. Develop guidelines on the engagement of the financial community.
Customer relations	Activities for implementation of the web portals continued. Storage and transportation customer satisfaction surveys carried out.	Develop and apply methods of recording customer satisfaction. Increase the quality of customer service. Feasibility assessment for biomethane transportation in the distribution network in light of changes in the regulatory framework.
Relations with communities and regions	The volume Sentieri sostenibili. Parco delle Prealpi Giulie was published. A social impact assessment was carried out on the Bordolano storage plant. Unions and farmers' associations held meetings to present transportation projects.	Carry out educational activities for primary and secondary schools on themes of general interest, such as biodiversity. Apply models and/or instruments to measure the acceptability of infrastructure in the region. Identify and develop initiatives of shared value. Strengthen communication with the national and local media and implement the use of social media. Adopt corporate guidelines that define procedures for systematic involvement of local communities in new initiatives, for use by local and peripheral departments.
Relations with institutions and associations	Participation in public events relating to specific projects increased. Cooperation agreements with local administrators were forged, with the aim of arranging public areas for social purposes. Snam/Confindustria autonomy agreement signed. Increase in the number of associations to which Snam belongs. The main new memberships were with regional industry associations.	Define guidelines for relations with public administrations in line with changes in the ownership structure. Design and plan innovative tools for meeting and comparison with public administrations and institutional decision-makers, including through the involvement of local industry associations.
Public communications	The review of Snam's web identity was completed, with a restyling of the websites. New communication channels were launched on Twitter, YouTube, LinkedIn, Google+, Flickr and Instagram, to help to spread and increase awareness of the Group among its stakeholders.	Boost the brand's profile in light of corporate changes, developing initiatives and communication tools as the business develops.

ENVIRONMENT

Area of relevance	Actions carried out in 2013	Actions to be implemented under the 2014-2017 Plan
Protection of the region and biodiversity	Environmental restoration, plant care and environment monitoring continued	Integrate existing documentation on planning and construction of plants with operating instructions on biodiversity.
Climate change and energy efficiency	Gas recompression took place for natural gas recovery. Replacement of pneumatic gas valves at some plants. Replacement of cast-iron pipes continued. Photovoltaic plants were installed on self-owned buildings. Supply of electricity from renewable sources increased for the two-year period 2013/2014.	Reduce natural gas emissions. Optimise energy consumption and increase the use of energy from renewable sources, including through purchasing quotas. Consolidate the methods for calculating indirect CO ₂ generated by corporate activities (scope 3). Enhance the videoconferencing system.
Atmospheric emissions	Programmes for installation of DLE turbines continued.	Install low-emission turbines and equipment.

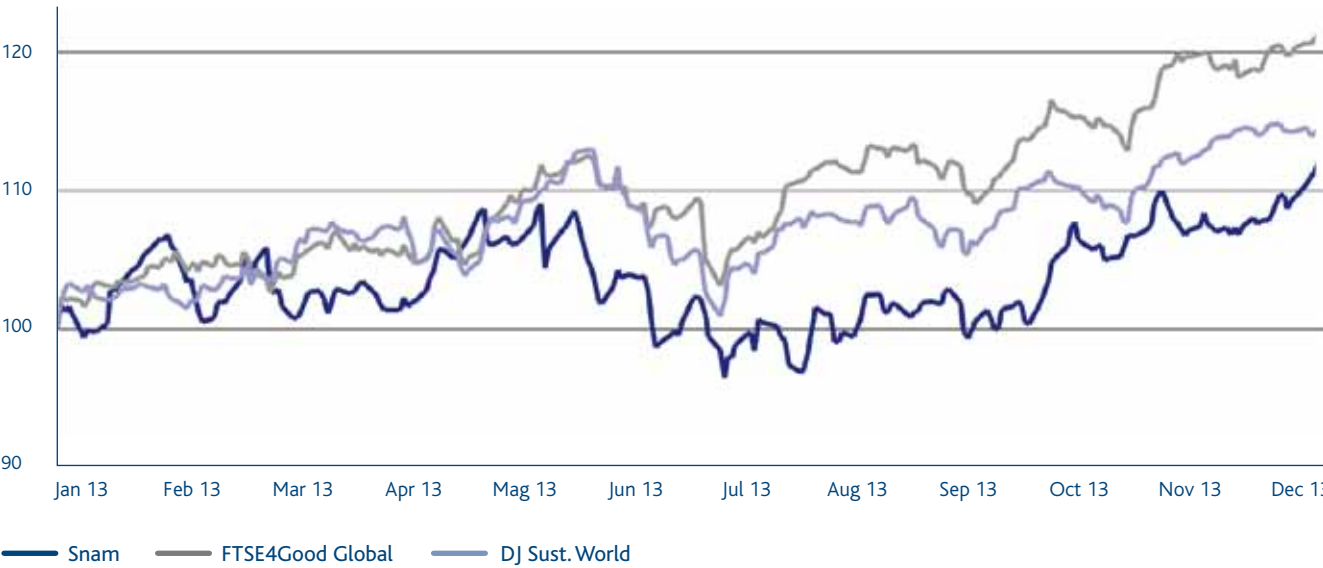


Sustainability indices

Snam’s commitment, and the progress it has made in applying its sustainability management model, have been recognised by the inclusion of its share on the

benchmark international sustainability indices. This performance has increased the Company’s visibility in respect of socially responsible investors and, more generally, in the financial market as a whole.

SNAM SHARE PERFORMANCE AND MAIN ETHICAL INDICES



In 2013, the Snam share was again – for the fifth consecutive year – included in the Dow Jones Sustainability World Index, which is the main share index based on corporate performance in maintaining commitments made in the field of economic, social and environmental sustainability.

In the review of March 2013, Snam was independently assessed as meeting the criteria applied by the FTSE4Good, and was again included in the FTSE4Good series of indices in which it has been listed since 2002.

In January 2013, Snam was included in a new range of indices, the Vigeo World 120 and the Vigeo Europe 120, by Vigeo (one of Europe's leading environmental and social rating agencies). These indices include companies with the best performance according to the 330 indicators used for the selection.

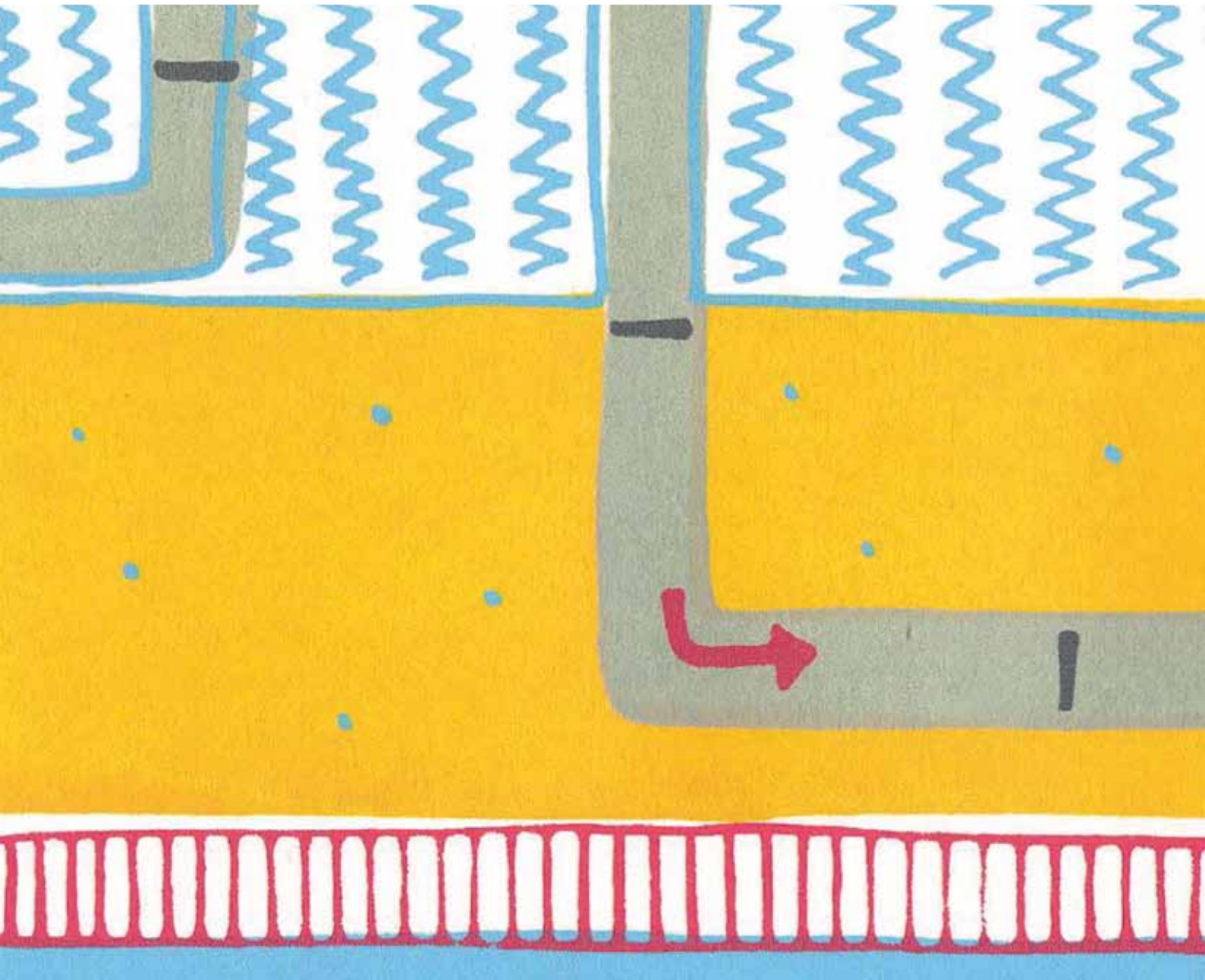
Snam is included in the new United Nations Global Compact 100 global index ("GC 100"), which was developed by the United Nations Global Compact in collaboration with research firm Sustainalytics, and which lists 100 companies that stand out on a global level both for their attention to issues of sustainability and for their financial performance, and which adhere to the ten fundamental principles of the United Nations in the areas of human rights, labour, the environment and anti-corruption.

Since December 2013, Snam has been on the CDP Italy 100 Climate Disclosure Leadership Index (CDLI) which is directly issued by the CDP, one of the biggest non-profit organisations in the world working in climate change, with which Snam has been collaborating since 2007. Moreover, Snam has been one of the companies providing voluntary financial support for the CDP's activities since June 2013.

At the end of December 2013, Snam's shares were included on six of the main ECPI sustainability indices, as well as other sustainability equity indices.



Governing the business responsibly



BUSINESS MANAGEMENT AND GOVERNANCE

The first and biggest responsibility for a company such as Snam, which has been operating in a regulated environment for many years and which aims to expand its business sustainably while also moving into international markets, is to pursue its corporate mission by managing its business economically and with solid ethical principles, balancing the expectations of its shareholders against those of parties with a legitimate interest in the Company's activities and more generally in the proper operation of the "gas system".

Snam has been tuned into this sensitive area since it was floated on the stock exchange in 2001. At that time it began to adapt its governance systems

according to the principles set out in the "Corporate Governance Code for Listed Companies" issued by Borsa Italiana, and the recommendations made by Consob in this regard. More generally, it has sought to align itself with national and international best practice in this area, with a particular focus on the unbundling legislation, as it manages activities that are subject to the regulations of competent national authorities and European natural gas legislation. Detailed information on Snam's corporate governance system is provided in the Report on Corporate Governance and Ownership Structure for 2013, which is published on the website (http://www.snam.it/repository/file/Governance/relazione_governo_societario/Relazione_sul_Governo_Societario_e_gli_Assetti_Proprietari_2013.pdf).



Our ethical principles and corporate values: Code of Ethics

The Code of Ethics sets out Snam's culture of corporate ethics and inspires its strategic thinking and the way it carries out its activities. Among other things, it specifically stipulates the following principles and values:

- transparency, honesty, propriety and good faith with regard to full compliance with the rules put in place to protect competition;
- involving stakeholders, fostering dialogue on sustainability and corporate responsibility;
- creating competitive value for the Company, for its stakeholders and for the region in which it operates;
- safeguarding and promoting human rights;
- individual freedom in every form, and rejecting all

kinds of discrimination, violence, corruption (in any form and regarding any public or private party), and forced or child labour;

- recognising and safeguarding dignity, liberty and equality among human beings;
- protecting employment, freedom of trade union association, health, safety, the environment and biodiversity.

The Code of Ethics, which is also an integral part of the Organisational Model pursuant to Legislative Decree 231/2001, was updated in July 2013 and is available on the Company website at <http://www.snam.it/it/governance/codice-etico/index.html>.

The Board of Directors has assigned the role of Code of Ethics Supervisor to the Watch Structure, established pursuant to Legislative Decree 231/2001.

Our systems

CORPORATE GOVERNANCE

The corporate governance system defines the body of rules that govern and guide the management and control of the Company.

INTERNAL CONTROL AND RISK MANAGEMENT

The internal audit and risk management system comprises the body of rules, procedures and organisational structures aimed at managing the main business risks.

ADMINISTRATIVE LIABILITY

Snam and its subsidiaries have adopted the organisation, management and control model pursuant to Legislative Decree 231/01 and established their own Watch Structure.

PROCEDURES

These formalise and govern the business processes by defining roles, duties, responsibilities and coordination activities.

Corporate Governance

Snam's management and control system is based on a "traditional" arrangement, with the Shareholders' Meeting, Board of Directors and Board of Statutory Auditors as the key corporate bodies. The activities and functions of each of these bodies are set out in the bylaws.

The Shareholders' Meeting is the shareholders' deliberative body, and appoints the Board of Directors and the Board of Statutory Auditors. As well as matters that are mandatory by law, the Shareholders' Meeting has exclusive responsibility, under the bylaws, for resolutions relating to acts of disposal, including those that apply to joint ventures, and subjection to business restrictions or strategically important business units in terms of activities connected to gas transportation and dispatching.

The Board of Directors is the central body in Snam's corporate governance system. It is invested with the broadest possible powers of ordinary and extraordinary

management, with the sole exception of acts that are reserved for the Shareholders' Meeting, either by law or in accordance with the bylaws. In particular, the Board plays a central role in defining policy on matters relating to sustainability, and also reviews and approves the Sustainability Report.

The Board currently in office was appointed by the Shareholders' Meeting of 26 March 2013. It has nine members, and will remain in place for three financial years, until the date of the Shareholders' Meeting called to approve the financial statements for the year as at 31 December 2015. Lorenzo Bini Smaghi has held the post of Chairman since 15 October 2012, while Carlo Malacarne has been Chief Executive Officer since 8 May 2006.

The majority of Board directors are independent (five out of nine), with a strong female presence (four out of nine), which exceeds the level stipulated by the gender representation rules in force.

COMPOSITION OF THE BOARD OF DIRECTORS

Director	Office	List from which elected
Lorenzo Bini Smaghi	Non-executive director and Chairman	CDP Reti S.r.l. list
Carlo Malacarne	Chief Executive Officer ⁽¹⁾	CDP Reti S.r.l. list
Sabrina Bruno	Non-executive director ⁽²⁾	List presented jointly by minority shareholders
Alberto Ciô	Non-executive director ⁽²⁾	CDP Reti S.r.l. list
Francesco Gori	Non-executive director ⁽²⁾	List presented jointly by minority shareholders
Roberta Melfa	Non-executive director	CDP Reti S.r.l. list
Andrea Novelli	Non-executive director	CDP Reti S.r.l. list
Elisabetta Oliveri	Non-executive director ⁽²⁾	List presented jointly by minority shareholders
Pia Saraceno	Non-executive director ⁽²⁾	CDP Reti S.r.l. list

(1) Executive director.

(2) Independent director pursuant to the Consolidated Finance Act (TUF) and the Corporate Governance Code.

To perform its duties more effectively, Snam's Board of Directors has created four committees from its members. The first three are provided for in the Corporate Governance Code, and operate according to the Corporate Governance Code and the bylaws:

- The Control and Risk Committee provides support for the Board of Directors, expressing opinions on specific aspects of the identification of corporate risks, and reporting to the Board of Directors at least every six months on the adequacy of the internal control and risk management system.

- The Compensation Committee provides recommendations and advice to the Board on matters relating to the compensation of directors and managers with strategic responsibilities. The Appointments Committee provides recommendations and advice to the Board, particularly with regard to the Board's size and composition and the annual self-assessment procedures performed by the Board and the Committees.
- The Combined Independent Management Committee is a collegial body created by Snam's Board of Directors in response to the measures set out in the Consolidated Unbundling Act. This body, which is tasked with the joint management of regulated activities relating to natural gas transportation,

dispatching, distribution, storage and regasification and comprises Snam's Chief Executive Officer and the Chief Executive Officers of the directly controlled companies, operates according to its own regulations. Snam maintains this Committee on a voluntary basis.

The Board of Statutory Auditors oversees compliance with the law, the deed of incorporation and the principles of proper administration in the conduct of corporate activities. It also controls the suitability of the organisational, management and accounting structure adopted by the Company and how this functions in practice. The Board of Statutory Auditors also oversees the effectiveness of the internal control and risk management system.

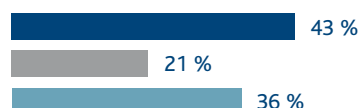
Remuneration of management

The 2013 remuneration policy guidelines determine a pay mix in line with the managerial position held, with greater weighting for the variable component, for posts typically having a greater impact on business results, as shown in the pay-mix chart set out below, calculated by considering the enhancement of short- and long-term incentives in the event of on-target results. Snam's corporate data sheet, which presents performance targets for the Chief Executive Officer and contributes to the formulation of the performance targets of managers with strategic responsibilities, also includes a specific target, accounting for 10% of the total, for the accident frequency rate among employees and contractors. For managers with strategic responsibilities, the annual variable incentive plan is also based on specific sustainability targets that relate to the scope of responsibility of the role performed.

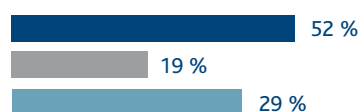
The policies implemented were assessed, in terms of positioning and pay mix, using remuneration benchmarks provided by specialist consultancy companies. (Detailed information on compensation is provided in the "Compensation Report" document on the website www.snam.it).

PAY-MIX

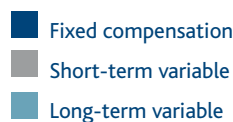
Chief Executive Officer



Managers with strategic responsibilities



Other managerial staff



COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Member	Role
Massimo Gatto ⁽¹⁾	Statutory auditor and Chairman
Leo Amato ⁽²⁾	Statutory auditor
Stefania Chiaruttini ⁽²⁾	Statutory auditor
Maria Gimigliano ⁽²⁾	Alternate auditor
Francesco Gori	Alternate auditor

(1) List presented jointly by minority shareholders.

(2) CDP Reti S.r.l. list.

ACTIVITIES OF THE CORPORATE BODIES

Director	Meetings (no)	Average member attendance
Board of Directors	11	98.0%
Control and Risk Committee	10	93.3%
Compensation Committee	6	94.0%
Appointments Committee	8	95.8%
Combined Independent Management Committee	3	100.0%
Board of Statutory Auditors	15	70.9%

The audit of the Company's financial statements is entrusted to a specialised company on the appropriate register and appointed by the Shareholders' Meeting on the basis of a reasoned proposal from the Board of Statutory Auditors.

On 27 April 2010, the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to audit the Company for the 2010-2018 period.

Internal control and risk management

The responsible directors and managers are in charge of setting up and maintaining an efficient internal control and risk management system, in line with the corporate objectives, and the process of aligning the risk management procedures with the defined containment plans. Snam's Board of Directors has identified the Company's Chief Executive Officer as the director responsible for the internal control and risk management system; he performs the duties stipulated in the Corporate Governance Code.

The Board of Directors, have first obtained an opinion from the Control and Risk Committee, assesses the adequacy of the internal control and risk management system at least once a year in respect of the characteristics of the Company and the Group and with the risk profile assumed, as well as the system's effectiveness.

In particular in 2013 the Control and Risk Committee, as part of its role to assist the Board of Directors, examined the new initiatives established by the Company to implement an Enterprise Risk Management (ERM) system, designed to help senior management to systematically identify, measure, manage and monitor key risks that could affect the achievement of the strategic objectives. Risks relating to sustainability are included in the mapping of operational risks identified by the ERM system.

Applying the control system is a primary responsibility of management, as control activities are an integral part of management procedures. Management must therefore

encourage the creation of an atmosphere that is actively orientated towards control and, in particular, oversee "line controls", which are all the control activities that the individual operating units or companies carry out on their processes.

Independent control is the responsibility of the Internal

Audit department, which is specifically responsible for ensuring that the internal control and risk management system is functioning properly and is adequate. The parent company performed auditing activities in 2013, with a dedicated team of 14 auditors.

ACTIVITIES CARRIED OUT BY INTERNAL AUDIT ► GRI - G4: HR3, SO5

	2011	2012	2013
Total number of audits performed	48	55	63
Reports received	22	17	16
involving the internal control system	8	10	7
involving accounting, auditing, fraud, etc.	-	-	-
involving administrative responsibility pursuant to Legislative Decree 231/2001	-	-	-
involving breaches of the anti-corruption law	1	-	-
involving other subjects (Code of Ethics, mobbing, thefts, security, etc.)	13	7	9
Reports shelved due to lack of proof or because untrue (no)	11	13	10
Reports ending in corporate disciplinary or managerial action and/or filing with a legal authority	5	2	1
Reports in the process of examination (no)	6	2	5

Snam in line with risk management best practice

Snam's Enterprise Risk Management (ERM) department has been active since April 2013. It is tasked with identifying, measuring and monitoring all corporate risks. Snam has always been aware of and managed its risks, but with the ERM system it has chosen a method and model for identifying, assessing, managing and controlling risks that is structured and standardised for all Group companies.

The model applies right across the corporate organisation, and the ERM system will support the Risk Owners, who are the corporate figures directly involved in managing the risks associated with their business areas. Risks are measured using the two classic parameters of operational and economic

impact, and the probability of occurrence, and management and mitigation actions are then established. The Category Risk Managers, who are the department managers responsible for risks that could have cross-cutting effects, are also expected to contribute to this process. Lastly, each department has an ERM contact, serving as a reference point for all risk management activities within his/her department.

More than 100 meetings took place as part of the risk mapping process, leading to the identification of 318 risks, 77% of which have a medium-low probability of occurrence, confirming the Snam's overall low risk profile. This analysis will be updated again in 2014, with the help of a new, ad hoc information system.

318 risks identified with a range of impact types:

- Industrial/business – Economic – Strategic – Health, safety and environment – Financial
- Human capital – Reputation – Market – Legal/compliance

Administrative liability and prevention of offences

▷ GRI - G4: SO3

The Board of Directors has adopted its own organisational, management and control model pursuant to Legislative Decree 231 of 8 June 2001 ("Model 231") to prevent the crimes identified by legislation governing corporate administrative liability for crimes committed in the interest or to the advantage of the Company (Legislative Decree 231/2001). It also appointed a Watch Structure with powers of initiative and control, in accordance with the law.

A new text for the Model was thus approved by the Board of Directors on 30 July 2013, with updates introduced relating to new crimes of "private corruption", "undue inducement to give or promise benefits" and "employment of third-country citizens whose stay is illegal", as well as changes to Snam's corporate and organisational structure.

Model 231 consists of an organic combination of principles, rules and measures that relate, inter alia, to the management and control of every corporate process, in order to protect the Company from any conduct that might give rise to sanctions against the Company, pursuant to Legislative Decree 231/2001, relating to crimes committed or attempted in the interest or to the advantage of the Company by individuals in "top" management positions within this structure or individuals subject to the supervision and control of these persons.

A multi-functional team was created within the Company ("Team 231"), which aims to identify and carry out the activities required to update Model 231 by the Company and its subsidiaries by incorporating new legislative developments introduced under the scope of application of Legislative Decree 231 of 8 June 2001. The subsidiaries have also adopted their own Model 231, commensurate with their specific operations, and appointed their own Watch Structure to monitor the implementation and effective application of this Model.

In line with the principles of continuous improvement in the control system and awareness of the importance of disseminating the contents of Model 231, both inside and outside the Company, and to ensure the model's effective application, Snam has developed a special training programme for all of its employees. As well as being an important tool for raising awareness among managers and the corporate workforce of the prevention of offences under Model 231, this training activity has led to widespread active participation by all employees in Snam's ethics and value system.

Model 231 can be viewed on the Company website (http://www.snam.it/en/Governance/Administrative_responsability/index.html).

Watch Structure and Code of Ethics Supervisor

The Watch Structure comprises the Internal Audit Manager, the Head of Legal, Corporate Affairs and Compliance, and three external members, one of whom serves as Chairman, who are experts in legal and corporate affairs and business economics and organisation.

Among other things, the Watch Structure monitors the effectiveness of Model 231 as well as implementation and updating activities. It reviews the adequacy of Model 231 in preventing unlawful conduct and is responsible for information flows in this area with the various corporate departments and with the supervisory bodies of the subsidiaries. The Watch Structure also performs the role of Code of Ethics Supervisor. In performing its tasks, the Watch Structure has unlimited access to corporate information for investigation, analysis and control activities. Any Company department, employee and/or member of Company bodies is subject to a disclosure obligation in the event of any request by the Watch Structure, and in the event of significant events or circumstances, for the performance of the activities falling within the remit of the Watch Structure.

Anti-corruption

Snam has been combating corruption for several years, expressly prohibiting "corrupt practices, illegitimate favours, collusion and requests for personal benefits for oneself or others, either directly or through third parties" in its Code of Ethics.

The new anti-corruption procedure, issued in October 2013 and replacing the previous MSG, prohibits bribery in any form in respect of any public or private, national or international party, and forms an integral part of a broader control system for corporate ethics adopted by Snam to ensure its compliance with national and international anti-corruption legislation,

including the UK Bribery Act, and the highest international standards in anti-corruption, and to safeguard its reputation. The anti-corruption procedure is also adopted in compliance with the tenth principle of the Global Compact, an international initiative launched in 2000 by the United Nations to support ten universal principles in the areas of human rights, labour, the environment and anti-corruption. Adoption and implementation of the procedure is mandatory for Snam and its subsidiaries, pursuant to a resolution by the Board of Directors. The Procedure can be viewed on the Company website (http://www.snam.it/en/Governance/Procedures/Anti-corruption_procedures/index.html).

Management procedures and systems

Snam believes that transparency and clarity in defining roles and responsibilities, reducing "grey areas" and differences of interpretation, are essential for the proper application of all of the standards that govern the management of all corporate activities. The reference documents for employees, which provide directions in this regard, are therefore very important.

In 2013, the Corporate System Framework was created.

This document represents the highest point of the pyramid of Snam's regulatory system, and was created to upgrade and simplify the structure of the previous Organisational Manual, adapting it to organisational changes and new corporate challenges. The new document brings together the corporate regulations within a framework structured into 24 processes (seven business processes and 17 staff processes).

SNAM GROUP PROCESSES



The Corporate System Framework represents a different approach, not only in terms of its content, but also in its form and the way it is used. The aim was to create a simple document that could be accessed immediately and applied across the entire Group, including to employees working abroad. Since Snam is now operating in an international context, this aspect was a special area of focus for a business that has set its sights on the

international markets and intends to grow further in this direction. The document has therefore been translated into English and French, so that personnel abroad can use it as a reference. For the same reason, references to Italian entities, institutions and laws have been removed. To manage some specific areas, such as occupational health and safety, the environment, the quality of services provided and, more recently, energy performance, Snam

also decided to adopt a range of specific management systems and to obtain certification for these under the most widely recognised international standards.

New certifications were obtained in 2013, and all the activities required to maintain certification were

implemented, including 312 audits (256 internal audits performed by specialist staff and 56 by external firms).

To check that the management systems used are effective 40 health, safety and environment audits were carried out on contractors operating at the worksites.

MANAGEMENT SYSTEMS

Company	Coverage certification	Type of certification and accreditation	Year of initial certification
Snam	Company	BS OHSAS 18001	2012
Snam Rete Gas	Company	ISO 14001	2013 (certification extended to the entire Company)
	Gas process systems	ISO 9001	2013
	Infrastructure Planning Unit	ISO 9001	2011
	Company	BS OHSAS 18001	2010
	Metering Unit	ISO 9001	2010
	Testing laboratory (conveyed gas flows)	ISO 17025	2007
	Dispatching Unit	ISO 9001	2003
	Calibration laboratory (mixtures of natural gas)	ISO 17025	2002
	GNL Italia	Company	BS OHSAS 18001
		ISO 14001	2000
Stogit	Company	BS OHSAS 18001	2012
	Design and delivery of natural gas metering and accounting	ISO 9001	2008
	Company	ISO 14001	2002
Italgas		ISO 50001	2012
	Company	ISO 14001	2001
		BS OHSAS 18001	2001
		ISO 9001	1996
	Calibration laboratory	ISO 17025	1994
	Testing laboratory	ISO 17025	1994
	Napoletanagas		ISO 14001
Company		BS OHSAS 18001	2003
		ISO 9001	2000

MARKET REGULATION

In Italy

The Electricity and Gas Authority has regulated the gas transportation, storage, regasification and distribution segments in Italy since 1997.

In the context of market liberalisation, regulation over time has become a tool enabling the economically sustainable development of infrastructure and non-

discriminatory access to services by all operators in the free market.

The quality and regularity of relations between Snam and the Electricity and Gas Authority play a key part in this process. Over the years, Snam has established constructive dialogue and proactive cooperation with the Authority by continually maintaining an advisory role and providing the necessary support to changes in the regulatory framework of the natural gas segment.

Specifically, the Group's companies individually:

- respond, either directly or through trade associations, to the public consultations that the Authority holds on different activities in the segment prior to defining new regulations or revising current ones;
- take part in technical working groups established by the Authority on changes to the regulatory framework;
- draft changes to the transportation, distribution, storage and regasification Network Codes, which are

then submitted to the Authority for approval;

- participate in gathering data and in surveys conducted during the year for purposes of evaluating the status of the sector or of the individual services, and periodically send the data requested in compliance with reporting obligations.

The table below summarises relations with the Electricity and Gas Authority for each regulated segment.

RELATIONS WITH THE AUTHORITY

Description	Transportation	Storage	Distribution	Regasification
Responses to consultation documents (no)	9	1	7	1
Responses to consultations/observations through trade associations (no) *	13	2	14	1
Tariff proposals (no)	4	2	3	2
Data gathering (no)	90	53	131	29
Investigations (no) **	3	1	1	0
Proposed amendments to codes and contractual documents (no) ***	15	3	0	2
Approved amendments to codes and contractual documents (no)	11	2	0	1

* Responses to consultations (Electricity and Gas Authority, Ministry of Economic Development and Energy Market Operator) through trade associations.

** Includes: exploratory investigations in the transportation segment.

*** Includes proposals still being evaluated by the Electricity and Gas Authority, including agreements and contractual documents with operators in regulated services.

Determining revenue and tariffs

The clarity, stability and transparency of the regulatory framework for determining revenue and tariffs are key factors for the economic sustainability of Snam, and are also important to network users, who are affected by costs associated with infrastructure use, and to financial investors, in terms of predicting returns on their investments. In general, tariff criteria are defined every four years. The revenue from all activities is calculated so as to ensure coverage of operating costs, amortisation and depreciation, and a fair return on net invested capital, which ranges, in general, from 6% to 8%. Incentives are also provided, differentiated according to the type of investments made during the course of each regulatory period. Every year, based on its own recorded revenue, each

Snam company formulates a tariff proposal which is submitted to the Electricity and Gas Authority for approval.

With Resolutions 438/2013/R/gas, 514/2013/R/gas and 573/2013/R/gas, the Authority has approved the tariff calculation criteria for the fourth regulatory period, for the regasification, transportation and distribution activities, respectively.

Regulatory period

SNAM RETE GAS	January 2014	December 2017
GNL ITALIA	October 2014	December 2017
ITALGAS	January 2014	December 2019
STOGIT	January 2011	December 2014

In Europe

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

In this area, Snam Rete Gas played an active part in the process of defining the European Codes in 2013, collaborating with regulatory authorities and commercial and infrastructure operators to prepare common rules for balancing and interoperability, which are in the process of being adopted in law. In 2014, European Codes will be developed on pricing and the sale of newly created transportation capacity.

Snam Rete Gas also played an active part in the process of preparing the Community-wide ten-year network development plan (TYNDP), published by ENTSOG in February last year, and is also working with other infrastructure operators to draft two regional investment

plans, one on the south-north corridor and one focusing on the south-east, involving new natural gas supply guidelines in the Caspian Sea area.

Through ENTSOG and GIE (Gas Infrastructure Europe, an association of European transportation, storage and regasification infrastructure operators), Snam also helped to prepare about 20 responses to public consultations relating to documents mainly proposed by the European Commission and ACER. The main themes subject to consultation related to the development of EU energy policies, changes to the Gas Target Model and the guidelines relating to European Codes. To facilitate the process of harmonising rules, Snam Rete Gas joined with 18 other transportation operators to create the company PRISMA, with the aim of early implementation of European provisions on the sale of capacity (the CAM Code) using a single, shared IT platform. Specifically, in April, the daily sale of capacity began between the Austrian exchange point at Baumgarten and the Italian gas system at the Tarvisio entry point, in coordination with the Austrian regulator and the interconnected transmission operator.

The first European Network Code (CAM Code) is adopted

On 14 October 2013, the first European Network Code was adopted through publication of Regulation (EC) No 984/2013, and its provisions will become legally binding as at 1 November 2015. The document is the first major step towards harmonising the rules of operation in the European gas market and will ensure access to transportation capacity according

to shared criteria and procedures. Specifically, the Code defines measures for the sale of hub-to-hub services through what is known as bundled capacity, which will be allocated using standardised auction procedures and a set of products harmonised throughout Europe that will facilitate exchange between the individual national markets and increase their liquidity.

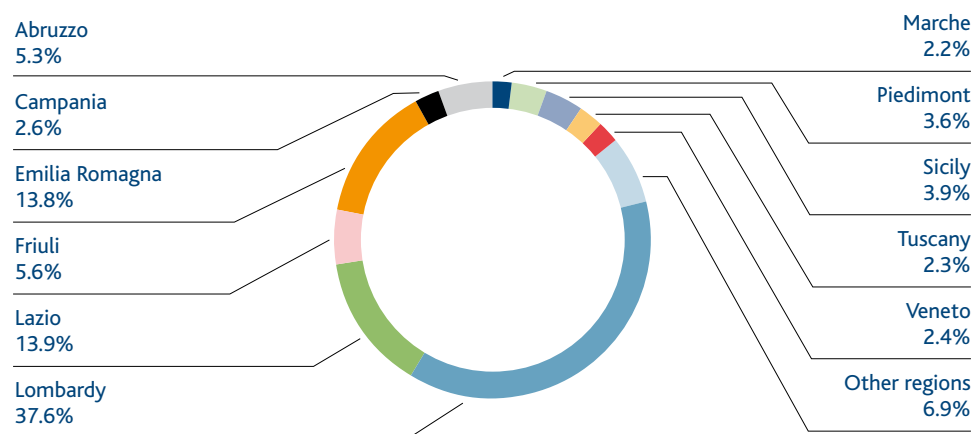
SNAM FOR SUPPLIERS ▸ GRI - G4: EN1

Snam operates in supply chains in its own interest, transparently and in full respect of free competition, and seeks to involve suppliers in achieving long-term high levels of performance, with the aim of reciprocal growth and creating shared value. Its supply policy also includes a particular focus on supporting small - and medium - sized local enterprises, in keeping with the Company's regional roots.

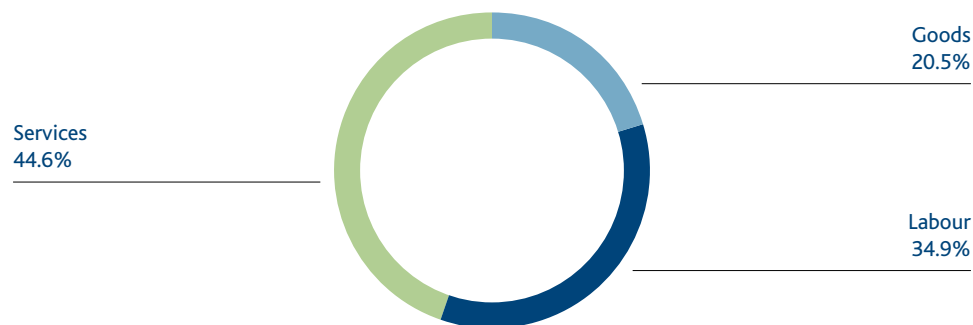
In what was one of the more difficult years for the economy and the national market in particular, Snam relied on more than 1,000 businesses, stipulating more than 1,600 supply contracts worth approximately €1.35 billion (€1.24 billion in Italy), divided between goods, labour and services.

Steel (tubing, fittings, etc.) accounted for the biggest proportion of the goods acquired by the Snam Group, with about 65,850 tonnes of supply recorded in 2013.

GEOGRAPHICAL DISTRIBUTION OF PROCUREMENT IN ITALY ▸ GRI - G4: EC9



PROCUREMENT BY NATURE OF GOODS



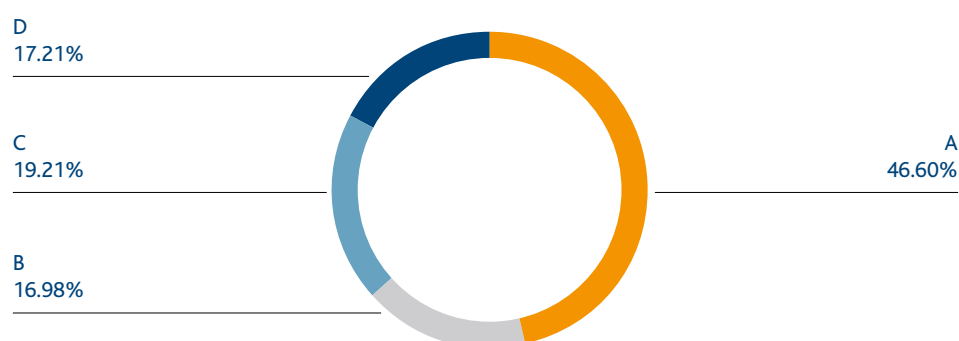
A clear and responsible relationship

Any parties intending to supply goods, labour and services to Group companies must not only meet its quality, price and reliability requirements but also share its drive towards innovating processes and its commitment to reducing environmental and social impacts and risks within the supply chain. This takes place through a rigorous and in-depth qualification process, which is the only way that the candidate supplier can enter into contact with Snam to showcase its current capacities and its future potential. In order to qualify for selection, potential suppliers must come through various preliminary evaluations,

both theoretical and practical, according to the nature and criticality of the goods involved. The evaluation is performed with the systematic support of computer tools in order to ensure that the information gathered is traceable and comparable.

Goods are classified according to four levels of criticality (A, B, C and D) that are allocated to each group of goods according to their technological complexity and the impact on Snam's performance. The A and B criticality classes represent the most critical level: more than 850 million of goods in these classes was procured in 2013 (amounting to some 63.6% of the total).

PROCUREMENT BROKEN DOWN BY CRITICALITY CLASS



Many elements are assessed, including technical and management capacity, economic and financial reliability, ethical profile (including for products), commitment to anti-corruption, safeguarding and protecting the environment, promotion of healthy and safe working conditions and the absence of forced or child labour. For the most critical goods, Snam's procedures also include

very stringent requirements, such as possession by the supplier of certified management systems compliant with international standards.

All 100% of critical suppliers, which represent about 14% of qualified suppliers, have certified quality and environmental management systems compliant with ISO 9001 and ISO 14001 standards.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2013	Sector	Status of activities
Works suppliers (criticality A and B) ISO 9001 and ISO 14001 certified (%)	2010	Achieve 100% by 2013	100	Snam Group	

Target achieved
 Annual target achieved (KPI with targets for more than 1 year)
 Activity in progress
 Target not achieved

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

In 2013, 638 suppliers were involved in activities related to renewals and new qualifications. At year-end, a total of 4,565 suppliers were qualified.

The driver towards continuous improvement

The qualification process is part of the broader Vendor Management system, which also includes the monitoring of suppliers through audits, inspection visits and assessments of their services, prepared with the help of the units responsible for managing their contracts. The system is designed to safeguard the integrity of the sustainability of the supply chain; Snam may place under observation, limit, suspend or even revoke the qualification of suppliers that fail to comply with the agreed standards. Possible failures include a lack of the technical and organisational requirements, negative assessments of the supplier's services or those of its

subcontractors, and failure to observe measures relating to regular contributions and the rules of Snam's Code of Conduct.

In 2013, Snam carried out 21 audits on critical suppliers in the qualification phase, collected 941 feedback statements relating to 196 suppliers and issued 64 measures for non-fulfilment, including notices and qualification suspensions and revocations.

In 2013, the services assessment system was incorporated into a pilot project that introduced a points reward system for suppliers registering no accidents during execution of construction and maintenance activities on the gas infrastructure. Collection also began of the accident indices of suppliers throughout their working cycles, and not only as part of their relations with Snam. This was done to encourage more transparency and knowledge about the supplier and, where necessary, to start specific awareness-raising initiatives.

Finally, in 2013 Snam continued action to raise awareness of and disseminate the ten Global Compact principles among its suppliers.



BREAKDOWN OF SUPPLIERS ACCORDING TO SUSTAINABILITY ISSUES ▷ GRI - G4: EN32-EN33-LA14-LA15-HR10-HR11-SO9-SO10

Suppliers ⁽¹⁾	Number	Working practices ⁽²⁾	Environmental criteria	Human rights ⁽³⁾
Goods				
Total qualified suppliers	1,538	36.7%	36.7%	100%
of which in criticality A and B classes	262	100%	100%	100%
Suppliers qualifying during the year	71	35.2%	35.2%	100%
of which in criticality A and B classes	9	100%	100%	100%
Labour				
Total qualified suppliers	504	61.3%	61.3%	100%
of which in criticality A and B classes	122	100%	100%	100%
Suppliers qualifying during the year	66	48.5%	48.5%	100%
of which in criticality A and B classes	15	100%	100%	100%
Services				
Total qualified suppliers	3,163	38.6%	38.6%	100%
of which in criticality A and B classes	235	100%	100%	100%
Suppliers qualifying during the year	216	28.2%	28.2%	100%
of which in criticality A and B classes	15	100%	100%	100%

(1) A supplier may be in possession of more qualifications.

(2) Aspects relating to health and safety.

(3) Ethical aspects (regular contributions/DURC (single insurance contribution payment certificate), Law 231, child labour, forced labour, etc.).

The new supplier portal for sustainability

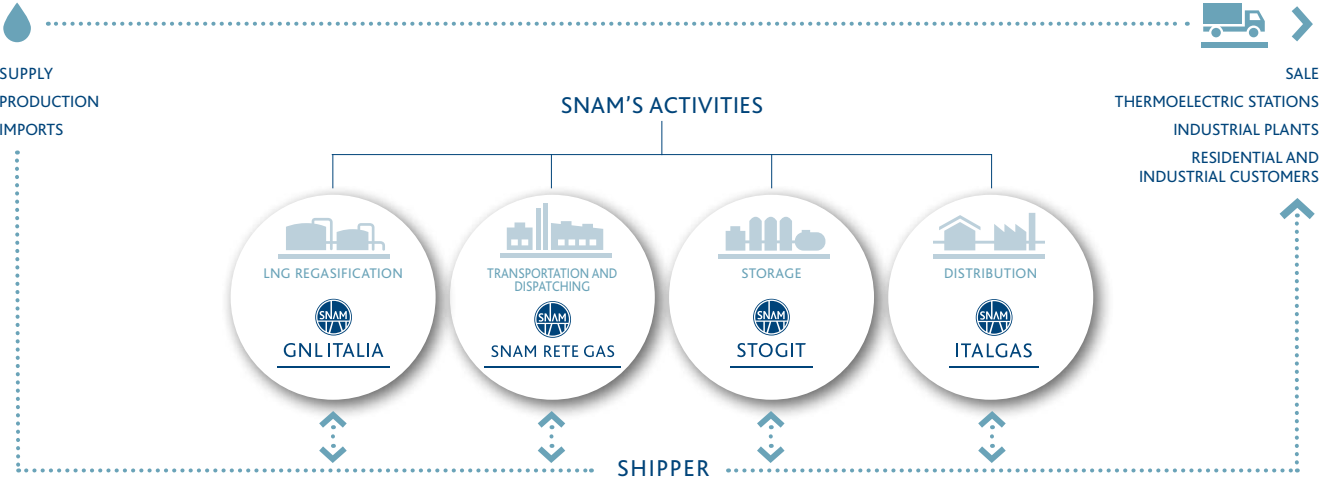
On 31 October 2013, Snam launched its new supplier portal, a web platform created as a single point of operational access to manage suppliers. In just two months of activity, about 350 users have also registered on the portal, and this number is expected to grow substantially in 2014.

The portal is designed to simplify and improve daily operations for everyone involved in managing the entire supply chain. It provides all potential interested suppliers with information

about tender notices and qualification procedures, while active suppliers are provided with information, in a dedicated area, on the goods classifications for which they qualify, their active contracts, performance in terms of safety at work and all administrative items and forms.

The new portal is also designed to strengthen the dissemination of corporate social responsibility by exploring and sharing good practices on matters of central importance for Snam, including the health and safety of its workers, human rights and respect for the environment.

Creating sustainable value



GROWING WITH THE NETWORK

The gas value chain

With its business operations, Snam is positioned in the middle of the gas value chain, between production and supply and selling to end users and consumers. In this position, Snam pursues its own economic sustainability through a value-creation model based on three key tools: investments, operational and financial efficiency and return for shareholders.

This model is closely correlated to the fundamental objectives of EU energy policy that represent the value that should be created for stakeholders in the gas system: security of supply, competition, sustainability and integration of the internal market.

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

In this context, and taking into account the negative trend in national gas demand, broadening and modernising the network is a vital factor in Snam's

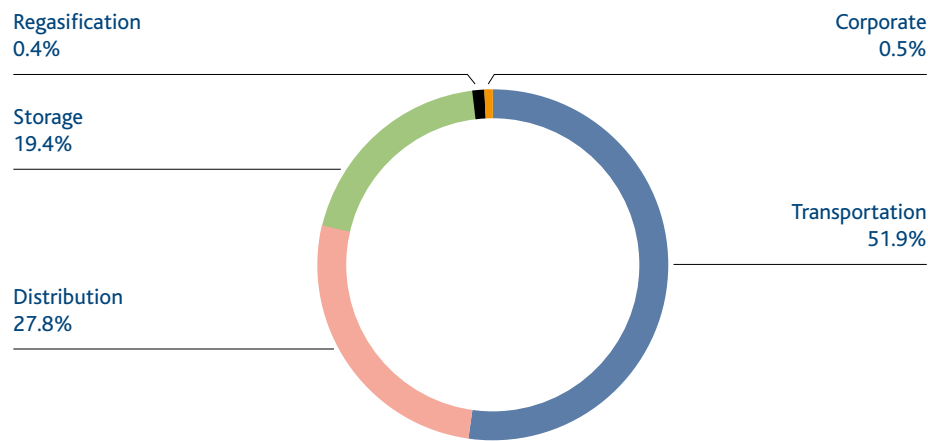


business development and is also a strategic opportunity for Italy as a whole.

It is only by investing in infrastructure, as well as developing reverse-flow technology and international partnership agreements, that Italy will play a decisive role in creating an interconnected, flexible European network, boosting cross-border trade and giving all consumers true freedom to choose their providers, with

more competitive prices and higher service quality. Snam supported the development strategy in 2013, making €1.29 billion in technical investments, in line with the amount spent in the previous year. The biggest proportion of this investment was in the transportation and distribution network. (See the Annual Report for further details on investments.)

TECHNICAL INVESTMENTS BY ACTIVITY



European expansion

After the acquisition of Interconnector with Fluxys, which led to Snam’s acquisition of TIGF, completed in July 2013 by Snam (45%) alongside Singapore sovereign wealth fund GIC (35%) and EDF (20%), represents another stage in the construction of the European gas market in which Snam aims to play an active role and in which it intends to add value to its industrial capacities in the integrated management of gas infrastructure.

TIGF is the second-largest operator on the French gas network, managing 5,000 km of gas pipelines (13% of total French transportation capacity) and two major storage sites, which together amount to 22% of transalpine storage capacity. The TIGF operation represents a sound foundation for a future link between Spain and central Europe. Snam invested approximately 600 million this significant transaction.

DEVELOPMENT AND QUALITY OF SERVICES

Snam is committed to supplying the gas that businesses and communities need on a daily basis and to safely managing all activities in the gas system, making available the operational capacity needed to satisfy market demands and granting access to all those who request it, under competitive conditions. Against this background, service security, continuity and quality are intrinsically linked and represent a value.

Snam's new role: from operator to market facilitator

Transportation capacity that allows for bi-directional flows between neighbouring States and shared rules for an integrated market: these are the conditions needed to meet the objective of the third European directive, i.e. the formation of a European gas market that is liquid, flexible and secure.

If a single European market is created, Snam aims to play an active role within it, not only as an infrastructure

operator but also to support and encourage the development of the market itself.

Although Snam has always made a significant contribution to strengthening the transportation network (investing € 8 billion since 2001), the entry into force of forward products for gas marketing in 2013 has led to a new phase for the Italian market, where the supply and demand relationship is prompting operators to compete.

Growing numbers of operators in Italy (currently there are 108 customers (shippers) and 20 traders), managing numerous gas trades and buying transportation capacity not just annually and over several years but also on more limited timescales of as little as a day, have led Snam to adjust its own commercial offering, making daily use of the PRISMA platform according to its needs. This enables customers to buy transportation capacity in a single purchase from all the transmission operators throughout Europe, without having to enter into contracts with each State crossed, well in advance of the European deadlines.

Snam Rete Gas meets deadlines early with PRISMA

In 2013 the collaboration between Snam Rete Gas and the PRISMA platform continued. A total of 22 European gas transporters from eight countries are involved in this international project, which offers transportation capacity via a single shared platform and aims to encourage the harmonisation of rules, access and the provision of services

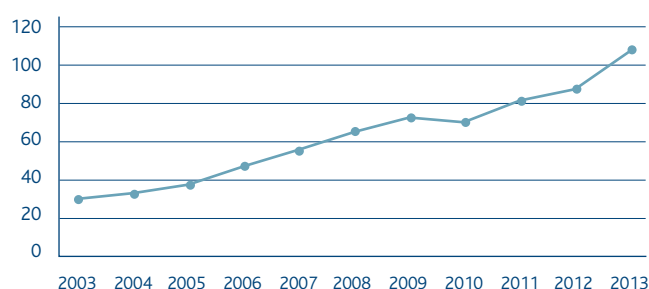
and facilitate the creation of a single European natural gas market.

On 1 April 2013, Snam launched the sale of primary transportation capacity from the interconnected import/export points at Tarvisio, Gorizia and Gries Pass using the new PRISMA European Capacity Platform. This represents voluntary early implementation of the European Network Code that will enter into force in 2015.

Service quality

In 2013, the number of active users of the transportation service increased substantially, from 88 to 108 (+20%). In the same year, 35 connection contracts were stipulated for the creation of new delivery/redelivery points.

NUMBER OF USERS



More than 375 million cubic metres of transportation capacity was made available to Snam Rete Gas customers on average during the year. This was provided at the network entry points and included the available capacity relating to the new entry point at Livorno. Access to the service was guaranteed for all the operators.

The process for defining all transportation capacities has been ISO 9001-certified since May 2011. This certification, which was renewed in 2013, shows Snam Rete Gas's continual commitment to developing proprietary software for modelling the network and solving the fluid-dynamics equations that regulate physical gas flows.

Pursuant to the Decree of the Ministry of Economic Development of 27 February 2013, Snam Rete Gas began drawing up the ten-year development plan for its natural gas transportation network on 1 September 2013. The drafting process will end with the submission of the development plan to the Ministry of Economic Development, the Electricity and Gas Authority and the regional authorities.

Meanwhile, thanks to new expansion work carried out by Stogit, storage capacity was boosted by 0.7 billion cubic metres compared with the previous year, from 10.7 billion in 2012 to 11.4 billion in 2013 (15.9 billion including strategic storage). Of this capacity, 9.9 billion cubic metres was allocated in 2013.

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

The performance of Snam Group companies remained strong in 2013 with regard to these indicators: there was 99,8%% compliance with standards in distribution and the compliance with standards in transportation and storage have been carried out.

Effective as at 1 December 2011, the Electricity and Gas Authority has entrusted Snam Rete Gas, as Italy's biggest transportation company, with the role of Balancing Supervisor as part of the regulation of transportation, dispatching and storage services. On 15 November 2013, the Authority launched a second balancing session in addition to the first, enabling Snam Rete Gas to find resources in advance to reduce the scale of the predicted imbalance in the system. More details can be found in the Annual Report.

In 2013, Snam Rete Gas collaborated with the Energy Market Operator to launch the natural gas forward market, completing the process that began in 2011 when the Ministry of Economic Development issued Legislative Decree 93 to implement the EU Third Energy Package for the development of physical and financial energy forward markets. From September, operators have been able to trade gas lots with weekly, monthly, quarterly or annual delivery periods, longer than those available on the market. Delivery of the quantity traded and the relative recognition in the gas balance of each user involved in the trade takes place via registration of transactions on the VEP (Virtual Exchange Point) managed by Snam Rete Gas.

The new market can provide operators with transparent pricing signals and the opportunity for medium- and long-term hedging, helping them, as is already the case across the border, to supply gas across a broad time horizon.

Shipper's Day

In January 2013, Snam Rete Gas held a Shipper's Day event to present its strategies, the main developments in national and

European legislation and the effects of these on commercial processes involving users. More than 130 people attended the event, representing about 80 companies.

The certification plan: Snam Rete Gas reaches a new milestone

In October 2013, Snam Rete Gas obtained certification of the Quality Management System, implemented pursuant to standard UNI-EN-ISO 9001:2008, for its gas process systems (planning, development and centralised management of process and remote-control systems for the dispatching and

metering of natural gas in the transportation network). This achievement was the result of corporate policy directed towards providing an increasing range of high-quality services. The new certification stands alongside the certification already obtained by the Dispatching and Metering departments, creating an outstanding cluster of excellence within the General Operations department of Snam Rete Gas.

CUSTOMERS

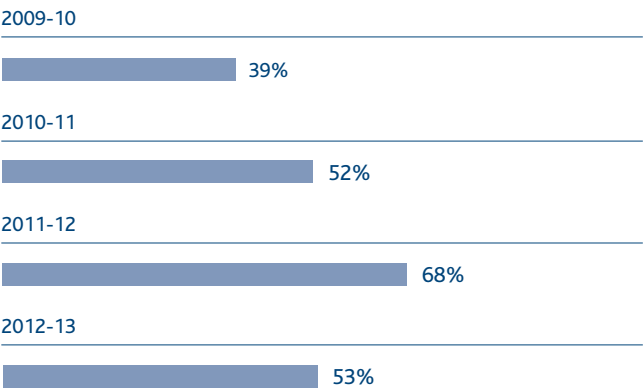
	2012	2013
Transportation		
Contracted transportation capacity/Available transportation capacity (entry points connected with foreign countries) (%)	90.0	87.0
Compliance with time frame for issue of connection offer (%)	100.0	100.0
Compliance with execution times of services subject to specific trading quality standards (%)	100.0	100.0
Service interruptions with sufficient notice (%)	98.0	93.0
Regasification		
Compliance with maximum time for accepting monthly delivery programming proposals (%)	100.0	100.0
Compliance with maximum period of interruption/reduction in the terminal's capacity for maintenance operations (%)	100.0	100.0
Storage		
Contracted storage capacity/Available storage capacity (%)	100.0	86.0
Compliance with execution times of services subject to specific trading quality standards (%)	100.0	100.0
Compliance with time for the notification of users of revised capacity conferred due to transfers (%)	78.0	100.0
Connecting flow lines subject to surveillance (%)	97.0	76.0
Total capacity not available due to service interruptions/reductions (%)	0.0	0.0
Distribution		
Compliance with maximum time set for execution of services subject to specific trading quality standards (%)	98.7	99.3
Compliance with appointment times agreed with customer (%)	99.5	99.3
Compliance with standard set for meter reading attempts (%)	99.7	99.9
High- and medium-pressure networks inspected (%)	37.2	46.3
Low-pressure network inspected (%)	35.1	44.4
Compliance with maximum time for arrival at location in response to emergency call-out (%)	98.6	98.3

Perceived quality ▷ GRI - G4: PR5

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

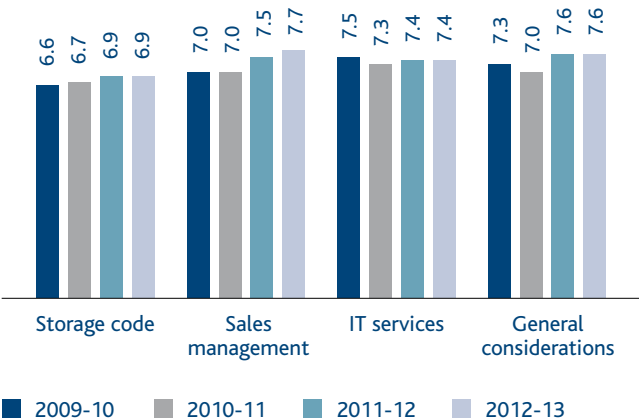
suggestions from users aimed at improving the areas covered in the questionnaire. The participation rate for the 2013 survey was 53%, down compared with approximately 68% in the previous year. Despite this, the ratings, expressed on a scale from 0 to 10 and broken down into the respective macro areas of reference, showed substantial improvement in how the service we offer is perceived.

STORAGE ACTIVITIES: RESPONSES RECEIVED BY THERMAL YEAR



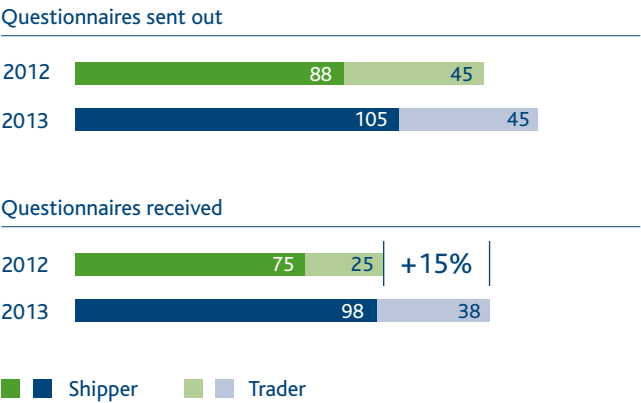
Snam Rete Gas conducted its second transportation customer satisfaction survey in 2013. Customers were asked for their opinions on the ease-of-use and comprehensiveness of the Company website and were invited to assess the quality of new services, processes and IT portals provided for the transportation and balancing activities, including by comparison with those

AVERAGE RESULTS BY THERMAL YEAR (no)

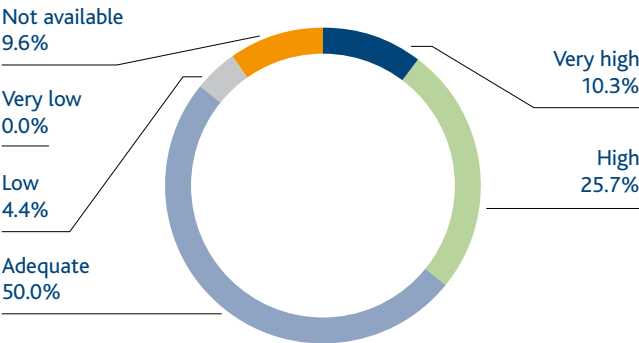


provided by other European transporters. The survey of 150 respondents, which had a participation rate of more than 90% (15% more respondents than in the previous version), indicated a more than satisfactory perception of the services offered, with interesting signs of improvement, subdivided by macro area of reference.

TRANSPORTATION ACTIVITIES: PARTICIPATION IN CUSTOMER SATISFACTION SURVEY



CUSTOMER ASSESSMENT OF CS INITIATIVE



More than 80% of the respondents said they were very satisfied with the stakeholder engagement practices implemented by Snam Rete Gas to boost positive dialogue with its stakeholders.

During the annual Shipper's Days, at which the Company shares its future development plans with shippers, the results of the customer satisfaction surveys are presented in detail, as are the improvement plans identified to meet the requirements of users.

Simplifying commercial processes

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

IT systems and online portals

In this context, IT systems are very important and are continually being developed. Snam receives new provisions from the Authority via these systems. The online portals, which are used to manage customer relations, also undergo continuous development. In 2013, the IT applications and related web interfaces with users of the transportation portals were developed, again with the involvement of customers, to improve management linked to the balancing system and enabling management of the second balancing session. Functions were also introduced that, using information provided by the distribution companies, enable Snam Rete Gas and its users to assess "adequate capacity" to monitor its balancing position more effectively and thus safeguard the gas system.

Stogit is still involved in developing its IT systems so that the quality and fluidity of the service is continuously improved, in accordance with the

regulations issued by the Electricity and Gas Authority. In 2013, the transportation segment conducted a feasibility study on the creation of an online portal to support the disconnection and opening of redelivery points on the transportation network. Starting in 2014, the portal will simplify related activities for users by using a single, clear channel of communication and monitoring request statuses in real time.

As part of the Default Transportation Supply Service, in 2013 Snam:

- held a public call for tenders to select three users to provide the Default Transportation Service in accordance with Electricity and Gas Authority provisions;
- started and finished the computerisation of activities related to this service, enabling the nominated users to fulfil the obligations laid down by the Electricity and Gas Authority in a straightforward manner thanks to the new functionalities available on the Capacity and M-Gas portals.

The creation of a new IT platform to support gas transportation programming and balancing processes is also under way. This is expected to be available by the end of the first half of 2014, guaranteeing better system reliability and performance as well as flexibility and scalability in introducing new requirements, such as those arising from changes to national and European regulation (MWh, nomination cycles, new communication protocols).

In accordance with the storage code, the Stogit capacity portal, which covers all exchanges of information between Stogit and its customers, has been enhanced by the implementation of the strategic storage portal, allowing users to communicate their imports/exports each month and the implementation of the new auction allocation process.

The SAMPEI system was adapted to manage new contracts, various user warehouses and new delivery modes, pursuant to ministerial decrees and resolutions of the Electricity and Gas Authority issued in 2013.

Changes in access to the transportation service

The collaboration continued between Snam Rete Gas and PRISMA to make new functions available from the start of 2014 relative to the secondary market for capacity transactions between users, and the entire set of capacity products defined by the CAM Network Code.

In 2013, Snam Rete Gas, in collaboration with PRISMA

technical staff, held two workshops (attended by more than 100 shippers) to present the mechanisms for the daily capacity transferral based on auctions and the new functions relating to the secondary capacity market.

Snam Rete Gas works hard to ensure that its customers have access to the interconnection points with foreign transportation systems by computerising access to transportation services (capacity portal).



(*) Indicative timeframes pending definition of regulatory framework.

SHARED VALUE

An original interpretation

The new market landscape in which Snam now operates, with the change in paradigm that is transforming the Group from an asset and infrastructure operator to a market facilitator, clearly opens up new opportunities. Snam's move toward positioning itself among the top players in regulated gas activities involves modulating an innovative approach to corporate sustainability; it involves defining a network citizenship model as the key to juggling the difficult challenge of competitiveness and system reliability with local presence. It involves reconciling the two-fold level in which Snam operates: the "macro" role as European market leader and the demand for executing and managing infrastructure established locally.

This change in the scenario has provided an opportunity to review Snam's sustainability strategy, in keeping with its value structure. Snam's corporate responsibility approach is based on the assumption that a company's role goes beyond service delivery and the consequent generation of economic value. There is much more to it. Snam's ecosystem is an open system that interacts with multiple stakeholders, and through this interaction the

Company can create not only economic value, but also social value.

The Company therefore aims to make the incorporation of sustainability within its business strategies an essential part of its long-term vision. The Shared Value theme is a powerful key to understanding this concept. For Snam, the innovation inherent to this concept is consistent with a stronger approach to reducing and controlling operational and reputational risks, thus creating the conditions for a competitive advantage for the Company and the regions in which it operates. Snam took up this idea and was one of the first Italian companies to begin a process of reflection in early 2012, aiming to use this new strategic impetus to more effectively combine oversight of risk factors, consolidation of business ethics and enhancement of reputational capital with which management could make the Company a key player in the country's development. This initial reflection phase was followed by development of an interpretative summary model, leading to a review of the key business processes within this perspective, with the aim of systematising and bringing out not only the Shared Value already produced but also opportunities to produce new value.

This model, loosely based on the theory expressed by

Porter and Kramer, was intended to tailor the approach to Snam's specific situation and the context in which it operates. The Shared Value concept was thus the starting point for a review of the Company's sustainability approach. Snam aims to create shared value by identifying available corporate assets (knowledge, spaces, skills, operations) that, for a marginal cost, could be made useful for stakeholders, i.e. Snam's primary interlocutors (e.g. representatives of communities and regions, universities and research institutes, shippers and suppliers, to name a few). This is not simply distribution for philanthropic purposes, but rather involves bringing external rationales into core strategies: not "giving" but "partnership". This is the only way to activate innovation processes: a company that operates in a sound socio-economic context, and helps to improve it, is sustainable and acquires a competitive advantage. To sum up, Snam aims to generate full sharing of its tangible and intangible resources with society, to help to answer both minor and major needs.

Progress made to date and new projects launched

By applying the interpretative model, it was possible to highlight some actions already in progress that were consistent with the Shared Value framework (already reported in the 2011 and 2012 Sustainability Reports), and then to identify those corporate processes with the most potential.

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

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

At this point, the Company began a process of identifying Shared Value initiatives and projects, so that

an action plan could be drawn up by launching, in an initial phase, feasibility studies on some projects with high potential. The aim of the studies, performed by the Sustainability department with the help of the relevant divisions, was to identify new potential planning areas and assess their materiality, objectives and potential, in order to then plan the necessary actions, assessing the expected results, timeframes and resources.

In 2013, 10 feasibility studies were carried out, based in a consistent way on the four areas for development set out below, in which Snam plans to build hypotheses for the development of its sustainability approach, identifying specific high-impact actions.

- **Open data:** sharing and appraising, with local and institutional players, information arising uniquely from Snam's core businesses, to create synergies and disseminate knowledge throughout the regions in which the Company operates.
- **Greenways:** identifying the most appropriate ways of activating processes to create regional value, using Snam's own assets and network infrastructure throughout the peninsula as tools for osmotic exchange with the region.
- **Sharing Local Energy:** sharing with the region, at a marginal symbolic cost, the assets (structures, spaces and knowledge) of the compression stations to feed resources, skills and energy at local level, making them available to local players for environmental protection and social cohesion projects.
- **Powering innovation:** identifying potential technological partnerships, with a view to developing innovative products and services that might improve the business and at the same time increase suppliers' ability to open to new markets.

In 2014, Snam will publish a specific document reporting the results achieved and future targets for reinforcing the Shared Value theme.

For regular updates on Shared Value and the planning achieved and under way, visit "www.snam.it".

Safety in the business culture



The gas that Snam transports every day meets the energy needs of businesses and households. This means that customers and consumers place great emphasis on the value of accessible prices and a high-quality, uninterrupted service.

This also has to be the primary goal of any entity responsible for developing and managing network infrastructure. But Snam is well aware of the other value that is also a priority for everybody: being able to use gas wherever necessary, at home and in business, with the guarantee of safety for both people and property. Snam has therefore always put safety first, making it the linchpin of its corporate culture and rooting it primarily in people, encouraging the growth of technical and

operational knowledge so that gas represents a safe and reliable energy source for everyone.

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

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



Network oversight and maintenance ▷ GRI - G4: PR1

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

The 11 gas compression stations situated along the 32,000 km of pipeline network are controlled directly by the recently renovated dispatching unit at San Donato

Milanese, which is responsible for ensuring that pressure levels are sufficient to meet demand.

The dispatching unit is a strategic infrastructure that manages gas flows in the national transportation network: its 24/7 operations room monitors and remotely controls the main pipelines and the compression stations of the Italian gas system. A 46-m² video wall gives operators an overview of the national gas transportation network, showing the major points of interest and related information.

The dispatching unit regulates and controls the national gas transportation system to ensure that it functions safely, reliably and efficiently, and it also oversees balancing on the basis of actual gas demand, which can fluctuate significantly on a daily and seasonal basis.

OVERSIGHT AND INSPECTION OF TRANSPORTATION ACTIVITY

	2011	2012	2013
Network inspected using intelligent pigs (km)	1,145	2,098	2,342
Network inspected with helicopter fly-overs (km)	14,100	>15,000	15,400

Business Continuity

In 2013, business continuity and crisis management were again two areas of special focus for the Company, and it continued its activities in this regard, with the aim of continuous improvement in the business continuity management system. Work stations were created at alternative offices for the Group's critical processes; a specific training course

on the subject will be delivered in e-learning format in 2014 to everybody in Snam's critical processes with a key role in the event of emergency; development began on an IT system to support business continuity processes; test plans were structured to assess the operational efficiency of business continuity; and, finally, programme compliance with international standards and regulations was assessed.

In distribution, Snam regularly undertakes inspections and maintenance operations at its gas reduction plans, and continually checks the condition of the steel pipes: in 2013, approximately 10,079 significant points on the network were monitored, and approximately 29,000 specific measurements were taken. More than 23,000 km of network were inspected.

Preventative checks on the reliability of the distribution system by seeking atmospheric gas dispersions is an important source of information used to decide what action to take. To make the otherwise odourless and colourless gas detectable when it is dispersed, Snam uses odourisation plants equipped with innovative automated injection systems, which measure out quantities of odouriser according to the volumes of gas distributed.

Infrastructure safety: drill programmes

Within the infrastructure safety framework, Snam and the operating companies that it controls pursue their own improvement targets, including by taking part in institutional drill programmes.

In 2013, the main national drills in which Snam took part related to earthquake and volcanic risks with submarine involvement, giving rise to tidal waves.

These involve information exchange and the sharing of methods and practices, with the institutions overseeing infrastructure safety and the companies providing essential services for the welfare of the country. In this context, Snam collaborates with the Italian Department of Civil Protection, with the aim of strengthening the management model for emergency response in procedural, organisational, training and operational terms.

In the procedural and organisational domain, Snam has adopted the revisions to the national assistance programme for earthquake risk, which are highly relevant to the restoration of infrastructure and networks required for continuity in economic and productive activity and the return to normal conditions in the country. Snam also structured this approach in more detail when the national emergency plans for the active volcanic areas in Campania were revised and adjusted its own operating practices, impact assessment procedures and the relative mitigation measures.

In June, Snam took part in the training initiative organised by the Department of Civil Protection on natural risks in Campania for transportation companies and companies providing essential services, with the aim of adopting emergency plans relating to volcanic risks.

Organisational structure of distribution emergency management

For its operating activities, Snam uses an organisational structure that is based around:

- an integrated national supervision centre (remote control of plants, receipt and management of intervention requests);
- operating units, located throughout the region served, that are expressly dedicated to intervention management.

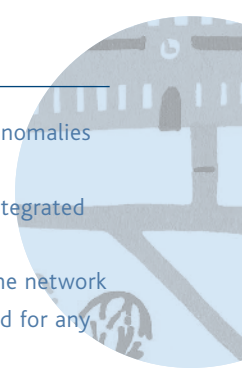
The integrated centre, which comprises two supervision sites at Turin and Naples, is staffed 24 hours a day, 365 days a year. In 2013 it received about 663,000 calls: 125,000 of these generated interventions by the operating units in the region. The efficient, closely connected system of plant remote

control ensures timely intervention in the event of anomalies or limited or interrupted service.

The system, which is constantly monitored by the integrated supervision centre, allows us to:

- immediately record the volumes of gas entering the network and the parameters of the auxiliary plants, required for any regulatory manoeuvres;
- document any anomalies and the corrective action taken in response;
- process the data monitored.

Data from remote control and remote reading are made immediately available throughout Italy telematically, so that the operating units have a continually updated picture of the status of the distribution system.



HEALTH AND SAFETY AT WORK

The Snam Group has always been committed to increasing and promoting the protection of health and safety in the workplace.

Continuous improvement in safety performance is based on implementation of the Company's Health and Safety, Environment and Quality Policy, whose principles apply both in cultural terms, to improve personal attitudes, conduct and responsibilities, and in systemic terms, promoting the implementation throughout the Company of suitable and consistent management systems that are certified and maintained in accordance with the OHSAS 18001 standard. Responsibility for implementing the policy is divided between the HSEQ department within Corporate, where the coordination and guidance functions for the entire Group are centralised, and the corresponding structures in the individual companies

with specific guidance, coordination and support tasks in respect of the relevant operating units.

Seeking and adopting good corporate practices is progressively promoted, in line with changes in the regulatory, ethical and market contexts, not only in the sphere of the Company itself but also to the suppliers concerned, in order to extend and improve collaboration on achieving the best possible performance and conduct in terms of health and safety management. Performance and conduct are constantly assessed and checked using benchmark standards.

In 2013, the new three-year programme "Objective Safety" was launched, designed to act in a specific way on the health and safety culture among employees. The programme contains some initiatives that have already been launched and some new actions, all of which require staff involvement and participation.

"Objective Safety" Project

The project's main goals include the improvement of H&S performance and the steady reduction of incidents and accidents at work, as well as the "zero accident" target.

Initiatives of the Objective Safety Project:

- Health and safety training: development of a systematic approach, defining consistent training programmes and materials for the whole Group;
- Safety messages: development of activities that involve all staff and communication activities, with safety information and messages disseminated on the IT devices allocated to operating personnel;
- Safety handbooks: promotion of information on risks, good practices and prevention measures, with the publication of a series of handbooks to which environmental themes can be added;
- Safety communication: renovating the safety communication campaign, showing new safety images and messages in working environments;
- Safety agenda: raising safety awareness by customising the desk calendar with specific health, safety and environmental information and messages;
- Safety Walk: on-site visits at the operating sites by technical and operating staff and management to promote involvement and the sharing of experience and aspects relating to health and safety at work;
- Safety performance: implementation of the "Safety Trophy" (a competition between similar groups of operating entities that compete with each other to achieve the best safety at work results (number of accidents, severity, suggestions for improvement, "near-miss" reports, etc.) and the "zero accidents" initiative (a competition between similar groups extended Company-wide, with a target of 365 consecutive dates without accidents);
- Implementation of health and safety controls: monitoring and controlling compliance with legislation, deadlines and corporate provisions on health and safety at work, using auditing methods and checks on legislative compliance;
- Collaboration with INAIL: implementation of relationships for the development of knowledge and collaboration on health and safety matters;
- Supplier network: creation of a portal shared by the Company and its suppliers to develop a process of involvement, sharing and communication on managerial, technical and operational topics;
- Application for collecting and analysing information on accidents: development of an IT system for signalling and managing accidents among employees and suppliers;
- Safety Trophy for subcontractors: development of a competition for suppliers, currently established at Snam Rete Gas, Italgas and Napoletanagas, that aims to involve suppliers and disseminate a culture of prevention of, and attention to, health and safety matters.

ACCIDENT PREVENTION

La prevenzione degli infortuni, in qualità di principale Preventing accidents, which is the main aim of health and safety, takes place through targeted action to eliminate or reduce the typical risk factors associated with working activities.

In-depth accident analysis is designed to identify any measures to eliminate, mitigate and correct risk factors, by applying technical and management organisational solutions to equipment, plants and workplaces, as well as operational and behavioural procedures.

The actions and results arising from the accident survey are explored in detail during regular safety meetings, where employees are informed about accident causes and any preventative and protective measures adopted. Improvement and prevention plans focused on reducing

accidents have mainly involved structured actions for informing the personnel and raising their awareness, to promote safe and responsible conduct, adherence to operating and safety procedures and the proper use and maintenance of work equipment and protective devices. In addition to these plans, plant and safety equipment, systems and devices are maintained and checked by both internal staff and by external entities or qualified external firms.

This ensured that the number of accidents among employees was limited: a good performance was achieved, with 15 accidents (the same number as in 2012) and no fatalities. As the total number of hours worked was the same as in 2012, the frequency index was also identical to the previous year (1.51), while the severity index was 0.09 (+50%), indicating that the nature of the events had more significant consequences.

ACCIDENTS AT WORK (no)

	2011	2012	2013
Total employee accidents	22	15	15
Total contractor accidents	78	27	22

ACCIDENTS AT WORK (no) Employee frequency index

2011

2.2

2012

1.5

2013

1.5

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

ACCIDENTS AT WORK (no) Employee severity index

2011

0.06

2012

0.06

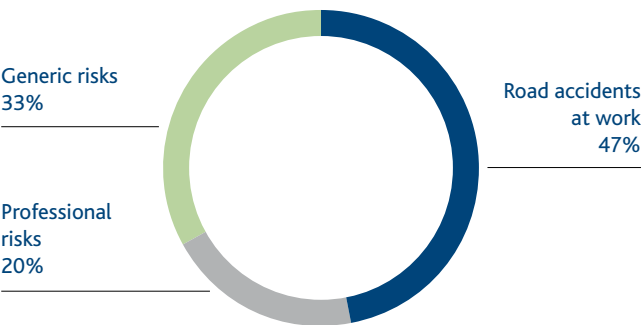
2013

0.09

Number of working days lost (calendar days) in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked.

The commitment to training continued, in line with previous years. All health and safety courses were organised and delivered in compliance with the agreement of 21 December 2011 between central and regional governments. Relevant technical and professional training is conducted in classrooms and on the job, favouring in-house teaching from experts and, where appropriate, collaborating with external training institutions and organisations of excellence.

CAUSES OF EMPLOYEE ACCIDENTS



HEALTH AND SAFETY TRAINING (no) ▷ GRI - G4: LA9

	2011	2012	2013
Hours provided	28,563	26,959	34,641
Attendance	4,452	4,062	4,255

A ZERO-ACCIDENT YEAR* ▷ GRI - G4: LA6

Company	Homogenous group
Snam Rete Gas	Central Eastern District, Central Western District, Operations (S. Donato site), Investment Project Creation, South Eastern District, Staff Site (P-AD-SUPC-PAC)
Italgas	North District, Sicily District, South Distribution Networks Project, Central District, North-West District, South District
Stogit	Clusters of Minerbio – Sabbioncello, Sergnano – Ripalta, Brugherio – Settala, Cortemaggiore – Bordolano and Crema Operating Site
Gnl Italia	All companies (2 homogenous groups)

(*) Homogenous groups that achieved 365 days without accidents in 2013.

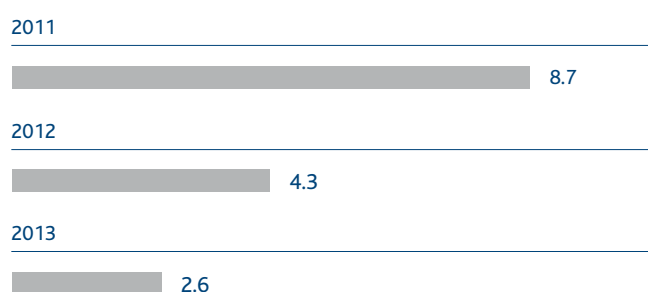


At the same time, the launch of initiatives involving suppliers, and the constant and progressive raising of supplier awareness of the need to adopt best practice, led to positive improvements in health and safety management during subcontracting activities. Particular attention is paid to supplier qualification and subsequent assessment, using a feedback model and

specific inspection procedures conducted as work is being performed.

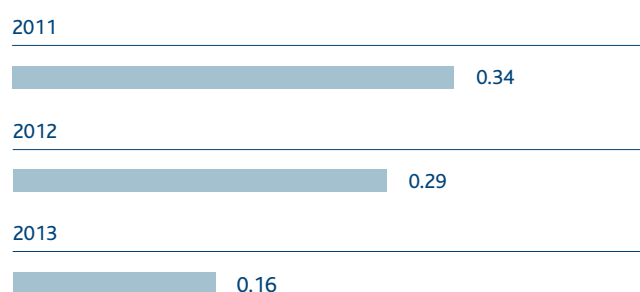
The supplier accident indices, which are also taken into account in the supplier qualification assessment, recorded a marked decrease in the frequency index (-38%) and in the severity index (-45%) in 2013.

ACCIDENTS AT WORK (no) Contractor frequency index



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

ACCIDENTS AT WORK (no) Contractor severity index



Number of working days lost (calendar days) in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked.

"Make comparisons to prevent and improve"

This is a workshop that focuses on building shared value between the Company and its suppliers. It involves sharing best practice, joint analysis of critical areas in the management process for HSE matters, activation of continuous improvement processes and widespread diffusion of a culture of safety and environmental protection. These are the targets for the third edition of the programme, which was launched by Snam in 2011 with the "Supplier's Day for Sustainability" initiative, and repeated in 2012 with an employees' day addressing the subject "My safety is your safety". Special attention was paid to the importance of those suppliers that the Snam Group regards as primary stakeholders.

The Group aims to implement the strategic plan and carry out action to maintain its assets with these stakeholders, in the interests of interacting with each other and making continual comparisons so that quality of service can be enhanced and a continuous improvement approach ensured for HSEQ services. Some new initiatives developed by Snam were presented during the event, designed to make its supply chain increasingly efficient. These included the new vendor rating model, designed to implement service quality, creation of the Safety Trophy to reward subcontractors that invest in safety and achieve outstanding performance, and the supplier portal, the new platform designed to manage supply chain processes more efficiently and to create an IT networking system that is better organised, to share good practices and awareness from a "shared value" perspective.

SAFEGUARDING HEALTH ▷ GRI - G4: LA7

Safeguarding workers' health is ensured by continual monitoring of the risks identified in the performance of work activities for corporate personnel.

Snam's employees are not exposed to a high risk of occupational illness. For workers exposed to special risks, appropriate prevention and protection measures have

been supplemented with the performance of appropriate regular health checks carried out by the competent doctor based on special health protocols defined according to the type of risk.

During the year, there were 2,674 medical visits (of which 2,610 were regular check-ups), 2,989 diagnostic exams and 29 laboratory tests.

Snam has developed a series of initiatives and services over the years to safeguard the health of its staff.

HEALTH MONITORING (no)

	2011	2012	2013
Doctor's visits	2,533	3,208	2,674
Regular doctor's visits	2,199	2,636	2,610
Diagnostic exams	2,027	3,504	2,989
Environmental investigations	401	272	260
Occupational illnesses indicated	0	0	0

WORKERS RECEIVING REGULAR HEALTH CHECKS (no)

	2013
Total number of workers exposed	4,027
Workers exposed due to VDT usage	3,270
Workers exposed due to emergency role	841
Workers exposed due to chemical agents	326
Workers exposed due to manual movement of loads	104
Workers exposed due to night work	84
Workers exposed due to noise	19
Workers exposed due to other reasons	351

Promoting health

Specific initiatives to promote health among employees have been launched, including:

- An early cancer detection programme in cooperation with the Italian League against Cancer and with participating health facilities;
- Special health check-up programmes for managers;
- Insurance cover for occupational and non-occupational accidents;
- A financial subsidy for employees in San Donato and Rome for membership in participating gyms;
- High quality in corporate catering, using services that ensure the use of first-rate raw materials, keep the nutritional value in the preparation process and maintain the quality of the environments and facilities where the service is provided. Take-away is another attractive option, allowing employees to save time by reserving dishes to eat at home.



Protecting local areas



Safeguarding the environment is an integral part of corporate policy and investment decisions for all Snam's activities, and the Company is fully committed to an approach in which the environment and economic development can exist side by side, without neglecting the protection of local areas.

Snam adopts specific certified management systems for environmental matters to oversee corporate processes and activities. In 2013, Snam Rete Gas extended certification of its environmental management system in accordance with ISO 14001 to the entire company. As a result, all of Snam's operating companies are now certified in accordance with this standard.

The key themes at global level, and the nature of

Snam's operations, have caused the Company to focus on two main challenges: combating climate change and reducing energy consumption, and safeguarding nature and biodiversity.

This commitment, which has been formalised in the Group policy issued in February 2012, has been applied in a whole range of environments: promoting sustainable use of natural resources; preventing pollution and protecting ecosystems and biodiversity; implementing operating and management actions to reduce greenhouse gas emissions, with an approach that aims to mitigate climate change; and managing waste to reduce production and promote recovery at its final destination.



The responsibility for implementing the policy is shared by Snam's HSEQ department, which focuses on the functions of coordination and general guidance for the entire Group, and the HSEQ structures in the individual companies that have the tasks of specific guidance, coordination and support for the relative operating units.

Snam has infrastructure in every region of Italy, in areas and communities with different values and traditions as well as different economic, social and environmental conditions.

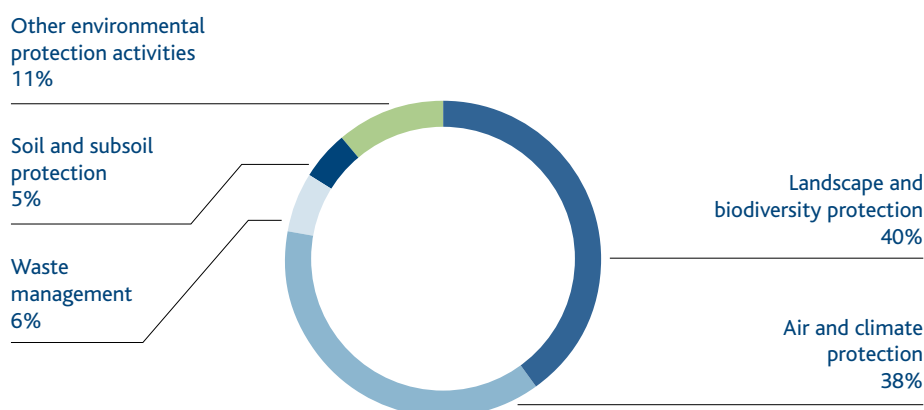
In this context, Snam's policy is to build new infrastructure, adopting a rigorous, transparent and cooperative approach to ensure that establishments are environmentally compatible and to encourage

their acceptance by stakeholders. Snam's priority is its relations with central and local government. In 2013, in the transportation segment, meetings were held with 61 union representatives to present the projects already achieved and 15 meetings took place with farming associations.

In 2013, environmental expenses amounted to approximately 166.6 million (141 million for investments and 25.6 million for management costs).

Around 808,000 has been spent on donations, sponsorships and local initiatives, excluding environmental compensation. ▷ GRI - G4 : EC7

ENVIRONMENTAL EXPENSES SUBDIVIDED BY TYPE ▷ GRI - G4: EN31



PROTECTING THE ENVIRONMENT AND BIODIVERSITY ▷ GRI - G4: SO2

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

Assessments of the effects on the surrounding environment concern all phases of a project's life cycle: location, design, execution, operation and decommissioning. These assessments are made as part of the Environmental Impact Assessment (EIA), after

which the administrations in charge, both centrally and locally, issue the authorisations provided for by current regulations.

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

Progress and Past: archaeological finds recovered during excavation are exhibited

In the final months of 2013, the exhibition "Progress and Past" was conceived, created and then inaugurated in January 2014 at the Ala Ponzone Civic Museum in Cremona, which displays archaeological finds from excavations carried out between 2010 and 2011 when Snam laid a section of methane pipeline between Cremona and Sergnano. Supported by the government department responsible for archaeological finds in Lombardy, the exhibition was also made possible by restoration work sponsored by Snam (which remained within deadline) at the pipeline site. The results of the research will thus be on public display, ensuring the conservation of these objects of historical value to the Cremona region. The

exhibition offers a cross-section of the population in the Cremona region, extending across time and space: more than 66 sites were discovered along a stretch of land of just over 70 km, ranging in age from prehistory to modern times. The protection and conservation efforts continued beyond the onsite work: the work done by the archaeologists who collected the finds and the associated data was explored further by a study group made up of specialists in various historical periods and from a range of disciplines, and the fragility of the items discovered required the close attention of restorers who ensured the best level of conservation. A publication was issued and some conferences were also organised alongside the exhibition to explore certain aspects of the more complex contexts emerging during the various discoveries.

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

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

EIA DECREES OBTAINED DURING THE YEAR

Name	Length (km) Power (MW)	Regions involved	Competent agencies	Date of decree
Gavi - Pietralavezzara methane pipeline	26 km	Piedmont	Piedmont Region	13/04/2013
Compression station at Minerbio	2x12 MW	Emilia-Romagna	Emilia-Romagna Region	23/12/2013
Upgrade of compression station at Poggio Renatico	1x25 MW			
Minerbio - Poggio Renatico methane pipeline	20 km			

PROVISIONS FOR VERIFICATION OF WHETHER SUBJECT TO EIA OBTAINED DURING THE YEAR

Name	Length (km) Power (MW)	Regions involved	Competent agencies	Date of provision
Foligno-Sestino methane pipeline: variation in the Municipalities of Gubbio and Gualdo Tadino	7.8 km	Umbria	Environment Ministry	29/10/2013
Exclusion of EIA for installation of the new TC7 turbine at the Minerbio storage plant		Emilia-Romagna	Environment Ministry	20/11/2013
Exclusion of EIA for plant alterations to create the new Bordolano storage plant		Lombardy	Environment Ministry	08/08/2013

EIA REQUESTS SUBMITTED TO THE MINISTRY OF THE ENVIRONMENT AND THE MINISTRY OF CULTURAL HERITAGE IN THE YEAR

Name	Regions involved	Date of submission
Creation of new gas storage concession Alfonsine Stoccaggio	Emilia Romagna	13/04/2013
Exercise at Pmax = 1.10 Pi Level C2 and New Development Level F Concession Fiume Treste Storage	Abruzzo and Molise	23/12/2013

EIA DECREES SUBMITTED TO REGIONAL AUTHORITIES IN THE YEAR

Name	Length (km)	Regions involved	Date of submission
Bussero - Osnago methane pipeline and connection points	26 km	Lombardy	29/07/2013

Biodiversity ► GRI - G4: EN13, EN14, SO1

In terms of environmental sustainability, Snam considers it particularly important to safeguard the natural value of local areas affected by new works, beginning with specialised field investigations to acquire knowledge that is as complete as possible of the local area traversed. The results of these investigations help to define and implement the most appropriate design

choices for reducing to a minimum the biodiversity impacts generated, particularly in the execution phases, which are followed by environmental restoration and monitoring thereof, carried out in agreement and in cooperation with the entities in charge.

The objective of vegetation restoration, in particular reforestation, is not merely to reconstitute forest areas



but to reconstitute the landscape in general and to revive the biological functionality of vegetated areas, understood especially in their role as habitats for fauna with specific biodiversity characteristics. Restoration and reforestation are followed by the execution of "plant care", i.e. caring for and maintaining the bedded-out plants for a period of at least five years.

Monitoring projects concern the courses of some methane pipelines that interfere, even marginally, with natural local areas high in fauna and ecological value, and they are geared towards the verification of the process of renaturalising areas affected by works, based on a comparison of conditions after restoration ("post-completion") and the original conditions ("pre-

completion"). Monitoring is normally performed for the most significant habitats identified in the design phase.

DISTANCE COVERED BY METHANE PIPELINES IN NATURA 2000 NETWORK SITES (km)

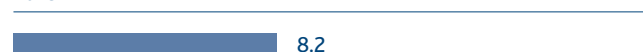
2011



2012



2013



NATURA 2000 SITES AFFECTED BY THE COURSE OF METHANE PIPELINES ▷ GRI - G4: EN11

Special Protection Zone/Site of EU interest	km
Pollino and Orsomarso	3.5
Fiumara Laverde	0.6
Monti Peloritani, Dorsale Curcuraci, Antennamare and marine area of the Messina Strait	1.0
Livenza river environment and lower course of Monticano	0.04
River Toce and gravel bed of Toce river branch between Domodossola and Villadossola	1.6
Belangero ponds	0.78
Lomellina rice fields	0.7
Danesi pits	1.35

ENVIRONMENTAL RESTORATION AND MONITORING (network km)

	2011	2012	2013
Restoration	235	193	131
Reforestation	43	6	22
Plant care	151	158	135
Environmental monitoring	1,065	830	1,063

MAJOR ENVIRONMENTAL MONITORING AND RESTORATION DURING THE YEAR

Entity	Name	Activities conducted
Friuli-Venezia Giulia Region	Malborghetto - Bordano methane pipeline	In the Malborghetto - Bordano section of the pipeline, in the Val Alba regional nature reserve, the ten-year fauna research and monitoring activities continued with the help of international experts. 2013 was the ninth and penultimate year of fauna monitoring.
Sicily Region	Bronte - Montalbano methane pipeline	Collaboration with the Sicily state forests agency continued, with the growing of native forest plants destined for reforestation projects along the course of the pipelines laid in the Nebrodi regional park. Periodic plant care was carried out in 2013, along with the replacement of plants that had not taken root. Replacement plants are also supplied by the Sicily state forests agency nurseries.

Safeguarding biodiversity ► GRI - G4; EN12, EN14

2013 was the ninth and penultimate year of fauna monitoring at the Val Alba regional nature reserve, along the Malborghetto - Bordano section of the methane pipeline. The ten-year monitoring programme has taken place in accordance with the requirement contained in the environmental compatibility decree that the Ministry of the Environment, Land and Sea had issued in 2002 to authorise the building of the infrastructure.

The decree specifically stipulated the execution of monitoring for a ten-year period of faunal dynamics for significant zoological groups in the Site of Community Importance (SIC): the Val Alba regional nature reserve includes the "Zuc dal Bor" SIC, which is crossed by the Malborghetto - Bordano methane pipeline.

The results of the two-year period 2012-2013 were processed in 2013; 2014 will be the tenth and final year of fauna monitoring, and a special final report will be drawn up to conclude this decade of observation.

The section of pipeline monitored is located within the Val Alba nature reserve, which has natural beech woods alongside spruce forests (spruce pine reforestation). Over a period, the spruce pines replaced some open areas originally used for pasture. There are still some old Alpine huts in the reserve, that were used as "cheese caves" for on-site processing of the milk produced by the herd during the summer pasture season. The methane pipeline runs through the valley for a short stretch between the southern opening of the Galleria Chiavals and the northern opening of Galleria Masereit. Part of it runs alongside a forest road and all of it runs parallel to an existing methane pipeline. When work on the pipeline was completed, vegetation restoration work was carried out, with trees and shrubs planted (whitebeam, mountain ash, willow, poplar and mountain maple saplings, all native species produced by regional nurseries), as well as grass. The ten-year monitoring of new ecosystems generated by revegetation work (monitoring of soil and vegetation), successfully completed in 2012, was also carried out.

As in previous years, in the two-year period 2012-2013 records of fauna within the monitoring area were also

Sustainable pathways for the Parco delle Prealpi Giulie

The second volume of the Sustainable Pathways series was published in 2013: the series was created to raise awareness of Snam's commitment to safeguarding the environment, vegetation and morphological restoration and the best practices that distinguish its mode of operation when creating gas transportation infrastructure. The project is also intended as a way to highlight the richness of vulnerable regions, complex ecosystems and parks and protected areas with which it has developed partnerships and experience, under a shared value model designed to create opportunities both for the Company and for the region.

This second volume in the series, which was created with the support of the Ministry of the Environment and edited by 24 ORE Cultura, reports on the collaboration between the authority responsible for the Parco delle Prealpi Giulie and Snam, which led to the creation of a major energy structure for the country – the Malborghetto - Bordano methane

pipeline. The pipeline is used to import gas from Russia, and a small section of it crosses the Val Alba nature reserve. The volume describes the geographical features, vegetation and wildlife of the area, as well as the interaction with the regional authorities and the park's potential in terms of the economy and tourism. It shows how it is possible to build an infrastructure and yet recover the original landscape and safeguard biodiversity and ecosystems, with the aim of restoring the original conditions and even improving on them if possible.

The reconstruction of the pre-existing natural conditions, and protecting and safeguarding biodiversity, were the guiding principles for the environmental restoration project. Underlying the process, and an essential factor in identifying the action to be taken, was the meticulous scientific investigative work carried out by technicians and researchers in the sector on soil, vegetation and faunal dynamics. This work went on for approximately eight years, from the planning phase to well beyond the end of the mitigation works.

taken in all four seasons. The monitoring work focused on direct observations (sightings), calls, traces in the snow and droppings recorded (quality and quantity) using pellet count methods. In the spring of 2012 and the end of the summer of 2013, two four-week intensive monitoring sessions took place, using ten passive infrared video camera traps.

In 2013, the eight "hair trigger" camera traps placed in the field in previous years were kept active, in addition to the technical equipment for recording large carnivores. Overall, 133 hours of fauna recordings were made (tracks in snow, pellet counts and direct observations, including with the aid of a lamp).

In 2013, all of the recording techniques provided evidence of the presence of all the species previously recorded, i.e. nine species of mammal, namely deer (*Cervus elaphus*), roe deer (*Capreolus capreolus*), chamois (*Rupicapra rupicapra*), foxes (*Vulpes vulpes*), badgers (*Meles meles*), martens (*Martes martes*), stone martens (*Martes foina*), common hares (*Lepus europaeus*), variable hares (*Lepus timidus*), and four species of birds, namely golden eagles (*Aquila chrysaetos*), buzzards (*Buteo buteo*), tawny owls (*Strix aluco*) and grouse (*Bonaria bonasia*), which were among the surveyed species. There were also many species of birds that were not specifically surveyed.

The video camera traps alone recorded the following: 79

roe deer, 36 deer, 6 chamois, 11 foxes, 2 martens, 1 stone marten and 1 badger. There was a substantial increase in the presence of people (tourists) with at least 234 events recorded. The hair-trigger traps again showed no usable results for the species surveyed using these techniques (large carnivores such as bears, wolves and lynx).

The work performed largely confirms the trends seen in previous years. The situation for fauna, particularly the herbivores, has improved overall. Numbers of roe deer rose slightly, although this species is very dynamic and fluctuates continually. Numbers of deer again rose markedly, with either constant or higher reproductive events, while autumn belling decreased. This could have been caused by human disturbance, although no direct evidence of this was recorded. The chamois is still the only hoofed species that has not met its potential: the effects of repeated sarcoptic mange infections are apparent, and the population remains stable at low numbers. Among the small herbivores, numbers of white hares and common hares remained stable. The situation for small carnivores seems stable, with a slight upturn in fox numbers, although some cases of scabies – which inhibits the vitality of the population – were again recorded in 2013. There were again no recordings made of large carnivores (bears, wolves and lynx), although there was again evidence of their presence in the directly neighbouring areas.



CLIMATE CHANGE AND ENERGY EFFICIENCY

▷ GRI - G4: EN15, EN16, EN17, EN27

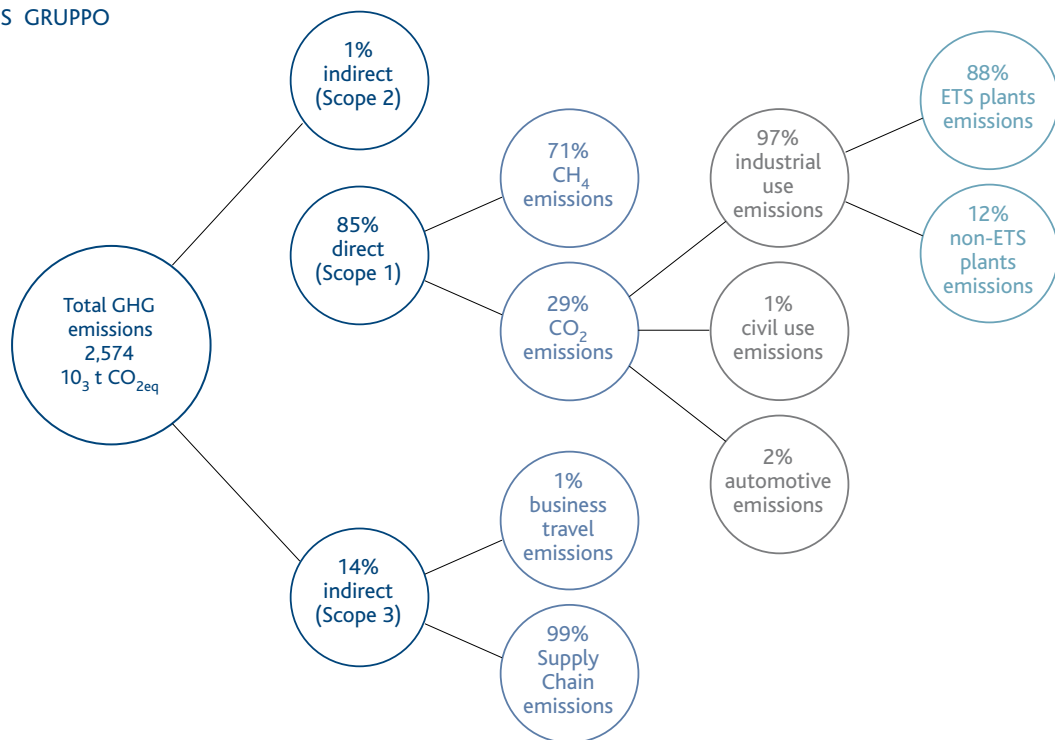
Greenhouse gases

The greenhouse gases (GHG) emitted into the atmosphere by the activities of Snam are carbon dioxide (CO₂) and methane (CH₄), the main component of natural gas. The CO₂ is a by-product of the combustion process and is directly associated with the consumption of fuels, while the emissions of natural gas, and therefore CH₄, derive partly from the normal operation of the plants and partly from the atmospheric emissions due to the connection of new pipelines and maintenance or to accidental events of the transportation and distribution networks.

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

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

GREENHOUSE GASES GRUPPO SNAM GROUP



The advantages of natural gas

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

co-generation plants and combined cycles for producing electricity. A gas-powered combined cycle with an output of 56-58%, compared with an output of about 40% from traditional steam-powered cycles, makes it possible to reduce CO₂ emissions by 52% compared with a traditional fuel oil-powered plant and by 62% compared with a coal-powered plant.

In 2013, total GHG emissions (direct Scope 1, and indirect Scope 2 and Scope 3) were approximately 2.57 million tonnes (-2.2% from 2012).

Indirect Scope 3 emissions relating to the supply chain are reported from 2012 onward. These emissions were calculated using methods developed by a leading international company in carbon footprint analysis.

Direc CO_{2eq} emissions

(Scope 1) ▷ GRI - G4: EN15, EN19

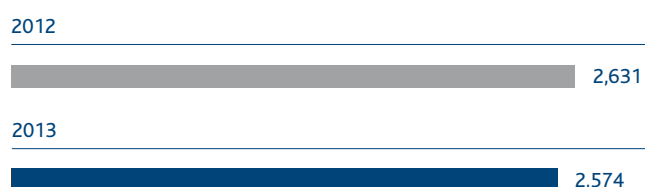
In 2013, direct CO_{2eq} emissions were approximately 2.18 million tonnes (-2,4% compared with 2012). Direct CO₂ emissions from combustion stood at approximately 622,338 tonnes (-10% compared to 2012), while CO_{2eq} emissions deriving from methane emissions were approximately 1.56 million tonnes (in line with 2012). The CO_{2eq} emissions were calculated based on a global warming potential (GWP) of 25 for methane,

as indicated in the 2007 scientific study of the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fourth Assessment Report".

In 2013, the Group's natural gas emissions were largely unchanged compared with 2012, rising from 98.4 Mm³ to 98.8 Mm³ (+0.4%). This performance mainly reflects a decrease in emissions from transportation activities (-1.5 Mm³) and distribution activities (-0.1 Mm³) and an increase in emissions from regasification activities (+1.7 Mm³) and storage activities (+0.3 Mm³).

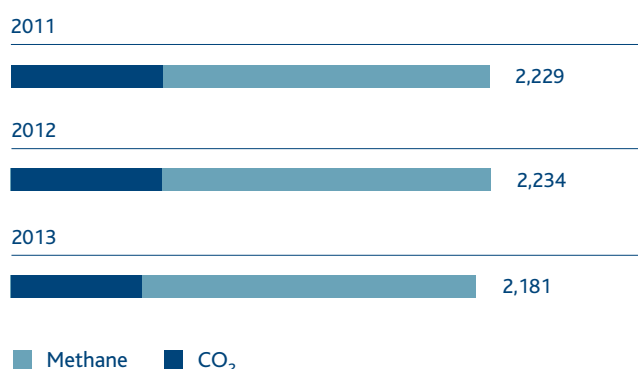
The increase in emissions from regasification activities was due to a missing delivery of LNG which led to an increase in steam within the reservoirs, which was then released into the atmosphere for safety reasons. To avoid dispersing this steam, in April Snam launched operations that enabled the evaporated natural gas to be channelled into the transportation network.

TOTAL GHG EMISSIONS - SCOPE 1 - 2 - 3 (10³ t)



In order to contain natural gas emissions from the transportation network, activities were continued which involve gas recovery through online gas recompression interventions in the network upgrading phase (5.4 million cubic metres of natural gas were recovered, representing approximately 85,000 tonnes of CO_{2eq}),

DIRECT EMISSIONS CO_{2eq} - SCOPE 1 (10³ t)



as well as the replacement of pneumatic equipment at some plants. As regards containing natural gas emissions in distribution networks, the Company continued to replace cast-iron piping with higher-performance piping (replacing about 48 km of networks).

NATURAL GAS EMISSIONS (10⁶ m³)

2011

96.9

2012

98.4

2013

98.8

NATURAL GAS RECOVERED transportation activity (10⁶ m³)

2011

4.4

2012

5.4

2013

5.4

NATURAL GAS EMITTED PER KILOMETRE OF GAS NETWORK (m³/km)

	2011	2012	2013	Change (%)
Transportation	1,240	1,288	1,238	(3.9)
Distribution	846	840	828	(1.4)

KEY PERFORMANCE INDICATORS (KPI)

	KPI date	Pre-set target	Target achieved in 2013	Sector	Status of activities
Natural gas recovered out of total potential emissions from maintenance activities	2010	Recover 30% in 2013	49	Transportation	○
Replacement of cast-iron networks (km)	2010	Replace the entire grey cast-iron network by 2015*	219	Distribution	○

* The replacement target for the cast-iron network was postponed for a year.

● Target achieved
 ○ Annual target achieved (KPI with targets for more than 1 year)
 ○ Activity in progress
 ○ Target not achieved

Indirect emissions (Scope 2) ▷ GRI - G4: EN16

Indirect CO_{2eq} emissions arise from the use of electricity; in 2013 they made up approximately 32,240 tonnes (-2,6% compared with 2012).

With the contractual agreements concluded in the past few years, Snam has increased the number of plants supplying it with electricity generated from renewable sources. In 2013, the Messina compression station (Snam Rete Gas) was added to the Brugherio (Stogit) compression station and the Panigaglia (GNL Italia) regasification plant, which are already supplied in this way. This operation, as well as the use of photovoltaic panels for power generation, enabled the avoidance of approximately 8,800 tonnes of CO_{2eq}.

Indirect CO_{2eq} emissions are calculated with a factor of 0.393 kg CO₂/kWh (as indicated in the Italian

Greenhouse Gas inventory 1990-2011 – National Inventory Report 2013). For a comparison of the results obtained in previous years, the data for 2011 and 2012 have been recalculated with the same factor.

INDIRECT EMISSIONS CO_{2eq} - SCOPE 2 (10³ t)

2011

29

2012

33

2013

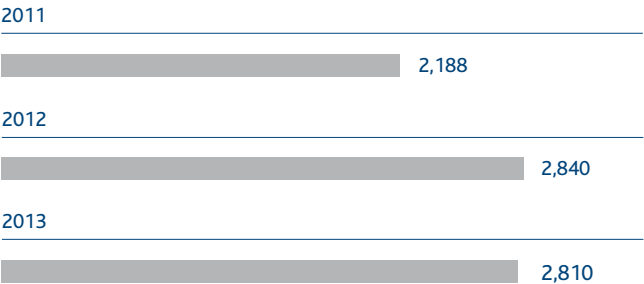
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Indirect emissions (Scope 3) ▷ GRI - G4: EN17

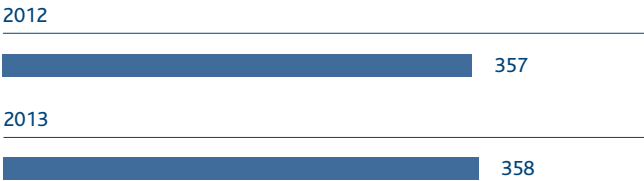
Indirect Scope 3 emissions refer to CO_{2eq} emissions related to the supply chain (goods, labour and services) and business travel (business trips, transfers of Snam's employees as part of their working activities).

In 2013, CO_{2eq} emissions were approximately 360,000 tonnes, largely in line with the previous year.

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



INDIRECT EMISSIONS - SCOPE 3 SUPPLY CHAIN (10³ t CO_{2eq})



Emission Trading ▷ GRI - G4: EC2

With the start of the third regulatory period (2013-2020), the authorisation system for greenhouse gas emissions, previously regulated by Legislative Decree 216/2006, was updated and amended by Legislative Decree 30 of 13 March 2013, in force since 5 April 2013.

The free CO₂ quotas allocated to the Snam Group are decreasing steadily, and are no longer constant as they were during the second regulatory period. This is to enable the emissions targets established by the Kyoto Protocol to be met. Moreover, the quota allocations in

the third regulatory period also depend on the efficient functioning of the plants.

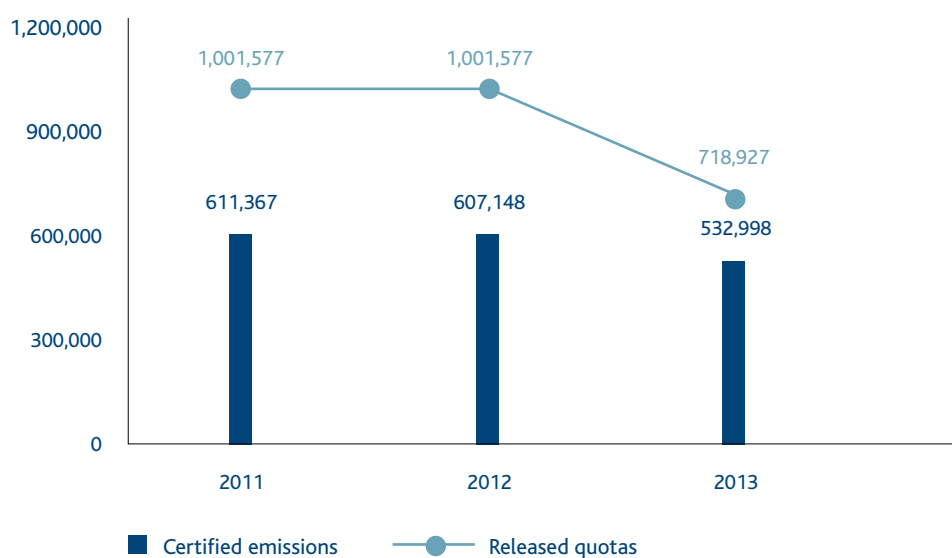
In 2013, total CO₂ emissions issued and certified by an accredited body, according to the provisions of the competent national authority, amounted to 532,998 tonnes, out of a total of 718,927 annual shares issued by the Ministry for the Environment, Land and Sea (positive balance of 185,929 shares).

The Snam plants falling under the scope of application of the Emissions Trading Directive as at 31 December 2013 are shown in the table:

SNAM GROUP EMISSIONS TRADING PLANTS

Activity	No of plants	Names of plants
Transportation	12	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini and the Mazara del Vallo entry point terminal
Storage	7	Gas compression storage stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala.
Regasification	1	Liquefied natural gas regasification plant in Panigaglia

CO₂ EMISSIONS (t)



Energy consumption ▷ GRI - G4: EN3, EN4, EN6

The Group's main energy consumption is due to the gas turbines used in compression stations to provide gas with the pressure necessary for transportation (compression consumption) or storage (storage consumption).

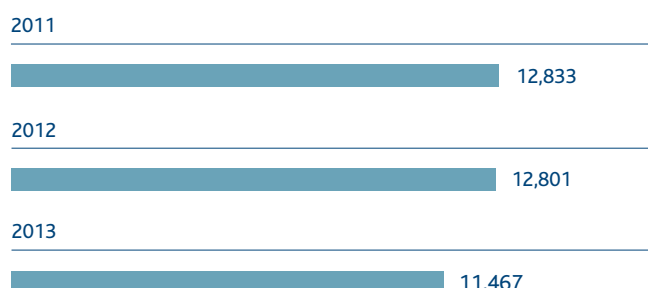
To limit energy consumption, the best available technologies have always been used and high-performance turbines have been installed. In particular, the fuel consumption of the compression stations is controlled by the dispatching unit through the use of software systems that make it possible to manage the transportation network as efficiently as possible, in

keeping with transportation and storage needs, with an optimal configuration of the individual plants.

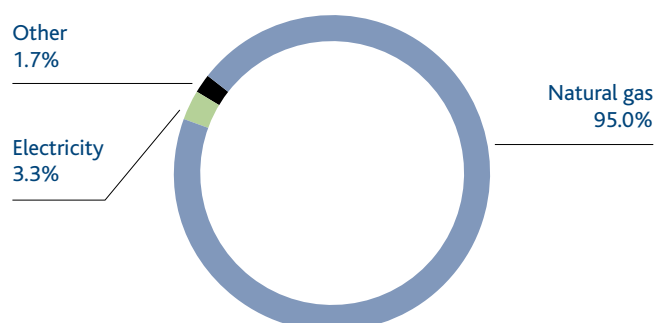
In 2013 total energy consumption was approximately 11,470 TJ, down 10.4% on 2012; the decrease reflects both the decrease in gas transportation and regasification activities and different transportation conditions, with increased quantities of gas injected into the network from Russia (+26.9% compared with 2012) and lower quantities of gas injected into the network from North Africa (-33.5% compared with 2012).

The energy source most used was natural gas, which covered 95% of the total energy needs. The other sources used were electricity (3.3%), other fossil fuels (diesel oil, petrol, LPG) and heat (1.7%).

ENERGY CONSUMPTION (TJ)



ENERGY CONSUMPTION



In energy management, the Company continued activities to identify possible energy consumption rationalisation and containment actions, such as the installation of photovoltaic equipment in buildings and plants; the adoption of LED lights and automatic

switches for plant lighting; the installation of more efficient heat generators; the implementation of videoconferencing services to limit travel; and more efficient management of the movement of merchandise to and from the central warehouse.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI Date	Pre-set target	Target achieved in 2013	Sector	Status of activities
High-efficiency turbines	2010	Achieve 85% out of total units installed by 2015	75	Storage	<div></div>

● Target achieved
 ○ Annual target achieved (KPI with targets for more than 1 year)
 ○ Activity in progress
 ■ Target not achieved

Production and the use of energy from renewable sources

▷ GRI - G4: EN3

Being aware of the importance of using energy from renewable sources, the Company has launched programmes that involve the installation of photovoltaic

facilities in its buildings (local headquarters and maintenance centres) and in some natural gas withdrawal and pressure reduction stations in the distribution network.

SNAM GROUP RENEWABLE SOURCE PLANTS

Type	Number	Total capacity (kW)	Energy produced (kWh)
Wind generators	1	1.5	202,259
Photovoltaic plants	802 ^(*)	478.5	

(*) Of which 774 installations of backup.

The installed power of the Snam Group's renewable source plants increased by 5% compared with 2012, from 456 kW to 480 kW. The increase was due to the installation of two new photovoltaic plants of 20 kW at two maintenance centres (transportation activity). The total energy produced by renewable source plants increased substantially compared with the previous year, from 144,000 kWh in 2012 to 202,000 kWh in 2013 (+41%). This increase reflected the fact that in 2013 a whole series of plants installed in 2012 were connected to the network, and their energy contribution was significant. In 2014, new plants will be connected

to the network, which will help to further increase power generation from renewable sources. The use of renewable energy sources was produced from 19 photovoltaic systems which cover 85% of the power installed.

In 2013, the total number of plants decreased, mainly due to the replacement of various small pieces of equipment installed for electrical protection of the pipelines with models that do not require a back-up feed with a photovoltaic panel. These more technologically advanced tools operate solely on internal batteries as they consume less energy.



Air protection ▷ GRI - G4: EN21

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

Nitrogen oxide (NOx) emissions, the only significant polluting emissions, arise from the combustion of natural gas in the gas turbines installed in the compression stations (compression and storage). To reduce these emissions, a programme was established

several years ago to modify the existing turbines and install new units with low emission combustion (DLE) systems.

In 2013, the DLE turbocompressors were put into service at the Cortemaggiore (TC2), Fiume Treste (TC1) and Messina (TC1) plants. Work to upgrade turbocompressors at the Sabbioncello (TC2), Minerbio (TC4) and Messina (TC2) plants were also completed in 2013, for entry into service in 2014.

TOTAL NOx EMISSIONS (t)

2011



2012



2013



Total emissions of nitrogen oxides were around 837 tonnes (-15% compared with 2012). The decrease mainly reflects increased use of the DLE turbines, which represented 76% of the total functioning hours of the installed turbines.

NOx emissions into the atmosphere are determined based on direct measurements or, if these are not available, on emission factors present in the relevant literature (the EMEP/EEA Air Pollutant Emission Inventory Guidebook of the European Environment Agency).

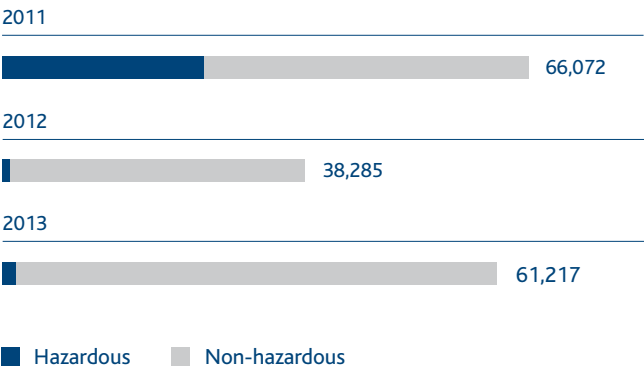
KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI Date	Pre-set target	Target achieved in 2013	Sector	Status of activities
No of DLE turbines out of total no of turbines	2010	Achieve 75% by 2015	74	Transportation	Target achieved
No of DLE turbines out of total no of turbines	2010	Achieve 85% by 2015	70	Storage	Target achieved
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm ³ *MW) by 2015	9,6	Storage	Target achieved
No of hours of operation of DLE turbines out of total hours of operation of turbines	2010	Achieve 85% by 2015	76	Transportation	Target achieved

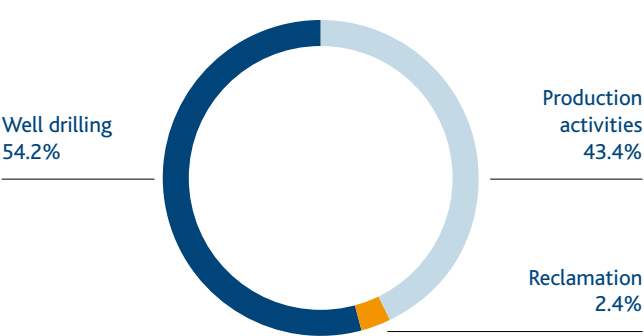
Target achieved
Annual target achieved (KPI with targets for more than 1 year)
Activity in progress
Target not achieved

Other environmental performance

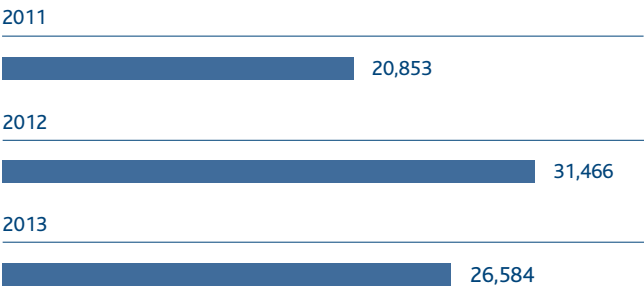
WASTE PRODUCTION (t)



WASTE PRODUCTION BROKEN DOWN BY ACTIVITY



WASTE FROM PRODUCTION ACTIVITIES (t)



FRESHWATER PROCUREMENT (10³ m³)

2011

354

2012

460

2013

281

FRESHWATER DISCHARGED (10³ m³)

2011

168

2012

199

2013

188

Ecologically

The "Ecologically" project, launched in 2010, continued. This includes initiatives that aim to promote good eco-sustainable practices even in the office, with small daily gestures that help to improve the quality of the surrounding environment.

"All paper recycled" means making all personnel at all Group sites aware of the advantages of using recycled paper, whilst raising awareness of environmental protection issues. In 2013 the use of recycled paper with respect to total paper bought was 35%, allowing the Group to save natural resources and control carbon dioxide emissions.



Trees (No)

- 809

Water (liters)

- 23,586,662

Electricity (kWh)

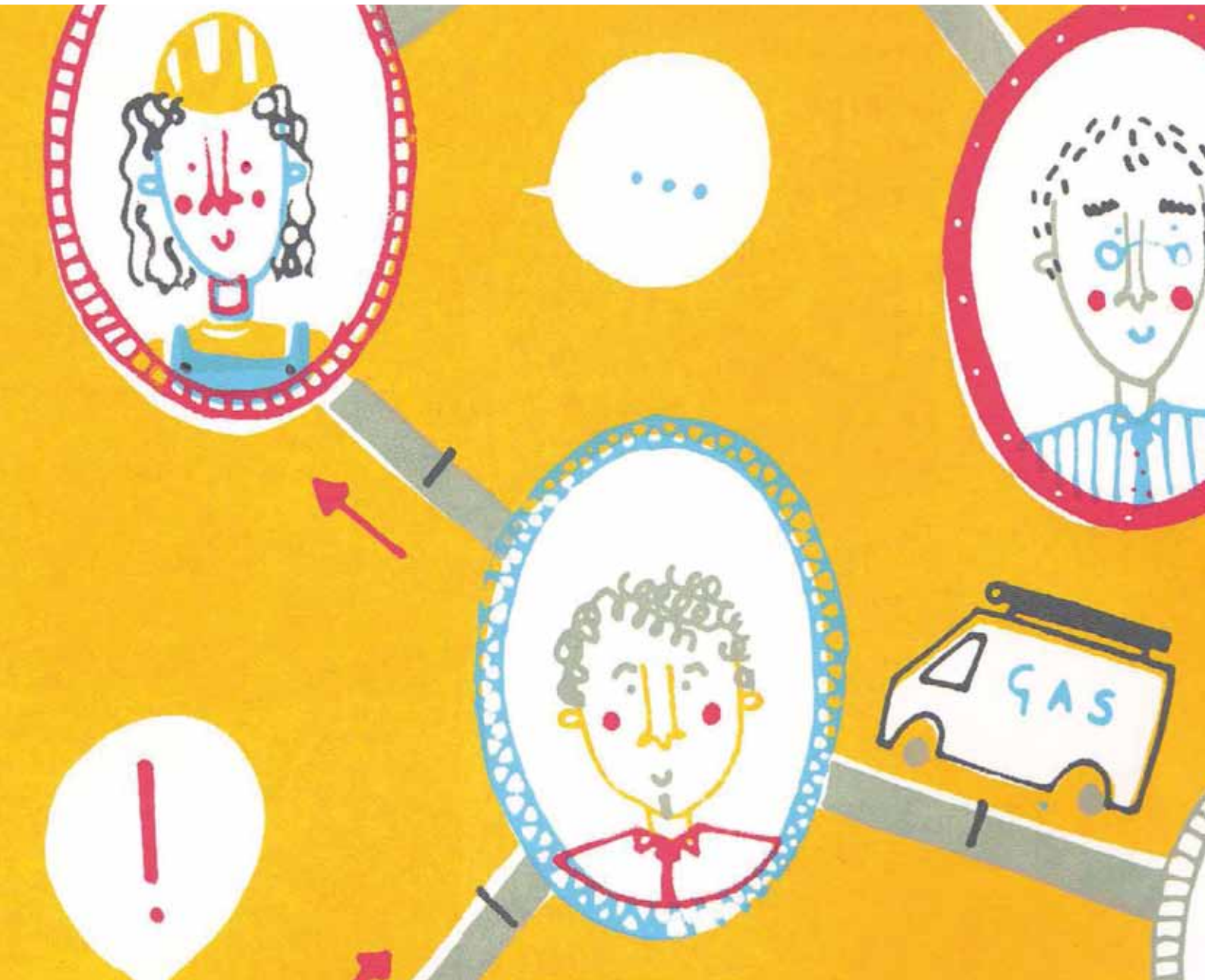
- 263,748

CO_{2eq} (t)

- 127



People and change



Change as a driver of growth, encouraging active participation by everyone who operates in the Group. A Code of Ethics that sets out the principles underlying the business and a well-structured system of corporate regulations that clearly presents the roles and responsibilities involved.

Management systems and guidance of performance to develop leadership and skills by promoting human values and diversity in the European strategic scenario.

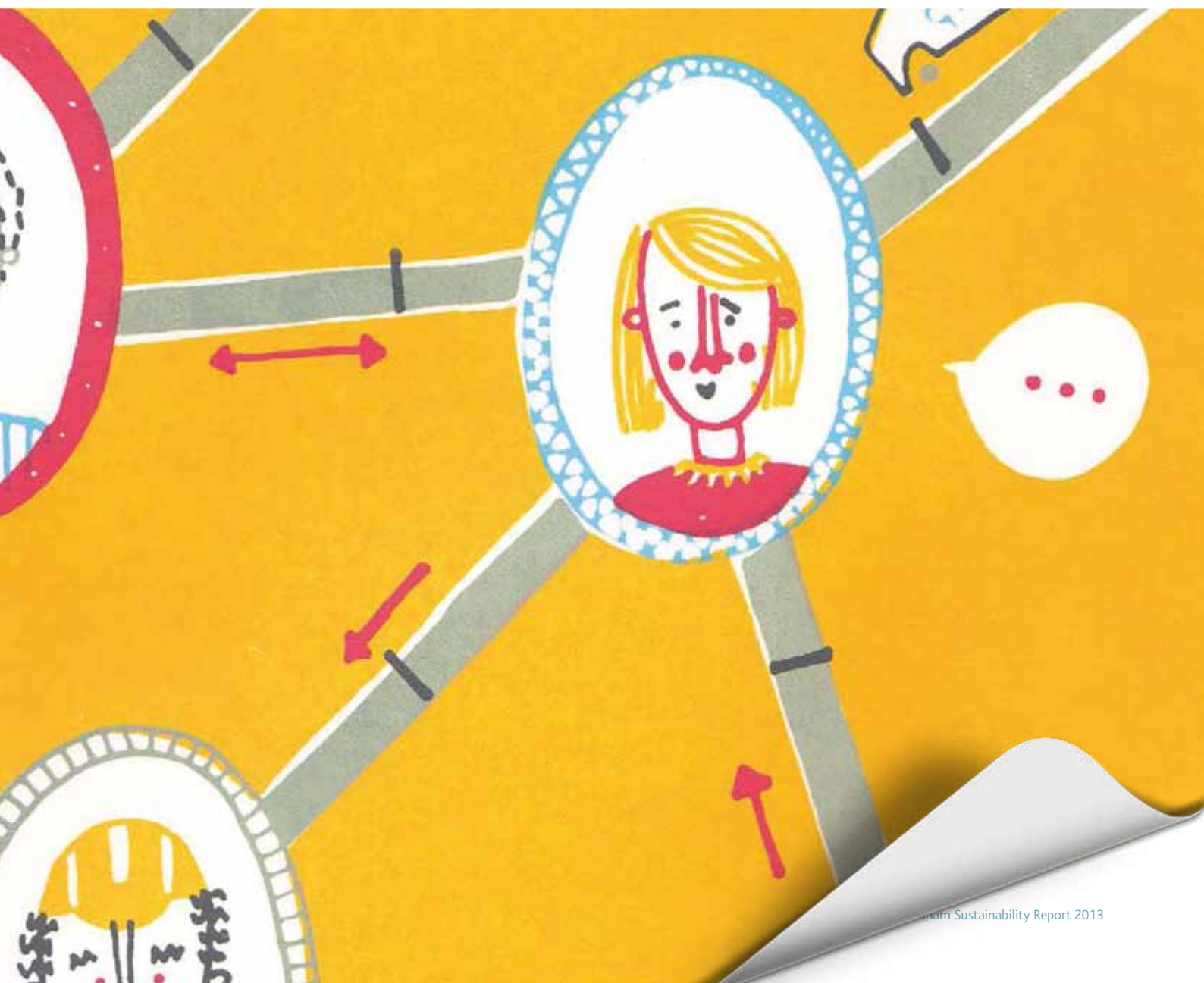
Snam management action is based on assigning precise objectives to each position of responsibility and on transparent assessment of the results achieved. This firstly makes it possible to continuously improve the efficiency and effectiveness of organisational processes. This foundation of excellence also drives the development of people and their managerial and

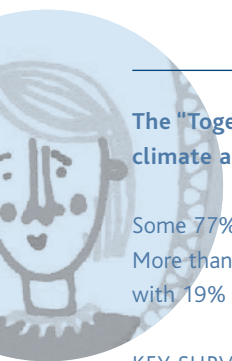
professional skills.

On this basis, in 2013, the Group's internal management systems were overhauled to combine efficiency with the outlook promised by the Group's strategic guidelines, which also take account of the requests that came to light during the internal climate analysis "Together – So Many Voices, the Snam Group"

"Our" people have a strong sense of belonging and connection to the Snam Group, but they have nevertheless asked to be even more informed, to be involved in the improvement processes, to take responsibility for the results and to be assessed on what they contribute in real terms.

These requests were also included in the Industrial Relations Protocol, which Snam has signed with the trade union organisations for the first time in its history.





The "Together – So Many Voices, the Snam Group" climate analysis

Some 77% of the corporate population took part in this survey. More than half of the respondents were aged between 45 and 55, with 19% over 55, 17% between 35 and 45 and 9% under 35.

KEY SURVEY RESULTS

The survey showed that the Group's employees have a positive perception of their environment. The average Group commitment indicator, i.e. the level of diligence and involvement that people put into their daily work, is 77%, and a very high percentage (86%) of the respondents said that they had a feeling of belonging in the Group.

Snam's employees said that more investment was needed in internal communication: they want to know more not only about the objectives of their own units/departments, but also about the Group's aims on a more general level, seeing this as a way to promote involvement and interest.

IMPROVEMENT PLAN

After a review of the survey results, an improvement plan was created with the aim of filling in the gaps that had emerged

from the analysis. For the macro-areas of the business, the key principles for action will be: empowerment, development, performance management, communication and innovation. In view of the improvement that employees wanted, the first step was to communicate and distribute the results of the climate analysis at every level, asking for a comparison to be made within the various organisational areas of their own results with those of the Group overall, and more generally with national best practice, to identify the initiatives to be taken locally.

Information and sharing events were organised for all executives and managers, and 26 workshops took place with the involvement of 400 people nationwide. The survey results were presented, and participants were also invited to discuss and share their ideas about the most important areas of intervention and to suggest possible improvement initiatives.

The survey results and the improvement plan were shared with the trade union organisations. They were also highlighted on the Company intranet, and formed the subject of a special feature in the "Energie" Newsletter sent out to the homes of all Group employees.

EMPLOYMENT

Snam generates "good employment" because it is a capital-intensive company with operations throughout most of Italy, carries out high-level, specialised activities and provides stable and long-lasting employment relationships.

Working at Snam requires basic skills in operating technologies, control systems and information systems and procedures that are ever more complicated.

Strategic development plans for European networks will entail the further strengthening of technical and management skills, so that the Group can respond to new complexities as it moves into untapped international environments. The know-how and management practices of the people progressively entering the sphere of the Group will also help with this process.

SNAM GROUP PERSONNEL (nO)

	2011	2012	2013
Executives	118	115	116
Managers	544	560	579
Office workers	3,277	3,257	3,271
Manual workers	2,173	2,119	2,079
Employees	6,112	6,051	6,045

The six guidelines for change



- 1) The Group has adopted a new skills model that will help it to understand what it needs to be competitive in Europe.
- 2) Snam aims to give its employees responsibility using a systematic approach, in which performance appraisal goes hand in hand with the promotion of merit and opportunities for managers and staff to come together, so that every employee has a completely clear picture of his or her work targets and performance.
- 3) Snam aims to stress the strategic value of leadership, particularly in the European market where speed of innovation is an asset.
- 4) Another guideline is to connect people and to promote and share information as a way of increasing staff motivation levels. As the survey showed, employees already have a strong sense of belonging to the Group. The aim is to increase the involvement of all personnel even further.
- 5) Since it adopted the new Corporate System Framework, Snam has aimed to simplify and standardise all its organisational processes.
- 6) In this context, the Snam HR&S department has already taken on the task of developing corporate culture.



Communicating to develop culture

Snam sees communication as a fundamental tool in encouraging staff participation and involvement, not

only to "inform", but also to create, raise awareness, share and foster dialogue.

INTERNAL ENGAGEMENT

Tools	Description
Intranet	The Group intranet not only serves as a dynamic information tool for all Snam's employees, but also as a forum for knowledge sharing and development. It includes specific sections that are frequently updated to provide news, information on project launches and progress with initiatives, as well as in-depth reports on topical subjects. The intranet became even more interactive in 2013, and the number of news items steadily increased, as did the use of video clips. A very broad range of subjects was covered, of great interest to employees. The most popular were the climate analysis, the Energienglish project, the adoption of the new Corporate System Framework and some sustainability initiatives, including the new edition of "Help from the network – Let's volunteer 2013".
Sapernedi+	Nearly 5,000 colleagues, representing 83% of the Group's total workforce, took part in "Sapernedi+" 2013, the long-standing communication initiative that aims to disseminate the Group's corporate values and strategies and to promote discussion of themes, problems and solutions related to the individual organisational units. Staff attended 250 meetings at the various company offices nationwide.
Newsletter, brochure and other literature	In order to involve all personnel, including those difficult to reach with the computer network, Snam makes and uses paper tools. The "Energie" Newsletter, which is sent out to the entire workforce, reported on the developments and changes that took place in the business in 2013, partly by means of the "Speciali di Energie" publication which explored certain topics in more depth, such as the results of the climate analysis. It was also used to distribute an updated questionnaire to assess the knowledge, use and appreciation of the corporate welfare systems and to gather suggestions. News items not only increased in terms of number but also in terms of content: news was included that was designed to give employees even more information about the Company, to help them feel more actively involved in a system that is continually changing. The newsletter also aims to shorten the distance between the news and employees by reporting on projects and initiatives and also providing testimonials from the people directly involved.
Executive meetings	These provide the opportunity to reflect on key events in business operations, and to ensure adequate information and constant involvement and assumption of responsibility with regard to corporate strategies and objectives.

Help from the network "Let's volunteer"

This third edition of the Snam Group's volunteering initiative saw an increase not only in the number of offices taking part (Naples, Rome, San Donato Milanese and Turin) but also employee involvement (70 in 2013). Our volunteers were Group staff who dedicated part of their working day to support the actions taken by charities CESVI (an Italian NGO that fights poverty in 31 countries) and Le Stelle di

Lorenzo (a national charity that makes wishes come true for children with serious illnesses undergoing long-term medical treatment).

The event was structured into three main parts: first of all, staff attended meetings where the charities presented their activities; they then spent time in the laboratory creating Christmas gadgets; and later they helped to sell these, along with other products, from stalls set up in the offices involved in the run-up to Christmas.

DEVELOPING AND VALUING OUR EMPLOYEES

Developing and strengthening the system of occupational skills and management ability, in harmony with the changing corporate scenario, is key to maximising the potential of Snam's employees.

Over time, Snam has developed its own repertoire of abilities and skills and a set of indicators for assessing potential. These components, incorporated within the performance appraisal process, help to support staff as they undergo a continuous development process that

starts in the selection phase. Training, besides playing the traditional role of developing abilities and skills, has been extended as a tool in support of paths to organisational integration and management change, to make all staff more involved in, aware of and responsible for corporate strategies and targets.

Snam's training approach aims to build the skills required by the Group's business mission and strategies, to provide even more opportunities for staff to get involved, and to enhance organisational integration processes and change management.

STAFF TRAINING (no) ▶ GRI - G4: LA9

	2011	2012	2013
Total training hours delivered	187,134	160,771	198,357
Training hours delivered to executives	2,369	2,366	6,133
Training hours delivered to managers	13,840	15,841	23,699
Training hours delivered to office workers	102,103	65,209	117,942
Training hours delivered to manual workers	68,822	77,355	50,584
Training course attendance	16,437	15,639	23,811





To follow up on the commitments made in prior years, the training Key Performance Indicators (KPI) have been confirmed for the 2013-2014 two-year period, pre-setting a quantitative target to be reached both in the

provision of average hours per employee and in staff involvement.

The two pre-set targets were not only met during the year, but exceeded.

KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI Date	Pre-set target	Target achieved in 2013	Sector	Status of activities
Average hours per employee (no)	2013	Achieve 25 hours for the 2013/14 two-year period	32.8	Snam Group	Target achieved
Involvement of corporate population (%)	2013	Achieve 83% for the 2013/14 two-year period	96.8	Snam Group	Target achieved

 Target achieved
  Annual target achieved (KPI with targets for more than 1 year)
  Activity in progress
  Target not achieved

In 2013, Prospettiva 360°, a project aimed at managers under 40 involving approximately 65 Group employees, was completed successfully. The project gave participants the chance to compare their perceptions of their own strong points with how others see them, and to look at areas for improvement (with the development of

a personal action plan). At the end of the project, the results were analysed and a pathway was created to strengthen both personal leadership skills and the ability to use management tools and techniques.

MAIN TRAINING INITIATIVES ▷ GRI - G4: LA10-HR2-SO4

	Hours provided (no)	Participants (no)	Recipients
Special training was delivered after the SAP upgrade, which affected all the corporate departments.	5.790	699	Worker population per staff unit and operating unit
The principles and content of the new model adopted by the Board of Directors pursuant to Legislative Decree 231/2001 and the changes introduced by the "Anti-corruption Law" were explained through an e-learning initiative.	11.391	3.797	Executives, managers and office workers
Management training	11.334	1.136	Executives and managers
Training dedicated to maintenance of and know-how on technical systems	121.588	17.117	Technical operating and office worker population
Foreign languages	27.550	779	Executives, managers, office workers and technical specialists

Forma(re)ti

A training pathway shared with the Terna managers: an opportunity to develop by comparing different corporate cultures. The Forma(re)ti project is a management training programme specifically for executives and managers who operate through countrywide networks as part of regulated business activities. The project focuses on subject areas such as Programme Management, Economics, Bid & Procurement Management, Supply Chain and Change Management. As well as this content, the project is structured with a unique formula and an intercompany approach in which both Snam and Terna became involved, hosting the teaching days in their offices.

Snam innovates with university partnerships

In keeping with the new organisation of the Snam Group and the need for innovation and change expressed by the individual corporate departments, specific agreements were signed with prestigious universities, with MIP -Politecnico di Milano and the SDA Bocconi School of Management being just two examples. There are a number of objectives associated with the collaboration between the Company and universities, the most important being the acquisition of best practice that could arise from relationships with academic institutions, the development of ad hoc pathways in response to specific corporate needs and the creation of personalised services in recruitment, training, and database and research analysis.

Incentive and remuneration systems

▷ GRI - G4: LA11

The remuneration system has been adjusted periodically using criteria based on meritocracy and internal fairness. This system specifically aims to ensure recognition of the results achieved by an employee, the quality of professional support provided and the employee's development potential. Also in 2013, a year of particular importance partly because of the change in shareholding control of the Company in late 2012, the auditing and optimising of the competitiveness and fairness of compensation practices for managerial and professional personnel were completed.

A Management Review is drawn up for managers each year, so that their performance can be regularly monitored. The system for assigning targets and the

results appraisal is currently being adjusted.

In 2013, the appraisal process involved all executives, focusing on their commitment to developing business activities with particular attention to sustainability.

This is demonstrated by assigning at least one individual target linked to sustainability to positions of responsibility within the local operating area both for executives and managers.

The sustainability targets have been predominantly assigned within the scope of the prevention of workplace accidents.

The assigned and achieved targets shown in the table refer to personnel (executives and managers with responsibilities) in service at the time that these were allocated.

Energienglish Project

In 2013 the Energienglish Project was launched, offering all of Snam's employees the chance to take part in an online English course provided by EF Corporate Language Learning Solutions. All Snam staff were able to follow lessons in their own self-study programmes: these are online modular courses with 16 levels, with tools such as grammar and translation guides and exercises/games. It received an enthusiastic response from the corporate community, with 1,900 people signing up to the one-year course. In addition to the programme described, another two courses have been provided for staff requiring advanced language skills. For these, group discussions with native-speaker teachers, six-month courses with one-to-one lessons and study trips abroad have also been provided.

Snam's know-how serves urban regeneration

With the network training project, 60 ICT staff planned urban decoration initiatives in six public areas of the Municipality of Crema. This training course, for analysts and project managers in the ICT department, aimed to strengthen certain management skills (integration, innovation and customer orientation). The project, innovative in both training methods and content, took place outside the Company, had an unconventional structure and benefited the population of the Municipality of Crema. Snam's staff planned regeneration projects for five public parks and a school playground, in collaboration with the municipal engineering department and the people of the city, so that they could identify their needs and share the proposed solutions with them. In 2014, Stogit will make a financial contribution to the works, thus completing the course while benefiting the local community.

TARGETS ASSIGNED TO SUSTAINABILITY ISSUES

	2011		2012		2013	
	Assigned (no)	Achieved (%)	Assigned (no)	Achieved (%)	Assigned (no)	Achieved (%)
Executives	116	100	116	100	117 ^(*)	100
Managers	118	100	125	100	155	100
Office workers	5	100	5	100	15	100

(*) The difference of a 1 objective assigned, with respect to the number of leaders, and due to the exit for retirement of an executive.

The table shows greater involvement by managers (+5% compared with 2012), through the assignment of personal targets, to help to achieve the corporate sustainability goals. There was also a greater level of involvement in the office worker category. Alongside the policy of meritocracy, related to roles and responsibilities, a variable incentive system for executives and managers has been built up over the last few years in connection with performance appraisal through the allocation of specific individual charts. An incentive system is also used for recent graduates during their first years of employment, designed to boost motivation and retain the best resources, with even more marked differentiation in terms of performance, professional ability and management potential. We also continued our commitment to improve the system of benefits. As in previous years, as part of our internal communication initiatives, we extended our Total Reward

Statement (an itemised breakdown of an individual's overall pay packet) to all managers.

All job positions at Snam, Snam Rete Gas, GNL Italia and Stogit are subject to comprehensive analytical appraisal, based on the following factors: complexity, responsibility, experience and autonomy (CREA). In 2013, 746 CREA appraisals were approved (+15% compared with 2012). All evaluation processes are formalised and involve feedback sessions that are an important opportunity for discussion and communication between manager and employee with a view to gathering information that can be used to draw up new actions for developing and maximising the potential of our people.

Lastly, a collective incentive programme is used for all Group companies: the "Profit-sharing scheme", established by the respective CCNLs, is based on Company profitability (ROACE) and productivity, as measured in relation to annual targets agreed between the Company and union representatives.

Performance management

A new performance management process was developed on the basis of the climate analysis results, to respond to the request made by Snam's staff, who said that they wanted to "feel like active participants in the Company's performance, with the opportunity to demonstrate their value". The new performance system has four main goals: guiding personal performance towards corporate objectives; structuring connections between performance and a system of rewards; boosting the culture of responsibility and feedback; and fostering the development and strategic management of resources.

The performance management system, which is focused on specific challenging and sustainable behavioural objectives, makes it possible to achieve progressively higher goals, in line with strategic corporate plans.

The new system will be actively implemented in 2014, with the involvement of approximately 300 managers as "appraisers" and 650 employees as "appraisees". One of the biggest changes brought in by the new appraisal system is the "multi-view" principle, according to which employees not operating in the same corporate department can express their own assessment of the quality of service provided: the pilot project will therefore involve the functions of staff who can be regarded as "service providers" due to the nature of their roles.

EMPLOYMENT PROTECTION ▷ GRI - G4: LA1

A total of 96% of Snam's employees have permanent employment contracts; the remaining 4% have apprenticeship contracts which stipulate a temporary relationship by law (historically, nearly all expiring apprenticeship contracts are transformed into

permanent contracts).

With regard to regional coverage, approximately 3,200 people are employed in the north of Italy, 1,200 in the central region and approximately 1,600 in the south.

A total of 83 new hires were recorded in 2013, including 67 from the market, of whom 46 were university graduates and 21 were college graduates.

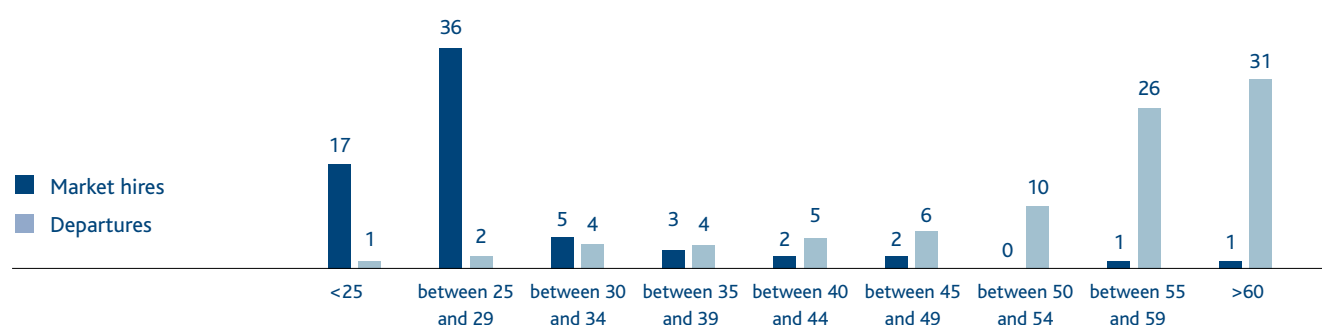
PERSONNEL (BY TYPE OF CONTRACT) (no)

	2011	2012	2013
Permanent contract	5,797	5,774	5,748
Apprenticeship or trainee contract	211	183	202
Temporary contract	1	0	0
Part-time contract	103	94	95

PERSONNEL HIRED DURING THE YEAR (no)

	2011	2012	2013
Hired from the market (total)	140	47	67
of whom university graduates	51	27	46
of whom college graduates	85	19	21
of whom holding other qualifications	4	1	0
Other incoming employees (non-consolidated companies, tender acquisitions, etc.)	228	52	16

HIRES AND DEPARTURES IN THE YEAR BY AGE BRACKET (no)



ABSENTEEISM RATE ▷ GRI - G4: LA6

2011

6.0%

2012

5.5%

2013

5.8%

STAFF TURNOVER ▷ GRI - G4: LA1

2011

9.3%

2012

4.3%

2013

2.9%

Industrial relations

National collective labour agreements (CCNL) apply to all Snam workers (the Energy and Petroleum Industry Agreement for the transportation, storage and regasification segments, and the Gas and Water Agreement for distribution).

Snam guarantees all workers the right to freely express their thoughts, join associations and engage in union activities. In 2013, 50.75% of employees were members of a trade union.

Special meeting spaces are provided for conducting union activities, and workers enjoy dedicated leave, as provided for by current regulations and the applicable industry agreement. All workers can submit topics of interest to them to the unitary union representative bodies (RSU), which are periodically replaced through elections.

In 2013, 240 meetings took place with the trade union organisations; a high number of meetings, at both national and local level, is a feature of the relationship between Snam and these organisations. A participatory model was favoured within the negotiations at every level; this was formally defined with the signing of a new Industrial Relations Protocol by the parties on 17 October 2013.

An Employment Protocol was also signed in October 2013, as part of the process of Group integration, reorganisation and consolidation, which is designed to take advantage of all possible structural synergies and to improve the qualitative/quantitative mix. The Protocol provides for the use of the management instruments described in the current set of rules, and specifically the relocation, pursuant to Articles 4 and 24 of Law 223/91, of 300 people in total, 150 of whom Snam will insert into the Group's operating units during the three-year period.

Welfare ▸ GRI - G4: EC3, LA2

Snam's corporate welfare system is a well-structured group of tools and services that aim to improve the work/life balance and, more generally, the quality of the working system.

Snam's welfare system is based on a long tradition of caring about people. It uses the most progressive experiences of the biggest Italian companies as a yardstick for growth and change.

The most traditional and consolidated elements of the corporate welfare system are:

- insurance cover for work and non-work accidents, offering more than the statutory benefits;

Snam's Industrial Relations Protocol

This is a highly innovative document, the first of its kind formulated by Snam, which governs the system of negotiations between the parties in all their forms. It is intended to simplify the system and bring it further in line with the national and international framework for such negotiations, and is based on the shared goal of pursuing the Company's objectives with tools that prevent conflict

and favour the development and promotion of a culture of staff involvement. As well as remodelling the national and local agreement levels in respect of the CCNLs applied, the Protocol established:

- The Snam Industrial Relations Committee, comprising representatives of Snam's General Management and the national secretaries of the trade union organisations signing up to the Protocol, as well as three employee representatives designated by each signing trade union organisation. The Committee introduces information mechanisms on matters relevant to the economic and energy scenario and, in general, relating to the development of Company policy;
- The Study Commission, which aims to identify new profit-sharing models in line with the framework regulations. The Commission comprises six representatives, including

- supplemental health assistance that guarantees reimbursement for expenses incurred for health and hospital services at public and private facilities;
- supplemental pension funds, which are largely funded by company contributions.

The model is continually updated to take account of changes in recent years and to ensure high satisfaction levels. The welfare project for the two-year period 2013-2014 has three main guidelines: introducing new initiatives targeted at emerging needs; preparing actions tailored to the requirements of the various corporate population groups and making people more aware, informed and involved.

An in-depth study of Snam's workforce was carried out in 2013. This is a broad and dispersed community encompassing a diverse range of groups with different needs and perceptions.

To maximise the cost/benefit ratio and boost employee motivation and participation, making staff actively involved, a questionnaire was drawn up to assess levels of awareness, use and appreciation of Snam's welfare services and to gather suggestions.

During the year, a logo was created for welfare activities, and the dedicated welfare section on the Company intranet was expanded and enhanced to provide more

news and information on welfare initiatives to Snam's employees.

Partly on the basis of the results of the analysis performed and the questionnaire, we may see a gradual rolling out of family support initiatives in the area of savings (broadening existing agreements) and health in the next few months.

In 2013, Snam rewarded employees with 25 years of service, as it does every year. This time 301 people reached the target and received a long-service award and fuel vouchers as recognition of this achievement and their individual contributions to the Company's growth. Of the 301 people who received the award in 2013, 107 were from Snam Rete Gas, 130 from Italgas, 12 from Stogit, 2 from GNL Italia and 40 from Napoletanagas. Other initiatives and services for staff have also been established in the key areas of: family, health, time and space, savings and relationships.

one for each signing trade union organisation and three representing the Group companies;

- The Health and Safety Committee, comprising representatives of the Snam General Management and members identified by the national secretaries of the trade union organisations.

The Protocol also stipulates a time schedule for setting up the European Works Council, pursuant to Legislative Decree 113 of 22 June 2012 (implemented by Directive 2009/38/EC), as a result of its most recent acquisitions in Europe.

The Protocol also describes training as a cross-cutting theme for all Group employees – since they represent strategic resources for the Company – developing professionalism and skills to keep pace with the changes in the business and thus making a consistent investment in training activities in the next few years.

The importance of education

The new textbook purchasing service was launched for Snam's employees in 2013. The service, which can be accessed via the welfare portal on the intranet, gives all Group employees the option of purchasing primary and secondary school textbooks at an average discount of 10%, paid in monthly instalments taken directly from their salaries. The ministerial textbook database has been incorporated into the service, so that parents can identify the specific school that their children attend and select the right books for purchase. The initiative not only enables staff to make financial savings but also to cut down their shopping time, as the purchase process takes place online and the textbooks are delivered directly to their homes.

WELFARE INITIATIVES

Intervention area	Activity
Family	<ul style="list-style-type: none"> • Summer beach or mountain outings. • Themed outings for adolescents focusing on English language studies, sports and respect for nature. • Nursery school: a centre of excellence in terms of both its teaching and its architecture that includes a crèche and a nursery school that cater for employees' children aged 0 to 6 years, allowing parents to have a better work/life balance (operational at San Donato Milanese since September 2010). • Purchase of discounted textbooks.
Health and wellbeing	<ul style="list-style-type: none"> • Promoting health: early cancer detection programme in cooperation with the Italian League against Cancer and with participating health facilities, and agreements with some health centres on hospital and outpatient services. • Special health check-up programmes for managers. • Anti-flu vaccine campaign. • Wellbeing programme: Snam offers the opportunity to engage in physical activities at selected and approved sports centres in the vicinity of the office buildings, at preferential membership rates. • Meals: Snam is committed to providing high quality in corporate catering, using services that ensure the use of first-rate raw materials, keep the nutritional value in the preparation process and maintain the quality of the environments and facilities where the service is provided. Take-away is another attractive option, allowing employees to save time by reserving dishes to eat at home.
Time and space	<ul style="list-style-type: none"> • Many offices offer flexible timings for arriving/leaving/meal breaks (according to job and workplace type). • Employees may be offered flexitime (according to job and workplace type) and a working hours account so that, if authorised, they can recover overtime (according to job and workplace type). • The Company offers assistance with filling in 730 tax forms. • To promote the sustainable mobility of employees, Snam offers the option to buy discounted public transport passes. In the area of the San Donato Milanese headquarters, the Company also provides a shuttle service from the metropolitan train station to the worksites. • On 24 September 2013, the provisions of the technical memorandum of the agreement of 29 July 2013 on "departing from home" were approved. This procedure stipulates that employees should go directly, using their company vehicle, to the first location assigned to them to carry out their work, rather than going to their operating centre. This innovative procedure represents a growth driver for the Snam Group in the medium and long term, increasing efficiency margins in the operating structure, boosting competitiveness and at the same time reducing travel times between the home and the workplace and creating an optimum work/life balance.
Saving and relationships	<ul style="list-style-type: none"> • Snam personnel are offered preferential terms for obtaining personal loans, insurance policies and credit cards, hiring cars, buying name-brand products or booking holidays. Employees have the opportunity to enjoy free or reduced-cost tickets to visit museums and exhibitions or attend concerts and operas.

Diversity and equal opportunities ▷ GRI - G4: LA3, LA12

Snam respects the dignity of everyone and offers equal opportunities in all phases and all aspects of employment, including selection, hiring, training, compensation, promotion, transfers and termination of employment, avoiding any form of discrimination that may arise from differences in gender, age, state of health, nationality or political or religious opinions.

The average age of the Group's employees is just over 49, and the average length of service is about 24

years. Women make up 10.9% of the total corporate population and 11.4% of managerial staff. This limited presence is partly due to the features of the business activity, which requires specific technical training that is covered by a largely male market.

Training hours delivered during the year (32.3 hours on average per employee) included a marked increase in hours delivered to women compared with 2012, mainly reflecting the training course on updates to Model 231 and the anti-corruption regulations.

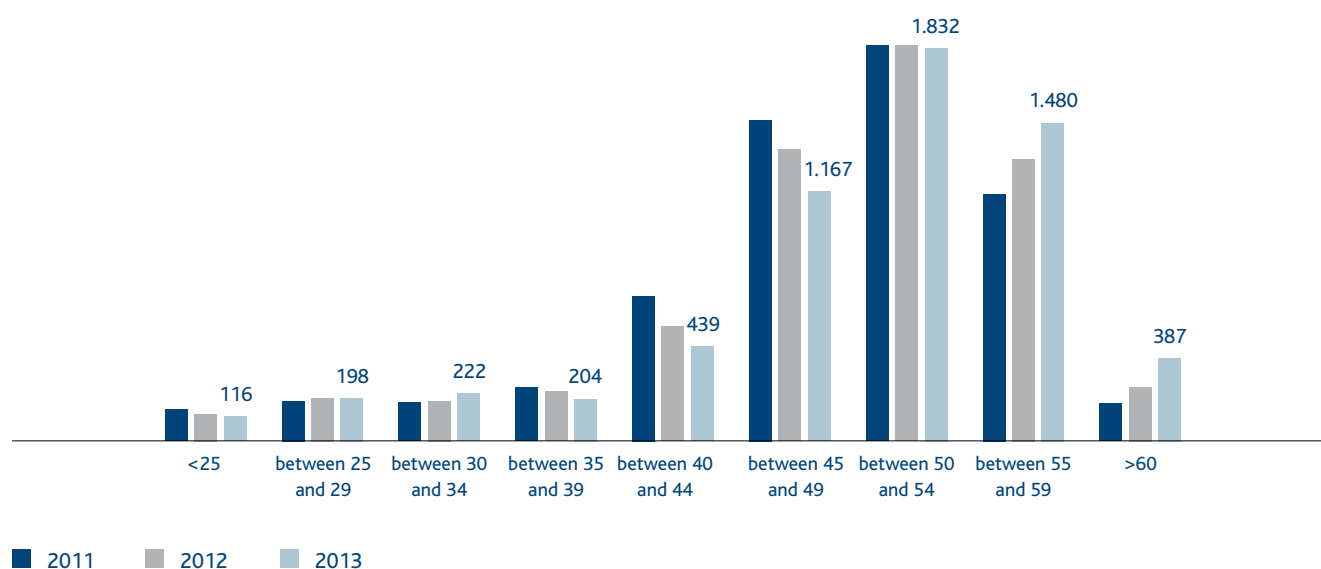
STAFF TRAINING BY GENDER (no) ▷ GRI - G4: LA9

	2012	2013
Average training hours delivered to men (hours/year)	28.1	32.7
Average training hours delivered to women (hours/year)	13.6	33.6

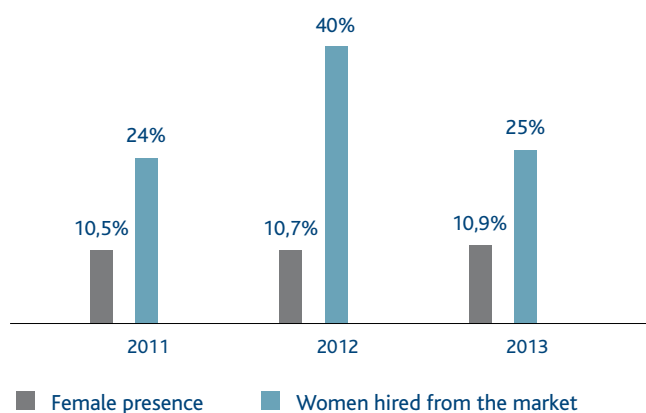
The Group employs 320 people with disabilities, whose development programmes focus on training and integration into corporate processes. There is not a

significant presence of ethnic and linguistic minorities in our workforce, partly due to the fact that Snam operates only in Italy.

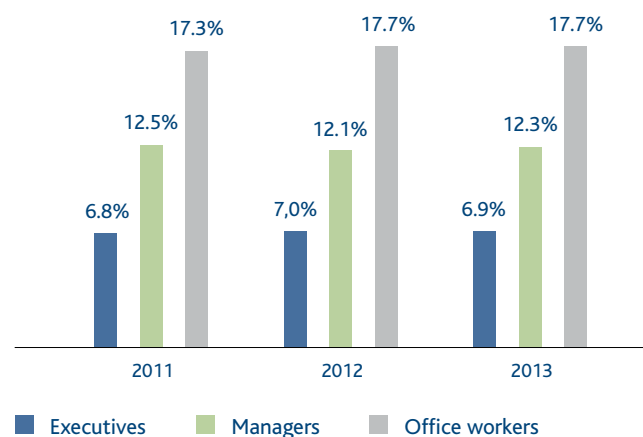
STATISTICAL DIVERSITY: EMPLOYEES BY AGE BRACKET (no) ▷ GRI - G4: LA1



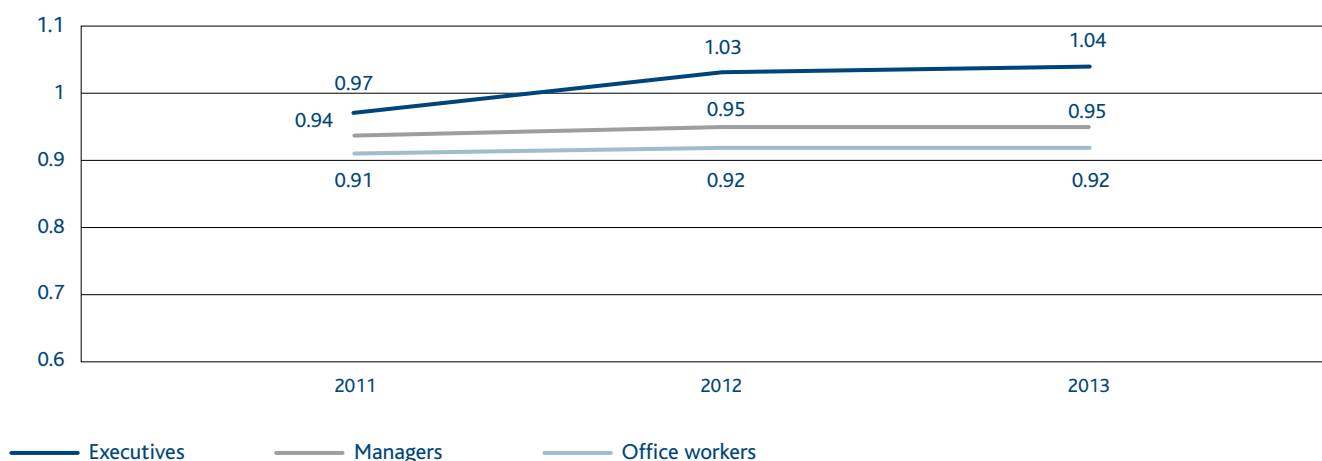
FEMALE PRESENCE



FEMALE PRESENCE BY POSITION



FEMALE/MALE PAY DIFFERENTIAL ▷ GRI - G4: LA13



Sharing programme

The Sharing Programme for Snam and TIGF was launched in 2013 to bring the two companies closer together, to share best practice while mutually respecting their autonomy and corporate cultures and growing together. The key elements of the programme are:

- Respect for mutual know-how, corporate cultures and cultural diversity.
- Sharing of knowledge, best practice and experience.

- Coming up with innovative solutions to improve performance.
 - Operational autonomy.
 - Creation of seven worksites.
 - Participation of more than 70 people in the worksites.
- The aim of the programme is not to transfer Snam's processes over to TIGF, but to truly share experiences and knowledge in order to identify sources of value that could boost TIGF's growth within the framework of Snam's international strategy.

With regard to maternity, personnel benefit from more favourable provisions than those required by law, while maintaining the corporate benefits provided. During the mandatory leave period, the Company provides maternity pay at 100% of the salary of the month prior to commencement of leave (compared with 80% as required by law).

Over time, Snam has invested in the creation of an entire group of tools designed to provide a better work/life balance for its employees. As well as the widespread use of part-time working as an incentive system for staff who need it (in 2013, 95 employees had part-time contracts), Snam has created an ad hoc section of the intranet, dedicated to providing the most extensive news and information possible on welfare initiatives for people working at the Company.

In 2013, 437 parental leave periods ended. Snam and the law provide opportunities for hours/periods away from work, depending on the personal situations of employees. The figure shown includes authorisations for family bereavement, serious family problems, breastfeeding, child illness, etc.

A total of 36 workers (male and female) took leave in 2013. A guide has been published on the intranet for both biological and adoptive parents with a view to raising awareness about their rights and highlighting the Company's dedication to parenting.



Appendices



NOTE ON METHODOLOGY

Snam's Sustainability Report, now in its eighth year of publication, is drawn up annually, within the same timeframe as the preparation of the Annual Report. It is the main tool used to communicate the Group's values, commitments, strategies and results in the area of sustainable development and corporate social responsibility.

The document includes the disclosure to stakeholders provided in the Annual Report, setting out physical and monetary data and environmental, social and governance (ESG) performance indicators for Snam's various activities:

- Corporate (Snam S.p.A)
- Transportation (Snam Rete Gas S.p.A);
- Regasification of liquefied natural gas (GNL Italia S.p.A);
- Storage (Stogit S.p.A.);
- Distribution (Italgas S.p.A with subsidiary Napoletanagas).

This Report contains data and information referring to the year ending on 31 December 2013. The document maintains the same reporting scope as in the previous year, and the same consolidation criteria are used as for the Annual Report (G4-G17).



Reporting process and procedures

The process of gathering data and information and preparing the Report was coordinated and managed by the Sustainability unit of the parent company, Snam, in cooperation with the various corporate departments and the operating companies. Publication of the document, simultaneous with that of the Annual Report, was subject to approval by the Snam Board of Directors on 27 February 2014.

The economic and financial, operating and governance data are taken directly from the Annual Report and the Corporate Governance Report. The environmental and social data reported in the document were gathered directly, using procedures and operating instructions established within the Corporate System Framework, by the sustainability unit from the data owners.

The calculation methods used to determine the various figures are indicated in the specific related sections. To ensure the comparability over time of the indicators deemed most significant and to give the reader the chance to compare the performance obtained, 2013 values have been placed alongside those for the previous two years, using graphs and tables. The Report aims to provide a balanced picture of both positive and negative aspects and to comment on the results obtained.

During the year the contents of the Report are integrated into the additional information published in the sustainability section of the website at www.snam.it.

Application of the GRI-G4 guidelines

The document was drafted in accordance with the most recent version (GRI-G4) of the Reporting Guidelines of the Global Reporting Initiative, published in May 2013. The scope and depth of the reporting on the subjects addressed in the Report reflect the results of the materiality analysis performed using the methods described on page 16.

The purpose of applying to the GRI-G4 standard was achieved by:

1. Relating Snam's materiality topics to the aspects designed by G4;
2. Delineating the relevant boundaries between the organization (G4-20) and the outside (G4-21), for each of the aspects emerged from the previous point of analysis.
3. Reporting, whenever necessary, the limits emerged for each aspect.

The results of this analysis are shown in the table on page 17. ("List of Material Aspects according to the GRI-G4standard").

With regard to the material aspects for which reporting has not been extended to the external scope (G4-omissions), Snam undertakes to implement specific actions in the coming years to enable the reporting scope to be progressively broadened.

In some cases, the implementation of the GRI-G4 standard lead to the generation of new indicators or to new versions of the same ones. In the quoted cases, data from previous years was taken into account and re-calculated in order to be consequentially in accordance with to the GRI-G4 guidelines.

On the basis of the current coverage of the standard disclosures and indicators associated with the material aspects, the level of adherence to the G4 standard self-declared by Snam is "In accordance – Core".

Assurance

The Report was subjected to a limited external audit by the company Ernst & Young. The audited sections are marked with the "External Assurance" label in the "GRI Content Index". The relevant results produced by the auditing activity, are included in the compliance certification appended to this Report.

Reference period	2013
Report coverage	Annual
Previous report	2012 Sustainability Report
Contact person	Domenico Negrini - Bruno Andreetto Snam Spa - Piazza Santa Barbara, 7 - San Donato Milanese (MI)
Accessibility	www.snam.it
Email	domenico.negrini@snam.it – bruno.andreetto@snam.it

Performance Indicators

SNAM GROUP – MAIN OPERATING DATA

	2011	2012	2013
Natural gas transportation			
Gas injected into the network (10 ⁹ m ³)	78.3	75.78	69.01
Gas pipeline network (km)	32,010	32,245	32,306
Average distance covered by gas in the Italian transportation network (km)	506	576	485
Gas compression stations for transportation (no)	11	11	11
Installed capacity at gas compression stations (MW)	884	864	867
Liquefied natural gas regasification			
Liquefied natural gas injected into the network (10 ⁹ m ³)	1.89	1.12	0.05
Number of methane tankers unloaded	50	31	1
Natural gas storage			
Gas injected into storage sites (10 ⁹ m ³)	7.78	8.44	8.92
Gas provided from storage sites (10 ⁹ m ³)	7.53	7.20	9.50
Operating concessions (no)	8	8	8
Natural gas distribution			
Distribution network (km)	52,516	52,586	52,993
Gas carried in the distribution network (10 ⁹ m ³)	7.450	7.462	7.352
Concessions (no)	1,449	1,435	1,435

SNAM GROUP – MAIN ECONOMIC DATA*

	2011	2012	2013
Core business revenue (€ million)	3,539	3,730	3,735
Operating costs (€ million)	993	1,129	1,045
EBIT (€ million)	1,958	2,111	2,034
Net profit (€ million)	790	779	917
Technical investments (€ million)	1,585	1,300	1,290
Net invested capital at 31 December (€ million)	16,989	18,314	19,320
Shareholders' equity including minority interests (€ million)	5,792	5,916	5,994
Group shareholders' equity at 31 December (€ million)	5,791	5,915	5,993
Net financial debt at 31 December (€ million)	11,197	12,398	13,326
Free cash flow (€ million)	(52)	(390)	(92)
Number of shares in share capital (millions)	3,571.2	3,381.7	3,381.6
Number of shares outstanding at 31 December (million)	3,378.6	3,378.7	3,380.0
Average number of shares outstanding during the year (million)	3,378.0	3,378.6	3,379.5
Year-end official share price (€)	3.39	3.52	4.04
Average official share price for the year (€)	3.75	3.43	3.65
Market capitalisation (€ million)	11,453	11,893	13,655
Dividends paid during the period (€ million)	811	811	845
Environmental expenses (€ million)	113.2	123.6	166.6
Health and safety expenses (€ million)	31.4	44.2	51.7

* For comments on the economic and financial results, please refer to the Annual Report.

SNAM GROUP – MAIN SOCIAL INDICATORS

	2011	2012	2013
Employees (no)	6,112	6,051	6,045
Executives (no)	118	115	116
Managers (no)	544	560	579
Office workers (no)	3,277	3,257	3,271
Manual workers (no)	2,173	2,119	2,079
Men (no)	5,469	5,400	5,386
Women (no)	643	651	659
Women/men pay differential (executive category)	0.973	1.03	1.04
Women/men pay differential (manager category)	0.94	0.95	0.95
Women/men pay differential (office worker category)	0.91	0.92	0.92
Employee average age (years)	48	49	49
Length of service (years)	23	23	24
Recruitment during the year from the market (no)	140	47	67
Other incoming employees (from non-consolidated companies, etc.) (no)	228	52	16
Percentage of university graduates hired (%)	36.4	57.4	68.7
Departures during the year (no)	360	160	89
Employee accident frequency index	2.22	1.51	1.51
Employee accident severity index	0.06	0.06	0.09
Contractor accident frequency index	8.7	4.3	2.6
Contractor accident severity index	0.34	0.29	0.16
Training hours (no)	187,134	160,771	198,357
Training hours/employee (no)	30	26	33
Training hours on health and safety matters (no)	28,563	26,959	34,641
Training hours on environmental matters (no)	2,093	1,901	1,970
Total HSEQ audits performed (no)	359	380	312
Environmental investigations (no)	401	272	260
Doctor's visits (no)	2,533	3,208	2,674
Diagnostic exams (no)	2,027	3,504	2,989

SNAM GROUP – MAIN ENVIRONMENTAL INDICATORS

	2011	2012	2013
Energy consumption (TJ)	12,833	12,801	11,467
Natural gas emissions (10 ⁶ m ³)	96.9	98.4	98.8
GHG emissions Scope 1-2-3 (10 ³ t CO _{2eq})	n/a	2,631	2,574
GHG emissions Scope 1 (10 ³ t CO _{2eq})	2,228	2,237	2,181
GHG emissions Scope 2 (10 ³ t CO _{2eq})	29.3 ⁽¹⁾	33.1 ⁽¹⁾	32.2
GHG emissions Scope 3 (10 ³ t CO _{2eq})	n/a	360	361
NOx emissions (t)	920	985	837
CO emissions (t)	383	363	326
Total waste production (t)	66,072	31,865 ⁽²⁾	61,217
Non-hazardous waste production (t)	40,467	30,117 ⁽²⁾	58,039
Hazardous waste production (t)	25,605	1,748 ⁽²⁾	3,178
Waste recovered from production activities (%)	59	47	96
Freshwater procurement (10 ³ m ³)	354	460	281
Freshwater discharged (10 ³ m ³)	168	199	188
Sea water procurement (10 ³ m ³)	4,000	4,000	4,000
Sea water discharged (10 ³ m ³)	4,000	4,000	4,000

(1) Data recalculated with a new factor for comparison with 2013 datum.

(2) Data updated due to the revised quantity of waste produced by reclamation activities.

SNAM GROUP – MAIN ENVIRONMENTAL INDICATORS

	2011	2012	2013
Snam Group			
CO ₂ emissions/energy used (kg/GJ)	54.1	54.0	54.3
NOx emissions/energy used (kg/GJ)	0.072	0.077	0.073
Natural gas transportation			
Energy consumption/energy compressed (%)	0.25	0.27	0.25
CO ₂ emissions/gas compressed (kg/10 ⁶ m ³)	5,705	5,991	5,834
Natural gas emissions/km of network (m ³ /km)	1,240	1,288	1,238
NOx emissions/gas compressed (kg/10 ⁶ m ³)	7.3	8.3	7.5
Average rated turbine NOx emissions/total installed capacity ([mg/Nm ³]/MW)	6.6	5.9	5.7
DLE turbine hours of operation/total turbine hours of operation (%)	80	75	76
Liquefied natural gas regasification			
Energy consumption/LNG injected into the network (%)	1.41	1.44	(*)
CO _{2eq} emissions/LNG injected into the network – (kg/10 ⁶ m ³)	33,827	47,553	(*)
Natural gas storage			
Natural gas emissions for storage/gas stored (%)	0.075	0.070	0.061
NOx emissions/gas stored (kg/10 ⁶ m ³)	44.3	45.6	39.1
Average rated turbine NOx emissions/total installed capacity ([mg/Nm ³]/MW)	15.6	13.6	9.6
Natural gas distribution			
Natural gas emissions/km of network (m ³ /km)	846	840	828
CO _{2eq} emissions/gas distributed (kg/10 ⁶ m ³)	97,913	96,000	97,712

(*) Data not significant due to reduced regasification activity.

General standard Disclosures		Page reference/notes	External Assurance
Strategy and analysis			
G4-1	Sustainability strategy	2, 3, 5, 15-29, 54-55	
Organizational profile			
G4-3	Name of the organization	Cover	✓
G4-4	Brand, products and services	8-10, 46-54	✓
G4-5	Location of general headquarters	Third Cover	✓
G4-6	Local market presence, included significative impacts concerning products, activities, services and relationships	8-10, 22-23	✓
G4-7	Ownership structure	7, 23	✓
G4-8	Markets served	8-10, 22	✓
G4-9	Size of the organization	7-10	✓
G4-10	Total number of employees, broken down by type of contract, by sex and geographic area	22, 86, 93, 98	
G4-11	Total number of employees covered by collective labor agreements	94	✓
G4-12	Supply chain description (n. supplier, volumes e procurement markets)	22, 42, 43	✓
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain	101, 102	✓
G4-14	Explanation of any method of application of the prudence principle or approach	18, 32-39	
G4-15	Signing and adoption of codes of conduct, principles and charters developed by external organizations	Second Cover 31, 32, 38	
G4-16	Participation in trade associations	Go to www.snam.it	
Identified material aspects and boundary			
G4-17	List all entities included in the organization's consolidated financial statements and those not covered by the report	101, 102	✓
G4-18	Process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for defining report content	16-19, 101, 102	✓
G4-19	List all material aspects identified	16-19	✓
G4-20	For each material aspect, report the aspect Boundary within the organization	17	✓
G4-21	For each material aspect, report the aspect Boundary outside the organization	17	✓
G4-22	Report effect of any restatements of information provided in previous reports , and the reasons	101, 102	✓
G4-23	Significant changes from previous reporting periods	101, 102	✓
Stakeholder engagement			
G4-24	List of stakeholders with which the Company interacts	20-23	✓
G4-25	Principles for identifying stakeholders	20	
G4-26	Approach adopted for the activity of involving stakeholders	20	
G4-27	Results of involvement	12, 52, 53, 85-87	

General standard Disclosures		Page reference/notes	External Assurance
Report profile			
G4-28	Period of reference of the document	102	✓
G4-29	Last report published	102	✓
G4-30	Frequency of reporting	102	✓
G4-31	Contacts	102	✓
G4-32	Report the in accordance options and table of G4 content	101, 102	✓
G4-33	Policies and practices on independent auditing	102, 114, 115	✓
Governance			
G4-34	Governance structure, including committees of the highest governance body.	31-39	✓
Ethics and Integrity			
G4-56	Mission, values and Code of Conduct	Second Cover, 32	✓

Specific standard Disclosures

Material aspects		Page reference/notes	Omissions	External Assurance
Category: Economic				
Economic Performance				
DMA		6-13, 16-19, 24-27, 46-50		
EC1	Economic value generated and distributed directly	13		✓
EC2	Economic and financial implications associated with climate change	78		✓
EC3	Coverage of obligations assumed at the time of defining the pension plan (benefit plan obligations)	94 Snam offers its employees pension coverage that is supplemental to the public system, on a voluntary acceptance basis. At the time of termination of employment, all employees receive postemployment benefits. (Please refer to the Consolidated Annual Report and to the website, www.fondenergia.it)		
Indirect economic impacts				
DMA		16-19, 24-27, 66-69		
EC7	Impacts of investments in infrastructure for the benefit of local communities, through commercial commitments, donations of products/services or other pro-bono activities	68		
Procurement practices				
DMA		16-19, 24-27, 42-45		
EC9	Policies, practices, and percentage of expenses concentrated on local suppliers	42		✓

Specific standard Disclosures

Material aspects		Page reference/notes	Omissions	External Assurance
Category: Environmental				
Energy				
DMA		16-19, 24-27, 67-68, 74-80		
EN3	Direct and indirect energy consumption broken down by primary energy source	79, 80		✓
EN5	Energy Intensity	107		
EN6	Energy saving	79		✓
Biodiversity				
DMA		16-19, 24-27		
EN11	Location and size of land owned, leased or managed in protected areas (or adjacent to protected areas) or in areas with high biodiversity outside of protected areas	71		
EN12	Description of the major impacts of activities, products and services on the biodiversity of protected areas or of areas with high biodiversity outside	72		
EN13	Protected or restored habitats	70		
EN14	Number of protected species that have their habitat in the organisation's areas of operation, broken down by level of risk of extinction	72		
Emissions				
DMA		16-19, 24-27, 74-78		
EN15	Total direct greenhouse gas emissions by weight (scope I)	74, 75		✓
EN16	Total indirect greenhouse gas emissions by weight (scope II)	74, 76		✓
EN17	Other indirect greenhouse gas emissions by weight (scope III)	74, 77		✓
EN18	Carbon intensity	107		
EN19	Initiatives to reduce greenhouse gas emissions and results achieved	75		✓
EN21	NOx, SOx and other significant emissions into the air broken down by type and weight	81		✓
Overall				
DMA		16-19, 24-27, 67-68		
EN31	Expenses and investments in environmental protection, broken down by type	68		
Suppliers Environmental Assessment				
DMA		16-19, 24-27, 42-45		
EN32	Percentage of new suppliers that were screened using environmental criteria	45		✓
EN33	Significant actual and potential negative environment impacts in the supply chain and actions taken	45		

Specific standard Disclosures

Material aspects		Page reference/notes	Omissions	External Assurance
Category: Social				
LABOR PRACTICES AND DECENT WORK				
Employment				
DMA		16-19, 24-27, 85-87, 97-99		
LA1	Total number and rates of new employee hires and turnover by age group, gender and region	22, 93, 97		✓
LA2	Benefits provided for permanent workers	94, 95		
LA3	Rate of return to work after parental leave	99		✓
Labor/Management Relations				
DMA		16-19, 24-27, 94		
LA4	Minimum period of notice for operational modifications (organisational changes), specifying whether or not such conditions are included in the collective labour agreement	The provisions of the national collective labour agreements are applied (see G4-11)		
Occupational Health and Safety				
DMA		16-19, 24-27, 56-64		
LA5	Percentage of workers represented on the health and safety committee	Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements		
LA6	Rate of workplace accidents, sickness, lost work days, absenteeism and total number of deaths, broken down by geographic area	61-63		✓
LA7	Workers with high incidence or high risk of diseases related to their occupation	64		
LA8	Union agreements on health and safety	Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements		
Training and education				
DMA		16-19, 24-27, 85-91		
LA9	Average annual hours of training per employee, broken down by worker classification	89, 97		✓
LA10	Programmes for managing skills and for promoting training/continuing education in support of the continuing employment of employees and for managing the final phase of their careers	90		
LA11	Percentage of employees who regularly receive performance and career development evaluations	91		✓
Suppliers assessment for labor practices				
DMA		16-19, 24-27, 42-45		
LA14	Percentage of new suppliers that were screened using labor practices criteria	45		✓
LA15	Significant actual and potential negative impact for labor practices in the supply chain and actions taken	45		

Specific standard Disclosures

Material aspects		Page reference/notes	Omissions	External Assurance
Category: Social				
SOCIETY				
Local communities				
DMA		16-19, 24-27, 67-73		
SO1	Nature, objective and effectiveness of programmes and/or practices for evaluating and managing impact on a given community, including activity	67-73		
SO2	commencement, operation and decommissioning phases	68-73		
Anti-Corruption				
DMA		16-19, 24-27, 31-39, 90		
SO3	Percentage of business units analysed for corruption risk	36-38		✓
SO4	Percentage of employees with anti-corruption training	90		
SO5	Actions taken in response to incidents of corruption	36		
Compliance				
DMA		16-19, 24-27, 31-39		
SO8	Total legal actions regarding unfair competition, anti-trust and monopolistic practices and respective judgments	See Consolidated Annual Report		

GLOBAL COMPACT RECONCILIATION TABLE

The ten principles	Sustainability Report 2013	Page
Human rights		
Principles 1 and 2 - Businesses are required to promote and respect internationally proclaimed human rights within their sphere of influence and to ensure that they are not complicit in human rights abuses, even indirectly	<p>Respect for human rights is expressly mentioned in the Snam Code of Ethics and in contractual relations with suppliers. All suppliers are required to subscribe to and comply with the Code of Ethics, with international labour requirements and to declare that they do not employ personnel below the minimum age imposed by law.</p> <p>Snam operates in full compliance with Italian law, setting the age of majority as a prerequisite for company recruitment.</p> <p>The Supplier Portal has been launched with the aim of increasing awareness and providing assistance in the sustainability field.</p> <p>An initiative has been implemented to disseminate the Global Compact principles among the Company's suppliers, with the adoption of explanatory cover pages on contracts.</p> <p>Inspection audits are carried out on Snam's suppliers about sustainability issues and suppliers' accident data are collected even if not related to Snam's construction sites or activities.</p> <p>100% of total qualified suppliers have been analyzed on topics regarding Human Rights.</p> <p>Snam offers tools to improve the balance between work and private life and respects all kinds of diversities.</p> <p>The outcome of the climate has been analyzed in order to arrange new solutions.</p>	32, 44, 64, 86-92, 94-99
Labour		
Principles 3, 4, 5 and 6 – Businesses are required to uphold freedom of association and the recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the abolition in practice of child labour; and the elimination of all forms of discrimination in respect of employment and work.	<p>The national collective labour agreements for Energy & Petroleum and Gas-Water have been applied and association rights are guaranteed to all workers.</p> <p>A new Industrial Relations Protocol has been signed.</p> <p>A Workshop about shared value between Company and suppliers has been carried out.</p> <p>Accident indices have improved and the Objective Safety project has been carried on.</p> <p>About 34.600 hours of training on subjects related to Health and Safety have been provided.</p> <p>The corporate volunteering initiative has been extended to more company local sites.</p>	60-63, 93-94
Environment		
Principles 7, 8 and 9 – Businesses are required to provide support for a precautionary approach to environmental challenges; to undertake initiatives to promote greater environmental responsibility; and to encourage the development and diffusion of environmentally friendly technologies.	<p>Snam Rete Gas extended ISO14001 certification to the whole of the company.</p> <p>The best technology available for minimizing impacts on the environment has been adopted; the "Ecologically" project has continued; the installed power from renewable sources in plants for energy production has increased.</p> <p>Participation to the "Clean up the World" initiative involving schools and employees.</p> <p>Snam pays particular attention to the subject of biodiversity in its relations with stakeholders and in its day-by-day business activity, taking as reference the Millennium Development Goals on environmental protection and the conservation of biodiversity.</p> <p>The second book of the Sustainable Path series about best practices on environmental restoration in the Prealpi Giulie Natural Park has been published.</p>	39, 66-83
Anti-corruption		
Principle 10 - Businesses are committed to working against corruption in all its forms, including extortion and bribery.	<p>The new Anti-Corruption Procedure which prevents corruption in any way, shape or form has been issued and the 231 Model has been updated.</p> <p>By means of an e-learning system, more than 11.000 training hours about news introduced with "Anticorruption Law" in reference to D.Lgs. 231/2001 have been provided.</p>	37- 38



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**Independent auditors' report on the limited assurance engagement of Snam Group's sustainability report as of December 31, 2013
(Translation from the original Italian text)**

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

1. We have carried out the limited assurance engagement of the sustainability report of Snam S.p.A. and its subsidiaries (hereinafter "the Snam Group") as of December 31, 2013. The Management of Snam S.p.A. is responsible for the preparation of the sustainability report in accordance with the "Sustainability Reporting Guidelines G4", issued in 2013 by G.R.I. (Global Reporting Initiative), that are detailed in the paragraph "Note on methodology", as well as for determining the Snam Group's commitments regarding the sustainability performances and the reporting of the achieved results. The Management of Snam S.p.A. is also responsible for the identification of the stakeholders and the significant matters to report, as well as implementing and maintaining appropriate processes to manage and control internally the data and disclosures reported in the sustainability report. Our responsibility is to issue 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" ("ISAE 3000"), issued by the International Auditing and Assurance Standard Board. ISAE 3000 requires the compliance with ethical requirements ("Code of Ethics for Professional Accountants" issued by the International Federation of Accountants - "IFAC"), including professional independence, as well as planning and executing our work in order to obtain a limited assurance, rather than a reasonable assurance, that the Report is free from material misstatements. A limited assurance engagement of a sustainability report consists of making inquiries, primarily with company's personnel responsible for the preparation of the information included in the sustainability report, in the analysis of the report and in other procedures in order to obtain evidences considered appropriate. The performed procedures have been specifically related to data and information indicated as submitted to "External assurance" on the "GRI Content Index" of the sustainability report, and are summarized below:
 - a. Comparison of the economic and financial information and data included in the sustainability report to section "Performance indicators" with those included in the Snam Group's consolidated financial statements as of December 31, 2013 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree n. 39 dated January 27, 2010, on March 24, 2014;
 - b. Analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the sustainability report. In particular, we have carried out the following procedures:
 - interviews and discussions with personnel of the Management of Snam S.p.A. and of its subsidiaries (GNL Italia S.p.A., Napoletana Gas S.p.A., Snam Rete Gas S.p.A., Società Italiana per il Gas S.p.A., Stoccaggi Gas Italia S.p.A.) to obtain an understanding about the information, accounting and reporting system in use for the preparation of the sustainability report and about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the sustainability report;

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- on-site verifications at the Settala (MI) operating site of Stoccaggi Gas Italia S.p.A.;
 - analysis, on a sample basis, of the documentation supporting the compilation of the sustainability report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the sustainability report;
- c. Analysis of the consistency of the qualitative information included in the sustainability report to the guidelines identified in paragraph 1. of the present report and their internal consistency, with reference to the strategy and to the sustainability policies;
 - d. Analysis of the process relating to the engagement of the stakeholders, with reference to the procedures applied and the completeness of the stakeholders involved, through the review of summary minutes or any other existing documentation relating to the main topics emerged from discussions with them;
 - e. Analysis of the process relating to the definition of material aspects included in the sustainability report, with reference to the procedures applied for the identification and prioritization of material aspects and to the internal validation of the process results, through the review of summary minutes or any other existing documentation relating to the materiality analysis;
 - f. Obtaining of the representation letter, signed by the legal representative of Snam S.p.A., relating to the compliance of the sustainability report with the guidelines indicated in paragraph 1., as well as to the reliability and completeness of the information and data presented in the sustainability report.

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

The sustainability report contains data relating to the previous years for comparative purposes. Some data have been restated compared to the data previously reported and subject to our limited assurance, on which we issued our report on March 4, 2013. The restatement principles of comparative data and the related disclosure have undergone limited assurance procedures for the only purpose of issuing this report.

3. Based on our work, nothing has come to our attention that causes us to believe that the sustainability report of Snam Group as of December 31, 2013 is not in compliance, in all material aspects, with the guidelines "Sustainability Reporting Guidelines G4" issued in 2013 by the G.R.I., as stated in the paragraph "Note on methodology" of the sustainability report.

Turin, March 24, 2014

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

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