

snam rete gas



Sustainability Report 2010

Snam Rete Gas is an integrated company engaged in regulated natural gas transportation, distribution, regasification and storage in Italy.

We have provided our customers with a safe and dependable service over time. We do this through our commitment to developing infrastructure and creating a flexible gas market while complying with principles of competition and providing our customers with equal access to infrastructures and equal treatment.

Our aim is to create value that will fulfil our shareholders' expectations. We are able to realise this commitment thanks to the superb professional skills of people who, on a daily basis, do their utmost to achieve sustainable growth that is environmentally friendly and accountable to local areas and their communities.

It is our goal to be sustainable with conviction and passion.



# snam rete gas



Sustainability Report 2010



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## Message from the CEO

Dear Stakeholders,

As in the rest of Europe, the security of supply lines in Italy is closely tied to the flexibility of infrastructures and the increase in interconnections. The development of an integrated gas network is the first step in this direction. In particular, this means joining markets with supply sources which currently are not connected, and broadening the network that interconnects the countries of the European Union. The key condition for creating a European gas network is the coordinated development and management of the upgrading of interconnected transportation systems along with the establishment of shared European rules. With their European market and infrastructure, member states can implement cost-reduction policies for consumers, limit emissions and guarantee supplies. Snam Rete Gas is committed to playing a leading role in this new European gas system. That is why our investment plan includes work programmes and decisions that strengthen our transportation network.

In fact, our projects are aimed at creating conditions for the development of a gas hub in southern Europe by capitalising on the location of Italy, which is situated at the crossroads of major gas arteries. This will allow us to play a key role in the transformation of Italy into a transit country, in addition to a consuming country, with several advantages for end consumers and the country-wide industry: guaranteed availability of gas, cost containment and reduced emissions.

The prerequisites for growth and development plans in the coming years are financial stability, operating efficiency and the management of corporate activities in accordance with sustainability criteria. Snam Rete Gas ended 2010 on a particularly positive note with a 46.2% increase in EBIT and a 51.1% increase in net profit, year on year. These results, which are due to the excellent performance of all our businesses and measures taken in terms of operating and

financial efficiency, are all the more significant given that they were achieved in an economic recovery blighted by uncertainty and limited prospects for growth in consumption.

In this global environment, after the significant slowdown in 2009, demand for gas recovered in 2010 to set the stage for gradual growth in the coming years. In 2010, gas consumption in Italy, in standard terms, was about 81 billion cubic metres, up 4.8% on 2009. This increase concerned all sectors: thermoelectric, industrial and residential. For the 10-year period 2010-2020, we project average annual growth in demand of 1.8%.

Despite critical moments, our investment plan has never stopped. We have continued to invest in building significant infrastructures for the development of the country, in spite of difficult market conditions. Investments in 2010 totalled €540 million, and were aimed at the development and maintenance of transportation (€102 million), distribution (€386 million) and storage (€52 million) infrastructures.

For the four-year period 2011-2014, we have confirmed this growth strategy with a €4 billion investment plan to increase the security and flexibility of the system, diversify supply sources and satisfy requirements related to the development of gas demand over the medium and long term. In this way, we will successfully create the conditions for transporting gas from southern to central Europe. In particular, the four-year plan provides for a 5% increase in transportation capacity, an 8% increase in active distribution meters and a 35% increase in available storage space.

Snam Rete Gas strives to achieve its strategic goals within a framework of sustainability that has been part of company processes for years. Our focus is on a culture based on sustainable development, security and service qual-



**Carlo Malacarne**  
Chief Executive Officer

ity. This commitment is also demonstrated by our active support of the Global Compact and its principles, and was corroborated again this year by confirmation of Snam Rete Gas shares on the Dow Jones Sustainability World index and, since 2002, on the FTSE4Good Index Series.

Over the years, Snam Rete Gas has built its success on several factors: company processes, the organisation of labour and the essential skills of our people. It has continued this path following the acquisition of Italgas and Stogit to build a new entity together with GNL Italia. Success in future years will also depend on the ability of the four companies to create constant synergies and develop a competitive advantage through size.

The significant results achieved, as well as those we wish to pursue, are based on a wealth of skills, implementation capabilities and human and financial resources, which for many years have allowed us to develop infrastructures for the market and the country as a whole. However, these

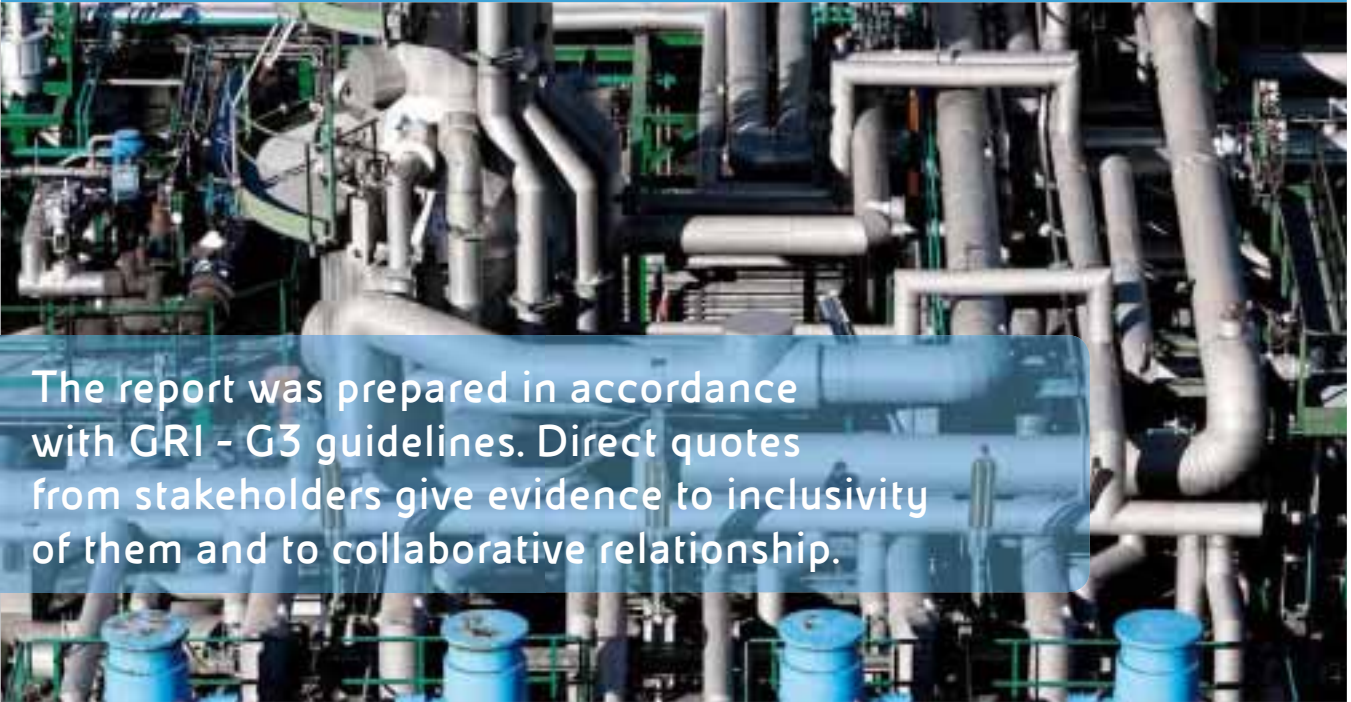
implementation capabilities would not be possible without respect for the communities and local areas where we have worked for decades and our constant effort to combine sustainability and development, corporate objectives and an ongoing dialogue with stakeholders.

In fact, stakeholders are a true reflection of our work: they are the people with whom we deal constantly, and to whom we want to listen by developing methods of dialogue that are increasingly dedicated to their needs.

Initiatives carried out in collaboration with our stakeholders are a testament to the relationship of trust that we have established with them. It is our desire to continue to strengthen and improve this relationship. Good sustainability practices and an effective governance model, such as that of Snam Rete Gas, are instrumental in ensuring sustainable growth over the long term. These factors have been the essential foundation of our development for many years.

Chief Executive Officer

## Methodology and scope of report



The report was prepared in accordance with GRI - G3 guidelines. Direct quotes from stakeholders give evidence to inclusivity of them and to collaborative relationship.

The Sustainability Report is published annually in order to report on the environmental, social and economic performance of transportation (Snam Rete Gas S.p.A.), liquefied natural gas regasification (GNL Italia S.p.A.), storage (Stogit S.p.A.) and distribution (Italgas S.p.A.) operations. The operations of Italgas also include its subsidiary Napoletanagas. This document will provide the reader with in-depth information, news and comments dedicated to stakeholders with a dialectical approach aimed at providing more detailed information on operations and certain aspects of their sustainability. Additional information is available in the sustainability section of the website [www.snamretegas.it](http://www.snamretegas.it).

The report was prepared in accordance with "Sustainability Reporting Guidelines", version 3.0, issued by the Global Reporting Initiative. These guidelines provide a specific reporting system and pro-

pose a set of significant indicators for each sustainability area allowing for a thorough consideration of the impact of business activity.

The report has a new look compared with previous editions. In particular, stakeholders are given a stronger voice with direct quotes from them and specific examples of collaboration activities. This year's report is devoted to them and is based on a rigorous, targeted approach that began with a project to map stakeholders after the acquisitions.

The topics and indicators included in the report were selected on the basis of their relevance in terms of sustainability and their ability to affect stakeholders' assessments and decisions. The report is prepared by the Sustainability unit of Snam Rete Gas

S.p.A. in collaboration with various company departments. Results in the area of sustainable development are explained by formulating and calculating specific indicators

Snam Rete Gas adheres to the Global Reporting Initiative (GRI-G3). The GRI sets out a body of rules to ensure that sustainability reports are comparable at international level. In particular, the GRI's contents and indicators define how the report should be structured in order to present the economic, environmental and social performance of an organisation, following the principles of materiality and inclusivity of stakeholders, completeness, comparability, accuracy, timeliness, clarity and reliability of the information included in the report.

that are gathered in tables at the end of the document ("performance indicators"). In particular, physical, environmental, social and monetary data were gathered that are characteristic of the company's operations in order to cover the entire range of significant social, environmental and economic repercussions. The calculation methods used to determine the various figures are indicated in the specific related sections.

Information is reported for the year ending 31 December 2010 and has been extrapolated using internal management tools and public documents published by accredited institutions. In addition, information is provided in the appropriate form on significant events occurring after the end of the year. Data and information refer to Snam Rete Gas companies and all of 2010.

To ensure the comparability of the most significant indicators over time, and to allow the reader to compare performance, results for previous years are provided (three years for transportation and regasification operations and two years for the recently acquired storage and distribution operations). The economic indicators taken from the

consolidated financial statements are for 2009 and 2010. The economic and financial results for 2009 include the impact of consolidating Italgas and Stogit as of 30 June 2009. Economic data are reported in accordance with IAS/IFRS. Due to the structure of the Italian market, it is not possible to compare results presented in the Sustainability Report with other similar entities.

The report is published concurrently with the consolidated financial statements and was approved by the board of directors on 2 March 2011.

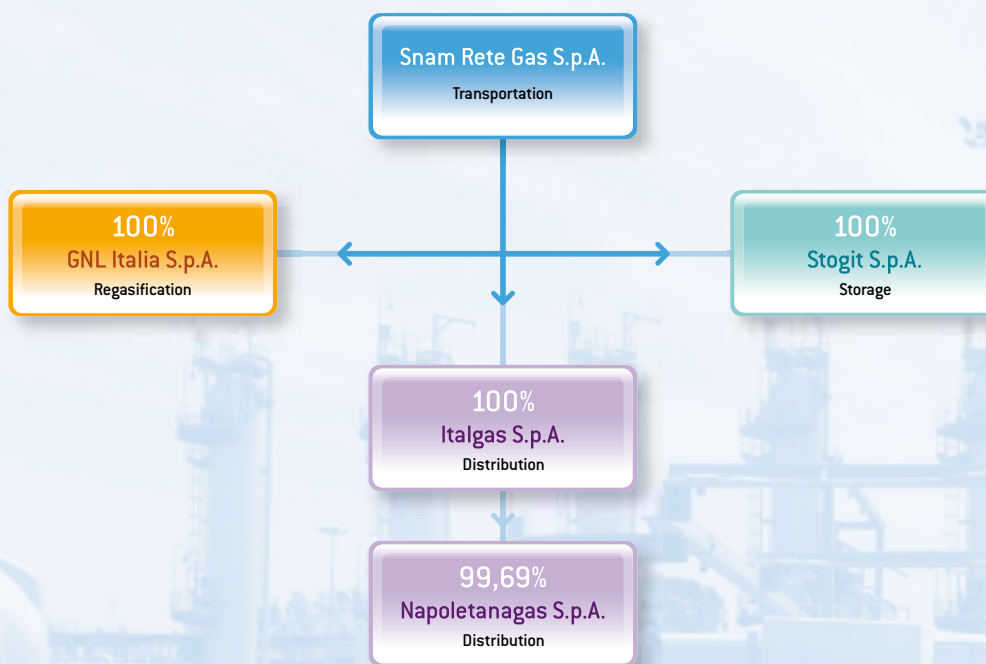
The report was audited by an independent third party (Ernst & Young) based on the principles and guidelines of the International Standard on Assurance Engagements (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB). The results of the audits performed are included in the compliance certification attached to this report.

Naturally, for the best report comprehension, Snam Rete Gas means the parent company together with its subsidiaries, while Snam Rete Gas S.p.A. means the parent company only.

Reporting period	2010
Coverage of the report	annual
Previous report	2009 Sustainability Report
Contact person	Domenico Negrini Snam Rete Gas Piazza Santa Barbara, 7 San Donato Milanese (MI)
Accessibility	<a href="http://www.snamretegas.it">www.snamretegas.it</a>
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## Snam Rete Gas: infrastructures and operating figures





#### 2010 key operating figures

Natural gas injected into the national transportation network (billions of cubic metres)	<b>83.32</b>
Transportation network (kilometres in use)	<b>31,680</b>
LNG regasification (billions of cubic metres)	<b>1.98</b>
Available storage capacity (billions of cubic metres)	<b>9.2</b>
Natural gas moved through the storage system (billions of cubic metres)	<b>15.59</b>
- of which injected	<b>8.00</b>
- of which withdrawn	<b>7.59</b>
Gas distribution (billions of cubic metres)	<b>7.95</b>
Distribution network (kilometres)	<b>50,307</b>
Active meters (millions)	<b>5.848</b>
Gas distribution concessions (number)	<b>1,448</b>
Employees (number)	<b>6,104</b>





# Corporate Governance

Governance and sustainability

## Governance and sustainability



**Sustainability is an integral part of the business model of Snam Rete Gas and is a guiding element in making strategic and operational decisions for the company.**

Snam Rete Gas' Board of Director. Standing, from left to right: Massimo Mantovani, Massimo Gatto, Elisabetta Oliveri, Alessandro Bernini, Davide Croff, Francesco Schiavone Panni, Mario Stella Richter, Renato Santini. Seated, from left to right: Roberto Mazzei, Carlo Malacarne, Salvatore Sardo, Roberto Lonzar

### General principles

The corporate governance system is developed as a way of creating value for shareholders and takes into account the social impact of the activities performed by the company. Safeguarding the environment, the health and safety of individuals, protecting workers and ensuring equal opportunities, cooperation with local and national communities, and in general, protecting the interests of all stakeholders are essential values. The company's corporate governance is based on the principles contained in the Corporate Governance Code for Listed Companies proposed by the Committee for the Corporate Governance of Listed Companies with recommendations from the national financial regulator (Consob) on this topic, and

more generally, taking into account the best international practices. In this regard, it should be noted that the corporate governance system is a specific evaluation criterion

**The company bases the day-to-day conduct of its activities on the principles set out by international bodies and conventions on the protection of human rights, employment and trade union rights, health, safety and environmental rights, and the right to reject forced labour, child labour and any form of discrimination, as well as on conformity with values and principles concerning fairness, transparency and sustainable development. In order to give greater visibility to this commitment, the company is a signatory to the "Global Compact". This international initiative upholds 10 universal principles concerning human rights, employment, the environment and the fight against corruption, and brings together governments, businesses, United Nations agencies, labour organisations and civil associations, with the aim of contributing to the creation of a more inclusive and sustainable global economy.**

taken into consideration in the Gas Distribution Utilities category by the Dow Jones Sustainability Index.

In this context, sustainability helps to manage business risks, improve performance and enhance the company's reputation and intangible assets. To ensure that sustainability issues are overseen properly, the board of directors has taken a leading role in determining sustainability policies and approving the Sustainability Report. In addition, as of 20 March 2009, the

CEO has assigned specific functions to the management committee, which, as a part of its duties, is responsible,

among other things, for overseeing corporate sustainability activities, assessing their consistency with business strategies and ensuring a sustainable development model is generated with a focus on the assessment and approval of indicators and the audit of the Sustainability Report.

All information related to the corporate governance system is included in the Report on Corporate Governance and Ownership Structure, while other information, such as directors' compensation, legal disputes, etc., is provided in the Annual Report. Both documents are available on the Snam Rete Gas website ([www.snamretegas.it](http://www.snamretegas.it)).

### Board of directors

The board of directors is the main body in the corporate governance system of Snam Rete Gas and is vested with broad powers for the ordinary and extraordinary administration of the company. In particular, it may carry out all actions it deems appropriate to execute and achieve the corporate purpose, excluding solely those actions which the law or the bylaws dictate are to be performed by the shareholders' meeting.

In this context, the board of directors has been given, among other things, exclusive authority with respect to:

- i) determining, with recommendations from the CEO, the company's and the group's strategy and objectives, including sustainability policies, and approving, in accordance with unbundling regulations, the company's and the group's strategic, business, financial and infrastructure development plans, as well as the company's strategic agreements;

- ii) reviewing and approving quarterly and half-yearly reports of the company and its subsidiaries as required by current laws, and reviewing and approving the sustainability report; and

- iii) establishing the company's corporate governance system and rules.

Snam Rete Gas has taken a number of safeguards to ensure proper corporate management in relation to the board of directors. Prominent among these are the presence of a greater number of independent directors than required by law and the particular emphasis placed on its internal control system. This system combines all rules, procedures and organisational structures aimed at enabling, through an appropriate key-risk monitoring, management and measurement process, a sound and sustainable administration of the company that is consistent with pre-established goals. The board of directors is composed by nine members: Salvatore Sardo (Chairman), Carlo Malacarne (CEO), Alessandro Bernini, Davide Croff, Roberto Lonzar, Massimo Mantovani, Elisabetta Oliveri, Renato Santini and Mario Stella Richter (directors). Directors Salvatore Sardo, Carlo Malacarne, Alessandro Bernini, Davide Croff, Massimo Mantovani and Renato Santini were elected on the basis of the list presented by Eni S.p.A., while directors Roberto Lonzar, Elisabetta Oliveri and Mario Stella Richter were elected based on the list presented by several minority shareholders.

Members of the Company's Board of Directors	Snam Rete Gas Gas	GNL Italia	Stogit	Italgas
Members of the Board of Directors	9	5	5	5
Independent directors	5	(*)	(*)	(*)
Non-executive directors	8	4	4	4
Directors appointed by minority shareholders	3	(**)	(**)	(**)
No. of meetings in year to 31.12.2010	10	10	15	11

(\*) Information on independence is not relevant since this is a company that is not listed in a regulated market.  
 (\*\*) Not relevant since this is a company with a single shareholder.

### Committees

In order to perform its functions more effectively, the board of directors of Snam Rete Gas has established three committees: the Compensation Committee, the Internal Control Committee and the Combined Independent Committee.

The Internal Control Committee, which is made up of three non-executive independent directors, as defined by the Corporate Governance Code for Listed Companies,

advises and assists the board of directors with regard to the functions of overseeing the general performance of the company, while the Compensation Committee, which is made up of three non-executive directors, of whom two are independent, advises the board with regard to criteria for the compensation of the company's senior management.

At its meeting on 27 July 2010, the board of directors of

Snam Rete Gas also established the Combined Independent Committee as the collegial body in charge of the joint management of regulated activities in the areas of natural gas transportation, dispatch, distribution, storage and regasification. This body is made up of the following individuals:

- CEO of Snam Rete Gas;
- CEO of GNL Italia;
- CEO of Italgas;
- CEO of Stogit;
- General Manager of Operations of Snam Rete Gas

The board of directors granted the Management Committee all powers for the performance of its duties.

The Combined Independent Committee has adopted its own operating regulations.

At the same meeting, it was also stipulated that the CEO of Snam Rete Gas is to chair the Combined Independent Committee and represent the organisational unit, forming a part of said Committee, that is in charge of expressing a binding opinion to the board of directors in accordance with, and for the purposes of, Article 11.5 c) of the Consolidated Unbundling Act for all decisions made by this body concerning management and organisational aspects of business activities, and for the approval of the development plan pursuant to Paragraph 11.1 b) i) of the unbundling regulations.

The Combined Independent Committee has appointed the Guarantor, in the person of the General Counsel Legal and Corporate Affairs of Snam Rete Gas, to properly manage commercially sensitive information handled as a part of natural gas transportation, dispatch, distribution, storage and regasification operations.

### Internal control system

For several years, Snam Rete Gas has used an internal control system that complies with the guidelines of the Corporate Governance Code for Listed Companies and is consistent with benchmark best practices. The purpose of the control system is:

- (i) to ensure the suitability of various company processes in terms of effectiveness, efficiency and affordability;
- (ii) to ensure the reliability and accuracy of accounting entries and the protection of the company's assets; and
- (iii) to ensure that operating performance complies with internal and external regulations, directives and company guidelines aimed at guaranteeing sound and proper business management.

Responsibility for the internal control system lies with the board of directors, which, with the assistance of the Internal Control Committee, sets its guidelines and periodically audits its suitability and actual operation in order to make

certain that the main corporate risks are identified and properly managed. The CEO is charged with implementing the guidelines formulated by the board of directors by planning, managing and monitoring the internal control system.

### Business ethics

#### Code of Ethics

In June 2008, Snam Rete Gas adopted the new Code of Ethics ("Code") which incorporates the latest guidelines on business sustainability and ethics. The Snam Rete Gas Code is made up of the Eni Code of Ethics and a specific addendum indicating its characteristics as a company listed on the stock exchange and regulated by the Electricity and Gas Authority. Thus, the addendum emphasises relationships with Snam Rete Gas shareholders and the market, with the Electricity and Gas Authority, and with customers, communities and the local area.

The Code specifies that all operations must be carried out in accordance with the law in an environment of legal competition with honesty, integrity, fairness and good faith in keeping with the legitimate interests of customers, employees, shareholders, business and financial partners and the communities where the company has a business presence. The duties of Code Guarantor were assigned to the Watch Structure (with an independent external chairman as of 2010), to which the following may be submitted:

- requests for clarifications or interpretations on the Code's principles and content;
- suggestions concerning the Code's application;
- reports of violations of the Code that have been determined directly or indirectly.

Individuals at Snam Rete Gas must, without discrimination or exception, ensure that their actions and behaviour comply with the principles and content of the Code as a part of their duties and responsibilities, acknowledging that Code compliance constitutes an essential element of the quality of work and professional performance.

#### Model 231

Legislative Decree no. 231 of 8 June 2001 introduced rules for the administrative liability of companies on the basis of which the latter may be held liable, and thus penalised, for certain offences committed or attempted in the interest of, or for the benefit of, the company by persons vested with duties of representation, administration or management of the entity or of one of its organisational units with financial and functional autonomy, by individuals who exercise, including on a de facto basis, the management and control of the entity (individuals in top positions or "senior managers") and by individuals under the management or supervision of one of the aforementioned individuals (individuals subject to the management of others). The company is not

liable if, before offences are committed, it has adopted and effectively implemented organisational, management and control models capable of preventing such offences, and it has set up a body in charge of overseeing the operation of, and compliance with, the models.

In this regard, Snam Rete Gas and its subsidiaries have implemented the provisions of this law by adopting an organisational, management and control model of its own in keeping with its specific characteristics, with each appointing a Watch Structures charged with monitoring the implementation and actual application of the model.

In 2010, a multi-functional team called "Team 231" was set up to identify and develop the procedures necessary to update the Model 231 of the company and its subsidiaries by incorporating the new legal provisions introduced in the area of crimes concerning counterfeit money, legal tender and revenue stamps, falsification of distinctive signs or instruments, IT-related crimes and illegal data handling, organised crimes, industrial and trade-related crimes, copyright infringement and the obstruction of justice. Team 231 is supported by PricewaterhouseCoopers as an expert consultant in the area of administrative liability/compliance.

#### Anti-corruption guidelines

A key factor in the commitment of Snam Rete Gas to sustainability is its ability to do its business with loyalty, fairness, transparency, honesty and integrity, and in accordance with the national and international laws, regulations, standards and guidelines that apply to its business.

In this context, Snam Rete Gas has, for some time, emphasised the issue of the fight against corruption, and the board of directors has adopted "Anti-Corruption Guidelines" (incorporating the same policy introduced by the ultimate parent, Eni).

In this area, it has also changed its organisational structure with the establishment of the Anti-Corruption Legal Support Unit, whose goal is to change existing procedures where necessary, promote the adoption of new regulations by subsidiaries and sensitise and train staff to be aware of and comply with the anti-corruption regulations.

The purpose of the guidelines is to protect and promote the company's reputation by introducing a specific set of rules aimed at ensuring the compliance of Snam Rete Gas with the best international standards in the fight against corruption.

#### Internal Audit

Internal Audit is responsible for verifying the adequacy of the internal control system and making sure that it provides reasonable guarantees that the organisation will be able to achieve its goals in a cost-effective and efficient manner.

To be specific, the Internal Audit department has the following duties:

- to provide operational, compliance, financial, IT and fraud audit services to Snam Rete Gas and its subsidiaries, as well as the activities dictated by the model required under Legislative Decree 231/2001 and independent monitoring of the control system for corporate reporting;
- for the activities under its responsibility, to maintain relationships with the Audit Committee, the Supervisory Body established pursuant to Legislative Decree 231/2001, the board of statutory auditors and the independent auditor;
- to manage notifications from known and unknown sources received for any purpose by Snam Rete Gas and its subsidiaries.

The activities performed by Internal Audit in 2010 are summarised in the table below:

Internal audit activities	
Total number of audits carried out	51
Number of operating audits scheduled	11
Number of independent monitoring audits (SOA - 262)	40
Reports received	26
of which concerning the internal control system	10
of which concerning accounting, auditing, fraud, etc.	0
of which concerning administrative liability pursuant to Legislative Decree no. 231/2001	0
of which concerning other matters (code of ethics, mobbing, theft, security, etc.)	16
Reports archived due to absence of elements or untruth (no.)	16
Reports resulting in corporate interventions (disciplinary) (no.)	1
Reports resulting in corporate interventions (managerial) (no.)	3
Reports referred to the legal authorities (no.)	0
Reports currently under investigation (no.)	6

## Sustainability strategy

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

The sustainability model prepared by the company is developed through a strategic process aimed at making constant improvements, and it consists of specific action plans. In July 2010, with the issuance of the new "Sustainability Activity" Procedure, the model was also extended to the newly acquired companies (Stogit and Italgas).

In September, as a part of the annual planning process, areas for improving sustainability were developed for the period 2011-2014 as an operational tool in preparation for identifying sustainability-related initiatives and projects to be included in the business plan, confirming the company's willingness to present its financial data in conjunction with non-financial data. The company's management approved the areas of improvement.

Subsequent improvement plans, which consist of short- and medium-term projects and initiatives, are prepared by various company departments and approved by man-

agement, while the sustainability department monitors the achievement of goals and progress made on projects. The company's approach to sustainability is first aimed at identifying all players with whom it interacts and who can impact, or be affected by, the organisation's activities, and second at understanding the interests and relevant issues for each of these with the aim of getting them involved.

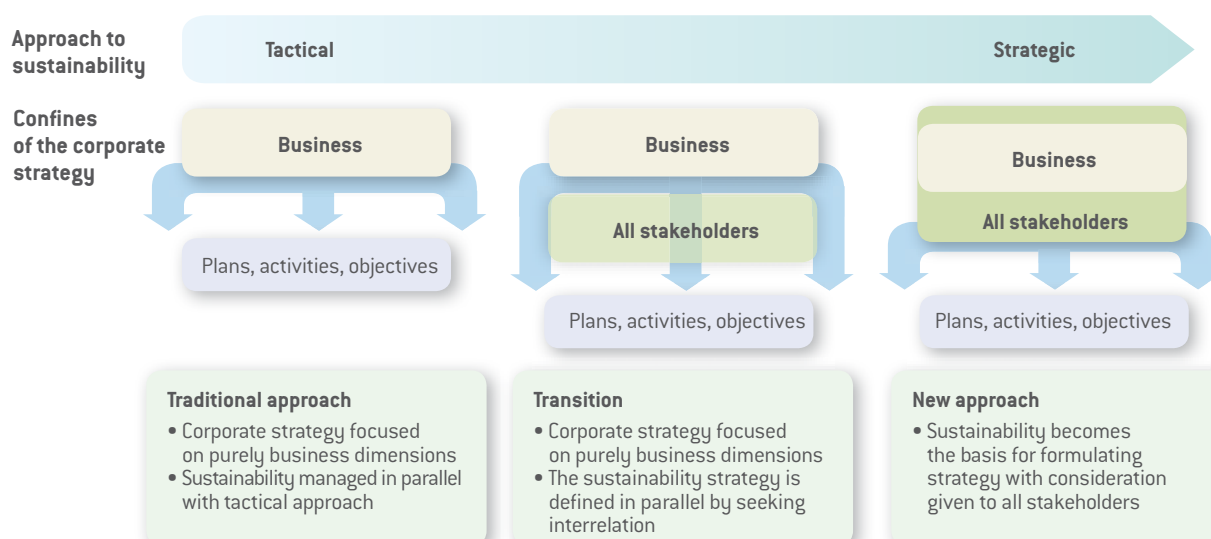
The approach to sustainability of Snam Rete Gas takes its cue from now well-established concepts first formulated by Edward Freeman in 1984 and subsequently developed with other contributions, including the Green Book published by the European Commission in 2001, in which corporate social responsibility is defined as a concept whereby "companies integrate social and environmental concerns in their business operations and in their interaction with stakeholders on a voluntary basis" and thus places stakeholders at its core.

In this context, Snam Rete Gas promotes transparency and discussion to foster the building of consensus and trust, improve decision-making processes and help to reduce conflicts between the various stakeholders.

The engagement system at Snam Rete Gas is present at all company levels. The company maintains ongoing collaborative relationships with investors, government agencies, institutions and companies with the aim of offering a service that is consistent with local and national needs and growth plans. It also makes its expertise available to foster the development of

activities aimed at continually improving plant reliability and the quality of services offered, giving priority to safety and the health of its employees and outside contractors. However, this system is not feasible without clearly identifying the parties that have a mutually influential relation-

### Approach to sustainability

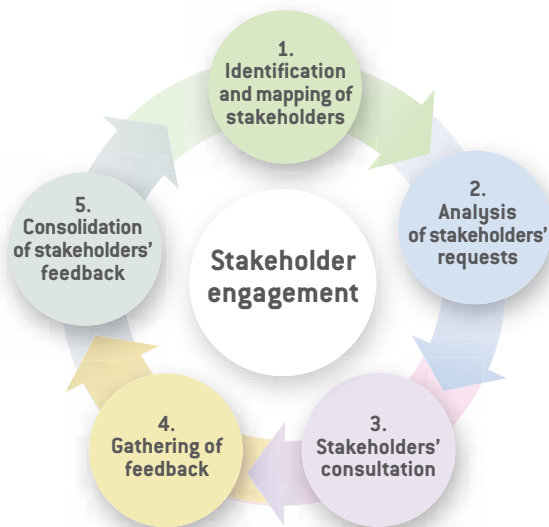


ship with the company. For this reason, at the end of 2010, the “stakeholder mapping” project was launched with the goal of organically identifying the categories of parties whose opinions, decisions, attitudes or actions may actually help or hinder the achievement of a specific goal of the company based on their level of interest or influence. This survey was all the more necessary based on the expanded corporate scope after the acquisition of Italgas and Stogit. The purpose of this activity was to identify all stakeholders and break them down into various categories by rele-

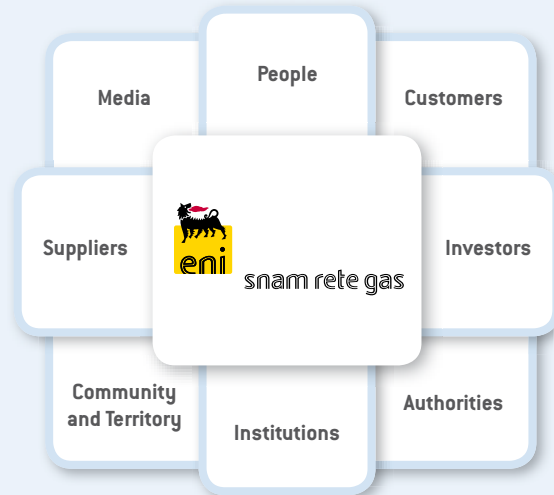
vance. On the basis of these results, analyses and studies will be developed to initiate more specific ways of getting stakeholders involved which are consistent with corporate objectives.

The structure of this report is aimed at enhancing this approach. Chapters are broken down into sections dedicated to stakeholders in order to shed light on the dialectic approach and initiatives and results achieved to promote relationships and get stakeholders involved.

#### Snam Rete Gas' Stakeholders Engagement model



#### Snam Rete Gas' Stakeholders





**Prof. Mario Molteni - ALTIS Director**  
Università Cattolica del Sacro Cuore, Milan

## Sustainability and the success of a company

*When interviewed in 2010, 93% of CEOs of large European companies stated that sustainability was important for the future success of business. The same research showed that over just three years, from 2007 to 2010, the percentage of company leaders who felt that sustainability policies had been integrated in their companies' strategy rose from 50% to 81%. The main reasons cited for this integration are the desire to strengthen brand, stakeholder trust and the company's reputation.*

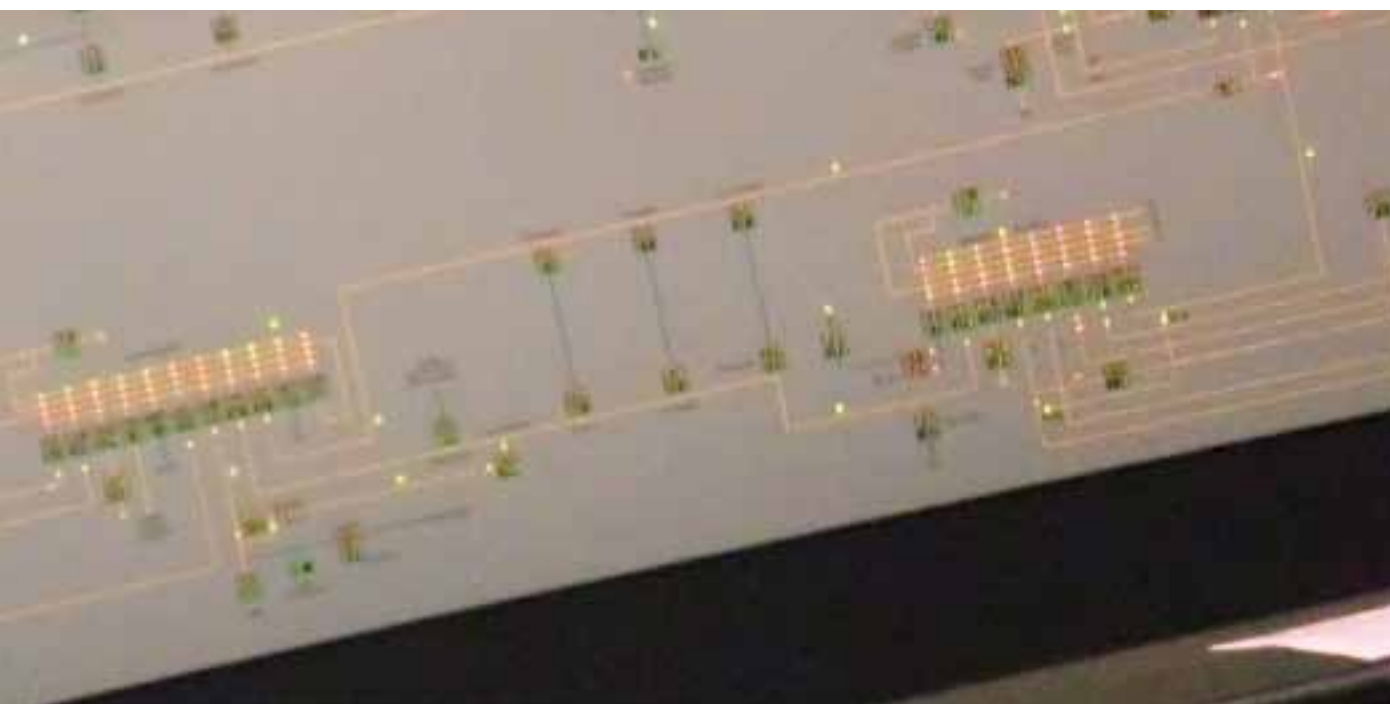
*This is a very reassuring situation, and perhaps too much so. In fact, the businesses reviewed constitute a set of "responsible leaders" since they voluntarily joined the Global Compact, the initiative launched in 2000 by the United Nations to promote 10 universal principles related to human rights, labour, the environment and anti-corruption (Snam Rete Gas joined in 2009) among the world's major companies.*

*Although this is not a representative sample of the business world, what emerged is still highly significant: the focus on sustainability is increasingly perceived as a competitive advantage. This is the result of a number of structural changes taking place worldwide: new expectations of workers (health and safety, but also achieving a work/life balance, equal opportunities, welfare services, etc.), more critical consumers, the phenomenon of responsible procurement in government and private enterprise, the growing importance financial markets place on social and environmental issues (investment criteria adopted by major international players, development of ethical and green funds, etc.), the relevance given to international stock indices that assess the social responsibility of businesses (such as the Dow Jones Sustainability World Index), and expectations of future regulations on social, and especially environmental, issues.*



*However, many companies address this challenge in a purely reactive manner by complying (and often, only formally) with the general trend, without truly reforming the concept of their role in society and their behaviour. Thus, I would like to indicate three tests of a true sustainability orientation, on the basis of which I would also ask you to assess the quality of the strategy implemented by Snam Rete Gas companies as indicated in this report.*

*First test: do sustainability policies involve all activities in the company's value chain without exception, starting with the most critical activity based on the specific nature of the business? Second test: is the focus on sustainability seen only in defensive terms - in the sense of "protecting value" and limiting operational and reputation risks - or has it become a source of "creating value" since it is the fundamental driver of innovation? In this regard, there is increasing talk about shared value creation, which is the creation of value for the benefit of both the company and society. This is achieved through: the upgrading of company processes in an environmental context while also boosting productivity; the development of products and services with a high social and environmental content which together can achieve full commercial success; the commitment to develop the local community, and in particular the business sector, with positive repercussions for the company's competitive position. Third test (which is particularly relevant for a company operating in the same kind of sector as Snam Rete Gas): does the company contribute, by self-regulating and participating in the establishment of rules by legislators and government authorities, to designing an industry governance system capable of ensuring fairness and efficiency overall? Those companies which aspire to achieve true sustainable growth should be able to answer affirmatively to these three questions.*








# Stakeholders

## People

## People



The desire to do good, the quality of service, environmental protection and workplace safety are the common features underlying a collective culture.

### Participation and sharing

*"People are indispensable and fundamental to the very existence of the company, and our goals can be achieved only through their dedication and professionalism".*

The board of directors of Snam Rete Gas approved its policy on "Our People", which governs the full spectrum of human resources management, on the basis of this principle. Diversity, maximising people's potential, training, communication and organisational wellbeing are key values, particularly during a period of transition.

It has been a historic couple of years for Snam Rete Gas, revolving mainly around the consolidation and integration of different companies. Although they all grew up within the eni group, the four companies that constitute today's Snam Rete Gas operate in different sectors, have grown at different speeds and are located in different parts of Italy.

We made an important decision to consciously exploit

the positive and complementary aspects of each company so that these factors become grounds for union and sharing.

Bringing together four different companies into a single efficient system means making big changes to the organisation and the role of each person. A new group is taking shape; one that is first and foremost a society of people who work together, spur each other on and make the company grow: expertise, passion and skill are strategic and fundamental factors in defining corporate objectives and actually achieving them.

The desire to do good, quality of service, environmental protection and workplace safety are the common features underlying a collective culture that everyone appreciates. Snam Rete Gas is unique in its focus on results, involvement of people and quality of internal relations.

We are taking steps to ensure that our people are familiar with and feel part of the new grouping, and that they are able to combine their own prospects and aspirations with

the growth of the business.

That is why we are stepping up our efforts to expand and enhance the skills of our people, ensure individual

professional development, encourage participation and listening, ensure clear and transparent information, and create a positive work environment.

Personnel by company	2008	2009	2010
Snam Rete Gas S.p.A	2,252	2,254	<b>2,636</b>
GNL Italia	93	87	<b>70</b>
Italgas		3,545	<b>3,119</b>
Stogit		301	<b>279</b>
	2,345	6,187	<b>6,104</b>

Personnel subdivided by status	2008	2009	2010
Executives	65	121	<b>116</b>
Managers	265	493	<b>508</b>
Office workers	1,241	3,320	<b>3,243</b>
Manual workers	774	2,253	<b>2,237</b>
	2,345	6,187	<b>6,104</b>

## Change management

The influence and competitive strength of Snam Rete Gas rests firmly on its ability to cover the full breadth of regulated gas activities.

The integration creates value through developing infrastructure, skill sharing, improving efficiency and achieving industrial synergies. This principle is founded on the belief that the four businesses will create more value when integrated than the sum of the values they would have created individually.

We spent the first part of 2010 designing and implementing the organisational structure to ensure that the new business entity runs efficiently. This project has been operational since April, with a parent company (Snam Rete Gas S.p.A.) which houses the transportation business and the staff and services areas, and three subsidiaries which are responsible for the following specific businesses: distribution, storage and regasification.

We decided to retain a corporate structure whereby each individual business is responsible for meeting its own targets. This allows us to get the most out of our specific expertise and increases our ability to change working processes by promoting synergies and integrating best practice.

The organisational structure involves an integrated service model centralised in the parent company, with the businesses served by the highest levels of expertise.

We took great care to ensure smooth transition, and in record time the operation brought about more streamlined organisational structures which are better able to respond to the needs of different sectors. During the first few months of the year, more than 400 employees switched department and 70% of executives changed their role in order to rework how their duties fit into the new corporate structure.

In order to make the new model work, we needed to create a business management system that involves all the companies and includes the internal regulatory and organisational systems, defined on the basis of several key principles aimed at ensuring that the common corporate objectives are reached in the correct fashion.

A unique and dynamic system, a procedural approach and a vision consistent with quality criteria are the key features that ensure continual improvement in procedural efficiency and the suitability of the entire system. Standardising shared processes and preparing integrated information systems has allowed us to tailor rules and methods to ensure a thorough and efficient service.

The new corporate structure obliges everybody to work in a new way: no longer as individual units or departments, but as connected parts of an organic and integrated system.



**Davide Corazza - Head of plant operations  
Polo Minerbio - Sabbioncello - Stogit**

## Sharing the maintenance process

As part of the integration schedule, we developed the “SAP Storage and maintenance internalisation” project. This will generate significant cost savings for the company and improve the quality of the service we offer. The project involves recentralising all maintenance activities within Stogit and sharing information systems with Snam Rete Gas. This requires significant investment, particularly in people and their training and requalification. It is an example of efficiency which arises from developing and sharing skills within Snam Rete Gas companies.

### How has the maintenance project changed the way you work?

*It is only since December 2010 that the staff of the contract company which was responsible for Stogit's maintenance activities (SES) have been absorbed into Stogit and that we have begun again to directly manage the contractors.*

*However, I think that, as far as I can tell at this stage, my workload will eventually increase; as well as the work I was doing before, I will also have to perform other tasks related to the direct management of maintenance, although having direct control over these aspects will have a significant benefit.*

### Has the company supported this change?

*Absolutely. The company has carried out a thorough information programme, starting in June with a meeting with management and a visit to a Snam Rete Gas station, and continuing in the form of regular meetings. This really helped people to understand the project as a whole and the objectives the company has set itself. In some cases, I think certain information could have been more specific, but I was told that these points were still being defined. In terms of training, I took information systems courses which were useful for understanding the system, but which must be accompanied by practical usage to enable understanding of the capabilities and uses of an information system.*

### What difficulties did you encounter?

*Information on the details of certain working processes, and in particular I mean the new flow of company activation and defining competencies between stations and headquarters, was not received early enough to enable me to have a full and clear picture from the beginning.*

### And how were these problems resolved?

*Working closely with colleagues from other stations, and sharing information and solutions with them and with the central technical unit, allowed us to overcome these little imperfections or gaps which can always surface when a new system is launched.*

### Do you think this change provides an opportunity for professional development?

*I really think it does. The main possibility that I see is directly managing personnel of outside companies working on our plants, as well as, eventually, the station's own staff directly carrying out maintenance activities. This will improve plant and operations management. People who work in the plant every day inevitably pay more attention to its management and operation.*

### **Enhancement, wellbeing and equal opportunities Involvement and communication**

Encouraging participation, which includes listening to people's needs and their requests for improvement, fosters a positive internal climate and increases their level of satisfaction in the performance of their activities.

We are finding more opportunities and ways of disseminating to all levels a knowledge of corporate objectives, an understanding and sharing of strategies, participation in ongoing improvement processes and the request for a contribution from everybody.

In 2010, we trialled a series of meetings to share corporate objectives and reinforce the message to staff that each person's work is crucial if we are to achieve these objectives.

As well as creating the new intranet for all companies,

we also used other means of communication, such as newsletters and posters, to involve people in ongoing initiatives.

The listening tools outlined for managing and developing people were implemented in the form of motivational meetings with new graduates and manager feedback sessions carried out as part of appraisals.

During 2011, three years after the last survey and a year on from the implementation of the new organisational model, we will carry out an analysis of the internal working environment. This is crucial for understanding how satisfied people really are and subsequently implementing the appropriate improvement initiatives.



## “energie” online: the new intranet

With the integration of Snam Rete Gas, GNL Italia, Stogit and Italgas, it is essential for everyone to have access to a common working tool. A single environment where they can find the information necessary to carry out their daily activities which can be a useful way of conveying information, without losing the specific characteristics of each company, and, at the same time, an effective medium for developing knowledge and sharing experiences. The “energie” intranet site is a collaboration platform where people experience the organisation through communication channels within and between the companies, creating a horizontal circulation of information and areas for the sharing and development of knowledge. Knowledge management is an important objective, particularly from the point of view of integration: the idea of the new intranet site is to pool the distinctive technical know-how of each company, each department and each regional site.

In particular, this aim is pursued through the sections devoted to the different organisational areas and regional sites, and through the project areas designed as a collaborative and interactive “container” devoted to individual projects, for the publication and sharing of content, with a dedicated thematic forum.

In 2011, the development of the intranet will concern the overhaul of the document area to create a single container where it will be easier to share the knowledge of all the companies and to search by subject.



Maria Ranaldi - Central district - Italgas

### Intranet: a shared process

*Over the last few months, we have tested the “energie” site as a powerful information sharing tool, particularly after the integration between Snam Rete Gas, Italgas, Stogit and GNL Italia.*

*I was chosen by my manager as the representative for Italgas’s central district.*

*The network of representatives, which comprises around 80 people from all Snam Rete Gas companies, has had and will continue to have the task of managing content supply for the specific sections of interest.*

*We have often been asked to contribute to the creation of a practical and complete environment. I think our involvement and active participation were the main features of the creation of the intranet.*

*It was really interesting taking part in the project, expressing the requirements of my district in order to make the intranet more efficient for everybody. During the training course, I learned how to structure a journalistic article and how to independently enter information, details and photos of the central district, all operating stations and specialist units.*

*In my role as a representative, I promoted the intranet within my district. I am convinced that “energie” is an excellent place to find the information needed to carry out day-to-day activities and an indispensable tool for developing knowledge and sharing experiences.*

*It was really pleasing when, during a meeting, I reported to the head of the district and the heads of the operating stations and the units about the potential and use of the “energie” site.*

*It was a long-term decision to make people involved in creating the intranet, and it is undoubtedly a big advantage that simplifies and encourages content management.*

*It will, however, be essential to keep the network of representatives involved on a regular basis to make everybody more aware of how important it is to constantly update “energie” so that people see it as a dynamic tool where they can find valid and useful information.*

## Training

Training and consolidating the professional skill set, in keeping with changes to the environment in which the company operates, are an integral part of maximising people's potential.

As well as enhancing people's job opportunities, training serves as a support to organisational integration and change management.

These activities are based on an ongoing partnership with the various units in order to encourage the design and continual improvement of training courses, making them more efficient and consistent with the requirements of people, professional families and corporate objectives.

In 2010, we delivered a total of around 148,820 hours of training (more than 24 hours per employee) to 13,750 participants.

Eighty-four per cent of people in the company were involved in training initiatives, a significant improvement on the 76% in the previous year. This is testament to an ongoing and widespread commitment to updating and enhancing the skill set of all our people.

Among the initiatives undertaken in 2010 to support the ongoing integration process, the "Economic and operational logics of regulated markets" course, which was designed and implemented in partnership with the Polytechnic University of Milan, was particularly significant. In 2010, the course was attended by all recently appointed graduates and executives; all managers will attend the course in 2011.

By making it easier to transfer specialist knowledge between the same departments of the different companies, we undertook a series of initiatives to support the organisational actions established by the "energie" programme. These include Stogit's project to internalise maintenance and the implementation of a training course for Snam Rete Gas's investment teams.

During the year, we developed and delivered training to support the introduction of the Work Force Management project, involving many of the technical staff in using new IT equipment and performing technical activities.

Following on from previous years, we continued our commitment to professional technical training, linked to the development and consolidation of specialist technical knowledge. The 62,160 hours of training dedicated to health, safety and the environment shows a particularly strong commitment in this area. The internally designed and implemented courses included: "Working on electrical equipment", "Drive safe", "Specific business risks" and "The role of the safety officer" [Legislative Decree no. 81/08]. With a view to obtaining OHSAS certification for the parent company, widespread training involved everybody at the company in order to consoli-

date knowledge of the workers' health and safety management system.

In terms of the environment, the introduction of the new waste traceability system (SISTR), which requires a widespread training initiative throughout the country, has been particularly important.

In relation to the guidelines of the organisational, management and control model pursuant to Legislative Decree no. 231/2001, all executives and unit heads (around 200 people in total) took part in an important training course aimed at disseminating the company's guidelines on anti-corruption.

There was also a training exercise for all the relevant people (around 200) to illustrate the procedure approved by the Snam Rete Gas board of directors and enacted by the subsidiaries on related-party transactions, as governed by a Consob Regulation.

As part of a broader eni e-learning initiative, Snam Rete Gas used its years of experience to create educational materials for the gas module of the course, which is taken by new recruits across the eni group.

We continued our commitment to developing managerial skills by involving executives and managers in specific training initiatives.

For the executives, there were sessions to learn, review and discuss corporate strategies. In particular, a workshop was organised to ensure awareness of business context and illustrate the core points of the strategic plan.

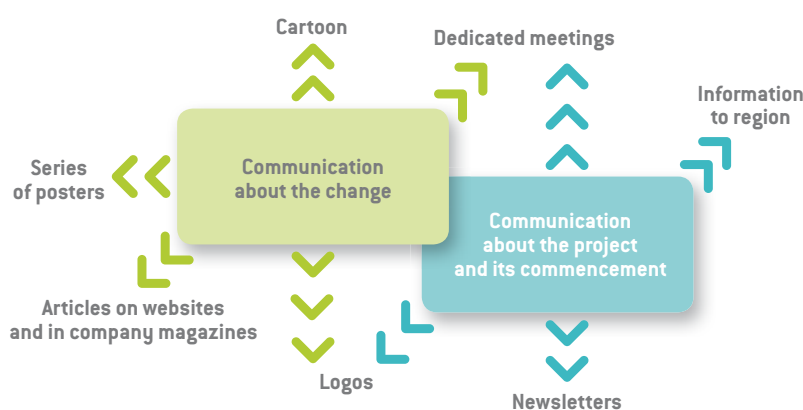


## WFM: when work changes, communication and training facilitate the change

Work Force Management (WFM) changed the way that more than 2,000 people, between manual workers and technicians, at Italgas work thanks to specially developed IT systems and innovative palmtop devices. The scheduling, allocation, project management and final balancing of work on the network and the meters are now done differently using new tools.

A change on this scale needs to be managed and facilitated: we used communication and training to accompany the introduction of the new working methods and their underlying logics.

Communication was based around two threads of content: one transmitted messages on the change brought about by WFM (new ways of working, effects on time management, operational benefits etc.), while the other provided information on the status of the project (the activities and roles affected, the launch plan, post-launch support, training and the key areas to monitor during and after the launch).



### Incentive and remuneration systems

Assessing and developing potential are crucial to getting the most out of our people and ensuring their professional development in line with individual motivations and company requirements.

As well as helping people to define and fine-tune their professional programmes, these systems help the company to formulate training, management and development plans that are consistent with the characteristics, abilities, motivations and availability of staff.

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

A management review is drawn up each year in order to obtain a complete picture of the development profile of all managers. This enables timely monitoring of managers' performance by using consolidated and common criteria.

The remuneration system is an important way of involving people and is updated regularly with criteria based on meri-

tocracy and internal fairness. It is particularly aimed at ensuring recognition of the results achieved by an employee, the quality of professional support they provide and their development potential.

Along with the policy of meritocracy, related to roles and responsibilities, a variable incentive system for managers and executives has been built up over the last few years, connected with performance appraisal through the allocation of specific individual charts derived from the corporate ones.

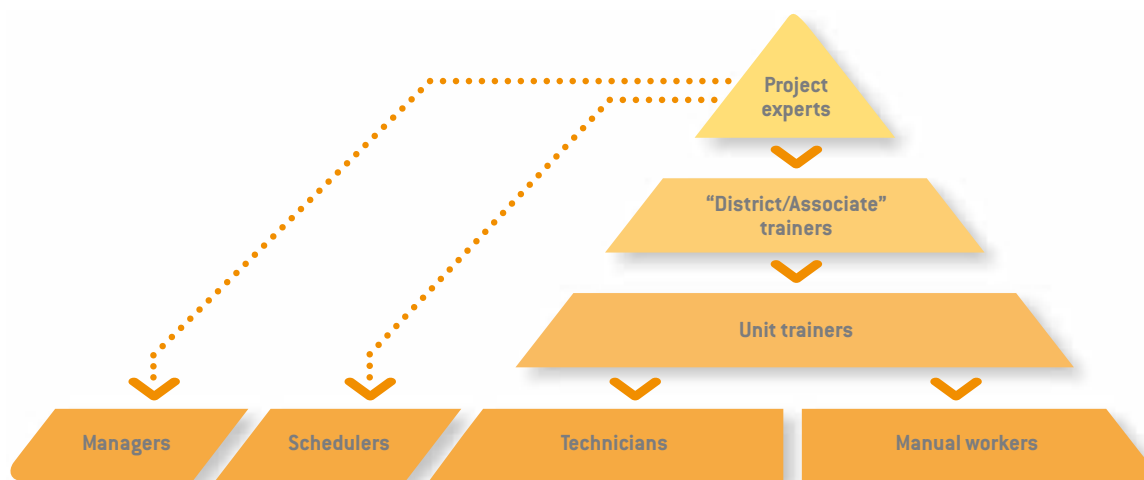
In 2010, this appraisal involved all executives and their commitment to developing business activities, with particular focus on sustainability. This is demonstrated by the allocation of nearly 100% of individual sustainability targets. A reduction was noted in the number of managers who were given an individual target, owing to the corporate restructuring in 2010 and the subsequent realignment of processes and formats related to the flow of allocating targets. The system will continue in 2011 and will involve more people. In 2010, we started initiatives aimed at improving and in-

Over time, we identified multiple communication tools for different targets (people in the company who are not directly affected, regional heads, technicians and manual workers etc.) in order to effectively reach people affected by the change in different ways. Some of these tools were dedicated to the change, others to project status and others were mixed, as shown by the diagram below.

The top-down training was predominantly carried out in a capillary fashion across the country. Project experts trained a team of district and associate trainers, who in turn trained numerous unit trainers. These unit trainers brought the message to all technicians and manual workers across the country.

The new system learning programmes involved initial training and then refresher sessions where necessary.

The trainers played an important role in the launch phase by becoming tutors for their respective units, performing not only teaching duties but also troubleshooting and problem-solving activities and providing post-launch support to users.



integrating bonus policies and adhering to market standards. Consolidating the Hay method of job evaluation allowed us to implement compensation, development and mobility policies for managers and professionals, testing and optimising our competitive position and the fairness of payment practices.

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

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

In addition, we updated our fleet of company cars for managers to include dual-fuel petrol/methane and hybrid traction models for better environmental protection.

Lastly, as part of our communication initiatives, we extended our total reward statement (an itemised breakdown of an individual's overall pay packet) to all managers.

All jobs at Snam Rete Gas S.p.A., GNL Italia and Stogit are subject to analytical and overall evaluation of complex-

ity, responsibility, experience and autonomy (CREA), as specified by the national collective labour agreement for the energy and petroleum industry. The evaluation of each position is carried out at least once every two years: 1,029 evaluations were carried out in 2010. All evaluation processes are formalised and involve feedback sessions that are an important opportunity for discussion and communication between manager and employee with a view to gathering information that can be used to draw up new actions for developing and maximising the potential of our people.

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

The profit-sharing agreement with the unions was signed in December.

## Inside integration

In September, 70 young graduates from the four companies took part in the “Inside integration” initiative, the aim of which was to try out an integration method in a short space of time and in a small group, recreating the dynamics that 6,000 people have experienced and continue to experience on a day-to-day basis.

Rationalising a process which is normally implemented over longer periods, but using similar procedures, enabled the participants to grasp the process and interpret its distinctive aspects.

This was also an opportunity to reflect on possible areas for improvement of the process, since any discussion of the practical aspects of integration involves thinking about common culture, values, behaviours and skills.

The teaching method adopted involved the construction of plastic models (a residential quarter or a high-class villa) by various working groups, whose composition was changed along the way, obliging the participants to recreate a space in an unknown project and sparking discussion within the group of the decisions taken previously.

This was a very positive experience for the young people involved, because they gained an understanding of the dynamics of operational integration. “Integration demands effort and work, but it is an investment that enriches us both personally and professionally”. This was one of the observations made by the group of young graduates.

At the end of the course, the young graduates met senior management – a moment which was used to present the main results achieved by the group’s work and to learn from the CEO the challenges and objectives which the group will have to tackle in the coming years.



Giampaolo Annoni - Head of Sicily district - Snam Rete Gas S.p.A.

### Internal professional development as seen by a protagonist

*I have been district head for about a year. I joined Snam Rete Gas 11 years ago, in the central unit operational programming office.*

*Since then, I have had the opportunity to work in different parts of Italy, from San Donato Milanese to Terranuova Bracciolini and then Milan to Catania, where I am now, performing various managerial roles in different areas: budget and control, compression station, works office, district technical activities and finally district head.*

*Looking back at my career path, I can definitely say I learned a lot directly in the field, continually putting myself forward to undertake new activities and take on new challenges. This also enabled me to meet new people in different operational units and regions.*

*It's been a unique and intense experience that has allowed me to enrich my professional skills and grow as a person. These continual changes were also accompanied by what I consider to be excellent education: hundreds of hours of training, initially technical to help me with the first jobs I was given and then more managerial as I took on roles with greater responsibility which were increasingly operational in nature.*

*I have recently taken part in a course on regulated markets, providing further proof of how the training at Snam Rete Gas is considered essential for enhancing employees' specific skills in line with the development of the business. This course improved my knowledge of the operational logics of the market in which Snam Rete Gas operates through opinions provided by qualified internal and external trainers.*

## Diversity and equal opportunities

In line with the code of ethics and the “our people” policy, Snam Rete Gas respects each person and offers equal opportunities in all aspects of employment, including recruitment, training, pay, promotion, transfers and termination, avoiding any form of discrimination which may arise from differences in gender, age, health, nationality and political or religious beliefs.

In 2010, 9.6% of all employees were women, while the percentage of female managers rose to 10.3%, an increase over 2009.

The percentage of new recruits that were women was 12% in 2010. These figures reflect the characteristics of our business, which demands particular availability for shift work and continual travel and is therefore not suitable for some candidates.

In 2010, there were 99 part-time workers (of whom 94 were on the payroll).

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

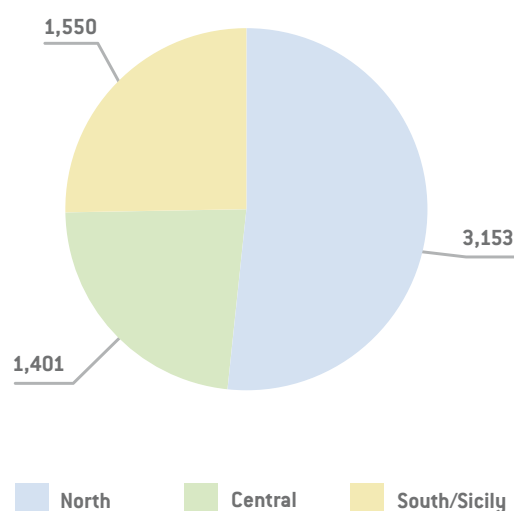
A guide has been published on the intranet for biological and adoptive parents with a view to raising awareness about their rights and highlighting the company's dedication to parents.

Seven workers (male and female) availed themselves of parental leave in 2010.

In terms of statistical diversity, 55 of the 137 people recruited by Snam Rete Gas in 2010 came from an external market. Of these recruits, 28.5% are university graduates and 44.5% have diplomas. This ensures a fair generation-

al transition with a view to supporting the technological changes that we will have to make to deal with the introduction and development of new information systems. The company employs 397 disabled people, whose development programmes focus on integrating into the company and into corporate processes. The number of disabled people rose by 22.2% compared with 2009. There is not a significant presence of ethnic and linguistic minorities in our workforce, partly due to the fact that Snam Rete Gas operates only in Italy.

Distribution of employees by geographic area



## Personnel in service

Personnel in service at 31.12.2010 (no.)	6,104
Men	5,521
Women	583
Graduates	592
Diploma holders	3,080
Disabled people	397
Workers covered by national collective labour agreements	6,104
Permanent employees (excluding part-time)	5,844
Employees on apprenticeship or starter contracts	158
Part-time employees	99
Temporary employees	3
Average age (years)	48
Seniority (years)	23

## Wellbeing among personnel

Snam Rete Gas offers its employees and their families social initiatives for a better work/life balance and to improve the quality of the working environment, thus promoting wellbeing among personnel.

Over the years, a detailed system of opportunities has been developed that includes supplementary healthcare benefits and insurance cover for working and non-working accidents, additional to the statutory benefits or those provided by other public bodies. Employees also have access to supplementary pension funds and preventive health measures (flu vaccination and cancer screening programmes, inpatient and outpatient treatment agreements, information campaigns on healthier lifestyles).

Snam Rete Gas participates in the eni Welfare project, a long-term plan which involves the provision of strands of services in the areas of "family", "wellbeing" and "time and money saving".

The family-related services concern themed residential courses for adolescents, based around sports, English-language studies and summer schools to provide families with support during the school holidays.

One of the most prominent initiatives is the "Wellbeing Pro-

gramme", which offers the opportunity to engage in physical activities at selected and approved sports centres in the vicinity of company offices, at preferential membership rates. With regard to the "time and money saving" strand, other agreements have also been reached which offer preferential terms for obtaining personal loans and credit cards, buying used cars, hiring cars, comparing product brands or booking a holiday.

In September 2010, the eni nursery school opened with a capacity of around 140 children up to the age of 6 years. The nursery school is a centre of excellence in terms of both its teaching and its architecture, with a building rated in energy efficiency class A, which offers important support to the families of San Donato Milanese employees.

The main initiatives are concentrated at the San Donato Milanese site; for 2011, a study will be carried out with a view to extending the services to other locations (Turin and Naples). Another feature of 2010 was the "Snow Trophy", the winter sports event which involves eni employees and their families in a week-long programme of skiing competitions. There are also weekday initiatives which develop the integration between colleagues from different working environments and foster team spirit. 247 Snam Rete Gas employees took



**Chiara Chiodaroli - Head of contracts and operational analysis  
Snam Rete Gas S.p.A.**

## Work/life balance: an achievable goal

*You can achieve a work/life balance, especially if you work for a company which, recognising the important social role of the family, chooses to support employees who aspire to achieve their full potential, both personally and professionally.*

*Deciding to whom we should entrust our son during working hours was certainly a tricky choice for my husband and I, so we were very happy to be able to take part in the eni Reggio Children project, not just for the logistical advantage offered by the proximity between the new structure and the of-*

*fice, or for the financial benefit compared with other private options, but above all because the educational programme offered is absolutely at the cutting edge in Italy and worldwide.*

*The experience of these first few months has certainly been positive: our son is growing by exploring the environment around him, under the attentive guidance of professionals who, with full respect for his individuality and in a fun way, offer him educational paths aimed at a complete development of his cognitive and motor skills, not only through experiments relating to movement, theatricality and awareness of his own body, but also through the discovery of pictorial, manual and graphical language.*

*My husband and I are enthusiastic about the choice we made, partly because, in the knowledge that our son is spending the day in a safe and stimulating environment, we are able to live our professional lives to the full.*

*My development within Snam Rete Gas is proceeding according to the path which was profiled to me before I became a mother, and to my great pleasure, a few months ago, after working as the head of a unit, I was given the status of manager.*

*So I think that the private and professional spheres are complementary rather than mutually exclusive, provided they are managed with good will and organisation.*

part in the 2010 event, held in Moena (TR).

In 2010, for the first time, the employees of GNL Italia organised a Christmas party with their children at Cà Bertocchi, the new building restructured and made available for the occasion by the company.

In accordance with tradition, employees who have been with the company for 25 years are given an award, which is presented together with a gold medal, for their personal contribution to the company's growth. In 2010, 392 of these were awarded.

## Safety

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

The centralisation of staff functions within Snam Rete Gas S.p.A., implemented in 2010 in order to pool skills and make them available to all the businesses of the group, has also served as the model of inspiration for corporate organisation with regard to matters of health and safety, but with

the introduction of a few special differences with respect to the model applied in other segments. The solution adopted provides for a distinction between the duties of general management, which are centralised within Snam Rete Gas S.p.A., and the duties of special management, coordination and support for operating units, which are assigned to the individual companies.

In particular, the organisational structures centralised within Snam Rete Gas S.p.A. ensure the management of know-how, assist the business units in identifying the most efficient technical and organisational solutions, and define, for all companies, the guidelines, methodologies, standards and operating procedures to be applied. They also take care of the definition, implementation and maintenance of management systems, including by means of technical audits. The operating companies maintain an internal organisational structure which allows them to operate with an adequate level of decision-making autonomy.

In 2010, Snam Rete Gas implemented actions aimed at eliminating or reducing occupational risk factors, including the "Objective Safety" project, the "Communicating Safety" awareness-raising campaign and the measures taken to prevent and reduce road accidents.

## "Objective Safety" project

The project, launched in November 2010, is an important three-year company initiative which aims to act on the culture of the workforce to improve attitudes, behaviour and personal responsibility with regard to health and safety at work.

The initiative consists of specific activities that are progressively extended to all Snam Rete Gas companies and encourage everyone to take part; the programme also aims to raise employees' awareness of "safety management" as a primary element of corporate culture. Objective Safety hopes to achieve a further reduction in the number of workplace incidents and accidents, including by combining and learning from the positive experiences already acquired by the individual companies. The initiatives, aimed at consolidating best practices, are implemented through targeted technical, organisational and procedural actions which involve employees, suppliers and interested third parties.

The project as a whole is organised around various interventions representing the different corporate activities such as communication, training and organisation. The following actions will be undertaken over the course of the project: analysis of accident trends across all companies; periodic meetings of regional health and safety teams; detailed reporting for each site; strengthening of communication mechanisms; and involvement of institutions in the improvement process.

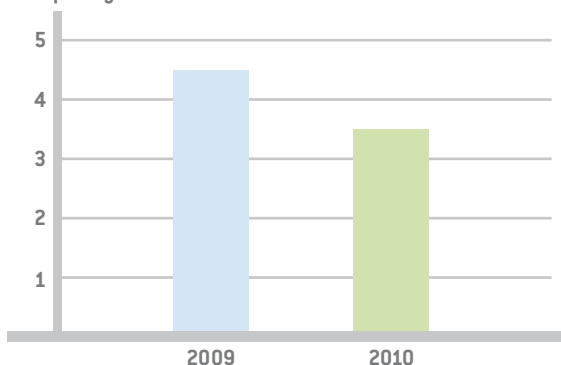
The project also includes the initiatives "Safety Trophy" and "Zero Accidents Prize", which are aimed at encouraging all employees to behave safely and responsibly through a points-based competition with non-monetary prizes. The first of these initiatives mainly involves the personnel of outlying operating sites, while the second is aimed at all personnel.

The actions taken over the last few years have yielded positive results both for the group and for the individual companies, as demonstrated by the trends in accident indices. The accident frequency index for Snam Rete Gas employees was 3.55 in 2010 (-22% compared with 2009), while the severity index was 0.1 (-44% compared with 2009). Once again, there were no fatal accidents during the year.

In 2010 there were a total of 65 accidents, of which 28 were commuting accidents (accidents suffered by employees while travelling from home to their place of work or vice versa). Of the 37 accidents occurring while at work, nine were road accidents (24%), 11 were caused by occupational risks (30%) and 17 by generic risks (46%).

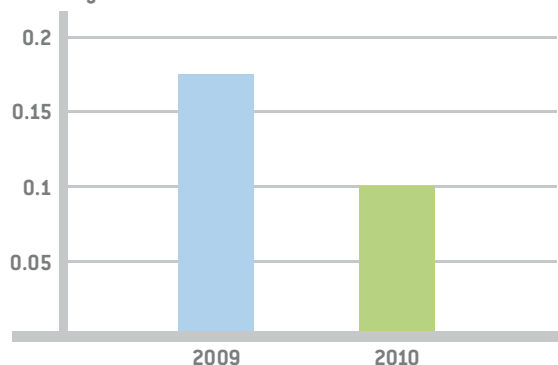
#### Employees - Workplace accidents

Frequency Index\*



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

Severity Index\*\*



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

#### Objective

#### KPI set in 2008

#### 2010

To reduce accident indices.

To reduce the 2008 value of the accident frequency index (9.0) of Snam Rete Gas S.p.A. and GNL Italia by 30% by 2012.

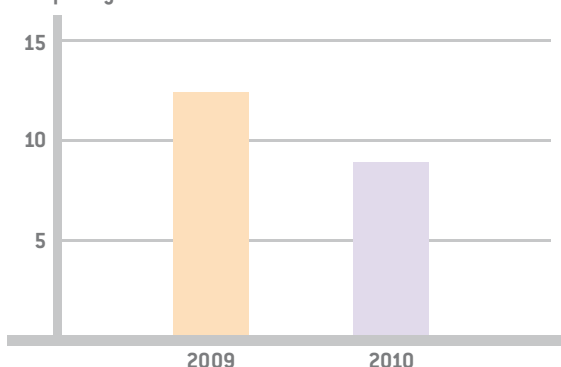
Value obtained was 5.24, which exceeds the set performance target (-42% compared with the 2008 value).

In 2010, corporate activities were continued to ensure correct management of the health and safety of contractors, who represent an extremely important workforce for the activities of Snam Rete Gas. Statistical accident analysis shows a clear improvement in

the indices compared with 2009. In particular, the accident frequency index for contractors of Snam Rete Gas was 8.87 (-30% compared with 2009), while the severity index was 0.30 (-28% compared with 2009), and there were no fatal accidents.

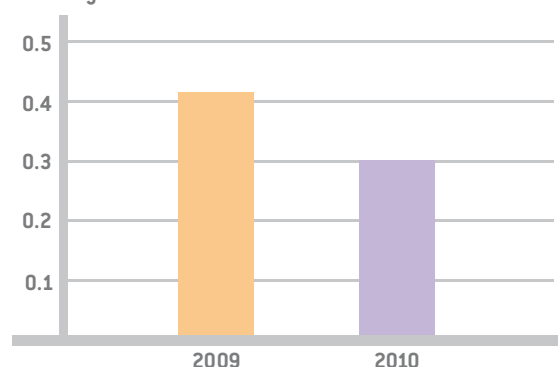
#### Contractors - Workplace accidents

Frequency Index\*



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

Severity Index\*\*



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

### OHSAS 18001 management system

In December 2010, Snam Rete Gas S.p.A. obtained OHSAS 18001:2007 certification for its occupational health and safety management system (SGSSL). The procedures involved in obtaining the certification made it possible to bring documentation, processes and the operations of all employees into line with the reference international standard. All employees con-

tributed to the achievement of this goal. This new certification is added to that already obtained by Italgas.

For the other two companies of Snam Rete Gas (GNL Italia and Stogit), the relevant management systems are being implemented with the aim of obtaining OHSAS 18001 certification by 2012.

Objective	KPI set in 2008	2010
To increase corporate certifications.	To obtain OHSAS 18001 certification (health and safety of Snam Rete Gas S.p.A. employees) by 2010.	Target achieved.

### OHSAS 18001

The OHSAS 18001 standard, published by the British Standards Institution (most recent version 1 July 2007), is an international standard which allows companies to control risks relating to the health and safety of employees and to consequently improve performance.

A management system certified under this standard therefore becomes an organisational tool that makes it possible to manage employee safety organically and systematically, and also ensures that safety legislation is complied with and properly applied.

The requirements of the standard are as follows:

- adoption of a safety management policy;
- identification of dangers, evaluation of risks and identification of control procedures, in close connection with legislative or other adopted provisions;
- definition of specific programmes and objectives by applying the 'Plan, Do, Check, Act' approach;
- definition of duties and responsibilities;
- education, training and involvement of personnel;
- procedures for communication, involvement and consultation with employees and interested parties, with regard to matters of workplace health and safety;
- controlled management of documentation;
- implementation of operational control procedures for activities associated with identified significant risks, in relation to all company processes;
- preparation of measures aimed at identifying, preventing and controlling possible accidental events (actual accidents and near-miss incidents) and emergencies;
- monitoring and measurement of the performance of the health and safety system, including to ensure continued compliance with legislation;
- definition and implementation of systematic and periodic controls (accidents, incidents, non-compliance, corrective and preventive actions) on the adequacy of the management system;

- identification and evaluation of the risks and hazards associated with activities carried out by third parties.

### Snam Rete Gas and the Global Compact Italian Network: Health and safety in the workplace

The Global Compact requires signatory businesses and organisations to share, support and apply these principles in their sphere of influence, and to participate actively in the initiatives promoted by local networks.

Against this background, we began a useful partnership with the Global Compact Italian network, which in September 2010 led to the organisation of an awareness-raising seminar and workshops on the theme of workplace health and safety - a central commitment for many companies, including, of course, Snam Rete Gas.

The "Health and safety in the workplace" seminar, which was attended by representatives from the various Italian companies subscribing to the Global Compact, was opened by a report from Prof. Francesco Bacchini of Bicocca University, Milan, on the topic "Safety and organisation". The report showed, including from the point of view of complying with the applicable legislative requirements, how an organisational structure that integrates health and safety into all of its activities is more efficient and effective than one where safety is referred to a parallel structure.

The link between safety and competitiveness was the topic examined by Marco Frey, chairman of the Global Compact Italian network and professor at the Sant'Anna School of Advanced Studies and the universities of Bocconi and Tor Vergata, who used case studies to highlight how safety in the workplace should be regarded not as a cost for the business, but a benefit, including in economic terms.



**Marco Frey - Professor at the Sant'Anna School of Advanced Studies and chairman of the Global Compact Italian network**

## **Integrating HSE into the business**

*The issues of health, safety and the environment (HSE) at work are highly topical for many reasons.*

*Firstly, because of the attention paid to institutions (European and Italian) that have recently updated the legislative framework (to cite only the main measures: the new directive on waste and SISTRI in Italy, the Consolidated Safety Act and amendments thereto, including the integrations with Legislative Decree no. 231, and the measures on work-related stress). INAIL itself recently demonstrated its attention to businesses' commitment to preventing accidents in the workplace by offering an initial range of incentives, which on the now-famous "click day" were snapped up in just a few minutes. A further €800 million in incentives is planned over the next few years, as well as a substantial increase (up to 30%) in the insurance premium discount for maintaining low accident rates.*

*A second reason concerns the growing awareness on the part of companies with regard to the importance of correct management of health and environmental issues in order to improve their competitive performance. There is plenty of evidence of this. Within the context of the SIS initiative sponsored by Confindustria and INAIL, which to date has involved more than 2,000 companies, many positive experiences have emerged in which the structuring of management systems integrated into HSE activities and organisation of the business has made it possible to achieve extremely interesting results. In particular, with regard to accident reduction, it has been very striking that a number of companies have reported no accidents at all. Others have shown an increase in productivity that is partly attributable to activities arising from the implementation of the safety programme. Others still have shown benefits such as an improvement in relations with public institutions, the ability to use available resources more efficiently, an improvement in the climate within the business, growth on the part of all personnel, united in the cause of common objectives, etc.*

*A third reason concerns the synergies and innovations which can be introduced in the field of health and safety. The green economy is a hot topic nowadays, and the ability to find innovative solutions in this sphere can be an opportunity to enhance not only a company's reputation, but also its cost structure and more generally its capacity for developing competitive products and services. There are many potential areas for action in this regard, particularly those concerning the optimisation of resources. All exhaustible resources (energy, raw materials etc.) are becoming ever more critical, and the ability to make savings and close cycles is essential to the responsible and efficient management of a company's activities. Energy, waste and water management are increasingly important components of integrated management systems. But the innovations in the field of safety are also particularly significant, above all for the purposes of developing an accident prevention culture within the organisation.*

*Against this kind of background, the commitment of Snam Rete Gas to HSE management, and particularly to safety management, is fully justified. The safety project, which we recently discussed at a seminar of the Global Compact Italian network, acts on some of the key levers for the achievement of significant results in this field: culture, competence and conduct. These are three of the ten issues which characterise an integrated HSE approach.*



*The fact is that developing a safety culture means penetrating the entire organisation through a strong commitment by senior management and through adequate communication, as well as a conviction that accident prevention benefits everyone, employees and company alike. This demands not only specialist skills, which legislators have sought to organise around prevention and protection, but also a strong involvement of employees and managers, so that awareness about effective and efficient management is integrated into the day-to-day conduct of activities. It is increasingly necessary for this attention not to be confined to the business, but to be extended to all affected suppliers, third parties*

*and contractors so that control of the results extends along the entire chain of activities.*

*The ten actions which have been implemented in this regard are consistent with this requirement: these range from the commitment of senior management to the scheduling of meetings aimed at raising the awareness of all employees on “safety days”. Between the former and the latter there is a series of actions which are extremely useful for ensuring that safety penetrates the organisation: from the strengthening of accident analysis to the introduction of prizes for improvements in safety performance, the setting up of teams devoted to safety improvement, the development of training and awareness-raising initiatives, and the implementation of controls and audits.*

*If managed well, this overall challenge will contribute to the achievement of the aims that the project has set for itself:*

- *to contribute to reducing the number of accidents, of which there are too many, including with reference to the company's own benchmarks;*
- *to make safety management a primary element in the corporate culture through effective integration into the day-to-day business;*
- *to involve and raise the awareness of employees in the implementation of HSE projects, since these are managed on a top-down basis but their benefits in terms of results are reaped only from a bottom-up perspective;*
- *finally, to encourage the adoption of safe behaviour, since the behavioural dimension is absolutely crucial in any thorough accident prevention action.*

*We are convinced that the three-year process which Snam Rete Gas has decided to undertake has been designed in such a manner as to enable us to improve projected performance, entirely in line with the Company's commitment to corporate social responsibility.*

## Health

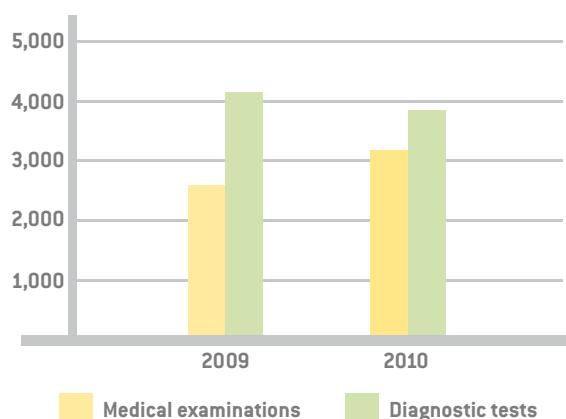
Snam Rete Gas safeguards workers' health through continual monitoring of the risks identified in the performance of work activities.

For workers exposed to special risks, appropriate prevention and protection measures are adopted with the performance of adequate regular health checks carried out by the competent doctor based on special health protocols defined according to the type of risk.

In 2010, there were 3,180 medical visits, of which 3,097 were regular check-ups and 3,934 were diagnostic procedures.

Promoting health within the company also involves the development of specific initiatives, such as the cancer prevention and flu vaccine campaign, the prohibition of smoking at work and the prohibition of supplying alcoholic beverages in the canteens.

### Health of workers



## New organisational and management model for health surveillance activities

As a result of the integration, the process of organising and managing personnel health surveillance activities also required the development of a uniform reference model that meets the individual needs of each company. The model developed takes account of the organisation and distribution of the personnel subject to health surveillance, currently consisting of approximately 5,000 workers stationed at around 200 work sites in Italy.

Ten regional areas have been defined for the identification of occupational physicians, one of whom has duties of coordination, and for the organisational structures involved to operate in a uniform manner throughout the region.

At the same time, a special software application is under development which, in 2011, will offer more efficient support for the management of occupational health and safety activities.



## Industrial relations

Snam Rete Gas guarantees all workers the right to freely express their thoughts, join associations and engage in union activities.

In 2010, 53% of employees were members of a trade union.

During 2010, relations with union organisations were marked by discussions on reflections prompted by the process of integration of the Snam Rete Gas companies.

To this end, constructive discussions were held and agreements were reached at both local and national level in relation to the nature of the topics considered, as shown below:

- the start of the integration strategy, the subject of a general memorandum of understanding (February), the articles of which also incorporate the agreements already signed at Italgas and Napoletanagas, on the employment aspect and the resulting management of mobility procedures;
- the completion of the business unit sale/acquisition procedures decided upon in order to implement the organisational design in staff activities (March);

- implementation of the Italgas Work Force Management project, aimed at improving operating efficiency (June);
- reorganisation of the Stogit plant maintenance activities (May) and consequent acquisition of the SES (Saipem Energy Services) business unit (November);
- reorganisation of management activities of the Snam Rete Gas network, with the introduction of "partenza da casa" [leaving home] as the operating procedure for line control activities (December);
- the unification of profit-sharing schemes, defining a single new framework valid for all the companies (December).

From the standpoint of workplace safety, the "Objective Safety" project launched by Snam Rete Gas was submitted to the Health, Safety and Environment Committee of the National Observatory on Energy and Petroleum, from which it received a positive evaluation for its areas of innovation.

## Maurizio Zangrandi - Member of executives union RSA Dirigenti Snam Rete Gas

### RSA Dirigenti: ongoing dialogue with the company

*Snam Rete Gas executives have their own union representation (RSA Dirigenti), the objective of which is to hold talks with the company on all subjects related to the company's general progress, professional development and the changing role of executives.*

*I have been a member of RSA Dirigenti for almost six years in the role of coordinator. My experience is that the relationship with the company has always been based on a transparent and fair approach with shared goals.*

*For several years now, as proof of the mutual desire to maintain an ongoing dialogue, regular meetings are organised with the CEO coinciding with key dates in the company's life; this custom goes way back before the new contract for executives, signed by Federmanager and Confindustria in November 2009, made it compulsory.*

*Various topics are dealt with during these meetings: the strategic outlook for our business, outcomes from the organisational and employment point of view, professional development plans and bonus systems pegged to the achievement of company goals.*

*The discussions begun in the last year on the organisational impacts of the "energie" project have been particularly important. In the first few months of the year, 70% of executives changed their role, expressing their professionalism differently within the new corporate system. RSA Dirigenti has always made itself available with its proactive contribution for participating in the current change.*

*In terms of our activities, I would also like to recall the significant results achieved through amendments of rules and/or bylaws, in safeguarding the specific needs of our company in terms of pension funds and supplementary health benefits. With the entry of other companies into Snam Rete Gas, the RSA has been enriched with the experience and effective contribution of the Italgas RSA represented by Giuseppe Beltramo and Diego Stuppi. The other members of our RSA are Nicola Battilana, Marco Cabri, Massimiliano Erario and Dario Manigrasso.*



## Gabriele Valeri, Antonello Assogna e Massimo Chiacchiararelli Secretaries of the FILCTEM/CGIL, FEMCA/CISL and UILCEM/UIL national trade union organisations

The following is a summary of the interview with the secretaries of the national trade union organisations on the elements that characterise the industrial relations system at Snam Rete Gas. In particular, they describe how the relationship between the unions and the company has supported the complex path towards corporate integration and the topics that must be dealt with in the near future.

### What is your sense of the quality of the relationship with Snam Rete Gas?

*With the birth of the Snam Rete Gas group, as mentioned by the UILCEM secretary, "the system of industrial relations takes on primary importance, since these must necessarily be conducted through further development of the relationship between the parties, to be built around involvement, shared goals and transparency".*

*From the words of the FEMCA secretary, it is evident how the positive perception of the relationship between Snam Rete Gas and trade union organisations is "supported by the union agreements reached, their quality and the complexity of the issues dealt with". The FILCTEM secretary nevertheless hopes for "industrial relations that are open, informal, respectful of roles, but cooperative. In fact, in the districts, the relationship model suffers, on the one hand, from the scant powers delegated by Snam Rete Gas to its local representatives and, on the other hand, from issues with the role of some managers, who have not yet understood that the fundamental way to detect the quality of relationships is on the ground, and is not indifferent to the mass of problems sent to higher discussion levels".*

### What was the union's role in the integration process?

*The FILCTEM secretary believes "that many important aspects of the integration process are yet to be completed, but some essential issues were dealt with. The union's role was one of verification and comparison of corporate plans, but also involved making proposals".*

*This assessment was echoed by the FEMCA secretary, who maintains that "in a system of stable and participatory relations, the union organisations are indispensable to ensuring worker involvement and consent, identifying them as essential to the corporate view".*

*The UILCEM secretary is convinced that "the union's role was two-fold: on the one hand maximising professional potential through the crucial aspect of training, and on the other making the most of the professional mix by taking care not to create a generational gap, in the knowledge that expertise acquired by workers is the real added value.*



#### What key topics will discussions focus on in 2011?

*The FEMCA and UILCEM secretaries are in agreement in maintaining that “the agreements signed will have to be tested thoroughly, especially with reference to the complexities introduced, in terms of organisational, operational and professional aspects, with partenza da casa [leaving home] and the Work Force Management project”. In particular, Italgas will need to “intensify the discussion on how the company is preparing for the long and important period of tenders”.*

*In addition, as noted by the FILCTEM secretary, “the expiry of profit-sharing at the end of 2011 will allow for developing a level of contracts in keeping with the new business entity: the new profitability and productivity parameters associated with the contribution of work in the process must allow for implementing bonuses commensurate with the new Snam entity and eventually achieving goals – and related amounts – commensurate with the growth of economic indicators”. The FEMCA secretary also emphasises the strategic role of second-tier contracts both from the economic standpoint (performance-related pay) and the regulatory standpoint to consolidate the new model of contractual structures.*

#### How do you evaluate the approach of Snam Rete Gas on the subject of safety, especially the “Objective Safety” project?

*Without a doubt it is very positive. The FEMCA secretary mentions how “making the culture of workplace safety grow is one of the fundamental objectives in negotiation proceedings, as well as in the country in general”. For the UILCEM secretary, “attention to safety issues based on prevention and involvement of all interested parties should represent an objective for everyone”.*

*The FILCTEM secretary is less sure: “we think that preventive action should be based on operating methods and on continuous worker training, always on a par with the processes, and that is why we remain sceptical about certain incentives from the economic standpoint, but soon we will see the results and judge things accordingly. On the other hand, I think that speaking about accidents correctly should include an examination of what happens at contractor companies, which often undertake the operational work in more high-risk parts of the cycle; I think that there is also a lot of work to do in this direction”.*








**Stakeholders**

Customers

## Customers



Snam Rete Gas adopts a policy of transparency, impartiality, correctness and free competition, with the goal of increasing the efficiency of services.

### Facilitating management

Snam Rete Gas has created a single unit for all customers for the purpose of facilitating the management of commercial transactions such as entering into service agreements, their management and lastly billing. The availability of a single point of contact for sales has made procedure verification a multidisciplinary possibility.

In 2010, changes were issued to procedures for sales of transportation, storage, distribution and transmission capacity, adopting a policy of transparency, impartiality, correctness and free competition, with the goal of increasing the efficiency of services by simplifying customer activities.

As far as the storage business is concerned, customer procedures and forms were redefined to make procedures more solid for assumption and activation of strategic storage services.

Relative to the distribution business, in 2010, Snam Rete Gas, as operator for information relevant for the “Bonus Gas” process, evaluated over 250,000 requests sent to the Associazione Nazionale Comuni Italiani (ANCI – National Association of Italian Municipalities) by low-income families who requested the reduction of the cost of gas tanks, as provided for by the social initiative promoted by the Ministry of Economic Development.

Activities continued for the implementation of websites for managing customer relations. The transportation capacity website created to manage all capacity allocation and transaction procedures between the company and customers by exchanging communications with full legal and contractual validity was developed further, and a study was begun to create a storage capacity website. This latter project will allow customers to participate in weekly auctions for the allocation of storage capacity. For carrying out this project, Snam Rete Gas has adopted an approach similar to the one already used to create the transportation capacity website, i.e. involving customers, listening to their needs and analysing requests.

Snam Rete Gas also guaranteed the assignment of transportation capacity to all candidate customers this year and continued to work to maximise that offering at entry points by increasing it from 365 million cubic metres/day at the start of the 2009/2010 thermal year to 368 million cubic metres/day at the start of the 2010/2011 thermal year.

Due to new expansion works, the storage system also has been able to increase its capacity offering from 8.9 billion cubic metres at the start of the 2009/2010 thermal year to 9.2 billion cubic metres at the start of the 2010/2011 thermal year.

## Snam Rete Gas' customers number

Transportation	82
Regasification	6
Storage	60
Distribution	169

## Customer satisfaction

A customer satisfaction survey allows us to understand which elements of the service offered affect customer satisfaction or dissatisfaction. In this regard, Snam Rete Gas is implementing a customer satisfaction system, also in light of the company's new scope, geared towards gathering and analysing information on the services offered so programmes aimed at continual improvement can be prepared.

For the 2009-2010 thermal year, customer satisfaction activity mainly focused on the storage business by preparing and sending a questionnaire to all customers in June. In particular, we wanted to measure the sales quality provided broken down into four macro business segments:

- storage code: updating the code, how easy it is to understand and the role of the consulting committee;
- sales management: skill areas, service access, contract management, response time, completeness and clarity of information received and cooperation;
- information technology services: Stogit website, allocation and measurement system for injection and withdrawal (Sistema di Allocazione e Misura per l'Iniezione e l'Erogazione - SAMPEI) and storage trading system (STS);
- Stogit and the customer: overall evaluation of sales quality.

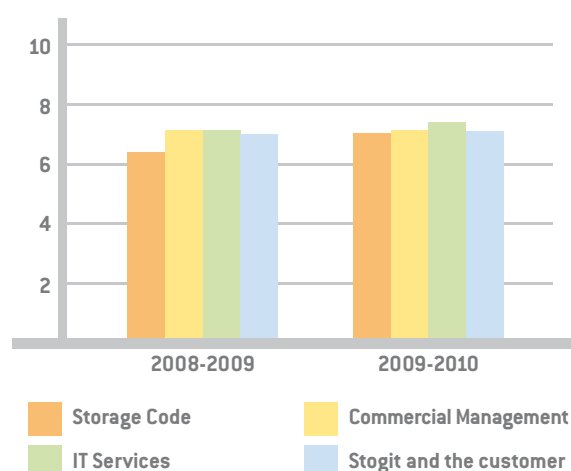
The questionnaire also asked customers in the different sectors to add any suggestions for improving the service offered.

The answers received were analysed and compared with the results obtained in the previous year.

The questionnaire was submitted to 59 customers (46 in 2009), and 23 responses were received (24 in 2009).

The assessments (ranging from 0 to 10), broken down by the respective macro areas in question, showed a general improvement in the perception of the service offered, as shown in the graph.

## Customer satisfaction - Results



## Quality in business processes

Activities are under way in the sales area for ISO 9001 certification of the procedure for determining the transportation capacity of the Snam Rete Gas network.

The units assigned to that procedure, using special IT systems, their own know-how and based on the codified procedures, determine the transportation capacity for all points within the national and regional network for subsequent allocation by the Snam Rete Gas sales units to network users, according to the methods provided for by the network code approved by the Electricity and Gas Authority.

This project, which was launched in the second half of 2010, calls for obtaining quality certification from an official accredited body by June 2011, in keeping with the capacity definition that Snam Rete Gas will publish for thermal years starting in 2011-2012 and beyond. All procedures related to the processes involved in 2010 have already been issued in accordance with standards dictated by the regulations.

The goal of certification of the transportation capacity determination procedure is a first step towards a broader programme of certification of the activities and procedures of

the sales development department, which is expected to be implemented during the 2011-2014 period, with a view to ever-increasing attention to the quality, transparency and traceability of its procedures and to continual improvement of interactions with its stakeholders.

### The development of remote meter reading

Resolution ARG/gas 155/08 of 22 October 2008 by the Electricity and Gas Authority (AEEG), "Directives for the commissioning of gas metering units, characterised by minimal functional requirements and with remote meter reading and remote management functions for redelivery points within the natural gas distribution networks", approves innovative and important elements in gas metering. In particular, it requires the installation of devices, or the use of meters, capable of being remotely read and managed, defining a sub-bracket of meters for which further minimal requirements are needed and defining the compulsory minimum requirements, the additional requirements and the optional requirements. It also indicates the obligations and the implementation phases that all distributors must observe with dates of completion going up to 2016.

In the same Resolution, the AEEG ordered the Italian Gas Committee (C.I.G.) to prepare the benchmark technical standards for metering units. The purpose of the standards is to standardise communication between metering units and remote management centres, as well as to determine their technical and functional characteristics. Although the Italian regulatory framework is not completely delineated, Italgas, which intends to comply with the obligations of commissioning remote meter reading and remote management within the deadlines provided for by the Resolution, has begun to bring redelivery points into compliance.

In September 2007, Italgas created the "remote gas meter reading project group" to identify the most appropriate technical solutions for remote meter reading in the different market segments and to test the respective prototypes, and it participated through the National Industrial Associa-

tion for Gas in a working group, created by the AEEG, for the preparation of proposals on the functional requirements of gas meters primed for remote reading.

As a result of the Resolution, in 2009 a pilot remote meter reading project was launched for household meters in the city of Asti to test several transmission technologies on approximately 3,300 meters.

The pilot project was extended with approximately 1,200 units installed in the municipalities of Albano, Cerro Maggiore, Enna, Monopoli and Teor, plus approximately 500 units installed in Rome. In total, 5,000 meters were installed which are currently read remotely.

The remote meter reading data gathered, after checking a sample for proper data transmission, are used for purposes of billing and gas allocation.

By the end of 2012, Italgas will use remote meter reading to manage approximately 100,000 high-consumption meters (central heating, commercial, artisanal and industrial users). As far as household meters are concerned (use for cooking, hot water and heating a single-family dwelling), Italgas believes that it will be able to start remote reading and remote management of 5% of the installations using metering units which use mobile phone networks for data transmission (transmission in GPRS mode similar to what occurs with higher-class metering units).

This solution offers the possibility of:

- using a known method of communication;
- using data transportation networks which are already operational and approved;
- maintaining long-standing practices in the management of metering units (from merchandise arrival at the warehouse until installation and commissioning of new metering units).

It is estimated that in 2012 the overall number of redelivery points affected by the Resolution will be approximately 300,000.



**Giuseppe Bonazzi - Vice President, association of measuring instrument manufacturers (a.c.i.s.m)**

## Gas metering between tradition and innovation



*"Gas metering has not seen a process of regulatory change like the one we are witnessing today for more than a century. The significant attention that all the parties involved are paying to this important sector is therefore understandable.*

*Together with gas metering regulations, rational energy use regulations have been approved which have a decisive impact on the technology used by gas metering instruments. These require that results be achieved within ambitious timeframes.*

*However, the challenge began and continues with an indispensable dialogue with the regulatory authorities, built around several relevant sectors. The need to have technical, economic and financial capabilities to support the overhaul involving the gas industry is determining a selection in this important market of the parties involved, distinguishing between those capable of grasping change to achieve the ambitious objectives identified and those remaining on the sidelines.*

*In this turbulent context of regulatory change on the one hand and technological innovation on the other, together with companies' vital need for affirmation and growth on the market, actions and discussions between the different stakeholders often do not follow the same pattern.*

*The innovative scope of the regulations approved will affect almost all metering equipment currently installed.*

*From a strictly functional point of view, the availability of a channel of communication on new meters will make continuous monitoring possible, useful for managing and diagnosing the metering equipment installed almost in real time, and rationalising management activities to benefit the system's economy.*

*The new functionalities introduced by microchip technology (e.g. rate-setting, recording of consumption profiles) will enable new services to be offered and existing services to be better adapted to customers' needs.*

*The adoption of new electronic and IT technologies has enabled the introduction of metering systems capable of communicating with each other and transferring a considerable amount of information: the mechanical part of the instruments remains important, but it is complemented considerably by the new technologies.*

*In this scenario, the gas metering chain is no longer configured as a series of devices, but rather as an integrated system for the management of metering data.*

*Management of an advanced metering system involves increasing cooperation between gas network operators and metering system suppliers, who now more than ever need to understand their mutual needs and cooperate to achieve shared goals.*

*The benefits obtained will mean savings for end users arising from consumption awareness, improved business relations and optimisation of industrial processes through rational use of energy resources and consequent attention to and improvement of the environment, an aspect that cannot be overlooked".*





# Stakeholders

## Investors

## Investors



The Company is included in the most important ethical indices and standards confirming its commitment to achieve a sustainable growth.

### Transparency and creation of value

Since listing on the stock market in December 2001, Snam Rete Gas has taken steps to create its corporate identity in an effort to express the objectives and mood of the company's management, including by way of financial reporting. The company is known for the transparency of its relations with investors and the financial community, and provides detailed reports on its objectives and results to enable shareholders and the financial market to assess all the ways in which the company creates value. Snam Rete Gas has thus always made a conscious choice to be transparent, impartial and correct.

Based on assessments expressed by the financial community, Snam Rete Gas is a company with a limited industrial and financial risk profile which, by operating in a stable and transparent regulated environment, ensures that results and future cash flows will be properly disclosed.

Over the course of the year, the company has been involved in around 30 road shows, for the purpose of meeting shareholders and institutional investors, in the major European, North American and Japanese marketplaces. In total, management has met approximately 160 investors in one-to-one meetings; around 15 of these were held at the San Donato Milanese premises, with around another 20 group meetings held with several investors. The utilities conferences were another opportunity to meet investors.

When the company's results are published (preliminary annual results, half-year results and quarterly results), it organises conference calls which, on average, involve 50 people, including the 27 analysts who publish their research into the stock. Straight after approval by the corporate bodies, the company makes the financial statements and quarterly/half-year reports available in both Italian and English. During the year, management has taken part in round-table meetings, seminars and conventions on subjects relating to the utilities industry, stock markets and corporate governance. Special presentations are prepared for every event, and they are subsequently published on a dedicated section of the website.

The Outdoor Investor Days event was held from 12–13 October 2010, during which Snam Rete Gas senior management met with institutional investors and, for the first time, representatives of individual investors.

On October 12, the Snam Rete Gas CEO met with a group of Italian and international institutional investors at the Palazzo dei Giureconsulti. He updated them on the company's development programmes and investment plan. This meeting was followed the day after by a visit to the Sergnano storage facility and the Sergnano-Cremona pipeline extension works.

On October 13, at the San Donato Milanese premises, the CEO and Managing Director met with representatives of

small shareholders, followed by a visit to the dispatch centre. This new initiative highlighted the benefit of more regular contact with this important group of shareholders.

This event is consistent with the strategy of placing greater emphasis on small shareholders so that they are more involved, including through the use of new reporting tools. With this in mind, in addition to the new features introduced in 2009 - online publication of the "Financial Markets Review" (a monthly analysis of the financial markets and the performance of the utilities industry on the stock exchange, together with the companies that constitute it) and "News & Facts" (a quarterly publication aimed at individual investors) - 2010 saw the publication of the "Shareholder Guide". This is a twice-yearly publication, also aimed chiefly at individual investors, created to give an active sense of involvement in Snam Rete Gas.

2011 will see the creation of an online statistics summary, designed to make information available on the gas industry in Italy more user-friendly.

On the subject of governance, in line with the recent European directive on shareholders' rights, there are plans to implement and adopt various tools for increasing shareholders' participation in the annual general meeting, through more extensive methods of intervention and voting by proxy.

Special attention has been paid to the subject of sustainability, with particular reference to the area of socially responsible investors, which covers the performances of the international stock indices and of the main indices to which the company belongs: the Dow Jones Sustainability World Index, the FTSE4Good Europe Index and the FTSE-4Good Global Index.

Snam Rete Gas's commitment is further demonstrated by its presence in the most important ethical indices and standards. All of this confirms Snam Rete Gas's commitment to achieving a sustainable growth that protects its working environment and fosters clear dialogue with all stakeholders.

In September 2010, Snam Rete Gas was confirmed on the DJSI World (Dow Jones Sustainability World Index), the world's leading and most prestigious stock exchange index for evaluating the social responsibility of businesses. Only companies that have achieved excellence in managing their business in line with sustainability criteria are admitted to the index, which Snam Rete Gas joined for the first time in 2009. The Dow Jones Sustainability Index, established in 1999 with the intention of tracking the financial performance of shares with excellent results in terms of their economic, social and environmental profile, selects just over 300 companies from a total of 2,500 candidates.

Objective	KPI set in 2008	2010
To create value for shareholders and communities.	To meet investors representing 40% of the floating capital during the year by 2012.	Value obtained was 45%, exceeding the set performance target.
	To meet, each year during the period 2009-2012, at least one third of the socially responsible investors identified among the shareholders.	Value obtained was 50%, exceeding the set performance target.



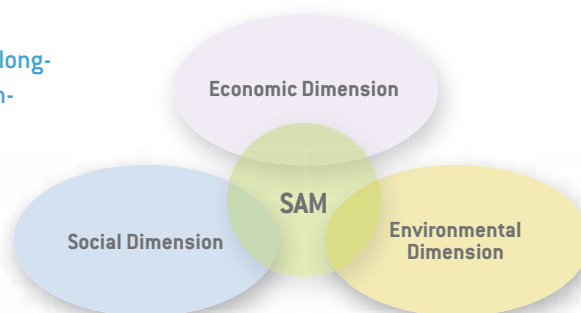
## SAM (Sustainability Asset Management)

*"Snam Rete Gas has positioned itself as a sustainability leader amongst the top 16% companies in the gas sector, showing good performance, especially in the economic dimension" (SAM Benchmarking Report, December 2010).*

SAM is a Swiss company specialised in "sustainable" investments, which assesses companies from around the world which are, in terms of market capitalisation, candidates for admission to the Dow Jones Sustainability indices.

The selection criteria adopted by SAM are based on a long-term approach, which includes elements of an economic, environmental and social nature.

SAM's goal is to identify those companies that display excellence in managing themes related to sustainability, incorporate sustainability into their strategic vision and represent a significant investment opportunity.



In the September 2010 half-year review, Snam Rete Gas's stock was confirmed in the FTSE4Good Index Series (in which it has been present since 2002), which unites the best companies worldwide that have distinguished themselves in terms of sustainable economic development. The index represents an important point of reference for the creation of ethical portfolios and benchmarks and for socially responsible investors.

The presence of Snam Rete Gas has been reconfirmed in the "ECPI Ethical Index Global", "ECPI Ethical Index Euro" and "ECPI Ethical Index EMU" group of indices, where the

company was selected in 2008 and 2009. The ECPI Ethical Index Global is made up of 300 international large-cap companies selected on the basis of ECPI methods, while the other two indices comprise 150 companies belonging to the European market (ECPI Ethical Index Euro) and the Eurozone (ECPI Ethical Index EMU). The new certification has been conferred by ECPI, now part of Mittel S.p.A., listed on the Milan stock exchange, which has been a leader in sustainability research, ratings and indices since 1997.

At the end of 2010, the company took part in the annual



**Massimo Cavalli - Institutional investor  
Allianz Global Investors**

*"Snam Rete Gas stands out, not only for its good long-term financial results, but for its transparent relationship with investors and for the concern it shows for all stakeholders, adopting a management model that is consistent with its investment plans and sustainable development model."*



assessment required by VIGEO, one of the most important European environmental and social ratings agencies, in order to confirm the inclusion of Snam Rete Gas in the Ethibel Investment Register and Sustainability Indices (in which it has been included since 2005). Ethibel is a leading European research organisation in the field of corporate social responsibility (CSR) and sustainable development.

Since 2007, Snam Rete Gas has taken part in the assessment carried out by the Carbon Disclosure Project, one of the most important independent organisations com-

mitted to monitoring the position of major international companies in terms of climate change and greenhouse gas emissions. As well as this, in 2010 it took part for the first time in the assessment for CDP Water Disclosure, a new initiative aimed at monitoring the sustainable use of water resources.

In 2010, the company also participated in several other assessments requested by investment banks, financial intermediaries and international rating agencies to monitor the commitment of Snam Rete Gas to social and environmental responsibility.

### Giuseppe Sala - Retail investor

*"I had the pleasure of taking part in the Investor Day for private investors. I must say that the event was well organised and it had the distinction of providing more information to people who, like myself, had already decided to invest in Snam Rete Gas stock, but did not have intimate knowledge of such a large organisation. I believe that getting to know the investment plans, future programmes, the independence from certain market variables, the dividend policy and other features is especially important for small investors. All of this convinced me to increase my level of involvement in the company, talk about this experience to other people and try and persuade them to also invest in the stock".*



## The financial markets

In 2010, contrasting performance and increased volatility were recorded on various European stock markets. Although certain countries showed signs of growth and a positive outlook, in others, in particular Greece, Ireland, Portugal and Spain, uncertainties over the sustainability of government debt weighed heavily. This had inevitable repercussions on stock index movements.

In particular, fears over the sovereign debt situation surfaced primarily at the beginning of the year, while in the second half of 2010, several prices moved upwards leading to the following annual performance on major European stock exchanges: FTSE 100 of London +9%, DAX of Frankfurt +16.1%, CAC 40 of Paris -3.3%, IBEX of Madrid -17.4%. The Eurostoxx 50 European index remained un-

changed from the end of the previous year.

The Italian market also felt the effects of the uncertain climate on international financial markets. The financial community's perception of growing country risk for Italy prevented domestic indices from entering positive territory. The FTSE MIB index, which includes Italy's 40 largest listed companies by market capitalisation, dropped by 13.2%, while the FTSE Italia All-Share index, which includes all listed companies, was down 11.5%. It should be noted that the performance of domestic indices was also affected by their sector composition, characterised by a preponderance of companies in the banking, insurance and utilities sectors, which were on a downward trend for the year.



### Monica Girardi - Barclays Capital analyst

*"In recent years, the markets have been subject to wide-ranging movements and shares have been exposed to a high degree of volatility. In a context like this, there are two fundamental rules for maintaining performance despite the macroeconomic background, namely: 1) sharing corporate goals with a wide range of stakeholders, and 2) maintaining stable returns for shareholders, without reducing growth expectations. As an equity analyst, I value not only the predictability of cash flows, which are often directly connected with the stability of the regulatory framework, but also the capacity of the business to adapt its future strategies to changing conditions, involving all stakeholders in the change. This can be achieved only through the ability to communicate in a clear, transparent and timely fashion. Snam Rete Gas has always been able, over the last two years, to guarantee high returns for investors, not only thanks to their successful strategy, but also through a 'best-in-class' policy relating to the market which includes frequent meetings with analysts, clear press releases, comprehensive financial reports and quarterly road shows to help meet different investors".*

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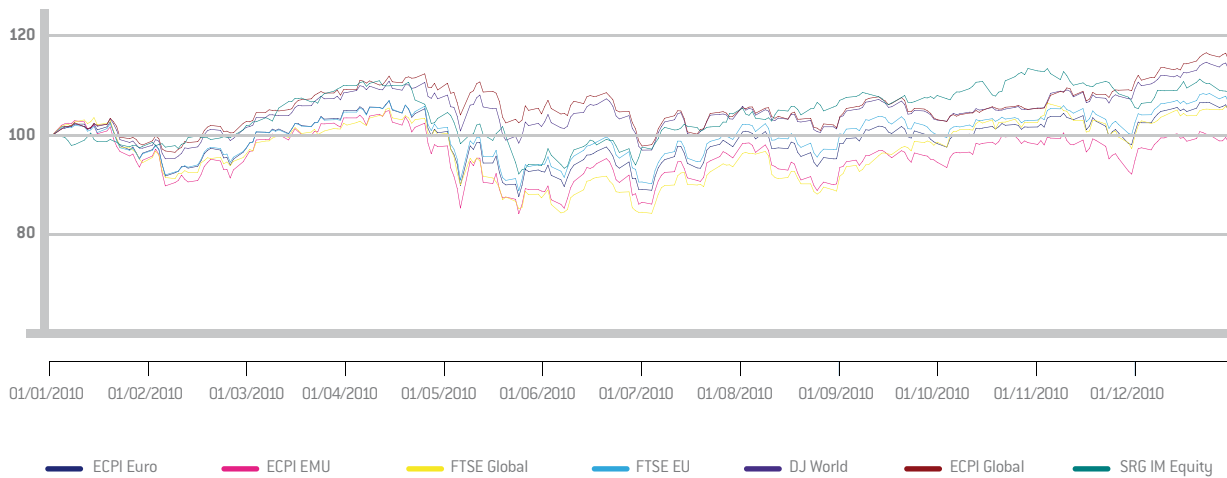
## Stock performance

Snam Rete Gas stock, which is listed on Italy's FTSE MIB index and also on leading international indices (Stoxx Europe, S&P Europe and MSCI Europe), ended 2010 at an official price of €7.73, up 7.8% over the same figure for the previous year. This performance was achieved in an environment of overall growth for stocks of regulated utilities companies and, more specifically, for those companies which, due to a stable and transparent regulatory environment, provide long-term visibility of their results and cash flows. These stocks set themselves apart from

the overall European utilities sector, which underperformed the market (Stoxx Europe 600 Utilities: -8.8%) due mainly to the so-called overcapacity phenomenon which, together with weak demand for energy, had a negative impact on companies with the greatest exposure to energy prices.

In 2010, approximately 2.9 billion shares of Snam Rete Gas were traded on the electronic stock market of Borsa Italiana, with daily trades averaging about 11.5 million shares (compared with 10.1 million in 2009).

## Snam Rete Gas stock performance and main ethical indices



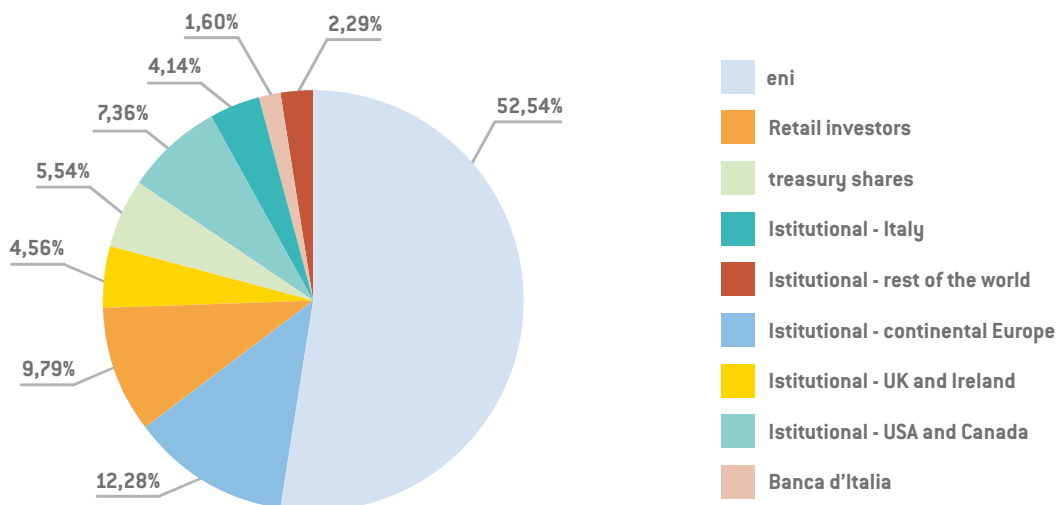
## Shareholders

At 31 December 2010, the fully subscribed and paid-up share capital of Snam Rete Gas S.p.A. totalled €5,570,832,994.00 and consisted of 3,570,832,994 ordinary shares with a nominal value of € (3,570,768,494 shares with the same nominal value at 31 December 2009). The increase of €4,500 over 31 December 2009 was due to the issue of 64,500 shares with a nominal

value of €. These shares were subscribed by executives entitled to participate in the 2003 stock option plans.

At year end, based on entries in the shareholders' register and other information gathered, eni S.p.A. held 52.54% of share capital, Snam Rete Gas S.p.A. held 5.44% in the form of treasury shares, and the remaining 42.02% was in the hands of other shareholders.

## Shareholder structure of Snam Rete Gas by type of investor and geographic area



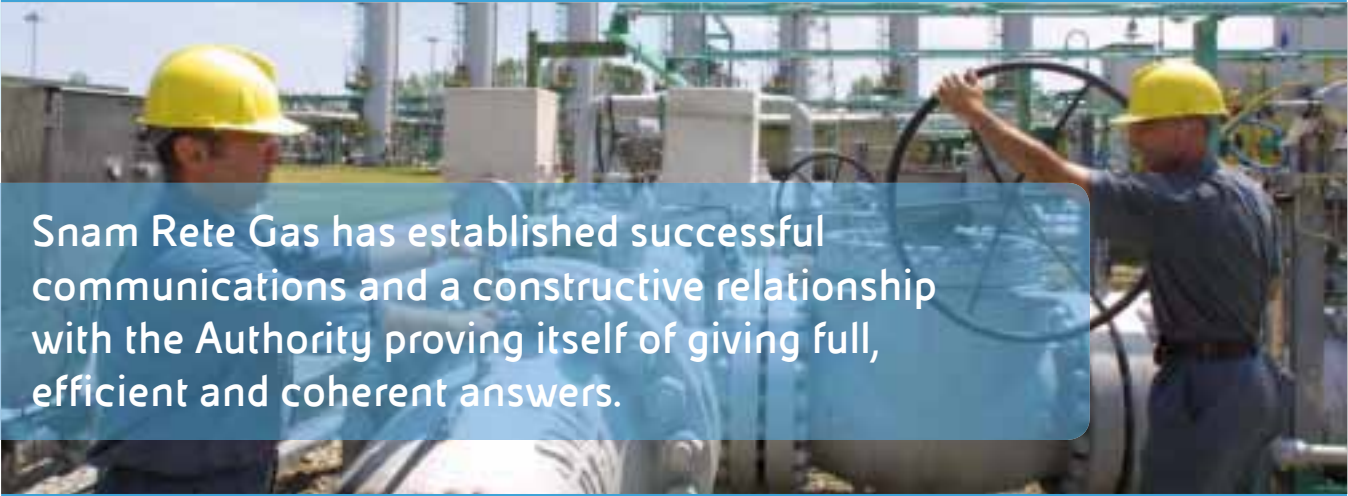




# Stakeholders

## Authority

## Authority



Snam Rete Gas has established successful communications and a constructive relationship with the Authority proving itself of giving full, efficient and coherent answers.

### Ongoing dialogue

The relationship with the Electricity and Gas Authority plays a key role for those operating in the energy business. Over the years, Snam Rete Gas has established successful communications and a constructive relationship with the Authority by continually maintaining an advisory role and providing substantial information to support changes in the regulatory environment in the natural gas sector. In this context, the acquisition of Italgas and Stogit has made this relationship even more constructive. Nowadays, the regulator can deal with an operator which, by virtue of its size and wealth of knowledge of the different sectors, is capable of giving full, efficient and coherent answers in response to the questions that the integration of the energy markets will pose in the coming years.

### A stable and transparent regulatory framework

The main role of the Authority towards the regulated busi-

nesses is to establish special provisions – known as “Resolutions” – to define the criteria through which to determine prices, access rules and quality standards.

In the context in which Snam Rete Gas operates, the process of defining the criteria for the tariffs, which takes place every four years for each regulated activity, is particularly important. The clarity, stability and transparency of the regulatory framework for the methods for determining revenues and tariffs are a vital aspect of allowing the company to achieve sustainable growth over time. These features are appreciated both by network users, in relation to determining the costs associated with the use of infrastructures, and also by investors, in relation to the possibility of predicting the returns associated with their investment. Specifically, the tariff criteria for storage activities to be applied in the 2011-2014 period were redefined in 2010.

#### Regulatory periods in force

snam rete gas

January 2010 - December 2013

gnl italia

October 2008 - September 2012

italgas

January 2009 - December 2012

stogit

January 2011 - December 2014

The new storage regulatory framework has been defined in continuity with the arrangements for the previous period and in accordance with the forecasts for transportation, distribution and regasification activities. The revenues from all ac-

tivities are determined so as to ensure coverage of operating costs, depreciation and amortisation, and a fair return on net invested capital. There is also provision for specific rewards, differentiated according to type, for investments made dur-

ing the course of each regulatory period. Every year, based on revenues, each Snam Rete Gas company formulates a tariff proposal which is presented to the Authority for approval.

### New European regulations

In July 2009, the European Parliament and Council adopted the so-called Third Energy Package, a collection of provisions aimed at completing the creation of a European natural gas market. Specifically, the third package, which will become fully operational in 2011, includes a series of measures aimed at promoting the integration of individual domestic markets through greater cooperation at Community level. An Agency for the Cooperation of Energy Regulators (ACER) and a European Network of Transmission System Operators for Gas (ENTSOG) will be set up for this purpose.

In the coming years, these bodies should work to harmonise national regulations in order to promote the exchange of natural gas between EU member states, as well as to foster the coordinated development of networks by drawing up a non-binding 10-year investment plan. The ACER will have the task of producing the framework guidelines that the

ENTSOG will develop by establishing European codes that will regulate access to and use of cross-border infrastructures. The process of defining the codes will broadly involve all interested parties that can highlight their requirements and put forward their own proposals both under the scope of public consultations and during special, dedicated meetings (stakeholder joint working sessions).

The introduction of shared, harmonised rules through European codes will simplify access to infrastructures and allow increasingly integrated management of transportation systems, which will benefit both commercial operators and end users. Close cooperation with other infrastructure operators will afford consumers a reliable and efficient service and ensure the sustainable development of infrastructures, in line with the development of the gas market.

Snam Rete Gas is one of the founding members of ENTSOG and intends to promote the harmonisation of rules and integration of the market. For this purpose, Snam Rete Gas is already taking an active role in the organisation's activities, sharing its experience and the know-how of its personnel in order to identify the best possible solutions to implement.

## Vittorio Musazzi - General Manager ENTSOG

*ENTSOG – European Network of Transmission System Operators for Gas – was established on 1 December 2009 by 31 natural gas transportation system operators working in 22 EU countries, ahead of the Third Energy Package deadlines. This will allow the timely and consistent launch of the new Community provisions which come into force on 3 March 2011. ENTSOG, whose headquarters are in Brussels, currently has 33 members and expects the remaining European transportation businesses to join the association during 2011.*

*The association is governed by bylaws and general procedures which regulate its operation. Its structure includes the sole decision-making body, a general assembly to which all members are entitled to belong and a management board made up of 12 members who provide guidance and are executive representatives of the transportation businesses elected directly by the shareholders. The work of the association is performed by a dedicated team of experts, coordinated by a General Manager, who work actively and in close cooperation with the representatives of the transportation businesses under the auspices of special working groups. The main tasks of the association were established in EC Regulation 715/2009, and they include drawing up network codes, preparing a 10-year plan for the development of the network at Community level (TYNDP) and defining shared tools for coordinating network activities.*

*In 2010, ENTSOG worked with the European Commission, regulators and the majority of stakeholder associations, contributing to the preparation of guidelines for drafting the first European network code, relating to the allocation of capacities at the connection points, which should be developed in 2011.*

*Also during its first year, ENTSOG published its first TYNDP (2010-2019), as well as the Summer Outlook and Winter Outlook, in June 2010 and November 2010 respectively. In February 2011, it also published the second TYNDP (2011-2020), which involved widespread stakeholder participation and included the comments and suggestions received following the first edition.*

*For more information about the association's activities and 2011 work plan, as well as details of the documents mentioned above, please go to the website: [www.entsog.eu](http://www.entsog.eu)*







# Stakeholders

## Institutions

## Institutions



In order to illustrate the Company's activities Snam Rete Gas encourages regular meetings with institutional stakeholders using a transparent, loyal and collaborative approach.

### A collaborative relationship

Snam Rete Gas is present throughout almost all of Italy with its infrastructures. This geographic distribution of our activities means that we have ongoing relationships with local communities and institutions.

Snam Rete Gas has a rigorous, transparent, loyal and collaborative approach aimed at promoting the acceptance of the presence of its facilities in local areas. With this in mind it encourages regular meetings with institutional stakeholders in order to illustrate the company's activities and programmes.

When it receives requests from regions, provinces and local authorities, Snam Rete Gas also provides information about its activities, whilst maintaining the confidentiality of commercially sensitive information, for the purposes of developing regional, provincial and municipal energy plans or environmental and economic research.

The relations that Snam Rete Gas has established with the state, regional and local administrations are mainly related to the submission of authorisation requests for new infrastructures.

In this context, in 2010 the Company took part in public meetings and organised educational and informative visits for public-sector members and officials to their installations with the aim of demonstrating the Company's

activities "on the field", their actual impact on the area and the environmental and safety standards adopted to ensure correct operation.

These are some examples:

- participation in the Minerbio "Open Municipal Council" in order to present the Stogit geophysical prospecting campaign and answer questions from local residents (5 July 2010);
- organisation of a public meeting in Bordolano to illustrate the Bordolano project for increasing storage capacity to local residents and answer any questions on the subject in full detail (4 October 2010);
- advance meetings with the mayors, 68 in 2010, of municipalities affected by the creation of gas pipelines to preview the main features of the works, the authorised route, the working stages and the restoration that will take place.

Two important agreements were also formalised during the year: one with the Ministry for the Environment, Land and Sea and one with the Emilia-Romagna Regional Authority.

In the first agreement, Snam Rete Gas commits to using guided tours to familiarise ministry officials with the environmental restoration techniques used in producing the pipelines, which make it possible to avoid or mini-

mise interference with habitats and ecosystems with a high biodiversity content.  
The second agreement, with the Emilia-Romagna Re-

gional Authority, was set up to facilitate compliance with administrative and authorisation regulations related to public waterway concessions.

## Agreement with the Ministry for the Environment, Land and Sea

On October 7, Snam Rete Gas and the Ministry for the Environment signed an agreement sanctioning a cooperation agreement as a fundamental tool for facilitating the protection and improvement of the environment, thereby contributing to safeguarding the natural landscape and protecting the socioeconomic development of the area while maintaining the ecological and environmental balance.

Through this agreement, Snam Rete Gas is available to representatives and officials of the ministry and related committees, to show them, through guided tours 'in the field', the environmental restoration techniques used to minimise the temporary environmental effects from the completion of its works in order to allow the original ecosystems and the fauna to re-establish themselves.

Following the signing of the agreement, a visit was organised in mid October for several members of the Ministry for the Environment's EIA-SEA technical committee along the Malborghetto-Bordano pipeline stretch in Friuli Venezia Giulia, with the aim of observing the results and the condition of the environmental restoration seven years after the structure was built.

The 1,200 mm (48") diameter, 75 bar pressure and approximately 44.6 km long pipeline was constructed between 2002 and 2003 and runs along mainly the same route as another import pipeline built in 1988.

The restoration of the vegetation began between March and October 2003 and was completed in November 2004. The growing programmes lasted five years, from 2005 to 2010, and ended with the removal of the fences erected to protect the individual plants and groups of plants.

The programme of the visit included several observation stages, each representing a particular environmental theme and the construction/restoration techniques employed to minimise and cancel out over time the temporary impact of the works.

The subjects dealt with included water, soil and subsoil, vegetation and fauna, the landscape and crossing protected areas (the Val Alba regional nature reserve and the Zuc dal Bor heritage site).

The day presented an opportunity for a practical comparison of the environmental restoration methods used and confirmed the excellent achievements of Snam Rete Gas in this area.





## Giuseppe Bortone – Emilia-Romagna Regional General Manager for the Environment, Land and Sea

How did the idea of a general agreement with Snam Rete Gas S.p.A. about public water supply regulations come about?

*Since 2001, the regional authorities have acquired the responsibility for managing public water and since then, with countless difficulties in processing government orders, enormous reorganisation works have been taking place together with the provincial services in the area, surrounding the methods for issuing new authorisations.*

*In 2007, regional law 4 paved the way for the possibility for owners of multiple public water concessions to pay to combine them into a single solution. Following this, it also*

*became possible to pay several years' fees in advance.*

How did you interact with Snam Rete Gas S.p.A.?

*Excellent relations, including between the respective technical offices, improved the acquisition of all the information needed to draft the agreement. Just think, Snam's pipelines pass through more than a thousand waterways in the region.*

What are the strengths of the agreement?

*First of all, for both signatories of the agreement, the administrative simplification of the obligations; then, but not in any way secondary, the improvement in response times for new authorisation, the regulation of the entire process which, I repeat, had "lost its way" between the government and the region. Last but not least, the establishment and definition of the fees due in relation to future management has been very important for the region and, I believe, for Snam as well.*

How are so many pipelines integrated into the area and the environment?

*We are one of the main natural gas regions, with the first pipelines laid after the First World War; industrial development in our region has been accompanied by the growth of the gas network.*

*In recent years, in agreement with Snam Rete Gas S.p.A. and in concert with regional offices, we have tried to streamline the crossing of waterways by favouring trenchless technology.*

*More than 100 waterway crossings, involving new pipelines and the modernisation of old pipelines, have been completed in recent years using these new techniques, and they also make the area look better.*

The main collaborations that took place in 2010 with competent bodies involving environmental restoration activities are described below.

### Friuli-Venezia Giulia

Following the construction of the Malborghetto-Bordano pipeline, collaboration with the Friuli Venezia Giulia Parks Office continued in relation to monitoring the restoration of vegetation along the route of the pipeline. In particular, in one section of the pipeline in the Val Alba regional nature reserve, the research and monitoring activities for the fauna continued for 10 years with the help of interna-

tional experts. After having completed the first five-year monitoring period, the sixth year of monitoring took place in 2010, the first of a second five-year monitoring period which will end in 2013.

Following the construction of the Flaibano-Gonars pipeline, which passed through the Paludi di Gonars heritage site, environmental restoration works continued in some of the publicly owned areas in conjunction with the local authorities. A project for monitoring the spontaneous re-naturalisation of these areas was also launched with phytosociological studies. The second annual monitoring after the construction work took place in 2010.



#### Sicilia - state forests agency

Collaboration with the Sicily state forests agency has continued, with the growing of native forest plants designed for reforestation projects along the pipelines laid in the Nebrodi regional park. Work on restoring the vegetation for the Bronte-Montalbano pipeline inside the park began in late autumn 2010. 2011 should see the completion of the reforestation projects along the pipeline, with the planting

of approximately 19,000 forest plants.

As far as the Panigaglia natural gas regasification plant is concerned, relations with the public entities involved have been maintained. During the year, following a request by the La Spezia Prefecture, a general drill for the External Emergency Plan involving all the local bodies was successfully carried out.

## Safety drill on the implementation of the External Emergency Plan

At the request of the La Spezia Prefecture, GNL Italia successfully carried out a general drill, together with all the local entities, on the correct management of the External Emergency Plan (EEP) for the Panigaglia LNG Site - 2008 edition, as amended, provided for by Legislative Decree no. 334/99, amended and supplemented by Legislative Decree no. 238/2005 and drawn up in accordance with the provisions of the General Guidelines prepared by the Presidency of the Council of Ministers – Department of Civil Protection – and cited in the DPCM [Decree of the Presidency of the Council of Ministers] of 25.2.2005.

The purpose of the EEP is to ensure the management of emergencies outside the plant; as well as being a statutory obligation, it is also a civil opportunity to ensure the safety of the population and the environment in general. This plan provides that, following the occurrence within the LNG plant of an incident with external impacts, all actions will be taken to minimise its consequences for the population and the environment. In particular, the scenario hypothesised relates to the major incident “rupture of LNG tank roof due to overfilling”, which has the largest impact area envisaged by the EEP.

The drill carried out on 27.05.2010 tested, in particular, the viability of the Strada Provinciale [provincial road] to Portovenere, and led to the decision by the Prefecture to enhance the traffic lights and horizontal signposting system of that road.

At the end of the drill, the Prefect of La Spezia, during a press conference held jointly with the CEO and the representatives of all the entities involved, expressed his satisfaction with the conduct and results of the drill. This meeting was also covered in the national newspapers and a number of videos published online.

## Emissions trading and EIA procedures

Emissions trading is an administrative tool used for controlling the emission of greenhouse gases and pollutants on an international scale through the monetary pricing of the actual emissions and the trading of the emission permits between different countries (Directive 2003/87/EC). The Directive provides that no plant under its scope of application can produce greenhouse gases, in other words continue to operate, without special authorisation. The competent national authority issues authorisations and assigns CO<sub>2</sub> emission permits to the managers of the plants regulated by the directive by means of an allocation plan.

Every year plant managers return to the competent national authority the number of CO<sub>2</sub> emission permits equal to the emissions actually released into the atmosphere. Any surplus (between the permits assigned and the emissions released) can be traded and/or accumulated, and any deficit should be covered by the purchase of emission permits from the market.

The CO<sub>2</sub> emissions actually released into the atmosphere should be monitored in accordance with the provisions issued by the competent national authority, which will have been notified of these figures accompanied by certification from an accredited verifier.

The Snam Rete Gas plants that come within the scope of the emissions trading directive are the 11 gas compression stations for transportation activities (Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia and Terranuova Bracciolini), the seven compression stations for storage activities (Cortemaggiore,

Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala), the Mazara del Vallo entry point terminal and the Panigaglia liquefied natural gas regasification plant.

The Ministry for Environment, Land and Sea allocated 1,001,577 annual permits to the Snam Rete Gas plants (these permits do not include those which could be issued to “new entrants”). In 2010, Snam Rete Gas plants emitted 969,706 tonnes of CO<sub>2</sub>, with a positive balance for the year of 31,871 permits.

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

Snam Rete Gas's carbon dioxide emissions are not constant over a period of time, but vary from year to year and depend greatly on the schedules of customers to whom the transportation, storage, distribution and regasification services are provided.

The Environmental Impact Assessment (EIA) is an administrative procedure designed to assess the consequences and effects that given works can have on the surrounding environment. The regulations governing its application also include the collection of observations from the entire community involved and therefore the involvement of ‘ordinary citizens’ in the final decisions. The EIA decrees obtained by Snam Rete Gas and presented during the course of the year are listed below.



## Environmental impact assessment decrees obtained during the year

Name	Regions affected	Responsibility	Date of Decree
Bordano-Flaibano pipeline (32 km)	Friuli - Venezia Giulia	Regional	04.08.10
Sapri branch pipeline (26 km)	Campania - Basilicata	Regional	31.08.10*
Enlargement of Settala storage capacity - pressure increase to 1.07	Lombardy	State	27.01.10
Modernisation and adaptation of regasification plant for a capacity of 8 billion SCM/year	Liguria	State	09.09.2010

\* Decree for the stretch in the Campania region

## Environmental impact assessment requests submitted during the year to the Ministry of the Environment and the Ministry of Cultural Assets and Activities

Name	Length	Regions affected	Date of submission
Messina-Palmi sealine	28	Sicily - Calabria	28.04.10
Recanati-Foligno pipeline	78	Marche - Umbria	29.09.10
Agrigento-Piazza Armerina pipeline	75	Sicily	16.12.10

## Environmental impact assessment requests submitted during the year to the regions or provinces

Name	Length	Regions/Provinces affected	Date of submission
Gavi-Pietralavezzara pipeline	26	Piedmont - Liguria	30.11.10
Adaptation of Puglia and Basilicata Regional Transportation Network	72	Puglia - Basilicata	17.12.10








# Stakeholders

Community  
and Territory

## Community and Territory



Company's activities are able to provide the country with a source of energy, natural gas, which has a low environmental impact and satisfies growing energy needs.

### Accountability and listening

The local areas in which Snam Rete Gas operates represent a universe of values towards which it wishes to address actions to revitalise dialogue and proximity to its communities and institutions, increase visibility and strengthen the reputation and consensus of the business.

In accordance with the company's sustainable development policy, a series of initiatives were launched in 2010 that involved and generated interaction with a number of counterparties to whom Snam Rete Gas attributes an important role, such as local institutions, associations and schools.

### Local initiatives

By building on the collaboration with a number of institutions in the local areas where the company operates, and

with Legambiente within the context of the "Clean Up The World" campaign, which Snam Rete Gas has supported for some years, a programme of interventions has been developed primarily for schools and students - the future generation that is more involved in the concept of sustainability.

The learning journey began with an initiative called "All down underground", the aim of which was to inform about the activities and commitment to sustainability of the group companies, and particularly the good practices of environmental restoration to which Snam Rete Gas S.p.A. devotes special care and attention. This initiative was aimed at the students of first, middle and upper schools in areas where plants are installed, and was carried out together with a local Legambiente representative, who in turn explained the aims of the association's activities and

its various initiatives on environmental issues.

To encourage the involvement and participation of the students, appropriate communication tools were produced: leaflets written in accessible language; an animated video on gas exploration and the commitment to the environment, using real images and specially created illustrations; an educational video game that makes it possible to play at “building gas pipelines” in harmony with nature; and gadgets consistent with the initiative, such as tins containing plant seeds for the students to nurture and grow in the garden or on a balcony at home.

The mouthpiece of “All down underground” was a friendly tree named Tino (from *riprisTino* [Italian for “restoration” or “renewal”]), who accompanied the children on their learning journey.

The programme was then continued in a context of environmental education, with support from Snam Rete Gas to the schools that had signed up to the “Clean Up The World” campaign. To the children who made an active commitment to clean up a nearby site, identified and made avail-

able by the local municipality, Snam Rete Gas gave the traditional cleaning kit put together for “Clean Up The World”, consisting of a hat, gloves and a sack for collecting litter. In some cases, collateral activities were organised: at Poggio Renatico, a project was prepared for middle school students to interview local residents about environmental issues.

The educational course concluded with a final initiative called “A Plant Tour”. To encourage transparency and dialogue with the community, a number of company plants were opened for guided tours to school students and local residents, who were able to take a close look at an important industrial entity in their local area.

The programme was carried out at the Messina and Poggio Renatico (FE) compression stations and the Bordolano-Sernano (CR), Minerbio (BO) and Sabbioncello (FE) storage sites. Around 320 students were involved at the five sites, while some 110 local residents visited the plants at Poggio Renatico, Sernano (on the outskirts of Bordolano) and Sabbioncello.

## Elvira Amata - Environmental assessor for the municipality of Messina

**How did the collaboration with Snam Rete Gas on the schools educational project “All down underground” come about?**

*Snam Rete Gas has operated in our local area for a number of years, paying particular attention to defending the area and therefore to protecting the environment, so it was very easy, in fact I would say natural, to sign up to the “All down underground” project.*

**How do you judge the results of this collaboration?**

*The results have been positive and satisfactory, and the students have shown interest and curiosity. I think that today it is extremely important for questions of environmental protection to be tackled in schools, and for these issues to be discussed with a company that, alongside its objectives of economic growth, also aims to protect the environment, helping to understand what concrete steps can be taken in this direction.*

**The Faro Superiore school and the Archimede high school have shown great interest. How can the school/business relationship be developed?**

*I think it would be interesting to create a collaboration with regular meetings where a communication between school and business can be established, to provide laboratories, for example, where students could do projects and work on materials made available to them. This would also be a way of introducing students to the world of work.*





### Rita Pareschi - Environmental assessor for the municipality of Poggio Renatico (FE)

The Poggio Renatico municipal assessor who took part with Snam Rete Gas in the “All down underground” and “Clean Up The World” initiatives gives her view on the partnership between the company and the local area.

*“The municipality of Poggio Renatico has subscribed to the “Clean Up The World” initiative, involving the first year students of the secondary school, for a number of years because we know that a new attitude towards the environment starts with and spreads from young people. The 2010 event drew fresh impulse from two factors: the partnership with Snam Rete*

*Gas, with whom we simultaneously launched the “All down underground” initiative, and the new formula, which integrated the traditional clean-up activity with an enjoyable animation and a kind of competition that resulted in the prize being awarded jointly to the two classes involved, for the great commitment put in by them both.*

*The interviews with passers-by on the meaning of the initiative and on the system of waste separation applied in the Poggio area, and the subsequent group discussions of the gathered data, certainly raised the awareness of children and adults alike by prompting a moment of reflection and promoting the adoption of a more sustainable lifestyle.*

*Without taking anything away from the success of the initiative, for a more productive synergy between the local area and the company, it would be essential to have a vigorous commitment from everyone involved to ensure that the interventions and activities are less sporadic and more structured.*

*In light of this, the municipal administration of Poggio Renatico hopes that the cooperation with Snam Rete Gas will continue in the form of a well-planned programme which goes beyond occasional one-off events and finds concrete expression in a project that is culturally beneficial and helps to protect the environment”.*

## Diego Bottini - Mayor of Bordolano (CR)

The Mayor gives his assessment of the initiative that involved the municipality's schools: in particular, he says that children's understanding of the industrial entities in the local area is an important educational message for their development, and that the school plays a significant role in the dialogue between businesses and communities.



*"I think the initiative offered to the primary schools of Bordolano is a positive thing. I had the opportunity to attend part of it in person and came away with a few opinions from the children and teachers. It struck me as an initiative that stimulated the children's curiosity and demonstrated the good attitude of the spokespersons - from Legambiente and from Snam Rete Gas - in dealing at a very young age with issues that can be complicated even for adults. Another important aspect is bringing young people close to the industrial companies of the local area, showing - with the greatest possible objectivity - their activities, their production and how they dispose of waste in a manner that respects the environment and complies with legislation.*

*The information given to the children is also quickly conveyed to the parents and grandparents; it is a system for the immediate and widespread distribution of information. Companies should invest in projects aimed at schools, in order to provide another resource for the Italian education system, which for some years has found itself facing economic conditions unfavourable to projects which go beyond the basic curriculum. Personally, I remember with pleasure the visits I made to a number of plants in the area when I was at primary school. If those visits had not happened, I would have carried on seeing the walls, the silos and the buildings of those plants as alien structures; after the visit, I started to think about those production activities, imagining what the people and machines I had seen on the other side of the wall were doing.*

*As a municipality, we are always open to further collaboration proposals. I think that the partnership between Snam Rete Gas and Legambiente is a good match, because the former has substantial resources and a desire to communicate, while the latter has undisputed credibility among the public with regard to the disinterested protection of the local area. I think that in our particular situation, it would be a really good idea to involve the Parco Oglio Nord [Oglio Nord Park]".*





### Gabriella Fusi, Nadia Toscani, Daniela Preti, Mara Ferrami, Santina Andriani - Teachers at Bordolano Primary School (CR)

The teachers give their views on the appeal and the opportunity for children to take part in initiatives such as those proposed by Snam Rete Gas, a business deeply rooted in their area which is convinced that schools are a fundamental part of dialogue within the community.

*"The companies which operate in the local area and want to make themselves known to the children are companies that are looking to the future and want to grow.*

*At the start of the academic year we accepted the play-based and teaching proposals of Snam Rete Gas as an opportunity offered to the school, the children and, through them, their families.*

*The objectives defined for the activities are: to use game-based activities to educate children and young people to see the environment from the point of view of respect and sustainability; to educate about energy saving, or rather responsible energy use; to foster a sense of belonging to their local area through an understanding of the natural and social environment; and to give children and young people the ability to adopt appropriate and locally meaningful behaviour in tackling environmental and social problems.*

*A few days after the first introductory meeting held in class, on 24 September the pupils went out onto the country roads, armed with gloves and sacks, to "Clean Up The World". This outing was a fun event both for the children and for the adults who had the pleasure of observing their behaviour: we even saw the children stooping on the pavement to pick up toothpicks and cigarette ends. (Oh to have such flexible backs and sharp vision!). The work was carried out meticulously in a happy atmosphere conducted around "Tino", the mascot tree.*

*On 8 October, we were in Sergnano to visit the Stogit plant, another memorable day for our students: travelling by coach; visiting the plant and riding the miniature train with our yellow helmets while a guide explained the function of the various departments, most of which looked like science-fiction sets; and the fantastic lunch to round off the morning. During the return journey to the school, the children chatted away, happy to have received a bag containing a tee-shirt, a hat and other trinkets featuring "Gio", the mascot of the storage site.*

*Now even the children, who do not read newspapers, know that a plant similar to the one at Sergnano will soon appear in Bordolano. Meanwhile, in the surrounding area they are able to recognise and understand that those big tubes that the workers are fitting beneath the ground will form the pipeline that they talked about in class with the experts from Snam.*

*In addition, every student is growing a few seeds in jars for new plants to be introduced into the environment. (The spruces have already sprouted, but the elms are not yet showing any signs of life). With their teachers, they will have further opportunities to investigate topics relating to traditional energy sources, renewable energy sources and responsible consumption".*

## Giulia Olivieri e Alfredo Sambinello Legambiente representatives, Medicina (BO) branch

The Legambiente representatives who, together with Snam Rete Gas, were at the Minerbio secondary school and accompanied the same students on the visit to the storage site, discuss their experience. In particular, they talk about the effectiveness of the partnership between the association and the company in developing educational initiatives aimed at young people.



*“The experience we had was certainly positive and in line with what we want to achieve by working with schools and environmental education in general. We want to provide students with the elements necessary to translate into practice what they have studied in theory at their school desks and learned from our explanations in class: in this regard, it strikes us that the association/company partnership is the ideal way of achieving our goals. Teachers have always appreciated the interaction between the activities we offer and the school curriculums.*

*In particular, the collaboration with Snam Rete Gas has allowed us to raise Legambiente's profile, involve new schools and widen the scope of the issues tackled by adding gas, which we will also be able to offer to other schools outside Minerbio, offering them the opportunity to visit the plant.*

*The plant visit seemed to us to be very well organised in terms of its content, opening with a presentation of both Legambiente and Snam Rete Gas, then a period of theory that was nevertheless made enjoyable by the use of slides, and ending with the practical portion conducted directly on the site, where the issues illustrated earlier were effectively revisited.*

*We hope this collaboration can continue into the future, enriching the content of the environmental education services offered both by Legambiente and by Snam Rete Gas.”*

## Environment

Attention to the environment accompanies every phase of the business of Snam Rete Gas. The criteria and procedures adopted for the location, design, construction, operation and disposal of plants and other assets satisfy the highest environmental protection requirements.

Our activities have enabled us to provide the country with a source of energy, natural gas, which has a low environmental impact and satisfies the growing energy

needs of households, industries and electricity generation. Thanks to its ability to be transported with full respect for the environment, as well as its chemical and physical characteristics, gas is used in technologies with an ever-increasing degree of energy efficiency and lower emissions of pollutants.

In 2010, Snam Rete Gas did not receive any fine or penalty for breaches of environmental legislation.

### Environmental certifications obtained for the various management systems

Company	Activity	Type
Snam Rete Gas S.p.A.	Compression stations Gas pipeline network	ISO 14001
Stogit S.p.A.	Company	ISO 14001
GNL Itala S.p.A.	Regasification plant	ISO 14001
Italgas S.p.A. Napoletanagas S.p.A.	Company	ISO 14001 (integrated with -ISO 9001 -OHSAS 18001)

### Climate change and energy efficiency

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

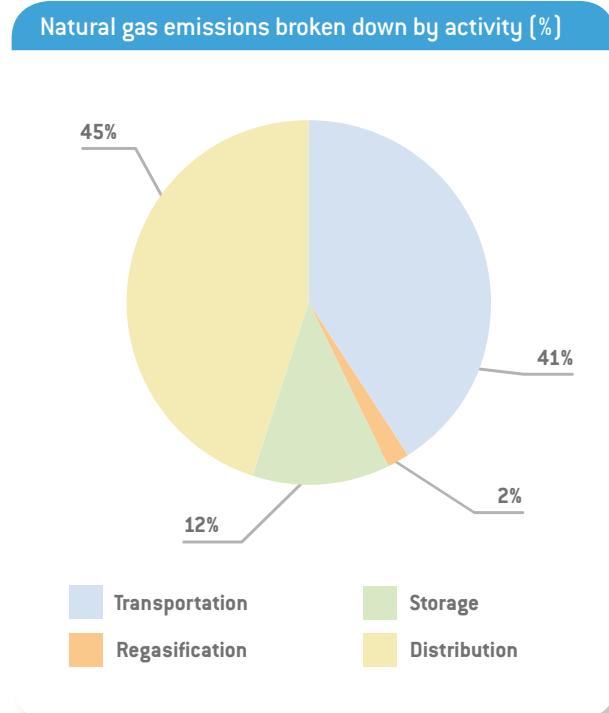
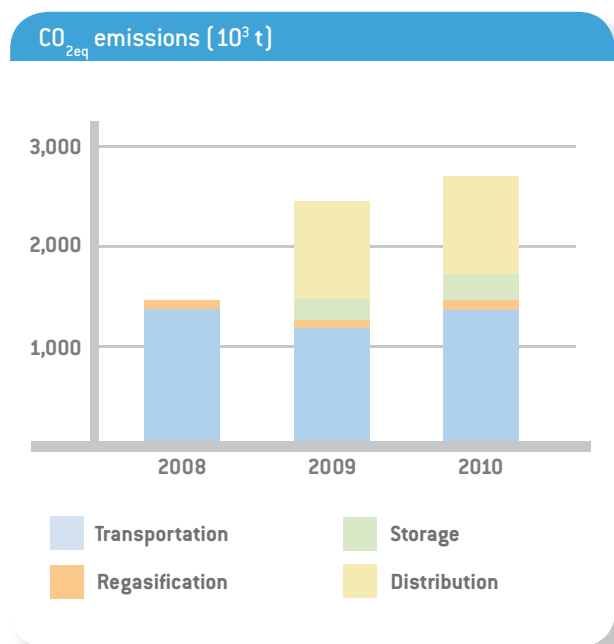
Snam Rete Gas, in addition to using natural gas as the main fuel, seeks to minimise GHG emissions in its operating activities by implementing specific containment programmes such as:

- reduction of natural gas emissions (through in-line gas recompression, replacement of pneumatic equipment, replacement of cast-iron piping on the distribution networks)
- reduction of energy consumption (through specific energy management activities)
- use of electrical energy derived from renewable sources (through specific procurement contracts and the installation of photovoltaic panels when constructing buildings).

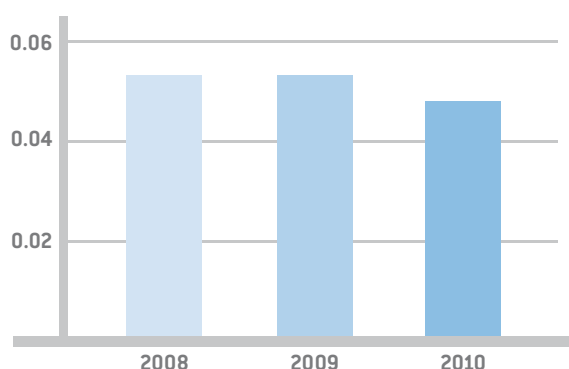
Overall, GHG emissions increased from around 2.4 million tonnes in 2009 to 2.6 million in 2010, a rise of 9.8%. The increase in emissions is attributable mainly to the higher energy consumption incurred by Snam Rete Gas in order to satisfy the rising demands of its customers, which have increased the quantities of gas needing to be: injected into the transportation network (+ 8.3%); regasified (+50%); injected into storage facilities (+2.4%); and carried over the distribution networks (+5.5%).

In addition to the increased activity, the rise in energy consumption is also attributable to the different gas transportation conditions on the network (+16% for the quantity of gas injected from North Africa and -35% for the quantity of gas injected from northern Europe), which required greater use of the gas compression stations.

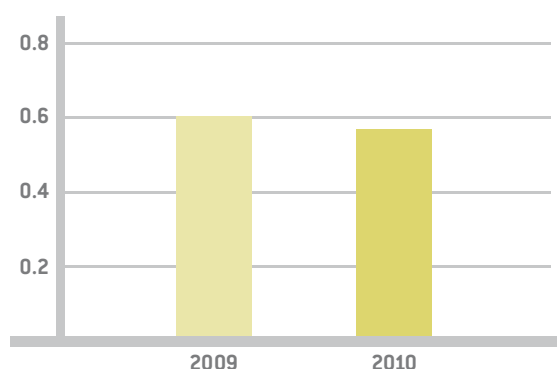
Direct emissions of CO<sub>2</sub> were around 1.06 million tonnes (+32% compared with 2009), while emissions of natural gas were around 101 million cubic metres (equivalent to around 63,130 tonnes of methane), in line with the previous year.



Transportation - Natural gas emissions/gas injected into the network [%]



Distribution - Natural gas emissions/gas distributed [%]



## Objective

## KPI set in 2008

## 2010

To continue programmes for the restriction of natural gas emissions (Snam Rete Gas S.p.A.).

To reduce the 2008 value of the index for transportation natural gas emissions/gas injected into the network (0.053) by 10% by 2012.

Value achieved was 0.049 (-8%), in line with established schedule.

In 2010, the indicators of natural gas emissions in relation to transportation and distribution activities (which accounted for 86% of total emissions) fell by 8% and 6% respectively compared with 2009.

In 2010, total indirect CO<sub>2</sub> emissions, deriving from the procurement of electricity, were around 54,900 tonnes [+8.6% compared with 2009]. To reduce these emissions, Snam Rete Gas has made provision, from 2011 onwards, to purchase only electricity produced from renewable sources for the Panigaglia regasification plant and the Brughiero storage site (in 2010, these plants accounted for 30% of total indirect emissions). At the same time, the company is increasing the installation of photovoltaic panels in its own buildings.

Natural-gas emissions have been estimated using the methodology developed by the Gas Research Institute (GRI) in collaboration with the US Environmental Protection Agency, applied to the existing plants of Snam Rete Gas, with an appropriate research project and field measurement campaigns.

CO<sub>2</sub> equivalent emissions deriving from methane have

been calculated with a global warming potential (GWP) of 25, as indicated in the scientific study of the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fourth Assessment Report of 2007".

Indirect CO<sub>2</sub> emissions have been calculated with a national average factor of 0.483 kgCO<sub>2</sub>/KWh. This factor has been revised with respect to the previous year (0.47 kgCO<sub>2</sub>/KWh) in order to take account of the latest national data on CO<sub>2</sub> emissions for electricity generation. For the purposes of comparison with previous years, the indirect emissions for 2008 and 2009 have been recalculated with the new factor.

The bulk of the energy consumption associated with the activities of Snam Rete Gas is attributable to the gas turbines used in the compression stations, which provide the gas with the necessary pressure for transportation (compression consumption) or storage (storage consumption), and to the vaporisers used in the Panigaglia plant for LNG regasification.

In 2010, total energy consumption was around 19,400 TJ. The energy source<sup>1</sup> most used was natural gas, which

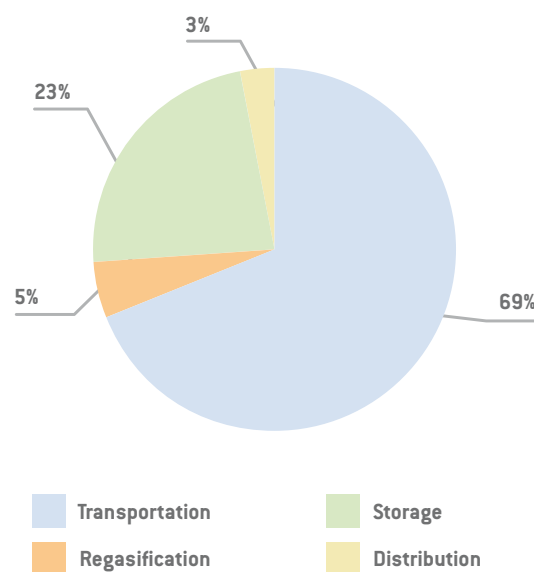
[1] If account were taken of the conversion coefficient used to convert energy values into tonnes of oil equivalent (TOE), which also includes the output of Italy's thermoelectric plants for electricity production, the breakdown of consumption would be as follows: 93% natural gas, 6% electricity and 1% other sources.

covered around 97% of the total energy needs. The other sources used were electricity (2%) and other fossil fuels (diesel oil, petrol, LPG) and heat (1%).

To limit energy consumption, the best available technologies are used and high-performance turbines have been installed. In particular, the fuel consumption of the compression stations is controlled by the dispatching department through the use of optimisation software systems which allow the most efficient possible management, in a manner compatible with transportation and storage needs, of the optimal configuration of the individual plants and the transportation network.

Within the context of energy management, activities have continued with a view to identifying possible energy rationalisation and reduction measures in the company's buildings.

Energy consumption broken down by activity (%)



## Energy efficiency in buildings

Within the context of the energy management policies introduced in previous years and in progress for the coming years, aimed at pursuing actions to rationalise, contain and optimise energy consumption, Snam Rete Gas has further strengthened activities aimed at energy savings and the use of renewable energies.

In evidence of this commitment, in 2010 two new maintenance centres were set up (Avezzano and Noverate) in energy efficiency class A office buildings, where thermal and photovoltaic panels will be put into operation in the first few months of 2011. Design work has also begun on five new centres (Carmagnola, Verbania, Santhià, Gorgonzola and Fidenza), also to be created in class A buildings, with solar thermal facilities and prefittings for the subsequent installation of photovoltaic panels.

Photovoltaic facilities with a power output of 20kW have been put into operation in the buildings of a number of existing centres (Scandicci and Guidonia), and design work has begun on photovoltaic facilities for the centres of Avezzano, Padula and Distretto Nord.

There are plans to install 35 photovoltaic facilities in Snam buildings over the next four years.

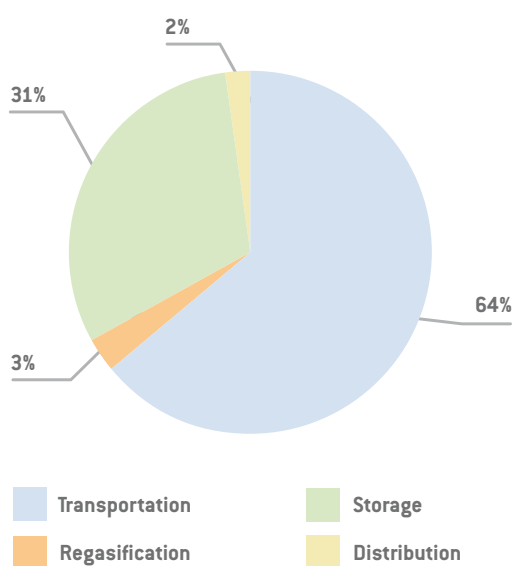
## Atmospheric emissions

Atmospheric emissions of pollutants derive mainly from combustion processes. The use of natural gas as the principal energy source in all company activities makes it possible to minimise emissions of sulphur oxides and particulate matter.

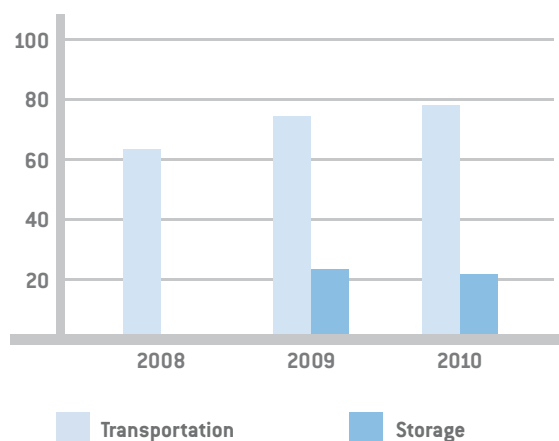
In 2010, total emissions of nitrogen oxides were around

1,680 tonnes. To reduce these emissions, which are the only significant polluting emissions produced by our activities, modifications have been made in the last few years to a number of gas compression station turbines, and new units with low-emission combustion systems (DLE) have been installed. In particular, 2010 saw the conversion of the turbine (TC2) at the gas compression station in Melizzano (BN) and the turbines (TC2), (TC4) and (TC6) respectively at the storage sites in Settala (MI), Fiume Treste (CH) and Sergnano (CR).

NOx emissions broken down by activity (%)



DLE turbine hours of operation/total turbine hours of operation (%)



Objective	KPI set in 2008	2010
To apply low-emission combustion technologies in order to reduce the nitrous oxide emissions of Snam Rete Gas S.p.A. plants	DLE turbine hours of operation/total hours of operation: to achieve 80% by 2011.	Value achieved was 78.6%, in line with established schedule.
	Average turbine NOx emissions/turbine total installed power: to achieve 7 mg/(Nm <sup>3</sup> *MW) by 2011.	Value achieved was 7.19, in line with established schedule.

In order to pursue the objective of reducing emissions of nitric oxides, Snam Rete Gas has drawn up new programmes to install, in the gas compression plants, new DLE turbines or to modernise the existing turbines with

low emissions gas turbines. These programmes will be applied mainly to the storage activities, which currently have less advanced machinery with respect to the transportation activities.

## Waste management

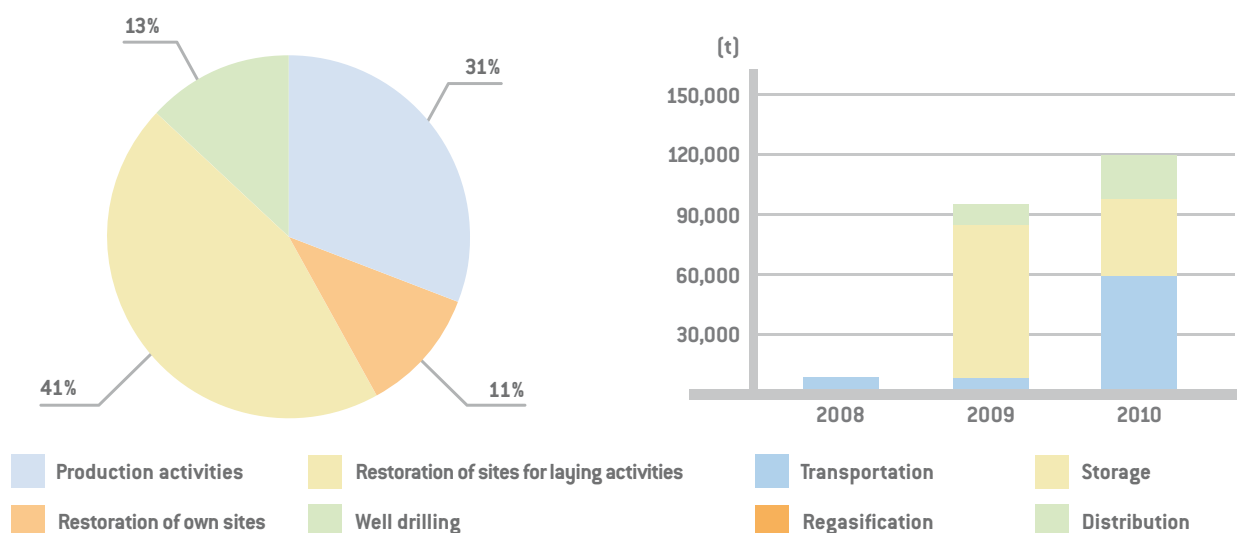
The waste produced by Snam Rete Gas is attributable mainly to three macro-activities: production, site restoration and well-drilling.

Waste from production activities has always been a relatively insignificant environmental factor in terms of both the quantity and the type of waste. The waste generated derives mainly from the maintenance and management of the plants, and the major-

ity of it consists of ferrous materials which are recovered in full.

Waste from site restoration activities derives both from environmental requalification activities in certain areas owned by the company and contaminated by earlier industrial activities, and from pipeline laying activities on contaminated sites, not owned by the company, in which Snam Rete Gas is obliged to operate. Waste deriving from well-drilling consists mainly of slurries typically produced by this activity.

### Waste production



## Ecologically

The company has always firmly believed that sustainability is an integral part of its corporate culture and can be the engine for a process of continuous and transverse improvement, with respect for the environment and responsibility towards the local area and its communities; this is the spirit that inspires the "Ecologically" project, begun in 2010, which provides for initiatives to be implemented on a continuous basis aiming to promote good and eco-sustainable behaviour, with the awareness that small everyday gestures can make a contribution to improving the quality of the surrounding environment.

The first initiative, "A few habits make a big difference", launched in February 2010 and concerned waste separation in canteens at San Donato Milanese. The idea, which met with great success, will be applied to the other companies and to a number of outlying sites during the course of 2011.

The aim of the second initiative, "Everything on recycled paper", was to raise awareness among all employees of the benefits of using recycled paper and, at the same time, to educate on environmental issues.

The use of recycled paper was promoted at all company sites by communicating and explaining its importance for the environment and by tackling the prejudices associated with the use of recycled paper in offices: "it clogs photocopiers, has a yellowish tint, is not suitable for printing etc."

Recycled paper, despite having been made available only in June 2010, has seen good use (approx. 38%), allowing savings of natural resources and a reduction in carbon dioxide emissions.

Trees (no.)	Water (litres)	Electrical energy (kWh)	CO <sub>2</sub> eq. (t)
- 934	- 27,293,500	- 305,190	- 150

Total waste production in 2010 was around 120,520 tonnes, of which 103,185 tonnes fell into the category of non-hazardous waste (86% of the total). Fifty-nine per cent of the waste generated by production activities was sent for recovery.

Waste production increased by 24% compared with 2009 because, during the course of 2010, Snam Rete Gas made a connection to a third-party plant in a national polluted site (SIN). The restoration involved the production and disposal of 53,970 tonnes of waste, representing 45% of the total waste produced by Snam Rete Gas.

During the course of the year, activities were also continued for the recovery and environmental requalification of 24 areas owned by the company, with a total buildable area of around 132 hectares, contaminated as a result of earlier industrial activities, mainly due to the production of manufactured gas. The areas include sites for which contamination complaints have been submitted to the authorities in accordance with current legislation and sites where only decommissioned plant structures are present.

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

### Water

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

In 2010, approximately 4 million cubic metres of sea water (same quantity as in 2009) and 0.69 million cubic metres of fresh water (-12% compared with 2009) were consumed.

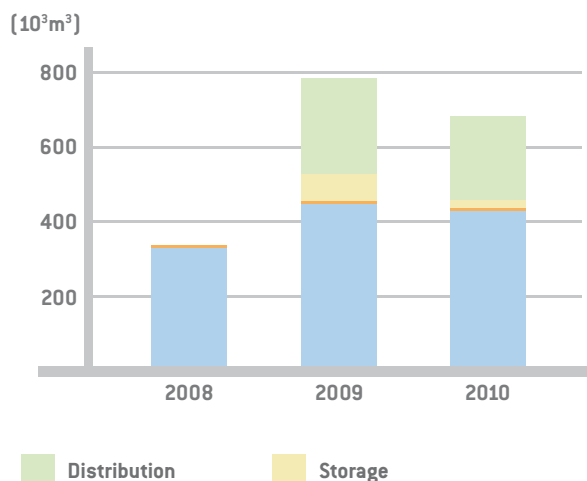
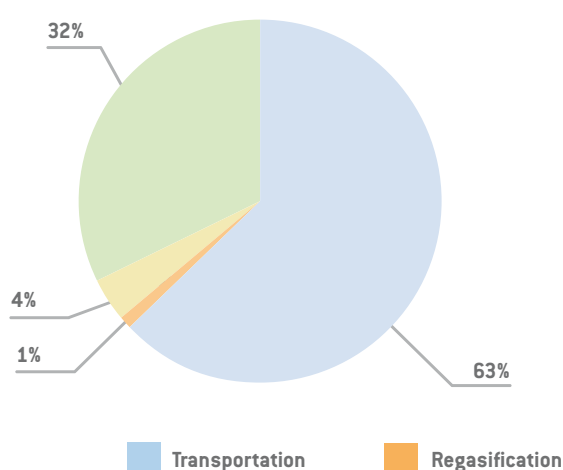
Sea water is used for cooling auxiliary equipment in the LNG regasification plant, and fresh water is taken from wells and the mains to be used primarily for office activities, firefighting apparatus and the irrigation of green spaces.

With regard to water discharges, the sea water consumed for cooling is released into the sea without any treatment, while the waste water is channelled into the sewerage networks (96% of the total) or discharged, after treatment, into the soil and into surface water bodies (4% of the total). To control the discharge of domestic waste water, activities continued for the construction of closed-cycle phytopurification plants that make it possible to eliminate this type of discharge: the waste water is treated and completely absorbed by the planted vegetation, after separation of the sedimentable solid material. During the course of 2010, phytopurification systems were installed in the compression stations at Tarsia, Malborghetto and Gallese, and in the Sala Consilina maintenance site.

### Management of substances harmful to the ozone layer

The initiatives in progress concern the monitoring and control of all conditioning plants containing substances harmful to the ozone layer in order to check for any leaks of gas into the atmosphere. These substances can be found, in modest quantities, in a limited number of plants, and a programme is under way to replace them with ecological fluids.

Fresh water procurement broken down by activity



### Restricting noise emissions

For the restriction of noise emissions, Snam Rete Gas implements a prevention policy which consists of the correct dimensioning of plants in the design phase, accompanied by the conduct of a noise impact forecast.

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

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

In 2010, in order to mitigate plant noise emissions by means of technological adaptations, actions were continued to improve soundproofing in nine reduction and regulation cab-

ins, in accordance with the four-year plan that provides for interventions on a total of 120 plants by 2013. These activities concerned the replacement of the current valves with low-noise versions, the installation of noise-reducing hoods and soundproofed cabinets, and the soundproofing of indirect heaters. Other noise-reduction interventions were made at the plants in Cortemaggiore (installation of sound-absorbing panels) and Ripalta (new silenced valves).

In order to verify the level of noise emissions, special measurement programmes were conducted at the plants, carried out both by specialist internal personnel and by external companies qualified to provide this service.

### Biodiversity

With its infrastructures, Snam Rete Gas has a presence in virtually the whole of Italy. During the course of its activities, it is confronted by areas with different terrains, for

## Protection and sustainable use of biodiversity

During the course of 2010, animal habitat monitoring activities were continued on the "Upgrade of Branch for Abbadia Lariana" gas pipeline. The pipeline was constructed in 2009 and completed with morphological and replanting works in the first few months of 2010. The faunal monitoring began in 2008 with the "ante operam" characterisation phase. The pipeline passes through the province of Lecco in the area between the municipality of Ballabio, in Valsassina, and Abbadia Lariana, along the eastern shore of Lake Lecco. On a short stretch of the route, situated adjacent to the Special Protection Zone designated as "IT 2030601 Grigne" (an area of European Community interest for its birdlife, and protected by the 79/409/EEC "Birds" Directive), the "ante operam" characterisation phase carried out in summer 2008 identified a number of potential nesting sites of a single bird species of European Community interest within a 200-metre buffer area from the axis of the pipeline. The bird is a migratory species, *Caprimulgus europaeus* (locally called "goatsucker" and probably more familiar to English speakers as a species of nightjar), which lives in North Africa and migrates in summer to Europe, right up to the pre-Alpine areas of northern Italy, to reproduce and then migrate back to Africa in late summer. To prevent any interference, direct or indirect (noise), with the nightjar's reproductive phase, Snam Rete Gas began construction work on the pipeline after summer 2008, and completed the work in the areas of faunal interest in spring 2009. In order to mitigate possible interference with the wooded habitats crossed and to maintain their faunal value, during the pipe-laying phase a number of beech trees located within the works area were protected, further reducing the temporary faunal disturbance and temporary reduction of habitat. Faunal monitoring activities were carried out in 2009, during the pipeline construction phase, and in 2010, after completion of the replanting work. The "post operam" monitoring, begun in 2010, will last a total of three years and will thus be continued through 2011 and into 2012.

The faunal monitoring involves special ornithological census techniques along transects orthogonal to the section of pipeline, including direct visual observations of birds or organic traces, and also indirect observations by listening for spontaneous birdsong, or birdsong in response to reproduced birdcalls. The observations were conducted both during the daytime and at night, to record all species that could potentially be present on the site and indicators of biodiversity. The results of the "ante operam" characterisation phase (as illustrated in the 2008 Sustainability Report) had already ruled out any direct or indirect interference with almost all of the European Community interest species potentially present, highlighting only the potential presence of some nightjar nesting sites.

The results of the monitoring during the construction phase (2009) and the first year of "post operam" monitoring (2010) showed that the bird population has responded positively to the construction of the pipeline.

In particular:

- during the first three years of monitoring (2008-2010), the data collected from 212 bird census points showed no substantial differences between the bird populations surveyed along the entire length of the "Upgrade of Branch for Abbadia Lariana" pipeline;

which appropriate environmental protection and restoration measures are designed and implemented in order to re-establish their natural value.

During the year, following the laying of new pipelines, environmental restoration mainly involved regions in the north (Friuli Venezia Giulia, Veneto, Piedmont and Lombardy) and the south (Sicily). Restoration works were carried out, along the paths of the pipelines, over a total distance of approximately 173 km, and new trees were planted along 25 km. The goal of replanting and reforestation is not just to restore the forested areas affected by pipeline construction work, but generally to rebuild the landscape and recover the biological function of planted areas affected by the work, especially in their role as animal habitats with specific biodiversity.

"Cultivation treatments" (agronomic activities for the treatment and maintenance of planted seedlings) were carried out on around 151 km of tree plantings made in previous

years. These activities are normally carried out for at least five years after the plantings.

Environmental monitoring projects were continued along the paths of a number of pipelines that affect, albeit only marginally, natural areas of high value in terms of wildlife and ecology. These monitoring projects are intended to verify the renaturalisation process of the area affected by our work, based on a comparison of the environmental conditions after the restoration ("post operam") and the original environmental conditions ("ante operam"). Monitoring is carried out on the most important habitats identified during the design phase through special surveys aimed at observing and correlating the main environmental parameters, highlighting their effective degree of biodiversity. The activities continue while the works are being carried out and in the period after the completion of the project. In 2010, monitoring was carried out on around 883 km of pipeline.

- no substantial change was observed in the distribution and number of breeding sites for species of Community interest after completion of the pipeline construction works;
- during the course of 2009 and 2010, the nightjar - the only species of Community interest nesting within 200 metres of the pipeline - colonised the same areas recorded in 2008, while the distribution of other species remained essentially unchanged apart from a temporary fall during the construction phase, with a more marked effect in adjacent areas outside the working zone;
- the presence, in both 2009 and 2010, of four pairs of black kites (*Milvus migrans*) nesting in areas within 1,000 metres of the pipeline route, with one pair situated approximately 300 metres away, suggests that this species of Community interest has not shown any "negative" reaction;
- many observations of wild animals along the route of the pipeline, even in wooded areas subjected to deforestation, have revealed behaviour different to the temporary exodus previously anticipated; in fact, the last two years of censuses have shown a systematic use of the working areas for feeding purposes, for foraging by herbivorous species, and for predation on small animals (e.g. blackbirds and lizards) by predatory species.

After the first three years of monitoring, it is already possible to identify a number of strategic factors that have ensured the protection of biodiversity along the course of the pipeline, in particular:

- the execution of works, including deforestation, during the late summer and autumn so as to rule out any interference - including indirect interference, noise emissions and temporary removal of habitat - with the summer breeding phase of the bird population;
- the use, in wooded areas, of narrow passageways;
- the protection, along the stretch passing through areas of high forest, of a number of adult examples of tree species;
- the immediate restoration, on completion of the project, of the grass, shrub and tree growth of the working areas, by returfing and replanting.

In autumn 2010, a number of restored woodland areas were used by Legambiente as locations for films and videos showing the quality of the work carried out during the construction of a gas pipeline, and as a concrete example of the commitment made by Snam Rete Gas to the protection of the environment and biodiversity.







**Stakeholders**

Suppliers

## Suppliers



Transparency, impartiality and sustainability protection lay the foundations of company's procurement activities relating to goods, works and services.

### The new model

Procurement activities relating to goods, works and services for Snam Rete Gas companies are carried out by the supply chain department of Snam Rete Gas S.p.A. through a centralised model for the delivery of services to the operating companies.

Snam Rete Gas follows a procurement approach based on transparency, impartiality and responsibility, complying with the principle of free competition and pursuing the achievement of economic and performance objectives, including over the long term.

During the course of this year, the new strategic planning and control department was created and put into operation to formulate and implement the multi-year procurement plan. This plan makes it possible to achieve pre-established objectives, maximise operating efficiency and ensure a high level of service, while constantly adhering to the sustainability principles to which Snam Rete Gas subscribes.

The overhaul of the procurement system was completed, with the aim of ensuring an objective selection of suppliers, during both the qualification phase and the contract-awarding phase, giving them equal opportunities once the required quality standards are satisfied.

According to the business model and the importance of a particular activity, the inclusion of a new company in the list of suppliers is conditional on the passing of several evaluation phases: preliminary, documentary and technical.

In order to optimise the management of goods, works and services, a project was launched to review the merchandise categories with the aim of identifying a shared classification system, or a "common language", for all Snam Rete Gas companies. Within the framework of the eni group, Snam Rete Gas is actively involved in the project for shared classification of suppliers, which will make it possible to develop synergies between the participating companies and a wider knowledge of the market. The need to satisfy the disparate requirements of Snam Rete Gas has led to a reinforcement of market intelligence activities; in particular, scouting is carried out to search for new suppliers and enlarge the existing supplier base. The utmost attention is paid to local needs, as befits a company which is spread throughout the country and has strong ties with local communities.

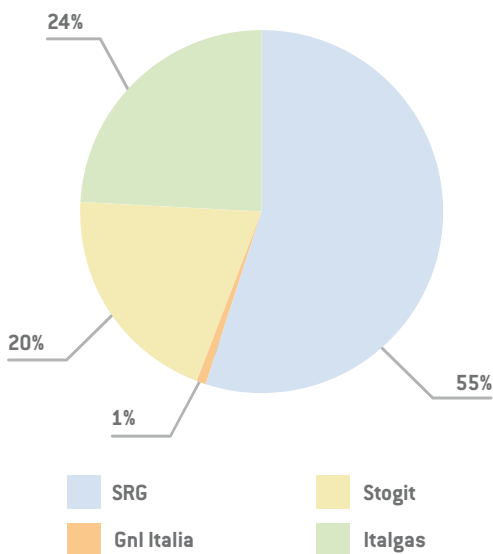
With regard to material logistics, the process of rationalising company warehouses is being completed. Essentially, this provides for the use of a single site equipped with an overhauled system for the movement of goods. A study is under way with a view to extending the online catalogues of materials that can be used directly by the companies, thanks to framework agreements reached with goods suppliers which will result in simplified management and environmental benefits from the reduction in movements to and from the central warehouse.

The high level of transparency, traceability and confidentiality of dealings with suppliers, which is essential to maintaining a constructive and responsible relationship over time, is en-

sured by the use of advanced IT tools for the management of electronic trading.

In 2010, Snam Rete Gas signed 2,050 contracts with more than 1,430 suppliers for a total order value of around €4,470 million. 98.8% of these orders were placed in Italy, with the remainder divided between other European countries (0.8%) and the rest of the world (0.4%).

Orders broken down by company (%) - (1.470 millions euros)



### The culture of sustainability

Our activities have always been marked by a respect for human rights and employment rights, protection of the environment and the search for a sustainable development model. These principles are extended to everyone with whom we do business.

Against this background, suppliers are required to subscribe to Model 231 and the principles of the Snam Rete Gas Code of Ethics, to comply with legislation on safety in the workplace, protecting health and safeguarding the environment, and to abide by international standards on employment rights.

We have begun to collect and analyse in detail evaluations of the quality of services, aspects relating to health, safety, environment and quality, and the behaviour of our suppliers. We are currently completing a set of vendor rating criteria in order to increase the percentage of suppliers evaluated. In the event of any negative performance by a supplier, or of any episodes of negligence, actions are taken against that supplier, ranging from a warning to removal from the classification. In 2010, 130 audits were carried out on suppliers, contracts and worksites in relation to the health and safety of workers and to environmental protection.

At the end of 2010, a communication initiative was also launched to disseminate the 10 principles of the Global Compact. Snam Rete Gas has redesigned all contracts issued from 2011 onwards, aimed at ensuring that these principles are increasingly shared by our suppliers.





## Tarcisio Persegona - Chairman of Tre Colli S.p.A.

The company has been active in the construction and maintenance of Snam pipelines since 1973, when maintenance and rapid-response activities were begun on Snam's oil pipelines in north-west Italy. The operating capacity of Tre Colli in the gas and oil pipeline construction sector comprises a workforce of more than 400 and a collection of resources, equipment and vehicles for the complete creation of high-pressure pipelines of any diameter.

What do you think of the supplier qualification system used by Snam Rete Gas?

*I think it is sufficiently complete in terms of the information required to select a good supplier. However, my long experience of almost half a century suggests to me that the information requested from suppliers, including by means of the technical inspection provided for by the qualification process, must subsequently be verified and confirmed by examining the supplier's actual behaviour on site.*

*In short, I would say, including on the basis of our experience in the selection and qualification of our subcontractors, that the selection proper should be carried out above all on the basis of the actual behaviour and performance that the supervisors and project managers of Snam Rete Gas encounter "in the field" from day to day.*

*The idea is to create a kind of "dynamic" qualification status that evolves and changes over time according to the verification results received from the sites.*

*It would also be desirable for the supplier evaluation that emerges from this qualification process to serve as a kind of starting point to be taken into consideration when evaluating bids submitted by companies in the tender processes, and therefore when awarding the contracts.*

The big companies are turning to suppliers with certified HSEQ management systems. How have you been equipping yourselves?

*Our company's quality management system has been UNI EN ISO 9001:2008 certified since 2002.*

*Working constantly on oil pipelines and associated operational plants, and therefore in the presence of petroleum prod-*



ucts, with the potential risk of spillages of hazardous fluids and consequent serious pollution damage to the surrounding environment, since 1973 we have had to adopt special working procedures and systems to avoid these potential risks, and in 2009 we obtained UNI EN ISO 14001:2004 certification for our environmental management system.

With regard to workplace health and safety, we have begun drawing up special procedures, to be integrated with those already in existence and applied within the company and in workplaces, with a view to obtaining independent OHSAS 18001:2007 certification of the workplace health and safety management system by the end of 2011.

**Have the requirements imposed by Snam Rete Gas in the phases of qualification and execution of works, with regard to human rights, workers' health and safety and environmental protection, had positive repercussions for your company as well?**

*Undoubtedly. In so many years of working relationships with energy companies, our business has constantly had to adapt, including in order to satisfy these specific requirements of Snam Rete Gas, with consequent improvements to our safety, quality and environment management systems, in a continuous process of growth that has allowed us to achieve our current state of development.*

*I would say that the positive repercussions on the health and environmental aspects of our business have been produced mainly by the observations made by Snam Rete Gas during the work execution phase, "in the field" and on site; in this way, we have made improvements that have allowed us to grow in terms of sustainability, strengthening the standards declared in the qualification phase.*

**To what extent does working with Snam Rete Gas enable you to develop your own business?**

*I think to a very large extent. In the early '70s we had an artisanal business, and the operational strength and degree of reliability that we have achieved, basically the expansion that we have had between then and now, I think is partly due to the constant stimulus and the organisational and working methods imposed by the virtually continuous working relationship with Snam Rete Gas.*








**Stakeholders**

Media

## Media



Snam Rete Gas maintains a continuous dialogue to ensure the knowledge and understanding of the company's activities, its history, its business context, its strategy and its results.

### Communication

Communication with the media is regarded as a fundamental function within the framework of relations with the regions and with stakeholders in general. Proper relations with the media make an active contribution to dialogue and interaction with our partners (institutions, communities, opinion leaders, financial market, etc.) and to the diffusion of more information and greater public awareness about the company's goals and activities.

For these reasons, Snam Rete Gas regards dialogue with the media not only as valuable, but as an indispensable way of operating coherently, transparently and correctly.

It is against this background that Snam Rete Gas aims to provide efficiently the information necessary to ensure the best possible knowledge and understanding of the company's activities, its history, its business context, its distinctive strategic characteristics, its programmes and the results achieved. The result is a communication strategy which, by highlighting the company's commitment to sustainability, the industrial aspects of the business and the initiatives through which it contributes to the cultural and civil development of communities and regions, effectively expresses the company's values.

Information is provided in a continuous, complete, prompt and timely manner, including in response to requests received from news media.

On the basis of these principles, as well as information about the economic and financial performance of Snam Rete Gas companies and about business development plans, information activities were undertaken in 2010 in the communities of the regions concerned by the current or future presence of corporate infrastructures. These included: information on the construction of the Adriatic Network pipeline which, as planned, will link Massafra to Minerbio, improving the overall coverage of the national transportation network; information on the initiatives implemented in connection with the support offered to the "Clean Up The World" event sponsored by Legambiente, which saw the involvement of students from primary schools and media from various Italian cities on sustainability issues; information on the Stogit project concerning the use of the depleted Bordolano field to store natural gas; and last but not least, information on the launch of the "Objective Safety" initiative for all employees which, through the introduction of new technologies, is intended to ensure a continuous improvement in employee safety and to further reduce the risk factors associated with working activities.

### The website: a common language

The entry of Stogit and Italgas into the consolidation scope of Snam Rete Gas brought about the need to represent the new organisation online, continuing to have a clear, direct and transparent dialogue while showing the extent of the change.

With this in mind, in 2010 the websites of all Snam Rete Gas companies underwent an initial update, with the full overhaul scheduled for completion in 2011.

The first innovations were introduced between April and July 2010, with the insertion of a number of communication elements and a revision of content. We went from four websites using different technologies, content and graphics to four websites united by a number of common elements: a landing page, a header representing the Snam Rete Gas group and an interactive box.

In the 9th edition of "Webranking 2010 Italy Top100" - a listing drawn up in November by the company Hallvarsson & Halvarsson, which identifies (by market capitalisation) the companies that have distinguished themselves in online financial communication - the Snam Rete Gas website ranked in seventh place for the third year running, increasing its score of 71.5 in 2009 to 76.75 in 2010.

At the same time, the results of the 14th edition of "Webranking 2010 Europe 500" - the most comprehensive survey of online institutional and financial communication, which examines Europe's 500 largest companies by market capitalisation (included in the FT Europe 500 ranking) - confirmed the good performance of the Snam

Rete Gas website, which moved up four positions from 18th to 14th.

The objectives for 2011 are to affirm a new corporate identity on the web, improve the accessibility of content where necessary, offer new services and identify a single technological platform.

To this end, after an initial phase devoted to benchmarking competitors/peers and cross-sector good practices, a model has been identified that properly reflects the organisation chosen by Snam Rete Gas: business activities on the one hand, and staff activities on the other, in accordance with a typical corporate scheme.

In this model, the "corporate" site will present institutional information and address itself to shareholders, analysts, media and authorities, while the operating sites will have business content organised according to the needs of clients/users and will be characterised by common graphics. The standardisation of the graphical style will ensure a "family feeling" for all company sites, and a "viewfinder", displaying "the Snam Rete Gas group", will simplify navigation from one site to another.

The redesign of the sites provides for the adoption of a common content management system (CMS) technological solution capable of further improving content management procedures by reducing publication times.

The modular and consistent layout, together with the benefits of the CMS technology, will make it possible to provide external browsers and internal authors with easier, effective interaction.



## Performance indicators

Snam Rete Gas - Key operating figures	2008	2009	2010
<b>Natural gas transportation</b>			
Gas injected into the network (10 <sup>9</sup> m <sup>3</sup> )	85.64	76.9	<b>83.32</b>
Pipeline network (km)	31,474	31,531	<b>31,680</b>
Average journey of gas over the transportation network in Italy (km)	608	639	<b>634</b>
Transported gas compression stations (no.)	11	11	<b>11</b>
Installed power in the gas compression stations (MW)	830	857	<b>861</b>
<b>LNG regasification</b>			
LNG injected into the network (10 <sup>9</sup> m <sup>3</sup> )	1.52	1.32	<b>1.98</b>
Number of methane tanker loads	42	38	<b>54</b>
<b>Natural gas storage</b>			
Gas injected into storage (10 <sup>9</sup> m <sup>3</sup> )		7.81	<b>8.00</b>
Gas withdrawn from storage (10 <sup>9</sup> m <sup>3</sup> )		8.71	<b>7.59</b>
Operating concessions (no.)		8	<b>8</b>
<b>Natural gas distribution</b>			
Pipeline network (km)		49,973	<b>50,307</b>
Gas carried over the distribution network (10 <sup>9</sup> m <sup>3</sup> )		7.54	<b>7.95</b>
Concessions (no.)		1,441	<b>1,448</b>
Active meters (no.)		5,770,672	<b>5,848,000</b>

Snam Rete Gas - Key economic figures*	2009	2010
Core business revenue (mil. euros)	2,438	<b>3,475</b>
Operating costs (mil. euros)	581	<b>968</b>
EBIT (mil. euros)	1,274	<b>1,862</b>
Net profit (mil. euros)	732	<b>1,106</b>
Investments (mil. euros)	1,254	<b>1,540</b>
Net invested capital at 31 December (mil. euros)	15,652	<b>16,257</b>
Shareholders' equity including minority interests (mil. euros)	5,703	<b>5,916</b>
Shareholders' equity attributable to the group at 31 December (mil. euros)	5,702	<b>5,915</b>
Net financial debt at 31 December (mil. euros)	9,949	<b>10,341</b>
Free cash flow (mil. euros)	-4,489	<b>382</b>
Number of shares of the share capital (million)	3,570.80	<b>3,570.80</b>
Number of shares outstanding at 31 December (million)	3,375.90	<b>3,376.60</b>
Average number of shares outstanding during the year (million)	2,579.30	<b>3,376.20</b>
Official share price at year end (mil. euros)	3.46	<b>3.73</b>
Average official share price during the year (mil. euros)	3.22	<b>3.59</b>
Stock market capitalisation (mil. euros)	11,681	<b>12,595</b>
Dividends for the year (mil. euros)	675	<b>777</b>
Dividends paid during the year (mil. euros)	450	<b>776</b>
Environmental expenses (mil. euros)	93.6	<b>94.5</b>
Health and safety expenses (mil. euros)	31.3	<b>29.7</b>

\* for comments to economic figures see Annual Report 2010 available on website [www.snamretegas.it](http://www.snamretegas.it)

Snam Rete Gas - Key social indicators	2009	2010
Employees (no.)	6,187	<b>6,104</b>
Executives (no.)	121	<b>116</b>
Managers (no.)	493	<b>508</b>
Office workers (no.)	3,320	<b>3,243</b>
Manual workers (no.)	2,253	<b>2,237</b>
Men (no.)	5,589	<b>5,521</b>
Women (no.)	598	<b>583</b>
Female/male salary ratio (executives)	-	<b>1.03</b>
Female/male salary ratio (managers)	-	<b>0.97</b>
Female/male salary ratio (office workers)	-	<b>0.94</b>
Average age (years)	47	<b>48</b>
Seniority (years)	22	<b>23</b>
Hirings during the year (no.)	168	<b>137</b>
Hirings by companies of the SRG group and eni (no.)	121	<b>82</b>
Percentage of graduates hired (%)	18	<b>28.5</b>
Frequency index for employee accidents	4.54	<b>3.55</b>
Severity index for employee accidents	0.18	<b>0.1</b>
Frequency index for contractor accidents	12.74	<b>8.87</b>
Severity index for contractor accidents	0.43	<b>0.30</b>
Hours of training/employee	25	<b>24</b>
Total HSEQ audits conducted (no.)	239	<b>347</b>
Environmental audits (no.)	771	<b>357</b>
Medical examinations (no.)	2,634	<b>3,180</b>
Diagnostic tests (no.)	4,288	<b>3,934</b>

Snam Rete Gas - Environmental indicators	2009	2010
Energy consumption (TJ)	15,330	<b>19,396</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	99.9	<b>100.8</b>
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	799.4	<b>1,057.5</b>
CO <sub>2</sub> eq emissions (10 <sup>3</sup> t)	2,400	<b>2,636</b>
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	50.5	<b>54.9</b>
NOx emissions (t)	1,353	<b>1,683</b>
CO emissions (t)	926	<b>618</b>
Total waste production (t)	96,618	<b>120,519</b>
Non-hazardous waste production (t)	68,886	<b>103,185</b>
Hazardous waste production (t)	27,732	<b>17,334</b>
Waste recovered from production activities (%)	-	<b>59.2</b>
Water procurement (10 <sup>3</sup> m <sup>3</sup> )	4,787	<b>4,687</b>
Water discharge (10 <sup>3</sup> m <sup>3</sup> )	4,479	<b>4,449</b>

Snam Rete Gas S.p.A - Social indicators	2008	2009	2010
Employees (no.)	2,252	2,254	<b>2,636</b>
Executives (no.)	62	66	<b>87</b>
Managers (no.)	256	263	<b>345</b>
Office workers (no.)	1,207	1,215	<b>1,497</b>
Manual workers (no.)	727	710	<b>707</b>
Men (no.)	2,045	2,044	<b>2,295</b>
Women (no.)	207	210	<b>341</b>
Average age (years)	45	45	<b>47</b>
Seniority (years)	21	20	<b>22</b>
Hirings during the year (no.)	85	73	<b>52</b>
Hirings by companies of the SRG group and eni (no.)	14	47	<b>23</b>
Percentage of graduates hired (%)	39	22	<b>52</b>
Frequency index - employee accidents	8.8	8.9	<b>4.90</b>
Severity index - employee accidents	0.33	0.21	<b>0.13</b>
Frequency index - contractor accidents	21.5	11.21	<b>8.81</b>
Severity index - contractor accidents	0.54	0.45	<b>0.30</b>
Hours of training/employee	31	37	<b>30</b>
Total HSEQ audits conducted (no.)	89	108	<b>142</b>
Environmental audits (no.)	26	33	<b>142</b>
Medical examinations (no.)	487	419	<b>984</b>
Diagnostic tests (no.)	564	380	<b>865</b>

Snam Rete Gas S.p.A - Environmental indicators	2008	2009	2010
Energy consumption (TJ)	12,531	9,929	<b>13,339</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	45.2	41.1	<b>41.1</b>
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	678	531.6	<b>732.3</b>
CO <sub>2</sub> eq emissions (10 <sup>3</sup> t)	1,386	1,176	<b>1,376.1</b>
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	18.2	18.4	<b>23.3</b>
NOx emissions (t)	1,110	785	<b>1,074</b>
CO emissions (t)	404	301	<b>421</b>
Total waste production (t)	6,482	5,996	<b>59,941</b>
Non-hazardous waste production (t)	5,677	5,699	<b>56,141</b>
Hazardous waste production (t)	805	297	<b>3,800</b>
Waste recovered from production activities (%)	90	91	<b>82</b>
Water procurement (10 <sup>3</sup> m <sup>3</sup> )	335	450	<b>431</b>
Water discharge (10 <sup>3</sup> m <sup>3</sup> )	182	252	<b>287</b>
Transportation energy consumption/energy injected into the network * average journey (%/10 <sup>3</sup> km)	0.67	0.56	<b>0.74</b>
Transportation CO <sub>2</sub> emissions/gas injected into the network * average journey (kg/[10 <sup>6</sup> m <sup>3</sup> *km])	12.9	10.64	<b>13.71</b>
Transportation CO <sub>2</sub> eq emissions/gas injected into the network (kg/10 <sup>6</sup> m <sup>3</sup> )	16,114	15,176	<b>16,420</b>
Transportation NOx emissions/gas injected into the network * average journey (kg/[10 <sup>6</sup> m <sup>3</sup> *km])	0.021	0.016	<b>0.02</b>
Transportation natural gas emissions/gas injected into the network (%)	0.053	0.053	<b>0.049</b>
DLE turbine hours of operation/total turbine hours of operation (%)	65.3	74.4	<b>78.6</b>
Average turbine NOx emissions/turbine total installed power ([mg/Nm <sup>3</sup> ]/MW)	8.2	7.64	<b>7.19</b>

GNL Italia - Social indicators	2008	2009	2010
Employees (no.)	93	87	<b>70</b>
Executives (no.)	3	3	<b>2</b>
Managers (no.)	9	9	<b>6</b>
Office workers (no.)	34	31	<b>27</b>
Manual workers (no.)	47	44	<b>35</b>
Men (no.)	88	82	<b>66</b>
Women (no.)	5	5	<b>4</b>
Average age (years)	40	40	<b>41</b>
Seniority (years)	13	13	<b>14</b>
Hirings during the year (no.)	9	1	<b>1.0</b>
Hirings by companies of the SRG group and eni (no.)	0	1	<b>0</b>
Percentage of graduates hired (%)	33	100	<b>0</b>
Frequency index - employee accidents	13.7	6.92	<b>16.92</b>
Severity index - employee accidents	0.32	0.3	<b>0.69</b>
Frequency index - contractor accidents	0	0	<b>0</b>
Severity index - contractor accidents	0	0	<b>0</b>
Hours of training/employee	39	40	<b>13</b>
Total HSEQ audits conducted (no.)	3	4	<b>2</b>
Environmental audits (no.)	4	5	<b>6</b>
Medical examinations (no.)	62	49	<b>63</b>
Diagnostic tests (no.)	83	78	<b>84</b>

GNL Italia - Environmental indicators	2008	2009	2010
Energy consumption (TJ)	829	804	<b>958</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	1.7	1.2	<b>2.0</b>
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	34	32.7	<b>48.3</b>
CO <sub>2</sub> eq emissions (10 <sup>3</sup> t)	60	51	<b>79</b>
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	10.9	10.8	<b>12.1</b>
NO <sub>x</sub> emissions (t)	18	37.32	<b>48.2</b>
CO emissions (t)	3	70	<b>6</b>
Total waste production (t)	19	81	<b>22</b>
Non-hazardous waste production (t)	12	78	<b>11</b>
Hazardous waste production (t)	7	3	<b>11</b>
Waste recovered (%)	33	74.7	<b>32.5</b>
Water procurement (10 <sup>3</sup> m <sup>3</sup> )	4,009	4,008	<b>4,007</b>
Water discharge (10 <sup>3</sup> m <sup>3</sup> )	4,003	4,005	<b>4,004</b>
Regasification energy consumption/LNG injected into the network (%)	1.54	1.74	<b>1.38</b>
Regasification CO <sub>2</sub> eq emissions/LNG injected into the network (kg/10 <sup>6</sup> m <sup>3</sup> )	22,338	24,737	<b>39,844</b>

Stogit - Social indicators	2009	2010
Employees (no.)	301	<b>279</b>
Executives (no.)	7	<b>4</b>
Managers (no.)	50	<b>33</b>
Office workers (no.)	201	<b>169</b>
Manual workers (no.)	43	<b>73</b>
Men (no.)	270	<b>269</b>
Women (no.)	31	<b>10</b>
Average age (years)	46	<b>46</b>
Seniority (years)	22	<b>23</b>
Hirings during the year (no.)	9	<b>49</b>
Hirings by companies of the SRG group and eni (no.)	3	<b>33</b>
Percentage of graduates hired (%)	44.4	<b>4</b>
Frequency index - employee accidents	6.3	<b>2.5</b>
Severity index - employee accidents	0.41	<b>0.1</b>
Frequency index - contractor accidents	16.04	<b>4.3</b>
Severity index - contractor accidents	0.84	<b>0.34</b>
Hours of training/employee	25.3	<b>35</b>
Total HSEQ audits conducted (no.)	12	<b>28</b>
Environmental audits (no.)	15	<b>30</b>
Medical examinations (no.)	140	<b>226</b>
Diagnostic tests (no.)	206	<b>226</b>

Stogit - Environmental indicators	2009	2010
Energy consumption (TJ)	3,944	<b>4,578</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	12	<b>12.3</b>
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	203.8	<b>248.6</b>
CO <sub>2</sub> eq emissions (10 <sup>3</sup> t)	392	<b>442</b>
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	14.6	<b>14.7</b>
NO <sub>x</sub> emissions (t)	399.4	<b>527.5</b>
CO emissions (t)	55	<b>154.7</b>
Total waste production (t)	77,663	<b>37,865</b>
Non-hazardous waste production (t)	54,427	<b>30,762</b>
Hazardous waste production (t)	23,236	<b>7,103</b>
Waste recovered from production activities (%)		<b>52.8</b>
Water procurement (10 <sup>3</sup> m <sup>3</sup> )	68.51	<b>29.98</b>
Water discharge (10 <sup>3</sup> m <sup>3</sup> )	4.72	<b>10.73</b>
Storage natural gas emissions/gas stored (%)	0.076	<b>0.073</b>
NO <sub>x</sub> emissions/gas stored (kg/10 <sup>6</sup> m <sup>3</sup> )	51.1	<b>68.80</b>
Average turbine NO <sub>x</sub> emissions/turbine total installed power [(mg/Nm <sup>3</sup> )/MW]	18.30	<b>16.43</b>

Italgas - Social indicators	2009	2010
Employees (no.)	3,545	<b>3,119</b>
Executives (no.)	45	<b>23</b>
Managers (no.)	171	<b>124</b>
Office workers (no.)	1,873	<b>1,550</b>
Manual workers (no.)	1,456	<b>1,422</b>
Men (no.)	3,193	<b>2,891</b>
Women (no.)	352	<b>228</b>
Average age (years)	49	<b>50</b>
Seniority (years)	23	<b>24</b>
Hirings during the year (no.)	85	<b>35</b>
Hirings by companies of the SRG group and eni (no.)	70	<b>26</b>
Percentage of graduates hired (%)	10.6	<b>29</b>
Frequency index - employee accidents	1.69	<b>2.4</b>
Severity index - employee accidents	0.13	<b>0.1</b>
Frequency index - contractor accidents	14.86	<b>11.15</b>
Severity index - contractor accidents	0.91	<b>0.28</b>
Hours of training/employee	17	<b>19</b>
Total HSEQ audits conducted (no.)	115	<b>175</b>
Environmental audits (no.)	718	<b>179</b>
Medical examinations (no.)	2,026	<b>1,907</b>
Diagnostic tests (no.)	3,624	<b>2,759</b>

Italgas - Environmental indicators	2009	2010
Energy consumption (TJ)	653	<b>521</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	45.6	<b>45.4</b>
CO <sub>2</sub> emissions (10 <sup>3</sup> t)	31.3	<b>28.3</b>
CO <sub>2</sub> eq emissions (10 <sup>3</sup> t)	781	<b>738.5</b>
Indirect CO <sub>2</sub> emissions (10 <sup>3</sup> t)	6.7	<b>4.8</b>
NO <sub>x</sub> emissions (t)	131.32	<b>33.1</b>
CO emissions (t)	500	<b>36.2</b>
Total waste production (t)	12,878	<b>22,691</b>
Non-hazardous waste production (t)	8,682	<b>16,271</b>
Hazardous waste production (t)	4,196	<b>6,420</b>
Waste recovered from production activities (%)	-	<b>60</b>
Water procurement (10 <sup>3</sup> m <sup>3</sup> )	260.3	<b>218.5</b>
Water discharg (10 <sup>3</sup> m <sup>3</sup> )	2176	<b>146.5</b>
Natural gas emissions/gas distributed (%)	0.61	<b>0.57</b>
Distribution CO <sub>2</sub> eq emissions/gas distributed (kg/10 <sup>6</sup> m <sup>3</sup> )	99,405	<b>91,682</b>

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Snam Rete Gas carried out a self-assessment on the level of application of the GRI guidelines (G3) ("GRI Application Level") and found that it has achieved a level of B+

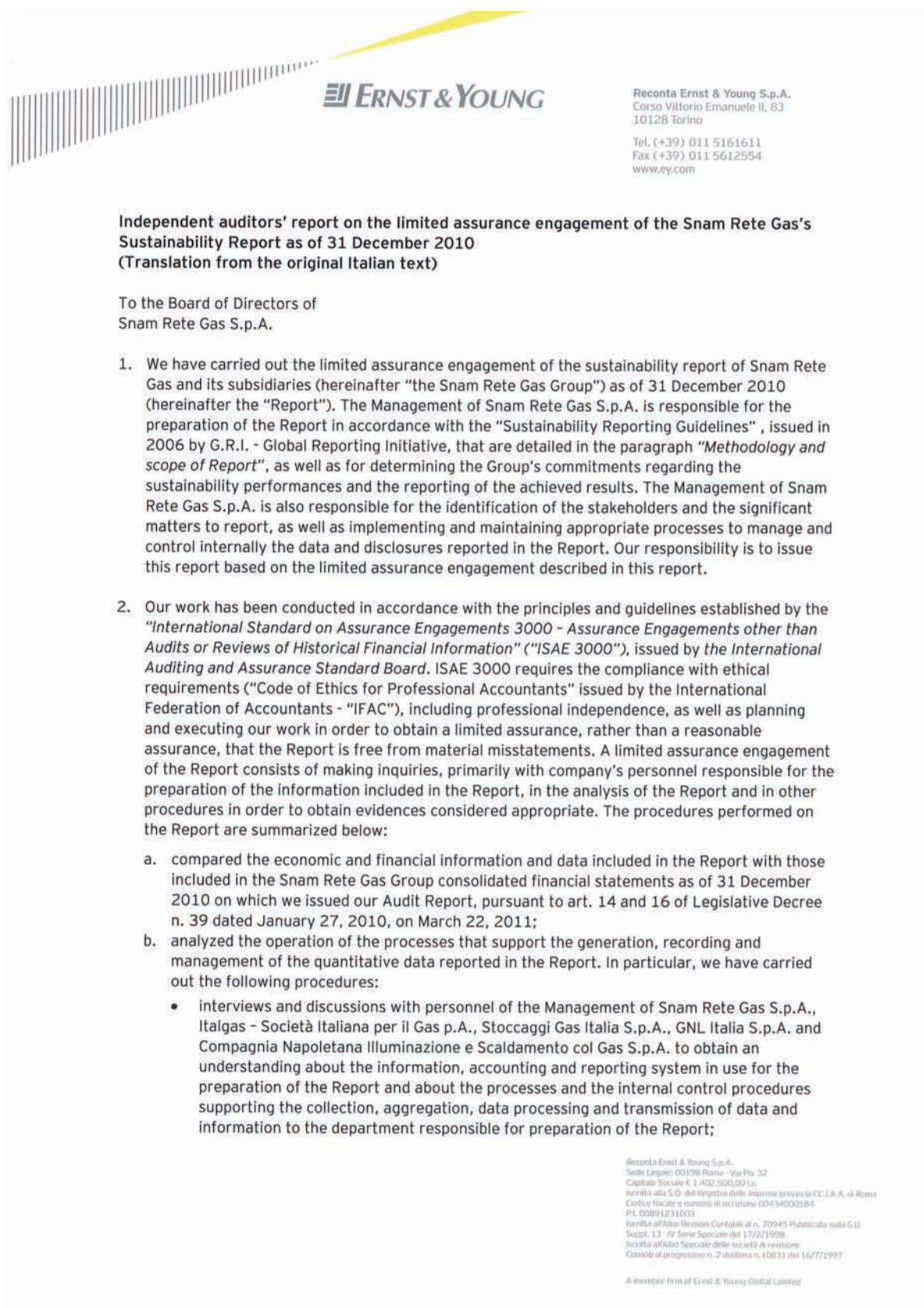
## Global Compact reconciliation table

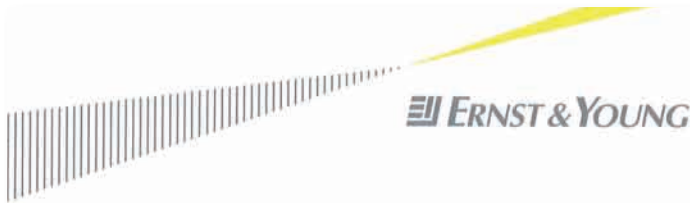
Snam Rete Gas S.p.A. has subscribed to the Global Compact, a voluntary initiative promoted by the United Nations, since 2009. In compliance with the formal requirements for reporting on progress made on the 10 principles (Communi-

cation On Progress]), the table below gives a brief description of the activities carried out in 2010 and considered in greater detail in the various sections of this report.

Global Compact - The 10 principles	SRG 2010 Sustainability Report	GRI Indicator
<b>Human Rights</b>		
Principles 1, 2 - Businesses should support and respect the protection of internationally proclaimed human rights within their respective spheres of influence and make sure they are not complicit, even indirectly, in human rights abuses.	<ul style="list-style-type: none"> <li>In the codes of ethics of Snam Rete Gas companies, in the sustainable development policy and in contractual relations with suppliers, respect for human rights is explicitly declared, pages 12, 14, 87</li> <li>Snam Rete Gas undertakes, as also set out in the code of ethics, to combat any form of discrimination and to respect any type of difference, pages 14, 31</li> <li>Snam Rete Gas operates in full compliance with Italian legislation by setting the age of majority as an indispensable prerequisite, pages 12, 14</li> <li>All suppliers are required to adhere to the code of ethics and to declare that they will not use personnel below the minimum age prescribed by law, pages 12, 14, 87</li> <li>The initiative to spread the principles of the Global Compact among the company's suppliers has been implemented, with the adoption of explanatory covers on contracts, page 87</li> <li>Inspection audits are carried out at suppliers' premises, page 87</li> </ul>	HR1, HR2, HR3, HR4, HR8, LA4, LA7, LA8, LA13
<b>Labour</b>		
Principles 3, 4, 5, 6 - Businesses should uphold: the freedom of association and the effective recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the effective abolition of child labour; and the elimination of discrimination in respect of employment and occupation	<ul style="list-style-type: none"> <li>The national collective labour agreements for the energy &amp; petroleum and gas/water industries are applied. All workers are guaranteed the right to express their thoughts, belong to associations and carry out trade union activities. Agreements have been reached with the unions for collective closures, territorial reorganisation and increased working flexibility, pages 39-41</li> <li>Snam Rete Gas S.p.A. has obtained certification of the workers' health and safety management system in accordance with standard OHSAS 18001. Work is also in progress to obtain certification for the management systems of GNL Italia and Stogit by 2012, pages 33-37</li> <li>Snam Rete Gas, in collaboration with Global Compact Network Italia, has conducted a seminar on health and safety in the workplace 35-37</li> <li>The Objective Safety project, which involves all Snam Rete Gas companies, has been started. The project also includes the "Safety Trophy" and "Zero Accidents Prize" initiatives, page 33</li> <li>More than 62,000 hours of training have been delivered on matters relating to health, safety and the environment, page 27</li> <li>A collective incentivisation programme is adopted, and we use tools to evaluate the performance of all employees, pages 28, 29</li> <li>Initiatives are promoted in favour of employees and their families and for work/life balance, page 32</li> <li>The corporate intranet has been overhauled to promote integration between the different companies, page 26</li> <li>IT tools have been incorporated to promote contact and collaboration between co-workers, pages 25, 26</li> </ul>	HR1, HR2, LA2, LA3, LA4, LA7, LA8, LA12, LA13
<b>Environment</b>		
Principles 7, 8, 9 - Businesses should: support a precautionary approach to environmental challenges; undertake initiatives to promote greater environmental responsibility; and encourage the development and diffusion of environmentally friendly technologies.	<ul style="list-style-type: none"> <li>The companies are certified according to standard ISO 14001, and adopt a precautionary environmental approach aimed at continuous improvement, page 75</li> <li>Various initiatives have been taken to prevent atmospheric pollution and climate change, such as: installation of low-emission turbines, gas recovery activities, adoption of photovoltaic panels in own buildings, purchase of electrical energy produced from renewable sources, etc., pages 76-78</li> <li>The best available technologies are used to minimise environmental impacts, pages 62, 79</li> <li>Eco-responsible behaviour is promoted in offices, such as sorted waste collection at catering points, use of recycled paper, etc., page 80</li> <li>Snam Rete Gas has signed up to the international initiative "Clean Up the World" promoted by Legambiente, with active participation by employees and students from a number of schools, pages 70-75</li> </ul>	EN3, EN4, EN6, EN7, EN8, EN9, EN12, EN13, EN14, EN16, EN18, EN20, EN21, EN22, EN24, EN26, EN30
<b>Anti-corruption</b>		
Principle 10 - Business should work against corruption in all its forms, including extortion and bribery.	<ul style="list-style-type: none"> <li>The Anti-Corruption Guidelines have been adopted and the organisational structure has been modified, with the establishment of the Anti-Corruption Legal Support unit, page 15</li> <li>Training activities concerning Model 231 and anti-corruption have been delivered, page 27</li> </ul>	S02, S03, S04

# Letter of Assurance





- on-site verifications at the headquarter, in Turin, of Società Italiana per il Gas p.A., at the Settala (MI) and Crema (CR) operating sites of Stoccaggi Gas Italia S.p.A. and at the Felizzano di Portovenere (SP) operating site of GNL Italia S.p.A.;
- analyzed, on a sample basis, the documentation supporting the compilation of the Report in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct reliability of data and information in relation to the objectives described in the Report;
- c. analyzed the consistency of the qualitative information reported in the Report to the guidelines indicated in paragraph 1. of the present report and the internal consistency, with reference to the strategy, the sustainability policies and the identification of the main matters for any kind of stakeholder;
- d. analyzed 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. obtained the representation letter, signed by the legal representative of Snam Rete Gas S.p.A., relating to the compliance of the Report with the guidelines indicated in paragraph 1., as well as to the reliability and completeness of the information and data presented in the Report.

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

With respect to the data and information relating to the Report of the prior year presented for comparative purpose, reference should be made to the limited assurance report issued on 8 April 2010 by another auditor.

3. Based on our work, described in this report, nothing has come to our attention that causes us to believe that the sustainability report of Snam Rete Gas Group as of 31 December 2010 is not in compliance, in all material respects, with the guidelines "Sustainability Reporting Guidelines" issued in 2006 by the G.R.I. - Global Reporting Initiative as stated in the section "*Methodology and scope of Report*" of the Report.

Turin March 22, 2011

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

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

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snam rete gas

### **Limited Company**

Full paid-up capital 3,570,978,994.00  
Tax code and Milan Company Register No 13271390158  
R.E.A. (Economic-Admin. Roll) No 1633443  
VAT No 13271390158  
Company controlled and coordinated by Eni S.p.A.

*Format control*  
Snam Rete Gas – Sustainability

*Graphics*  
Inarea e Opera

*Pre-printing*  
Opera

*Printing*  
AG Media s.r.l.

Printed on ecological paper:  
Fedrigoni Symbol Tatami White (cover)  
Fedrigoni Symbol Freelifa Satin (inside)

April 2011

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