



## MISSION

Snam is Europe's leading operator in the creation and integrated management of natural gas infrastructure. It facilitates the conditions for fair-priced energy by efficiently managing the gas system, developing infrastructure, and offering integrated services for the market. It promotes the integration of European networks, including through strategic partnerships with major operators in the sector along the continent's main energy corridors.

Snam follows an ethical and socially responsible business model that is capable of generating value for both the company and the community in which it operates, based on renowned professionalism and transparent dialogue with all stakeholders, whilst respecting the environment and the local area.

A clear and sustainable development strategy based on one of the biggest industrial investment plans in the country allows the Company to attract capital from both Italy and abroad, thus promoting growth and job creation.

With over 6,000 employees, Snam is active in natural gas transportation, storage, regasification and urban distribution. We manage a national transportation network that is more than 32,000 km long, including eight storage facilities, one regasification plant and a local distribution network that covers more than 55,000 km in total.

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Dear Stakeholders,

The results achieved by Snam in the year just ended, which are reported in this latest edition of the Sustainability Report, confirm the strength of our company, which, in an environment that continues to be difficult and unstable, has once again been able to combine its strategic mission for the resurgence of our country with the ability to create value for its stakeholders while continuing to manage business activities in a transparent and responsible manner: we believe this is the most tangible and effective way to represent the concept of sustainability.



The ongoing economic crisis, unexpected events related to climate conditions, and in particular, the reduction of consumption in the thermoelectric sector have again, this year (the fourth consecutive year) resulted in a reduction of gas consumption in Italy. Over the last four years, demand for gas in our Country has dropped by 25% reaching levels reported at the end of the 1990s, and it will be difficult to reverse this reduction in the short term. In this environment, with domestic gas production declining and a high reliance on foreign imports, Snam has focused on the development of interconnection capacity and the integration of European gas networks. This is an essential strategy to ensure secure procurement and greater liquidity of the gas system in keeping with the long-term strategy recently prepared by the European Union, and this course must be followed if we wish to see the structural alignment of Italian gas prices with those of major European Countries. To achieve these goals, in 2014 Snam invested €1.3 billion in expanding infrastructure in the Italian gas system and developing new services, thereby providing business continuity for the allied industries consisting of a thousand companies nationwide, and over €500 million to acquire 84% of the share capital (89% of economic rights) of Trans Austria Gasleitung GmbH (TAG), the company that owns the Austrian section of the gas pipeline from Russia to Italy that runs through Ukraine, Slovakia and Austria. Following this latest transaction, which continues the trend initiated by the recent acquisitions made along the North-South axis, Snam has enhanced its leadership position among European infrastructure operators, and will now be able to rely on a new key asset in the East-West energy corridor including in the context of a potential reverse flow to Central Europe.



Business development has been accompanied by favourable operating and financial results that are in line with the previous year due to the continuing focus on operational and financial efficiency. Gross operating profit (EBITDA) and operating profit (EBIT) totalled €2.8 billion and €2.0 billion respectively, and net profit was €1.2 billion, an increase of 30.6% over 2013. Investor confidence in the sustainability of the business model is confirmed by the 1.9% growth in the stock price compared to the end of the previous year, which was greater than the Italian stock index (FTSE, MIB; +0.2%), and by the international market's modest reception for the placement of €1.7 billion in bonds.

In 2014, Snam stock, which is already a part of the most significant global sustainable business indices, including the Dow Jones Sustainability World Index, FTSE4Good, Climate Disclosure Leadership Index (CDLI) and various ECPI indices and Vigeo, is now part of the United Nations Global Compact 100 index (GC 100) which incorporates the 100 companies at the global level that excel in terms of their focus on both sustainability issues and financial performance. In addition to Snam, there are only four other Italian companies in the GC 100 index.

Snam also confirmed its focus on sustainable growth with active support for the Global Compact, its principles and the Millennium Development Goals. We believe that this is the most effective synthesis of recognising Snam's commitment to enhancing and consolidating the results achieved over time with good governance and the ongoing implementation of social and environmental responsibility practices which are an integral part of the culture and way of doing business. This year's results include, in the area of work safety, the further decline in accident rates and in the environmental area, a significant improvement in energy efficiency and a reduction in greenhouse gas emissions. Looking to the future of the company, the addition of new human resources continued with the hiring of 185 individuals, more than double the amount of last year, who are primarily young people with college degrees and

secondary school diplomas.

The materiality analysis launched at the time of the previous Report, and revisited in 2014, served as an opportunity to provide new inspiration for the company's thoughts on which areas to concentrate its efforts in order to create shared value. Out of necessity, this commitment confirms the importance of discussing issues with all stakeholders as an essential mechanism for providing a contribution to the processes of social transformation under way, while interpreting in an innovative manner the role that Snam has always played in the country's development.

Last but not least, the adoption of the new GRI-G4 standard, which this edition of the Sustainability Report covers in a comprehensive manner for the first time, contributed to Snam's success in the "Oscar di Bilancio 2014" in the "Listed Companies and Large Businesses" category. For the Group, this recognition confirms the effectiveness and transparency of the reporting system adopted, in which the Sustainability Report has, for some time, served as a comprehensive, supplementary tool along with the Annual Report, Remuneration Report and Corporate Governance Report.

The CEO  
Carlo Malacarne









## 2014 HIGHLIGHTS

TAG acquired and memorandum signed with Fluxys to enhance Snam's international growth in Europe

Underpinning our development strategy with €1.31 billion in technical investments

Over 1,570 supply contracts entered into for a total of €1.17 billion

Forty-five agreements entered into with customers to create connections for new gas delivery/redelivery points on the transportation network

Snam is included on the Dow Jones Sustainability Index for the sixth consecutive year

Snam awarded Financial Statement Oscar for "Listed Companies and Large Businesses" category

185 new employees hired from the market (40% with university degrees and 60% holding secondary school diplomas)

93% of company workers involved in training activities: average of 29 hours of training provided per employee

Further reduction in employee and Contractors accident frequency indices

Shared value: Company garden started at km zero at the Terranuova Bracciolini plant

The first edition of the educational project "Stories that Tell the Future" for schools

Snam recognised as best Italian company in terms of transparency and governance in the director appointment process

Around 104,000 tonnes of CO<sub>2</sub><sub>eq</sub> was avoided due to energy management measures

Four new DLE turbines placed in operation and nitrous oxide emissions reduced by 41%

Biodiversity. Over 1,050 km of environmental monitoring completed on the network and 124 km of plant care was carried out

# The Value of Sustainability





## STRATEGY AND APPROACH ▷ GRI - G4: 1

At Snam, sustainability and the creation of value are closely connected concepts.

The sustainability process is structured and integrated in the company's business model, and operates in the context of continuous improvement with the aim of achieving lasting results in terms of enhanced reputation, growth in relationship capital, easier terms for accessing financial capital and all other forms of capital needed by the company, and more generally, increasing the positive impact that can be generated by all business processes. Thus, sustainability creates value for the company and stakeholders when it contributes to maintaining and improving the opinion and respect of the Company expressed by the local area, institutions and employees, and when it is able to facilitate the building of infrastructure, increase the gas system's productivity for the benefit of society and decrease environmental and operational risks connected with business activities.

In keeping with this vision, one of Snam's specific sustainability capabilities is to promote an ongoing constructive dialogue with all stakeholders in an attempt to create fertile ground for project development opportunities and social innovation initiatives with added value in keeping with the company's business. To do this, Snam has begun to integrate the Shared Value approach into its sustainability strategy, which creates a stronger link between business and corporate social responsibility by aligning the company's vision concerning value created for itself and its stakeholders.

Thus, for Snam, creating Shared Value means knowing how to play its traditional innovative role in the country's development by reassessing resources developed over time in terms of infrastructure, technologies, skills and human capital.

## COMMITMENTS AND ACTIONS ON MATERIAL ASPECTS ▷ GRI - G4: 2, 14, 19, 35, 36, 37

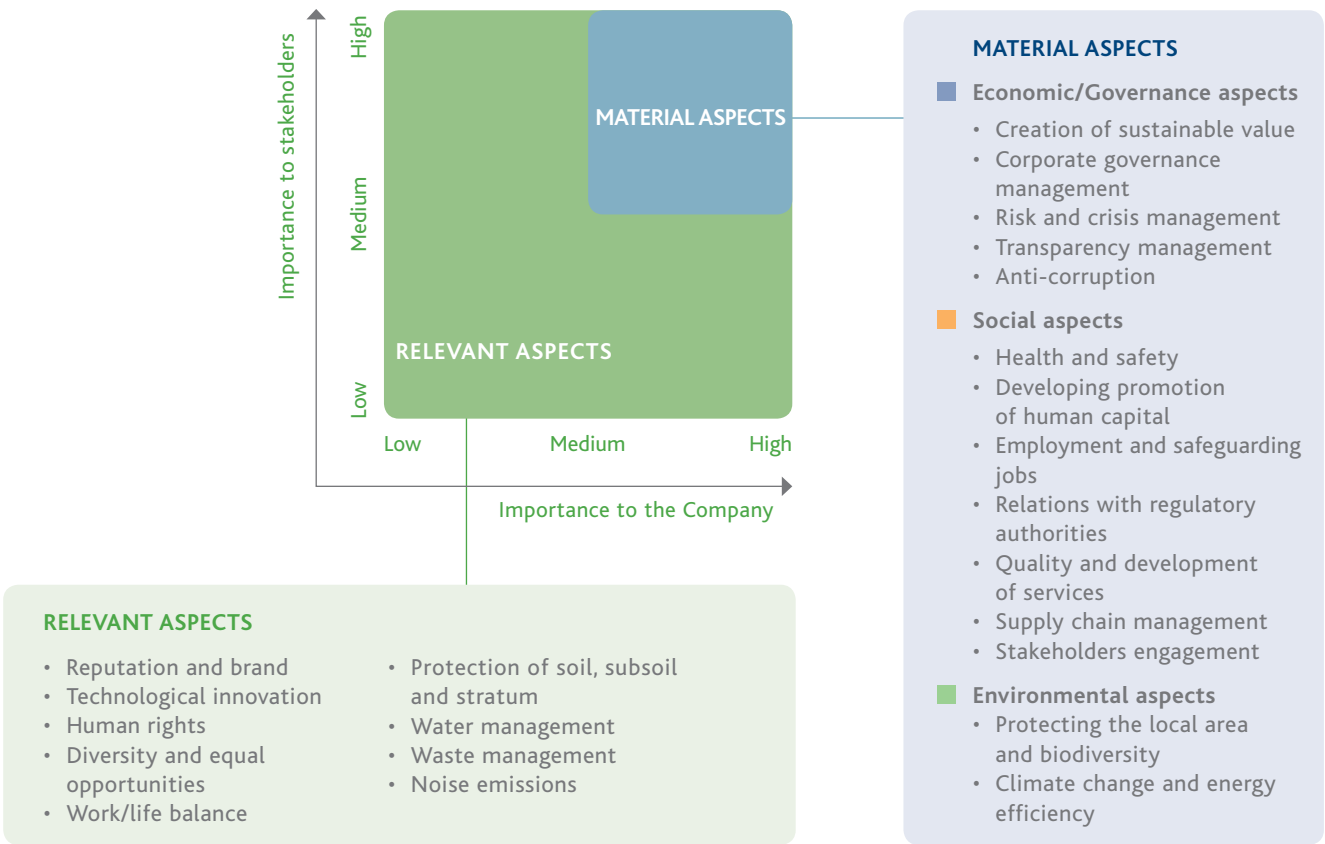
Materiality is the interpretation that enhances the Group's sustainability strategy.

Last year, in response to requests from the new G4 reporting guidelines of the GRI, Snam updated the assessment of issues that historically fall under its sustainability area to focus on the most important issues by combining the suggestions of the company's management with the stakeholders' point of view. The analysis of materiality was submitted to the GRI, and it obtained the Materiality Matters.

The analysis of materiality was updated at the time of publication of this edition of the Sustainability Report, and especially the part concerning the analysis of the market environment and pressures on the company. The result, in the form of the materiality grid, confirmed material issues that had already been identified, in relation to which Snam intends to consistently strengthen its commitment and focus its reporting to stakeholders. The analysis process will be further enhanced in 2015 during a phase of direct meetings with the Group's external stakeholders, who will also be asked to express a relevant opinion on material issues.

The sustainability goals, which are submitted for the approval of top management and included in business plans, make reference to material and relevant issues, and are pursued through specific short- and medium-term projects and initiatives, which are in turn included in the operational plans of all company units. Snam's Sustainability unit is a part of this continuing improvement: it disseminates incentives to all levels of the organisation, coordinates progress on the Sustainability Plan, contributes directly to several projects, monitors their results, which are then stated in the Sustainability Report, and lastly, oversees communications to stakeholders.

MATERIALITY





## SUSTAINABILITY PLAN

### ECONOMIC / GOVERNANCE ASPECTS

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
<b>Creating sustainable value</b>	New strategic plan for the four-year period 2014-2017 presented in March to financial community. Total of €2,261 million distributed to stakeholders. Technical investments of €1.3 billion made.	Implement the 2014-2017 Strategic
<b>Corporate governance management</b>	Governance system adapted to best practices on the matter. Training completed in this area for all employees with personal computers. Project to extend ISO 9001 Certification to the entire company launched at SRG.	Maintain a level of governance that is in line with the best international examples. Provide training on Code of Ethics and Model 231. Implement the quality management system throughout SRG and obtain ISO 9001 Certification.
<b>Risk and crisis management</b>	Four assessment cycles launched that differ according to the severity of risks. Activities performed to improve the model. Trained personnel responsible for critical activities for the purposes of business continuity. Implemented the Business Continuity iterative process analysis logics. Launched an analysis activity (gap analysis) to verify compliance with ISO 22301 standard requirements.	Implement the Enterprise Risk Management (ERM) model and computer system supporting the ERM process. Implement technological solutions to support the Business Continuity Management process. Assess compliance of the management system with the international benchmark standard (ISO 22301).
<b>Transparency Management</b>	The Corporate System Framework was implemented. The company participated in and won the "Oscar di Bilancio 2013", especially with regard to non-financial reporting. The process of determining material issues was updated. The activity to update stakeholder mapping was updated. A study for integrated reporting according to the IIRC framework was launched.	Adapt regulatory system to new model required by Corporate System Framework. Implement the company's sustainable development model ensuring proper oversight of sustainability issues. Develop feasibility analyses and studies to create reporting tools that integrate financial and CSR information. Consolidate courses dedicated to all Group staff concerning Antitrust and Privacy.
<b>Anti-corruption</b>	Monitoring of the Group's anti-corruption compliance program performed. Company participated in the assessment and obtained the highest score on transparency in the management and communication of anti-corruption programmes and activities from Transparency International Italy.	Verify compliance of outside parties (suppliers and customers) with regulations using business intelligence surveys. Provide training courses to newly hired individuals and specific courses for staff not yet involved in this area.

## ECONOMIC / GOVERNANCE ASPECTS

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
Human rights	Participation in activities promoted by the Global Compact continued.	Verify, through business intelligence surveys, respect for human rights and compliance with anti-corruption regulations by third parties (suppliers and customers). Participate actively in the working groups promoted by the Global Compact.
Reputation and brand	New institutional advertising campaign defined and launched for the press and Internet in collaboration with National Geographic. Target audience broadened by implementing the issue of sustainability in integrated communications actions such as events and sponsorships. Entire sections of the website redesigned and social channels enhanced. New social accounts opened (Slideshare and Flickr). Events created that are dedicated to the Internet with digital PR activities aimed at bloggers and Internet influencers. Ranked third as Italian company in CSR online communications.	Enhance brand notoriety and Snam's position inside and outside the company by launching communications initiatives and tools in keeping with the growth of the business.

## SOCIAL ASPECTS

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
Developing and promotion of human capital	A new model of professional and managerial skills and new performance evaluation system were developed and implemented. A new system for the assignment and evaluation of business and sustainability goals was implemented. A management development course was launched involving about 200 people, as was a professional training course for young engineers. 174,916 hours of training delivered in total, with 17,000 attendances. Opportunity continued for all people to take an online English course and dedicated language courses launched.	Adopt the new system to identify and assess individual skills and potential. Increase individual skills and expertise. Initiate the new Performance Management and result analysis process. Implement the Succession Planning process to ensure coverage of key managerial positions.
Employment and safeguarding jobs	185 people hired from the market. Agreement signed on mobility for all Group companies, and a Verification and Control Committee established on the Group's mobility.	Apply the provisions of the Protocol on the Snam Group's Industrial Relations signed in 2013.
Diversity and equal opportunities	Female staff increased. Programmes created for sharing skills in managing people in order to promote diverse cultures.	Develop ways to promote diversity, particularly gender diversity.



## SOCIAL ASPECTS

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
<b>Health and safety</b>	<p>Awareness and involvement initiatives under the "Objective: Safety" plan continued.</p> <p>Training activities continued in this area (approximately 53,433 hours delivered, with more than 5,886 attendees).</p> <p>Employee and contractor accident rates reduced.</p> <p>Development of centralised HSE information system continued.</p>	<p>Define specific training courses and initiatives to create awareness for suppliers and implement communication plans on safety.</p> <p>Continue measures taken by the "Objective: Safety" project with the involvement of more company operations.</p> <p>Create IT applications to support HSE processes.</p>
<b>Work/life balance</b>	<p>Study concluded on welfare services that will lead to the establishment of the new programme.</p> <p>Programmes continued to ensure continuity of the welfare system.</p>	<p>Implement welfare initiatives.</p> <p>Introduce new welfare solutions and expand, revitalise and review existing measures in areas of the family, health and wellbeing, savings and free time.</p>
<b>Supply chain management</b>	<p>Various sections of the Supplier Portal implemented.</p> <p>Requests implemented to certify candidates for critical A and B jobs.</p> <p>Annual workshop completed on sustainability issues.</p>	<p>Expand the supplier portal.</p> <p>Introduce the requirement for candidates for critical A and B jobs to hold OHSAS 18001 certification.</p> <p>Increase information on the social and environmental responsibility of suppliers.</p> <p>Activate and promote involvement actions, with a partnership approach, to improve corporate and environmental services.</p>
<b>Quality and development of services</b>	<p>Customer satisfaction surveys completed on transportation and storage.</p> <p>Information systems implemented to support customers.</p>	<p>Increase the quality of customer service.</p> <p>Conduct a feasibility analysis for biomethane transportation in the distribution network in light of changes in the regulatory framework.</p>
<b>RATING AGENCIES - INVESTORS - BANKS</b>		
<b>Stakeholders engagement</b>	<p>Took part in the surveys of the main financial and sustainability rating agencies.</p> <p>Continued disclosures to bondholders and market analysts.</p> <p>Implemented the "Investor Relations" section of the website.</p>	<p>Maintain excellent relationships with rating agencies and the Italian and international banking systems and provide high-quality information to investors</p> <p>Develop guidelines on the engagement of the financial community.</p>
<b>CUSTOMERS</b>		
	<p>Feasibility study launched to create a single portal.</p> <p>Activities for implementation of the web portals continued.</p> <p>Specific workshops carried out.</p>	<p>Apply methods of recording customer satisfaction.</p> <p>Initiate the feasibility study for a single portal for providing business services to users.</p> <p>Complete a programme to raise awareness for owners of measurement stations connected to the transportation network.</p>

## SOCIAL ISSUES

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
PEOPLE		
Stakeholders engagement	<p>Channels of internal communication implemented through the website, newsletters, brochures and other communications tools.</p> <p>"Saperne di +", the traditional communication initiative that aims to disseminate Company values and strategies, continued.</p>	<p>Implement the improvement plan developed following results of the 2012 climate analysis.</p> <p>Initiate the project to rebuild the new intranet and enrich newsletter content.</p> <p>Set up meetings and get-togethers among the Group's young university graduates.</p> <p>Continue notifying company workers on the company's objectives.</p>
COMMUNITIES AND REGIONS		
	<p>Meetings continued with local administrations and regional associations.</p> <p>Number of associations to which Snam belongs increased, and its presence in the management bodies of associations expanded.</p> <p>New section called "Stories from the region" (a section dedicated to the main initiatives with communities) introduced in the "Sustainability" area of the site.</p> <p>Collaboration protocols signed for the completion of projects with a shared value.</p> <p>CSR initiatives disclosed through social media.</p> <p>Specific CSR events created that are dedicated to the Internet with digital PR activities aimed at bloggers and Internet influencers.</p> <p>The first edition of the educational project "Stories that Tell the Future" completed for schools.</p>	<p>Develop and plan innovative tools for meetings and discussions with public administrations and institutional decision-makers, including through the involvement of local industry associations.</p> <p>Set up meetings and discussions with regions through educational activities.</p> <p>Identify and develop initiatives of shared value.</p> <p>Support local initiatives that promote the culture, resources and unique features of the region.</p> <p>Promote new initiatives and new forms of communication including through more widespread use of social media.</p> <p>Apply models and/or instruments to measure the acceptability of infrastructure in the region.</p> <p>Adopt company guidelines that establish procedures for the regular involvement of local communities on the occasion of new initiatives.</p>

## ENVIRONMENTAL ASPECTS

Topic	Actions in 2014	Actions to be implemented under the 2015-2018 Plan
Protecting the local area and biodiversity	<p>78 km of vegetation restoration completed; environmental monitoring of over 1,050 km carried out and 16 km of reforestation completed.</p> <p>Four new DLE turbines placed in operation.</p> <p>Third book in the series "Sustainable Pathways" (on Majella park) under development.</p>	<p>Continue vegetation and environmental restoration activities.</p> <p>Install low-emission turbines and equipment.</p>
Climate change and energy efficiency	<p>Energy management measures carried out to reduce energy consumption.</p> <p>Online gas recompression measures taken to recover natural gas; pneumatic gas valves and cast iron pipelines replaced.</p> <p>Photovoltaic systems installed and energy produced from renewable sources.</p>	<p>Optimise energy consumption.</p> <p>Increase the use of energy from renewable sources.</p> <p>Reduce natural gas emissions.</p> <p>Enhance the videoconferencing system.</p>







# The Snam Group



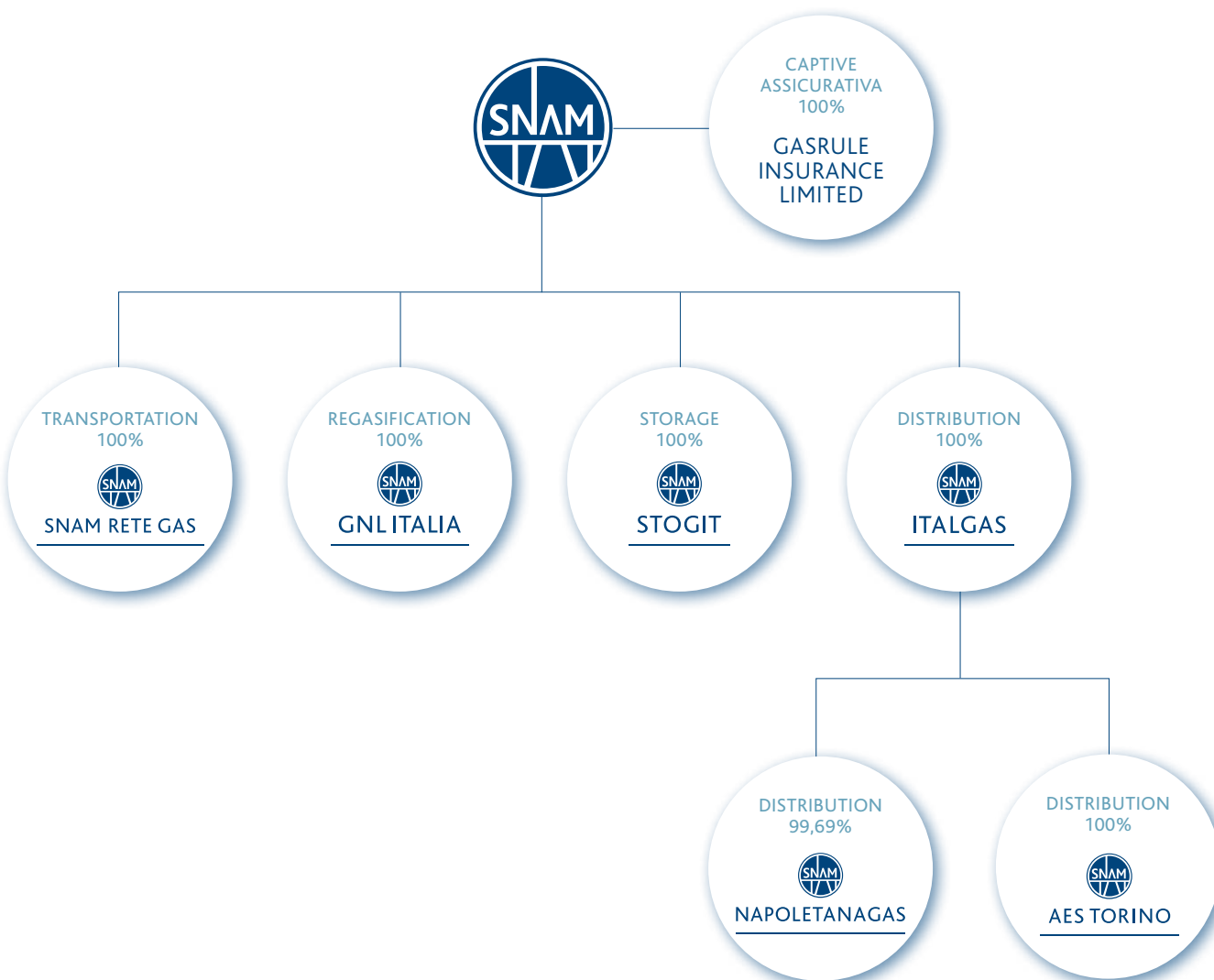
SNAM

## BUSINESS AND CORPORATE STRUCTURE ▷ GRI - G4: 4, 6, 7, 8, 9

As an integrated operator in the management of gas infrastructures, the Snam Group is engaged in the transportation and dispatching of natural gas, the regasification of liquefied natural gas, and the storage and distribution of natural gas through four wholly-owned subsidiaries of Corporate Snam S.p.A.: Snam Rete Gas, GNL Italia, Stogit and Italgas.





As at 31 December 2014, the scope of consolidation changed from its structure at 31 December 2013 following the inclusion in July 2014 of Gasrule Insurance Limited, a captive insurance company with registered office in Dublin, and of Azienda Energia e Servizi Torino S.p.A. (A.E.S.), a company operating in the natural gas distribution sector; both of which are wholly-owned by Snam (the former, directly, and the latter indirectly through Italgas).

### SNAM GROUP SCOPE OF CONSOLIDATION AS AT 31 DECEMBER 2014



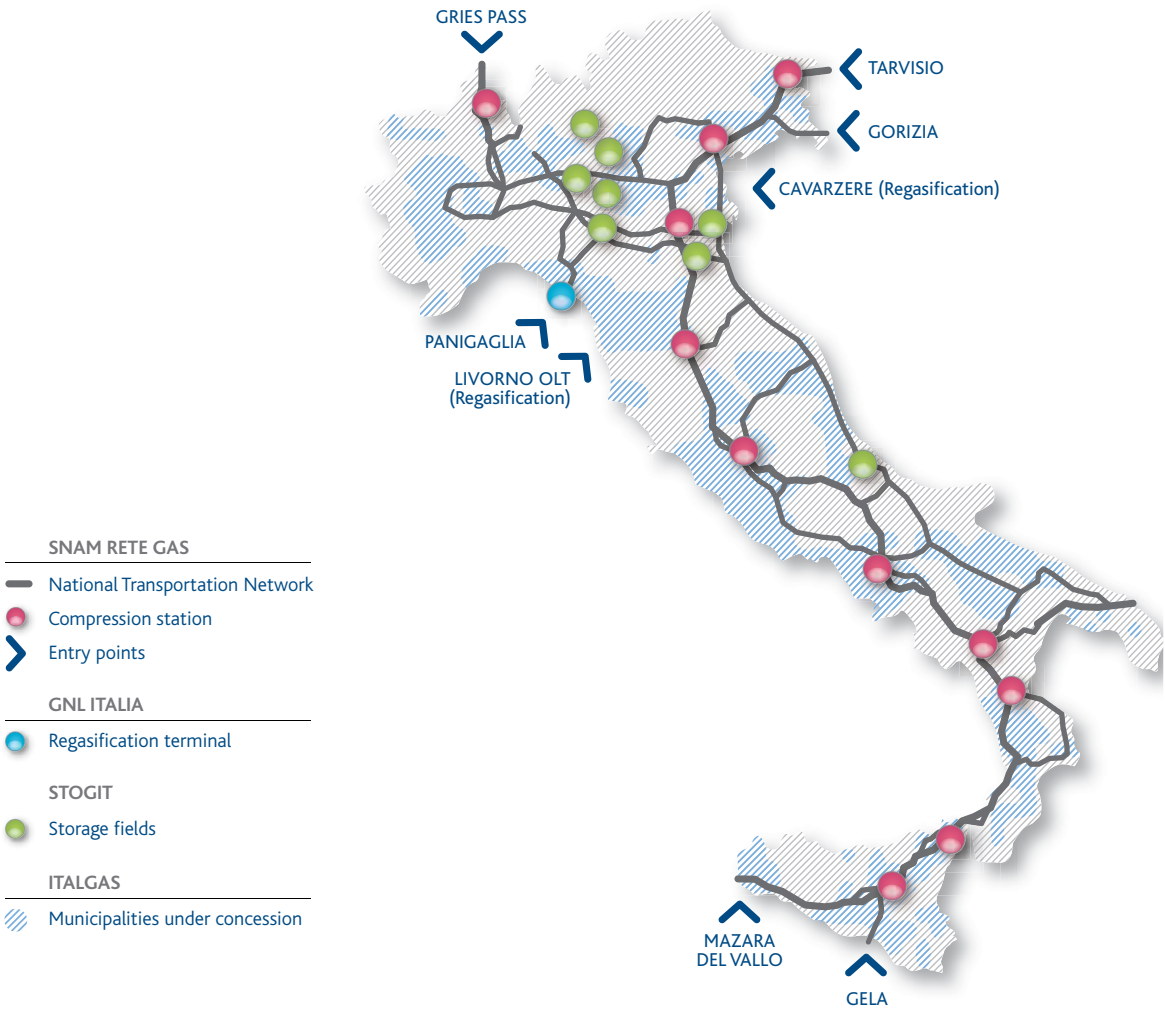


## BUSINESS SECTOR PROFILE

Infrastructure	Activities	Operating data	2013	2014	Chge %
 <p><b>TRANSPORTATION</b></p> <p><b>Snam Rete Gas</b> manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 11 gas compression stations and a new dispatching unit, with completely new structures and technology.</p>	<p>In transportation, the natural gas is loaded at delivery points connected to the import lines (Russia, northern Europe and North Africa), the regasification plants and the gas production and storage centres distributed throughout Italy. The gas is then transported for delivery, based on customer directions, to redelivery points connected to local distribution networks and to major industrial and thermoelectric consumers.</p>	Transportation network (km in operation)	32,306	<b>32,339</b>	0.1
		Installed capacity in compression stations (MW)	867	<b>894</b>	3.1
		Gas injected into the network (billions of cubic metres) (*)	69.00	<b>62.28</b>	(9.7)
 <p><b>REGASIFICATION</b></p> <p><b>GNL Italia</b> manages the regasifier in Panigaglia (La Spezia), the first plant of its kind, which was built in Italy in 1971.</p>	<p>Regasification is the final activity in the liquefied natural gas (LNG) chain and involves taking gas extracted from deposits and then liquefied at -160° back to its original state for transportation on purpose-built ships. In the gas system, the LNG chain thus enables diversification of supply sources.</p>	Number of methane tankers unloading	1	<b>1</b>	-
		LNG regasification (billions of cubic metres)	0.05	<b>0.01</b>	(80.0)
 <p><b>STORAGE</b></p> <p><b>Stogit</b> manages eight storage fields in Lombardy, Emilia-Romagna and Abruzzo, under concession. The fields comprise deposits, wells, pipes, processing plants and compression stations. Stogit also manages an operational dispatching system.</p>	<p>Natural gas storage involves injecting gas into the porous rock of an exhausted deposit that previously contained it, bringing the deposit back, to a certain extent, to its original state. Once stored, the gas can be reintroduced into the transportation system and supplied according to market demand. In the gas system, storage makes it possible to offset the difference between gas supply and demand and therefore to ensure continued supply.</p>	Available storage capacity (billions of cubic metres)	11.4	<b>11.4</b>	-
		Natural gas moved through the storage system (billions of cubic metres)	18.42	<b>15.70</b>	(14.8)
 <p><b>DISTRIBUTION</b></p> <p><b>Italgas</b>, with the subsidiary Napoletanagas and A.E.S., manages an integrated system of infrastructure, mainly self-owned, comprising gas withdrawal stations, local pipelines, pressure reduction plants and redelivery points where gas meters are installed.</p>	<p>The distribution service consists of carrying gas from transportation network connection points to points for redelivery to end user. The service is performed on behalf of the sales companies authorised to sell gas.</p>	Distribution network (km)	52,993	<b>55,278</b>	4.3
		Gas distribution concessions (number)	1,435	<b>1,437</b>	0.1
	<p>The system is overseen, 24/7 and 365 days a year, by the Integrated Supervision Centre.</p>	Active meters (millions)	5.928	<b>6.408</b>	8.1
		(Gas distribution (billions of cubic metres)	7.352	<b>6.500</b>	(11.6)

\* Data for 2014 have been updated to 31 January 2015. Data for 2013 were brought into line with the financial statements of the National Transportation Network.

SNAM'S PRESENCE IN ITALY



## SNAM'S PRESENCE IN EUROPE

### INTERCONNECTOR UK

Acquisition as 50/50 JV with Fluxys: 31.5% of Interconnector UK, 51% of Interconnector Zeebrugge and 10% of Huberator.

#### Assets concerned

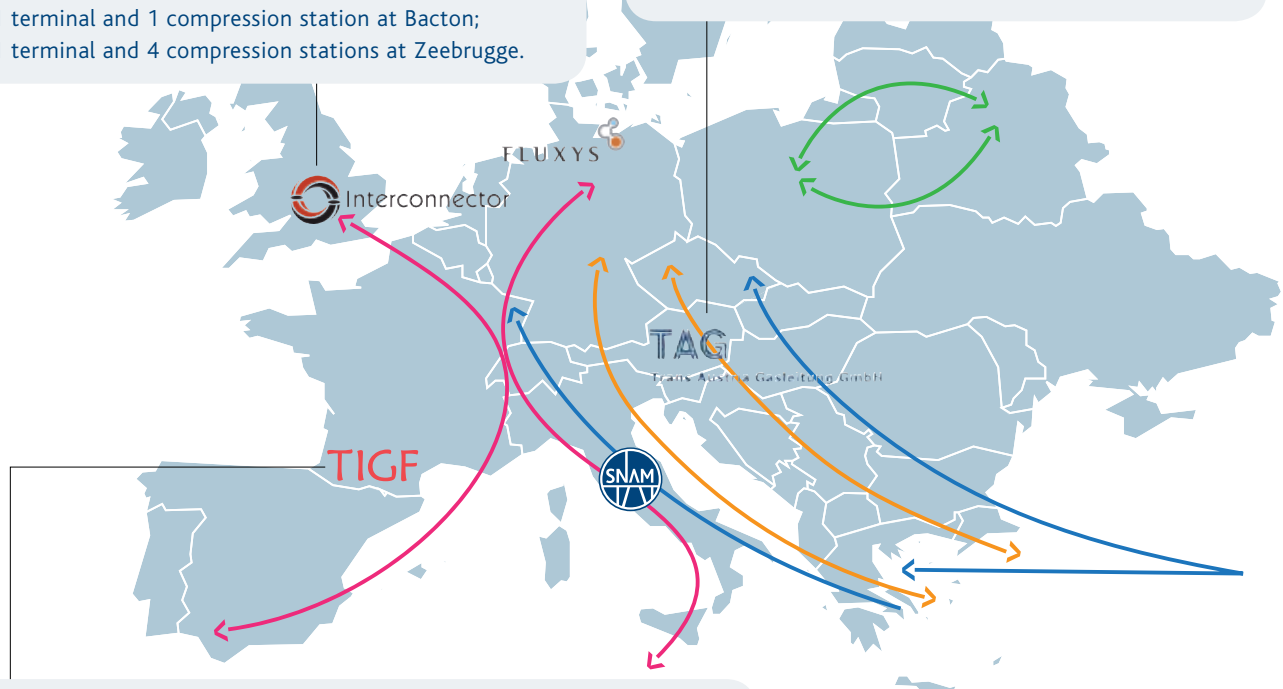
- 235 km undersea pipeline between Bacton (United Kingdom) and Zeebrugge (Belgium): strategic two-way link between the UK and the key European gas trading markets;
- 1 terminal and 1 compression station at Bacton;
- 1 terminal and 4 compression stations at Zeebrugge.

### TAG GmbH

The purchase of an equity investment in Trans Austria Gasleitung GmbH (TAG) corresponds to 84.47% of share capital and 89.22% of economic rights.

#### Assets concerned

- Pipeline that connects the border between Slovakia and Austria with the Tarvisio entry point
- 3 pipelines, each 380 km long
- 5 compression stations



### TIGF

Acquisition of a 45% share of the consortium with GIC (35%) and EDF (20%). Platform with strategic position to:

- develop the south-western European market, by increasing import capacity of Spanish LNG;
- support the development of the western branch of the South-North corridor.

#### Assets concerned

- 5,000 km of network with 7 compression stations;
- 5.7 billion m<sup>3</sup> of storage capacity.

- South-North corridor (South-western Europe)
- South-North corridor (South-eastern and Central Western Europe)
- Southern Corridor (Caspian Region)
- Corridor of integration of the Baltic market with the European market

## Snam's international development continues

On 19 December 2014 the Company acquired from CDP Gas S.r.l. 84.47% of Trans Austria Gasleitung GmbH (TAG), the company that owns the Austrian section of the pipeline connecting Russia to Italy. This transaction, which was in keeping with the international development strategy initiated by Snam in 2012 with the acquisitions of 45% of TIGF in

France and 31.5% of Interconnector UK in a joint venture with Fluxys in the UK, and the signing of a Memorandum of Understanding (MoU) at the beginning of 2014 with the same Belgian operator in order to pursue growth opportunities in Europe, enhances the Group's leadership among infrastructure operators in Europe. Snam is now able to take advantage of a new key asset in the East-West energy corridor, including in the context of a potential reverse flow to Central Europe.



## BUSINESS MODEL > GRI - G4: 2

Snam operates in a regulated market and is faced with business dynamics influenced by complex, changing energy scenarios, in addition to the impact of the economic and social crisis of recent years, which, in our country in particular, resulted in the reduction of disposable income, loss of the system's competitiveness and the resulting gradual reduction in consumption.

According to the IEA (International Energy Agency), over the next 25 years there will be an increase in the demand for energy at the global level, with gas growing at a faster pace than any other fossil fuel from now until 2040. European demand for gas will remain largely unchanged, while demand in Asia, and particularly in China and India, and in the Middle East and Africa, will grow substantially. By contrast, the European continent will become a larger importer of gas with a negative balance between demand and supply estimated at 453 billion cubic metres, and with the need for new imports over the next five years (i.e., until 2020) to be divided 65% for northern Europe and 35% for southern Europe.

The Third Energy Package enacted by the European Commission forms a logical component of this energy scenario. In addition to establishing standardised national rules for creating a single European market that is transparent and competitive, it sets conditions for the development of infrastructure to diversify sources, and thus for the security of procurement and improved connection in national markets.

### Energy: Global trends in 2040

**Natural gas:** the growth in global demand for gas will be greater than that for oil and coal combined. Gas will be used primarily (40% of global demand) to generate electricity.

**Nuclear power:** a 90% increase driven by expansion in China (40% of capacity under construction), Russia, Korea the US and India.

**Renewable sources:** global demand up by 90% driven by government policies and incentives.

### Natural gas: European imports

Adjusted for any geopolitical crises that are not foreseeable at present, it is projected that the demand for gas will primarily be covered by gas through the pipeline from **Russia**, from the **Caspian Sea area** through the TAP, the pipeline under construction that will link Europe to Azeri supply sources, and from **North Africa**, in addition to a portion of liquefied natural gas that will vary according to Asia's import requirements.

In this scenario, Snam, which is one of the leading operators in Europe, intends to create value by making energy available that the market continues to demand in a safe and sustainable manner and at a fair cost, using a sound strategy based on the development and efficient management of domestic and European infrastructures of the gas system, and on the supply of integrated services to facilitate exchanges among operators, in order to make the market more liquid while gradually changing its role from asset owner to market facilitator. To support expansion in Europe, Snam has signed agreements with major operators in the sector and completed acquisition transactions along the key continental energy corridors leveraging the strategic position of the domestic network.

This sustainable development model is implemented through the structured performance of business activities, which are broken down into "core" and business support activities, and which transform capital raised in financial markets into investments in infrastructure and the services necessary for the operation of the gas system while also enhancing the other forms of capital (financial, intellectual and social) the company requires in order to pursue its business objectives.

STAKEHOLDERS RELATIONS > GRI - G4: 7, 8, 24, 25

Shareholders, investors, gas system operators, employees, suppliers and other company stakeholders are a key element in Snam’s business model because they are able to “interpret” the relevant environment in which the company operates and influence conditions that affect the availability of the capital needed to operate. Through this close relationship with capital, stakeholders therefore also become the recipients of value that the company creates with its activities.

For this reason, it has always been important to Snam to form trusting, long-term relationships with all stakeholders and put itself in a position to listen, discuss and act in an open and transparent manner with all players concerned with a view to maintaining and building constructive dialogue both internally and externally.

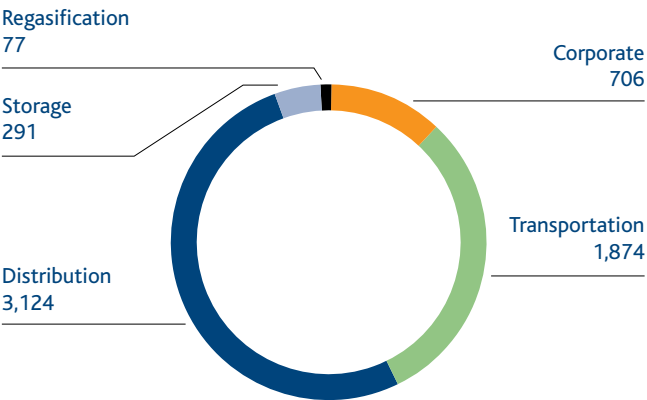


2014 STAKEHOLDERS’ IDENTITY CARD > GRI - G4: 10, LA1, EC6

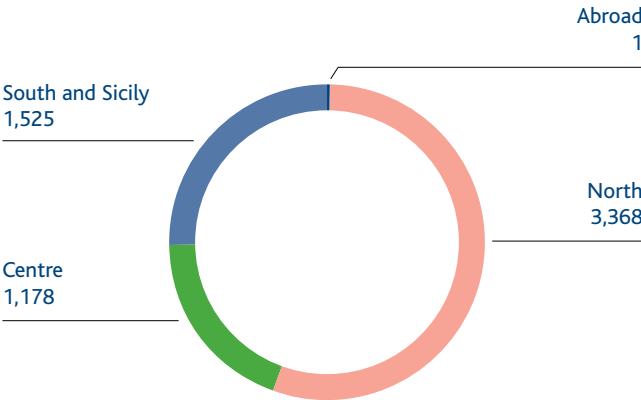
People

total workforce (no.): 6,072

EMPLOYEES BY ACTIVITY (No.)



DISTRIBUTION OF EMPLOYEES BY GEOGRAPHICAL AREA (No.)



## Suppliers ▷ GRI - G4: 12

2014 procurement (€ 1.17 billion)

### QUALIFIED SUPPLIERS (No.)

Suppliers with qualifications renewed during the year

 341

Suppliers qualifying during the year (with renewals)

 772

Total qualified suppliers

 3,641

### PROCUREMENT BY ACTIVITY SECTOR (%)

Distribution

20.7

Storage

14.5

Corporate

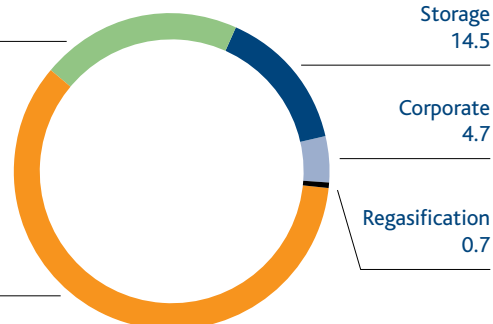
4.7

Regasification

0.7

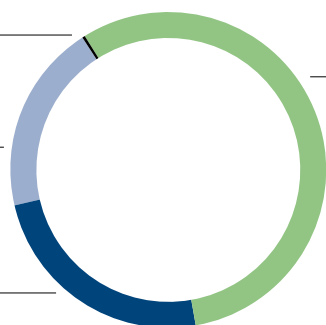
Transportation

59.4



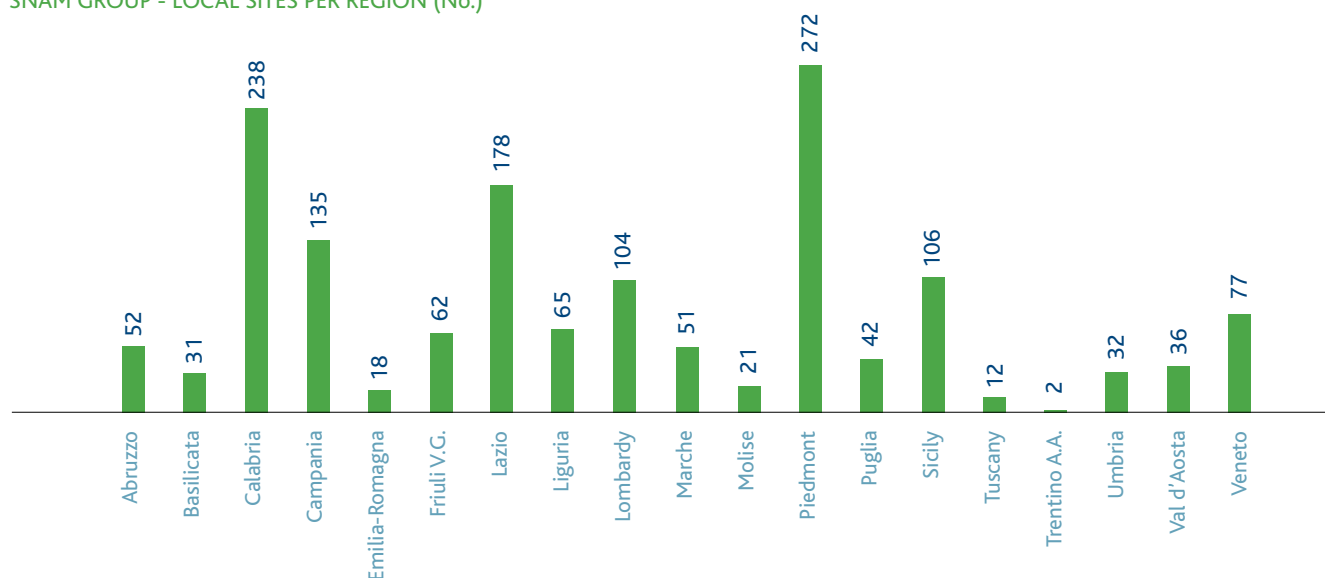
## Customers (No.)

Customers: Group total (No.) 555

Regasification  
3Storage  
107Transportation  
134Distribution  
311

## Local communities and regions ▷ GRI - G4: 6

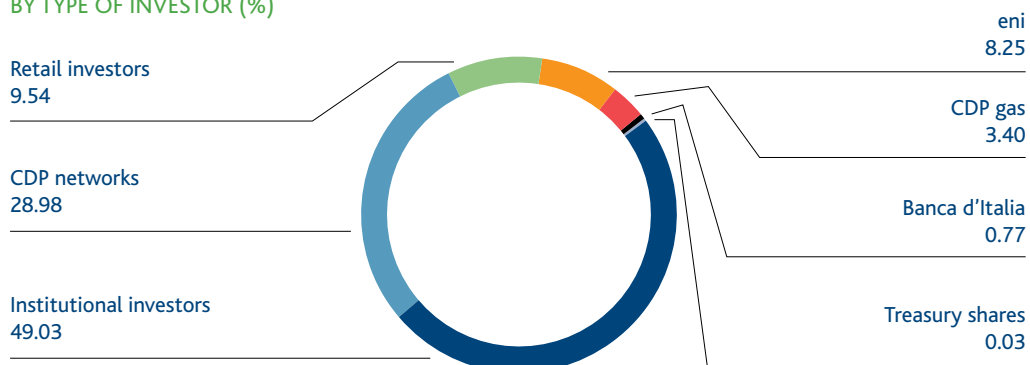
### SNAM GROUP - LOCAL SITES PER REGION (No.)



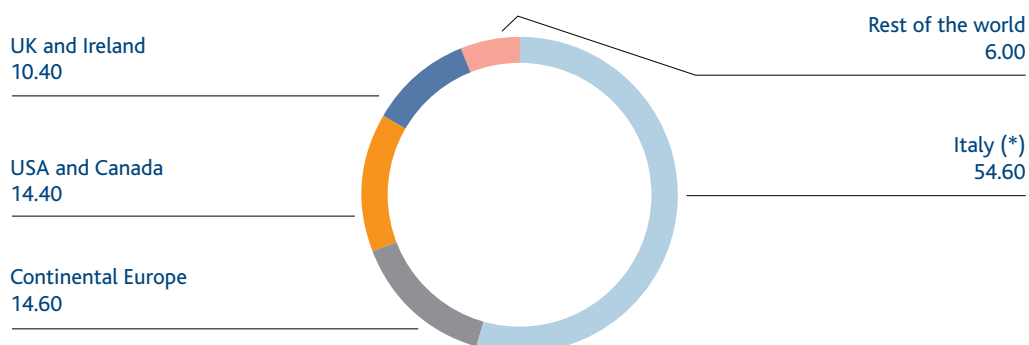


## Investors: ownership structure ▷ GRI - G4: 7

### BY TYPE OF INVESTOR (%)



### BY GEOGRAPHICAL AREA (%)



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

## Authorities and institutions

Government and Parliament	Consob and Borsa Italiana	Inspection and control bodies
Ministries	Electricity and Gas Authority	Intervening and intervened entities
Regions, Provinces and Municipalities	Judicial authority	Supervisory Authority for Government Contracts
Prefectures	Revenue agencies	Port authorities
Finance Police	Antitrust authority	Committees and research centres
Public safety bodies	Schools and universities	Customs agency
European Commission	ENSOG and ACER	River basin authorities
European Parliament	Port harbour office	Park authorities
European Council	Regulatory committees	Mountain communities

### Communications tools and channels used with stakeholders ▷ GRI - G4: 26

Proactive communications and continuing dialogue play a key role in maintaining an open, balanced and transparent conversation with all stakeholders. For this reason, over time Snam has developed a complex mix of tools and channels to optimise relationships with various partners in an effort to always propose content of value through more traditional media as well as new media.

In 2014, Snam further improved its web identity by redesigning entire sections of the corporate site, within which the Group's social channels were also added to facilitate interaction among various platforms and the usability of multimedia content.

In the "Sustainability" area of the corporate site, a new section was introduced entitled "Stories from the Region", in which the company's best practices in the social and environmental areas are described in detail through a multimedia and multichannel storytelling mechanism. This innovative approach helped Snam receive the prize as the third best Italian company in the online reporting of Corporate Social Responsibility activities on the occasion of the sixth edition of the CSR Online Awards Italy organised by the specialised company Lundquist.

Also in 2014 Snam launched a new portal linked to the first edition of the educational project entitled "Stories that Tell the Future" involving 333 schools and over 1,000 classrooms throughout Italy and enabling the collection of nearly 2,000 reports produced using the innovative georeferencing system made available by Google.

The quality of the work done on the Internet was also confirmed by the Group's second place ranking in the KWD Webranking, the ranking that awards Italian companies that communicate most effectively online, which was created by the specialised company Comprend in collaboration with Lundquist, and it has established itself as the "best improver".

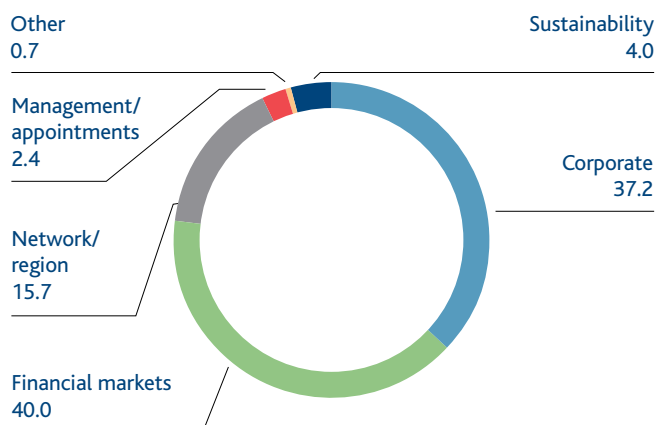
In addition to social accounts introduced last year (Twitter, YouTube, LinkedIn, Google+, Flickr and Instagram), in 2014 Snam also opened Slideshare and Facebook accounts, and the latter was totally dedicated to the promotion and in-depth reporting of Corporate Social Responsibility initiatives and projects.

New developments during the year include the digital PR and blogger engagement activities that led the company to organise events fully dedicated to the web involving journalists, bloggers and influencers on the Internet who are driven to the discovery of plants and infrastructure and their integration in the region and social fabric where they live.

In the area of communications intended for financial stakeholders, the company was also awarded the Financial Statement Oscar created by FERPI (the Italian Public Relations Federation) for the "Listed Companies and Large Businesses" category.

In 2014 Snam was the subject of 506 articles featured in the domestic and international press. The content and tone of these articles was considered positive or neutral in 95% of the cases; positive articles made up around 50% of the total.

#### BREAKDOWN OF PRESS ARTICLES BY TOPIC (%)



## KEY ENGAGEMENT TOOLS &gt; GRI - G4: 26

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



## OPERATING PERFORMANCE AND OPERATING AND FINANCIAL RESULTS

### OPERATING PERFORMANCE

Activities	
Transportation	In 2014 62.28 billion cubic metres of gas were injected into the transportation network, a reduction of 6.72 billion cubic metres (-9.7%) compared to 2013. The decline was mainly due to the reduction in demand for natural gas in Italy (-11.6% compared to 2013). The reduction was also due to lower consumption in the residential and service sectors (-17.0%) due largely to climate conditions, and the thermoelectric sector (-14.0%) as a result of shrinking demand for electricity and the concurrent growth in the production of energy from renewable sources (especially hydroelectric and photovoltaic sources).
Regasification	The LNG terminal in Panigaglia (SP) regasified 0.01 billion cubic metres of natural gas (0.05 billion cubic metres in 2013). Regasification volume was affected by the ongoing gas consumption crisis in Europe and the general trend in demand for LNG at the global level that resulted in strong demand, especially in Far Eastern markets to the detriment of the European market.
Storage	The volume of gas moving into the storage system in 2014 totalled 15.70 billion cubic metres, a reduction of 2.72 billion cubic metres (-14.8%) compared to 2013. The reduction was due to lower distributions from storage (-20.3%) attributable to milder temperatures in the first quarter of the year than the corresponding period of the previous year. As at 31 December 2014, total storage capacity, including strategic storage, was 15.9 billion cubic metres (unchanged from the level at 31 December 2013), of which 11.4 billion cubic metres were for available storage capacity, which was totally allocated for thermal year 2014-2015, and 4.5 billion cubic metres for strategic storage (unchanged compared to thermal year 2013-2014).
Distribution	<p>In 2014 6,500 million cubic metres of gas were distributed representing a reduction of 852 million cubic metres (-11.6%) compared to 2013 due primarily to the climate effect. At year end Snam was the concessionaire of the gas distribution service in 1,437 municipalities (1,435 in 2013), of which 1,361 are in operation and 76 have networks to be completed and/or built (91 in 2013), with 6,408 million active meters (5,928 million in 2013) located at points where gas is redelivered to end customers (households, businesses, etc.).</p> <p>As at 31 December 2014, the gas distribution network was 55,278 km long (52,993 km long in 2013), an increase of 2,285 km.</p> <p>Operating performance reflects the contribution of Italgas's acquisition of A.E.S., a company that directly manages the natural gas distribution service in the city of Turin with a network of 1,337 km of pipelines, 465,668 active redelivery points and 54 million cubic metres carried in 2014.</p>

On 11 July 2014 the Court of Palermo notified the subsidiary Italgas of the asset-related precautionary measure of the judicial administration pursuant to Art. 34, paragraph 2, of Legislative Decree 159/2011 (Code of anti-mafia laws and precautionary measures as well as new provisions concerning anti-mafia documentation in accordance with Articles 1 and 2 of Law 136 of 13 August 2010). By law, the measure aims to protect Italgas's assets from any infiltrations and/or collusion.

Information on developments related to the measure notified to Italgas are provided in Note 24, "Guarantees, commitments and risks - Other measures" in the notes to the consolidated financial statements.

## Regulation of tariffs

The clarity, stability and transparency of the regulatory framework for determining revenue and tariffs are key factors for the Company's economic sustainability, and are also important to gas system operators, who are affected by costs associated with infrastructure use, and to financial investors, in terms of predicting returns on their investments.

In general, tariff criteria are defined every four years (6 years for distribution).

### Regulatory periods

SNAM RETE GAS	January 2014	December 2017
GNL ITALIA	October 2014	December 2017
ITALGAS	January 2014	December 2019
STOGIT	January 2015	December 2018

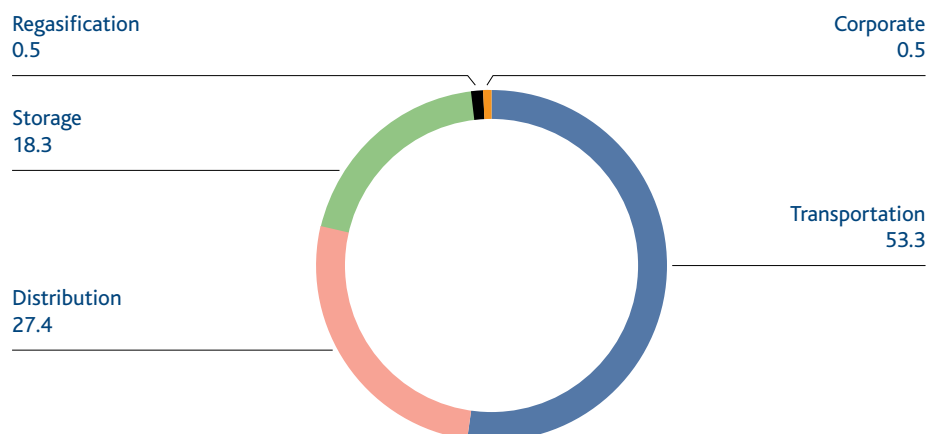
The revenues from all activities are determined so as to ensure coverage of operating costs, depreciation and amortisation, and a fair return on net invested capital. Incentives are also provided, differentiated according to the type of investments made during the course of each regulatory period. Every year, based on its own recorded revenue, each Snam company formulates a tariff proposal which is submitted to Authority for approval.



## Investments

Capital expenditures continued to be strong in 2014 totalling €1,313 million (€1,290 million in 2013).

### TECHNICAL INVESTMENTS BY ACTIVITY (%)



Of the €700 million invested in transportation, €211 million was allocated to support the market in the north-western area of the country and to make possible the reversal of physical transportation flows at interconnection points with northern Europe, and €85 million was invested in projects to expand the transportation network from entry points in southern Italy.

By contrast, €240 million was invested in storage, primarily for the development of the Settala, Bordolano and Fiume Treste fields and for the repowering of the Minerbio field and €359 million was invested in distribution, mainly involving development initiatives (extensions and new networks) and the upgrading of existing networks including through the replacement of cast iron pipelines. Lastly, €7 million was invested to ensure the safety and efficiency of the regasification plant.

### Operating and financial results\*

In 2014 Snam reported satisfactory results with gross operating profit (EBITDA) of €2.8 billion and operating income (EBIT) of about €2.0 billion, which was in line with the corresponding amounts for 2013.

Net profit totalled €1.2 billion, an increase of €0.3 billion (+30.6%) compared to 2013. The increase was mainly due to the decrease in income tax and the improvement in financial operations, and was partly the result of the contribution from assets acquired as a part of the business development strategy. In particular, the reduction in taxes, despite the increase in profit before taxes, was mainly due to the impact of the deferred tax adjustment resulting from the additional IRES (so-called "Robin Hood Tax") being declared unconstitutional effective 12 February 2015. Adjusted net profit, which excludes the positive impact of the adjustment of deferred taxes, totalled €1.1 billion, an increase of 15.4% compared to the corresponding 2013 amount.

Positive cash flow of €1.5 billion from operating activities made it possible to fully fund financial requirements connected with net investments and to generate free cash flow of €0.3 billion. Following payment of a dividend to shareholders of €0.5 billion, net financial debt amounted to €13.6 billion, an increase of €0.3 billion compared with 31 December 2013.

\* See Annual Report for additional details

## Distribution of added value

In 2014 Snam distributed total value of €2,261 million to its stakeholders against added value produced (€2,584 million).

Of this amount, 33.9% was paid out to shareholders (€875 million), 19.7% to the government (€509 million), 17.1% to lenders (€441 million) and 16.9% to employees (€436 million). The remaining 12.5% (€323 million) was reinjected into the system.

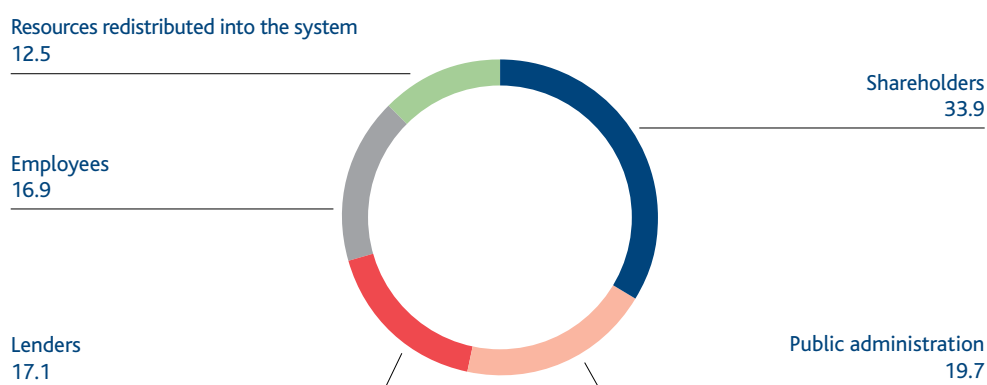
The net overall added value was therefore distributed among different beneficiaries as follows: (i) employees (direct compensation comprising salaries, wages and post-employment benefits, and indirect compensation consisting of social security expenses, as well as costs for staff services (meal services,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

### TOTAL ADDED VALUE ▷ GRI - G4: EC1

	2012	2013	2014
Core business revenue	3,730	3,735	3,784
Other revenue and income	216	113	98
Purchases, services and sundry expenses*	760	644	733
Net financial expense	431	17	(7)
Net income from equity investments	55	45	131
Increases on internal works – Cost of work and financial expenses	91	94	100
<b>Gross total added value</b>	<b>2,901</b>	<b>3,326</b>	<b>3,387</b>
less – Amortisation, depreciation and impairment losses	706	769	803
<b>Net total added value</b>	<b>2,195</b>	<b>2,557</b>	<b>2,584</b>

\* Net of costs allocated to investment.

### DISTRIBUTION OF ADDED VALUE (%)



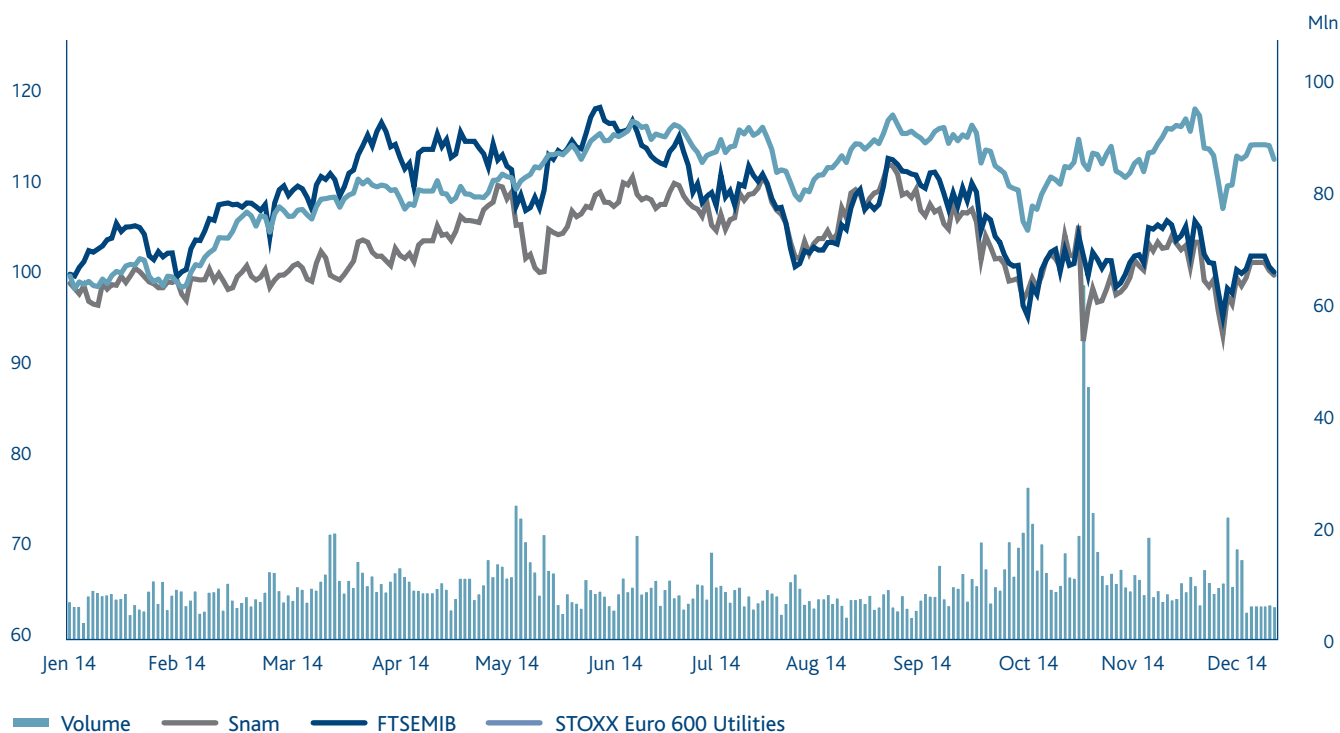


### Performance of Snam shares

Snam's stock, which is included in the FTSE MIB Italian index as well as leading international indices (STOXX, Europe 600 and STOXX Europe Utilities) and in major sustainability indices, ended 2014 at an official price of €4.11, up by 1.9% compared with €4.04 at the end of the previous year. The stock benefited from positive stock market performance and the positive assessment of the strategic plan and quarterly results of the Group.

A further source of support was investors' preference for stocks with a high return that are more defensive against the backdrop of a downward revision of growth estimates for the European economy. At the end of the year, prices came down gradually due to the overall decline in stock prices and a greater perception of regulatory risk. Around 2.6 billion Snam shares were traded on the electronic segment of the Italian stock exchange in 2014, with the average daily trading volume in line with the previous year at 10.2 million shares.

### SNAM LISTINGS ON FTSE MIB AND EURO STOXX UTILITIES



Since listing on the stock exchange in 2001, Snam has always aimed to be transparent in its relations with the financial community by expressly communicating its objectives and the results it has achieved. In order to sustain the quality of these strong relations, benchmark best practices are adopted each year to allow shareholders and the financial market to fully evaluate the Company's levers for creating value. These include:

- roadshows (20 in 2014) aimed at meeting shareholders and institutional investors in the largest European and North American financial markets;
- sector conferences (five in 2014), which enable investors specialising in the utilities and infrastructure sector to meet the Company's top managers;

- one-to-one meetings between management and investors (108 in 2014), in addition to numerous group meetings (32 in 2014);
- conference calls when the company's (annual, semi-annual and quarterly) results are published and when the Strategic Plan is presented.





In 2014 a "Site Visit/Investor Day" was held for a foreign delegation interested in obtaining direct knowledge of the most significant areas of the Group's operating excellence.

During the year, there was also a significant amount of communication with Snam's bond investors and with credit market analysts, through management's participation in dedicated conferences (two in 2014) and a large number of one-to-one meetings and conference calls.

The Company also continued to communicate with ratings agencies Standard & Poor's and Moody's and maintained an investment grade credit rating of Baa1 with Moody's, while Standard & Poor's adjusted its rating in December 2014 to BBB reflecting the Company's structure and financial strength.

#### KEY PERFORMANCE INDICATORS (KPI) ▷ GRI - G4: 27

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Meetings with socially responsible investors as a % of total meetings	2010	Achieve 33% in 2014	39	Snam Group	
Number of meetings with institutional investors	2010	Hold 240 in 2014	259	Snam Group	
Number of Investor Days/site visits (no.)	2010	Hold 1 during the year	1	Snam Group	

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

Information of interest to shareholders and investors both in Italian and in English, is available in the Investor Relations section on the Company website, [www.snam.it](http://www.snam.it).

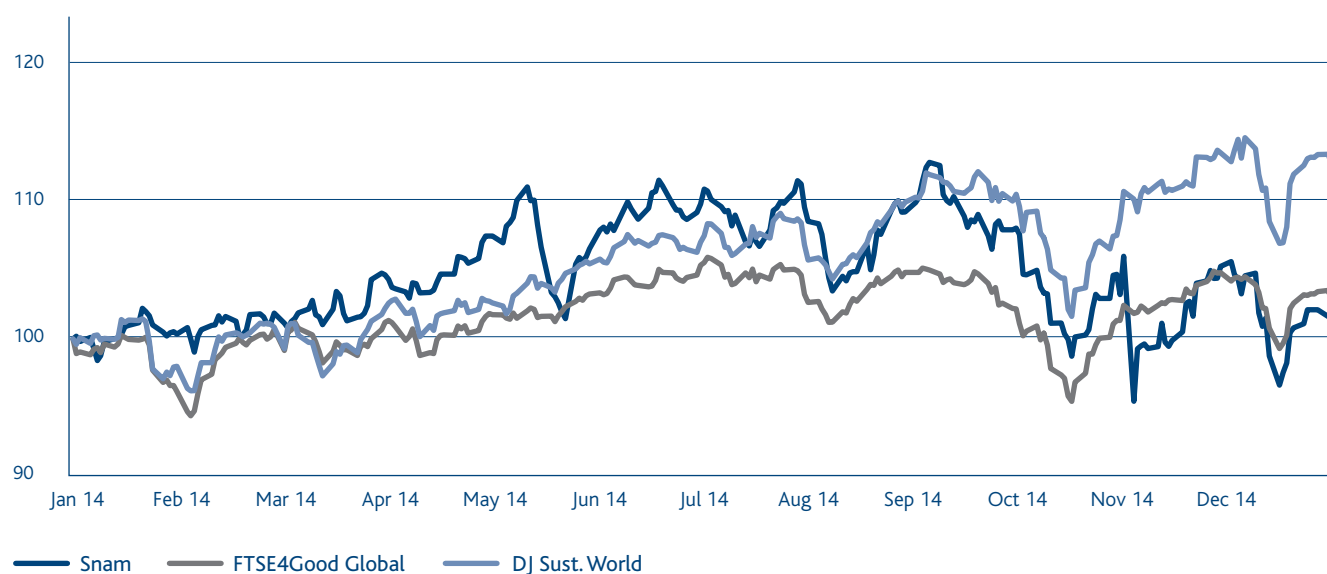
The same section makes several periodic publications available such as "Financial Markets Reviews", which offers a monthly analysis of Snam stock and the stocks of other competitors in financial markets and their stock market performance in the utility sector, "News&Facts", a quarterly publication targeting primarily individual investors and the "Shareholder Guide", also available in interactive form, which is updated every six months and aims at providing a summary of information useful for all shareholders to actively experience their Snam investment.

Last year the publication "Sustainability, Creating Shared Value" was added; this is an annual document that summarises the sustainability policies behind Snam's choices and initiatives in its relations with stakeholders. Finally, since December 2014 the new publication, CSR Review, has been available; this is a newsletter that provides in-depth coverage of Corporate Social Responsibility.

## Sustainability indices ▷ GRI - G4: 15

Snam's commitment, and the progress it has made in applying its sustainability management model, have been recognised by the inclusion of its stock on the benchmark international sustainability indices. This performance has increased the Company's visibility in respect of socially responsible investors and, more generally, in the financial market as a whole.

### SNAM SHARE PERFORMANCE AND MAIN ETHICAL INDICES



In 2014, the Snam share was again – and for the sixth consecutive year – included in the Dow Jones Sustainability World Index, which is the main share index based on corporate performance in maintaining commitments made in the field of economic, social and environmental sustainability. Based on the high rating achieved in the Gas Utilities segment, Snam was also included in the Silver Class; this is a premier grouping within the Dow Jones Sustainability World Index that identifies companies that set themselves apart in terms of their sustainability activities and commitment.

In the September 2014 review, Snam was independently evaluated and satisfied the criteria of the new FTSE methodology in the Environmental, Social, Governance (ESG) area, and has been included in the FTSE4Good indices since 2002.

Since September 2014, Snam stock has been included in the two indices MSCI World and MSCI ACWI ESG that include companies with a high sustainability rating in their peer sectors. MSCI is a leading international company in providing IT support tools for the investment decisions of global investors including asset managers, banks, hedge funds and pension funds.

In November 2014, Snam was confirmed, for the second consecutive year, on the CDP Italy 100 Climate Disclosure Leadership Index (CDLI), which is directly issued by the CDP, one of the biggest non-profit organisations in the world working on climate change, with which Snam has been collaborating since 2007. Moreover, in 2014 (as in 2013) Snam was one of the companies providing voluntary financial support for the CDP's activities.

In 2014, Snam confirmed its place in a new range of indices, the Vigeo World 120 and the Vigeo Europe 120, by Vigeo (one of Europe's leading environmental and social rating agencies). These indices include companies with the best performance according to the 330 indicators used for the selection.

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

At the end of December 2014 Snam stock was also included in six of the leading ECPI sustainability indices, in the Stoxx Global ESG Leaders indices and in the Ethibel Pioneer and Excellence indices.

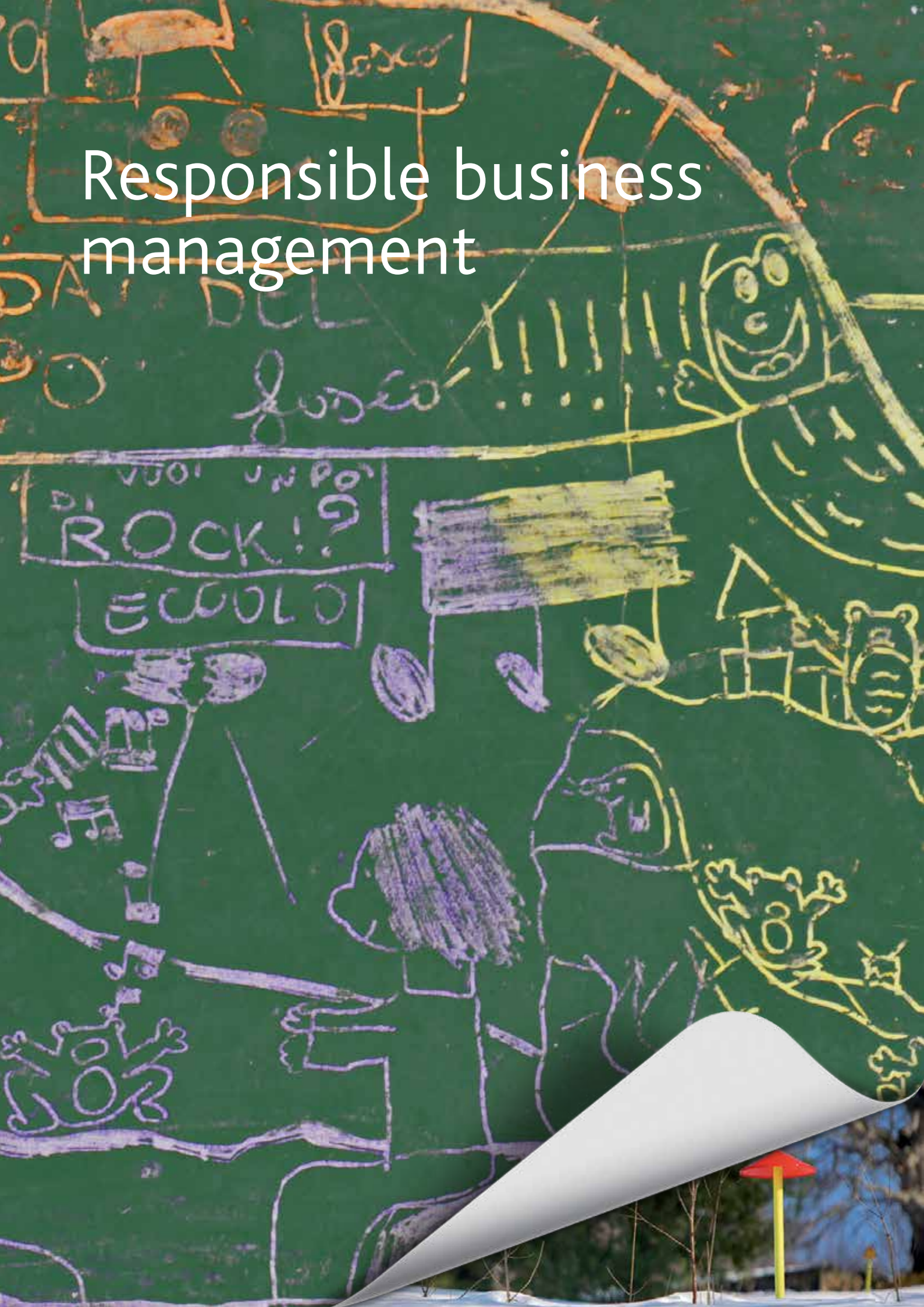








# Responsible business management



## GOVERNANCE AND RISKS MANAGEMENT ▷ GRI - G4: 2, 14

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

Snam has been tuned into this sensitive area since it was floated on the stock exchange in 2001. At that time it began to adapt its governance systems according to the principles set out in the "Corporate Governance Code for Listed Companies" issued by Borsa Italiana, and the recommendations made by Consob in this regard. More generally, it has sought to align itself with national and international best practice in this area, with a particular focus on the unbundling legislation, as it manages activities that are subject to the regulations of competent national authorities and European natural gas legislation.

Detailed information on Snam's corporate governance system is provided in the Report on Corporate Governance and Ownership Structure for 2014, which is published on the website ([http://www.snam.it/repository/file/Governance/relazione\\_governo\\_societario/Relazione\\_sul\\_Governo\\_Societario\\_e\\_gli\\_Assetti\\_Proprietari\\_2014.pdf](http://www.snam.it/repository/file/Governance/relazione_governo_societario/Relazione_sul_Governo_Societario_e_gli_Assetti_Proprietari_2014.pdf)).

### Our ethical principles and corporate values: Code of Ethics ▷ GRI - G4: 15

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

- transparency, honesty, propriety and good faith with regard to full compliance with the rules put in place to protect competition;
- involving stakeholders, fostering dialogue on sustainability and corporate responsibility;
- creating competitive value for the Company, for its stakeholders and for the region in which it operates;
- safeguarding and promoting human rights;
- protecting individual freedom in every form, and rejecting all kinds of discrimination, violence, corruption (in any form and regarding any public or private party), and forced or child labour;
- recognising and safeguarding dignity, liberty and equality among human beings;
- protecting employment, freedom of trade union association, health, safety, the environment and biodiversity.

In this respect Snam operates within the reference framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO (International Labour Organisation) and the OECD Guidelines for Multinational Enterprises.

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

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

### Governance: Recognition of directors' appointment

Snam has been recognised as the best Italian company in terms of transparency and compliance in the director appointment process. This was the result of a study conducted by the United Nations through the Principles for Responsible Investment Initiative (PRI), a network that gathers institutional investors that are most focused on the principles of sustainability and social responsibility in their investment decisions.

The study analysed Italy and six other international markets

(the US, Australia, France, Great Britain, Sweden and Canada), and showed how Snam's process of electing board directors is fully compliant with the fundamental principles espoused by PRI in its bylaws and in international best practices, especially with regard to the number of independent directors, gender equality and the transparency of information concerning the directors elected.

This recognition was the result of Snam's continuing adherence to the most advanced international governance standards and is a reflection of the significant results achieved in recent years by the Company in its relations with institutional investors.

### Corporate Governance ▷ GRI - G4: 34, 40, 42, 44, 45, 46, 48

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

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

The Board of Directors is the central body in Snam's corporate governance system. It is vested with the broadest possible powers of ordinary and extraordinary management, with the sole exception of acts that are reserved for the Shareholders' Meeting, either by law or in accordance with the bylaws. In particular, the Board plays a central role in defining policies on matters relating to sustainability, and also reviews and approves the Sustainability Report.

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

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

## Our governance and management systems

### CORPORATE GOVERNANCE

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

### INTERNAL CONTROL AND RISK MANAGEMENT

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

### ADMINISTRATIVE LIABILITY

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

### PROCEDURES

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



## COMPOSITION OF THE BOARD OF DIRECTORS ► GRI - G4: 38, 39

Director	Post	List from which elected
Lorenzo Bini Smaghi	Non-executive director and Chairman	CDP RETI list
Carlo Malacarne	Chief Executive Officer <sup>(1)</sup>	CDP RETI list
Sabrina Bruno	Non-executive director <sup>(2)</sup>	List presented jointly by minority shareholders
Alberto Ciô	Non-executive director <sup>(2)</sup>	CDP RETI list
Francesco Gori	Non-executive director <sup>(2)</sup>	List presented jointly by minority shareholders
Yunpeng He	Non-executive director	Coopted on the recommendation of CDP RETI <sup>(3)</sup>
Andrea Novelli	Non-executive director	CDP RETI list
Elisabetta Oliveri	Non-executive director <sup>(2)</sup>	List presented jointly by minority shareholders
Pia Saraceno	Non-executive director <sup>(2)</sup>	CDP RETI list

(1) Executive director

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

(3) Coopted by the Board of Directors on 26 January 2015 to replace Roberta Melfa, a director appointed by the Shareholders' Meeting of 26 March 2013 from the list submitted by CDP RETI, who stood down on 18 November 2014.

To more effectively carry out its duties, Snam's Board of Directors has set up, within its membership, the following three Committees required by the Corporate Governance Code that operate in accordance with the Corporate Governance Code and company bylaws:

- The Control and Risk Committee provides recommendations and advice to the Board by making suitable enquiries to support its decisions concerning the internal control and risk management system, as well as those relating to the approval of financial reports. For the performance of duties assigned by the Board of Directors as a part of the Procedure called "Transactions Involving the Interests of Directors and Statutory Auditors and Related-Party Transactions", only the independent directors of the Committee meet;
- The Remuneration Committee provides recommendations and advice to the Board of Directors in the area of director compensation and prepares the annual Remuneration Report to be submitted to the Board, and later to the Shareholders' Meeting, for approval;



- The Appointments Committee provides recommendations and advice to the Board of Directors in identifying candidates for the position of director if one or more directors no longer hold their office during the year, and it ensures compliance with requirements on the minimum number of independent directors and on quotas reserved for the less represented gender; it submits candidates to the Board of Directors for the corporate bodies of subsidiaries included in the scope of consolidation and of strategic foreign companies owned by the Company. Among other things, it prepares and proposes procedures for the annual self-evaluation of the Board and its Committees.

The Board of Statutory Auditors oversees compliance with the law and with the deed of incorporation, as well as adherence to the principles of proper administration in the performance of company activities; it also evaluates the adequacy of the organisational, administrative and accounting structure adopted by the Company, and how it functions in practice. The Board of Statutory Auditors also oversees the effectiveness of the internal control and risk management system.

#### COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Member	Position
Massimo Gatto <sup>(1)</sup>	Statutory auditor and Chairman
Leo Amato <sup>(2)</sup>	Statutory auditor
Stefania Chiaruttini <sup>(2)</sup>	Statutory auditor
Maria Gimigliano <sup>(2)</sup>	Alternate auditor
Luigi Rinaldi <sup>(1)</sup>	Alternate auditor

(1) List presented jointly by minority shareholders

(2) CDP RETI list

#### ACTIVITIES OF THE CORPORATE BODIES

Consigliere	Meetings (no.)	Average member attendance (%)
Board of Directors	10	93.3
Control and Risk Committee	15	94.5
Remuneration Committee	6	100.0
Appointments Committee	5	100.0
Board of Statutory Auditors	18	94.4

The audit of the Company's financial statements is entrusted to a specialised company on the appropriate register and appointed by the Shareholders' Meeting on the basis of a reasoned proposal from the Board of Statutory Auditors. On 27 April 2010, the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to audit the Company for the 2010-2018 period.

## Remuneration of management ▷ GRI - G4: 52

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

The policies implemented were assessed, in terms of positioning and pay mix, using remuneration benchmarks provided by specialist consultancy companies.

(Detailed information on compensation is provided in the "Remuneration Report" document on the website [www.snam.it](http://www.snam.it))

### PAY-MIX (%)

#### Chief Executive Officer

Minimum	100		
Target	43	21	36
Maximum	33	21	46

#### Managers with strategic responsibilities

Minimum	100		
Target	50	18	32
Maximum	41	19	40

#### Other managerial staff with a greater impact on business results

Minimum	100		
Target	68	16	16
Maximum	61	17	22

<span style="display:inline-block; width:10px; height:10px; background-color:#4F81BD; border:1px solid black;"></span> Fixed remuneration
<span style="display:inline-block; width:10px; height:10px; background-color:#808080; border:1px solid black;"></span> Variable short-term (IMA)
<span style="display:inline-block; width:10px; height:10px; background-color:#D9D9D9; border:1px solid black;"></span> Variable long-term (IMD + IMLT)

## Risk management ▷ GRI - G4: 49, 50

Responsibility for establishing and maintaining an effective internal control and risk management system that is in line with corporate and procedural targets and ensuring that risk management methods correspond to the risk reduction plans defined falls to the director in charge of the internal control and risk management system and those in charge of risk management. Snam's Board of Directors has identified the Company's CEO as the director in charge of the internal control and risk management system, performing the duties set forth in the Code of Corporate Governance.

Having heard the opinion of the Control and Risk Committee, the Board of Directors evaluates, at least once a year, the adequacy and effectiveness of the internal control and risk management system with regard to the characteristics of the Company and the Group and the risk profile adopted.

The Control and Risk Committee is tasked with supporting (through appropriate enquiries) the assessments and decisions of the Board of Directors concerning the internal control and risk management system, as well as those relating to the approval of periodic financial reports.

To this end, in 2014 the Control and Risk Committee performed the relevant activities specified in the regulations approved by the Board of Directors. In particular:

- the analysis, together with the head of the Enterprise Risk Management unit, of activities performed to identify, measure, manage and monitor the company's main risks;
- the supervision of activities performed by the Internal Audit unit;
- periodic meetings with the executive responsible for the preparation of the company's accounting documents, the head of the Compliance unit, managers of the Independent Auditor and the Watch Structure pursuant to Legislative Decree 231/2001 and (iv) review transactions completed with related parties.

Applying the control system is a primary responsibility of management, as control activities are an integral part of management procedures. Management must therefore foster an atmosphere that is actively orientated towards control and, in particular, oversee "line controls", which are all the control activities that the individual operating units or companies carry out on their processes.

The Internal Audit area is responsible for independent controls, and it is tasked with verifying that the internal control and risk management system is both operational and adequate, and that it carries out the following duties:

- preparation of the proposed audit plan based on the reporting of the main company risks;
- performance of audits and follow-up checks of corrective measures approved by management in relation to shortfalls found;
- independent monitoring of Company information as required by the Control System;
- support to control and supervisory bodies of the Group's companies and activities concerning the award and management of assignments given to the Independent Auditor.

The parent company performed auditing activities in 2014, with a dedicated team of 15 auditors.

#### ACTIVITIES CARRIED OUT BY INTERNAL AUDIT > GRI - G4: SO5, 57, 58

	2012	2013	2014
Total number of audits performed	55	63	93
Reports received	17	16	20
of which those concerning the Internal Audit System	10	7	2
of which those involving accounting, auditing, fraud, etc.	-	-	-
of which those involving administrative responsibility pursuant to Legislative Decree 231/2001	-	-	-
of which those concerning violation of the anti-corruption law	-	-	-
of which those involving other subjects (Code of Ethics, mobbing, thefts, security, etc.)	7	9	18
Reports shelved due to lack of proof or because untrue (no.)	13	10	13
Reports ending in corporate disciplinary or managerial action and/or filing with a legal authority	2	1	1
Reports in the process of examination (no.)			6

#### Enterprise risk management: development of the model

Snam's Enterprise Risk Management (ERM) department has been active since April 2013. It is tasked with identifying, measuring and monitoring all corporate risks. Through ERM, Snam has chosen to have a method and model for identifying, assessing, managing and controlling risk that is structured and standardised for all Group companies.

In 2014 four assessment cycles (one each quarter) were performed that differed depending on the severity of risks. Risk mapping led to the identification of 333 risks confirming the Company's low risk profile.

In addition to ordinary activities to verify and control mapped risks, in 2014 certain activities were carried out to ensure the continual improvement of the model adopted and to support risk managers.

To be specific:

- Analysis and classification of all causes of risks (over 1,200) to better identify "root causes" and related risk management and/or mitigation measures. The classification was performed by dividing causes into internal and external causes, and then subdividing them into categories (people, processes, legislation, suppliers, etc.) and sub-categories;
- Preparation of an integrated action plan that groups all measures (over 200) and the related timing to manage and/or mitigate risks;
- Development of a methodology to identify and measure the positive impact of events (opportunities);
- The start-up of production of an IT tool that allows the online completion of cyclical transactions to verify risk mapping. The tool will be used starting in 2015.



### Administrative liability and prevention of offences ▷ GRI - G4: SO3

The Board of Directors has adopted its own organisation, management and control model pursuant to Legislative Decree No. 231 of 8 June 2001 ("**Model 231**") to prevent crimes mentioned in the legislation on corporate administrative liability for crimes committed in the interest or to the advantage of the company (Legislative Decree 231/2001), and it has set up a Watch Structure equipped with autonomous powers of initiative and control, in compliance with the law.

Most recently, on 30 July 2013, the Board of Directors approved the new text of Model 231, which was updated with regard to the new crimes of "*private corruption*", "*undue inducement to give or promise benefits*" and "employment of third-country citizens whose stay is illegal", and to the changes to Snam's organisational and corporate structure.

Model 231 is an organic set of principles, rules and provisions concerning, inter alia, the management and control of each corporate process. Its aim is to protect the Company from any conduct that may incur its administrative liability, pursuant to Legislative Decree 231/2001, in relation to crimes or attempted crimes committed in the interest or to the advantage of the Company by persons holding a "senior" position within the entity or by those who are subject to the oversight or control of such persons.

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

The Subsidiaries have also adopted a Model 231 commensurate with their own specific nature, appointing their own Watch Structure to monitor the implementation and effective application of the model.

With a view to the continual improvement of the control system, and in light of the importance of making those inside and outside the Company aware of the content of Model 231, Snam has developed a specific training programme for all its employees in order to ensure that Model 231 is applied effectively. As well as being an important tool for making management and other employees aware of how to prevent the crimes mentioned in Legislative Decree 231/2001, this training activity encourages all staff members to play an active role in Snam's system of ethics and values.

Model 231 can be viewed on the Company's website (<http://www.snam.it/it/governance/responsabilita-amministrativa-231/>).

### Supervisory Body and Code of Ethics ▷ GRI - G4: 57,58

The Watch Structure comprises the Head of Internal Auditor, the Head of Management of Legal and Notarial Suppliers and Support Processes, and three external members, one of whom chairs the body, who are experts in legal and corporate affairs as well as in business organisation and economics.

Among other things, the Watch Structure oversees the effectiveness of Model 231 and the monitoring of how it is implemented and updated. It examines Model 231's suitability in terms of preventing unlawful conduct and manages the relevant flows of information with the various corporate departments and the watch structures of the Subsidiaries. The Watch Structure also acts as the Code of Ethics Supervisor.

In performing its tasks, the Watch Structure has unlimited access to corporate information for investigation, analysis and control activities. Any Company department, employee and/or member of Company bodies is subject to a disclosure obligation in the event of any request by the Watch Structure, and in the event of significant events or circumstances, for the performance of the activities falling within the field of competence of the Watch Structure.

### Anti-corruption

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

From January to December 2014 Snam monitored the Group's anti-corruption compliance programme. The implementation of this initiative, which is an integral part of the anti-corruption compliance programme, was managed in collaboration with a leading law firm which carried out a direct, ongoing audit of the implementation and application of the anti-corruption procedures required by the compliance programme including through meetings with the key officers of Snam and its subsidiaries. This analysis confirmed that the anti-corruption compliance programme was highly "appropriate" and "effective", reflected the provisions of applicable regulations and international guidance and best practices,

and was consistent with the most sophisticated compliance programmes adopted by major Italian and international companies.

In June 2014 Snam voluntarily submitted to the Assessment on Transparency in Reporting on Anti-Corruption ("TRAC") by Transparency International Italia, an international non-governmental organisation engaged in the fight against corruption. This assessment led to an analysis that covered, among other things, the tools Snam makes available to the public through the website [www.snam.it](http://www.snam.it), including the Code of Ethics, Anti-Corruption Procedure, financial reports and the Sustainability Report. Transparency International Italy assigned the maximum score to Snam for its proactive approach and transparency in the management and reporting of programmes and anti-corruption activities. In fact, Snam achieved a score of 100% on both sections of the evaluation applicable to it ("Anti-Corruption Programme" and "Organisational Transparency"). Transparency International Italia indicated that the Anti-Corruption Procedure was an example of "absolute excellence".

### Management procedures and systems

Snam believes that transparency and clarity in defining roles and responsibilities, reducing "grey areas" and differences of interpretation, are essential for the proper application of all of the standards that govern the management of all corporate activities. This emphasises the importance of the Corporate System Framework, a document created to innovate and simplify the Group's organisational and regulatory processes.

To manage some specific areas, such as occupational health and safety, the environment, the quality of services provided and, more recently, energy efficiency, Snam also decided to adopt a range of specific management systems and to obtain certification for these under the most widely recognised international standards.

In 2014, Snam Rete Gas initiated the "ISO 9001 Quality Certification" project aimed at extending this certification to the entire Company.

Group companies took all measures necessary to maintain existing certifications, including 314 audits (254 internal audits performed by specialised staff and 60 performed by outside companies). To check that the management systems used are effective, more than 167 health, safety and environment audits (+67% compared to 2013) were carried out on contractors operating at the worksites.



## MANAGEMENT SYSTEMS

Company	Coverage certification	Type of certification and accreditation	Year of initial certification	
Snam	Società	BS OHSAS 18001	2012	
Snam Rete Gas	Information security management for Dispatching and measuring natural gas	ISO 27001	2014	
	Company	ISO 14001	2013	
	Gas process systems	ISO 9001	2013	
	Infrastructure Planning Unit	ISO 9001	2011	
	Company	BS OHSAS 18001	2010	
	Metering Unit	ISO 9001	2010	
	Testing laboratory (LAB 764 conveyed gas flows)	ISO 17025	2007	
	Dispatching Unit	ISO 9001	2003	
	Calibration laboratory (LAT 155 mixtures of natural gas)	ISO 17025	2002	
	GNL Italia	Company	BS OHSAS 18001	2012
ISO 14001			2000	
Stogit	Company	BS OHSAS 18001	2012	
	Design and delivery of natural gas metering and accounting	ISO 9001	2008	
	Società	ISO 14001	2002	
Italgas	Company	ISO 50001	2012	
		ISO 14001	2001	
		BS OHSAS 18001	2001	
		ISO 9001	1996	
		Calibration laboratory (LAT 216)	ISO 17025	1994
		Testing laboratory (LAB 83)	ISO 17025	1994
		Inspection Unit <sup>1</sup>	ISO 17020	2014
Napoletanagas	Company	ISO 14001	2003	
		BS OHSAS 18001	2003	
		ISO 9001	2000	
AES	Company	ISO 9001	2008	
		BS OHSAS 18001	2007	
		ISO 14001	2004	

(1) Type C Inspection Unit for "Periodic verification of the volume conversion devices associated with gas meters (Type 1) in compliance with the provisions of Ministerial Decree 75/2012"



## SUPPLY CHAIN INTEGRATION ▷ GRI - G4: 12, EC9

Snam is a “vast” company that is deeply connected to its supply chain. In fact, suppliers of goods and services are increasingly an integral part of the business model, and they contribute to the creation of value since, in particular, they are directly involved in core development and maintenance processes for the infrastructure network. Snam is guiding its suppliers to improve and optimise the ways they handle subcontracts to create greater responsibility on the part of subcontractors and ensure the growth of the supplier and better quality of the activities performed for the Company.

As a part of the dissemination of the sustainability culture, in July 2014 the third workshop was organised, this year at the Group level. The workshop was dedicated to “The Responsible Relationship between the Company and Supply Chain” focusing in particular on the sharing of information between the company and its suppliers, which is essential to enhance the sustainability culture and improve the best practices implemented by Snam and its suppliers.

### SNAM AND ITS SUPPLIERS

A clear and responsible relationship

- Strive towards constant improvement and the achievement of long-lasting high levels of performance over time
- Not only quality, price and reliability requirements, but also a commitment to innovative processes
- Reducing environmental and social impacts and risks within the supply chain
- Reciprocal growth and creating shared value
- Dissemination and sharing of the values of legality, correctness, transparency and compliance with free competition

### Snam Supplier Portal for sustainability

In 2013 Snam launched the Supplier Portal, a web-based platform designed to improve and optimise day-to-day operations of all those involved in the management of the entire supply chain. This tool provides information, best practices, downloadable documents, updates to procedures concerning the supplier qualification process, calls for bids, the procurement process and the e-business system.

At present about 1,000 suppliers are registered on the Portal. Each supplier is able to access, in the relevant private area, information on merchandise groups for which it is qualified, active contracts, performance in terms of work safety, all administrative elements and forms.

The Portal contains detailed information and good practices on issues of major importance for Snam including the health and safety of workers, human rights and respect for the environment.

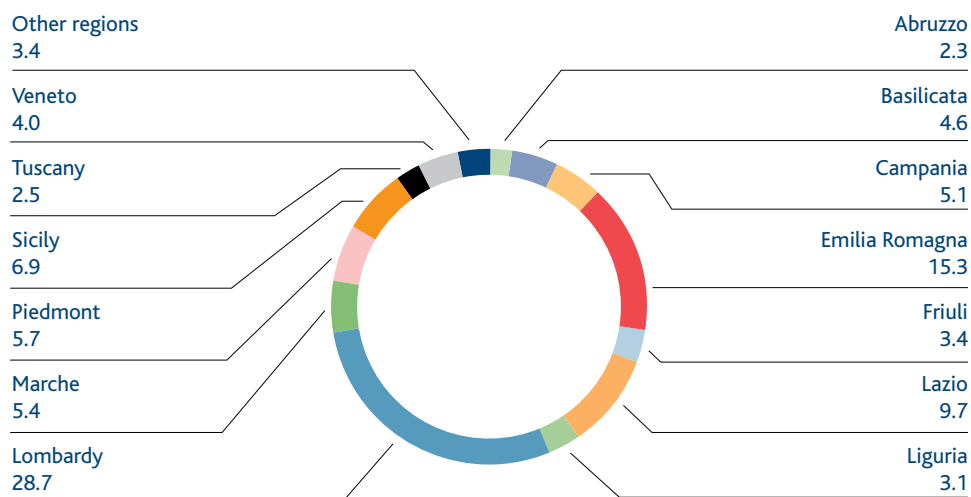
During the year, several sections of the Portal were supplemented to continue to make it a useful tool for establishing a dialogue and sharing know-how with suppliers. In particular, the “Snam for Suppliers” section was created which includes the most significant data and indices concerning Snam’s procurement, and provides an additional contribution in terms of transparency and the completeness of information. In 2014 over 83,000 visitors accessed the Portal 221,000 times and viewed over 800,000 pages (many sections of the Portal can be accessed without restriction).



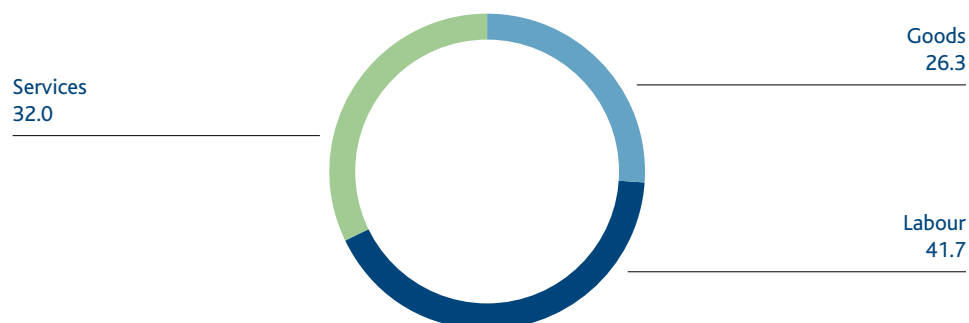
Snam operates in supply chains in its own interest, transparently and in full respect of free competition, and seeks to involve suppliers in achieving long-term high levels of performance, with the aim of reciprocal growth and creating shared value. Its procurement policy also includes a particular focus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

Faced with a severe economic crisis in the domestic market, in 2014 Snam put 970 companies to work including 628 small and medium-sized enterprises (SME), and it entered into 1,573 procurement contracts including 60% with SMEs for a total of €1.17 billion (92% in Italy) including goods, labour and services. Of the goods purchased, the most significant for the Snam Group is steel (pipes, pipe fittings, etc.), of which it purchased over 70,000 tons.

#### GEOGRAPHICAL DISTRIBUTION OF PROCUREMENT IN ITALY (%)



#### PROCUREMENT BY PRODUCT CATEGORY (%)



A clear and responsible relationship

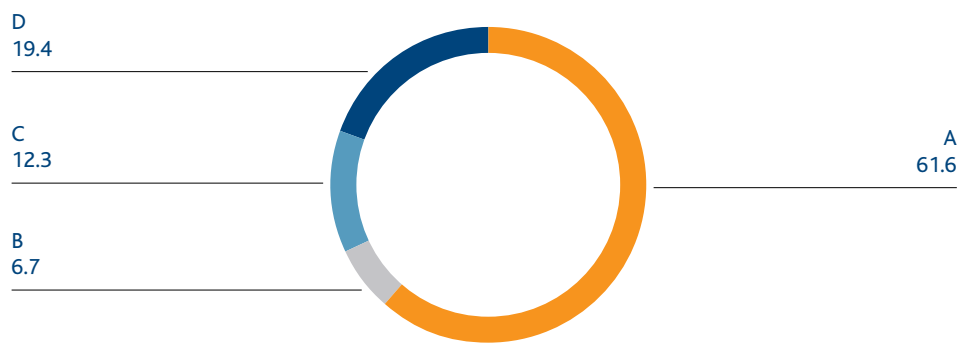
Any parties intending to supply goods, labour and services to Group companies must not only meet its quality, price and reliability requirements but also share its drive towards innovating processes and its commitment to reducing environmental and social impacts and risks within the supply chain. This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

In order to qualify for selection, potential suppliers must come through various preliminary evaluations, both theoretical and practical, according to the nature and criticality of the goods involved. The evaluation is performed with the systematic support of computer tools in order to ensure that the information gathered is traceable and comparable.

Goods are classified according to four levels of criticality (A, B, C and D) that are allocated to each group of goods according to their technological complexity and the impact on Snam’s performance.

Criticality categories A and B are the most critical level.

PROCUREMENT BROKEN DOWN BY CRITICALLY CLASS (%)



Many elements are assessed during the qualification process, including technical and management capacity, economic and financial reliability, ethical profile (including for products), commitment to anti-corruption, safeguarding and protecting the environment, promotion of healthy and safe working conditions and the absence of forced or child labour.

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

For the most critical goods, procedures also include very stringent requirements for qualification such as the supplier’s possession of certified management systems compliant with international standards.

For example, 100% of suppliers in the “Labour” category with criticality levels of A and B (about 30% of qualified suppliers in the same category) have quality and environmental management systems certified according to ISO 9001 and ISO 14001 standards. Snam has set a goal for these suppliers to increase the holding of the OHSAS 18001 certification (health and safety of workers) through a specific KPI.

## KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Number of labour suppliers (criticality levels A and B) with OHSAS 18001 certification	2014	Achieve 90% by 2015	60	Gruppo Snam	○

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

During the year, 772 suppliers were involved in activities concerning renewals and new qualifications, and as at 31 December there were 3,641 qualified suppliers on the vendor list.

At 31 December 2014, Snam reported 22 pending disputes with suppliers. Of these, seven were initiated during the year, and 16 were closed in 2014.

## The driver towards continuous improvement

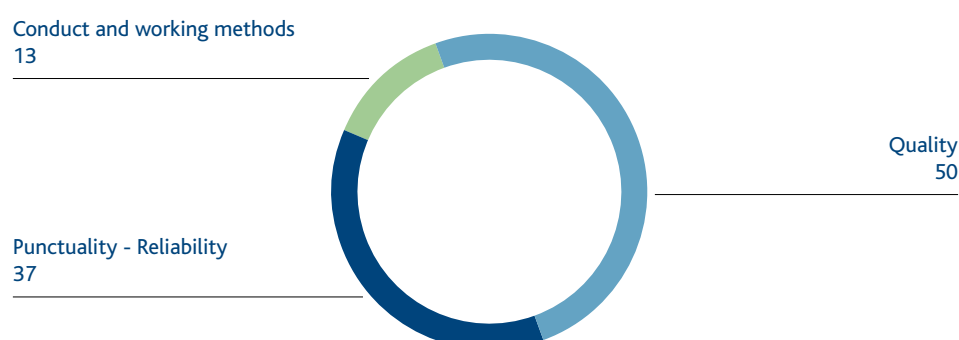
The qualification process is part of the broader Vendor Management system, which also includes the monitoring of suppliers through audits, inspection visits and assessments of their services, prepared with the help of the units responsible for managing their contracts.

The system is designed to safeguard the integrity of the sustainability of the supply chain: Snam may place under observation, limit, suspend or even revoke the qualification of suppliers that fail to comply with the agreed standards. Possible failures include a lack of the technical and organisational requirements, negative assessments of the supplier's services or those of its subcontractors, and failure to observe measures relating to regular contributions and the rules of Snam's Code of Ethics.

In 2014, Snam carried out 19 audits on critical suppliers in the qualification phase, collected 1,042 feedback statements relating to 220 suppliers and issued 76 measures for non-fulfilment, including notices and qualification suspensions and revocations.

The Company's policy includes the regular assessment of suppliers through the determination of a rating index (IR). The areas that contribute to determining this index concern the supplier's ability to comply with technical contractual requirements as well as those relating to health, safety and the environment (Quality), meet delivery deadlines (Punctuality), and establish an excellent relationship with the principal during the entire term of the contract (Conduct).

## RATING INDEX COMPOSITION (%)



As a part of the system to assess suppliers' services, during the year the point reward system continued for suppliers reporting no accidents during the execution of construction and maintenance activities on the gas infrastructure.

Collection also continued of the accident rates of suppliers throughout their working cycles, and not only as part of their relations with Snam. This was done to encourage more transparency and knowledge about the supplier and, where necessary, to start specific awareness-raising initiatives.

Finally, the Company continued to make suppliers aware of the ten principles stated in the Global Compact and disclose these to them.

Based on the Company's commitment to ensure that suppliers contribute to reducing environmental and social impacts and risks present in the supply chain, in 2014 the number of sustainability-related controls was increased.

Snam is committed to continuing in this direction, ensuring that the highest attention is paid to the analysis of the aspects associated with working practices, environmental criteria and human rights of all its suppliers.

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

Suppliers <sup>(1)</sup>	Number		Working practices <sup>(2)</sup>		Environmental criteria		Human rights <sup>(3)</sup>	
	2013	2014	2013	2014	2013	2014	2013	2014
<b>Goods</b>								
Qualified suppliers	1,538	1,472	36.7%	37.9%	36.7%	37.9%	100%	100%
of which in criticality classes A and B	262	227	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	71	129	35.2%	25.6%	35.2%	25.6%	100%	100%
of which in criticality classes A and B	9	17	100%	100%	100%	100%	100%	100%
<b>Labour</b>								
Qualified suppliers	504	474	61.3%	73%	61.3%	73%	100%	100%
of which in criticality classes A and B	122	141	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	66	115	48.5%	70.4%	48.5%	70.4%	100%	100%
of which in criticality classes A and B	15	51	100%	100%	100%	100%	100%	100%
<b>Services</b>								
Qualified suppliers	3,163	2,391	38.6%	41.9%	38.6%	41.9%	100%	100%
of which in criticality classes A and B	235	269	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	216	401	28.2%	30.4%	28.2%	30.4%	100%	100%
of which in criticality classes A and B	15	48	100%	100%	100%	100%	100%	100%

(1) A supplier may hold multiple qualifications, including by different product category.

(2) Health and safety related aspects.

(3) Ethical aspects (regular contributions/DURC, Legislative Decree 231/2001, child labour, forced labour, etc.).



## SAFETY AND CORPORATE CULTURE

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

This also has to be the primary goal of any entity responsible for developing and managing network infrastructure. However, Snam is well aware of another value that is also a priority for everybody: being able to use gas wherever necessary, at home and in business, with the guarantee of safety for both people and property.

Snam has therefore always put safety first, making it the linchpin of its corporate culture and rooting it primarily in people, encouraging the growth of technical and operational knowledge so that gas represents a safe and reliable energy source for everyone.

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

### Infrastructure safety

During a normal year, plants and pipes periodically undergo inspections and maintenance operations.

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

### OVERSIGHT AND INSPECTION OF TRANSPORTATION ACTIVITY

	2012	2013	2014
Network inspected using intelligent pigs (km)	2,098	2,342	1,950
Network inspected with helicopter fly-overs (km)	>15,000	15,400	15,700

The 11 gas compression stations situated along the 32,000 km of pipeline network are controlled directly by the recently renovated dispatching unit at San Donato Milanese, which is responsible for ensuring that pressure levels are sufficient to meet demand.

The dispatching unit is a strategic infrastructure that manages gas flows in the national transportation network: its 24/7 operations room monitors and remotely controls the main pipelines and the compression stations of the Italian gas system. A 46-m<sup>2</sup> video wall gives operators an overview of the national gas transportation network, showing the major points of interest and related information.

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

In distribution, Snam regularly undertakes inspections and maintenance operations at its gas reduction plants, and continually checks the condition of the steel pipes: in 2014, approximately 8,190 significant points on the network were monitored, and over 30,000 specific measurements were taken. More than 22,000 km of network were inspected.

### Infrastructure safety: drill programmes

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

In 2014, the main national and international activities in which Snam participated concerned tsunami and volcano risks (Directive of 14 February 2014 of the Department of Civil Protection). These involve information exchange and the sharing of methods and practices, with the institutions overseeing infrastructure safety and the companies providing essential services for the country. In this context, Snam collaborates with the Italian Department of Civil Protection, with the aim of strengthening the management model for emergency response

in procedural, organisational, training and operational terms. In the procedural and organisational domain, Snam has adopted the measures established at the national level for managing activities in the event of a volcanic eruption with a strong emphasis on activities aimed at restoring infrastructure and the networks needed to continue economic and production activities and to resume normal living conditions in the country. From September to December 2014, Snam participated in the preparation, execution and analysis of the NEAMWAVE 14 drill that was organised at the European level by the Department of Civil Protection. The goal of the NEAMWAVE programme is to initiate a sharing strategy at the national level on the issue of tsunamis by supplementing essential services in the Civil Protection's warning system.

Preventative checks on the reliability of the distribution system by seeking atmospheric gas dispersions is an important source of information used to decide what action to take.

To make the otherwise odourless and colourless gas detectable when it is dispersed, Snam uses odourisation plants equipped with innovative automated injection systems, which measure out quantities of odouriser according to the volumes of gas distributed.



### Helicopter fly-overs are a shared value with the region

In 2014 a protocol was signed to start collaborating with the "Lelio Pagani" Regional Research Centre at the University of Bergamo. The collaboration involves giving the University, free of charge, the aerial photographs taken during fly-overs to monitor the network. These may serve as a point of reference for a number of studies and research projects aimed at gaining a more detailed knowledge of the many aspects of the region (agriculture, forests, geology, town planning, landscape, etc.). In fact, the work of the Research Centre is mainly carried out on the basis of analyses of geographical representations based on zenith views and blueprints. The "bird's eye view" produced by Snam during fly-overs to monitor the network is rarely used in cartographic representations, but is particularly attractive and can be immediately interpreted. Thus, this information will be used and exploited for various educational, cultural and analytical purposes, and in this context, the creation and updating of a catalogue of aerial photographs over time may serve as an important tool for learning about the region concerned, and therefore contribute to the reconstruction of historical transformations over a specific period of time.

**Accident prevention** ▷ GRI - G4: LA6

The Snam Group is constantly committed to developing and promoting the protection of health and safety in workplaces as part of an ongoing process to improve its health and safety performance in accordance with the Company's policy on Health and Safety, the Environment and Quality.

When managing relevant health, safety issues for all Snam Group companies, it is essential to implement standardised management systems that are developed and maintained in accordance with standard OHSAS 18001. To be specific, the goal of the Snam Worker Health and Safety Management System is to provide strategic guidelines, coordination and oversight to the Group's operating companies.

Snam's HSEQ unit has coordination and overall strategic duties for the entire Snam Group and for HSEQ units at individual companies with specific strategic, coordinating and support duties in relation to relevant operating units.

In 2014, there was further development of the documentary and management alignment process for HSE activities allowing for a more effective and efficient company management model in accordance with the international standard.

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

Preventing accidents, which is the main aim of health and safety, takes place through targeted measures to eliminate or reduce the typical risk factors associated with working activities.

In-depth analysis of the causes of accidents is aimed at identifying any measures to eliminate, mitigate and correct risk factors, by applying technical and management organisational solutions to equipment, plants and workplaces, as well as operational and behavioural procedures. The results arising from the accident survey are examined in detail during regular safety meetings, where employees are informed about accident causes and any preventative and protective measures adopted.

Improvement and prevention plans focused on reducing accidents have mainly involved widespread measures to inform staff and raise their awareness, in order to promote safe and responsible conduct, in adherence to operating and safety procedures, and the proper use of work equipment and protective devices.

## "Objective Safety" Project

The "Objective Safety" project is a programme aimed at the continuing improvement of aspects related to the health and safety of workers.

The goal of the programme is to expand the company's culture in the areas of health and safety making it a key company objective through the involvement and participation of individuals while improving its HSE performance and constantly reducing accidents at work, with the ultimate aim of achieving "zero accidents".

This programme was launched in 2010, and over the years has had important, positive effects on the attitudes, conduct and personal responsibilities of employees and outside interested parties, and its principles are continually disseminated through the accident prevention culture and serve as a driving force to enhance the company's ideals, as well as those of all society.

### Initiatives of the Objective Safety Project:

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

In addition to these plans, plant and safety equipment, systems and devices are maintained and checked by both internal staff and by external entities or qualified external firms.

At the same time, the launch of initiatives involving suppliers, and the constant and progressive raising of supplier awareness of the need to adopt best practices, led to positive improvements in health and safety management during contracting activities.

Supplier qualifications are closely evaluated, and suppliers are then checked and monitored using a feedback model, and inspections are performed during the work execution phase.

During the year, workshops are periodically held with suppliers that focus on building shared values between the company and suppliers.



Over time, these actions have led to a reduction in accidents of both company and contractor staff leading to a gradual improvement in accident frequency and severity indicators.

#### ACCIDENTS AT WORK (no.)

	2012	2013	2014
Total employee accidents	15	15	15
Total contractor accidents	27	22	16

Using the same consolidation of companies as in 2013, the index of the frequency of employee accidents was 1.31 (-13.2% compared to 2013), and the severity index was 0.08 (-11,1% compared to 2013). If AES is also included (starting 1 July 2014), the index of the frequency of accidents rises to 1.49, while the severity index remains largely unchanged. In 2014 no fatal accidents were reported among employees.

#### ACCIDENTS AT WORK (no.)

##### Employee frequency index

2012

1.51

2013

1.51

2014

1.49

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

#### ACCIDENTS AT WORK (no.)

##### indice di gravità dipendenti

2012

0.06

2013

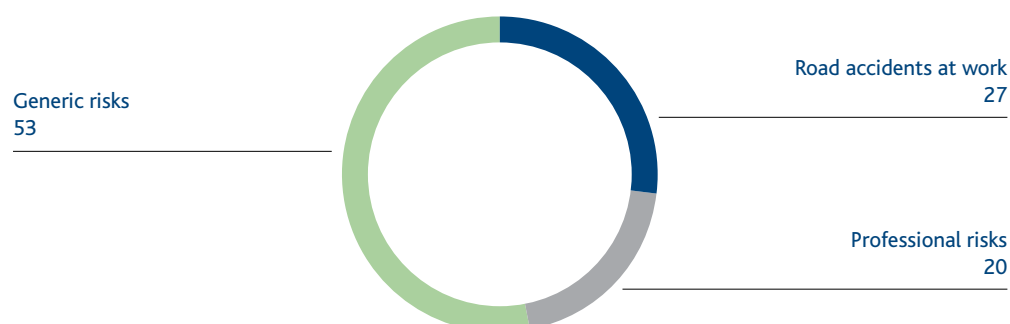
0.09

2014

0.08

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

#### CAUSES OF EMPLOYEE ACCIDENTS (%)



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

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

	2012	2013	2014
Hours provided	26,959	34,641	<b>53,433</b>
Attendance	4,062	4,255	<b>5,886</b>

#### A "ZERO-ACCIDENT" YEAR\*

Company	Homogenous group
Snam Rete Gas	Northern district, plants, north-western district, Sicilian district, south-eastern district, investment project implementations and San Donato staff
Italgas	Proredi unit, northern district, Rome gas distribution, Sicilian district, registered office at Palazzo Uffici in Turin, southern district, central district
Stogit	Treste river centre, Crema (registered office), Ripalta Sergnano centre, Brugherio Settala centre, Minerbio Sabbioncello centre
Napoletanagas	The entire company
Gnl Italia	The entire company

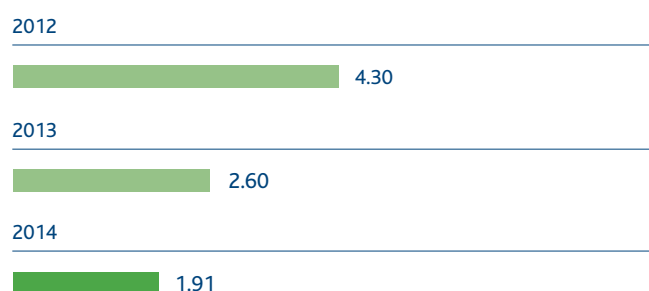
\* Homogenous groups that achieved 365 days without accidents in 2014



At the same time, the launch of initiatives involving suppliers, and the constant and progressive raising of supplier awareness of the need to adopt best practices, led to positive improvements in health and safety management during contracting activities.

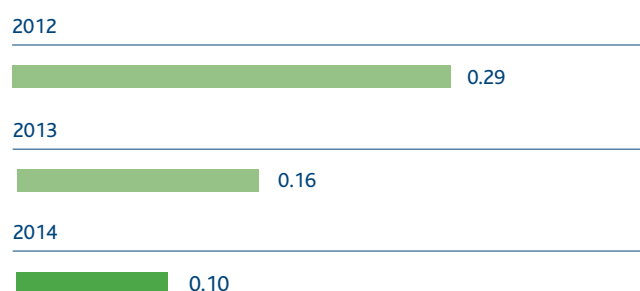
In recent years, Snam's actions have led to a significant reduction in the accident indicators of suppliers, and this downward trend was also confirmed in 2014 with a decrease of 26,5% (compared to 2013) in the frequency index and of 37,5% in the severity index. In 2014 one fatal accident was instead reported among the contractor personnel.

#### ACCIDENTS AT WORK (no.) Contractor frequency index



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

#### ACCIDENTS AT WORK (no.) Contractor severity index



number of working days lost in relation to non-commuting accidents with incapacity of at least one day, per thousand hours worked - The data do not include fatal accidents

### Safeguarding health ▷ GRI - G4: LA7

The protection of workers' health is based on the continual monitoring of risk elements that are analysed in company processes, and the implementation of appropriate prevention and protection measures.

Inspections are periodically conducted in work environments by the physician in charge and the Prevention and Protection Department in order to assess whether working and environmental conditions are adequate and appropriate, and to identify any preventive measures or improvements.

Snam's employees are not exposed to a high risk of occupational illness. For staff exposed to specific risk factors, periodic health checks are performed by physicians in charge on the basis of specific medical protocols determined on the basis of the risk in addition to any supplementary specialist visits.

Specific preventive measures are used for staff who, for work purposes, are required to work in countries outside Europe. In the promotion of employee health, Snam has implemented various initiatives: the flu vaccination campaign, the early diagnosis programme to prevent cancer, agreements with specialised institutions, the ban on smoking (also applicable to electronic cigarettes) in the workplace, and the ban on consuming alcoholic beverages in the company's canteens.

#### HEALTH MONITORING (no.)

	2012	2013	2014
Doctor's visits	3,208	2,674	2,630
Regular doctor's visits	2,636	2,610	2,387
Diagnostic exams	3,504	2,989	2,203
Environmental investigations	272	260	532
Occupational illnesses reported and recognized	0	0	0

## WORKERS RECEIVING REGULAR HEALTH CHECKS (no.)

	2013	2014
Total number of workers exposed	4,027	3,553
Workers exposed due to VDT usage	3,270	2,712
Workers exposed due to emergency role	841	832
Workers exposed due to chemical agents	326	135
Workers exposed due to manual movement of loads	104	99
Workers exposed due to night work	84	88
Workers exposed due to noise	19	145
Workers exposed due to other reasons	351	375

## Workplace health promotion (W.H.P.)

This project was started in 2010 based on the collaboration between ASL in Bergamo and Confindustria (the Confederation of Italian Industry) in Bergamo, based on the shared conviction that promoting workers' health is in everyone's interest.

In this area, ASL Milan has promoted the project at all major companies in the Lombardy Region including companies of the Snam Group.

Workplace Health Promotion (WHP) involves the promotion of factors related to improved work organisation and a better work environment, encouraging staff to participate in healthy activities, promoting healthy choices and encouraging personal growth.

The project's activities include:

- Performing effective good practices with the scientific support of the ASL;
- Joining a Regional Network (the sharing of experiences and materials produced among member companies) with the accreditation of a "Company promoting health";
- The company voluntarily joining the project;
- Activities to promote health seen as an invitation and opportunity for workers;
- Assessment and measurement of results obtained on an anonymous basis.

Initial activities included the presentation of the programme to all employees with the administration of an anonymous questionnaire aimed at monitoring the spread of crucial conduct and risk factors for health, and at assessing the effectiveness of the measures taken.

The company is accredited through an annual procedure to plan and implement good practices in compliance with a minimum number of good practices in the six specific theme-based areas of the programme.

- Promotion of proper nutrition
- Anti-smoking campaign
- Promotion of physical exercise
- Road safety and sustainable commuting
- Alcohol and substance abuse
- Promotion of personal and social wellbeing









# Network and market development



Snam is already working with other operators in the sector, who are its partners, to ensure the security of bidirectional gas flows between the UK and Italy and between France and the Iberian peninsula. These actions are the first step towards the European integration of networks, but there is still a lot of work to do to make changes and become true system operators providing market-oriented services with a focus on the quality of production to satisfy the ever changing needs of shippers and end customers.

In this context, regulators and institutions need to support the integration processes and ensure the full use of existing storage and the development of additional capacity through a framework that offers stability, continuity and transparency in addition to adequate economic returns to make the investment strategies sustainable.

### Shared storage: Snam's proposal on gas for Europe

The sudden change in developments in the gas market made it clear to European legislators and operators that energy security is fragile. As a result, the idea of common strategic storage at the European level is gaining ground and credibility. This concept was launched by the Snam Group to face the need of ensuring the security of procurements, which translates into operators' ability to store gas not only in their country, but wherever it is more convenient for their business within the European continent. From this standpoint, storage would take on a strategic value because

it would perform two essential functions for the security of procurements: modulation, meaning the ability of shared storage to serve as a clearinghouse for shippers' decisions in the event they decide to import less gas than the amount requested; and the "role" of warehouse for those traders who intend to buy gas at the best price possible to use it when it is actually needed.

The Snam Group's idea must be discussed at the European level because, on the one hand, all nations must accept the shared and coordinated management of energy resources, and on the other hand, they must undertake, to the extent applicable, to increase storage capacity within their countries.

## REGULATION OF BUSINESS SECTORS

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

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

Specifically, the Group's companies individually:

- respond, either directly or through trade associations, to the public consultations that the Authority holds on different activities in the segment prior to defining new regulations or revising current ones;
- take part in technical working groups established by the Authority on changes to the regulatory framework;
- draft changes to the transportation, distribution, storage and regasification Network Codes, which are then submitted to the Authority for approval;
- participate in gathering data and in surveys conducted during the year for purposes of evaluating the status of the sector or of the individual services, and periodically send the data requested in compliance with reporting obligations.

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

#### RAPPORTI CON L'AEEGSI

Description	Transportation	Storage	Distribution	Regasification
Responses to consultation documents (no.) *	5	9	4	3
Responses to consultations/observations through trade associations (no.) **	9	8	13	3
Tariff proposals (no.)	3	1	6	2
Data gathering (no.)	100	81	113	28
Investigations (no.) ***	5			
Proposed amendments to codes and contractual documents (no.) ****	28	1		1
Approved amendments to codes and contractual documents (no.)	13	4		1

\* In addition to responses to consultation documents, the presentation of observations through public hearings at the Authority must also be considered.

\*\* Responses to consultations (Electricity and Gas Authority, Ministry of Economic Development and Energy Market Operator) through trade associations. On one occasion, the company participated in a technical working group between trade associations and the Authority that was started during the year.

\*\*\* Includes: exploratory investigations in the transportation segment.

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

On the European level, the Electricity and Gas Authority is part of the Agency for the Cooperation of Energy Regulators (ACER) and Snam Rete Gas is part of the European Network of Transmission System Operators for Gas (ENTSOG). These two organisations are working towards the creation of a single market for natural gas by developing guidelines and rules for accessing and using cross-border infrastructures.

In this regard, in 2014 Snam collaborated in the process to establish new European codes to set common inter-operation rules and in the preparation of the Ten-Year Plan to develop the European Transmission System (TYNDP - Ten-Year Network Development Plan), the publication of which is scheduled for March 2015. In 2014 two regional investment plans (GRIPs) were published that were of interest to Snam: one related to the South-North European corridor ("South-North Corridor GRIP"), and the other regarding the nine guiding principles for the procurement of gas from the Caspian Sea area ("Southern Corridor GRIP").

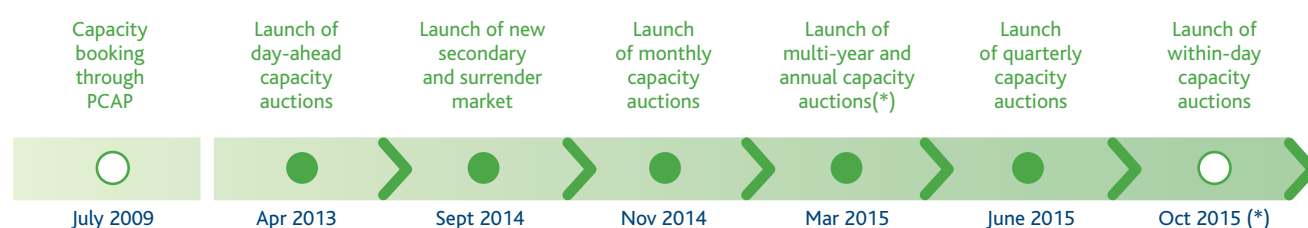
Through ENTSOG and GIE (Gas Infrastructure Europe, an association of European transportation, storage and regasification infrastructure operators), Snam also participated in the preparation of about 20 responses to public consultations and the development of association positions in response to documents mainly proposed by the European Commission and ACER. The main themes subject to consultation related to the development of EU energy policies, changes to the Gas Target Model and the guidelines relating to European Codes.



## IMPLEMENTATION OF EUROPEAN CODES

Snam is one of the partners of PRISMA, the international project involving the participation of 31 European gas transportation operators from 12 countries. PRISMA's goal is to promote the harmonisation of rules for accessing and providing services, and to facilitate the creation of a single market for natural gas in Europe by offering transportation capacity through a single, shared IT platform.

Through PRISMA, since September Snam has offered users the ability to exchange secondary capacity among them (the Secondary Market), and to surrender capacity to the Shipper (the Surrender) at the network's interconnection points with foreign transportation systems. Since November, Snam has assigned transportation capacity to gas system users at all points of entry and departure from the transportation network interconnected with foreign gas pipelines through an auction mechanism that follows the timing of the shared European calendar set by ENTSOE. In keeping with European regulations, users may reserve monthly, quarterly or annual capacity in unbundled form, meaning only coming into or leaving the Italian transportation system, or in bundled form, i.e., by simultaneously buying capacity from Snam and the operator interconnected to the same exchange point. This initiative is a part of the shared project at the European level to harmonise rules which calls for offering daily transportation capacity through a day-ahead auction mechanism.



(\*) Indicative timeframes pending definition of the regulatory framework

### New European codes for regulating exchanges

In order to create a European gas market characterised by liquidity, flexibility and secure procurements, the European Community is establishing a set of rules that will have an impact on operators' activities.

**Capacity Allocation Mechanism (CAM)** - The European code for capacity allocation (EU Regulation 984/2013), which is to be implemented on 1 November 2015, governs the supply of monthly capacity products on an auction basis, and later products with longer deadlines (quarterly, annual and multi-year) as well as the marketing of intra-day (within-day) products. In addition to standard (unbundled) capacity, meaning only coming into or leaving the Italian transportation system, the Code also provides for the sale of bundled capacity, i.e., on a joint basis between operators who are upstream or downstream from the same interconnection point with foreign suppliers.

**Congestion Management Procedure (CMP)** - These are procedures for the management of contract congestion (EU Regulation 715/2009). Their implementation was initiated in 2013 on oversubscription (offering more capacity than what is available), repurchase (in the event of physical congestion) and capacity surrender (surrender of capacity so it can be reassigned) mechanisms.

**Balancing Network Code** - This is the European code governing the balancing of gas in transportation networks (EU Regulation 312/2014), the application of which is scheduled for 1 October 2015. The code includes rules for operational balancing, the appointment and re-appointment of gas transportation programmes (which will later be hourly), the management of imbalances and information to be provided to operators enabling the balancing of positions.

## INNOVATION AND QUALITY OF SERVICES ▷ GRI - G4: 4

### Simplifying commercial processes

Over the last ten years, the Italian gas market has experienced a constant upward trend in the number of operators. In 2014 alone, the number of users active in transportation rose significantly from 108 to 134 (+24%), and during the same year, 45 connection agreements were entered into for the creation of new delivery/redelivery points. Based on the new rules, operators may carry out gas exchanges by purchasing transportation capacity not only over a time horizon of a year or many years, but also on a daily basis, thereby increasing the frequency of transactions.

To manage exchanges among operators and relations with them, over time Snam has developed IT systems and web portals that now represent a separate form of capital for the company and are regularly updated.

To be specific, in 2014 systems to improve management linked to the Balancing Scheme were developed together with users of the web portals. In addition, new functions were introduced, which, on the basis of information provided by distribution companies, make it possible to assess the so-called Appropriate Capacity allowing users to monitor their balancing position to protect the gas system.

Also in 2014, Snam created a new portal dedicated to the transportation sector called ServiRe, which, among other things, supports: the "discatura" (termination of existing redelivery points) and opening of redelivery points on the transportation network; activities in preparation for the organisation and activation of an alternate supply service using canister cars due to transportation service interruptions; the management of users of the transportation service, distribution companies and owners of plants connected to the methane pipeline network that are available 24-hours a day.

The portal has enabled the use of a well-defined channel of communication and the real time monitoring of progress made on requests, thereby simplifying related activities for users.

Since January 2015, a new IT platform has been available to support gas transportation scheduling and balancing, ensuring the improvement of performance and reliability of the system as well as the flexibility and scalability for the introduction of new requirements such as the new requirements resulting from changes in domestic and European regulations (MWh, nomination cycles, new communication protocols). A workshop targeted at users of the transportation service has been arranged to describe the functions of the new system in support of commercial processes.

Changes in IT systems have also continued for storage activities for an ongoing improvement of the quality and flow of services and as a result of regulations issued by the Electricity and Gas Authority.

The Stogit Capacity Portal, which is useful for providing full coverage of information exchanges with its customers in accordance with the provisions of the Storage Code, was further upgraded in the area of auction-based transfer processes for peak and uniform modulation storage services. In addition, the processes of transferring capacity, contracts and invoicing were created, optimised and consolidated. These were previously implemented and are currently used by all customers.

Furthermore, the SAMPEI portal was implemented; this is an essential system for the management of contracts through: the automated management of the calculation of the "Ru" factor used to stabilise the injection capacity of each individual storage service; amendments due to the new Gas Logistics system; functions related to functional gas, and the automatic sending of data to close out financial statements; automated reporting concerning SCIS controls; management of information flows to the European portal AGSI for the publication of data; the management of gas provided as collateral for transportation balancing; the management of new agreements for various user warehouses and new distribution methods.



### Service quality

An average of over 374 million cubic metres of transportation capacity was provided to customers at points of entry on the network during the year. Access to the service was guaranteed for all the operators.

The process of determining all transportation capacities has been ISO 9001 certified since 2011. This confirmation, which was renewed during the year, shows Snam's constant commitment to developing high-quality systems consisting of software for modelling the network and solving the fluid-dynamics equations that regulate physical gas flows.

In keeping with the Economic Development Ministerial Decree of 27 February 2013, the Company completed the preparation of the first ten-year development plan of its natural gas transportation network, which was submitted, on 29 May 2014, to the Economic Development Ministry, the Electricity and Gas Authority and the regions, and is currently published on the Company's website. In September, the preparation of the second ten-year development plan began; its approval procedure will be completed in 2015.

With regard to storage activities, the capacity of 11.4 billion cubic metres offered in 2013 was confirmed in 2014 (15.9 if strategic storage is also included). In thermal year 2014-15, the total space assigned was equal to the space offered. Although space assignment auctions were scheduled from April to September (4 monthly auctions in succession), all capacity offered was assigned in the July 2014 auctions. In addition, the demand for storage capacity was greater than the capacity offered.

The Network Codes include a list of indicators for monitoring the quality of service provided by the companies.

Customers are automatically compensated in the event of non-compliance with service quality standards in relation to some indicators concerning specific commercial quality levels.



The performance of Snam Group companies remained strong in 2014 with regard to these indicators:

## CUSTOMERS

Transportation	2012	2013	2014
Contracted transportation capacity/Available transportation capacity (entry points connected with foreign countries) (%)	90	87	85
Compliance with time frame for issue of connection offer (%)	100	100	100
Compliance with execution times of services subject to specific trading quality standards (%)	100	100	100
Service interruptions with sufficient notice (%)	98	93	95
<b>Regasification</b>			
Compliance with maximum time for accepting monthly delivery scheduling proposals (%)	100	100	100
Compliance with maximum period of interruption/reduction in the terminal's capacity for maintenance operations (%)	100	100	100
<b>Storage</b>			
Contracted storage capacity/Available storage capacity (%)	100	86	100
Compliance with execution times of services subject to specific trading quality standards (%)	100	100	100
Compliance with time for the notification of users of revised capacity conferred due to transfers (%)	78	100	100
Connecting flow lines subject to surveillance (%)	97	76	76
Total capacity not available due to service interruptions/reductions (%)	0	0	0
<b>Distribution</b>			
Compliance with maximum time set for execution of services subject to specific trading quality standards (%)	98.7	99.3	99.1
Compliance with appointment times agreed with customer (%)	99.5	99.3	99.0
Compliance with standard set for meter reading attempts (%)	99.7	99.9	99.9
High- and medium-pressure networks inspected (%)	37.2	46.3	54.6
Low-pressure network inspected (%)	35.1	44.4	34.5
Compliance with maximum time for arrival at location in response to emergency call-out (%)	98.6	98.3	97.2

### Shipper's Day

During the year Snam Rete Gas organised an event dedicated to shippers with the aim of presenting the company's strategy, and it repeated the positive experience of discussing issues concerning the products and services offered in the context of growing flexibility. The meeting also served as

an occasion to share the results of the latest Customer Satisfaction survey and describe additional improvement being made in response to information provided by users in the context of constantly enriching the quality of services provided. Nearly 200 people attended the event, representing about 83 companies.

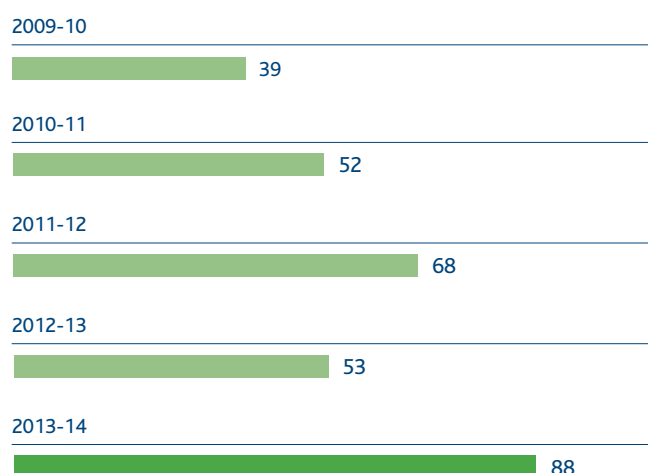
### Perceived quality ▷ GRI - G4: 27

Each year a customer satisfaction survey is performed to identify the degree of satisfaction of storage users with respect to the clarity of the Code, the availability and efficiency of IT services and commercial management. As a part of this survey, user suggestions are gathered with the aim of improving mapped areas of the questionnaire while determining any actions to be taken under their responsibility.

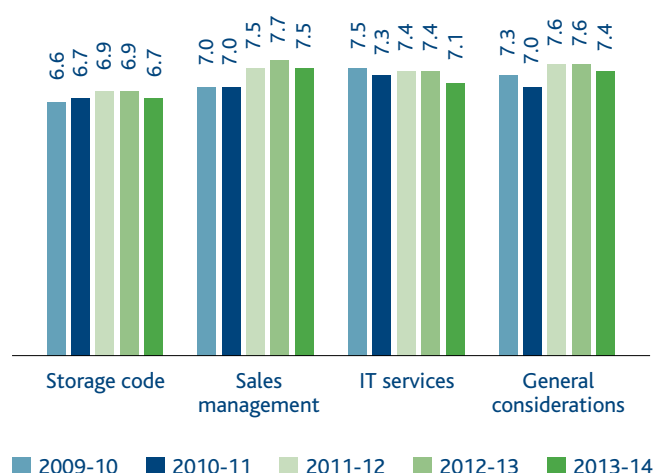
The 2014 survey involved 70 customers, 88% of whom provided responses (53% in 2013). The assessments generally expressed a positive evaluation of the service offered.

Meetings continued with customers, and especially those that purchased storage capacity for the first time in 2014. These included several traders in addition to the more traditional shippers.

#### STORAGE ACTIVITIES: RESPONSES RECEIVED BY THERMAL YEAR (%)



#### AVERAGE RESULTS BY THERMAL YEAR (no.)



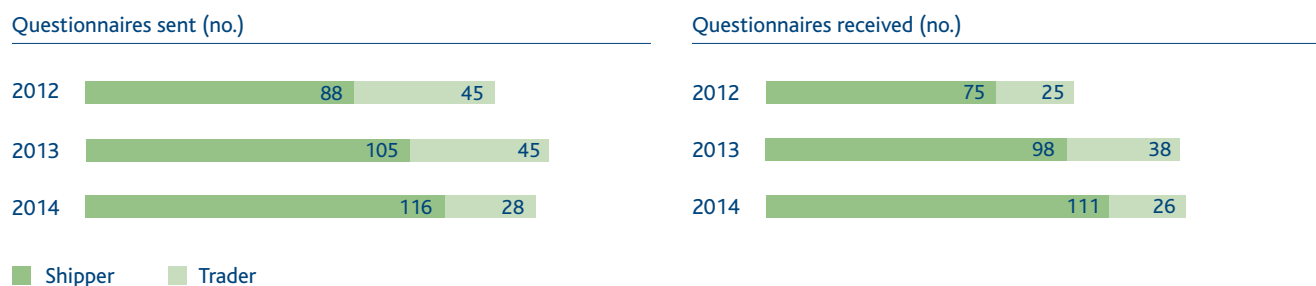
The customer satisfaction survey (now at its third edition) for transportation activities was conducted in 2014 using innovative software making it possible to compile the assessment questionnaire online, and it involved customers qualified to operate at the virtual exchange point.

On the one hand, the analysis concerned the customer satisfaction survey with improvements made by the company based on the results of the survey for the previous year, concerning: (i) the website, making the portions highlighted as critical areas clearer and more intuitive, (ii) online services with the development of new or existing portals, and (iii) business processes in order to make products more consistent with the actual needs of counterparties.

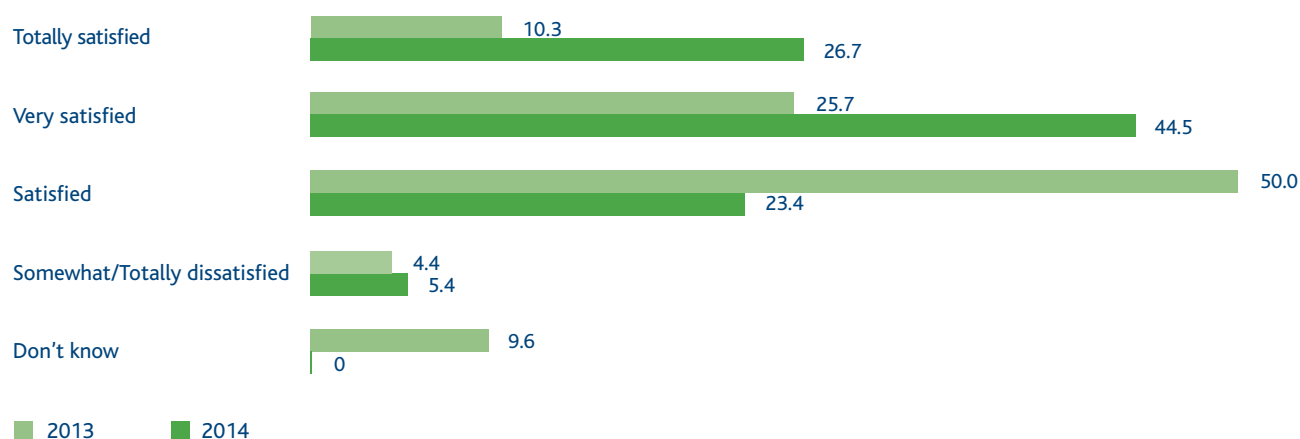
On the other hand, the survey covered several issues concerning commercial services and possible changes in the way of providing them.

A total of 144 individuals participated in the questionnaire with a participation rate of over 95%. Participants expressed greater satisfaction with this type of initiative than in previous years. The individuals interviewed admitted they were an active part of these initiatives and defined them as an opportunity to express improvements to business processes.

#### TRANSPORTATION ACTIVITIES: PARTICIPATION IN THE INDAGES OF CUSTOMER SATISFACTION



#### EVALUATIONS CUSTOMERS ON THE INITIATIVE OF CUSTOMER SATISFACTION (%)



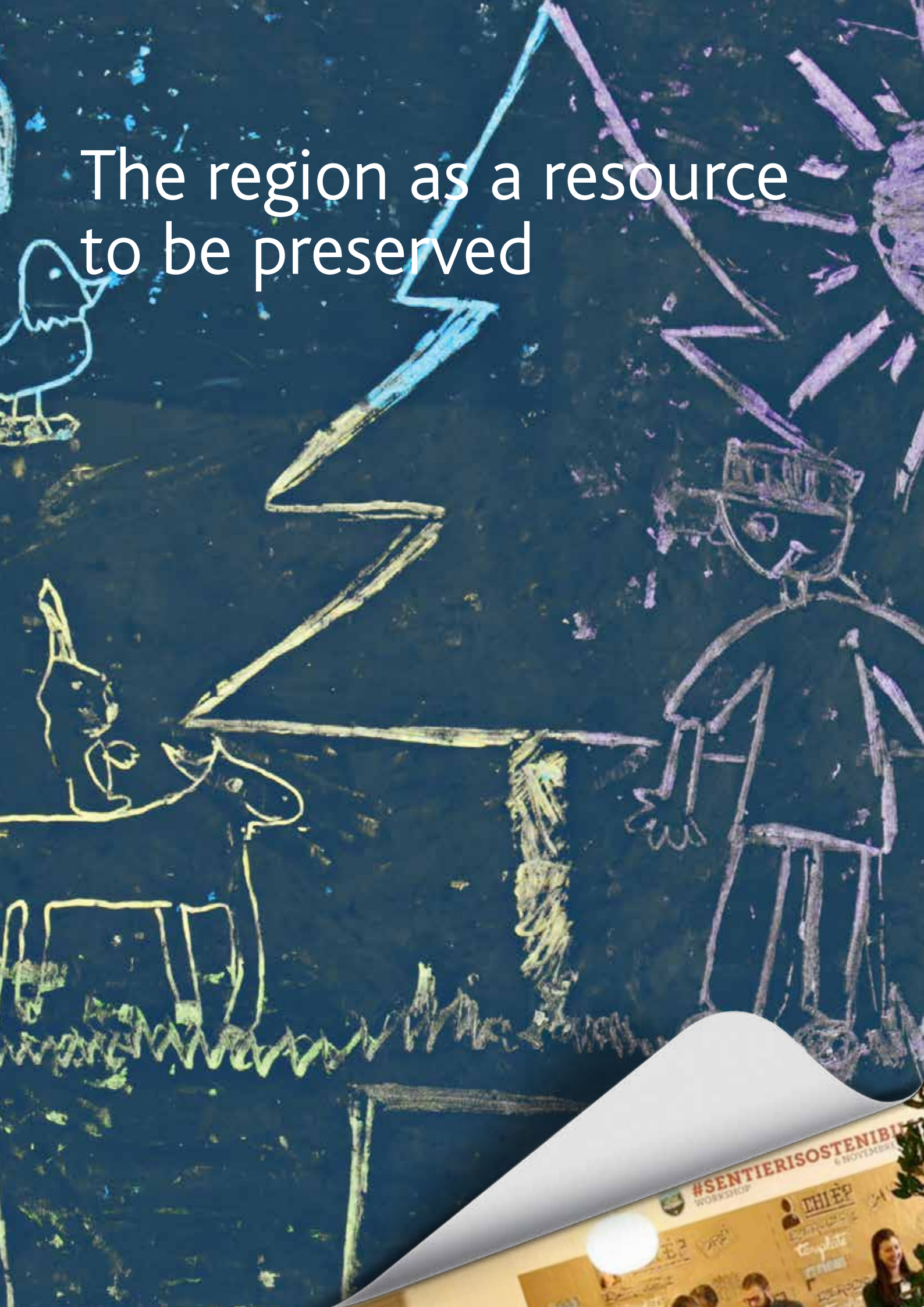
93.4% of respondents were satisfied or very satisfied with the improvement plan implemented during the year. With regard to the quality of service provided in terms of the process and availability of points of contact, there was also an overall improvement in the perception of the service including as a result of implementing the aforementioned plan.







# The region as a resource to be preserved



Snam's infrastructure is present in nearly every Italian region, in areas and communities with different cultures and traditions as well as different economic, social and environmental conditions.

In this context, Snam's policy is to build new infrastructure and manage existing infrastructure, adopting a rigorous, transparent and cooperative approach to ensure that establishments are environmentally compatible and to encourage their acceptance by stakeholders.

The Company cooperates with local and national authorities, participates in the work of several associations and committees and provides its commitment and expertise to encourage improvements in the area of sustainable development. During the year, 127 meetings were held with local governments and regional associations to describe construction projects in the transportation sector.

In this context, a network of ad hoc relationships was developed with Confindustria's regional offices and with other local companies operating in the association system partly to cover issues of energy, economic and environmental policies having an impact the region. In recent years, the Snam Group has consistently increased the presence of its employees on the management boards of Confindustria associations, but also of associations for relationship and environmental purposes in support of its business.

In order to carry out high-value specific actions for itself and the region where it operates, Snam runs its business by reconciling economic goals with social and environmental goals in the context of future sustainability thereby establishing a closer relationship between business and corporate social responsibility.

The "shared value" projects that Snam develops by making know-how, space, expertise and transactions available to various regional counterparts (community, regional and school representatives, suppliers, customers, etc.) reflect the company's commitment to ensuring that the sharing of its resources will contribute to an improvement of several needs in the region.

Around €765,000 has been spent on donations, sponsorships and local initiatives, excluding environmental compensation.

### School project "Stories that Tell the Future"

In school year 2013-2014, the first edition of the project called ""Stories that tell the future" that fits within the framework of sustainability activities aimed at strengthening at the stakeholders and the territory, the awareness of how Snam acting with responsibility for the environment and society.

The aim of the initiative called ""Stories that tell the future. Travel to the discovery of the Network"", is to encourage the company to interact with schools, with the involvement of executives, teachers, students and families. This project, which was conceived with the collaboration of Federparchi and with the sponsorship of the Ministry for the Environment, Land and Sea consisted of an educational course targeting students in grades 3, 4 and 5 of Italian elementary schools and schools at the same level in several European cities, and it covered the subject of biodiversity encouraging students to care for and safeguard the common good. The initiative involved the participation of 333 schools consisting of 946 classes with the direct involvement of over 18,000 students and 591 teachers. Based on requests, 1,000 kits of materials were distributed throughout Italy: 40.4% to central Italy, 36.7% to the South and 22.9% to the North.

A competition of ideas for students to make a creative

contribution was announced in connection with the project. A large selection of approximately 2,000 collected drawings became a temporary exhibit held in a Botanical Gardens in Rome with about 380 visitors, including 270 children, over three days. The top ranking three schools were awarded an interactive multimedia blackboard, and another ten were awarded a special mention at an event held at the Botanical Gardens. The event also served as an opportunity to launch the project for the new school year which is dedicated to science and innovation.





## PROTECTING THE ENVIRONMENT AND BIODIVERSITY ▷ GRI - G4: SO2, EN31

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

Snam adopts specific certified management systems for environmental matters to oversee corporate processes and activities. The key issues at global level, and the nature of Snam's operations, have led the Company to focus on two main challenges: combating climate change and reducing energy consumption, and safeguarding nature and biodiversity.

This commitment is currently reflected in many areas: promoting sustainable use of natural resources; preventing pollution and protecting ecosystems and biodiversity; implementing operating and management actions to reduce greenhouse gas emissions, with an approach that aims to mitigate climate change; and managing waste to reduce its production and promote recovery at its final destination.

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

In 2014, environmental expenses amounted to €170.1 million (€155.1 million for investments and €15 million for management costs).

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

Assessments of the effects on the environment concern all phases of a project's life cycle: location, design, execution,



### Nurturing value: the company's garden of Terranova Bracciolini

In 2014 Snam entered into an agreement with the Betadue Cooperative whereby it provided four years free use of a land parcel it owns located outside the headquarters in Terranuova Bracciolini (AR).

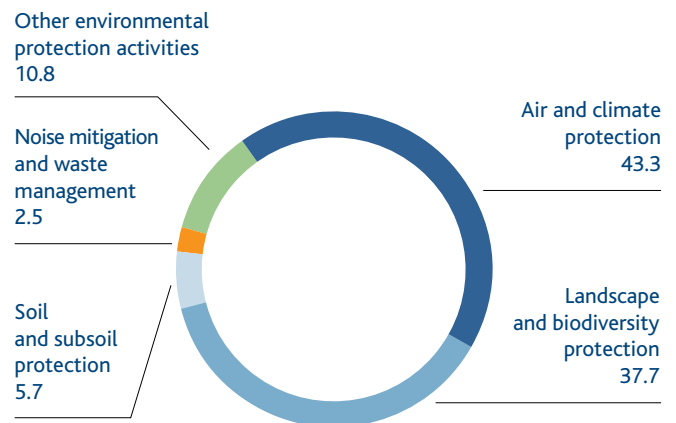
The Terranuova Bracciolini plant is surrounded by about four hectares of green area located outside the plant that is the site of a fruit and olive orchard (a total of about 150 fruit trees). This fenced area is segregated from the rest of the plant, and physically separated from it, and has characteristics suitable for growing vegetable crops and small garden plots. After scouting the area, Snam identified the Beta Cooperative as a partner. It is a type B non-profit social cooperative that pursues "the general interest of the community, the promotion of individuals and integration of citizens" through its activities. These activities include those targeting corporate agriculture and a short supply chain. Thus, Snam provides the land it owns free of charge to the Beta Cooperative. The Land is located at the plant site with all the facilities needed for the success of the project (irrigation and lighting systems), and for farming vegetables and fruit trees. The Beta Cooperative will use the products to increase the short supply chain and to restock the food chain of nursery schools managed by the cooperative. An area of the land covered by the project will be reserved for an educational garden that will be managed in collaboration with the families of the children using the canteen.



operation and decommissioning. These assessments are made as part of the Environmental Impact Assessment (EIA), after which the administrations in charge, both centrally and locally, issue the authorisations provided for by current regulations.

With regard to developing the network of gas pipelines, which represents the most recurring and significant event, in the design phase the path is chosen from among different alternatives, seeking to avoid or reduce to the necessary minimum the network's passage through areas of significant natural or cultural interest, archaeological areas, geologically unstable areas and developed areas or those in which new residential settlements are expected. In special cases in the construction phase, procedures and technologies are used, consistent with technical feasibility, which lessen interference with the surrounding environment, such as reducing the extent of the work area, minimising provisional worksite infrastructure and trenchless execution techniques (tunnels and micro-tunnels), as alternatives to traditional excavation. Once installation is done, accurate environmental restoration activity is carried out so as to return the land to its original conditions.

#### ENVIRONMENTAL EXPENSES BROKEN DOWN BY TYPE (%)



#### Tour of Italy in 80 bookstores

Bring Italy together through an ideal network of bookstores, pathways, museums and cities thanks in part to the support and experience of a network that respects the future. This is the goal of the "Tour of Italy in 80 Bookstores", a cycling, cultural and environmental relay race along the ancient pathways of Via Francigena, organised by the Renewable Literature association from May to July in partnership with Snam.

The tour also included stops at several Group sites where cultural events were held encouraging participation and sharing with local communities. For example, at the Historical Archives and Italgas Museum in Turin, the Turin-based writer and journalist, Giuseppe Culicchia presented "Energy of the Land", his theatrical play presenting the history of the company and its museum. At the Stogit facility in Ripalta Cremasca, several musicians initiated the "Melody of the Land", a musical ensemble workshop carried out with the creative involvement of all hosts.

Before the grand finale of the Tour, which took place in Vasto, Stogit's Abbruzzi facility on the Treste River greeted and hosted cyclists of the Tour along their path to Cupello, where, in a space belonging to the Municipality, the "Market of the Land" was organised to offer typical local farm products and involved local companies and producers.



## EIA DECREES OBTAINED DURING THE YEAR

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Cervignano - Mortara	62	Lombardy	MATTM	07/10/2014
Messina - Palmi	29	Sicily - Calabria	MATTM	24/10/2014

## PROVISIONS RECEIVED DURING THE YEAR FOR VERIFYING WHETHER A PROJECT IS SUBJECT TO EIA

Name	Length (km)	Regions involved	Competent agencies	Date of provision
Sestino - Minerbio	140.7	Tuscany - Emilia Romagna	MATTM	01/08/2014
Expansion of Fano network	3.11	Marche	Marche Region	07/04/2014
Expansion of Reduction Plant No. 841 in Messina 75/12 bar	--	Sicily	Region of Sicily	24/02/2014
Connection of Total Tempa Rossa	0.4	Basilicata	Basilicata Region	03/12/2014
Met. variances Chieti - Rieti / All.to Sacci / Ref. All.to Municipality of Pizzoli	20.12	Abruzzo	Abruzzo Region	10/02/2014

## EIA DECREES SUBMITTED TO REGIONAL AUTHORITIES IN THE YEAR

Name	Length (km)	Regions/Provinces involved	Date of submission
Raldon - Legnago expansion	29.33	Province of Verona	27/05/2014

## PROVISIONS SUBMITTED DURING THE YEAR TO REGIONS OR PROVINCES FOR VERIFYING WHETHER A PROJECT IS SUBJECT TO EIA

Name	Length (km)	Regions/Provinces involved	Date of submission
Met. Coll. Pezzan - Lancenigo, Pot. Spina di treviso Nord and related projects	5.75	Province of Treviso	03/12/2014
Rif. Met. Vercelli - Romagnano Vercelli - Gattinara section and related projects	32	Piedmont	19/06/2014
Met. variances Spina di Corato and related projects	5.25	Puglia	19/09/2014
All.to Geogastock di Salandra	0.12	Basilicata	26/09/2014

## Biodiversity ▷ GRI - G4: EN13, EN14; SO1

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

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

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

It is becoming increasingly difficult, during the design and construction of gas pipelines, avoid interference with the sites in the Natura 2000 network, since these are areas of environmental protection throughout the national territory. Therefore, if it is inevitable the interest of such a site, the construction of the pipelines is done by identifying the path less impacting for environments protected and adopting the less invasive techniques for the territory. The amount of kilometers that pass through the Natura 2000 network sites varies from year to year depending on the works carried out and as a function of the related territories crossed.

### DISTANCE COVERED BY PIPELINES IN NATURA 2000 NETWORKING SITES (km)

2012

7.4

2013

8.2

2014

12.9

### NATURA 2000 SITES AFFECTED IN 2014 BY THE COURSE OF METHANE PIPELINES ▷ GRI - G4: EN11

Special Protection Zone/Site of EU interest	km
Source and high valley of the Fortore river	2.25
Castelvetero woods in Val Fortore	2.32
Castelpagano woods	1.52
Sella di Vinchiatturo	5.38
La Gallincola - Monte Mileto - Monti del Matese	1.41
<b>Total</b>	<b>12.88</b>

### ENVIRONMENTAL RESTORATION AND MONITORING (NETWORK km)

	2012	2013	2014
Restoration	193	131	78
Reforestation	6	22	16
Plant care	158	135	124
Environmental monitoring	830	1,063	1,055

## MAJOR ENVIRONMENTAL MONITORING AND RESTORATION DURING THE YEAR

Entity	Name	Activities performed
Friuli-Venezia Giulia Region	"Malborghetto - Bordano" methane pipeline	In the Malborghetto - Bordano section of the pipeline, in the Val Alba regional nature reserve, the ten-year fauna research and monitoring activities continued with the help of international experts. 2014 was the tenth and last year of fauna monitoring.
Sicily Region	"Bronte - Montalbano" methane pipeline	Collaboration with the Sicily state forests agency continued, with the growing of native forest plants destined for reforestation projects along the course of the pipelines laid in the Nebrodi regional park. Periodic plant care was carried out in 2014, along with the replacement of plants that had not taken root. Replacement plants are also supplied by the Sicily state forests agency nurseries.

### Safeguarding biodiversity ▷ GRI - G4: EN12

In 2014 the fifth and last year of environmental monitoring of the Grottole-Albano methane pipeline in Lucania was carried out. The pipeline is about 28 km long and crosses the territory of the provinces of Matera and Potenza in Basilicata. In particular, the methane pipeline runs through the valley of Basento river in an area that is partially protected due to the presence of SIC IT9220260 "Val Basento – Grassano S. – Grottole" and hillsides of an area that partly falls under the protected area of the "Gallipoli Cognato – Piccole Dolomiti Lucane" Natural Park.

The crossing within the site is 6.6 km long and covers municipal land in Calciano and Grassano in the province of Matera. The section crosses several natural environments identified as habitats of interest to the EU: "Sub-steppe courses of graminaceous and annual plants (Thero-Brachypodietea)", "Landlocked rivers with a permanent flow with Paspalo-Agrostidion and riverine rows of Salix and Populus Alba", "Prairies and nitrophilous shrubs (Pegano-Salsolietea)".

The crossing within the "Gallipoli Cognato – Piccole Dolomiti Lucane" Natural Park is about 5.7 km long, in the area of Calciano, and mainly affected agricultural areas, uncultivated areas, pasture lands alternating with areas with patchy shrubs and trees, and small wooded sections. In this area, the route of the methane pipeline only indirectly affected SIC/ZPS IT 9220130 "Di Gallipoli Cognato Forest" (i.e., without crossing it, but with a short section near its perimeter).

Environmental monitoring was aimed at verifying changes in ecosystems over the five years after restoration was completed with a comparison with conditions before the project, and at depicting plant and animal biodiversity factors. The following environmental components were monitored: vegetation, soil and fauna.

Vegetation and soils were monitored in relation to three sampling areas positioned along the valley floor of the Basento river and parallel to slopes with patchy shrubs and clumps of trees. Soils have shown signs of slowly changing to more stable conditions with stratifications of pedological horizons parallel to the work areas. Vegetation along the section exhibits satisfactory grass coverage, while the development of shrubs and trees has been affected by grazing intrusions, which are very heavy in this area, and periodic overflows of the Basento on the valley floor. Fauna monitoring, which is done along the same soil and vegetation monitoring areas, produced very interesting results for wild fauna species spotted directly and indirectly (tracks, footprints, and faeces left on the ground). Most sightings were in the flood bed of the Basento river that attracts varied fauna due to the presence of rich inland flora that offers shelter and food. In fact, the survey performed indicated that the environments of Mediterranean scrub, represented by evergreen sclerophylly with dense flowering and winter berries and hygrophytes in the Basento river flood waters, are home to the largest number of mobile ground fauna species and birds, and confirm the ecological importance of these environments for survival and reproduction.



### Sustainable Paths

As a part of the company's sustainability initiatives, the book series Sustainable Pathways, which was created in collaboration with 24 ORE Cultura – 24 ORE GROUP, is developing a third book in the series sponsored by the Ministry of the Environment that describes another important and significant example of constructive

collaboration between Snam and a park agency, in this case the Park of Majella, and of the sustainable commitment to care for and safeguard a protected area subject to environmental protection restrictions. The infrastructure, which crosses the park over a section of about 15 km is the Campochiaro-Sulmona methane pipeline built to adapt the existing structure for importing gas from North Africa.

During the five years of monitoring by Snam Rete Gas, on the whole, a greater presence of fauna was observed with an increase in sightings of birds and mammals in particular. A significant presence of insect fauna was also observed in an environment characterised by the presence of rather stable and evolved ecosystems. Thus, monitoring showed there was a gradual increase in biodiversity along the route of the methane pipeline.



PROTECTING THE CLIMATE
 > GRI - G4: EN7, EN16, EN17, EN2

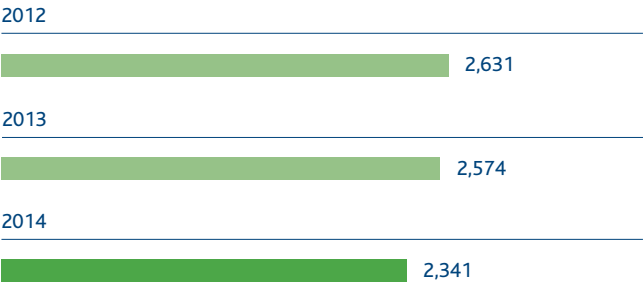
Greenhouse gases

The greenhouse gases (GHG) emitted into the atmosphere by the activities of Snam are carbon dioxide (CO<sub>2</sub>) and methane (CH<sub>4</sub>), the main component of natural gas. The CO<sub>2</sub> is a by-product of the combustion process and is directly associated with the consumption of fuels, while the emissions of natural gas, and therefore CH<sub>4</sub>, derive partly from the normal operation of the plants and partly from the atmospheric emissions due to the connection of new and maintenance pipelines or to accidental events of the transportation and distribution networks.

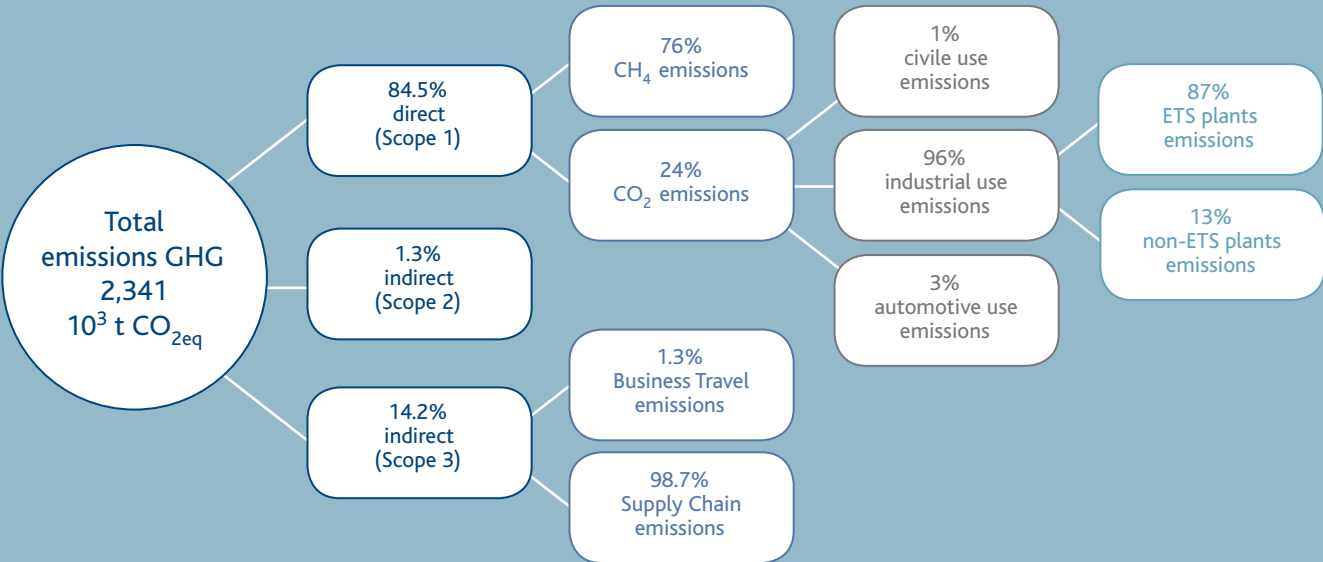
In addition to using natural gas as its main fuel, Snam is implementing a series of energy management activities in order to minimise GHG emissions in its operating activities by employing specific containment programmes.

In 2014, total GHG emissions (direct Scope 1, and indirect Scope 2 and Scope 3) were approximately 2.34 million tonnes (-9% from 2013).

TOTALE EMISSIONI GHG - SCOPE 1-2-3 (10<sup>3</sup> t)



GREENHOUSE GASES - SNAM GROUP



## The advantages of natural gas

At equal energy usage, the carbon dioxide produced by the combustion of natural gas is 25-30% less than petroleum products and 40-50% less than coal. The decrease in emissions per unit of energy produced is further accentuated by the possibility of using natural gas in high-performance applications and technologies, such as condensation boilers, co-generation plants and combined cycles for producing electricity. A gas-powered combined cycle with an output of 56-58%, compared with an output of about 40% from traditional steam-powered cycles, makes it possible to reduce CO<sub>2</sub> emissions by 52% compared with a traditional fuel oil-powered plant and by 62% compared with a coal-powered plant.

### TYPICAL GAS COMPOSITION INJECTED INTO THE TRANSPORTATION NETWORK 2014 – AVERAGE VALUES

Composition	Unit of measur.	Tarvisio Importation (Russian Gas)	Passo Gries Importation (Northern Europa)	Mazara del Vallo Importation (Algerian Gas)	Gela Importation (Libyan Gas)	Panigaglia Importation (LNG)	Ravenna Terra Entry (National Gas)	Falconara Entry (National Gas)	Edison Minerbio LNG interconnect.
Methane	%MOLE	95.778	89.718	85.435	85.015	98.448	99.629	99.428	92.998
Ethane	%MOLE	2.355	4.398	9.373	6.223	0.878	0.060	0.016	6.625
Propane	%MOLE	0.552	0.831	1.406	2.176	0.091	0.011	0.002	0.087
Isobutane	%MOLE	0.086	0.131	0.119	0.306	0.006	0.005	0.002	0.004
Normal Butane	%MOLE	0.087	0.137	0.154	0.480	0.007	0.001	0.002	0.005
Isopentane	%MOLE	0.019	0.040	0.028	0.126	0.004	0.004	0.003	0.003
Normal Pentane	%MOLE	0.015	0.030	0.023	0.081	0.000	0.004	0.003	0.003
Hexanes +	%MOLE	0.011	0.039	0.031	0.022	0.000	0.000	0.000	0.000
Nitrogen	%MOLE	0.721	3.224	1.616	4.097	0.537	0.237	0.472	0.250
Carbon dioxide	%MOLE	0.354	1.418	1.791	1.359	0.000	0.049	0.072	0.001
Helium	%MOLE	0.012	0.034	0.024	0.115	0.000	0.000	0.000	0.024
Oxygen	%MOLE	-	-	-	-	0.029	-	-	-
Higher heating value	kJ/m <sup>3</sup>	38,557	38,102	40,296	39,617	37,885	37-711	37,591	39,635
Lower heating value	kJ/m <sup>3</sup>	34,753	34,373	36,405	35,797	34,120	33,953	33,845	35,750

m<sup>3</sup> referred to 15 °C and 1,01325 bar (standard conditions)

### MAIN MEASURES IN 2014 TO CONTAIN GREENHOUSE GAS EMISSIONS ► GRI - G4: EN6

- Installation of more energy efficient turbines and more efficient heat generators
- Installation of photovoltaic systems on buildings and at network plants
- Use of LED lightbulbs to replace various traditional lights, and installation of automated luminous flux regulators to illuminate several external plant areas
- Natural gas recovery procedures (measures to recompress gas in the transportation network and in compression systems)
- Replacement of cast iron pipes in gas distribution networks
- Replacement of various pneumatic actuators fuelled by natural gas
- Purchase of electricity produced from renewable sources for certain sites with heavy energy consumption
- Installation of a system that equally distributes loads on reduction lines in certain gas regulation and measurement systems
- Restructuring of buildings to improve their energy ratings
- More rational use of air conditioning through the summer "no tie" initiative

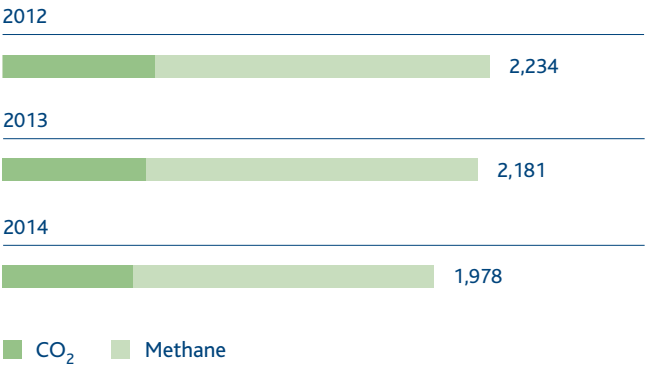
**CO<sub>2</sub>eq  
emissions  
avoided:  
104,000  
tons**

**Direct CO<sub>2eq</sub> emissions (Scope1)** ▷ GRI - G4: EN15, EN19

2014, direct CO<sub>2eq</sub> emissions were approximately 1.98 million tonnes (-9.3% compared with 2013). Direct CO<sub>2</sub> emissions from combustion stood at approximately 478,320 tonnes (-23% compared to 2013), while CO<sub>2eq</sub> emissions deriving from methane emissions were approximately 1.5 million tonnes (-3.8% compared with 2013).

The CO<sub>2eq</sub> emissions were calculated based on a global warming potential (GWP) of 25 for methane, as indicated in the 2007 scientific study of the Intergovernmental Panel on Climate Change (IPCC), "IPCC Fourth Assessment Report".

**DIRECT CO<sub>2eq</sub> EMISSIONS - SCOPE 1 (10<sup>3</sup> t)**



In 2014, the Group’s natural gas emissions were reduced compared with 2013, falling from 98.8 Mm<sup>3</sup> to 95 Mm<sup>3</sup> (-3.8%), also taking into account the contribution of the AES distribution network, accounted for as from July 2014. Without AES contribution, the emissions would decline by -4.6%.

In order to contain natural gas emissions from the transportation network, activities were continued which involve gas recovery through online gas recompression measures in the network upgrading phase (3 million cubic metres of natural gas were recovered, representing approximately 47,700 tonnes of CO<sub>2eq</sub>), as well as the replacement of pneumatic equipment at some plants. As regards containing natural gas emissions in distribution networks, the Company continued to replace cast-iron piping with higher-performance piping (replacing about 79 km of networks).





NATURAL GAS EMISSIONS (10<sup>6</sup> m<sup>3</sup>)

2012

98.4

2013

98.8

2014

95.0

NATURAL GAS RECOVERED - transportation activity (10<sup>6</sup> m<sup>3</sup>)

2012

5.4

2013

5.4

2014

3.0

## KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Natural gas recovered out of total potential emissions from maintenance activities	2010	Recover 30% in 2014	37	Transportation	Target achieved
Contain natural gas emissions in the transportation network	2014	Keep annual emissions of natural gas below 1,240 m <sup>3</sup> /km until 2017	1,151	Transportation	Annual target achieved (KPI with targets for more than 1 year)
Replacement of cast-iron networks (km)	2010	Replace the entire grey cast-iron network by 2015*	298	Distribution	Annual target achieved (KPI with targets for more than 1 year)
Contain natural gas emissions in the distribution network*	2014	Reach emissions of natural gas of 790 m <sup>3</sup> /km in 2017	802	Distribution	Annual target achieved (KPI with targets for more than 1 year)

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

\*Italgas network

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

Indirect CO<sub>2eq</sub> emissions arise from the use of electricity; in 2014 they made up approximately 31,470 tonnes. With the contractual agreements executed in recent years, Snam has maintained the same number of plants fuelled by electricity produced from renewable sources, i.e., the Messina compression plant (Snam Rete Gas); the Brugherio storage field (Stogit); and the Panigaglia regasification plant (GNL Italia). This operation, as well as the use of photovoltaic panels for power generation, enabled the avoidance of approximately 6,270 tonnes of CO<sub>2eq</sub>.

Indirect CO<sub>2eq</sub> emissions are calculated with a factor of 0.3853 kg CO<sub>2</sub>/kWh (as indicated in the Italian Greenhouse Gas inventory 1990-2012 – National Inventory Report 2014).

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

2012

33

2013

32

2014

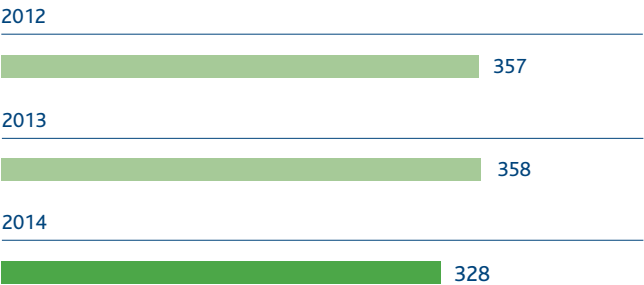
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Indirect emissions (Scope 3) ▷ GRI - G4: EN17

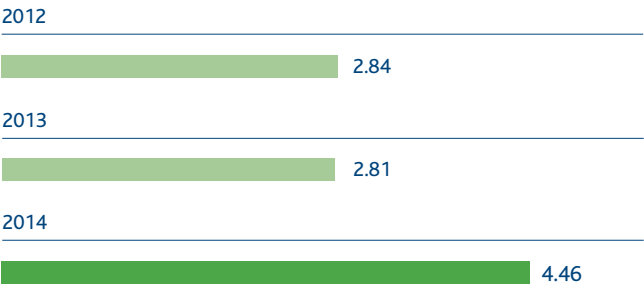
Indirect Scope 3 emissions refer to CO<sub>2eq</sub> emissions related to the supply chain (goods, labour and services) and business travel (business trips, transfers of Snam’s employees as part of their working activities).

In 2014 emissions of CO<sub>2eq</sub> were about 333,000 tonnes (~7.9% compared with 2013). This figure was due to an increase in emissions from business travel (a higher number of km travelled by plane and train, due in part to the company’s European expansion) and a decrease in emissions in the supply chain.

INDIRECT EMISSIONS - SCOPE 3 - SUPPLY CHAIN (10<sup>3</sup> t CO<sub>2eq</sub>)



INDIRECT EMISSIONS - SCOPE 3 - BUSINESS TRAVEL - (10<sup>3</sup> t CO<sub>2eq</sub>)



Indirect Scope 3 missions related to the supply chain were calculated by applying a methodology developed by a leading international company in the analysis of carbon footprints.



## Emission Trading ▷ GRI - G4: EC2

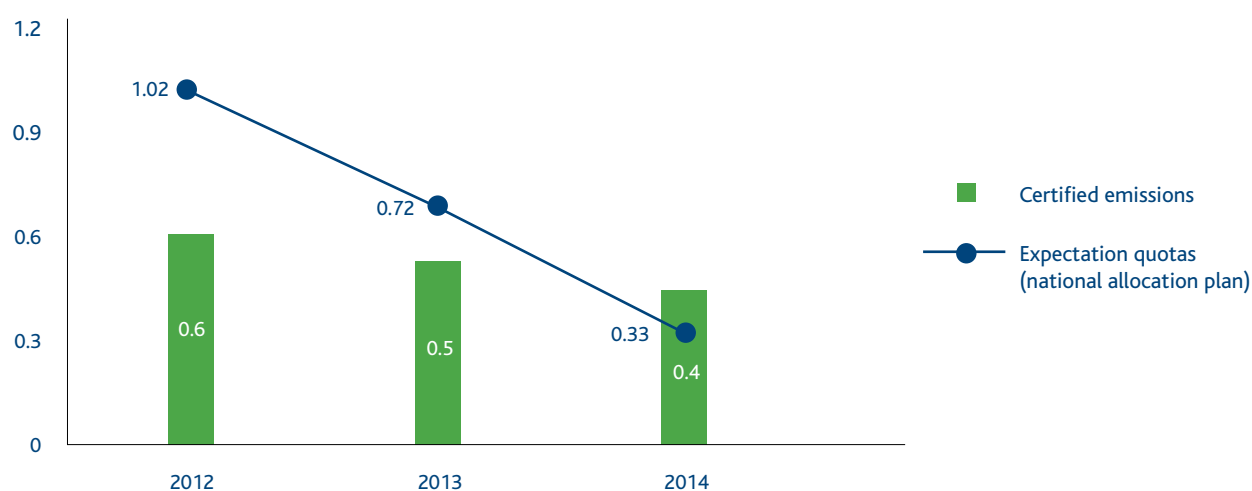
The Snam plants falling under the scope of application of the Emissions Trading Directive as at 31/12/2014 are shown in the table:

### IMPIANTI EMISSION TRADING GRUPPO SNAM

Activities	No of plants	Names of plants
Transportation	11	Gas compression plants in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova and Bracciolini
Storage	7	Gas compression storage stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala.
Regasification	1	Liquefied natural gas regasification plant in Panigaglia

In November the Mazara del Vallo entry point terminal (Transportation activities) was no longer subject to the scope of application of the ET regulation.

### CO<sub>2</sub> EMISSIONS (10<sup>6</sup> t)



With the launch of the third regulation period (2013-2020), the system for authorising the emission of greenhouse gas, which was regulated in the past by Legislative Decree 216/2006, was updated and amended by Legislative Decree No. 30 of 13 March 2013, in effect since 5 April 2013. According to the new provisions, the main goal of the decree was to update regulations concerning authorisations to emit greenhouse gas and to constantly reduce the shares of emissions released free of charge. Shares assigned to each plant will be at gradually decreasing allotments and no longer constant (as in the second regulation period), and will also depend on the actual operation of the plants.

In 2014, total CO<sub>2</sub> emissions issued by the Snam Group and certified by an accredited body, according to the provisions of the competent national authority, amounted to 0.4 million tonnes, out of a total of 0.33 million annual shares currently being assigned by the Ministry for the Environment, Land and Sea (negative balance of 0.067 million shares). This deficit is fully offset by shares already in the registers of individual plants accumulated due to prior year surpluses.

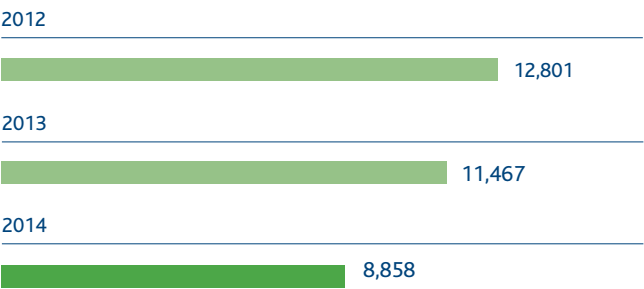
Energy consumption ▷ GRI - G4: EN3, EN6

The Group’s main energy consumption is due to the gas turbines used in compression stations to provide gas with the pressure necessary for transportation (compression consumption) or storage (storage consumption). To limit energy consumption, the best available technologies have always been used and high-performance turbines have been installed. In particular, the fuel consumption of the compression stations is controlled by the dispatching unit through the use of software systems that make it possible to manage the transportation network as efficiently as possible, in keeping with transportation and storage needs, with an optimal configuration of the individual plants.

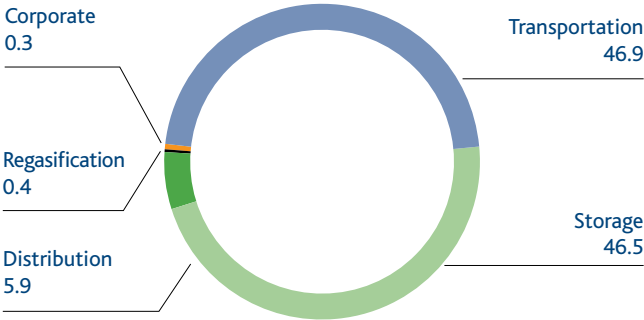
In 2014 total energy consumption was about 8,858 TJ, a reduction of 22.8% compared with 2013. The reduction was due to the decrease in gas transportation activity (-9.7% compared with 2013) and various transportation conditions resulting in increased quantities of gas from northern Europe (+52.6% compared with 2013), and at the same time, a decrease in the quantity of gas injected by North Africa (-26.8%) and Russia (-13.6%) and regasification plants (-20%).

The energy source most used was natural gas, which covered 93.8% of total energy requirements. The other sources used were electricity (4%) and other fuels (diesel oil, petrol, LPG) and heat which together total 2.2%.

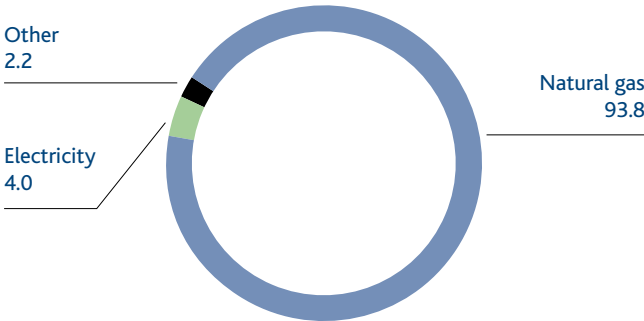
ENERGY CONSUMPTION (TJ)



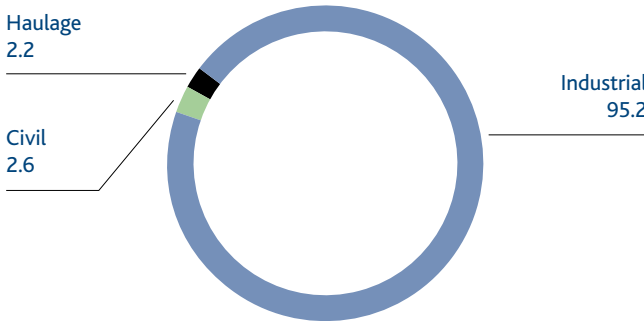
ENERGY CONSUMPTION BY ACTIVITY (%)



ENERGY CONSUMPTION BY SOURCE (%)



ENERGY CONSUMPTION BY USE (%)





In the area of Energy Management, the Company continued to streamline and lower energy consumption through activities such as improving the energy efficiency of the gas powered turbines, installing photovoltaic systems in buildings and network plants, adopting LED lightbulbs and automated regulators for lighting plants, and installing more efficient heat generators.

Energy consumption was determined for various fuels in accordance with the coefficients specified in the emissions trading directive.

### Production and use of energy from renewable sources ▷ GRI - G4: EN6

The Company, aware of the importance of using energy from renewable sources, launched plans entailing the installation of photovoltaic plants at property sites (local sites and maintenance centres) and at some distribution network plants for the collection and reduction of natural gas pressure.

#### RENEWABLE ENERGY PLANTS OF THE SNAM GROUP

Type	(no.)	2012	Energy Produced (kWh)	(no.)	2013	Energy Produced (kWh)	(no.)	2014	Energy Produced (kWh)
		Total Power (kW)			Total Power (kW)			Total Power (kW)	
Wind Generators	1	1.5	143,542	1	1.5	202,259	1	1.5	477,213
Photovoltaic Systems	1,699	454.6		802	478.5		951	611.5	
<b>Total</b>	<b>1,700</b>	<b>466.1</b>		<b>803</b>	<b>480</b>		<b>952*</b>	<b>613</b>	

\* Of which 918 back-up plants


At the end of the year, the power installed at renewable energy plants of the Snam group increased by 133 kW compared with 2013, from 480 kW to 613 kW (+28%) an increase essentially due to the new photovoltaic systems connected to the network during the year. The total number of plants increased from 803 to 952 units (+19%), an increase essentially due to the new back-up plants for monitoring gas redelivery point plants.





The total energy produced by renewable energy plants increased significantly compared to 2013, rising from 202,000 kWh in 2013 to 477,000 kWh in 2014 (+136%). Said increase is due both to the new plants installed in 2014 and to the connection of plants installed in previous years and that had not yet been connected to the network.

### Performance Indicators

With the full achievement of the goal set ("making 85% of units installed in the storage segment highly efficient"), all the energy-related goals set in 2010 have been accomplished a year in advance.

#### KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
High-efficiency turbines	2010	Achieve 85% out of total units installed by 2015	88.9	Storage	

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

During the year, new performance indicators were established for various company sectors to continue the monitoring of initiatives implemented as a part of Energy Management activities, and the following goals were set:

#### KEY PERFORMANCE INDICATORS (KPI) ▷ GRI - G4: EN6, EN7

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Photovoltaic systems	2014	Install capacity of 40 kW by 2015	--	Storage	○
		Produce 40,000 kWh/year starting in 2016	--		
Photovoltaic systems	2014	Install capacity of 370 kW by 2016	197 kW	Transportation	○
		Produce 260,000 kWh/year starting in 2017	142,000 kWh		
Photovoltaic systems	2014	Install capacity of 170 kW by 2017	5 kW	Distribution	○
		Produce 120,000 kWh/year starting in 2018	3,200 kWh		
High efficiency heat generators in R&R stations	2014	Install capacity of 30 MW by 2017	11 MW	Transportation	○
Turboexpander in R&R stations	2014	Install one system by 2017	--	Distribution	○
		Produce 4,000,000 kWh/year starting in 2018	--		
Load distribution systems in R&R stations	2014	Install 26 systems by 2017	4	Distribution	○
		Save 150,000 m <sup>3</sup> /year in natural gas starting in 2018	16,000 m <sup>3</sup>		
Installation of LED systems in R&R stations	2014	Install 40 systems by 2017	--	Distribution	○
Energy class B buildings	2014	Upgrade 8 buildings from energy class E to B by 2017	4	Storage	○
		Save 50,000 m <sup>3</sup> /year in natural gas starting in 2018	30,000 m <sup>3</sup>		

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

### Air protection ▷ GRI - G4: EN21

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

Nitrogen oxide (NO<sub>x</sub>) emissions, the only significant polluting emissions, arise from the combustion of natural gas in the gas turbines installed in the compression stations (compression and storage).

To reduce these emissions, a programme was established several years ago to modify several existing turbines and install new units with low emission combustion (DLE) systems.

Specifically, in 2014, the DLE turbocompressors were put into service at the Messina (TC2), Enna (TC6), Cortemaggiore (TC3) and Minerbio (TC4) plants. During the same year, the four gas pre-heating boilers, which were installed at the entry point plant at Mazara del Vallo, were replaced with more efficient heat generators.

#### TOTAL NO<sub>x</sub> EMISSIONS (t)

2012

985

2013

837

2014

497

In 2014 total emissions of nitrogen oxides were around 497 tonnes (-41% compared with 2013). The decrease was mainly due to two factors: the reduction in fuel gas for the operation of gas turbines in compression stations, and increased use of DLE turbines. In the transportation sector, DLE turbines were used for 87% of total operating hours. NO<sub>x</sub> emissions into the atmosphere were determined based on direct measurements or, if these were not available, on emission factors present in the relevant literature (the EMEP/EEA Air Pollutant Emission Inventory Guidebook of the European Environment Agency).

The table shows the goals for reducing nitrogen oxide emissions that had been set in 2010 using key performance indicators with a quantitative target. In 2014, three of the four targets set were achieved one year in advance.



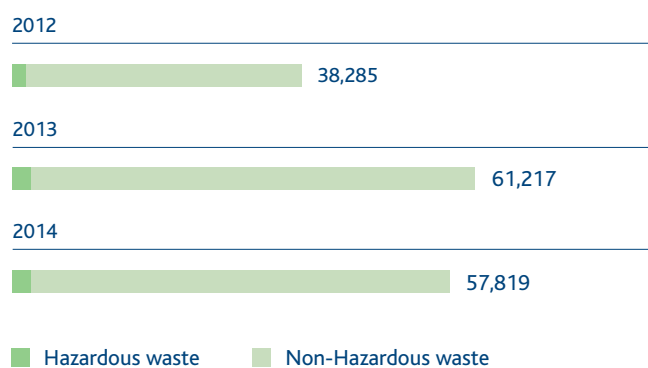
## KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
No. of DLE turbines out of total no of turbines	2010	Achieve 75% by 2015	80	Transportation	Target achieved
No. of DLE turbines out of total no of turbines*	2010	Achieve 85% by 2015	89	Storage	Target achieved
Rated NOx emissions on turbine installed capacity	2010	Achieve 6 mg/(Nm <sup>3</sup> MW) by 2015	6.2	Storage	Annual target achieved (KPI with targets for more than 1 year)
No. of hours of operation of DLE turbines out of total hours of operation of turbines	2010	Achieve 85% by 2015.	87	Transportation	Target achieved

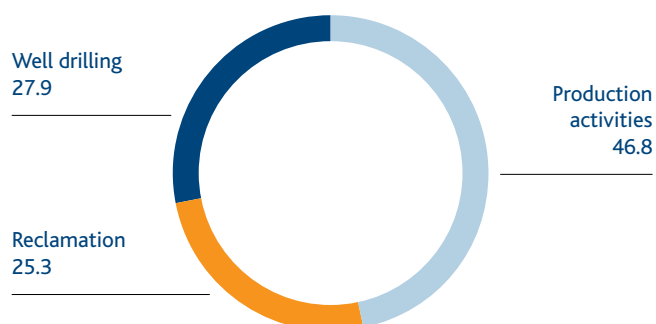
○ Target achieved   
 ○ Annual target achieved (KPI with targets for more than 1 year)   
 ○ Activity in progress   
 ○ Target not achieved

## Other environmental performance

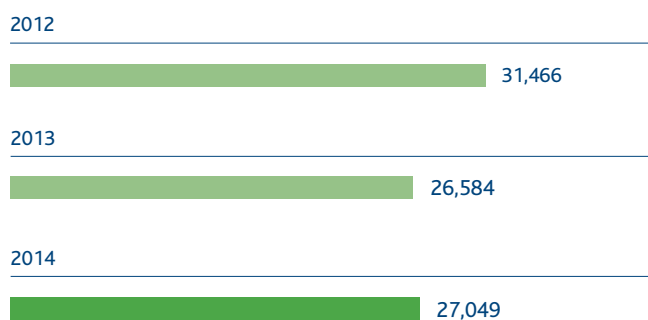
## WASTE PRODUCTION (t)



## WASTE PRODUCTION BROKEN DOWN BY ACTIVITY (%)



## WASTE BY PRODUCTION ACTIVITIES (t)





## Ecologically

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

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

In 2014, the use of recycled paper with respect to total paper bought was 41.7%, allowing the Group to save natural resources and control carbon dioxide emissions.



## FRESH WATER PROCUREMENT (10<sup>3</sup> m<sup>3</sup>)

2012



2013



2014



## FRESH WATER DISCHARGE (10<sup>3</sup> m<sup>3</sup>)

2012



2013



2014

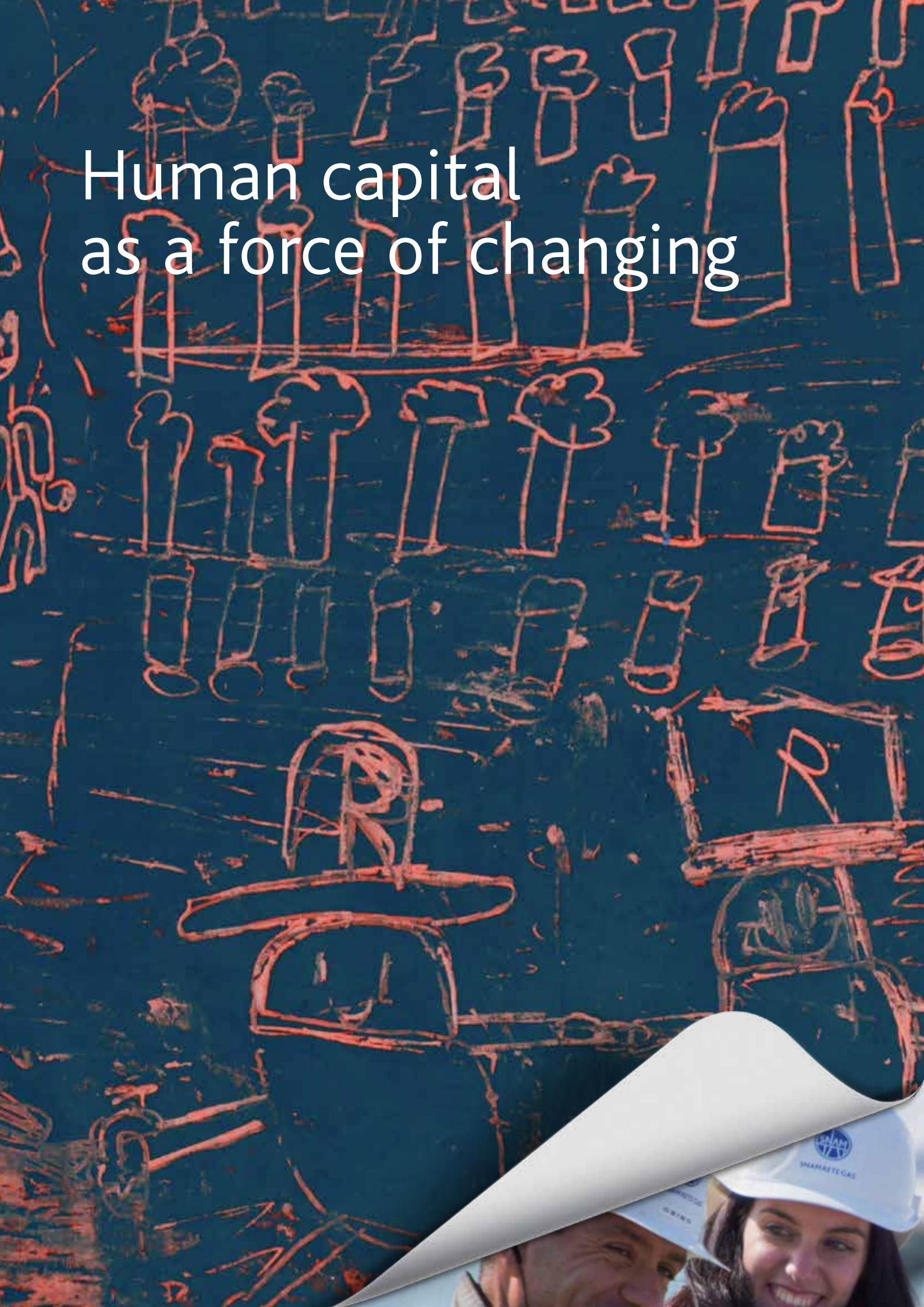


Again this year Snam renewed its support and active participation in "Puliamo il Mondo", the initiative organised by Legambiente, which in September put thousands of people to work cleaning our country's squares, gardens, parks, rivers and shores.





# Human capital as a force of changing



In 2014 there was a significant change in employment mix, and the development and consolidation of systems and policies focused on leadership and performance.

Based on an agreement signed with trade unions for the two-year period 2014-2015, at least 250 young people will be hired to fill the jobs of over 5% of active staff who left in 2014 due to ordinary layoffs or assisted redundancy. Hiring new young people means not only addressing the gradual maturity of the labour force, but also updating the pool of expertise, talent and motivation, which are decisive factors in the international environment in which Snam competes.

Snam management action is based on assigning precise objectives to each position of responsibility and on transparent assessment of the results achieved. This firstly makes it possible to continuously improve the efficiency and effectiveness of organisational processes. On this basis, a new model was established for developing professional and managerial skills, which, together with the new performance evaluation system, makes it possible to speed up individual development plans to groom people for future leadership, which has a strategic value for the business development outlook.

The strong sense of belonging to the Group, which is shown by internal climate surveys, is a resource laying the foundation of active and constructive participation in processes of change with continual improvements in communication and the sharing of information.

In this way, a new understanding is reached between the company and people: Snam undertakes to provide new growth opportunities to those who make their talent and skills available; the people undertake to see change as an opportunity to acquire new skills and promote their professional development. This is the cultural paradigm that Snam has chosen in order to build a structure that is even more dynamic, open and competitive.

### **"Leadership Development Program"**

In 2014 Snam initiated a managerial development plan involving about 200 individuals selected among: high flyers – young people with strong performance, high potential and motivation to grow; experts – individuals within the company that have specialised know-how that is useful to support the Group's strategic objectives; managers, executives and middle managers.

The goal of the programme is to develop excellent managerial skills (or in the case of the younger workers, high potential) and the ability to work on international teams.

Managers will follow a two-year course of study designed

in collaboration with SDA Bocconi, which will assist them in guiding Snam's evolution in Europe. The focus, in particular, will be on issues including: International Business and Strategy; Communications and Negotiating; the Economic and Financial Dimension; Business, Market and Global Customers. These will be accompanied by periodic assessments, group projects and ad hoc training courses to expand one's business vision.

By contrast, high flyers will also be committed to addressing the following issues in a two-year programme: Fundamentals of Economics; Team Building; Building Leadership Skills and Communicating with an Impact.



## EMPLOYMENT

Snam generates “good employment opportunities”: in fact, it is a capital-intensive company with a presence throughout most of Italy, and it performs expert and specialised activities and offers stable, continuing employment.

Workers at Snam must have the skills to manage increasingly complex technologies, control systems, procedures and IT systems, and in addition, the strategic development projects of European networks require a further enhancement of technical and managerial skills in order to address the new complexities that will be faced when moving into international environments.

### SNAM GROUP PERSONNEL\* (n.) ▷ GRI - G4: 10

	2012	2013	2014
Executives	115	116	124
Middle managers	560	579	602
Office workers	3,257	3,271	3,280
Manual workers	2,119	2,079	2,066
Employees	6,051	6,045	6,072

\* 29 workers were employed in 2014 under staff leasing contracts.

\*\* The number includes local foreign contracts with positions similar to Executives.

### Communication as a mechanism to promote change

Internal communication is an essential mechanism for promoting the participation of individuals in the growth of their business activities. Internal communication is also strategically important since it is able to create and distribute value through an improvement in the company's credibility and by increasing the sense of belonging felt by its people.

Communication targeting people in the Group aims to be an “agent of change” by affecting values, suggesting new visions, contributing to change in the corporate culture and encouraging new behaviour.

There has been a particular focus on the set of instruments used to communicate, with the launch of a coordinated change plan with the following characteristics: content that more completely meets the needs expressed by individuals using tools that promote better knowledge of the company (company strategies, organisational and technological innovations, etc.); a more immediate communication style with direct, journalistic and less institutional language; more space dedicated to individuals and life in the company; greater use of videos to broadcast experiences, initiatives and company events; more space dedicated to innovations, and especially welfare experiences and initiatives; “listening” to grasp the information needs expressed by individuals (especially using surveys on specific issues); communication of news, results and innovations of individual companies and organisational units.

### New energy for Snam: the “Young people with engineering degrees” project

In addition to promoting a change in the mix of human resources, the “Young people with engineering degrees” project is aimed at preparing young engineers to take on positions of responsibility through a specific professional training course. Thus, over a period of three years, the young engineers will change their activities and goals and type and place of work multiple times, and at the same time will follow a training procedure broken down into several areas (economics, business, conduct and professional areas) consisting of on-the-

job training, field visits, classroom courses and orientation and motivational talks.

At the end of the three-year period, the young engineers will be assigned to the most appropriate businesses in terms of planned needs and the attitudes and skills developed, with a development course aimed at promoting integration, internal mobility and a new Snam Group identity.

In addition to the young graduates that already work in the Group, 40 new young graduates in the following engineering disciplines were added between the end of 2013 and beginning of 2014: mechanical, electrical, energy, environmental and regional, management and civil engineering.



## INTERNAL ENGAGEMENT

Tools	Description
Intranet	<p>The Group intranet serves as a dynamic reporting tool for all Snam's employees, but also as a forum for sharing and learning. Its main purpose is to distribute news, launch projects, develop initiatives and cover current issues in greater depth. In 2014 the home page's coverage alternated between "breaking" news, "key" issues, the launch of company initiatives and pop-ups; innovations were introduced on the portal such as galleries with videos and photos as a tool to provide coverage of company experiences and events with the typical immediacy of images. To carry on with one of the company's main innovations, a site fully dedicated to the issue of performance management was created on the intranet. Through the use of video and computer graphics, a new way of effectively supporting company processes was introduced.</p> <p>A dedicated team was established to create a "new intranet" to make changes so the portal can become the main point of contact with the company in order to spread its identity. The new portal will be available and usable in 2015.</p>
Sapernedi+	<p>"Sapernedi+" is a traditional communications initiative aimed at the widespread dissemination of the company's values and strategies, and sharing issues, problems and solutions of individual organisational units. In 2014 nearly 4,900 employees (about 81% of the Group's workforce) participated in this initiative. About 220 meetings were held at company offices throughout Italy. Once again, this made it possible to reach all centres, operating facilities, districts, plants and all the Group's organisational units.</p>
Newsletter, brochure and other literature	<p>In order to involve all personnel, including those difficult to reach with the computer network, Snam makes and uses paper tools: from the in-house publication "Energie", to the newsletter "Obiettivo Sicurezza News" to brochures on useful topics. In 2014, the magazine "Energie", which is sent to all employees, covered changes involving the company, and with the publication of "Speciali di Energie" [Special Energy-Related Issues], in-depth coverage was provided of several issues of particular importance for Snam's employees (sustainability and promotion of health in the workplace). Posters and window bills then reach all the company's facilities through images, references and slogans in order to highlight initiatives (e.g., competitions, surveys), opportunities (e.g., summer camps for children of employees) and significant issues (e.g., work safety).</p>
Executive meetings	<p>These provide the opportunity to reflect on key events in business operations, and to ensure adequate information and constant involvement and assumption of responsibility with regard to corporate strategies and objectives.</p>

## KEY FIGURES ON INTERNAL COMMUNICATIONS (no.)

	2012	2013	2014
Breaking news items on the intranet portal	61	65	76
Launches and facts on the intranet portal	4	12	29
Videos distributed online	3	3	18

### Help from the network: becoming a volunteer

Now in its fourth edition, over the course of a year, the Snam Group's company volunteer initiative, "Un aiuto dalla rete" [Help from the network] involved a growing number of associations. The support to CESVI (an Italian non-governmental organisation engaged in fighting poverty in 31 countries worldwide) and to Le Stelle di Lorenzo (a national association dedicated to helping seriously ill infants requiring prolonged medical treatment) was renewed, and collaboration was also started with the Italian

Association for Cancer Research (AIRC), the ANT Foundation (a non-profit organisation dedicated to providing free, home-based social and medical assistance to cancer patients and preventive services), and the Italian League for the Fight Against Cancer (LILT). This initiative also increased the number of offices involved, which now total 5: Rome, Naples, San Donato Milanese, Turin and Crema.

The initiative involved about 70 people for a total of over 360 hours of volunteer work, and about €7,000 was raised.

### KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Company voluntary work hours (no.)	2014	Increase hours by 20% a year until 2015 (base figure of 270 hours in 2013)	364	Snam Group	○

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

### EMPLOYMENT PROTECTION ▷ GRI - G4: 10, 11, 27, LA1, LA6

About 96% of Snam employees have open-ended labour contracts, while the remaining 4% have an apprenticeship contract, which, by law, is temporary in nature (historically, upon their expiration, nearly all apprenticeship contracts are converted to open-ended contracts demonstrating the stability that Snam offers by providing its employees with ongoing employment over time).

In terms of the Group's regional distribution throughout Italy, 3,368 individuals are employed in northern Italy, 1,178 in central Italy and 1,525 in the South.

In 2014, employment went up by a total of 27 employees resulting from:

- hiring 185 people from the market, 40% of whom have university degrees, and 60% have a technical institution diploma and an increase of 213 employees at Italgas and subsidiaries due to the consolidation of AES (203) and new concessions acquired (10 employees);
- termination of employment of 65 employees (assisted redundancy); layoffs, pursuant to Articles 4 and 24 of Law 223/91, for 271 employees on the basis of the Snam protocol on industrial relations signed on 17 October 2013; the unilateral termination of employment for 10 employees; and other employee departures (resignations, deaths, etc.) for a total of 25 employees.

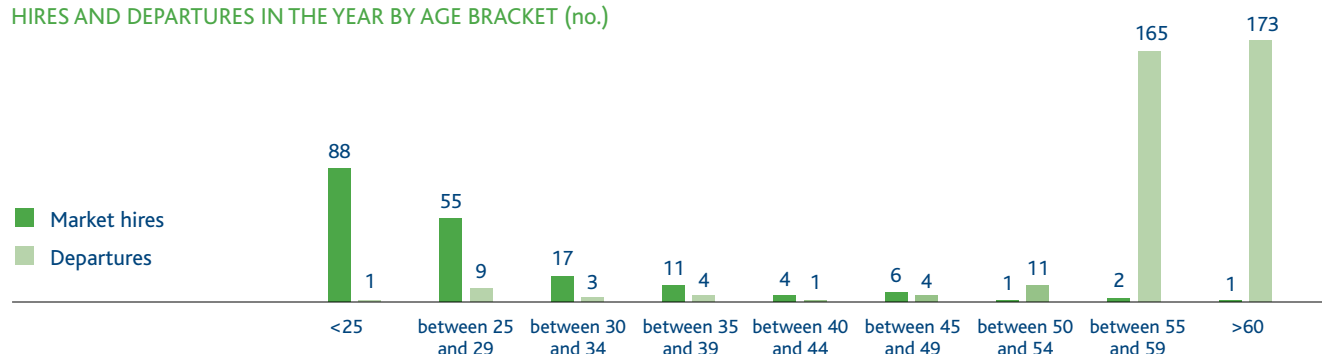
## PERSONNEL (BY TYPE OF CONTRACT) (no.)

	2012	2013	2014
Permanent contract	5,774	5,748	5,749
Apprenticeship or trainee contract	183	202	229
Workers on temporary contracts	0	0	1
Permanent Part-time contract	94	95	93
<b>Total</b>	<b>6,051</b>	<b>6,045</b>	<b>6,072</b>

## PERSONNEL HIRED DURING THE YEAR (no.)

	2012	2013	2014
Hired from the market (total)	47	67	185
of whom university graduates	27	46	75
of whom college graduates	19	21	110
of whom women	13	17	34
of whom men	34	50	151
Other incoming employees (non-consolidated companies, tender acquisitions, etc.)	52	16	213

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



## ABSENTEEISM RATE (%)

2012	5.5
2013	5.8
2014	5.3

Absenteeism rate=(Absence hours/workable hours)\*100

## TURNOVER RATE (%)

2012	4.3
2013	2.9
2014	12.9

Turnover Rate=((hires +departures))/average workforce)\*100

For the purpose of calculating the rate of absenteeism, absences are those referred to illness, accidents, unjustified absences and lateness beyond flexibility, unpaid leave or otherwise, parental leave, leave to care of sick family members (Law 104/92), days to sit university exams and death of close relatives.

## Industrial relations ▷ GRI - G4: 11

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

Snam guarantees all workers the right to freely express their thoughts, join associations and engage in union activities. At the end of 2014, 49.5% of employees were members of a trade union.

Special meeting spaces are provided for conducting union activities, and workers can benefit from dedicated leave, as provided for by current regulations and the applicable industry agreement.

All workers can submit topics of interest to them to the unitary union representative bodies (RSU), which are periodically replaced through elections.

At the national and local level, Snam's relationship with trade unions was reflected in numerous discussions: in 2014, 130 meetings were held with trade unions.

Negotiations have favoured the use of a participatory model at all levels as agreed in the new Industrial Relations Protocol signed by the parties on 17 October 2013. In fact, this agreement is the benchmark instrument for strengthening a relation-based model that will enable the development of other tools to promote a participatory culture among workers.

In keeping with the rationale underlying industrial relations aimed at enhancing second-level contracts, the parties worked out the framework of the participation bonus for the three-year period 2014-2016 for all Group companies. The aim of the negotiations, which involved trade unions at all levels, was to establish a relationship between salary components and the competitive features of the company's system in order to establish models to redistribute income.

In 2014, discussions also continued on the agreements set out in the Employment Protocol signed in October 2013. In January 2014, the agreement on layoffs was signed for all Group companies pursuant to Articles 4 and 24 of Law 223/91. In the context of improving discussion among the parties, it was also decided to establish a Verification and Control Committee on Group layoffs made up of representatives from Snam's Industrial Relations department, the national secretariats of the energy, petroleum and gas/water sectors and from union representative bodies (RSU) and regional union entities. The Committee has met periodically over the entire duration of the layoff procedure to monitor the application of the policy and the agreements signed, and especially the implementation of the employment plan specified in the above Protocol. To be specific, a plan is being established for the hiring of resources in the various operating units of the Group as a function of departing employees resulting from the layoff procedure.

## EMPLOYEE WORK DISPUTES (no.) ▷ GRI - G4: LA16

	2014
Total pending disputes as at 31.12	47
Disputes opened during the reporting year	55
Disputes closed during the reporting year	49



## Welfare ▷ GRI - G4: EC3, LA2

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

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

The most traditional and well-established elements of the corporate welfare system are: worker's compensation and additional non-work-related insurance cover in addition to required cover; supplemental health assistance that provides reimbursement of expenses incurred for health-related and hospital services at government and private facilities; and supplementary pension funds, which, in most cases are also funded by the company.

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

Other initiatives and services for staff have also been established in the key areas of: family, health, time and space, savings and relationships.

### WELFARE INITIATIVES

Intervention area	Activities
Family	<ul style="list-style-type: none"> <li>• Summer beach or mountain outings.</li> <li>• Themed outings for adolescents focusing on English language studies, sports and respect for nature.</li> <li>• Nursery school: a centre of excellence in terms of both its teaching and its architecture that includes a crèche and a nursery school that cater for employees' children aged 0 to 6 years, allowing parents to have a better work/life balance (operational at San Donato Milanese since September 2010).</li> <li>• Purchase of discounted textbooks.</li> </ul>
Health and wellbeing	<ul style="list-style-type: none"> <li>• Promoting health: early cancer detection programme in cooperation with the Italian League against Cancer and with participating health facilities, and agreements with some health centres on hospital and outpatient services.</li> <li>• Special health check-up programmes for managers.</li> <li>• Wellbeing programme: Snam offers the opportunity to engage in physical activities at selected and approved sports centres in the vicinity of the office buildings, at preferential membership rates.</li> <li>• Meals: Snam is committed to providing high quality in corporate catering, using services that ensure the use of first-rate ingredients, keep the nutritional value in the preparation process and maintain the quality of the environments and facilities where the service is provided. Take-away is another attractive option, allowing employees to save time by reserving dishes to eat at home.</li> <li>• Joining the Workplace Health Programme initiative. Good practices course launched by the Region of Lombardy and carried out with the scientific support of ASL and the collaboration of capable physicians.</li> </ul>
Time and space	<ul style="list-style-type: none"> <li>• Many offices offer flexible timing for arriving/leaving/meal breaks (according to job and workplace type).</li> <li>• Employees may be offered flexitime (according to job and workplace type) and a working hours account so that, if authorised, they can recover overtime (according to job and workplace type).</li> <li>• The Company offers assistance with filling in 730 tax forms.</li> <li>• Since September 2013, the "Partenza da casa" [Leaving home] programme has been in effect for technical staff. This procedure stipulates that employees should go directly, using their company vehicle, to the first location assigned to them to carry out their work, rather than going to their operating centre. This innovative procedure represents a growth driver for the Snam Group in the medium and long term, increasing efficiency margins in the operating structure, boosting competitiveness and at the same time reducing travel times between the home and the workplace and creating an optimum work/life balance.</li> </ul>
Saving and relationships	<ul style="list-style-type: none"> <li>• Snam personnel are offered preferential terms for obtaining personal loans, insurance policies and credit cards, hiring cars, buying name-brand products or booking holidays. Employees have the opportunity to enjoy free or reduced-cost tickets to visit museums and exhibitions or attend concerts and operas.</li> </ul>

In order to offer a set of services and initiatives that is increasingly in line with employee expectations, in recent years a study was completed of welfare services with the following structure: an analysis of the corporate population and the resulting identification of needs with an assessment of services currently provided, and construction of a priority map (November 2013); refinement of the map with the direct involvement of employees in specific focus groups with the goal of identifying needs to implement new services (January-February 2014); a thorough study of the effectiveness and efficiency of existing services, and resulting proposal for a new, broader welfare package (end of 2014).

The new welfare programme will be aimed at proposing new services and expanding existing services.

In 2014, Snam rewarded employees with 25 years of service, as it does every year. This time 290 people reached the target and received a gold medal and fuel vouchers as recognition of this achievement and their individual contributions to the Company's growth. Of the 290 people who received the award, 25 were from Snam, 74 were from Snam Rete Gas, 160 from Italgas, 7 from Stogit, 2 from GNL Italia and 22 from Napoletanagas.

### Talent Days

This initiative targets employees' children aged 16 to 29 and involves the participation of 164 young people in orientation days in Milan, Turin, Rome and Naples.

The young people were able to participate in inter-company workshops structured to give them an IT and training orientation on the labour market and on the selection of a university through: discussion groups, self-assessments, simulated work talks, completion of a resume and specialised research portals. Certain HR Directors and HR Managers from various businesses made their knowledge, expertise and experience available to provide the young people practical advice on the best way to address their career path.

In future years, the initiative will also be extended to other cities.

### Summer camps

Each year, employees' children are offered the option of participating in theme-centred summer camps focusing on sports, appreciating nature and the study of English. The initiative is provided free of charge, with only a small contribution for any personal expenses. Summer camp programme activities, which are prepared and finalised partly with the contribution that participants and their parents offer each year in satisfaction surveys, offer several activities in various areas of sports, knowledge of the environment and artistic expression.

In 2014, the activities were concentrated at Cesenatico and Piani di Luzza in the province of Udine (in an in-house workshop dedicated to mountains, nature and hiking).

The Summer Camp 2014 was again held at Castagneto Carducci (in the province of Livorno) where classroom lessons were held as well as theme-based workshops and games, and excursions and parties to get the children involved.

### Sustainable commuting

The "Plans for Commuting from Home to Work (PSCL)" were first carried out at the San Donato/Milan, Turin, Rome and Naples facilities. Employee commutes were analysed by studying: available systems that provide public transportation; methods of commuting from home to work; employees' commuting habits and wishes; accessibility of the various facilities covered by the analysis.

The PSCL also established an action plan capable of affecting the type and quality of commutes. The measures taken concerned: the information service on commuting (INFOMOBILITY) through the adoption of a dedicated computer-based tool with the assistance of an interactive map that can be accessed directly from the company's intranet portal; the launch of a CAR POOLING initiative with a dedicated computer-based tool made available; the execution of several agreements to purchase services/products for commuting.

Snam has continued to offer its employees at the main worksites the ability to purchase subsidised passes for public transportation. Over 300 people have purchased passes during the year from the company's portal.

In the area of the San Donato Milanese headquarters, the Company also provides a shuttle service from the metropolitan train station to the worksites.

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

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

The average age of the Group's employees has dropped compared to previous years from just over 49 to a little less than 48; at the same time, average time in service is about 24 years, which is unchanged from the previous year.

Despite the typical characteristics of the business activity, which require specific technical training that mainly involves men in the marketplace, the female component is rising. In 2014, about 18% of new hires were women.

Women now represent 11.1% of the company's entire workforce. In 2014, the percentages of the workforce concerned by category were as follows: 7.3% of executives and 12.8% of managers were made up of women.

The analyses carried out on the company's workforce involved in the Leadership Development programme showed that the presence of women in senior positions is bound to grow. At present, in such positions, the ratio of women to men is 13%, but this ratio is 33.3% among managers participating in the programme, and 38.8% among high flyer employees.

In addition to the analysis was the appointment in July 2014 of 4 new executives of the Group, 50% of whom were women.

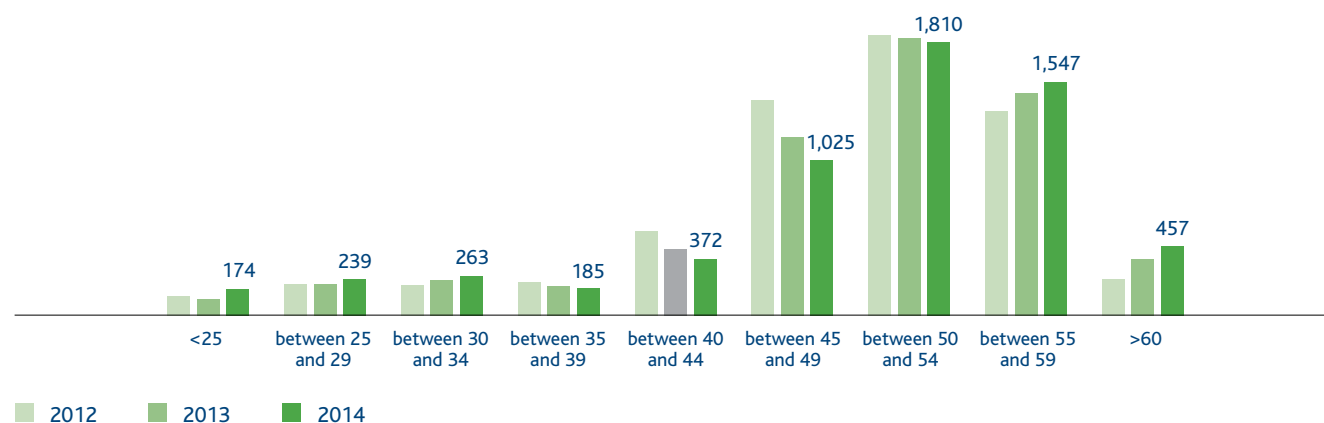
An average of 17.4 training hours per employee were provided during the year to women, which is lower than last year, which was affected by a high percentage of training hours provided to manual labourers (47% in 2014), among whom there are practically no women.

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

	2012	2013	2014
Average training hours delivered to men (hours/year)	28.1	32.7	30.2
Average training hours delivered to women (hours/year)	13.6	33.6	17.4

The Group employs 311 people with disabilities, whose development programmes focus on training and integration into corporate processes. There is not a significant presence of ethnic and linguistic minorities in our workforce, partly due to the fact that Snam operates only in Italy.

### STATISTICAL DIVERSITY: EMPLOYEES BY AGE GROUP (no.)



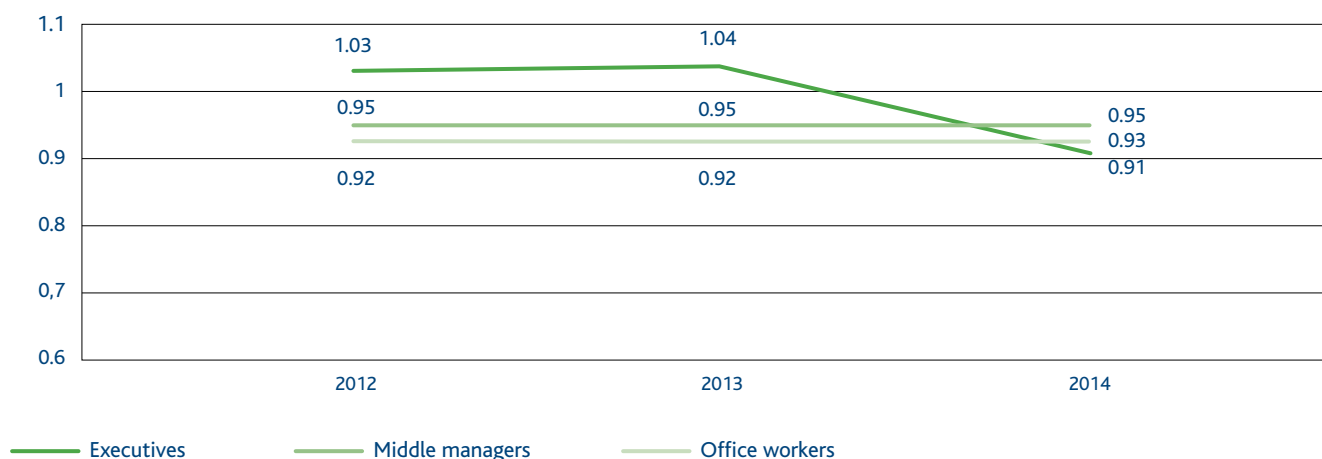
## FEMALE PRESENCE



## FEMALE PRESENCE BY POSITION (%)



## FEMALE/MALE PAY DIFFERENTIAL



In 2014, the pay gap between female/men managers decreased following the hiring of two new senior female roles. With regard to maternity, personnel benefit from more favourable provisions than those required by law, while maintaining the corporate benefits provided. During the mandatory leave period, the Company provides maternity pay at 100% of the salary of the month prior to commencement of leave (compared with 80% as required by law). Over time, Snam has invested in the creation of an entire group of tools designed to provide a better work/life balance for its employees. In addition to the widespread use of part-time work as an incentive system for staff who may require it (in 2014, 93 employees had part-time contracts), Snam has created an ad hoc section of its intranet, dedicated to providing the most extensive news and information possible on welfare initiatives for people working at the Company.

In 2014, 403 people returned to work after parental leave out of 428 positions ended (80 of which were taken by women), while in 2013 these amounted to 437. Snam and the law provide opportunities for hours/periods away from work, depending on the personal situations of employees. The figure shown includes authorisations for family bereavement, serious family problems, breastfeeding, child illness, etc. 60 parental leave positions are open at year-end (15 for women and 45 for men).



### Internationalisation of Snam

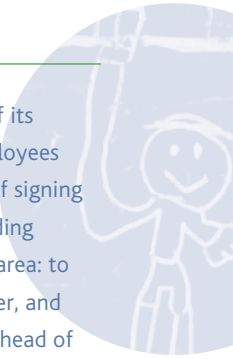
Snam's gradual internationalisation led the HR department to cooperate with other companies in the gas sector and promote the diversity of different cultures in Europe. In particular: together with Fluxys, a strategic partner, it analysed and compared corporate processes and operating procedures, and the cultures and procedures of the two companies seeking a synthesis and meeting point between them. Together with TIGF, it shared the HR practices of the two companies. It collaborated with Interconnector UK in the area of support for the strategic project of change required for the English company. It worked with TAG to create and structure a new company certified as ITO. All of this was done to share skills and in the context of respecting cultural diversity.

Snam has a "procedure for the international mobility of its staff", which is needed to manage the transfers of employees to foreign subsidiaries. Using this tool, and as a result of signing specific agreements with subsidiaries, Snam began sending the first employees abroad to foreign companies in its area: to TIGF to cover the position of Technical General Manager, and to TAG to cover the position of managing director and head of the legal department. In addition, in September Snam received the first employee coming from TIGF, who was employed in the Regulatory Affairs Department.

The Company continued to work with TIGF on the Partage Project, which will be completed at the beginning of 2015. In 2014, over 50 employees from Snam were involved in 15 theme-based work groups.

A total of 26 workers (male and female) took maternity and paternity leave in the year (36 in 2013).

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



## DEVELOPING AND VALUING OUR EMPLOYEES

In the process of enhancing its workforce, a key role is played by developing and strengthening the professional and managerial skills system in keeping with changes occurring in the company's situation.

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

Besides playing the traditional role of developing abilities and skills, training was designed to provide support to changes in management and organisational integration to make staff aware of and responsible for corporate strategies and targets.

### STAFF TRAINING (no.) ▷ GRI - G4: LA9

	2012	2013	2014
Total training hours delivered	160,771	198,357	174,916
Training hours delivered to executives	2,366	6,133	4,974
Training hours delivered to managers	15,841	23,699	14,509
Training hours delivered to office workers	65,209	117,942	73,404
Training hours delivered to manual workers	77,355	50,584	82,029
Training course attendance	15,639	23,811	17,043

To follow up on the commitments made in prior years, the training Key Performance Indicators (KPI) have been confirmed for the 2013-2014 two-year period, pre-setting a quantitative target to be reached both in the provision of average hours per employee and in staff involvement. The two pre-set targets were not only met during the year, but exceeded.

### KEY PERFORMANCE INDICATORS (KPI)

KPI description	KPI date	Pre-set target	Target achieved in 2014	Sector	Status Activities
Average hours per employee (no.)	2013	Reach a level of 25 in 2014	28,8	Snam Group	○
Involvement of corporate population (%)	2013	Reach a percentage of 83 in 2014	93,2	Snam Group	○

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

## MAIN TRAINING INITIATIVES ▷ GRI - G4: LA10, SO4

Description	Hours provided (no.)	Participants (no.)	Recipients
Management training: Initiatives to support new development systems (Performance Management and managerial skills), inter-company general management courses, new courses to improve critical soft skills, etc.	7,880	801	Executives, Middle managers and office workers
Management training: Leadership Development Programme	2,368	178	High flyers, experts, managers
Management training: Programmes to hire young graduates	1,628	129	New graduates hired by the Group in 2014
Training dedicated to maintenance of and know-how on technical systems	101,415	9,547	Technical, operating, office worker and manual labourer population
Foreign languages	6,820	269	Executives, Middle managers, office workers and technical specialists

In 2014, the Forma(re)ti project, which was launched in 2013, was developed and completed.

The training course, which was shared with Terna, served as an opportunity to discuss business issues of a general interest for a group of executives and managers from various companies: Program Management and Supply Chain (in 2013), Economics, Bid & Procurement Management and Change Management (in 2014). Participants were able to share best corporate practices through group projects, discussions and testimonials, and to strengthen a network of personal and professional relations that are useful for the development of the inter-company network.

In the context of being more open to international markets, Snam continued its commitment to providing online foreign language training that involved executives, managers, office workers and manual workers using different teaching methods and levels of training.

In addition, advanced language courses were provided through six-month programmes with individual lessons and study abroad involving about 60 employees in 2014.

### Training and shared value

This initiative is focused on generating value for the company, and at the same time, providing a specific positive contribution to the local community. This resulted in collaboration between Snam and the municipality of Crema to enhance six urban areas with the active involvement of Snam employees and local citizens. The initiative was conceived on the basis of Snam's specific training needs to enhance its culture and strengthen the integration and unique IT skills of the company. To accomplish this goal, an original strategy was selected which is based on the team building methodology which specifically improves the relationship between operations and the social environment. In 2014, with Snam's support, the first project came to life with the creation of the "open air classroom" of Santa Maria della Croce elementary school.

### Snam becomes MIP partner

In 2014, Snam became a partner of the MIP School of Management, a consortium between the Milan Polytechnic Institute and several large international governmental and private industrial groups.

This participation makes it possible to address specific research and training in keeping with business goals, to collaborate in providing courses as teachers, and to actively participate in internship projects and the placement service with the goal of developing customised training courses based on the company's needs.

Snam is also researching ways to collaborate with other Italian universities to make innovation within the Group even faster and more effective.

## Compensation systems ▷ GRI - G4: LA11

Compensation systems are periodically updated on the basis of comparisons with relevant remuneration markets and on criteria built on meritocracy and internal fairness. This system specifically aims to ensure recognition of the results achieved by an employee, the quality of professional support provided and the employee's development potential. Again in 2014, competitive positioning and fairness in remuneration practices for managerial and professional human resources were optimised and verified.

Remuneration policy is subject to an advisory vote of the shareholders' meeting. In 2014 the shareholders' meeting expressed its approval with 96.46% of participants casting votes in favour confirming a positive trend that started in 2012, the year the vote was implemented on the Report, and over the three years, Snam has obtained an average of 97.5% favourable votes. This result has made Snam one of the three best companies in the FTSE MIB with recognition for its best practices in the sector.

In 2014, a new system (Performance Management) was implemented to assign and assess objectives, and a new tool was enacted for the strategic management of individuals making it possible to extend the focus of work activities on sustainability-related goals. This is demonstrated by assigning a sustainability-related goal to all individuals involved in Performance Management.

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

The assigned and achieved targets shown in the table refer to personnel in service at the time that these were assigned.

## TARGETS ASSIGNED TO SUSTAINABILITY ISSUES ▷ GRI - G4: 51, 53, 71

	2012		2013		2014	
	Assigned (no.)	Achieved (%)	Assigned (no.)	Achieved (%)	Assigned (no.)	Achieved (%)
Executives	116	100	117	100	122	100
Middle managers	125	100	155	100	594	100
Office workers	5	100	15	100	341	100

There was a sharp increase in the assignment of personal targets to Middle managers and office workers compared with 2013.

In addition to merit policy tied to positions and responsibilities, the Performance Management system simplifies the relationship between corporate and individual performance thereby also improving consistency between performance and variable incentives.

An incentive system is also used for recent graduates during their first years of employment, designed to boost motivation and retain the best resources, with even more marked differentiation in terms of performance, professional skills and management potential.



### Performance Management and individual enhancement

This is an enhancement tool that is developed through ongoing communications between the manager and employee, and that calls for structured periods of interim checking and final feedback.

Using special cards, it makes strategies and goals explicit in qualitative and quantitative terms, and makes it possible to measure performance and certain skills deemed to be critical by

the company.

The Performance Management programme went live in 2014 and involved about 1,000 individuals who performed and received evaluations.

The enhancement of individuals will continue still further due to the adoption of a more broad-based evaluation system aimed at recognising managerial skills and growth potential for positions of increasing responsibility.

We also continued our commitment to improve the system of benefits. As in previous years, we extended our total reward statement (an itemised breakdown of an individual's overall pay packet) to all managers.

All job positions at Snam, Snam Rete Gas, GNL Italia and Stogit are subject to comprehensive analytical appraisal, based on the following factors: complexity, responsibility, experience and autonomy (CREA). A total of 575 CREA evaluations were approved in 2014. All evaluation processes are formalised and involve feedback sessions that are an important opportunity for discussion and communication between the manager and the employee with a view to gathering information that can be used to draw up new actions for developing and maximising the potential of our people.

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

### Deferred monetary incentive plan

The deferred monetary incentive plan (IMD) is a long-term incentive tool involving the use of clauses aimed at promoting the retention of human resources, supporting the motivation and loyalty of management and establishing a closer connection between targets, performance achieved and incentives. The plan is based on providing a variable incentive three years after it is pledged, which changes depending on the actual Group EBITDA achieved compared to the amount budgeted.

In the context of also making the best use of the Leadership Development Programme through the compensation system, in 2014 criteria were updated for identifying plan participants who must, as in the past, achieve excellent performance but also be a part of the Leadership Pipeline. This made it possible to extend the application of this type of incentive to non-executive staff (about 70 managers).

# Appendices





## Performance data and indicators

### SNAM GROUP – MAIN OPERATING DATA

	2012	2013	2014
<b>Natural gas transportation</b>			
Gas injected into the network (10 <sup>9</sup> m <sup>3</sup> )	75.78	69.00	<b>62.28</b>
Gas pipeline network (km)	32,245	32,306	<b>32,339</b>
Average distance covered by gas in the Italian transportation network (km)	576	485	<b>404</b>
Gas compression stations for transportation (no.)	11	11	<b>11</b>
Installed capacity at gas compression stations (MW)	864	867	<b>894</b>
<b>Liquefied natural gas regasification</b>			
Liquefied natural gas injected into the network (10 <sup>9</sup> m <sup>3</sup> )	1.12	0.05	<b>0.01</b>
Number of methane tankers unloaded	31	1	<b>1</b>
<b>Natural gas storage</b>			
Gas injected into storage sites (10 <sup>9</sup> m <sup>3</sup> )	8.44	8.92	<b>8.13</b>
Gas provided from storage sites (10 <sup>9</sup> m <sup>3</sup> )	7.20	9.50	<b>7.57</b>
Operating concessions (no.)	8	8	<b>8</b>
<b>Natural gas distribution</b>			
Distribution network (km) (*)	52,586	52,993	<b>55,278</b>
Gas carried in the distribution network (10 <sup>9</sup> m <sup>3</sup> )	7.462	7.352	<b>6.500</b>
Concessions (no.)	1,435	1,435	<b>1,437</b>

## SNAM GROUP - MAIN OPERATING DATA\*

	2012	2013	2014
Total revenues (€ million)	3,621	3,529	<b>3,566</b>
Operating costs (€ million)	804	726	<b>790</b>
EBIT (€ million)	2,111	2,034	<b>1,973</b>
Net profit (€ million)	779	917	<b>1,198</b>
Technical investments (€ million)	1,300	1,290	<b>1,313</b>
Net invested capital at 31 December (€ million)	18,314	19,320	<b>20,824</b>
Shareholders' equity including minority interests (€ million)	5,916	5,994	<b>7,172</b>
Group shareholders' equity at 31 December (€ million)	5,915	5,993	<b>7,171</b>
Net financial debt at 31 December (€ million)	12,398	13,326	<b>13,652</b>
Free cash flow (€ million)	(390)	(92)	<b>297</b>
Number of shares in share capital (millions)	3,381.6	3,381.6	<b>3,500.6</b>
Number of shares outstanding at 31 December (millions)	3,378.7	3,380.0	<b>3,499.5</b>
Average number of shares outstanding during the year (millions)	3,378.7	3,379.5	<b>3,384.7</b>
Year-end official share price (€)	3.52	4.04	<b>4.11</b>
Average official share price for the year (€)	3.43	3.66	<b>4.23</b>
Market capitalisation (€ million)	11,893	13,655	<b>14,383</b>
Dividends paid during the period (€ million)	811	845	<b>507</b>
Environmental expenses (€ million) <sup>(1)</sup>	123.6	166.6	<b>170.1</b>
Health and safety expenses (€ million) <sup>(1)</sup>	44.2	51,7	<b>43.8</b>

\* For comments on economic and financial results and for the FY 2012-2013 revenue/cost reclassification please see the annual report.

<sup>(1)</sup> 2014 date non-consolidated A.E.S



## SNAM GROUP - MAIN COMPANY INDICATORS

	2012	2013	2014
Employees (no.)	6,051	6,045	6,072
Executives (no.)	115	116	124
Managers (no.)	560	579	602
Office workers (no.)	3,257	3,271	3,280
Manual workers (no.)	2,119	2,079	2,066
Men (no.)	5,400	5,386	5,397
Women (no.)	651	659	675
Women/men pay differential (executive category)	1.03	1.04	0.91
Women/men pay differential (manager category)	0.95	0.95	0.95
Women/men pay differential (office worker category)	0.92	0.92	0.93
Employee average age (years)	49	49	48
Length of service (years)	23	24	24
Recruitment during the year from the market (no.)	47	67	185
Other incoming employees (from non-consolidated companies, etc.) (no.)	52	16	213
Percentage of university graduates hired (%)	57.4	68.7	40.5
Departures during the year (no.)	160	89	371
Employee accident frequency index	1.51	1.51	1.49
Employee accident severity index	0.06	0.09	0.08
Contractor accident frequency index	4.27	2.6	1.91
Contractor accident severity index	0.29	0.16	0.1
Training hours (no.) <sup>(1)</sup>	160,771	198,357	174,916
Training hours/employee (no.)	26	33	29
Training hours on health and safety matters (no.) <sup>(1)</sup>	26,959	34,641	53,433
Training hours on environmental matters (no.) <sup>(1)</sup>	1,901	1,970	478
Total HSEQ audits performed (no.)	380	312	314
Environmental investigations (no.)	272	260	532
Doctor's visits (no.)	3,208	2,674	2,630
Diagnostic exams (no.)	3,504	2,989	2,203

<sup>(1)</sup> 2014 date non-consolidated A.E.S

## SNAM GROUP - MAIN ENVIRONMENTAL INDICATORS

	2012	2013	2014
Energy consumption (TJ)	12,801	11,467	<b>8,858</b>
Natural gas emissions (10 <sup>6</sup> m <sup>3</sup> )	98.4	98.8	<b>95.0</b>
GHG emissions Scope 1-2-3 (10 <sup>3</sup> t CO <sub>2eq</sub> )	2,631	2,574	<b>2,341</b>
GHG emissions Scope 1 (10 <sup>3</sup> t CO <sub>2eq</sub> )	2,234	2,181	<b>1,978</b>
GHG emissions Scope 2 (10 <sup>3</sup> t CO <sub>2eq</sub> )	33.1	32.2	<b>31.5</b>
GHG emissions Scope 3 (10 <sup>3</sup> t CO <sub>2eq</sub> )	360	361	<b>333</b>
NOx emissions (t)	985	837	<b>497</b>
CO emissions (t)	363	327	<b>265</b>
Total waste production (t)	31,865	61,217	<b>57,819</b>
Non-hazardous waste production (t)	30,117	58,039	<b>54,144</b>
Hazardous waste production (t)	1,748	3,178	<b>3,676</b>
Waste recovered from production activities (%)	47	96	<b>54</b>
Freshwater procurement (10 <sup>3</sup> m <sup>3</sup> )	460	281	<b>339</b>
Freshwater discharged (10 <sup>3</sup> m <sup>3</sup> )	199	188	<b>258</b>
Sea water procurement (10 <sup>3</sup> m <sup>3</sup> )	4,000	4,000	<b>4,000</b>
Sea water discharged (10 <sup>3</sup> m <sup>3</sup> )	4,000	4,000	<b>4,000</b>

## SNAM GROUP - MAIN ENVIRONMENTAL INDICATORS

	2012	2013	2014
<b>Snam Group</b>			
CO <sub>2</sub> emissions/energy used (kg/GJ)	54.0	54.3	<b>54.0</b>
NOx emissions/energy used (kg/GJ)	0.077	0.073	<b>0.056</b>
<b>Natural gas transportation</b>			
Energy consumption/energy compressed (%)	0.27	0.25	<b>0.23</b>
CO <sub>2</sub> emissions/gas compressed (kg/10 <sup>6</sup> m <sup>3</sup> )	5,991	5,834	<b>5,941</b>
Natural gas emissions/km of network (m <sup>3</sup> /km)	1,288	1,238	<b>1,151</b>
NOx emissions/gas compressed (kg/10 <sup>6</sup> m <sup>3</sup> )	8.3	7.5	<b>6.3</b>
Average rated turbine NOx emissions/total installed capacity ([mg/Nm <sup>3</sup> ]/MW)	5.9	5.7	<b>5.4</b>
DLE turbine hours of operation/total turbine hours of operation (%)	75	76	<b>87</b>
<b>Liquefied natural gas regasification</b>			
Energy consumption/LNG injected into the network (%)	1.44	(*)	(*)
CO <sub>2eq</sub> emissions/LNG injected into the network – (kg/10 <sup>6</sup> m <sup>3</sup> )	47,553	(*)	(*)
<b>Natural gas storage</b>			
Natural gas emissions for storage/gas stored (%)	0.070	0.061	<b>0.067</b>
NOx emissions/gas stored (kg/10 <sup>6</sup> m <sup>3</sup> )	45.6	39.1	<b>28.0</b>
Average rated turbine NOx emissions/total installed capacity ([mg/Nm <sup>3</sup> ]/MW)	13.6	9.6	<b>6.2</b>
<b>Natural gas distribution</b>			
Natural gas emissions/km of network (m <sup>3</sup> /km)	840	828	<b>813</b>
CO <sub>2eq</sub> emissions/gas distributed – Scope 1 (kg/10 <sup>6</sup> m <sup>3</sup> )	96,000	97,712	<b>111,475</b>

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

## NOTE ON METHODOLOGY ▷ GRI - G4: 13, 17, 18, 20, 21, 22, 23, 28, 29, 30, 31, 32, 33

Snam Sustainability Report, now at the ninth edition of publishing, is drawn up annually, following the same timeframe of the consolidated financial statements. The report is the main channel used to communicate the Group's values, commitments, strategies and results about the sustainable development and the corporate social responsibility.

The document completes the disclosure to the stakeholders provided in the Annual Report, with physical and economics data and environmental, social and governance (ESG) performance indicators about Snam different businesses:

- Corporate (Snam S.p.A along with the subsidiary Gasrule Insurance Limited);
- Transportation (Snam Rete Gas S.p.A.);
- Liquefied natural gas regasification (GNL Italia S.p.A.);
- Storage (Stogit S.p.A.);
- Distribution (Italgas S.p.A along with the subsidiaries Napoletanagas and A.E.S. - Azienda Energia e Servizi Torino S.p.A.).

### Scope and criteria of consolidation

This Report contains data and information for the year ending on the 31 December 2014 with the exception of information on corporate governance and ownership structure, which is instead updated to the publication date of the Report.

The scope of reporting was broadened as compared to the previous year, and now includes the operations of A.E.S., a company operating in the distribution of natural gas, which has been a wholly-owned subsidiary of Italgas since 1 July 2014, and the new company Gasrule Insurance Limited.

There are no differences in the consolidation criteria used compared to what was indicated in the Annual Report.

### Reporting process and procedures

The process of collecting data and information and preparing the Report was coordinated and managed by the Sustainability unit of the parent company, Snam, in cooperation with the various corporate departments and the operating companies. Publication of the document, at the same time as the publication of the Annual Report, was subject to approval by the Snam Board of Directors on 11 March 2015.

Financial, operating and governance data are reported directly in the Annual Report and Report on Corporate Governance and Ownership Structure. Data on the environment, staff and the other aspects covered in this document are collected directly from the competent departments.

The calculation methods used to determine the various figures are indicated in the specific related sections. To ensure the comparability over time of the indicators deemed most significant and to give the reader the ability to compare performance achieved, current values have been placed alongside those for the previous two years, using graphs and tables. In the report, an attempt was made to give equal weighting to positive and negative aspects by providing, when deemed appropriate, comments on results achieved, including the events and matters that affected the Group in 2014.

The content of the Report is integrated with additional information published in the sustainability section of the website [www.snam.it](http://www.snam.it).



## Application of the GRI-G4 guidelines

The document was drafted in accordance with the most recent version (G4) of the Reporting Guidelines of the Global Reporting Initiative, published in May 2013.

The extent and the detail of reporting of the issues covered in the report reflect the results of the analysis of materiality completed on the basis of a specific methodology and updated annually as a part of the cycle to plan commitments and sustainability activities. Note that the 2014 update especially affected evaluations of the market situation and environment.

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

### Legend:

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

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

For the purposes of the application of the G4 standard, the results from the materiality analysis are combined with the list of material aspects listed in the standard. The result is indicated in the corresponding table on page (111).

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

### Post-balance sheet events

#### *Pineto incident*

The public prosecutor of Teramo has opened an investigation in relation to the incident that occurred on 6 March 2015 near the town of Pineto, concerning a gas leak in a section of pipeline. The reasons for the leak and subsequent fire are being examined. In the short term, the infrastructure was secured by stopping the gas leak and facilitating the extinguishment of the fire.

Snam Rete Gas is actively cooperating with the relevant authorities.

### Assurance

The Report was audited by the company appointed to do the audit (Reconta Ernst & Young S.P.A.) based on the principles and guidelines of the International Standard on Assurance Engagements (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB). The audit results are included in the compliance certification appended to this Report.

<b>Reference period:</b>	2014
<b>Report coverage:</b>	Annual
<b>Previous report:</b>	2013 Sustainability Report
<b>Contact person</b>	Domenico Negrini Bruno Andreetto Snam S.p.A. Piazza Santa Barbara, 7 San Donato Milanese (MI)
<b>Accessibility:</b>	<a href="http://www.snam.it">www.snam.it</a>
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## GRI - GENERAL STANDARD DISCLOSURES

### Legenda:

**SR:** Sustainability Report    **AR:** Annual Report    **RR:** Remuneration Report    **CGR:** Corporate Governance Report

GENERAL STANDARD DISCLOSURES		Reference Document	Page reference/ notes	External Assurance page
<b>Strategy and Analysis</b>				
G4-1	Sustainability strategy	SR	2-3, 7	
G4-2	Impacts, risks and opportunities	SR	7-8, 19, 35	
<b>Organizational profile</b>				
G4-3	Name of the organization	SR	Cover	✓
G4-4	Brand, products and services	SR	15-18, 62-64	✓
G4-5	Location of general headquarters	SR	Third Cover	✓
G4-6	Local market presence, included significant impacts concerning products, activities, services and relationships	SR	15-18	✓
G4-7	Ownership structure	SR	15-16, 20-22	✓
G4-8	Markets served	SR	15-18, 20-22	✓
G4-9	Size of the organization	SR	15-18	✓
G4-10	Ownership structure	SR	20, 90, 92- 93	
G4-11	Markets served	SR	92-94	✓
G4-12	Size of the organization	SR	21, 44-48	✓
G4-13	Ownership structure	SR	110-112	✓
G4-14	Markets served	SR	7-8, 35	
G4-15	Size of the organization	SR	31-32	
G4-16	Ownership structure	website	www.snam.it	
<b>Identified material aspects and boundary</b>				
G4-17	List all entities included in the organization's consolidated financial statements and those not covered by the report	SR	110-112	✓
G4-18	Process for defining the report content and the Aspect Boundaries and how the organization has implemented the Reporting Principles for defining report content	SR	7-8, 110-112	✓
G4-19	List all material aspects identified	SR	8-111	✓

GENERAL STANDARD DISCLOSURES		Reference Document	Page reference/ notes	External Assurance page
G4-20	For each material aspect, report the aspect Boundary within the organization	SR	110-112	✓
G4-21	For each material aspect, report the aspect Boundary outside the organization	SR	110-112	✓
G4-22	Report effect of any restatements of information provided in previous reports , and the reasons	SR	110-112	✓
G4-23	Significant changes from previous reporting periods	SR	110-112	✓
<b>Stakeholder engagement</b>				
G4-24	List of stakeholders with which the Company interacts	SR	20-22	✓
G4-25	Principles for identifying stakeholders	SR	20	
G4-26	Approach adopted for the activity of involving stakeholders	SR	23-24	
G4-27	Results of involvement	SR	29-30, 65-66, 95-96	
<b>Report profile</b>				
G4-28	Period of reference of the document	SR	110-112	✓
G4-29	Last report published	SR	110-112	✓
G4-30	Frequency of reporting	SR	110-112	✓
G4-31	Contacts	SR	112	✓
G4-32	Report the in accordance options and table of G4 content	SR	110-120	✓
G4-33	Policies and practices on independent auditing	SR	112, 122-124	✓
<b>Governance</b>				
G4-34	Governance structure, including committees of the highest governance body	SR CGR	35-38 Complete document	✓
G4-35	Process for delegating authority from the highest governance body to senior executives and other employees about economic, environmental and social topic.	SR AR	7, 35-38 125	
G4-36	Executive-level position about sustainability topics and whether post holders report directly to the highest governance body	SR AR	7, 35-38 125	
G4-37	Process for consultation between stakeholder and the highest governance on economic, environmental and social topic and feedback processes.	SR AR	7-8, 35-38, 112 125	
G4-38	Composition of the highest governance body and its committees	SR CGR	35-38 41-56	
G4-39	Combined chair and executive officer	SR	35-38	
G4-40	Nomination and selection of highest governance body and the criteria used for selecting highest governance body	SR CGR	36 41	



GENERAL STANDARD DISCLOSURES		Reference Document	Page reference/ notes	External Assurance page
G4-41	Conflicts of interests	SR CGR	34-42 37	
G4-42	Roles of the highest governance body in developing, approving and updating strategies and policies on sustainability topic.	SR	35-38	
G4-43	Measures to develop highest governance body knowledge on economic, environmental and social topics.	SR	7	
G4-44	Processes for evaluating highest governance body's performance of economic, environmental and social topics.	SR CGR	35-39 62-63	
G4-45	Role of highest governance body to identify impact areas, risks and opportunities about sustainability topic.	SR CGR	35-38 52-55	
G4-46	Role of highest governance body in review of risk management on sustainability topic.	SR CGR	35-38 52-55	
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	SR	7	
G4-48	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	SR	7-12	
G4-49	Process for communicating critical concerns to the highest governance body	SR CGR	35-39 72-73	
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanisms used to address and resolve them.	SR	35-42	
G4-51	Remuneration policies for the highest governance body and senior executives and how performance criteria in the remuneration policy are related to the highest governance body's and senior executives' economic, environmental and social performances.	SR RR	39, 102-103 6, 17-23	
G4-52	The process for determining remuneration and whether remuneration consultants are	SR RR	39, 102-103 11-15	
G4-53	Involved and if they are independent.	SR	37-39, 102-103	
G4-54	Stakeholder engagement on remuneration process		Confidential	
G4-55	The ratio of the annual total compensation for the organization's highest-paid individual to the median annual total compensation for all employees in each country of significant operations		Confidential	
<b>Ethics and Integrity</b>				
G4-56	Mission, values and Code of Conduct	SR	35	✓
G4-57	The internal and external mechanisms for seeking advice on ethical and lawful behavior (helpline,etc.)	SR	40-41	
G4-58	Processes for reporting concerns about unethical or unlawful behavior and for encouraging ethical behavior (hotlines, etc.)	SR	40-41	

## SPECIFIC STANDARD DISCLOSURES

Material aspects		Reference Document	Page reference/ notes	Omissions	External Assurance page
CATEGORY: ECONOMIC					
Economic Performance					
DMA		SR	7-8, 15-18, 25-32, 59-66		
EC1	Economic value generated and distributed directly	SR	28, 69		✓
EC2	Economic and financial implications associated with climate change	SR	81		✓
EC3	Coverage of obligations assumed at the time of defining the pension plan (benefit plan obligations)	SR	95-96		
EC4	Significant financial assistance received from government		Absent		
Procurement practices					
DMA		SR	7-8, 44-48		
EC9	Policies, practices, and percentage of expenses concentrated on local suppliers	SR	44-48		✓
CATEGORY: ENVIRONMENTAL					
Energy					
DMA		SR	7-8, 69, 82-84		
EN3	Direct and indirect energy consumption broken down by primary energy source	SR	82		✓
EN4	Energy consumption outside of the organization		112	✓	
EN5	Energy Intensity		109		
EN6	Energy saving	SR	77, 82-84		✓
EN7	Reductions in energy requirements of products and services		82-84		

# SPECIFIC STANDARD DISCLOSURES

Material aspects	Reference Document	Page reference/ notes	Omissions	External Assurance page
<b>Biodiversity</b>				
<b>DMA</b>	SR	7-8, 70-75		
<b>EN11</b>	Location and size of land owned, leased or managed in protected areas (or adjacent to protected areas) or in areas with high biodiversity outside of protected areas	SR	73-75	
<b>EN12</b>	Description of the major impacts of activities, products and services on the biodiversity of protected areas or of areas with high biodiversity outside	SR	73-74	✓
<b>EN13</b>	Protected or restored habitats	SR	73	✓
<b>EN14</b>	Number of protected species that have their habitat in the organisation's areas of operation, broken down by level of risk of extinction	SR	73	✓
<b>Emissions</b>				
<b>DMA</b>	SR	7-8, 76-86		
<b>EN15</b>	Total direct greenhouse gas emissions by weight (scope 1)	SR	77-78	✓
<b>EN16</b>	Total indirect greenhouse gas emissions by weight (scope 2)	SR	79	✓
<b>EN17</b>	Other indirect greenhouse gas emissions by weight (scope 3)	SR	80	✓
<b>EN18</b>	Carbon intensity	SR	109	
<b>EN19</b>	Initiatives to reduce greenhouse gas emissions and results achieved	SR	77-78, 83	✓
<b>EN20</b>	Emissioni di sostanze nocive per l'ozono per peso	SR	Replaced 88.5 kg of substances ozone-damaging with ecological fluids	
<b>EN21</b>	NOx, SOx and other significant emissions into the air broken down by type and weight	SR	85-86	✓
<b>Overall</b>				
<b>DMA</b>	SR	7-8, 70-71		
<b>EN31</b>	Expenses and investments in environmental protection, broken down by type	SR	70-71	✓

## SPECIFIC STANDARD DISCLOSURES

Material aspects	Reference Document	Page reference/ notes	Omissions	External Assurance page
<b>Suppliers Environmental Assessment</b>				
<b>DMA</b>	SR	7-8, 44-48		
<b>EN32</b>	Percentage of new suppliers that were screened using environmental criteria	SR	48	✓
<b>EN33</b>	Significant actual and potential I negative environment impacts in the supply chain and actions taken	SR	48	✓

## CATEGORY: SOCIAL

## LABOR PRACTICES AND DECENT WORK

<b>Employment</b>				
<b>DMA</b>	SR	7-8, 89-92		
<b>LA1</b>	Total number and rates of new employee hires and turnover by age group, gender and region	SR	20, 92-93	✓
<b>LA2</b>	Benefits provided for permanent workers	SR	95-96	
<b>LA3</b>	Rate of return to work after parental leave	SR	98	✓
<b>Labor/Management Relation</b>				
<b>DMA</b>	SR	7-8, 74, 92-99		
<b>LA4</b>	Minimum period of notice for operational modifications (organisational changes), specifying whether or not such conditions are included in the collective labour agreement	SR	The provisions of the national collective labour agreements are applied (see G4-11)	
<b>Occupational Health and Safety</b>				
<b>DMA</b>	SR	7-8, 49-56, 94		
<b>LA5</b>	Percentage of workers represented on the health and safety committee		Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements	
<b>LA6</b>	Rate of workplace accidents, sickness, lost work days, absenteeism and total number of deaths, broken down by geographic area	SR	51, 53-55, 92-93	✓
<b>LA7</b>	Workers with high incidence or high risk of diseases related to their occupation	SR	55-56	
<b>LA8</b>	Union agreements on health and safety	SR	94 Worker representation is ensured through ref. T.U. Legislative Decree No. 81/2008 and the national agreements	

# SPECIFIC STANDARD DISCLOSURES

Material aspects	Reference Document	Page reference/ notes	Omissions	External Assurance page
<b>Training and education</b>				
<b>DMA</b>	SR	7-8, 90, 100-103		
<b>LA9</b>	Average annual hours of training per employee, broken down by worker classification	SR	54, 97, 100	✓
<b>LA10</b>	Programmes for managing skills and for promoting training/ continuing education in support of the continuing employment of employees and for managing the final phase of their careers	SR	100-101	
<b>LA11</b>	Percentage of employees who regularly receive performance and career development evaluations	SR	102-103	✓
<b>Suppliers assessment for labor practices</b>				
<b>DMA</b>	SR	7-8, 44-48		
<b>LA14</b>	Percentage of new suppliers that were screened using labor practices criteria	SR	48	✓
<b>LA15</b>	Significant actual and potential negative impact for labor practices in the supply chain and actions taken	SR	48	✓
<b>Labor Practices Grievance Mechanisms</b>				
<b>DMA</b>	SR	7-8, 94		
<b>LA16</b>	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	SR	94	
<b>SOCIETY</b>				
<b>Supplier human rights assessment</b>				
<b>DMA</b>		7-8, 44-48		
<b>HR10</b>	Percentage of new suppliers that were screened using human rights criteria	SR	48	✓
<b>HR11</b>	Significant actual and potential negative human rights impacts in the supply chain and actions taken	SR	48	✓
<b>Local communities</b>				
<b>DMA</b>	SR	7-8, 68-75		
<b>SO1</b>	Nature, objective and effectiveness of programmes and/or practices for evaluating and managing impact on a given community, including activity	SR	70-75	
<b>SO2</b>	commencement, operation and decommissioning phases	SR	70	



## SPECIFIC STANDARD DISCLOSURES

Material aspects		Reference Document	Page reference/ notes	Omissions	External Assurance page
<b>Anti-Corruption</b>					
<b>DMA</b>		SR	7-8, 35-42		
<b>SO3</b>	Percentage of business units analysed for corruption risk	SR	39-42		✓
<b>SO4</b>	Percentage of employees with anti-corruption training	SR	101		
<b>SO5</b>	Actions taken in response to incidents of corruption	BDS RF	25, 40 216		
<b>Compliance</b>					
<b>DMA</b>		SR	7-8, 35-42		
<b>SO8</b>	Total legal actions regarding unfair competition, anti-trust and monopolistic practices and respective judgments	AR	223-234		

# GLOBAL COMPACT RECONCILIATION TABLE

The ten principles	Sustainability Report 2014	Page
<b>Human rights</b>		
<b>Principles 1 and 2 -</b> Businesses are required to promote and respect internationally proclaimed human rights within their sphere of influence and to ensure that they are not complicit in human rights abuses, even indirectly.	<p>Respect for human rights is expressly mentioned in the Snam Code of Ethics and in contractual relations with suppliers. All suppliers are required to subscribe to and comply with the Code of Ethics, with international labour requirements and to declare that they do not employ personnel below the minimum age imposed by law.</p> <p>Updated in several sections the Supplier Portal .</p> <p>Realized the annual workshop dedicated to suppliers about sustainability field.</p> <p>100% of total qualified suppliers have been analyzed on topics regarding Human Rights.</p> <p>Awareness and involvement initiatives under the "Objective: Safety" plan continued.</p> <p>Training activities continued in the HSE area (approximately 53,433 hours delivered, with more than 5,886 attendees).</p> <p>Employee and contractor accident rates reduced.</p> <p>Development of centralised HSE information system continued.</p> <p>Female staff increased. Programmes created for sharing skills in managing people in order to promote diverse cultures.</p>	44-48, 51-56
<b>Labour</b>		
<b>Principles 3, 4, 5 and 6 -</b> Businesses are required to uphold freedom of association and the recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the abolition in practice of child labour; and the elimination of all forms of discrimination in respect of employment and work..	<p>The national collective labour agreements for Energy &amp; Petroleum and Gas-Water have been applied and association rights are guaranteed to all workers.</p> <p>A new model of professional and managerial skills and new performance evaluation system were developed and implemented.</p> <p>A new system for the assignment and evaluation of business and sustainability goals was implemented.</p> <p>A management development course was launched involving about 200 people, as was a professional training course for young engineers.</p> <p>174,916 hours of training delivered in total, with 17,000 attendances. Opportunity continued for all people to take an online English course and dedicated language courses launched.</p>	89-103
<b>Environment</b>		
<b>Principles 7, 8 and 9 -</b> Businesses are required to provide support for a precautionary approach to environmental challenges; to undertake initiatives to promote greater environmental responsibility; and to encourage the development and diffusion of environmentally friendly technologies.	<p>78 km of vegetation restoration completed; environmental monitoring of over 1,050 km carried out and 16 km of reforestation completed.</p> <p>Snam pays particular attention to the subject of biodiversity in its relations with stakeholders and in its day-by-day business activity, taking as reference the Millennium Development Goals on environmental protection and the conservation of biodiversity.</p> <p>Participation to the "Clean up the World" initiative involving Bordolano's school.</p> <p>The first edition of the educational project "Stories that Tell the Future" completed for more than 1,000 schools.</p> <p>Third book in the series "sustainable pathways" (on Maiella park) under development.</p> <p>Energy management measures carried out to reduce energy consumption: online gas recompression measures taken to recover natural gas; pneumatic gas valves and cast iron pipelines replaced; Photovoltaic systems installed and energy produced from renewable sources supplied.</p>	69-87
<b>Anti-corruption</b>		
<b>Principle 10 -</b> Businesses are committed to working against corruption in all its forms, including extortion and bribery.	<p>Company participated in the assessment and obtained the highest score on transparency in the management and communication of anti-corruption programmes and activities from Transparency International Italy.</p> <p>Monitoring of the Group's anti-corruption compliance program performed. In 2014 the training period dedicated to ethic code, model 231 and anticorruption themes was concluded with 11,751 training hours and 3,917 participations.</p>	42, 101

## ASSURANCE STATEMENT



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**Independent auditors' report on the "Sustainability Report 2014"**  
(Translation from the original Italian text)

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

We have carried out a limited assurance engagement of the "Sustainability Report 2014" (hereinafter "Sustainability Report") of Snam S.p.A. and its subsidiaries (hereinafter "Snam Group") as of December 31, 2014.

**Management's responsibility on Sustainability Report**

The Management is responsible for the preparation of the Sustainability Report in accordance with the "G4 Sustainability Reporting Guidelines", issued in 2013 by GRI - Global Reporting Initiative, that are detailed in the paragraph "Note on Methodology" of the Sustainability Report, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements, even caused by frauds or not-intentional behaviors or events. The Management is also responsible for defining the Snam Group's objectives regarding the sustainability performance and for the reporting of the achieved results, as well as for the identification of the stakeholders and of the significant matters to report.

**Auditors' responsibility**

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information" ("ISAE 3000"), issued by the International Auditing and Assurance Standards Board for the engagements that consist in a limited assurance. This principle requires the respect of relevant ethical principles, including those related to independence, as well as the planning and the execution of our work in order to obtain a limited assurance that the Sustainability Report is free from material misstatements. These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Report, documents analysis, recalculations and in other procedures in order to obtain evidences considered appropriate.

The procedures performed on the Sustainability Report were related to the compliance with the principles for defining report content and quality, as articulated in the "G4 Sustainability Reporting Guidelines", and are summarized below:

- a. Comparison of the economic and financial data and information included in the Sustainability Report with those included in the Snam Group's consolidated financial statements as of December 31, 2014 on which we issued our audit report, pursuant to art. 14 and 16 of Legislative Decree dated January 27, 2010, on April 7, 2015;

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- b. Analysis, through interviews, of the governance system and of the process to manage the issues related to the sustainable development regarding Snam Group's strategy and operations;
- c. Analysis of the process relating to the definition of material aspects included in the Sustainability Report, with respect to the criteria applied to identify priorities for the different stakeholders' categories and to the internal validation of the process outcome;
- d. Analysis of the operating mode of the processes supporting the initiation, recording and management of the quantitative data reported in the Sustainability Report. In particular, we have carried out the following procedures:
  - interviews and discussions with personnel of the Management of Snam S.p.A. and of its subsidiaries Snam Rete Gas S.p.A. and Stoccaggi Gas Italia S.p.A., to obtain an understanding about the information, accounting and reporting systems in use for the preparation of the Sustainability Report, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the Sustainability Report;
  - on-site verifications at the Cortemaggiore (PC) operating site of Stoccaggi Gas Italia S.p.A. and at the worksite "Lotto 2 - Metanodotto Zimella - Cervignano" of Snam Rete Gas S.p.A.;
  - analysis on a sample basis of the documentation supporting the compilation of the Sustainability Report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct processing of data and information referred to the objectives described in the Sustainability Report;
- e. Analysis of the compliance and internal consistency of the qualitative information included in the Sustainability Report to the guidelines identified in paragraph "Management's responsibility on Sustainability Report" of the present report;
- f. Analysis of the process relating to the involvement of the stakeholders, with reference to the procedures applied, through the review of minutes or any other existing documentation relating to the main topics arisen from discussions with them;
- g. Obtaining of the representation letter, signed by the legal representative of Snam S.p.A., relating to the compliance of the Sustainability Report with the guidelines indicated in paragraph "Management's responsibility on Sustainability Report", as well as to the reliability and completeness of the information and data presented in the Sustainability Report.

The data and information which are subject to the limited assurance are reported, in compliance with "G4 Sustainability Reporting Guidelines", in the table "GRI - General Standard Disclosures" of the Sustainability Report.

Our engagement is less in scope than a reasonable assurance engagement in accordance with ISAE 3000 and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.



### **Conclusion**

Based on our work, nothing has come to our attention that causes us to believe that the "Sustainability Report 2014" of Snam Group as of December 31, 2014 is not in compliance, in all material aspects, with the guidelines "G4 Sustainability Reporting Guidelines" issued in 2013 by the GRI - Global Reporting Initiative, as stated in the paragraph "Note on Methodology" of the Sustainability Report.

Turin, April 7, 2015

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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