

The background of the page features a large, abstract graphic composed of several overlapping circles. The circles are in various shades of blue and green, creating a layered, organic effect. The colors transition from a light blue at the top to a dark teal in the center, and then to a bright green at the bottom right.

PART TWO

CSR and performance

2017 highlights

Snam4Mobility was established to promote infrastructures and technologies supporting the use of methane in transportation and sustainable mobility

€1,621 mln of Value Added distributed to stakeholders

For the ninth year in a row, Snam's stock was listed in **DJSI World** and included among the major international SRI stock

Approximately **800 procurement contracts** concluded for a total of **€844 mln**

Conducted 1,810 reputational checks on suppliers, subcontractors and participants in calls to tender

Conducted monitoring and environmental reclamation of 388 km and 203 km of gas pipelines, respectively

Provided more than **85,300 hours** of training

Adhered to the School-Work Alternation project involving approximately **600 students from 9 schools**

Snam is a **Supporting Member of Valore D**, the first business association to promote diversity, talent and female leadership

Snam wins **1st place in Webranking Italy** and **1st place in the Lundquist CSR Online Awards**

Reduced natural gas emissions by **3.2%**

More than **82,500 tonnes** of CO_{2eq} avoided thanks to specific of CO₂ saving operations

Connected the **first biomethane production plant** to the network. Concluded an additional **13 connection agreements**

Published EU Call for Tenders for the renewal of the automobile fleet and powers most of its **1,500 vehicles** with **methane**

Conducted **customer-satisfaction survey** in the three areas of activity: transportation, storage and regasification

Snam in Sustainability Indexes

Having and maintaining a presence in sustainability indexes is of fundamental importance for businesses given that increasing numbers of investors orient their decisions toward sustainable businesses, which therefore have a lower risk profile and positive long-term performance.

Once again, in 2017, Snam's stock was listed in the major international SRI stock indices. This result helps improve the company's visibility vis-à-vis socially responsible investors, as well as the entire financial market.

The overall share of Snam's institutional investors as at 31.12.2017 that include Corporate Social Responsibility criteria in their investment decisions stood at 9.5% of all institutional investors.



SNAM'S PRESENCE IN SUSTAINABILITY INDICES



For the ninth year in a row, Snam's stock is listed in the Dow Jones Sustainability World Index, the world's most important stock market index assessing corporate social responsibility.



Snam is once again present in the FTSE4Good, where it has been listed since 2002, an index created by the FTSE Group to encourage investment in companies that meet globally recognised social responsibility standards and is an important point of reference to establish benchmarks and ethical portfolios.



Snam listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Also reconfirmed in the Ethibel PIONEER and in the Ethibel EXCELLENCE Investment Registers: the Forum Ethibel decision indicates that the company can be characterised as an industry leader in terms of CSR.



Snam's listing has been confirmed for the third year running in the two sustainability indexes MSCI ACWI SRI Index and MSCI ACWI ESG Leaders, by MSCI, an international leader providing IT tools to support the investment decisions of global investors. The MSCI Global Sustainability indices includes companies having high sustainability ratings in their affiliated sectors.



The Snam stock, for the eighth year in the row, is included in the STOXX Global ESG Leaders Indices a group of indexes based on a transparent process of selection of performances in terms of sustainability, 1800 companies listed worldwide.



Snam is included in five of the main ECPI sustainability indexes. Snam's inclusion in the family of ECPI indices dates back to 2008. The ECPI methodology consists in screening based on testing more than 100 ESG (Environmental, Social and Governance) indicators.

ESG AWARDS



For the fourth year in a row, RobecoSAM awarded Snam the Silver Class in the "Sustainability Yearbook", a grouping of excellence which, in the industrial sector of reference, identifies those companies that most distinguished themselves in terms of activities and commitments in the area of Corporate Social Responsibility.



Included, for the fifth year running, among the top scoring companies of the CDP, as one of the leading international non-profit organizations dealing with climate change, from whom it also recorded in the "A List" (highest score, awarded to only 112 companies in the world).



Snam was included among the Industry carbon leaders, thanks to its position at the top of the SICS (Sustainability Industry Classification System) in the Oil & Gas sector (Midstream), by ET index research, an independent research institute that monitors the greenhouse gas emissions of the most important companies in the world, also in terms of disclosure.



Snam was also listed, in 2017, for the fourth year running, in the United Nations Global Compact 100 index (GC 100), developed by the United Nations Global Compact with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on the human rights, labour, environment and anti-corruption issues.



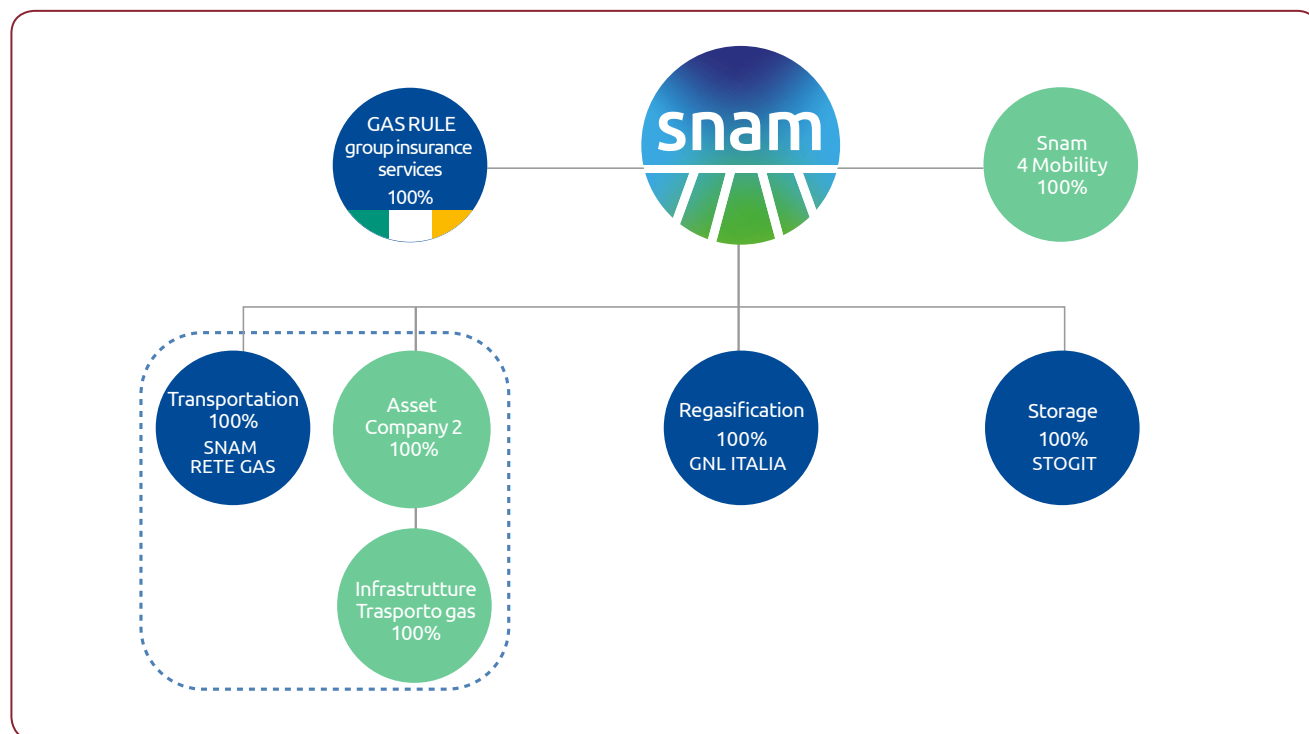
Snam is confirmed as included in the (Europe, Eurozone, World) NYSE Euronext Vigeo 120 indices, managed by Vigeo, a leading company on a European level in rating companies with regard to CSR issues.



In 2017, Snam was confirmed at "PRIME" level (with rating B-) by Oekom research, a leading international agency rating for socially responsible investments, which operates on behalf of institutional investors and financial services companies.

Snam's profile

The new corporate structure



Snam is the European leader in the construction and integrated management of natural gas infrastructure.

At European level Snam is one of the main operators in terms of invested capital for regulatory purposes and operates in major markets through agreements with major players in the industry and direct equity holdings in companies.

Snam, with natural gas transportation, dispatching, storage

and LNG regasification activities, provides the market with a safe energy source at fair prices, playing a fundamental role in the Country's energy system.

The main changes in the Snam group structure as at 31 December 2017, compared with 31 December 2016, were the incorporation of:

- (i) Asset Company 2 S.r.l., 100% owned by Snam S.p.A.; (ii) Infrastrutture Trasporto Gas S.p.A. (ITG), 100% owned by Asset Company 2 S.r.l., based on the acquisition by Edison of 100% of the share capital of ITG, effective 13 October 2017³;

(iii) Snam4Mobility S.p.A. (Asset Company 1 S.r.l. up to 13 December 2017), fully-owned by Snam S.p.A., in response to the company's launching of operational activities. The foregoing companies were consolidated within the "Transportation" and "Corporate and other activities" sectors, respectively.

³ At the same time Snam acquired, from Edison, a 7.3% stake in the capital of the Terminale GNL Adriatico S.r.l. (Adriatic LNG), a major offshore infrastructure for the unloading, storage and regasification of LNG and the largest LNG terminal in Italy.

Development of the gas system



To reinforce the central importance of the gas system in the European and Italian energy scenario, Snam will continue to invest to strengthen and expand the national network, which comprises the Sardinia methanisation project and the completion of the “reverse-flow” projects enabling its integration with the continental markets along the North-South and East-West corridors, creating a bi-directional flow of gas at the national borders at Passo Gries and Tarvisio respectively.

In 2020 the importation of natural gas from the Caspian Basin is also projected through the construction of the TAP natural gas pipeline, the terminal pipeline of the project for the so-called Southern Gas Corridor, one of the strategic priorities for the European Union.

Together with the institutional stakeholders and other interested operators, Snam will also continue to develop projects related to the evolution of the gas product (LNG and CNG) in the transportation sector and in biomethane production.

The natural gas introduced into the national network comes from imports and, to a lesser extent, national production. The foreign gas is injected into the national network through eight entry points where the network joins up with the import pipelines (Tarvisio, Gorizia, Gries Pass, Mazara del Vallo and Gela) and with the LNG regasification terminals (Panigaglia, Cavarzere and Livorno).

Domestically produced gas is injected in the network through 53 entry points from the production

fields or their collection and treatment centres; gas storage fields are also connected to the network.

The Dispatching Center manages the gas flows through the national transportation network: from the control room, manned 24/7, the main gas pipelines and compression installations of the Italian gas system are monitored and remotely-controlled; operators are also provided with an overall view of the national gas transportation network with the main points of interest and related process information. The Dispatching Center coordinates the activities carried out across the territory and maintains working relations with the other corporate functions and infrastructure operators connected to the network in Italy and abroad.

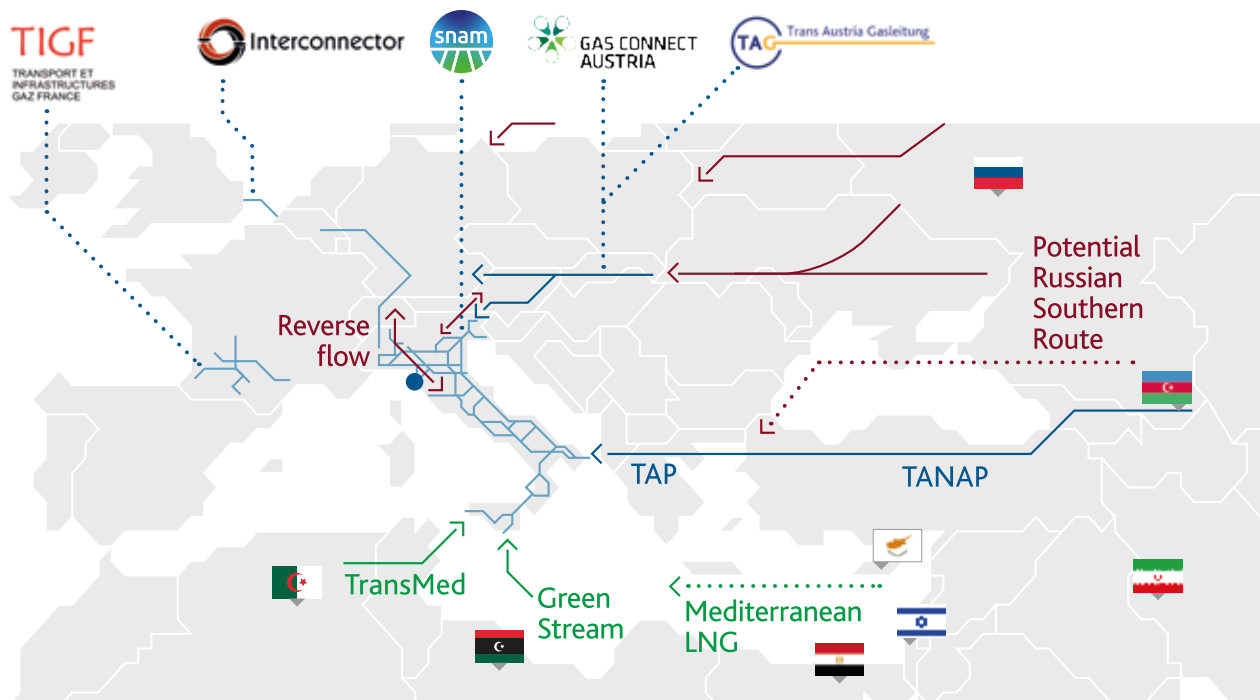


Snam4Mobility is the new company which, since January 2018, has worked to develop a more sustainable and efficient transportation system.

Snam4Mobility was established with the intention of providing Italy with infrastructures and technologies for a wide-scale distribution of methane and strengthening the network of compressed natural gas and liquefied natural gas plants. The challenge will be to make these clean power sources available to as many cars as possible within Italy, opening it also to heavy transportation vehicles, such as lorries and other commercial vehicles.



The International infrastructure system and Snam's role



Snam's international growth aims to consolidate the European infrastructure system facilitating the alignment between the consumer and producer interests, promoting a greater liquidity in the South-European gas market also through the development of new routes, and preserving the connection between the United Kingdom and continental Europe.

National infrastructures



In Italy, Snam uses an integrated infrastructure formed by 32,584 km of methane pipelines, 11 compression plants, 9 operational storage fields and one regasification plant, in addition to one dispatching centre for transportation and storage.



AN UNIQUE INTEGRATED DISPATCHING CENTER

The process of integrating the gas dispatching and the other operational activities (transportation network and storage sites) began in 2017, targeting an integrated and synergistic management of the service, thus seizing opportunities for a more effective and timely response to market needs.

The possibility of an integrated operation allows:

- the optimization of the operational schedules of the assets fully consistent with the new balancing regime objectives;
- the strengthening of the capacity to react and control under both ordinary and emergency situations;
- the centralization of information management in accordance to the best technologies and certified management systems (in particular ISO 22301 - Operational Continuity - and ISO 27001 - Information Security - already present with reference to the front-end, back-end and simulation systems;

- the dissemination of integrated and multi-disciplinary skills for a remote control management of the assets.

The integration of the processes related to the field data acquisition and management of and the upgrade of infrastructures to guarantee an even higher level of security and reliability are of paramount importance in this situation.

The integration process also envisages a fundamental phase such as the training of all the dispatching center employees. The activity, which started at the end of 2017, will allow the mutual exchange of knowledge and skills typical of network management and storage, achieving the objective of a complete interchangeability of all operators.



Key financial-economic results

Thanks to the solidity of the operational management and to the strict financial discipline, in 2017 Snam achieved results in line with the expectations.

The financial year closed with a net profit of €897 mln, with an increase of €306 mln (+51.7% compared to the 2016 net profit referring to the continuing operations amounting to €591 mln).

For a better assessment of group performance and greater data comparability, Snam drafted the “adjusted”⁴ profit/loss measurements that exclude the effects of non-recurring transactions. Furthermore, also due to the discontinuity factors that characterised FY 2016 (the separation of the gas distribution activities), referring to FY 2016, the adjusted results reflect the Italgas Group’s contribution to continuing operations, obtained by applying the relative portion of shares, amounting to 13.5%, to Italgas Group’s net profit for the entire year (pro-forma adjusted data).

The adjusted net profit amounted to €940 mln, with an increase of €95 mln (+11.2% with respect to the adjusted pro-forma net profit for 2016). This increase, in addition to an higher operating profit (+€27 mln) attributable to higher revenues from regulated activities, reflects an efficient financial management (+€36 mln), and greater net income from equity investments (+€15 mln), as well as income taxes (+€17 mln) mainly due to the reduction of the Ires rate from 27.5 to 24.0% starting on 1 January 2017, partly offset by higher income before taxes.

In 2017, a cash flow of €1.9 bln was generated from operations, allowing the full funding of financial requirements related to net investments and the generation of Free Cash Flow amounting to €0.4 bln.

The net financial debt, after paying the €0.7 bln dividend to shareholders and the cash flow resulting from the purchase of treasury shares, recorded an increase of €0.5 mln with respect to 31 December 2016.

Added value generated and distributed

The Company produces wealth contributing to the economic growth of the society and the environment in which it operates, and it measures this wealth in terms of added value produced and distributed to its key stakeholders.

In 2017, the total gross added value Snam produced amounted to €2,447 mln, down slightly (€71 mln, equal to 2.8%) from 2016 (€2,518 mln), primarily as a result of the effects of separating the natural gas distribution activities from Snam, concluded in 2016, which generated an extraordinary financial income related to reimbursement to Snam from the companies that were the subject matter of the demerger, of the existing financial debts at their respective market value.

Breakdown of Added Value

(€ million)	2015	2016	2017
Added value produced (A)	2,429	2,518	2,447
Added value distributed (B)	1,831	1,913	1,621
Employees	238	260	249
Local communities <i>Donations and sponsorships Statutory environmental compensation</i>	3	3	5
Lenders (Bondholders and Banks)	347	610	292
Shareholders	875	722	732
Government	369	323	343
<i>Direct taxes</i>	357	308	329
<i>Indirect taxes</i>	12	15	14
Added value retained by the Company (A) - (B)	598	601	826

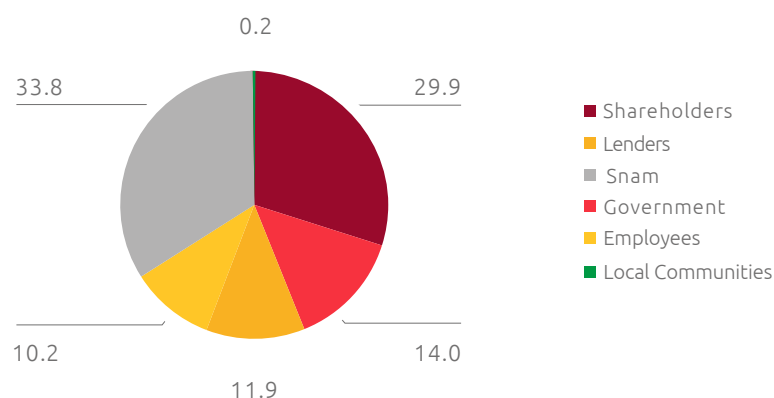
Values for 2017 is estimated on the basis of the number of shares as of the publication date of this document. Values for 2016 is updated on the basis of the paid dividend.

⁴ See Financial Report for greater details.

With regard to the main reference stakeholders, Added Value was distributed as follows:

- Employees 10.2% (-0.1 percentage points compared to 2016) in the form of direct compensation consisting of wages, salaries and severance pay and indirect compensation consisting of social security contributions and staff-related service costs (canteen services, reimbursement of travel expenses);
- Government 14.0% (+1.2 percentage points compared to 2016) – through the payment of direct and indirect taxes. The increase is mainly attributable to greater income before taxes, despite the reduction of the IRES rate from 27.5 to 24.0% (since 1 January 2017);
- Shareholders 29.9% (+1.2 percentage points compared to 2016) - through distributed dividends. The value delivered increased despite the smaller number of shares outstanding following the buyback of treasury

Distribution of value added (%)



shares by Snam under the share buyback programme launched in November 2016;

- Lenders 11.9% (-12.3 percentage points compared to 2016). Reduction in response to the benefits arising from optimising activities implemented during 2016 and 2017, in particular the liability management operation completed in October 2016.

The 33.8% (+9.8 percentage points compared to 2016) of Added Value

produced was also reinvested within the company and approximately 80% was allocated to depreciation/amortisation of tangible and intangible fixed assets used in the production process (100% in 2016).

Lastly, approximately €5 mln was designated for local communities (0.2% of the value generated) through donations and sponsorship initiatives and environmental compensation pursuant to the law.

Relations with the financial community

Snam believes that maintaining constant relations with investors and the entire financial community is of strategic importance for its reputation. In this respect, it endeavours to disseminate comprehensive and timely information, capable of effectively representing the business's strategy and performance, particularly enhancing the dynamics that ensure the creation of value over time.

In addition to the ongoing meetings and initiatives, Snam makes multiple economic and financial publications regarding business performance and the sustainability projects and initiatives developed by the Company.



2017 ENGAGEMENT ACTIVITY

The presentation of the Strategic Plan and conference calls upon the publication of the Company's results (annual, semi-annual and quarterly). In 2017, the followings were carried out:

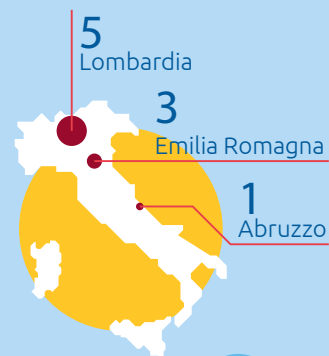
- 18 road shows to meet shareholders and institutional investors at the major financial centres of Europe and North America;
- 5 industry conferences allowing investors specialising in the utility and infrastructure sectors to meet Snam's senior management;
- 115 one-to-one meetings between Snam's management and investors, in addition to numerous group meetings (for a total of 213 meetings).

Meetings were also held with 34% of the SRI investors, out of the total number registered in the shareholder structure

Business activities

STORAGE

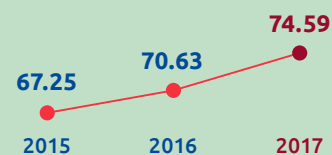
Stogit manages, under concession, nine storage fields located in Lombardy, Emilia Romagna and Abruzzo. The fields are composed of deposits, wells, pipelines, treatment plants, and compression stations.



TRANSPORTATION

During transportation, the natural gas is loaded at delivery points connected to the importation lines (Russia, Northern Europe and North Africa), with the regasification plants and the gas production and storage centres distributed throughout Italy.

Gas injected in the network (billions of cubic metres)



IMPORT LINES

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. Dispatching ensures continuous gas-flow monitoring and balancing activities based on user-defined scheduling, both under normal and emergency conditions.

Transportation network (km in operation)



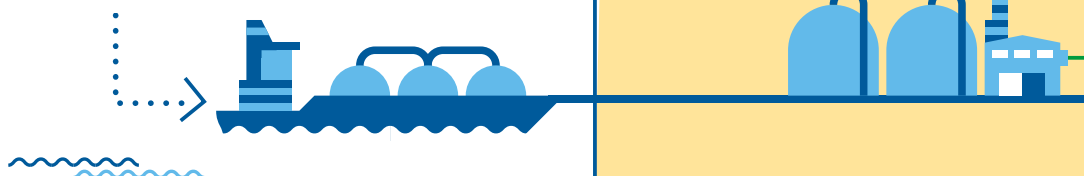
REGASIFICATION

GNL Italia manages the regasifier in Panigaglia (La Spezia), the first plant of its kind, which was built in Italy in 1971.



15

Number of tanker loads
(5 in 2016, 1 in 2015)



Natural gas storage involves injecting gas into the porous rock of an exhausted deposit that previously contained it, returning the deposit to a certain extent, back to its original state. Once stored, the gas can be re-injected in the transportation system and supplied according to market demand.

In the gas system, storage makes it possible to offset the difference between the gas supply and demand and therefore to ensure continued supply.

Total storage capacity available (billions of cubic metres)



Natural gas moved through the storage system (billions of cubic metres)



Snam Rete Gas
manages the gas
pipeline network via

8

Districts

48

Maintenance centres
throughout Italy

11

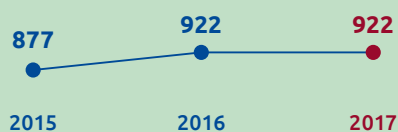
Compression stations

1

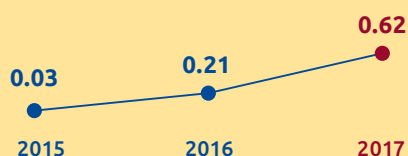
New integrated transportation
and storage activity dispatching
centre



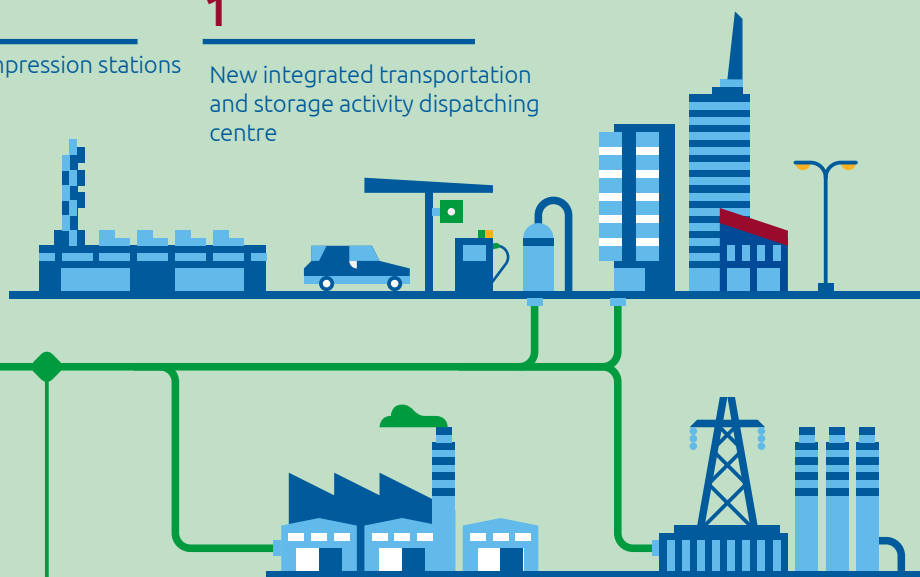
Installed power in the compression stations (MW)



LNG regasification (billions of cubic metres)



Regasification is the final activity in the liquefied natural gas (LNG) chain and involves taking gas extracted from deposits back to its original state, and then liquefied at -160° for transportation on purpose-built ships. In the gas system, the LNG chain thus enables diversification of supply sources.



The approach to sustainability

Materiality analysis

Materiality is the principle of reference to better focus the reporting of activities on sustainability issues that best reflect the organization's economic, environmental and social impacts or that influence stakeholders' decisions.

The Global Reporting Initiative (GRI) and the International Integrated Reporting Committee (IIRC) have repeatedly proposed materiality, and the analysis thereof, as a starting point necessary to bring reporting in line with the stakeholder expectations. On this matter, Directive 2014/95/EU, transposed in Italy by the Legislative Decree 254/2016, also requires

institutions/companies, that fall within the purview of the Decree, to apply this approach*.

At the end of 2017, Snam began an activity to update the topics that historically fell within the scope of sustainability, to focus on the more relevant ones.

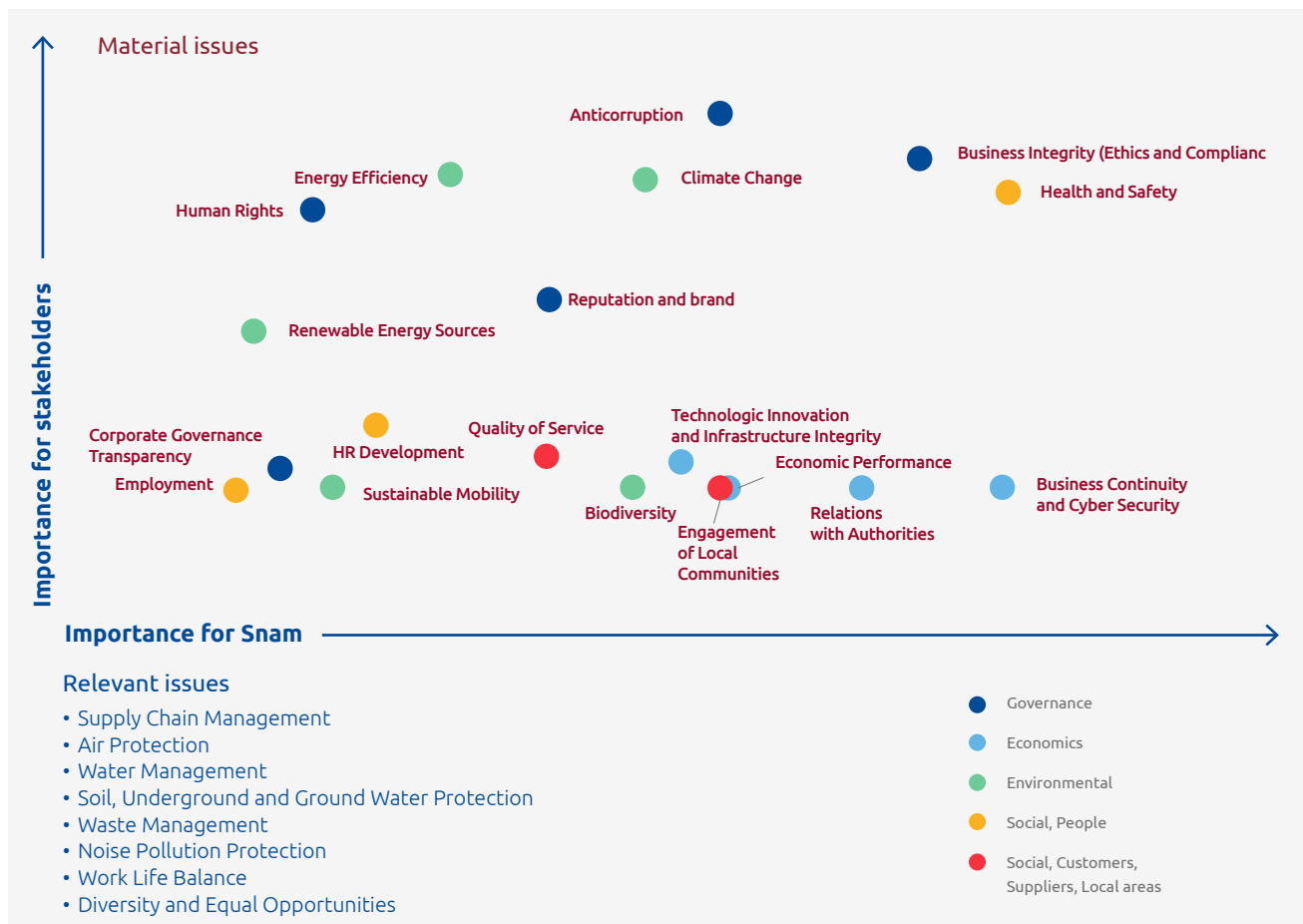
In particular, the analysis began with identifying the issues reported in the main sustainability guidelines (ISO 26000 and GRI SDGs), which are considered representative of the external point of view identified during multi-stakeholder debates and discussions at an international level. These issues were subsequently given some context with respect to the

Snam's main businesses, benchmarking with the main peer companies at a national and international level, and through the requests received by the major ESG rating agencies.

To define those which are most significant, we proceeded to analyse the issues both from the company's and from the stakeholders' perspective (including the company's employees), through a special on-line survey.

The joint consideration of internal and external significance of each single issue led to the identification of the priority and materiality areas.

Materiality matrix



* The Snam Group publishes its Non-Financial Statement within the Financial Statement, according to the Legislative Decree 254/2016

The Stakeholder relationships

Snam implements a proactive communication and seeks constant dialogue with its public of reference. Over time, it developed and organised a set of specific tools and channels to manage the relationship with various counterparts, activities in which all corporate structures participate, each within the scope of its prerogatives, roles and responsibilities.

During 2017, within the scope of the materiality analysis, Snam updated its stakeholder mapping, taking into account the degree of influence and mutual dependency between the company and its stakeholders.

The issues at the centre of the interaction with stakeholders in 2017 referred in particular to the main changes that took place during the year, especially to the expansion towards the new businesses, new uses of natural gas and international expansion.



The purpose of the stakeholder engagement is to:

- identify the various categories of stakeholders with which the company interacts following the evolution of strategies and business activities;
- analyse and understand stakeholders' profiles and the company's position with respect thereto;
- examine in greater depth the interests and topics material to each stakeholder category, through the periodic updating of the materiality analysis;
- periodically report and communicate management results to stakeholders in relation to the material topics of mutual interest through the reporting and communication tools developed by the company.



"PARTNERS DAY"

For its 75th anniversary, Snam, within the scope of "Partners' Day", held on 9 November 2017 at the "Leonardo da Vinci" Museum of Science and Technology in Milan, brought partners and stakeholders together in an in-depth dialogue on future scenarios in the world of energy.

After a plenary session where issues such as the importance of infrastructures, dialogue with the territories and the new uses of gas were addressed, an in-depth session was held - where nearly 500 people were divided up into work groups and to discuss some key issues such as:

- Which business for growth
- Cyber security: a new challenge for businesses
- Safety and environment in contracting activities (with the awarding of the 2017 Contractor Safety Prize)
- The Gas infrastructures of the Snam's foreign subsidiaries: a positive presence for territories and businesses
- Which are the challenges for the Italian and foreign gas market. The market's voice
- Social responsibility in business strategy. The stakeholders' role
- Transparency as a value and ethical pact and as a tool for prevention and reputational protection
- The development of non-regulated business in sustainable mobility
- The value for the territory from the Snam's management and development of the industrial assets
- The evolution of the European Regulatory Framework: a discussion on risks and opportunities

During the day, the interactive exhibition "RE-Source. Natural gas in the future of energy" was inaugurated. The exhibition was built around a synopsis of the Italian transportation network for the remote control of the gas flows, which Snam then donated to the Museum. Visitors were able to follow, through photographs, videos and interactive tools, the story of Italy's methanisation as the driving force for the Italian economic miracle, the engineering challenges Snam faced building the infrastructures and gas' role in the decarbonisation processes and in combating climate change.



A web identity recognised on national level

Also in 2017, Snam continued the work to improve its web identity, making progress in the field of digital communication. In addition to careful planning the editorial plan, several special projects played out as the year went by; for example, the launch of a section dedicated to natural gas, to support its role in the business strategy for a decarbonisation of the energy mix.

In 2018, in line with the new corporate identity, the new internet site will also be presented.

An increase in the number of articles was observed on the major media sources, especially associated with pillars such as sustainable mobility and energy decarbonisation through the use of new sources (biomethane, for example), and regarding Snam's role in the national system, together with its push towards innovation.

Also in 2017, the press office activities sought to highlight the company's positions and its openness to dialogue in the territories (such as Abruzzo and Apulia) characterised by a shift in opinions against certain infrastructure projects.

Snam's communication strategy is based on quality contents and on the active involvement of users. Thanks to its presence on the main social media applications (Twitter, YouTube, LinkedIn, Google+, Flickr, Instagram, Slideshare, Facebook), Snam received important awards also in 2017:

- 1st place in Webranking Italia, with the highest score ever recorded**
- 1st place in Lundquist's CSR on-line awards**
- 2nd place in the sector classification of the NC awards**

Corporate Governance and business conduct

Snam operates within the 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 and the principles enshrined in the United Nations Global Compact. In this context, Snam constantly endeavours to maintain and strengthen a corporate-governance system in line with both national and international best practices.

The Corporate and organizational structure

Snam's corporate governance system consists of a set of planning, management and control rules and methods necessary for the company to operate. These were established by the Board of Directors, in accordance to the law which apply to Snam as a listed company, in adherence to the national and international Code of Corporate Governance and best practices which are adopted by the Snam to evaluate itself.

This system is based on some key principles, such as correct and transparent business management

implemented through the identification of information flows between corporate bodies and an efficient definition of the internal control and risk management system.

Snam conducts its management and coordination activities over its subsidiaries based on specific regulations which enhance its strategic role while at the same time taking due consideration of the legal autonomy and principles of correct corporate and entrepreneurial management of its Subsidiaries.

The organisation is divided into four business units and by staff functions, designed to simplify the processes, efficiency and continuous improvement. The business units are focused on the commercial-development activities, managing of the Italian subsidiaries, managing of the foreign shareholdings, and developing of technical services focused on distinctive skills and know-how offered to gas-industry operators.

Management of the activities

Company management refers to a consistent organisational and procedural system for all of Snam's companies, in Italy and abroad, crafted in a way that the set of rules governing the business is clear, simple and organic.

Snam's main policies are:

- the Sustainable Development Policy;
- the Health, Safety and Environmental Protection Policy;
- Enterprise Risk Management-

Guide Lines

- the Stakeholder Engagement Policy;
- the Human Rights Policy;
- the Philanthropic and Social-Initiative Activity Management Policy.

Furthermore, Snam adheres to the UN Global Compact, the most important international sustainable development initiative, which aims to promote and disseminate ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

In order to successfully implement this system, managerial actions must be based on allocating specific objectives to each position of responsibility and on the transparent assessment of results, thus enabling continuous improvements in the effectiveness and efficiency of the corporate processes.

The Board of Directors

The Board of Directors is the central body of the Snam's corporate governance system and is vested with the broadest powers for the ordinary and extraordinary company management. The Board, appointed by the Shareholders' Meeting of 27 April 2016, is composed by nine directors who will remain in office for a period of three years. The Board of Directors plays a central role in overseeing the company's commitment to sustainable development along the value chain, which is then presented at the Shareholders' Meeting. The Board is assisted in these tasks by the Sustainability Committee, which plays a proactive and consulting role and it is composed by three non-executive directors, two of which are independent, including the Chairman.

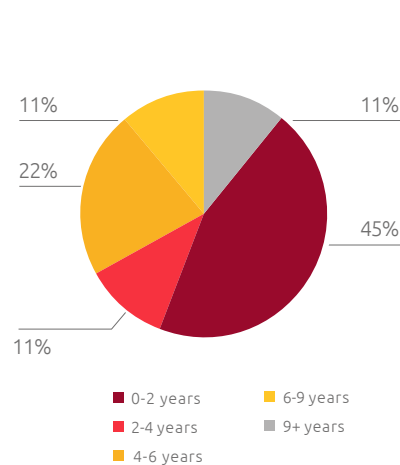
The Board of Directors has an high degree of:

- independence, with 5 out of 9 Directors qualified as independent pursuant to the Consolidated Finance Law and the Code of Corporate Governance;
- representativeness, with a third of its members elected in the lists submitted by the minority shareholders;
- gender diversity in particular: 44% of its directors are women, one of the highest values observed in companies listed on the Italian Stock Exchange (Borsa).

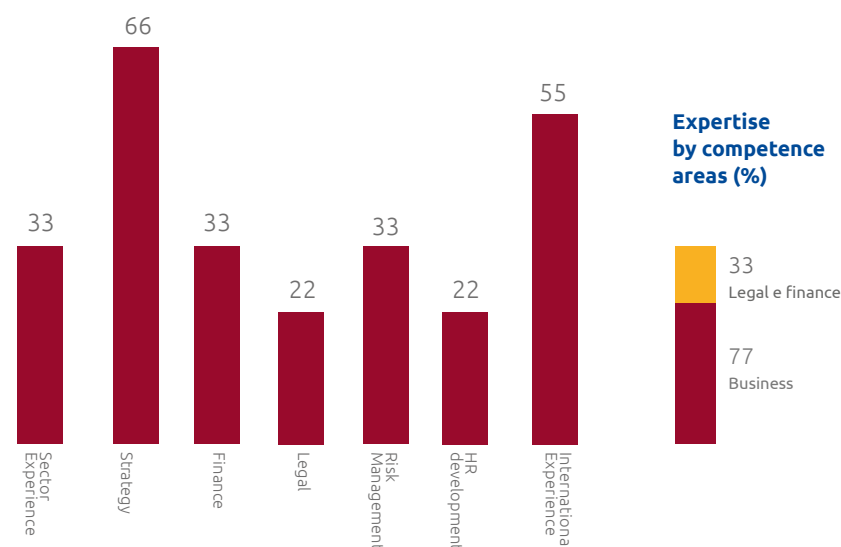
Changes compared to the previous mandate

	Last term of office	Current term of office	FTSE MIB average
Number of Directors	9	9	12.5*
Directors elected by the minority	3 (33.3%)	3 (33.3%)	2 (14.6*)
Least-represented gender in the BoD	33%	44.4%	31.8% *
Independent Directors	56%	56%	60% *
Average age of Directors	56	54	57.9
Status of Chairman	Non-executive	Non-executive	Non-executive 75%**
Existence of Lead Independent Director	no	no	16%*

Length of office of Directors in the BoD



Directors' expertise (%)



* The European House – Ambrosetti S.p.A., L'osservatorio sull'eccellenza dei sistemi di governo in Italia, 2017 Edition. The data refers to FY 2016 and is taken from public sources, such as the 2016 Financial Statements and the Report on Corporate Governance published in the spring of 2017.

** Assonime – La corporate Governance in Italia: autodisciplina, remunerazione e comply-or-explain (2017), Abstract Notes e Studies. The 2017 survey includes 221 Italian companies, listed as at 31 December 2016, the Reports of which were available at 15 July 2017. The figure refers to the average number of companies in the FTSE MIB in which the Chairman is not Chairman-CEO.



PROTECTING HUMAN RIGHTS

Snam recognises as principles those human rights connected to the personal, labour and the environmental protection domains with respect to all settings in which it operates.

In relation to these aspects Snam also adopted a human rights policy through which it pledges to prevent and repudiate:

- any type of discrimination, violence, forced labour or child labour;
- any form of sexual harassment or that referring to the personal and cultural diversity of individuals;
- harassment or attitudes in any way attributable to bullying.

The Human Rights Policy also reiterates its commitment to promote the welfare of people, whether as individuals or as part of the social groups based on the following principles and management guidelines:

- safeguarding the dignity, freedom and equality of human beings;
- protecting jobs, working conditions and trade-union freedoms;
- the confidentiality of personal data;
- the protection of health and safety;
- guaranteeing professional growth and pay strictly on a merit and skills base;
- the protection of the system of values and principles on transparency and sustainable development matters.

The fight against corruption and illegality



The main internal reference for the fight against corruption is the Anti-corruption policy, adopted by all Group companies. The policy is inspired by the principles of conduct established by the Code of Ethics and makes a clear distinction between the allowed and the prohibited conducts. In particular, it:

- prohibits the offering, promising, giving, paying, or allowing anyone to give or pay, directly or indirectly, an economic advantage or other benefits to a public official or to a private person (Active Corruption); prohibits accepting the request from, or solicitations from, or allowing someone to accept or solicit, directly or indirectly, an economic advantage or other benefits from anyone (Passive Corruption);
- pays particular attention to the selection of suppliers and the qualification process, to the awarding of contracts, the

management of contracts, the standard terms of protection, including those of commitment to respect Anti-Corruption Laws and to verify the ethical requirements of suppliers;

- establishes that all of Snam's relations with, or related to, or involving a public official must be conducted in accordance with the Anti-Corruption Procedures and instruments (the so-called Ancillary Procedures), including, in particular, the procedure for managing sponsorships and free donations.

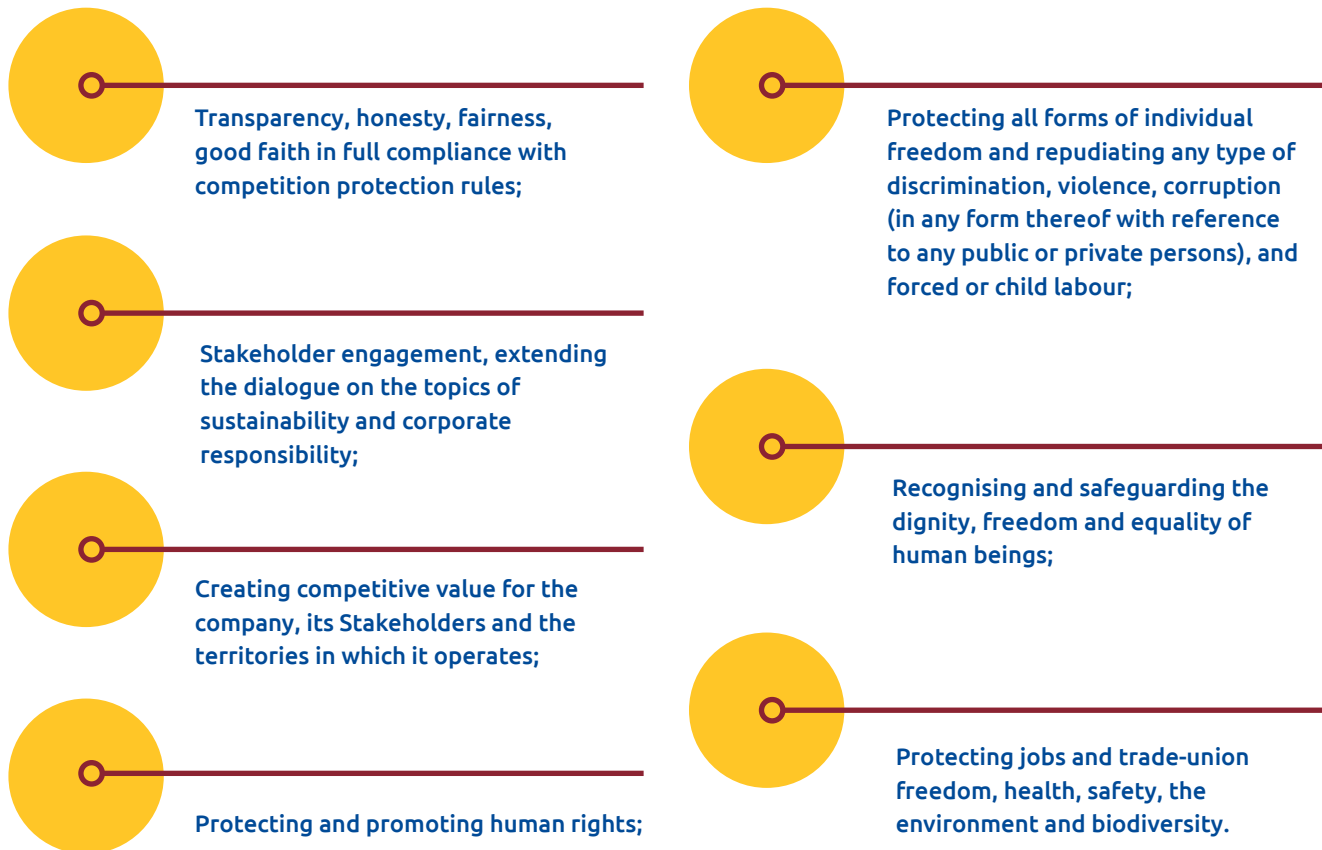
The Anti-Corruption policy is part of a broader business ethics control system adopted by Snam aiming to ensure the company's compliance with national and international laws and best standards. In this context, the hours of awareness training are provided to the staff and monitoring activities are also performed to analyse the degree of dissemination and knowledge. To prevent the risk of corruption in the supply chain, all suppliers and subcontractors are required to sign the Ethics and Integrity Agreement that allows the performance of reputational

analysis aimed at identifying - based on public information - indicators of irregularities or possible risks of infiltration by organised crime.

In 2017, Snam collaborated with the OECD, participating, as the first Italian private sector company, to the Business and Industry Advisory Committee (BIAC). Snam has also collaborated with the Ministry of Foreign Affairs attending to:

- (i) the "VIII Conferenza Italia - America Latina e Caraibi", in which Latin American Ministers of Justice and Italian Authorities participated;
- (ii) to the "Italian Business Integrity Day" held at the Italian Embassy in Washington within the scope of the Business Integrity Day promoted by the Ministry of Foreign Affairs. Snam was invited, together with other companies to participate to the Business Integrity Forum of Transparency International IT. During these events, the company illustrated the instruments established in the area of transparency and anti-corruption. On the matters of business ethics, legality and anti-corruption, approximately 327 hours of training were provided.

ETHICAL PRINCIPLES AND BUSINESS VALUES



The management systems for conducting business

Snam pursued its commitment also by updating and enforcing specific topics such as occupational health and safety, environmental protection, and the quality of the services provided. During the year, Snam corporate updated its Environmental Management System ISO 14001 in

compliance with the new version of the standard (ISO 14001:2015). Snam took all steps necessary to maintain its existing certifications, including the audits performed in-house and by external personnel. 31 auditors, also qualified for external audits also, work within Snam. 163 audits were conducted in 2017 (36 of which by an external team). The decrease in the total number of

audits can be attributed to a greater optimisation between internal and external audits and to the increase in the number of integrated HSEQ audits. To check the effectiveness of the management systems adopted, 47 health, safety and environmental audits were also carried out on contractors working on the Snam sites.

Audits (no.)

	2015	2016	2017
Internal	146	166	127
External	57	46	36
Total	203	212	163

Management systems

Company	Certification scope	Type of certification and accreditation	Year of first certification
Snam	Company *	ISO 14001:2015	2017
		BS OHSAS 18001	2012
	Company	ISO 9001	2016
Snam Rete Gas	Gas processing systems	ISO 22301	2015
	Dispatching unit	ISO 22301	2015
	Information security management for the dispatching and metering of natural gas	ISO 27001	2014
	Company	ISO 14001	2013
	Company	BS OHSAS 18001	2010
	Testing laboratory (LAB 764 Piped gaseous flows)	ISO 17025	2007
	Calibration laboratory (LAT 155 Natural gas mixtures)	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
	Company	ISO 14001	2002
ITG	Company	BS OHSAS 18001	2009
	Company	ISO 14001	2010
Snam4Mobility **		--	

* Certification obtained in 2015 and updated to the new standard ISO 14001:2015

** Company established in 2017

Natural Gas and Climate change



Natural gas is an energy source that can guarantee a pathway to efficient and effective decarbonisation at a national and European level. Snam is investing to develop the infrastructures necessary to enhance the security of energy supplies, making Italy the European gas hub, to facilitate the creation of an European market and to promote the use of compressed natural gas in the transportation sector, to increase the use of liquefied natural gas and biomethane.

The Sustainability of natural gas

Future scenarios elaborated by the International Energy Agency (IEA) see the economic and population growth of the emerging countries to be the major factors that will feed energy demand at a worldwide level, of which China, India and other Asian countries will absorb about 80% of the expected increase in 2040. Within this context, natural gas will continue to play a leading role in the evolution of the energy mix, though playing different roles in different geographic settings.

If in fact the main role of natural gas in non-OECD countries will be to support the economic development, supplementing coal and oil, in Europe and in Italy, where it already is a significant part of the energy mix, it can help achieve the objective of ensuring a progressive decarbonisation together with non-programmable renewable energy sources such as wind and photovoltaic. A greater use of natural gas means fighting climate change and would also result in lower emissions of sulphur dioxide, nitrogen oxides and soot, with a decisive impact on the air pollution abatement measures in the cities. Natural gas will also be an increasingly accessible source of energy, given the presence of large reserves in the areas close to Europe and the growth of the worldwide liquefied natural gas market, which has increased the availability of natural gas at reduced prices. In this context, the existing network of infrastructures for transportation, storage and distribution, and those in the process of development and construction, will make Italy the European gas hub, ensuring flexibility, programmability and affordability for its energy system.

For a given amount of energy used, the combustion of natural gas produces between 25% and 40% less carbon dioxide than other fossil fuels, and is free of particulates

This is also due to a gas-fuelled electricity generation capacity that is already widely available and extremely efficient.

Sustainable mobility (CNG-LNG)

Snam firmly believes that compressed natural gas (CNG) is a valid alternative to traditional automobile fuels. The use of CNG instead of gasoline and diesel fuel not only reduces CO₂ emissions, the main cause of greenhouse effect and global warming, but also approx. 94% of nitrogen oxide (NO_x) emissions, the cause of "acid rain", and up to 95% of the particulate emissions (including PM₁₀ AND PM_{2.5}) which are the most harmful to health.

In addition to reducing the emission of pollutants into the atmosphere, an additional indirect benefit comes from the extensive widespread network of gas pipelines which allows the transportation of fuel without any impact on the traffic from the perspective of safety and environmental protection.

Through its subsidiary Snam4Mobility, Snam is committed to developing the infrastructure for the use of natural gas in the transportation sector. In particular, in 2017 it signed the first agreements with different counterparts to develop 19 fuel stations (1 LNG and 18 CNG stations), of which a first group of 14 within the national ENI network of gas stations. Snam's goal is to create over



Within the framework of the initiatives implemented in favour of sustainable mobility, Snam published an EU Call For Tenders in 2017 for the renewal of its fleet of cars (approx. 1,500 vehicles), most of which are powered by methane and also signed agreements with the main car manufacturers to provide employees and their family members with discounts to purchase methane-powered cars.

250 new distributors on a national scale, which will add to the approximately 1,000 currently existing distributors, to better balance the deployment in the different regions of the Country. Liquefied Natural Gas (LNG), in addition to being a key element to ensure a greater energy security and diversification of supply, is also an affordable and efficient solution to reduce the emissions produced from the land and sea transportation. The extension also into the Mediterranean

Sea, of the Emission Control Areas (ECAs) law, which limits the emissions of sulphur oxides, and it could also significantly contribute to the development of LNG as maritime fuel.

The resumption of the regasification in Italy, which in 2017 saw 8.38 billion cubic metres of natural gas (+30% compared to 2016) injected into the network, is also a demonstration of the increasing attention being given to the LNG.

Italy's currently available regasification capacity, however, is still insufficient to attract new LNG flows and this hinders the exploitation of resources coming from the United States, Africa and the Middle East, for example.

Strengthening the infrastructure in this area, with particular attention to upgrading the terminals and constructing deposits on the coast, would also fully promote the role of alternative fuels instead of the conventional ones.

Biomethane, a current reality and opportunity for the future

Biomethane is a renewable and programmable source that supplements solar and wind energy sources. It is obtained in special plants, from the anaerobic digestion of agricultural and agro-industry by-products through a biogas upgrading process. It is ready for injection into the network and it is used in all the industries where the gas is present, also in the road transport.

Italy, with 1,500 anaerobic digestion plants in operation, is currently the third largest producer in the world of biogas from agricultural matrices with approximately 2.4 billion cubic metres per year.

Biomethane's contribution to the decarbonisation goals is not only limited to the energy consumption phase. Its production process can help significantly reduce the emissions of the agricultural sector and return organic substance to the soil with a philosophy of the circular economy: what remains after the anaerobic digestion process on agricultural matrices is in fact an excellent natural fertiliser.

Biomethane is already a reality for the Snam's network: in 2017, the first biomethane production plant was connected to the network and an additional 13 contracts were stipulated to build new delivery points.

Snam supports the biomethane chain in Italy together with the Italian Biogas Consortium and Confagricoltura with whom it drafted a manifesto presented at the 2016 edition of Biogas Italy.



The protection of air and the climate



Snam helps to fight climate change beginning with its energy choices: its energy mix is in fact composed almost entirely of natural gas which covers 96.6% of its needs in 2017. The Green House Gases (GHG) released into the atmosphere by the Snam's activities are methane (CH_4), which is the main component of natural gas, and carbon dioxide (CO_2). Methane emissions arise from the release of natural gas into the atmosphere and are generated by the normal plant operations, by operations to connect new gas pipelines and the maintenance thereof or by accidental events occurring on infrastructure, whereas the CO_2 produced is directly correlated with fuel consumption.

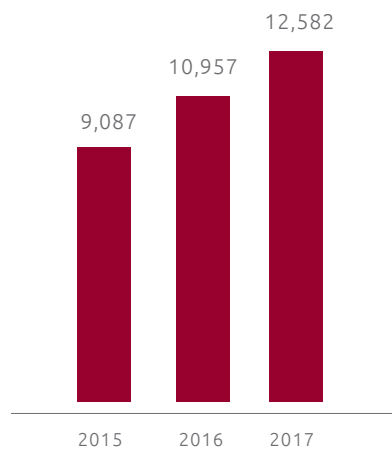
Energy consumption

The use of natural gas as a primary source of energy allows Snam to limit the release of pollutants and greenhouse gases into the atmosphere.

Most of the Snam's energy consumption is attributed to gas turbines used in the compression systems which provide the pressure required for gas transportation (thrust consumption) and in storage concessions (storage consumption) which, overall, represent the 88% of total consumption.

In 2017, the energy consumption amounted to around 12,582 TJ (+14.8% compared with 2016). This surge is mainly due to the greater quantity of gas injected into the network (+5.6% compared to 2016) and to a different network

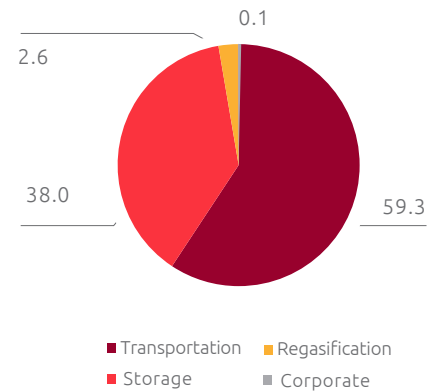
Energy consumption (TJ)



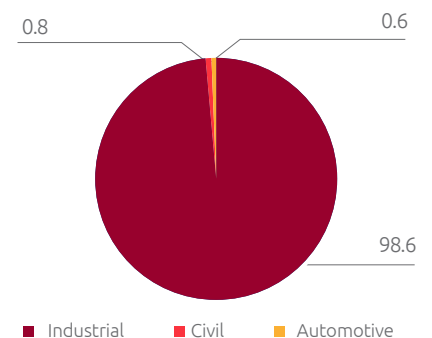
In February 2018, Snam signed an agreement for the acquisition of the 82% of Tep Energy Solution (Tep), one of the major Italian companies operating in the energy efficiency industry as an energy service company (ESCO). Tep's mission is to make its customers more competitive by reducing energy expenses. The acquisition falls within Snam's strategic plans focused on facilitating the decarbonisation and a better use of energy.

arrangement in response to the new method to request the gas, which switched from daily to hourly. In addition to natural gas, the other energy sources are electricity (2.7%) and other fuels (diesel fuel, gasoline, lpg and heat), which together amount to 0.7% of the total consumption.

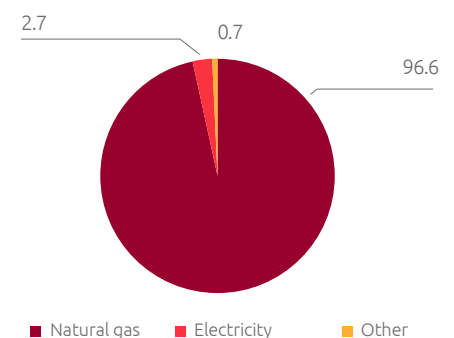
Energy consumption by activity (%)



Energy consumption by use (%)



Energy consumption by source (%)



The production of energy from renewable sources

Snam installed photovoltaic plants on several of its real estate properties (territorial headquarters and maintenance centres) and also on some of the gas storage facilities. In 2017 the total number of plants reached 1,367 units (+18.5% compared to 2016) and the installed power increased by 46 kW compared to 2016, passing from 940 kW to 986 kW (+5%).

This increase mainly regards the installation of more than 200 new back-up plants.

The total energy produced by the renewable-source plants increased by approximately 24% compared to 2016, passing from 844,600 kWh to 1,044,300 kWh in 2017. This increase is due both to new plants installed in 2017 and to the connection of equipment previously installed but not yet connected to the network.

Renewable source plants

Type	2015			2016			2017		
	(no.)	Total capacity (kW)	Energy produced (kWh)	(no.)	Total capacity (kW)	Energy produced (kWh)	(no.)	Total capacity (kW)	Energy produced (kWh)
Wind generators	1	1.7	711,678	1	1.7	844,608	1	1.7	1,044,309
Photovoltaic plants	1,016	784		1,153	938.2		1,366 (*)	984.4	
Total	1,017	786		1,154	940		1,367 (*)	986	

* Of which 1,329 installations of backup.

Performance indicators (KPI)

KPI name	KPI date	Pre-set target	Target achieved in 2017	Sector	Activity Status
Increase production of electricity from photovoltaic plants	2017	Produce at least 860 MWh annually (Up until 2022)	1,044	Snam	●
High-efficiency heat generators	2017	Install power of 100 MW in 2022	14.5	Transportation	●
Trigeneration plants	2017	Produce 5,200 MWh in 2022	under construction	Transportation	●
Installation of LED lighting systems	2017	Replace 534 kW in 2022	26.3	Transportation Storage	●
Improved energy efficiency of buildings	2017	Restructure 3 buildings in 2022 annually saving 25,000 m ³ of gas and 65 MWh of electricity	under construction	Transportation	●

● Annual target achieved (KPI with targets for more than one year).

● Activity in progress.

Greenhouse gas emissions

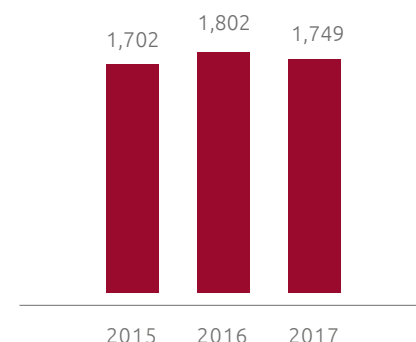
Snam set an objective for itself to reduce, by 2021, its emissions of natural gas by 10% with respect to the 2016 emissions within the same scope, through specific investments in technological innovation for the plants and improving operational efficiency. The first positive result was achieved in 2017 with a reduction of 3.2%.

Thanks to the operations carried out, the release of 82,780 tonnes of CO_{2eq} into the atmosphere was avoided. The main actions carried out for this

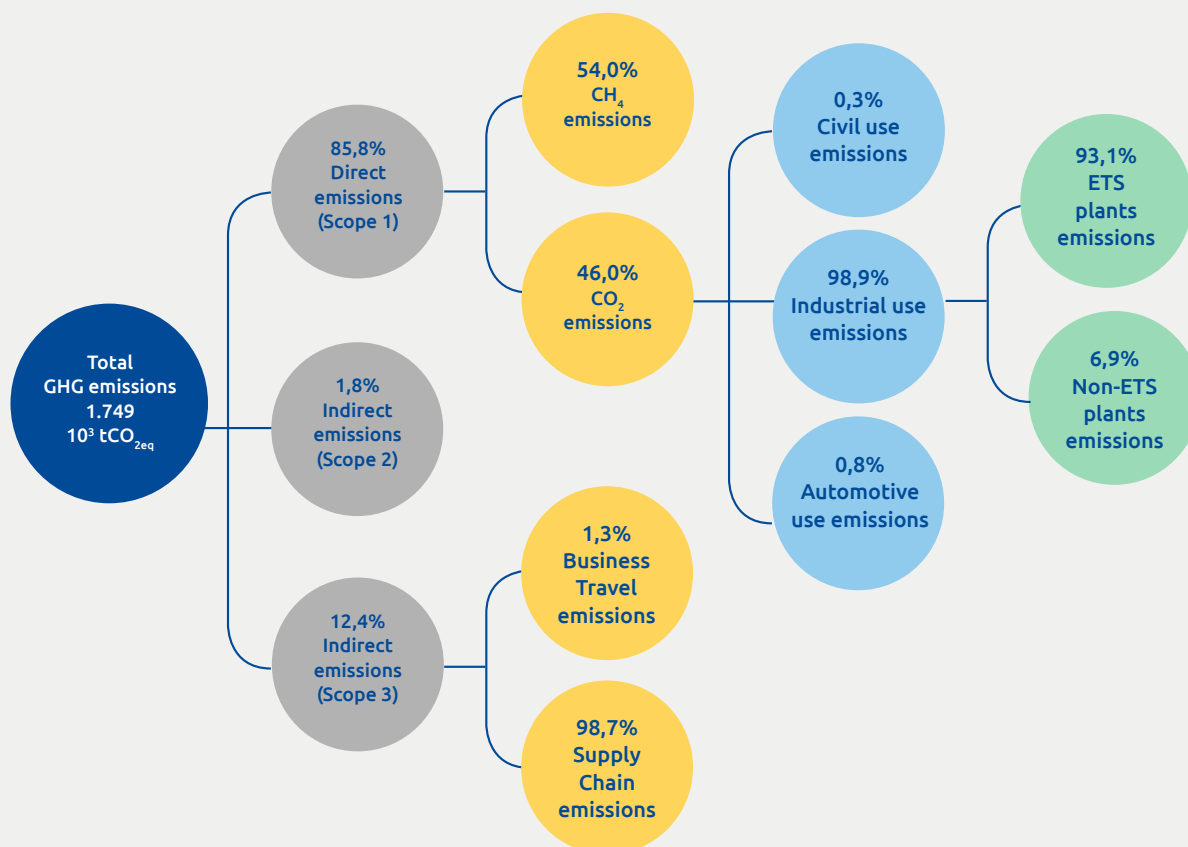
purpose were: recovery of natural gas subsequent to the application of several best practices; the production of renewable electricity by photovoltaic panels; the purchase of green electricity and the energy saved as a result of the restoration of some of the company's real estate properties and smart working activities.

In 2017, the total GHG emissions (direct Scope 1 indirect Scope 2 and Scope 3) amounted to approximately 1.75 million tonnes of CO_{2eq} (-3% compared with 2016).

Total GHG emissions - scope 1-2-3 (ktCO_{2eq})



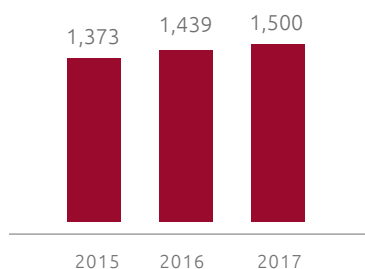
Breakdown of Snam group's GHG emissions



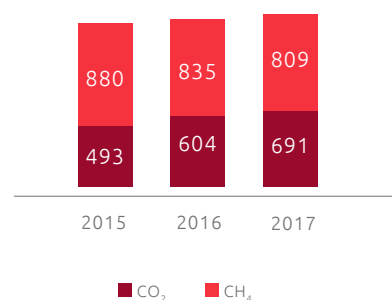
Direct CO_{2eq} Emissions (Scope 1)

In 2017 the direct CO_{2eq} emissions amounted to approximately 1.50 million tonnes (+4.3% compared with 2016). The direct CO₂ emissions from combustion amounted to approx. 0.69 million tonnes (+14.4% compared with 2016), whereas the CO_{2eq} emissions deriving from the methane emissions amounted to approximately 0.81 million tonnes⁵ (-3% compared with 2016).

Total direct GHG emissions Scope 1 (kt CO_{2eq})

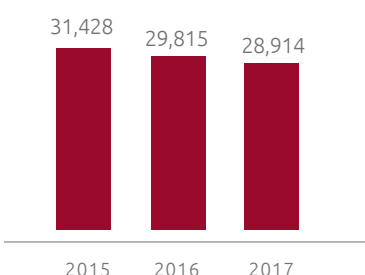


Total direct GHG emissions Scope 1 (kt CO_{2eq})

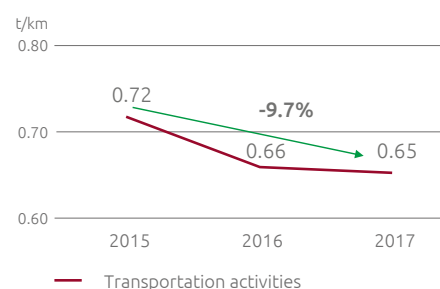


In 2017, in relation to the maintenance activities and the adding of new gas pipelines, 4.1 million cubic metres of natural gas, amounting to approximately 71,500 tonnes of CO_{2eq} were saved. The methane emissions per kilometre of transportation network decreased by a further 1.5% compared to 2016.

Total methane emissions (t)



Methane emissions/km network



Key performance indicators (KPI)

KPI name	KPI date	Set target	Target reached in 2017	Sector	Activity Status
Natural gas recovered over total potential emissions from maintenance activities	2017	Recover 33% every year (up to 2022)	36%	Transportation	●
Limit natural-gas emissions	2016	Reduce 2021 emissions by 10% compared with 2016, excluding emergencies	-3.2%	Transportation and Regasification	●

● Annual goal reached (KPI with multi-year target).

⁵ The CO_{2eq} was assessed in accordance with the instructions of the most recent Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment IPCC Reports" that assigned methane a Global Warming Potential (GWP) of 28.

Indirect CO_{2eq} emissions (Scope 2)

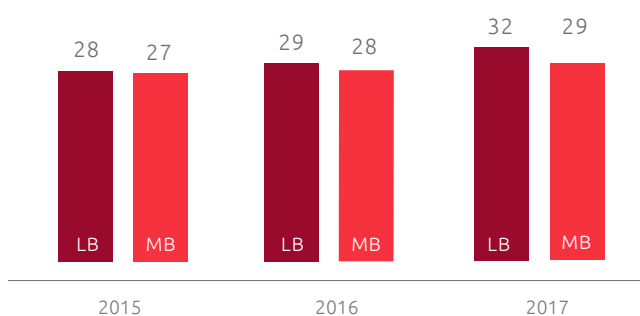
The Indirect CO_{2eq} emissions are due to the procurement of electricity and heat produced by third parties and used by Snam for its activities.

Snam calculates indirect CO_{2eq} emissions in accordance with best practices that calls for the calculation through two different approaches: the Market Based (MB) approach, which gives a null CO_{2eq} emission factor for the energy consumption from renewable sources, and the Location Based (LB) approach, which instead considers an average CO_{2eq} emission factor of the national electricity grid.

With the MB approach, emissions amounted to 28,758 tonnes (+2.0% compared to 2016), while the same emissions evaluated with the LB approach amount to 31,738 tonnes (+9.2% compared to 2016). In particular, the MB approach highlights the contribution to the reduction of emissions from the use of energy produced from renewable sources. In 2017, Snam increased the consumption of electricity produced from renewable sources, which passed from 28% in 2016 to 35% in 2017, thus avoiding emissions into the atmosphere of approx. 11,040 tonnes of CO_{2eq} (7,860 tonnes of CO_{2eq} with respect to those of 2016). The emissions avoided correspond to approximately 35% of total indirect Scope 2 emissions.

Snam4Mobility, with a view to limiting Scope 2 emissions, only planned on using electricity produced from renewable sources in the CNG plants envisaged in the development plan.

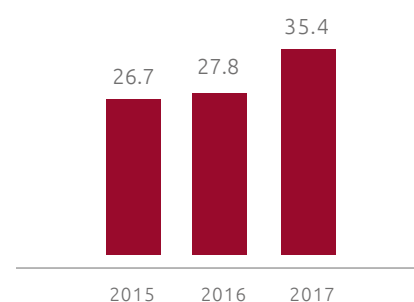
Indirect GHG emissions - scope 2 (ktCO_{2eq})



MB Approach (Emission Factor = 0,46511 t CO₂/MWhe, European Residual Mixes 2016 (Association of Issuing Bodies, AIB).

LB Approach (Emission Factor = 0,332 t CO₂/MWhe, Italian Greenhouse Gas inventory 1990 - 2015 (National Inventory Report 2017) - ISPRA).

Green electricity/ total electricity consumption (%)



Indirect CO_{2eq} emissions (Scope 3)

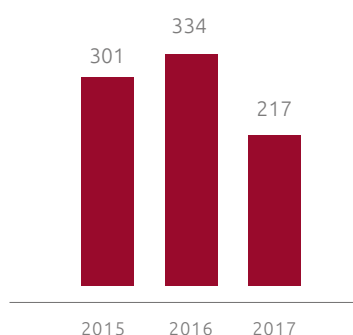
The Indirect Scope 3 emissions amounted to a total of approx. 217,000 tonnes and the 99% refers to CO_{2eq} emissions from the supply chain while the remaining part refers to business trips and travels of the employees. The emissions related to the supply chain were calculated by applying a method developed by a leading international company in the field of the Carbon Footprint analysis.

The 35% reduction in emissions compared to 2016 can be attributed to the smaller volumes of gas procured by the supply chain.

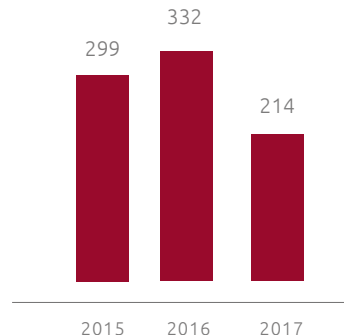
Emissions trading

In 2017, the total CO₂ emissions from the Snam ETS⁶ plants certified by an accredited body according to the instructions given by the competent national authority, amounted to approximately 0.64 million tonnes, out of total annual allowances of approximately 0.25 million assigned by the Ministry of the Environment, Land and Sea (for a negative balance of 0.39 million in allowances). This deficit is offset by the allowances already present in the national register for Snam plants, accumulated thanks to the surplus from previous years.

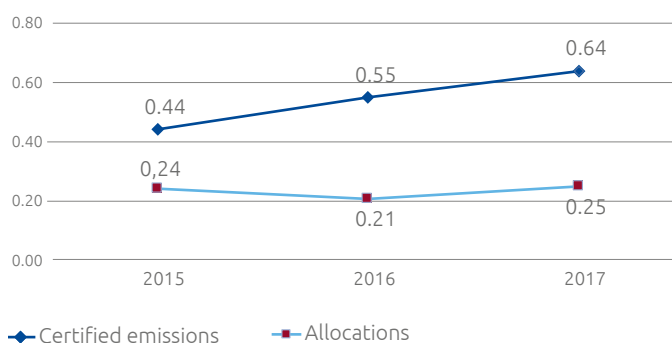
Total indirect emissions - scope3 (ktCO_{2eq})



Supply Chain indirect emissions - scope3 (ktCO_{2eq})



CO₂ Emissions ETS plants (10⁶ t)



Snam Emission Trading Plants

Activity	Number of plants	Name of plants
Transportation	11	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini
Storage	8	Storage gas compression stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Bordolano
Regasification	1	Regasification plant in Panigaglia

⁶ 1 January 2013 was the start of the third regulatory period (2013-2020) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Italian Legislative Decree No. 30 of 13 March 2013, as amended and supplemented and transposing Directive 2009/29/EC.

Nitrogen oxide emissions

The use of natural gas as the main energy source allows sulphur oxides and particle emissions to be minimised.

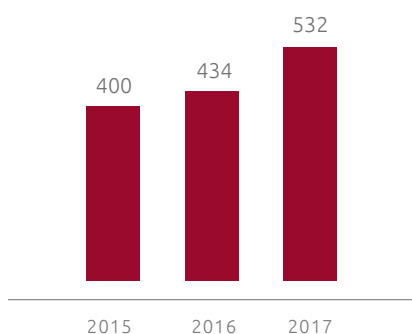
Nitrogen oxide (NO_x)⁷ emissions, the only significant pollutant emissions, mainly derive from the combustion of natural gas in turbines installed in compression systems (thrust and storage).

Total emissions of nitrogen oxides in 2017 amounted to 532 tonnes (+22.5% compared to 2016), while the indicator that parametrises emissions

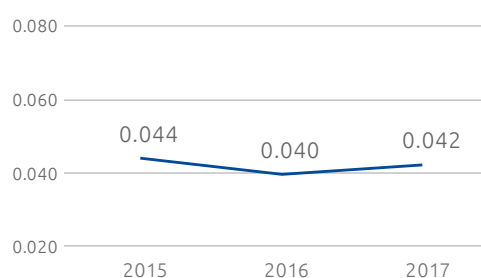
over energy used increased by 6.7%. The increase in NO_x emissions can be attributed mainly to the increase in the gas transportation activity.

To contain emissions, a programme that calls for modifying certain turbines already in operation and the installation of new units with low emission combustion systems (Dry Low Emissions) has been in progress for years. In 2017, 3 DLE turbines were commissioned in storage terminals (TC2 Sabbioncello and TC1 and TC2 of Bordolano).

Total NO_x emissions (t)



NO_x emissions/energy used (kg/GJ)



⁷ Emissions of NO_x into the atmosphere were calculated based on direct measurements or, if not available, by means of emission factors present in the literature (EMEP/EEA "Air pollutant emission inventory guidebook" European Environment Agency).

Land and Environment



Protecting the environment, biodiversity, and the territory are integral parts to define the Snam's corporate policies and investment decisions

Responsibility for operations

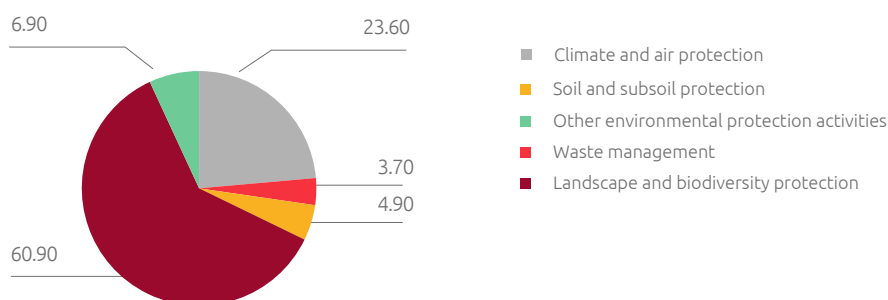
Snam is present, through its infrastructure, in almost all the Country's regions, in areas and communities different in terms of culture, traditions and economic, social and environmental conditions.

When creating new infrastructures and managing the existing ones, Snam takes a strict, transparent, collaborative and constructive approach to ensure the environmental compatibility of the sites and to facilitate their acceptance by the stakeholders.

Over time a network of relationships with the regional branches of Confindustria and with the local entities of other associations has been developed to discuss energy, economic and environmental policy issues. At a local level, the Company cooperates with authorities and participates to the works of numerous associations and committees, offering its commitment, skills and know how to participate to the social innovation and sustainable development processes.

All of the Snam's activities are monitored by certified environmental management systems (ISO 14001).

Environmental Expenses (%)



With regard to the environmental protection, Snam spent approximately €120.6 mln (€108.4 mln for investments and €12.2 mln for operating costs).

In 2017 approximately €249 thousands were allocated to the territory as donations and sponsorships and about €5.6 mln as environmental compensation.

Infrastructure sustainability and safety

For the development of new sites, in addition to the technical-economic feasibility criteria, Snam adopts procedures that meet strict environmental compatibility and safety assessments.

The assessments of the environmental effects involve all the phases of the work life cycle, site selection, planning, construction, operation and decommissioning. These assessments are made within the purview of the Environmental Impact Assessment (EIA) procedure, at the end of which the central and local administrations issue the permits required under the current law.

During the year and only regarding the transport business, 106 meetings were held with the local administrations and territorial associations to illustrate the work construction plans. Together with the latters, 2 agreements concerning easements were stipulated.

EIA decrees obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Pipelines				
Upgrading Bussero - Osnago	26.00	Lombardy	Lombardy Region	11/01/2017
TAP Interconnection	55.43	Apulia	MATTM	22/09/2017
Sealine Trieste - Grado - Villesse	46.00	Friuli Venezia Giulia	MATTM - MiBACT	12/06/2017
Concessions				
Treste river to operate with overpressure and to develop new level	--	Abruzzo and Molise	MATTM	18/05/2017
Ripalta - to operate with overpressure and to relocate treatment plant	--	Lombardy	MATTM	07/04/2017
Minerbio to operate at overpressure	--	Emilia-Romagna	MATTM	14/03/2017
MATTM = Ministry of the Environment and Protection of Land and Sea MiBACT= Ministry of Cultural Heritage and Activities and Tourism				

Provisions for verification of whether subject to EIA obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Pipelines				
Cortemaggiore - Genoa variation in the Town of Rottofreno	5.275	Emilia-Romagna	Region Emilia-Romagna	30/01/2017
"Branch to Salerno" variations	2.08	Campania	Campania Region	12/07/2017
Pietravairano - Pignataro M. Link	25.10	Campania	Campania Region	12/10/2017
Benevento-Cisterna variations	3.38	Campania	Campania Region	10/05/2017
Castrovillari-Melizzano variations	3.1	Campania	Ministry of the Environment and Protection of Land and Sea	22/06/2017
Edison Garaguso and Masseria Monaco Link	4.599	Basilicata	Region of Basilicata	30/03/2017
Pisticci - Sant'Eufemia variations	4.925	Calabria	Calabria Region	19/04/2017
S. Eufemia - Crotone Loc. variations Calderaio and Loc. Marcellinara	3.4	Calabria	Calabria Region	30/06/2017
Plants				
Power				
Upgrading of Istrana compression station	75 MW	Veneto	Province of Treviso	30/06/2017

EIA applications submitted to Ministry of the Environment and Ministry of Cultural Heritage

Name	Length (km)	Regions involved	Date of submission
Pipelines			
Campodarsego - Castelfranco Veneto reconstruction	33.459	Veneto	15/12/2017

Pieve di Soligo - S. Polo - Salgareda reconstruction	33.56	Veneto	15/12/2017
Mestre - Trieste Tratto Casale sul Sile - Gonars reconstruction	117.486	Veneto - Friuli Venezia Giulia	15/12/2017
Mestre - Trieste downgrade			
Ravenna - Chieti Tratto Recanati - San Benedetto del Tronto reconstruction	93.61	Marche	30/11/2017
Ravenna - Chieti Tratto San Benedetto del Tronto - Chieti reconstruction	90.74	Marche - Abruzzo	30/11/2017
Ravenna Mare - Ravenna Terra reconstruction	33.696	Emilia Romagna	21/12/2017
San Salvo - Biccari reconstruction	87	Apulia - Molise - Abruzzo	15/12/2017
Gagliano - Termini Imerese reconstruction	45.99	Sicily	12/12/2017
Methanisation of Sardinia - Northern Section and Related works	230.98/110.00	Sardinia	26/07/2017
Methanisation of Sardinia - Southern Section and related works	150.57/80.06	Sardinia	21/06/2017

EIA requests submitted to regional or provincial authorities

Name	Length (km)	Regions involved	Date of submission
Pipelines			
Rimini - Sansepolcro reconstruction	81.92	Emilia-Romagna - Tuscany	04/05/2017

Requests for verification of whether subject to EIA submitted to regional or provincial authorities

Name	Length (km)	Regions - Provinces involved	Date of Submission
Pipelines			
Pisticci - Sant'Eufemia variations	4.925	Calabria	26/01/2017
S. Eufemia - Crotone Loc. variations Calderaio and Loc. Marcellinara	3.4	Calabria	01/02/2017
Plants			
Upgrading of Istrana Compression station	75 MW	Treviso	01/03/2017

Monitoring and inspecting the network

	2015	2016	2017
network inspected using smart pigs (km)	1,315	1,660	1,632
network inspected by helicopter (km)	16,330	16,218	16,274
network subject to geological inspection (km)	2,300	1,478	4,080

In the gas pipeline design phase, the path is chosen among different alternatives, trying to avoid or reduce to the necessary minimum the network's passage through areas of significant natural or cultural interest, archaeological areas, geologically unstable and man-made areas or those in which the construction of new residential developments are expected.

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

During operations, the plants are monitored 24 hours per day, and simulation and optimisation programmes are used to guarantee the best operational settings with the goal of the reducing fuel consumption to convey the gas and to consequently limit the emission levels.

The pipeline layout is then inspected regularly by foot, by vehicle and using helicopters to detect potentially hazardous situations caused, for example, by the works of third parties in proximity of pipelines. Geological inspections of the pipeline section are also carried out to identify potential instabilities along the sections. Similarly, any land slide at specific points along the route is also kept under surveillance, using appropriate sophisticated equipment, if needed. Pipeline integrity is also monitored by passing a smart pig inside them to detect any material defect or anomaly.

In addition to the drills required by the Seveso Directive, in 2017, at the Panigaglia regasification terminals, Snam conducted monthly safety drills simulating accidental leaks of LNG. A joint Security and Safety exercise was also carried out with the Port Authority, the Fire Department, the police, and the emergency medical services.



CYBER RISK MANAGEMENT AND OPERATIONAL CONTINUITY STRATEGY

Over the years, Snam developed its own Cyber Security Strategy to deal with cyber threats, with constant attention to the changing regulations (Italian and European Union) in the field of critical infrastructure and essential services. The upgrading of their processes with the provisions and requirements of the ISO/IEC 27001 (Information Security Management System) and ISO22301 (Operational Continuity Management System) standards lie within the purview of this strategy. The Cyber Security Strategy is reviewed and updated on an annual basis, taking into account the requirements and demands originating from the business, any changes in operational processes, the results of the risk analysis and findings from the audit activities.

In order to anchor the cyber risk analysis to more objective models capable of analysing a continuous change in the setting, in 2017 Snam developed a new tool to govern the Cyber Security risk which, starting from signals originating from the Cyber Protection solutions, can measure the extent to which their systems and processes are exposed to advanced IT threats (e.g. ransomware and social engineering). Analysing current attack trends, Snam can focus its efforts on combating the major threats and on resolving the most critical vulnerabilities, prioritising on one hand the choices of strategic investment, and patch the management activities on the other.

Protecting biodiversity

Snam considers safeguarding nature in the areas where it operates to be of particular importance. For this reason, while construction works are in progress, it implements the most suitable design choices to minimise the biodiversity impacts generated. Once completed, it conducts environmental remediation works and monitoring projects, carried out in agreement and in cooperation with the entities in charge.

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

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

Monitoring is normally performed for the most significant habitats identified in the design phase. Natura 2000 is the main instrument in the European Union’s policy for preserving biodiversity. It was established pursuant to the Directive 92/43/EEC “Habitat” to preserve natural habitats at a Community level.

The Natura 2000 network is made up of Sites of Community Importance (SCI), which are then designated as Special Areas of Conservation (SAC), and also includes the Special Protection Areas (SPA).

The areas are not rigidly protected reserves where human activities are not allowed, in 2017, approximately 12.6 km of gas pipelines affected these areas.

During 2017, work continued for the construction of the Cervignano - Mortara pipeline, an important gas pipeline covering 61.7 km (with underground pipes measuring 1,400 mm in diameter), which runs through farm areas of Lombardy between the provinces of Lodi, Milan, and Pavia. A few smaller diameter variation lines are connected to it for an overall length of 38.5 km.

Decommissioning is planned for the Sergnano - Mortara DN 750 pipeline upon completion of the works for a total length of 56.1 km and related variation works for an overall length of 21.7 km.

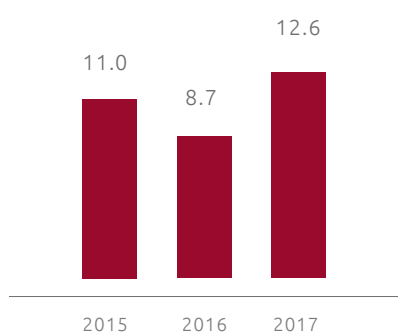
The pipeline crosses predominantly farm areas, which will be fully restored at the end of the work and returned to their original use, and over the protected area of the Ticino Park.



2017 Natura 2000 sites affected by the pipeline routing

Special Protection Areas /Sites of Community Importance	km
Severe and wet areas of Brenta	0.098
Valli di Comacchio [Comacchio lagoons]	1.094
Valle del Mezzano [Mezzano valley]	0.175
Paludi del Brusà [Brusa Swamps]	1.100
Gessi Bolognesi, Calanche dell'Abbadessa	1.065
Basso Corso and Banks of the Ticino/Ticino Forest	2.956
Ex-sugar factory basin of Argelato and Golena of the Reno River	2.390
Valloni and Steppe Pedegarganiche/Headlands of Gargano	1.813
Fiumara di Melito	1.940
Total	12.631

Distance covered by pipelines in Natura 2000 networking sites (km)



Environmental restoration and monitoring (network km)

	2015	2016	2017
Restoration	240	227	203
New reforestation *	11	3.7	21
Plant care	140	98	59
Environmental monitoring	1,009	565	388

* Surface area covered by new reforestation: 380,000 m².

PROTECTING BIODIVERSITY ALONG THE "CERVIGNANO-MORTARA" PIPELINE

The laying of the Cervignano-Mortara pipeline (61.7 km long), which is expected to be completely laid in 2018, affects the territory of the Lombardy region between the provinces of Lodi, Milan and Pavia and in particular involves an extension of approximately 10 km inside the Valle del Ticino Park in Lombardy, the most important regional protected area that safeguards both natural and agricultural areas, interconnected with each other.

The area of the greatest environmental value and with the highest level of biodiversity in this Regional Park is the riverine area of the Ticino river, corresponding to the protected area of the actual Natural Park ("Parco Naturale Lombardo della Valle del Ticino") and where the most stringent protection and conservation measures are applied to protect both the fluvial habitats and perfluvial habitats of both plant and animal species present therein, in particular of the sedentary and migratory birds.

The pipeline crosses the Natural Park of Ticino for about 3 km, affecting both the course of the river and the relative river bank overflowing areas in a partially natural and partially agricultural-semi-natural settings. This stretch also coincides with the stretches of the work within the two sites of the Natura 2000 network: "Basso corso e sponde del Ticino" [low stretch and banks of the Ticino] e "Boschi del Ticino" [Ticino forests] the perimeters of which coincide with the affected stretches. Finally, this stretch also coincides with path of the work within the IBA (Important Bird Area) "Ticino River", a protected area meant to provide the best possible protection for birdlife.

Safeguarding biodiversity while constructing a methane pipeline in correspondence with the Ticino Natural Park, assessed in accordance with the Park Authority, consisted mainly in crossing the sub bed of the river and the related bank areas building a microtunnel 1300 m long, thus avoiding any direct interference with the river habitats and protected species. The microtunnel was completed in 2017. The remaining portion of the layout affected the territory of the Natural Park both in agricultural areas, for a distance of 625 m, and in the woodlands for a distance of 1,131 m crossing the Modrone forest, in the town of Vigevano (PV).

In these areas, again in agreement with the Park Authority, the work was constructed with an open excavation but adopting specific mitigation measures such as narrow width passage (22 m); performing the work in the daytime, adopting measures to reduce noise



Modrone Forest: opening of the path and positioning noise barriers

during the construction site phase in order to minimise indirect disturbance to the birds in the Park.

In particular, natural mobile noise barriers were built in the Modrone Woods, temporarily stacking overlapping bales of straw on both sides of the trail. This measure was also adopted in correspondence with the arrival station of the microtunnel.

Upon completing the construction work, replanting work began using indigenous species and arboreal shrubs, in accordance with a prepared replanting plan also based on the reforestation experience Snam already acquired for the woods crossing with the Somma Lombardo - Besnate Pipeline (also located in the Ticino Park), under the direct control of the Park Authority.

As regards the Sergnano - Mortara pipeline being decommissioned, in correspondence with the section lying in the Natural Park of Ticino, again where crossing the Ticino river and adjoining natural areas, the plan is to making inert the conduit without clearing any pathway or making excavations for removal in accordance with a specific intervention plan, again agreed upon with the Park Authority.



November 2017: Modrone Forest, replanting.

Water management

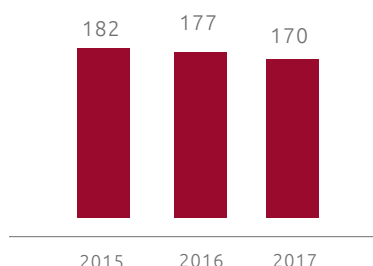
Although Snam's water procurement and disposal activities are of little environmental significance, both in relation to the quantity used and the type of discharge, the Company regards water as an asset to be preserved and is committed to doing so. In sites not served by the sewage systems, Snam installed more than 18 closed-cycle phyto-purification system where waste water is treated and fully absorbed by the planted vegetation.

In 2017, approximately 4.17 million cubic metres of water (4 million cubic metres of sea water and 0.17 million cubic metres fresh water) were extracted. The procurement of sea water remains basically constant over time, as it is used for cooling auxiliary equipment in the LNG regasification plant. The extraction of fresh water, used mainly for office activities, fire-protection systems and for the watering of green spaces, fell by 4% compared to 2016.

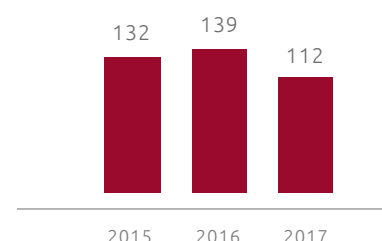
With regard to water discharges, the sea water is released into the sea as it is, without any treatment, while the waste water is channelled into the sewage networks (40% of the total) or discharged, after treatment, into the soil and into surface water bodies (60% of the total).

The upstream storage activities produced approximately 4,900 cubic metres of process water (-5.5% compared to 2016). Of all this water, around 1,600 cubic metres were re-injected as it is, while another (3,300 cubic metres) were sent to a purification plant for treatment.

Fresh water procurement (10³ m³)



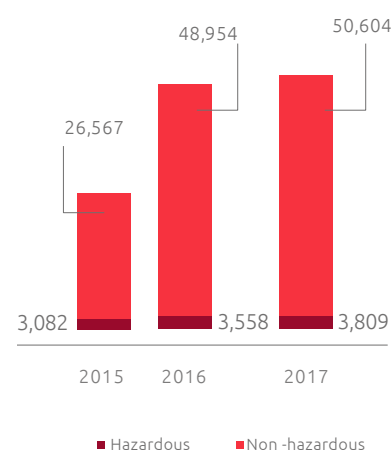
Fresh water discharges (10³ m³)



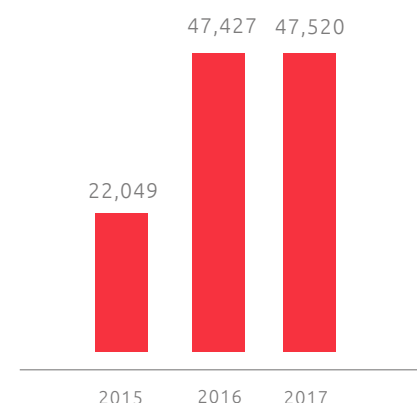
Waste management

Most of the waste generated by Snam derives from plant maintenance and operational activities which amounts to approximately 54,413 tonnes (+3.6% compared to 2016) representing approximately 87% of the total waste produced in 2017. The remaining 13% was produced by well drilling activities. Non-hazardous waste covers the 93% of the total waste produced. In particular, the yearly waste production was characterised by an extraordinary pipe decommissioning job (Sergnano-Tarvisio DN 850 pipeline and variation), which resulted in the production and recovery of about 24,980 tonnes of ferrous material (approximately the 46% of total waste produced). In 2017 the recovered waste from the production activities increased by three percental points from 77% in 2016 to 80%.

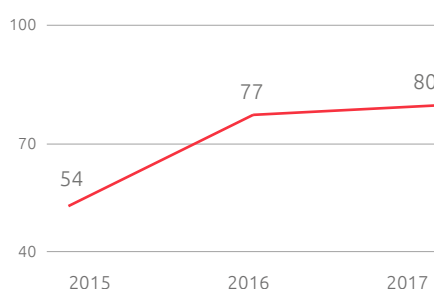
Total waste production (t)



Waste from production activities (t)



Waste recovered from production activities (%)



People and teamwork



People are at the heart of our corporate strategy. In the scope of the transformation processes which Snam is implementing to prepare for future challenges, employees are in fact increasingly called upon to play an active role to promote change

The set of knowledge, skills and competencies acquired by the Snam's personnel is a fundamental asset of the company. To manage the new expected challenges, Snam created the People Strategy and defined its new values. This led to a review of the Leadership model, with the primary objective of enhancing the value of people, upgrading their level of engagement, and promoting a culture of innovation and change.

Snam's commitment therefore is to recognise and enhance competences and talent and to promote growth for everyone through a transparent, fair and meritocratic management, creating a stimulating and positive working environment.

Employment

Snam generates "good employment" because it offers a stable and continuous working relationship involving qualified and specialised activities (the 57% of employees have a technical diploma and the 23% are college graduates) and thanks to its presence over a large part of the national territory (2,204 employees in the north, 202 in the centre, 509 in the south and 4 abroad).

In 2017, the company population consisted of 2,919 employees (+1.25% compared to 2016).

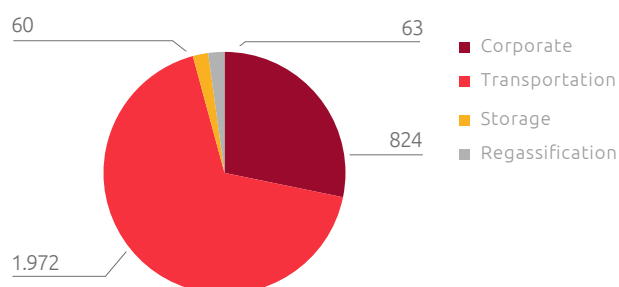
The 94% of the personnel holds a permanent employment contract. At the end of the year, 42 part-time contracts and 150 apprenticeship contracts were rolling. In 2017, 33 workers were under a staff leasing contract (36 in 2016).

126 people with disabilities work at Snam and their career path promotes inclusion and integration in company processes.

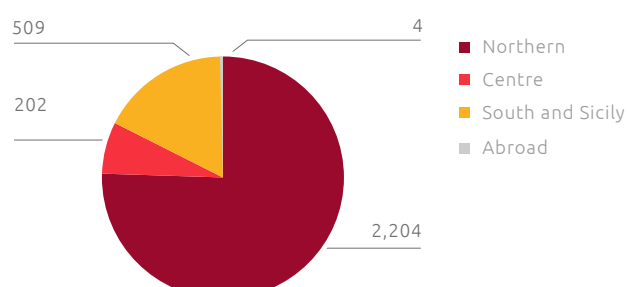
Snam Personnel at 31.12.- (no.)

	2015	2016	2017
Executives	99	87	93
Middle Managers	449	421	456
Office workers	1,736	1,651	1,655
Manual workers	721	724	715
Total employees	3,005	2,883	2,919

Employees by activity (no.)



Distribution of employees by geographical area (no.)



Employment trends in the year

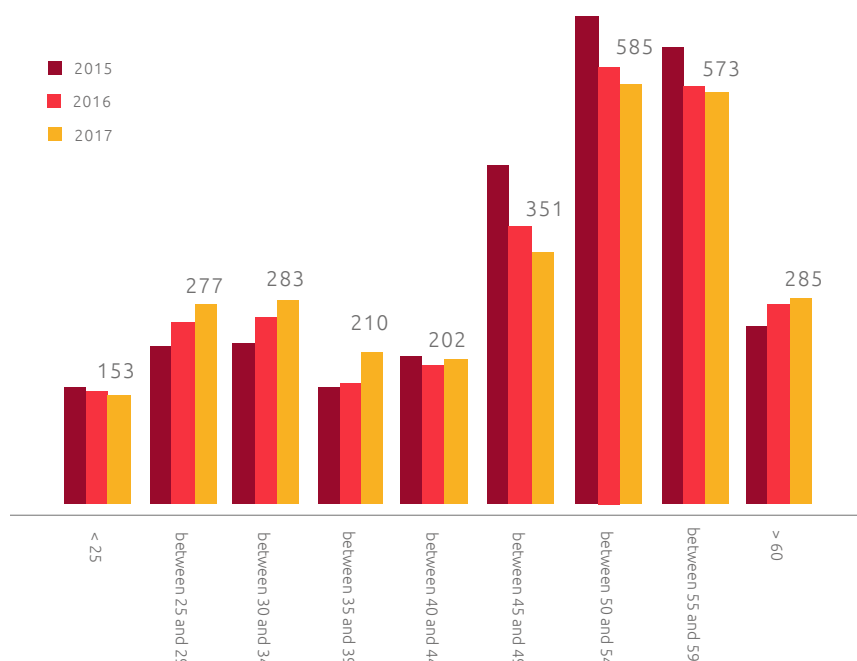
The 2017 was featured by an organisational change that involved the integration of certain operational functions belonging to different company's businesses. The employment dynamics for the year 2017 are shown here below:

- 184 employees were hired, of which 148 were recruited from the market and 36 were other hires, including 27 people from Infrastrutture Trasposto Gas according to the change in the consolidation perimeter (October 2017), 1 employee was hired from a non-consolidated company and 8 employees returned to service after a leave of absence;
- 148 employees left the company, including 33 employees as a result of the termination of the employment contract, 36 employees were terminated unilaterally (due to resignation, death, or dismissal), 73 employees were transferred to non-consolidated companies and 6 other exits.

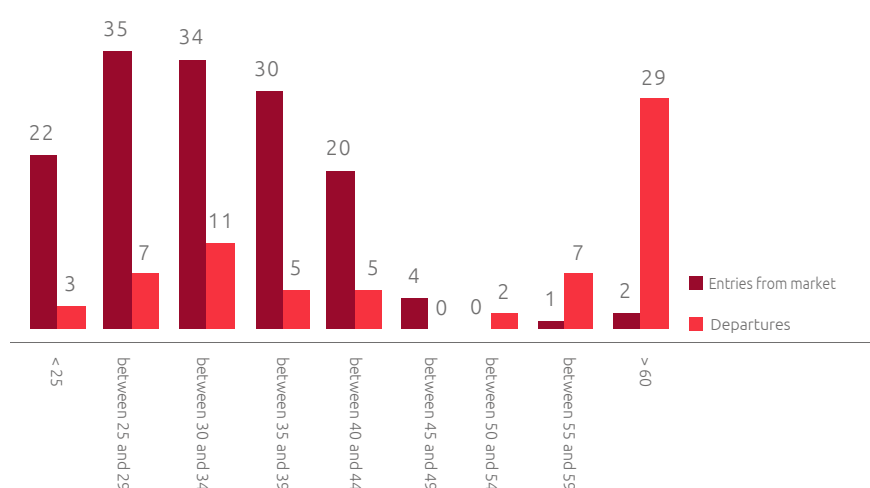
People under the age of 35 (713) represents more than the 24% of the company population and this percentage increased by 6% compared to 2016, thanks to the entrance of 91 people belonging to this age group during the year.

The absenteeism rate does not include senior managers and it was calculated taking into consideration all hours not worked (paid and not paid) excluding holidays and catch up leaves. In 2017, the female absenteeism rate was 4.8% and the male absenteeism rate was 4.1%.

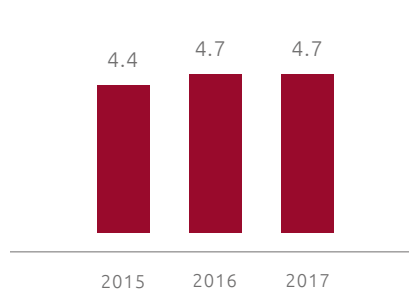
Age diversity: employees by age bracket (no.)



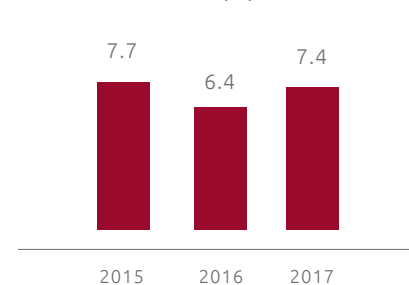
Entries and departures from market by age group (no.)



Absenteeism rate (%)



Personnel turnover (%)



Absenteeism rate = (hours of absence/workable hours)*100

Turnover rate = ((entries+departures)/average headcount in service)*100

Snam Diversity

Snam respects the dignity of everyone, and offers equal opportunities in every step and aspect of the employment relationship, avoiding all forms of discrimination based on sex, age, health, nationality, political opinion or religious views. For Snam the diversity is a value and gender diversity is especially regarded as a resource for the company



development.

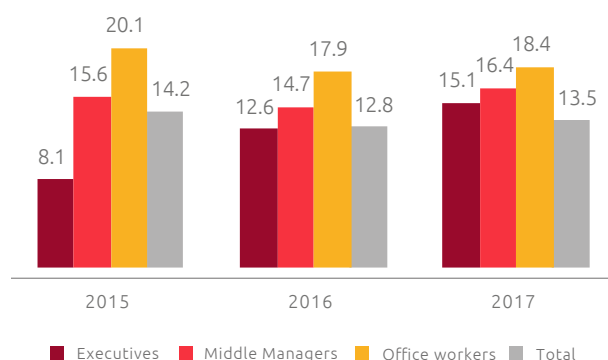
This is proved by the fact that the female component in 2017 grew compared with the previous year (+6.5%) notwithstanding a large portion of the business activities, in particular the operational ones, requires a technical training which on the market is owned by candidates which are mostly male.

At the end of the year, the Company's female population consisted of 393 personnel equal to the 13.5% of all

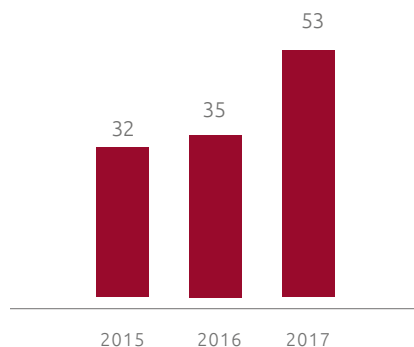
the employees (12.8% in 2016) and 36 women have a part-time contract (out of the 42 currently rolling).

The focus on the gender diversity is a corporate objective for 2018 also, turning into a commitment to recruiting at least 50% of women for staff positions and to increase the average training hours (from 15.8 hours in 2017 to 20 hours in 2018).

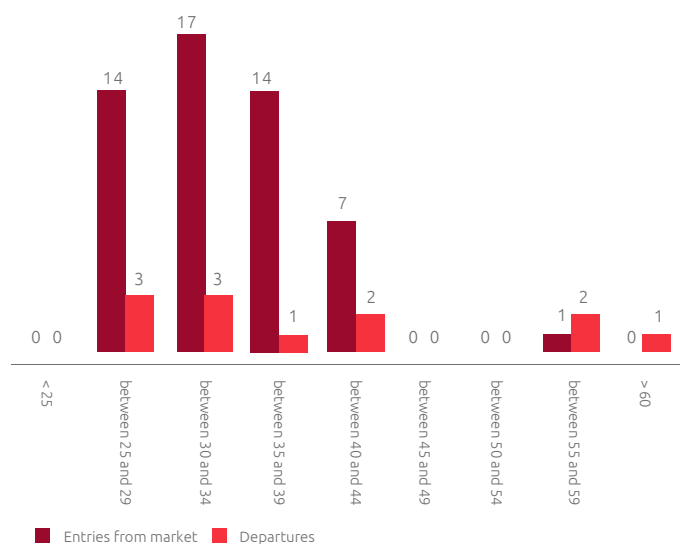
Female presence (%)



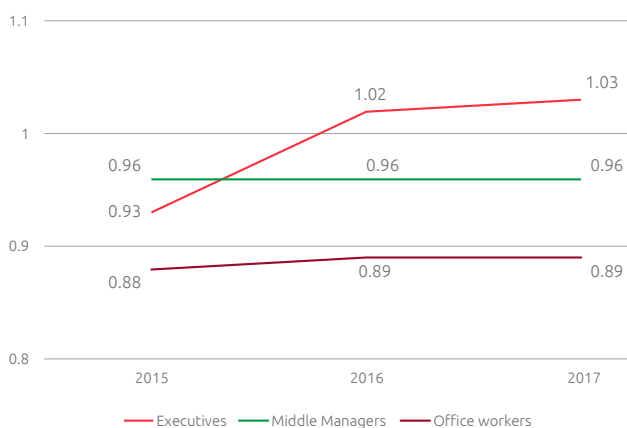
Women hired from the market (n)



Entrance from the market and departures for female gender (no.)



Pay gap (women/men)





SUPPORT FOR PARENTING AND WORK-LIFE BALANCE

During the maternity leave, the employees keep their company benefits and during the mandatory leave period, they receive a maternity pay equal to the 100% of the salary of the month prior to commencement of leave (compared with the 80% as required by the Italian law).

In 2017, 53 people (+10% compared to 2016), 42 of which were female workers, benefited from periods of maternity leave. At the year's end, 33 maternity positions closed, 23 of which were assigned to women with a return to work rate of 96%, 20 positions are still active, as in 2016.

With regard to parental leave, 239 positions (including 61 women) were opened during the year and 209 closed (54 of which were assigned to women). At year's end, 30 positions were still active (7 of which were assigned to women).



COLLABORATION TO ENHANCE THE VALUE OF FEMALE TALENT

In 2017 Snam became a Supporting Member of **Valore D**, the first business association to promote diversity, talent and female leadership for the growth of the Country and businesses. A strategic decision to support the company's international growth now in and the future through the increasingly strong presence of women and colleagues from other nationalities. This collaboration provided the employees with the chance to attend classes to enhance the gender, generational and cultural diversity, to develop an inclusive culture, a factor of innovation, competitiveness and growth for people and businesses. During the year 40 employees (80% of which were women) participated to more than 20 classes that dealt with the following issues: Emotional Intelligence; Global Agility & International Mindset; Happiness at Work; Parenthood; Energy Management; Organisational Leadership; Unconscious Bias.

Increasing skills and competences



The People Strategy focuses on three main pillars: enhancing the value of human resources, increasing productivity and the level of engagement, disseminating a culture of innovation and renewal.

In this context, training plays a fundamental role in supporting management and the whole corporate population towards the development of managerial and technical skills, know-how and innovation.

Snam's commitment for 2018 is to increase the average number of training hours up to 32 per employee and to involve the 80% of the population in at least one training session.

Personnel Training

	2015	2016	2017
Training hours (no.)	87,620	82,184	85,346
Participations (no.)	10,203	10,396	8,604
Average hours of training per employee (no.)	29.2	28.5	29.2
Average hours of training provided to men (no.)	30.9	30.2	31.3
Average hours of training provided to women (no.)	18.4	17.0	15.8
Engagement (%)	96.1	97.5	75,4

Key training initiatives

Description	Hours provided (no.)	Participations (no.)	Recipients
Technical training	66,576	5,543	Blue-collar workers, administrative staff
Health, Safety, Environmental Protection and Quality training	9,675	1,702	Company population
Managerial training	5,853	1,096	Executives and Middle Managers

Upon completing the courses established in previous years on the matter of business ethics and anti-corruption, in 2017 327 hours of training were provided with 112 participations.

A NEW WORK MODEL: THE LEAN SIX SIGMA PROGRAMME

In 2017, 42 people from different business units were given the possibility to obtain the Green Belt certification within the Lean Six Sigma programme. The Lean Six Sigma methodology provides the necessary tools to eliminate waste in the company, maximising the use of resources, working areas, production cycles, and at the same time ensuring high quality in production and management processes. This path has allowed the people involved in the programme to learn a new model of reading the organisation to increasingly become authors of change, through a more open and collaborative way of working. In 2018, this training path will be extended to other company employees.

Compensation policies and systems

At Snam, the administrative and reward practices are merit based, both in terms of professional development and with regard to career opportunities. At the same time, it is a benchmark so that the HR management can meet fairness and sustainability criteria. Compensation systems are updated periodically based on a benchmark to the reference markets and taking into account the instructions received from the external stakeholders. In particular, these systems are meant to ensure recognition of the results achieved, the quality of the professional contribution provided and the potential for the individual development of each employee. In 2017, with the goal of achieving a better alignment between the long-term variable remuneration and the primary objective of creating

value for the shareholders, a new long-term incentive plan (ILT) was defined and approved by the ordinary Shareholders' Meeting starting from the assignment of the ordinary Company shares. The Plan is reserved for those occupying managerial roles with the most impact on the company results.

In 2017, the use of the new target assignment and assessment system known as Performance Management, was confirmed; it also contains targets regarding behavioural aspects, sustainability and the prevention of accidents in the workplace. All assessment processes adopted are formalised and include a feedback interview, which constitutes an institutional opportunity for discussion and communication between managers and employees, also in order to gather information that can be used to define new actions for personnel development and enhancement.

Incentive systems for the various brackets of the corporate population

Executives

Along with any annual adjustment to fixed remuneration for merit or progression of roles/responsibilities, Snam provides a variable incentive system designed to enhance the value of the professional contribution in the short term (IMA), through the allocation of an annual monetary incentive, and the medium-long-term, if necessary through the allocation of a deferred monetary incentive (IMD), a long-term monetary incentive (IMLT) and a long-term stock incentive (ILT).

Claw-back mechanisms are provided, aimed at recovering the variable portion if the resulting compensation is not due because it was earned based on targets that were attained as a result of malicious or grossly negligent behaviour or that were proven to be manifestly incorrect. The Total Reward Statement, the informational package regarding the breakdown of individual remuneration, ensures the valorisation and transparency of the remuneration system.

Non-executive population

Snam adopts a short-term variable incentive plan intended to reward best performance and the young resources with potential for development. It also provides a deferred monetary incentive dedicated to high-potential Middle Managers, with the aim to keep them motivated and maintaining their performance in the medium-long period.

What is more, all the companies in the group anticipate a "Participation Bonus", instituted by the National Collective Labour Agreement, based on the performance of profitability and productivity parameters, measured in relation to the targets agreed upon every year between the company and the trade-union representatives.



THE NEW PERFORMANCE MANAGEMENT SYSTEM

In preparation for the 2018 performance cycle, a new project to redesign the corporate Performance Management system was launched in order to optimise the current goal assignment and assessment process.

In particular, the new Performance Management system:

- will enhance everyone's contribution to the company;
- will focus on culture and behaviour (assigning behavioural goals-based on the new Snam Skills Model);
- will place feedbacks at the centre of its constructive discussions on engagement, motivation, and empowerment of resources;
- the programme will engage the entire company through the progressive extension of the performance perimeter over a three-year period (2018-2020);
- it will have transparent rules, be well-scheduled, and be supported by a new IT tool.

In 2018, Snam will focus on improving leadership skills by implementing the new skill model, keeping succession plans solid and structured, identifying and enhancing the value of talent throughout the organisation to ensure a sustainable line of succession and to intensify the level of engagement.

In particular, the new Performance Management System, which will be a decisive part of the Talent Review Discussion and the realisation of the Succession Plans, will be launched.

All the jobs within Snam, with the exclusion of executives, undergo an analytical and overall evaluation

regarding the Complexity, Responsibility, Experience and Autonomy (C.R.E.A.) factors. In 2017, 238 CREA assessments were approved.

Assigned sustainability topic goals

	2015		2016		2017	
	Assigned (no.)	Attained (%)	Assigned (no.)	Attained (%)	Assigned (no.)	Attained (%)
Executives	69	99	67	91	77	95
Middle Managers	295	99	313	93	291	97
Other personnel	238	100	88	100	67	96

Health and Safety, a constant commitment



Snam is constantly committed to developing and promoting health and safety in the workplace. Accident prevention, the main health and safety objective, is carried out through the adoption of actions focused on eliminating or reducing inherent risk factors in the work activities. All of the Snam's business activities are governed

by certified management systems in accordance with OHSAS 18001 (occupational safety and health rules). Research into and the adoption of good business practices is subject to a gradual promotion not only within the company, but also vis-à-vis the suppliers, to extend and improve collaboration to achieve the

best performance. Over time, the actions adopted enable a reduction in accidents, both for the company's and the contractor's personnel. There were a total of 11 accidents in 2017 (9 in 2016), 6 of which involved employees (4 in 2016) and 5 involving supply contractors (as in 2016). Unfortunately, one accident was fatal.

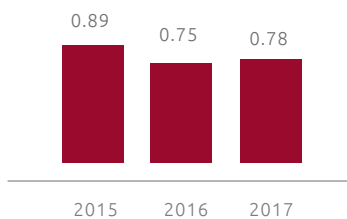
Accidents at work

	2015	2016	2017
Employees			
Total accidents (no.)	3	4	6
Fatal accidents (no.)	1	0	0
Frequency index	0.62	0.81	1.24
Severity index	1.55	0.04	0.05
Contract workers			
Total accidents (no.)	8	5	5
Fatal accidents (no.)	0	0	1
Frequency index	1.07	0.71	0.54
Severity index	0.07	0.05	0.83
Employees and contract workers			
Total accidents (no.)	11	9	11
Frequency index	0.89	0.75	0.78
Severity index	0.66	0.05	0.56

Employee workplace accidents by type of event (no.)

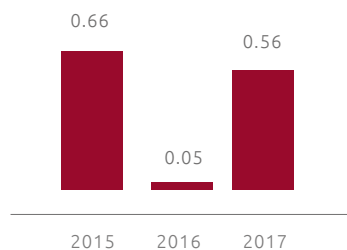
	2015	2016	2017
Type			
Car accidents	1	0	1
Occupational accidents (maintenance, inspection, checks)	2	1	1
Generic accidents (slipping, impact, tripping)	0	3	4

Accidents at work - Employee and contract worker frequency index (*)



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

Accidents at work - Employee and contract worker severity index (**)



(**) number of working days lost in relation to accidents at work resulting in absence of at least one day, per million hours worked. Data includes fatal accidents.

Striving for a continuous improvement in performance, together with a consistent commitment carried out with tools such as training, technological innovation, and work organisation, in the early months of 2018 Snam initiated the new "Snam4Safety" project to further strengthen the culture and awareness about health and safety issues among all the employees and contractors.



CONTRACTORS' SAFETY PRIZE

Snam shares its values associated with the safety and health with its contractors'. With this goal, as done with the Safety Prize intended for all Snam employees, Snam instituted the "Contractors' Safety Prize", an initiative carried out every year to better focus the suppliers' attention on health and safety issues by evaluating their HSE performance with specific indicators (accident indices, near misses, evidence from audits or inspections, feedback on topics of interest).

The Contractor Safety Prize, for the 2016 results, was awarded to Max Streicher, a company specialised in the building of energy infrastructure and in particular constructing gas pipelines. The contractor received the award this past 9th of November on the Partners' Day, an event where Snam and its suppliers meet and reaffirm safety as a value.

In order to raise awareness among employees on the safety issue, in 2011 Snam established an initiative called the "Zero Accident Award", which rewards employees who go

365 consecutive days without an accident in the workplace. Personnel taking part in the initiative is divided into homogenous groups according to working activities.

In 2017, 13 homogenous groups received the award (9 transportation and 4 storage) out of a total of 18 homogenous groups (12 transportation and 6 storage).

Zero Accident Award (*)

Activity	Sub-Group awarded
Transportation	Eastern-Central District; South-Eastern District; North-Western District; North-Eastern District; South-Western District; Northern District; Ingcos; Staff; Operating Staff
Storage	POFT (fiume Treste Operating Unit); PORS (Ripalta e Sergnano Operating Unit); CREMA (Operating Site); POGB (Cortemaggiore e Bordolano Operating Unit)

(*) Following the revision of the management of the "Zero Accident" Award in force from 1 January 2018, at the end of 2017 homogenous groups in which there had not been an accident for 9 consecutive months (around 270 days) also received an award. This project is not being implemented for Snam Corporate and Gasrule.

Protecting health

Personnel exposed to specific risk factors undergo a periodic medical health surveillance by the Company Physicians. The medical surveillance allows the assessment of the workers' suitability for their specific task, thus protecting their health in relation to occupational risks and work environment.

Environmental surveys, aimed at monitoring microclimate, biological and physical aspects of the work place and compliance with industrial hygiene rules are performed periodically.

Medical surveillance (no.)

	2015	2016	2017
Medical visits	1,270	1,561	1,914
Periodical medical visits	991	1,337	1,688
Diagnostic examinations	1,828	2,252	3,508
Environmental surveys	203	172	279
Occupational illnesses diagnosed	0	0	0

Snam absolutely prohibits the drinking of alcoholic beverages on the workplace.

Finally, Snam promotes various initiatives focused on promoting health for its employees, also through the company welfare system. The description of the services offered,

together with any other welfare activity, are reported in the first part of this document at page 12.

Workers receiving regular health checks (no.)

	2015	2016	2017
Total number of workers exposed	2,152	2,105	2,646
Workers who sit at a computer station	1,908	1,864	1,817
Workers with responsibility in an emergency	461	625	627
Workers exposed to chemical agents	21	28	52
Workers responsible for moving heavy loads	101	101	5
Night workers	77	100	109
Workers exposed to noise pollution	17	24	24
Workers (blue-collar) with operational tasks*	-	-	536
Workers exposed in confined spaces*	-	-	119
Workers at risk for other reasons	135	108	78

*New workers who, starting from 2017 are subject to medical surveillance.

Internal communication

Via internal communication, Snam continues to promote the engagement of people regarding company-related facts, events and activities, with the aim of encouraging, supporting the development and facilitating the adoption of new behaviour to lead

the cultural change.

The strategy focuses on providing frequent updates on Easy, the Intranet portal, via news, video content and in-depth articles with the aim of engaging the entire population in company life and in cultural change.

Internal communication tools

"Easy" the Intranet portal	Main printed tools	Management meetings
A place for information and awareness, addressed to all the Snam employees, but also a place to share knowledge, exchange working documents and share views through the "let's collaborate" space, designed to facilitate people working in teams.	The "Energie", is a magazine which continues to represent the Snam's corporate identity and narrate major events. "Speciali Energie" – consists of editorial annexes, focused on specific topics. "Osservatorio Domanda Gas" is a newsletter, with news, analysis and comments regarding gas demand. It is available to all employees also on mobile devices.	Cascading executive meetings and middle manager meetings regarding the company's strategic plan. Meetings dedicated to management (executive and middle managers) aimed at strengthening the team building. CEO roadshows throughout the territory to present the strategic plan. Thematic meetings aimed at strengthening innovative thinking and team building ("The future is in our hands"). End-of-the-year video-conference event to bring the entire corporate population together.

Industrial relations

In 2017, the relationship with the trade union organisations at a national and local levels was characterised by several meetings regarding plans for business evolution and new organisational structures, following up the sale of the Stogit "Plants and Technical Services" business unit to Snam Rete Gas S.p.A.

As regards to transportation and storage, the Integra project was initiated, which calls for integrating side activities of the operational companies to develop and exploit the specific skills.

Regarding the transportation business, the Smart Gas technical committee's work continued, seeking for a more rational scheduling of the operations with the goal of analysing the technical aspects of the project.

Regarding the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics inherent to the business evolution.

The bargaining dynamics, consistent with the provisions of the 2013 Industrial Relations Protocol, whose reasoning were imbued with the concept of strengthening second-level negotiations, led the Parties to define productivity and profitability indicators for the 2017 Participation Bonus for all Snam Companies. The national labour agreement applied to the Group was renewed at the beginning of the year.

Furthermore, all the Snam Group's companies signed the implementation agreement pursuant to the Article 4 of the Italian Law 92/2012 for an early exit of workers who meet the requirements prescribed by the law.

Labour disputes (no.)

	2015	2016	2017
Total disputes pending as at 31.12	10	9	29
Opened during the year	4	10	32 ^(*)
Closed during the year	5	13	12

(*) 25 grievances filed in 2017 (4 in 2016) are to be attributed to joint responsibility in procurement contracts.

The supply chain

Snam operates transparently and absolutely respectfully for free competition by committing itself to engage the suppliers to achieve high and enduring performance levels, with a view towards mutual growth and creation of value.

Growing with suppliers

Snam's suppliers are mainly small and medium-sized Italian enterprises (SMES) located in almost every region of the Country, consistently with the company's distribution throughout the territory. In 2017, in fact, the SMES to which Snam assigned work amounted to 416 out of a total of 574 active suppliers. Approximately 800 supply contracts were stipulated, 65% of which in favour of SMES, for a total of approximately €844 mln of which more than 92% was in Italy and 7% in Europe. The change in the supplied amount compared to the previous year's amount must take into account the cyclical nature of the procurement process, in particular the fact that the 2017 procurement plan was

As at 31.12.2017, 1,612 suppliers had been qualified and 403 suppliers were in the process of renewing their qualifications or qualifying ex-novo.

also covered by multi-year contracts already closed in previous years, with the procured amount allocated to the year in which they were closed.

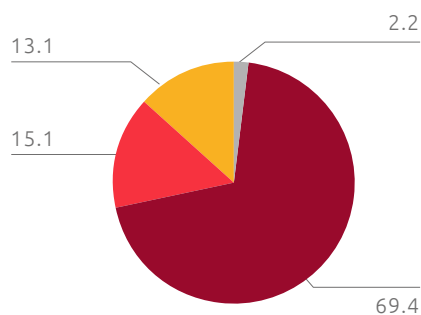
Of all the goods purchased, the most important is steel that is used mainly for piping and fittings, which recorded more than 14,300 supplied tonnes.

Purchases (€ mln)

	2015	2016	2017
Amount of purchases	1,266	1,359	844

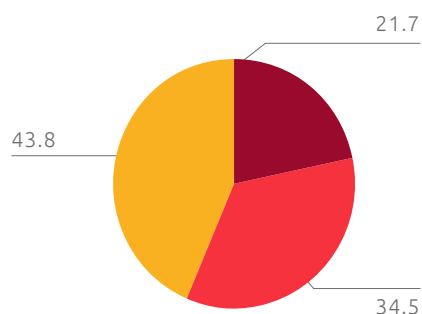
the value of the procurement is calculated taking into consideration the entire value of each contract in the year it was concluded.

Procurement by business segment (%)



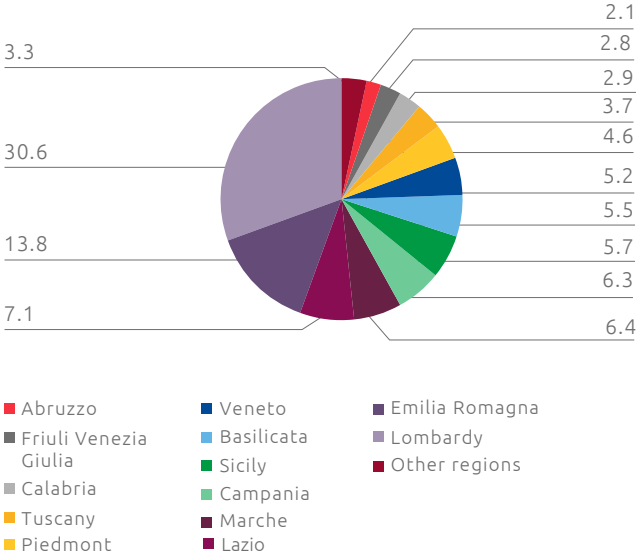
■ Transportation ■ Storage
■ Corporate ■ Regasification

Procurement by goods type (%)



■ Goods ■ Works ■ Services

Geographic breakdown of procurement in Italy (%)



SOCIAL-ECONOMIC EFFECTS OF SNAM'S PURCHASES

Snam's procurement of goods, works, and services in Italy is a significant driver for the country's employment and economy.

In 2017, the value of purchases, referring to the goods, works and services assigned to Italian companies or work carried out across the national territory, amounted to approximately €787 mln. This allowed to support 8,090 external workers and stimulate economic activity (production value) for a total of about €1.8 bln and added value of €0.8 mln.

The data shown are the result of a special study carried out by a specialised company



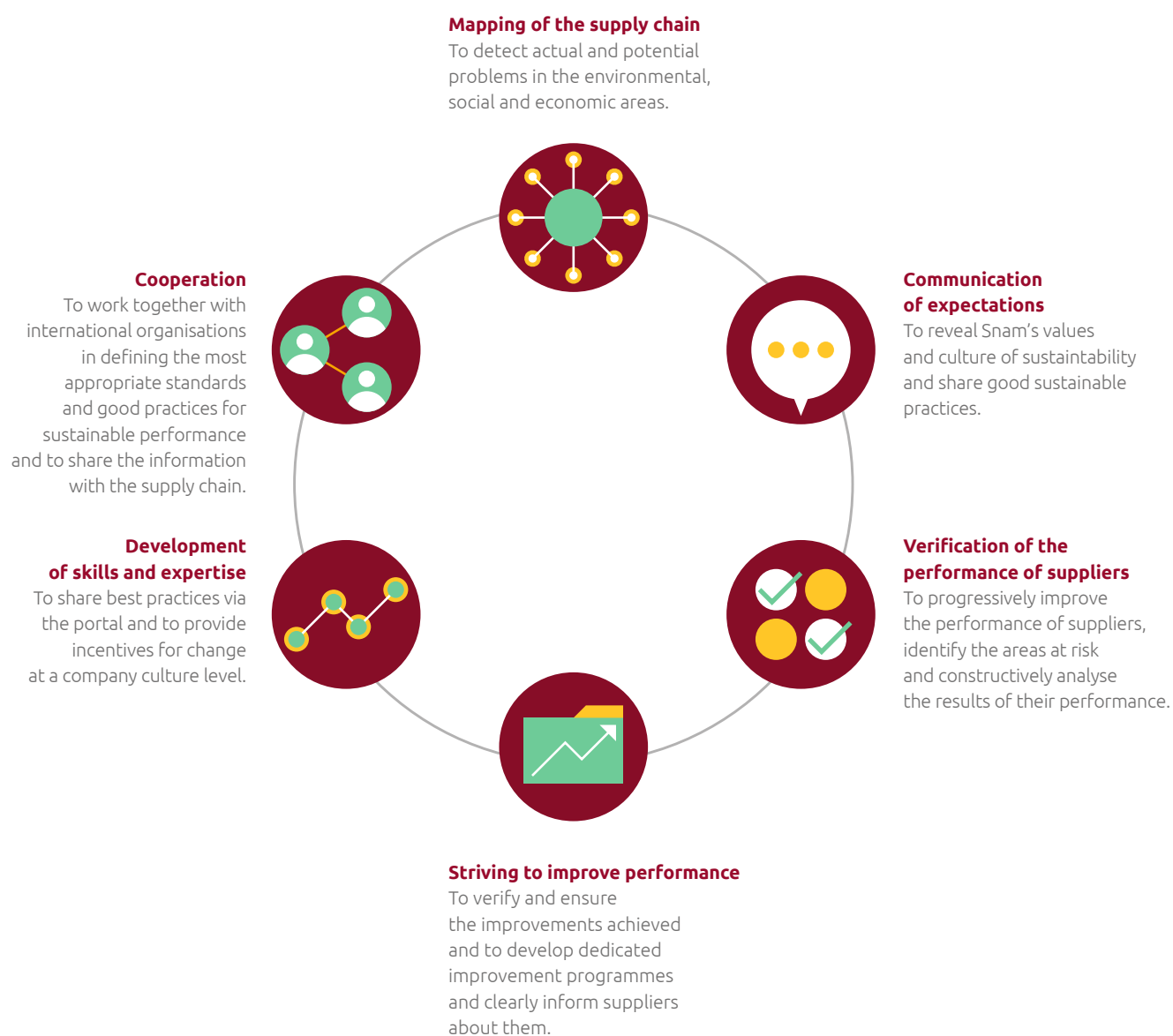
A responsible approach to suppliers

Snam adopts an “expanded” management model based on the engagement and empowerment of the players in the supply chain: all the suppliers and subcontractors are encouraged to compete and operate properly, improving their performance in the area of the risk mitigation, innovation of management processes, increased operational efficiency and

promotion of responsible governance procedures.

In particular, Snam, always keen on spreading a culture of legality and maintaining efficient anti-corruption measures, requires suppliers to adhere to the Ethics and Integrity Agreement, an undertaking to maintain transparent relations and meet strict requirements with regard to business conduct, also engaging subcontractors in this same quest.

Snam promotes fairness in its relationships, anti-corruption, safe working conditions, the protection of human rights and environmental protection.



An ever stronger relationship that engages and commits all players in the supply chain

Quality	Not only quality, price and reliability requirements, but also commitment to process innovation
Safety	Disseminating the culture of prevention and attention to worker's health and safety
Values	Transmitting and sharing values: legality, fairness, transparency and respect for free competition and protecting all forms of human rights
Transparency	Fairness, traceability and transparency in trade relations and in conducting one's business
Continuous improvement	Striving for continuous improvement, mutual growth and the creation of shared value
Sustainability	Reducing environmental and social impacts and risks inherent to the supply chain

Choosing suppliers

Potential suppliers must undergo a rigorous and thorough qualification process, as this is the only possible way for a company to indicate its current capacity and future potential. To ensure the suitability of suppliers with respect to procurement needs, in 2017 Snam conducted a deep Market Intelligence activity on approximately thirty different product categories related to its core business and new activities (as the construction of new compression and storage stations for automotive methane gas). The number of spontaneous applications received from prospective suppliers amounted to approximately 1,900.

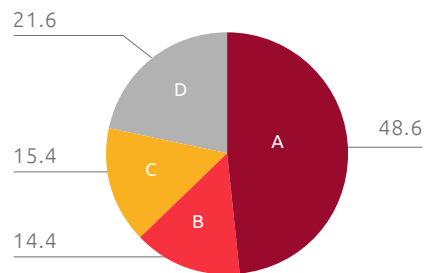
There are many aspects subject to evaluation in the qualification process: technical and management skills, economic and financial reliability, ethical and reputational risk, commitment to anti-corruption, environmental protection, promotion of healthy and safe working conditions, absence of forced labour and economic exploitation of children.

In 2017 Snam simplified its qualification process by streamlining procedures and reducing the documentation to be produced depending upon the (public or private-sector) path: the private sector path requires the submission of a smaller and more simplified set of documents, with the consequential reduction of processing times. Also, the duration of the qualifications/accreditations was extended to a five years' period and the administrative evaluation of suppliers already present in the Vendor List, but requesting to be included in new product categories, was streamlined.

The requirements are more binding for the categories of suppliers deemed to be more critical, based on a classification scale increasing from level D to level A, which involves all the commodity related sectors (goods, services and works) and it is assigned on a technological complexity and impact on performance basis. Specifically, for the works category

(criticality classes A and B) having Management Systems certified in accordance with international standards (ISO 9001, ISO 14001, OHSAS 18001) is required. Starting from 2017, Snam has set the goal of extending the requirement for a certified environmental management system to the goods category suppliers (criticality class A). The actual possession and maintenance of the requirements is subject to specific controls: in 2017, 1,647 suppliers and subcontractors were audited in relation to their regularity of paying social security contributions, through 3,739 inspections which revealed an irregularity rate of 3% (2.8% in 2016; 4.6% in 2015).

Breakdown of procurement by critical class (%)



Key performance indicators (KPI)

KPI name	KPI date	Set target	Sector	Activity Status
Number of Goods suppliers (criticality A) ISO 14001 certified	2017	Target achieved 65% in 2018	Snam Group	●

● Activity in progress

Supplier sustainability analysis

	Number ⁽¹⁾			Employment Practices ⁽²⁾			Environmental criteria			Human rights ⁽³⁾		
Goods	2015	2016	2017	2015	2016	2017	2015	2016	2017	2015	2016	2017
Qualified suppliers	850	754	533	43%	42%	60%	43%	42%	60%	100%	100%	100%
of which A and B level	144	129	113	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	56	54	46	60%	50%	65%	60%	50%	65%	100%	100%	100%
of which A and B level	10	7	15	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works												
Qualified suppliers	353	310	250	70%	75%	87%	70%	75%	87%	100%	100%	100%
of which A and B level	72	83	68	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	33	30	39	82%	80%	95%	82%	80%	95%	100%	100%	100%
of which A and B level	7	9	24	100%	100%	100%	100%	100%	100%	100%	100%	100%
Services												
Qualified suppliers	1,728	1,631	1,177	33%	34%	38%	33%	34%	38%	100%	100%	100%
of which A and B level	124	133	85	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	127	130	163	41%	36%	33%	41%	36%	33%	100%	100%	100%
of which A and B level	15	10	9	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) A supplier may hold several qualifications for different categories.

(2) Aspects related to health and safety.

(3) Aspects related to ethics (regularity of social security contributions, Law 231, child labour, forced labour, etc.).

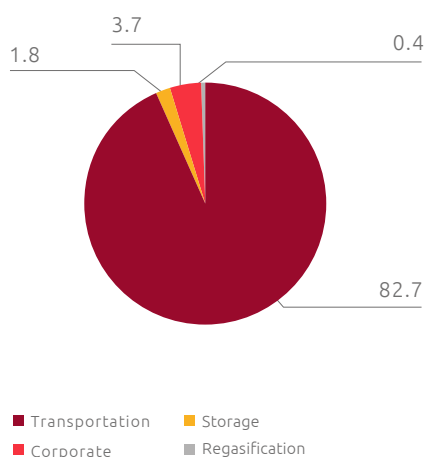
Reputational checks

In 2017, about 1810 reputational checks were carried out on suppliers, subcontractors and participants in calls for tender.

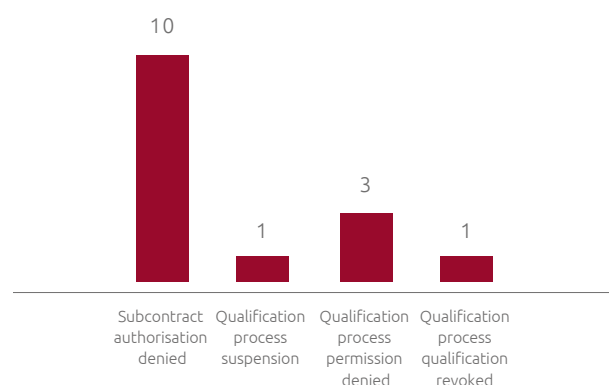
The checks concerned: suppliers' qualification processes (859), subcontracting authorisations (915), participation in calls for tender (36). As a result of the checks 15 measures were adopted: 10 denials of authorisation to subcontract; 1 suspension of qualification; 3 denials of the qualification permission; 1 revocation of qualification.

Snam, computerised the data flows to the National Anti-Corruption Authority. The direct interface between the computer systems, allows the Tender ID Code (IGC) to be obtained, to eliminate all manual compilation procedures and to improve traceability, transparency and security for all the operations

Reputational check by activity (%)



Measures (no.)



Supplier disputes (no.)

	2015	2016	2017
Total number of disputes outstanding at end of year	9	18	12
Disputes entered into during the year	4	13	6
Disputes resolved during the year	2	4	12

The 2017 disputes were due mainly to issues related to contract management (70%) and tender procedures (30%)

Supply chain monitoring

Snam monitors suppliers' performance during the contract's execution phase, through feedback and inspection visits. In 2017, Snam collected 854 feedback documents, referring to 156 suppliers. To evaluate their performance, the company uses a rating index (IR) that evaluates the compliance with technical contractual requirements (Quality), the health-safety-environment (HSE) requirements, the agreed delivery

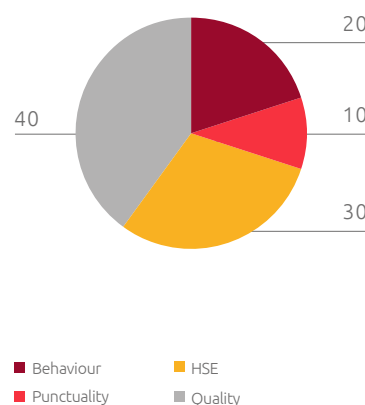
times (Punctuality), the setting up of a good relationship with the customer for the entire duration of the contract (Behaviour). The assessment is periodically communicated to the suppliers in the form of an analytical assessment.

In 2017, for the HSE activities, new monitoring indicators (KPIs) were prepared with the remit of assessing the performance of each contract issued for works, services and/or goods involving on-site installation.

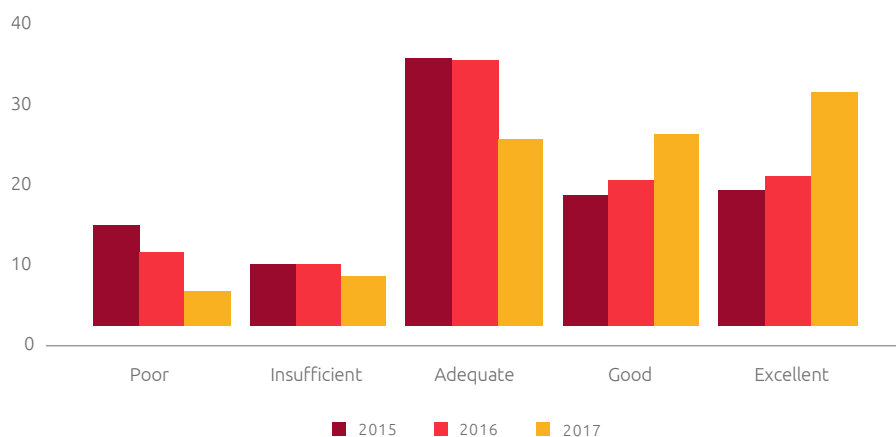
The KPIs consider: accidents, the employees' management of contractors and subcontractors and the safety and environmental protection documentation management. These new KPIs represent the 30% of the new rating index.

The attention the company pays, both in the selection and control phases, has led to a steady improvement in performance of the suppliers over the last three years.

Rating Index -Assessment area (%)



Supplier performance assessment (%)



Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. The possible cases could include, failing to meet technical-organisational requirements, negative performance evaluation for it or its subcontractors and a non-compliance with the provisions about social security contribution regularity and with the rules laid out in the Snam Code of Ethics. During 2017, 20 measures were adopted within this scope.

THE SNAM PORTAL FOR DAILY DIALOGUE WITH SUPPLIERS



The portal is the web platform through which existing and potential suppliers get in touch with Snam. On-line since 2013, the portal contains documents, insights, best practices, and updates on processes and procedures that govern the procurement status and activities. All registered suppliers have a special reserved area, containing information about the commodity sectors for which they are qualified, the contracts running, and their performance in terms of workplace safety. At the end of 2017, the number of registered suppliers in the portal amounted to more than 1,900 (+5% compared to 2016). Starting from January 2018, Snam added a new feature dedicated to a performance certification that will allow suppliers to more easily and promptly know the best time to issue invoices for the goods, services or works they provided to Snam. The 65,598 SAP documents loaded in 2017 (+16% compared to the previous year) prove that the Suppliers Portal is a living site to interact with Snam, accessed more and more every day by its users.

Development and quality of services

Snam promotes constructive relations and collaboration with regulators and institutions and works to continue developing market-oriented services, with a focus on maintaining high quality. Its goal is to offer stability, continuity and transparency, as well as suitable economic returns to make investment strategies sustainable.

leverage the infrastructural capital in economic terms. Today, in fact, the 96% of Snam's revenues are regulated.

Snam interacts with the ARERA in the following ways:

- responding, directly or through trade associations, to public consultations that the Authority holds in relation to the various activities of the industry, in preparation to define new standards or to review the standards in force;
- participating in the technical work tables established by the Authority, again with regard to the evolution of the regulatory framework;
- drafting amendments to the Transportation, Storage, and Regasification Network Codes, later submitted to the Authority for approval;
- participating in the collection of data and the investigations carried out in the course of the year for the purposes of assessing the state of the industry or of the individual services, and to periodically forward the data requested in compliance with reporting obligations.

The tariff criteria are usually defined every four years and guarantee coverage of the operating costs, the depreciation/amortisation and a fair remuneration of the net invested capital. Incentives, differentiated based on the type of capital expenditures made during the course of each regulatory period, are also envisaged.

Regulations in Italy

In the Snam's sustainable development business model, quality and regularity of relations between the Company and the Energy Network and Environmental Regulatory Authority (ARERA) play a crucial role. Tariff regulations in particular, have, over time, become an essential condition both for guiding investment in the network and primarily to

Relations with the ARERA

Description	Transportation	Storage	Regasification
Responses to consultation documents	8	0	2
Responses to consultations/observations via associations*	16	3	5
Tariff proposals	4	5	1
Data-gathering exercises	129	91	28
Investigations**	3	2	0
Proposed changes to codes and contractual documents***	14	4	0
Proposed changes to approved codes and contractual documents	12	2	0

* Responses to consultations (Electricity and Gas Authority, Ministry for Economic Development and GME) via industry associations.

** Information transmitted to the Authority in 2017 with reference to investigations within the industry. This includes exploratory investigations.

*** This also includes proposals still being assessed by the ARERA, including agreements and contracts with operators regarding regulated services.

European level integration

The ARERA and Snam also work at an European level in the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG), respectively.

These two bodies are, respectively, responsible for developing European guidelines and codes that will contribute to the creation of a single natural gas market. Jointly with the European Commission, ACER and ENTSOG belong to the “Implementation and Monitoring Group”, tasked with facilitating and verifying the actual implementation of the Codes in the different EU countries.

The following progresses were made in 2017:

- The implementation of the EU rules on the allocation of capacity, balancing and interoperability was completed.
- The Implementation of European codes on tariffs and the new rules included in the CAM code on the sale of newly created transportation capacity, for which the legislative approval process was concluded and that already came into force, for the part regarding the new provisions, in 2017.
- The starting of the works to prepare the Ten Year Development Plan of the European transportation network, with the publication of a draft report containing the scenarios shared between ENTSOG and ENTSOE (“Scenario Report”),

based on the respective ten-year plans of the two associations (TYNDP 2018).

- The drafting and publishing of two regional investment plans (GRIPs) which concern the south north connecting route between Italy and Northern European markets, relevant for reverse flows, and the South-East Europe area, involving the new natural gas procurement routes from the Caspian Sea region.
- The preparation of around 20 documents including responses to public consultations and association positions, in relation to documents and opinions produced mainly by the European Commission and ACER. The most important consultation issues regarded the EU and domestic market energy policy developments, with special reference to the role of gas in the future energy mix and that of infrastructures in guaranteeing benefits in terms of security of supply, competitiveness and sustainability.

The development of services to facilitate the market

Starting from July 2017, the commercial management of the three businesses regarding transportation, storage and regasification, connected to the Snam Rete Gas, Stogit and GNL Italia, respectively, merged into a single organisation within Snam. Thanks to the development of the Snam services over the last ten years, the Italian gas market has seen constant growth in the transportation operators, passing from 30 in 2003 to almost 200. Through the new balancing system⁸ and the

In 2017, 78 connection contracts were stipulated for the construction of new delivery/redelivery points (including 13 for the injection of biomethane) or the upgrading of existing points.

new PRISMA platform⁹, operators can now make gas exchanges and transportation capacity transactions, respectively, on an intra-day, daily, monthly, quarterly and annual basis, for a maximum of 15 years. Snam is entrusted with balancing the residual or managing the “physiological” portion of unbalancing associated with the normal system operations. To encourage an even greater operational flexibility, in accordance with the Authority resolutions 336/2016/R/gas and 512/2017/R/gas, the Italian gas system introduced the possibility to book monthly and daily transportation capacity at the redelivery points, and related extraction areas, which feed the electric power generation plants. This way of accessing the gas transportation system fits well with the electrical system’s requirements for more flexible conveyance methods to respond promptly and efficiently to the electrical system’s changing operational conditions. Snam’s balancing activities results in the so-called dual price, i.e., they influence the definition of the different imbalanced buying and selling prices. At the end of the day Snam provides gas at a premium to whoever sold more than it brought into the system, or on the contrary,

⁸ The new balancing system implemented via EU Regulation 312/2014 came into force on 1 October 2016.

⁹ PRISMA is an international project involving 37 European gas transmission operators from 16 countries. Its goal is to encourage harmonised service delivery and access rules and to facilitate the creation of a single European natural gas market by offering transportation capacity through a single shared digital platform.

if the operator injected more gas than its customers consumed, it will purchase the excess at a discount. Since 2015, Snam has played the role of Default Transportation Supplier, i.e., it supplies gas to the selling companies on the distribution networks interconnected to the transportation network and to final underlying end customers connected directly to its network, for which the User of the balancing services, responsible for the related extractions cannot be identified (due to the resolution of the User's transportation contract, for example). The same service is also carried out for the sales companies and final customers at third-party transporters who explicitly requested it. In the thermal year 2016-2017, this service involved 108 subjects between end customers and sales companies for volumes of approximately 42,743.891 MWh.

Information systems at the service of customers

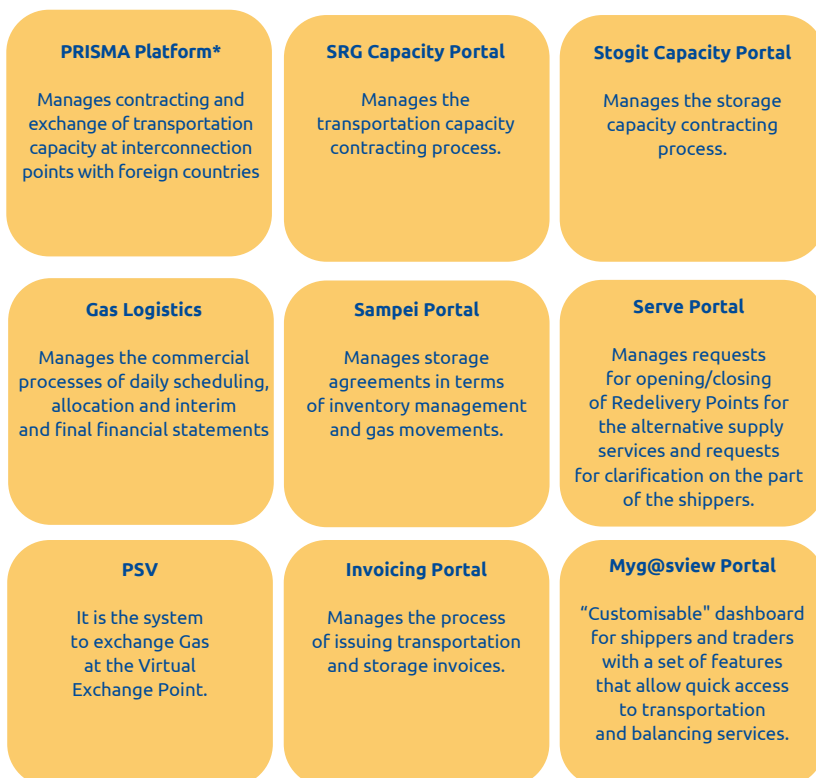
Snam offers its customers a bidirectional informational channel aimed at facilitating promptness and flexibility in communication (myg@sview) that provides in a "smart" way a set of customisable data depending on customer needs, as well as direct and informal communication in a "chat" mode. The portal, which is configured as an actual customized "dashboard", provides users with a system of customized widgets and alerts.

In 2017 this instrument was further integrated by increasing the usability, also thanks to the operator suggestions, with particular attention to the needs related to the new balancing systems, through the production release of the new

version of the on-line Help extended with simple "pills" training to provide immediate and intuitive support for users regarding how to use the portal myg@sview and individual widgets, a quick guide to printing and a video that explains how the myg@sview portal began and evolved.

As regards to the evolution of the "Business & Services" area of the Snam Rete Gas website, following the launch of the new balancing model, a total re-imaging project for the published informational content was launched and completed, with the goal of improving the usability of the information by the customers and to introduce the use of graphical forms of presentation based on needs expressed by the customers themselves, as well as best practices identified in other systems.

Also for storage and regasification, with regard to the Stogit and LNG websites, working tables have been launched dedicated to the complete review of the informational content published in analogy to the model adopted on the Snam Rete Gas website.



(*) system managed by PRISMA GmbH, company of which Snam is shareholder

Quality supplied (compliance with network codes)

	2015	2016	2017
Transportation			
Active customers (shippers) (no.)	139	136	128
New connection agreements for delivery/redelivery/interconnection points (no.)	64	45	78
Transportation capacity allocated under contract / Available transportation capacity (entry points – foreign interconnection points) (%)	86	72	71
Compliance with time frames for issuing connection offers (%)	100	100	100
Compliance with time frames for providing services subject to specific commercial quality standards (%)	100	100	100
Interruptions carried out with adequate warning (%)	92	98	98
Regasification			
Active customers (shippers) (no.)	4	4	4
Compliance with the maximum time to accept proposals for monthly scheduling of deliveries (%)	n.r.(*)	100	100
Compliance with maximum interruption/reduction of capacity for maintenance work at the terminal (%)	100	100	100
Storage			
Active customers (shippers) (no.)	118	91	89
Storage capacity allocated under contract / Available storage capacity (%)	100	100	99,9
Compliance with time frames for providing services subject to specific commercial quality standards (%)	100	100	100
Connection flow lines subject to supervision (%)	76	100	100
Total capacity not made available following service interruptions/reductions (%)	0	0	0

* n.r.=no response received

**MARKET: ENGAGEMENT ACTIVITIES**

In 2017, workshops were held with customers focused on mutual discussions about balancing dynamics and obtaining operators' comments/wishes. In particular, the meetings were an opportunity to discuss innovations and developments in balancing and transportation, storage and regasification operations and to provide feedback on the IT system renovation process.

The workshop ended with a brief survey of opinion, that returned an average satisfaction score of 7.1 (on a scale from 1 to 10).

In April 2017, with the aim to find a method of providing commercial services more in line with customer expectations, an operations workshop was held, conducted in two sessions. The initiative was the chance for a direct discussion between Snam and its customers based on the real-time collection of feedback and suggestions concerning: the evolution of the area "Business & Services" section of the Snam Rete Gas website. Finally, during the annual "Shipper's Day" meeting which merged into Partners' Day this year, a debate was held on the challenges facing the Italian and foreign gas market, which saw the participation for the first time also of external companies, such as Eni, A2A, Shell Energy Europe and Edison.

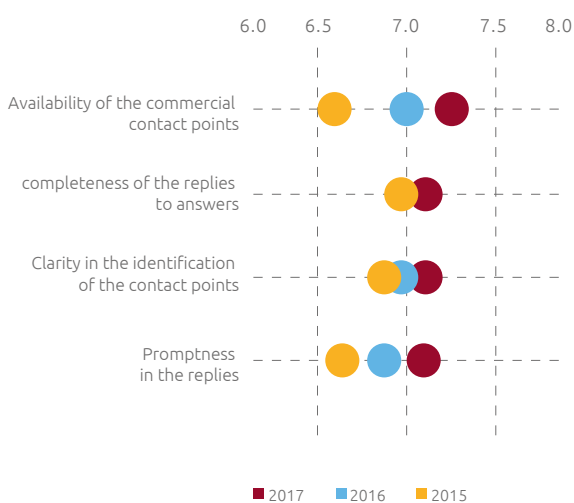
Customer satisfaction

Snam constantly measures the quality perceived by customers through customer satisfaction surveys. In November 2017, a new on-line survey was conducted with all the Shippers and Traders that were activated in thermal year 2016-2017.

The survey focused on the quality and functionality of services and their evolution, also with regard to customer requests made in previous surveys. On this occasion, the survey, for the first time, was carried out simultaneously on all three sectors of activity (transportation, storage and regasification).

The participation rate was 63% and about 93% of the respondents expressed satisfaction with regard to the stakeholder engagement activities. The set of comments received are, for Snam, the starting point to identify targeted actions for the continuous improvement in the quality of the services offered.

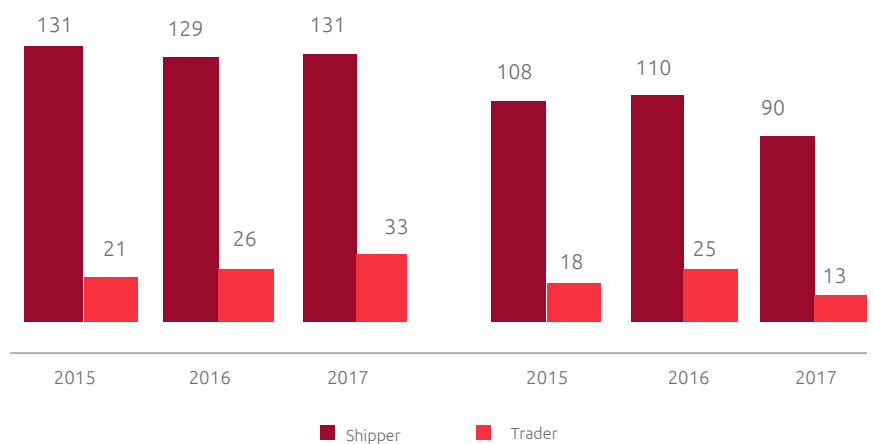
Results by survey area (scale from 1 to 10)



Customer survey participants and opinions

Questionnaires sent (no.)

Questionnaires received (no.)



Client assessment on initiative of Customer satisfaction (%)

