

2018 Consolidated Non-Financial Statement

(Legislative Decree No. 254 of 30 December 2016)

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INTRODUCTION AND GUIDE TO READING THE DOCUMENT

The Consolidated Non-Financial Statement (hereinafter also the "Non-Financial Statement", "Declaration", "Statement" or "NFS") of the Snam Group constitutes a specific section of the Directors' Report-Integrated Report (hereinafter also Report on Integrated Management) and is drafted in compliance with the provisions of the Legislative Decree of 30 December 2016, no. 254 as subsequently supplemented (hereinafter also the "Decree")⁴⁶.

The NFS contains relevant data and information in relation to environmental, social and personnel-related issues, respect for human rights, and the fight against active and passive corruption. The relevance of the individual themes is defined taking into account the activities carried out and the characteristics of Snam⁴⁷.

The reference scope of the information given in the NFS coincides with the scope of consolidation of the consolidated financial statements and includes:

- **Corporate and other** (Snam S.p.A. with the subsidiaries Gasrule Insurance Limited and Snam International BV);
- **Transmission** (Snam Rete Gas S.p.A., Asset Company 2, Infrastrutture Trasporto Gas S.p.A.);
- **Liquefied natural gas regasification** (GNL Italia S.p.A.);
- **Storage** (Stogit S.p.A.);
- **Sustainable mobility and Biomethane** (Snam4Mobility S.p.A., Cubogas, IES Biogas S.r.l. and Enersi Sicilia S.r.l.);
- **Energy efficiency** (Asset Company 4 S.r.l. and TEP Energy Solution S.r.l.).

Within the NFS, the data relating to the companies operating in the new businesses of sustainable mobility, biomethane and energy efficiency are aggregated into the business segment "Corporate and other activities", in line with the information given in the consolidated financial statements. The structure of the Snam Group, including foreign equity investments, is set out on page 3 of the Integrated Report on operations⁴⁸.

The content of the NFS is integrated, where necessary or appropriate, with other information included in the Report on Integrated Operations, in the Report on Corporate Governance and Ownership Structures, and on the Company's Website (www.snam.it), which are identifiable and available for consultation following specific references⁴⁹.

In order to standardise the reporting of data and information, as well as to facilitate the connection with each issue envisaged by the Decree, each area listed above has been divided into specific paragraphs divided into three sections dedicated respectively to:

- relevance of the theme and related risks generated or suffered;
- company policies and commitments and their implementation in management operations;
- relevant performance indicators to understand the results obtained in pursuing these commitments.

More specifically, this report has been prepared in accordance with GRI Standards⁵⁰, the standard for non-financial reporting most used internationally, according to the core option. The results are reported with reference to the financial year ending 31 December 2018. The two previous years are also shown for comparison.

The Report on Integrated Operations, of which NFS is a specific section, is published in the 2018 Annual Financial Report available on the Company's website at www.snam.it/en/Investor_Relations/Reports/.

⁴⁶ See Art. 5, paragraph 1 of Italian Legislative Decree no. 254 of 30 December 2016; Italian Law no. 145 of 30 December 2018, Art. 1073.

⁴⁷ See article 3, paragraph 1 of the Decree no. 254 of 30 December 2016.

⁴⁸ See article 4, paragraph 1 of the Decree no. 254 of 30 December 2016.

⁴⁹ See article 5, paragraph 4 of the Decree no. 254 of 30 December 2016.

⁵⁰ See article 3, paragraph 5 of the Decree no. 254 of 30 December 2016.

SNAM PROFILE AND ACTIVITIES

Snam is Europe's leading gas utility. Founded in 1941 as "Società Nazionale Metanodotti", it has been building and managing sustainable and technologically advanced infrastructure guaranteeing energy security for over 75 years. It works in Italy and, through subsidiaries, in Austria (TAG and GCA), France (Terèga), Greece (DESFA) and the United Kingdom (Interconnector UK). It is one of the main shareholders of TAP (Trans Adriatic Pipeline) and is the company most involved in projects for the creation of the Energy Union.

With the longest transmission network in Europe (approximately 32,600 km in Italy, in addition to 41,000 with the international subsidiaries) and the largest capacity for storing natural gas (16.9 billion cubic metres in Italy, in addition to 20 with international subsidiaries), it manages the first liquefied natural gas (LNG) plant developed in Italy and is a shareholder of Adriatic LNG, the country's main terminal and one of the most strategic in the whole of the Mediterranean.

Its business model is based on sustainable growth, transparency, the optimisation of talent and territorial development, whilst listening to and maintaining open dialogue constantly with the local communities, also thanks to the social initiatives pursued by Fondazione Snam. With the new "Snamtec" project launched as part of the 2018-2022 Strategic Plan, Snam has speeded up investments in the energy transition, focussing on technology, innovation and R&D initiatives in support of the major national and international networks and the businesses of the green economy, such as sustainable mobility, renewable gas, hydrogen and energy efficiency.

Snam has been listed on the Italian Stock Exchange since 2001. Its share price features not only on the Italian FTSE MIB index but also on leading international indices (Stoxx Europe 600 and Stoxx Europe 600 Utilities) and the major sustainability indices.

For more information on the size of the national infrastructure network and the scope of Snam's activities, please refer to the paragraph "Snam presence in Italy and in international infrastructure system" of the Integrated Report on operations.

STAKEHOLDER RELATIONS

Positive and consistent relations over time with stakeholders is a fundamental part of Snam's management model.

Relations with stakeholders are carried out with the aim of increasing trust and reputation and reducing potential conflicts.

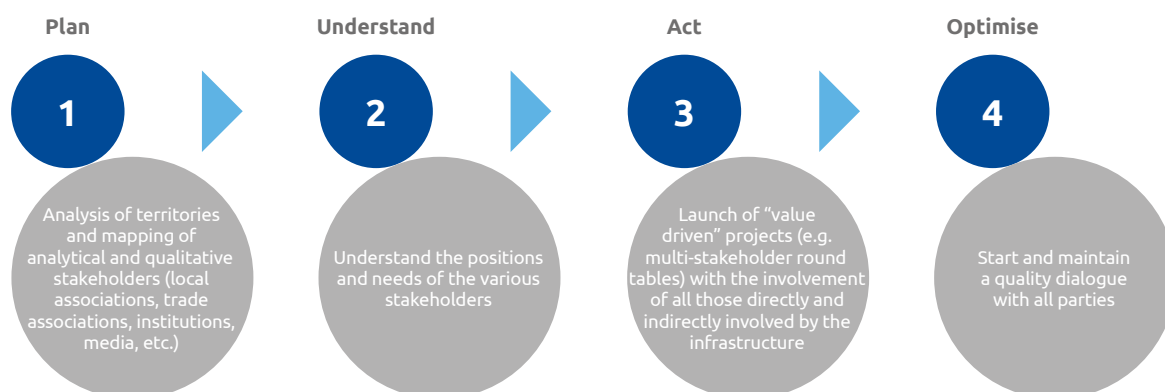
All corporate structures contribute to the various activities involving stakeholders, each within their own prerogatives, roles and responsibilities with centralised coordination.

Snam's approach to stakeholder engagement, explained in the Stakeholder Engagement Policy, is aimed at:

- through mapping, identifying the various categories of stakeholders with whom the Company deals, following the evolution of the context and development of company activities;
- analyse and understand stakeholders' profiles and the company's position with respect thereto;
- deepening the interests and issues relevant to each category of stakeholder, also through regularly updating the material analysis;
- reporting and regularly communicating management results to stakeholders in relation to the material issues of mutual interest through the report on social responsibility and all the other reporting and communication tools of the Company.

The stakeholder groups identified through mapping fall into the following categories: Community and territory, Investors and financiers, Other operators, Media, Suppliers, Customers, People, Authorities and Institutions.

Stakeholder engagement



MATERIAL ISSUES ACCORDING TO THE ACTIVITIES CARRIED OUT

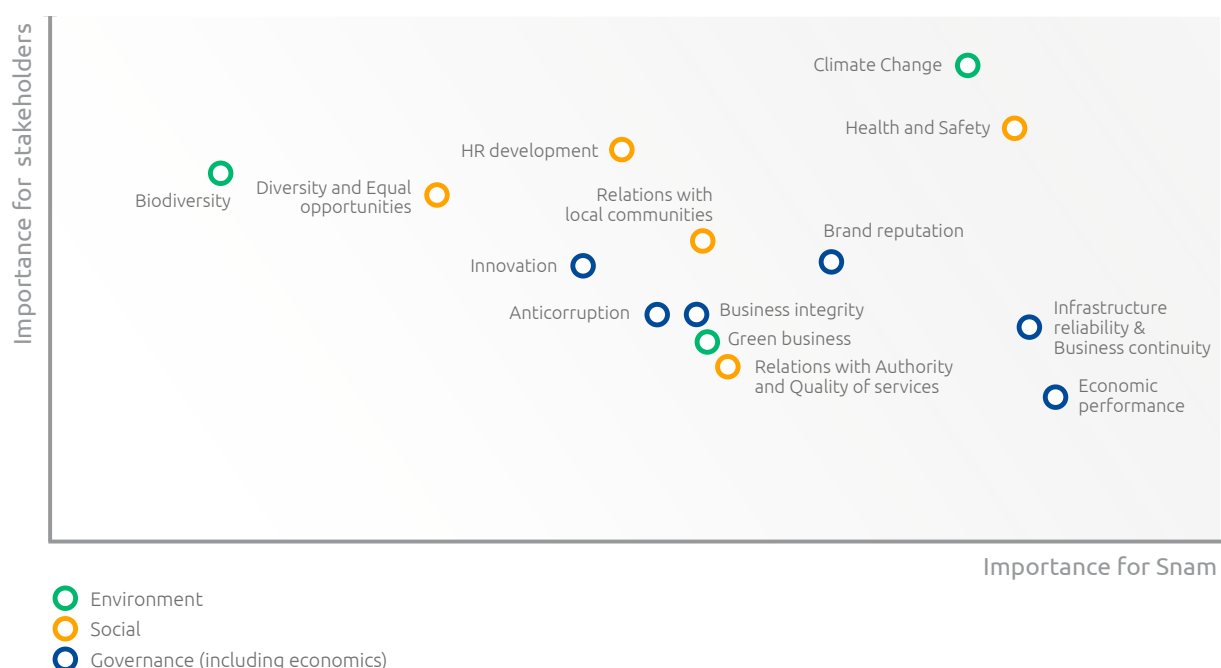
Materiality analysis

In order to identify the environmental and social matters, personnel-related issues, respect for human rights, and the fight against bribery and corruption, which are relevant taking into account the company's activities and characteristics, the Company conducted a materiality analysis to identify the most significant topics for the Group and Stakeholders in the spheres specified in Legislative Decree 254/2016 to the extent necessary to ensure the activities of the Snam Group, its performance, results and the impact it produces are understood.

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. At the end of 2018, Snam launched the update of topics that have historically fallen within the scope of its sustainability activities. More specifically, the analysis started out by identifying the matters reported in the main sustainability trends and media, considered as representative of the contexts of multi-stakeholder debate and discussion. 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 most important market publications. In order to define the externally most significant topics, their perception by stakeholders was analysed (including employees) through the above-described analyses and taking into account the latest on-line survey performed. The categories of stakeholders considered were: Community and territory, Investors and financiers, Other operators, Media, Suppliers, Customers, People (Employees), Authorities and Institutions. Instead, to define the topics of greatest internal significance, the perception of the topics from the company's viewpoint was analysed, through a specific survey involving the heads of each department.

The joint consideration of internal and external significance led to identifying areas of priority and materiality.

2018 materiality matrix



Results of the materiality analysis for the purposes of the Decree

The material topics within the scopes envisaged by Italian Legislative Decree no. 254/2016 as subsequently supplemented, are those relating to health and safety, climate change, protection of the territory and biodiversity,

green business, economic performance and creation of value, reliability of infrastructures and business continuity, brand reputation, innovation, relations with the authorities and quality of service, relations with local communities, development and protection of the human capital, fight against corruption, business integrity, diversity and equal opportunities.

Scopes of the decree	2018 Material topics	Reference GRI standards
Environment, health and safety	Climate change, health and safety, protection of the territory and biodiversity, green business	GRI 302 Energy GRI 304 Biodiversity GRI 305 Emissions GRI 403 Occupational Health & Safety
Social aspects	Economic performance, reliability of infrastructures and business continuity, brand reputation, innovation, relations with the authorities and quality of service, relations with local communities	GRI 201 Economic Performance GRI 203 Indirect economic impact GRI 413 Local communities
Aspects relating to staff management	Developing and protecting human capital Diversity and equal opportunities	GRI 401 Employment GRI 404 Training and Education GRI 405 Diversity and Equal opportunities
Protecting Human Rights	Diversity and equal opportunities	GRI 406 Non discrimination
Anticorruption and bribery	Fight against corruption, business integrity	GRI 205 Anti-corruption GRI 419 Socio-economic compliance

ORGANISATIONAL MODEL AND MANAGEMENT OF ACTIVITIES

Corporate and organisational structure

Snam's corporate governance system – a set of planning, management and control rules and methodologies necessary for the Company to function – was identified by the Board of Directors:

- in compliance with the regulations to which the Company is subject as a listed issuer;
- in accordance with the Corporate Governance Code;
- in line with the national and international best practices against which the Company compares itself.

This system is based on some key principles, such as a correct and transparent choice of management of business operations ensured also through the identification of information flows between the corporate bodies and an efficient definition of the system for internal control and risk management.

Snam manages and coordinates its subsidiaries and has adopted Corporate Governance Guidelines that define, amongst others, the principles, contents, tools and operating procedures of strategic guidelines given by Snam in line with its corporate governance system and the characteristics of its organisational structure, at the same time taking due account of the legal autonomy and principles of correct corporate and entrepreneurial management of the subsidiaries.

The organisation of Snam is divided into four business units and staff functions, designed with a view to simplifying processes, efficiency and continuous improvement. The business units are focused respectively:

- on development, regulatory and commercial activities;
- on the management of Italian subsidiaries;
- on the management of foreign holdings;
- on the development of technical services focused on distinctive skills and know-how aimed at operators in the gas sector.

Manner of conducting activities

We manage our business in accordance with the Corporate System Framework, the organisational and procedural system applied across all Group companies in Italy and abroad, created to ensure that the system of rules governing the business is clear, simple and organic. The system is inspired by the Code of Ethics⁵¹ and is based on management policies, described in the following chapters, based on the principles enunciated by the United Nations Universal Declaration of Human Rights, the fundamental ILO Conventions and the OECD Guidelines for Multinational Enterprises. The main policies⁵² referred to in the document are:

- the Sustainable Development Policy;
- the Health, Safety, Environment and Quality Policy;
- the Stakeholder Engagement Policy;
- the Human Rights Policy;
- the Policy for the management of philanthropic activities and social initiatives;
- the Social Supply Chain Policy;
- the Enterprise Risk Management Guidelines;
- the Policy statement contained in the Anti-Corruption Guidelines.

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 need to be based on the allocation of specific objectives to each position of responsibility and on the transparent assessment of results. This would enable continual improvements in the effectiveness and efficiency of corporate processes.

Internal Control and Risk Management System

The Internal Control and Risk Management System ("ICRMS") consists of the rules, procedures and organisational structures aimed at allowing for the identification, measurement, management and monitoring of the main risks, including those of the topics pursuant to Art. 3, paragraph 1 of Italian Legislative Decree 254/2016 (environmental, social and staff-related topics, as well as respect for human rights and the fight against active and passive corruption).

⁵¹ The Snam Code of Ethics can be consulted on the Company's website at the address www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/codice_etico.pdf.

⁵² See Article 3, paragraph 1, lett. b of Italian Legislative Decree no. 254 of 30 December 2016. Snam's policies may be consulted on the company website at www.snam.it/en/Sustainability/strategy_and_commitments/index.html. The anti-corruption guideline may be consulted on the company website at www.snam.it/export/sites/snam/repository/file/Governance/lineaguida/anticorruzione/snam_anticorruzione_01.pdf.

Snam adopted and undertakes to promote and maintain an adequate Internal Control and Risk Management System. This system is integrated into the organisational, management and accounting structure and, in general, into the corporate governance of Snam and is based on the Corporate Governance Code which Snam complies with, taking as references the national and international models and best practices.

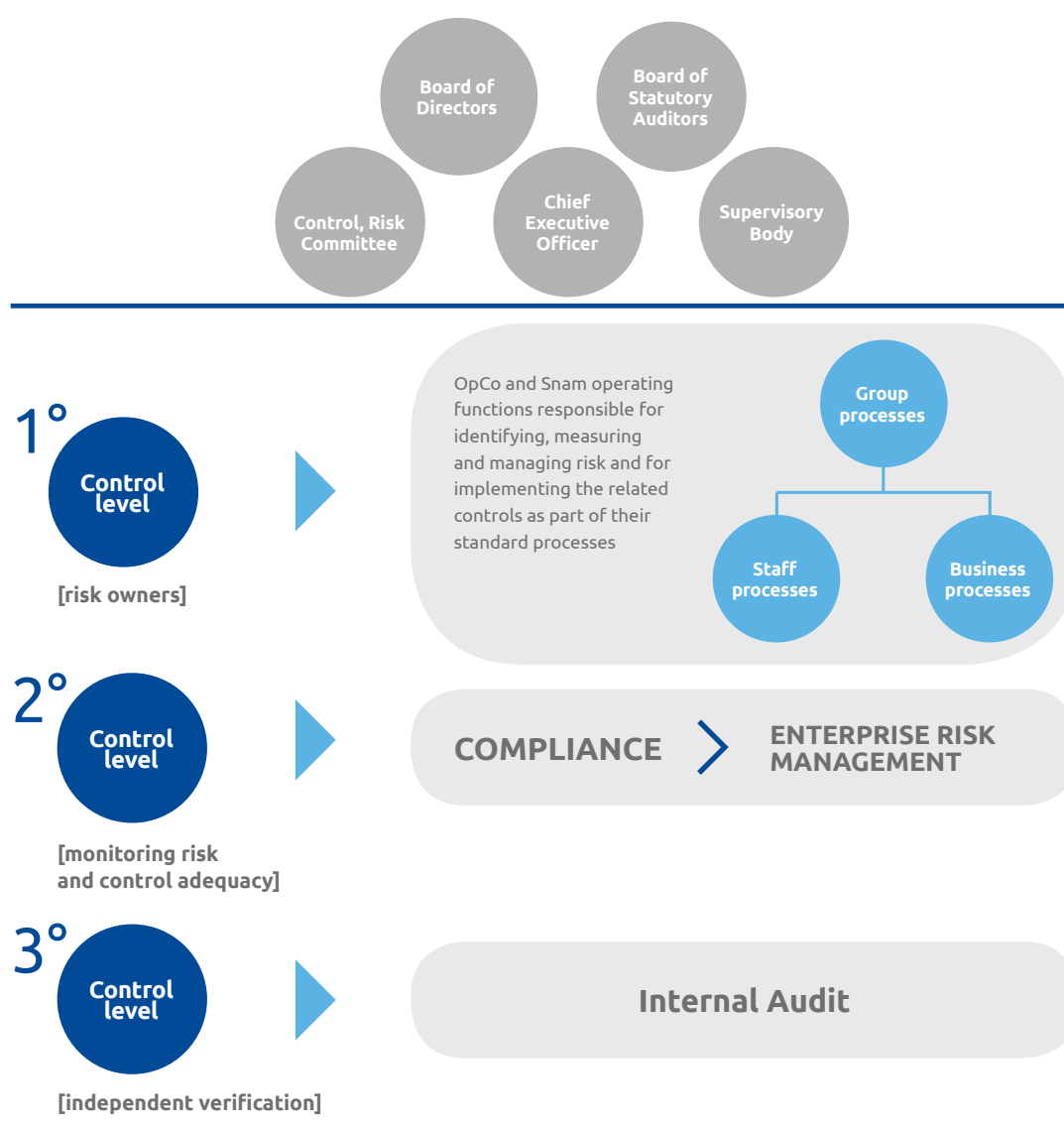
The guiding principles on which the SCIGR is based are defined in the Code of Ethics:

- the separation of activities between persons responsible for authorisation, executive or control procedures;
- the existence of suitable corporate provisions for providing the general reference principles for the regulation of corporate processes and activities;
- the existence of formal rules for the exercise of signatory powers and internal authorisation powers;

- traceability (guaranteed through the adoption of information systems that can identify and reconstruct sources, information and checks carried out in support of the formation and implementation of the Company's decisions and financial resource management procedures).

The ICRMS is made subject to verification and update over time, so as to ensure that it is always suitable for monitoring the main risk areas of the business. In this context, and also in order to execute the provisions of the Code of Corporate Governance, Snam has adopted an ERM (Enterprise Risk Management) system.

The Board of Directors charges the CEO with giving structure to and maintaining the entire system. The system is divided into three levels, each with different objectives and associated responsibilities.



First Level:	Identification, assessment and monitoring of the relevant risks within the individual Group processes. This level includes the functions of the Snam Group owners of the individual risks, responsible for their identification, measurement and management, and for the implementation of the necessary controls in the processes pertaining to them.
Second Level:	Monitoring the main risks to ensure they are effectively and efficiently managed and processed, and monitoring the adequacy and functioning of the controls in place to protect against these risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls. The Group's staff departments responsible for coordinating and managing the main control systems (e.g. Corporate Administrative Responsibility, Corporate Reporting, Anti-Corruption, Antitrust) operate at this level.
Third Level:	Independent and objective assurance of the adequacy and actual operation of the first and second control levels and in general of the overall risk management procedures. Internal Audit operates on the basis of the "Internal audit guidelines".

The ERM Model, in particular, provides suitable tools for identifying, measuring, managing and monitoring the main risks that could affect the achievement of strategic objectives. The main objectives of ERM are to define a risk assessment model that allows risks to be identified, using standardised, group-wide policies, and then prioritised, to provide consolidated measures to mitigate these risks and to draw up a reporting system.

We use an integrated, dynamic and group-wide method of assessing risk that evaluates the existing management systems in the individual corporate processes, starting with those relating to the prevention of fraud and corruption and health, safety, environment and quality.

In a similar fashion, the ERM model allows for the mapping of opportunities, thereby intending the positive effects of uncertainty on company objectives.

The results of the risk and opportunity assessment and monitoring activities and the related mitigation measures are regularly presented to the Control and Risk and Related Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Body of Snam and its subsidiaries. They are also used by the Internal Audit department to draw up the audit schedules.

Integrated Risk Assurance & Compliance

The Board of Directors has approved the "Integrated Risk Assurance & Compliance" Guidelines, which aim to: (i) integrate into the scope of the ICRMS the level 2 control models and (ii) promote and support conformity with reference legislation and the prevention of crime through a specific Compliance Programme for the prevention of offences (CPPI), in complete compliance with the Code of Ethics.

The Guidelines define the content of the CPPI aligned with the standards of best practice, in full compliance with the Code of Ethics, which defines the values, the standards of conduct and the guiding principles on which the entire ICRMS is based, which Snam recognises, accepts, shares and to which it commits, internally and externally.

The CPPI is implemented and made operative through:

- the Regulatory system;
- the provisions on corporate governance, adopted in compliance with applicable legislation and international best practices;
- the provisions, methods and activities of the models applied by the appointed departments;
- an integrated risk assurance & compliance process.

The following are relevant to the implementation of the CPPI:

- the integrated risk assurance & compliance model;
- the systems: reporting⁵³, rewarding and disciplinary;
- training and communication.

The integrated risk assurance & compliance model aims to improve the perception of the controls by the various owners involved and further enhance the efficiency of the ICRMS through a better coordination and integration of the related flows and interactions between the three control lines, optimising the respective contributions.

⁵³ The CPPI is made effective also thanks to the contribution provided by the adoption of a whistleblowing system. The "Anonymous and non-anonymous reports received by Snam and its subsidiaries" Guidelines regulate the process associated with the receipt, analysis and processing of the reports made by any party, including those that are confidential or anonymous.

This model envisages the use of a computerised Integrated Risk Assurance & Compliance (RACI) platform, which allows for the coordination of risk management activities implemented under the scope of the level 2 control models, maintaining the specific aspects of the methods used in each model⁵⁴ and the development of an integrated database (the Risk & Control Register), where the models involved in the Integrated Risk Assurance & Compliance process share a single catalogue of risks and controls. This repository allows for the integrated collection of consistent, complete data and information in support of the decision-making processes of senior management and corporate bodies to whom dedicated reporting flows are addressed.

Organisation, management and auditing model according to Legislative Decree no. 231/2001 (the "Model 231")

Snam S.p.A.'s Model 231 consists of a set of principles, rules and provisions on, amongst others, the management and control of each business process, the aim of which is to protect the company from any conduct that may entail administrative liability, in accordance with Italian Legislative Decree no. 231 of 2001 in connection with crimes committed or attempted in the interests or to the benefit of the company, by subjects in senior positions within the structure or subjects under their supervision and control.

The Board of Directors adopted the 231 Model to prevent the offences referred to in the legislation on corporate administrative liability for the offences committed in the interests or for the benefit of the company, and appointed a Supervisory Body having autonomous initiative and control powers, in compliance with the laws and regulations. The analysis of corporate processes and the comparative analysis of the existing control environment and of the control systems are carried out according to the COSO Framework (last published in May 2013), which is the international reference model for the establishment, update, analysis and assessment of the internal control system. The subsidiaries have also adopted their own Model 231 commensurate with their own characteristics, appointing their own Watch Structures charged with monitoring that Model 231 is implemented and applied effectively.

In May and June 2018, the documents of the Special Part of the 231 Model of Snam and Subsidiaries were updated in light of:

- legislative changes, which amended and expanded the range of predicate offences mentioned in Legislative Decree 231/2001 and case law developments on this matter, and notably:
 - the new formulation of the corruption offences between individuals (article 2635 of the Italian Civil Code);

“caporalato” (unauthorised gangmaster system) offence, introduced in art. 25 – sexies of Legislative Decree 231/2001;

- the offence of “racism and xenophobia”, introduced by the new article 25 - terdecies of Italian Legislative Decree 231/2001;
- the organisational developments that affected Snam.

Snam developed a specific training programme for all Snam's staff. This training activity is an important tool to make the Management and the other members of the company aware of the issues concerning corporate ethics, crime prevention pursuant to Legislative Decree 231, and the fight against corruption; it also allowed for a widespread participation of all employees in Snam's ethics and values system.

Model 231 is available on the Company's website (www.snam.it/export/sites/snam/repository/file/Governance/modello231/modello_231_Snam.pdf).

Finally, some time ago, as part of its whistleblowing management process⁵⁵, Snam prepared specific communication channels to which not only Snam, but also its subsidiaries, refer.

In order to guarantee levels of excellence and independence, Snam has entrusted the management of the aforementioned communication channels to an external subject (Ombudsman), which ensures the receipt and analysis of each report applying criteria of maximum confidentiality suitable, among other things, for the protection of the integrity of the persons reported and the effectiveness of the investigations.

Detailed information on the topics discussed in this section can be found in the "Report on Corporate Governance and Ownership Structure 2018", available on the Company's website at www.snam.it/en/governance-conduct/reports-and-documentation/.

As regards the ERM Model in particular and the synthetic representation of the main risks Snam generates or is subjected to⁵⁶ in relation to its activities and related mitigation actions carried out, please refer to the paragraph on “Management of risks and the control system - The Enterprise Risk Management (ERM) process” of the Integrated Report on operations.

The risks generated or suffered are also described in detail in the chapter entitled Risk factors and uncertainty, in the Integrated Report on operations.

⁵⁴ The prerogatives due to the Officer Responsible are in any case preserved, by virtue of Art. 154-bis of the TUF, with reference, amongst others, to the preparation of suitable administrative and accounting procedures for the preparation of the financial statements for the year and of the consolidated financial statements as well as all other financial communications.

⁵⁵ The Guideline may be consulted on the company website at www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html/.

⁵⁶ See Article 3, paragraph 1, lett. C of the Decree no. 254 of 30 December 2016.

ENVIRONMENTAL, HEALTH AND SAFETY ASPECTS

Relevance and related risks

The material topics that Snam considers linked to the aspects related to health, safety and the environment are as follows:

- **Health and safety:** the safety of its people is essential to Snam's day-to-day activities, as it actively monitors the current and potential risks so as to mitigate and prevent accidents in the workplace and the impacts on people's health.
- **Climate change:** as a company operating in the energy sector, Snam is aware of its role in the fight against climate change. Indeed, Snam includes challenging targets in its strategy for the reduction of emissions and energy efficiency drives, which guarantee an ever smaller environmental impact. Snam promotes the sustainable conduct of business through the use and production of energy from renewable sources (e.g. installation of photovoltaic equipment plants, biomethane).
- **Protection of the territory and biodiversity:** Through efficient, responsible environmental management, in particular when developing infrastructures, Snam is committed to preserving biodiversity in the territory in which it operates. Snam safeguards the landscape and territories in which Group plants or sites are present through surveys and monitoring aimed at minimising impacts on biodiversity and the most important habitats and minimises its environmental impacts by integrating policies to protect the soil, subsoil and ground water in its operations.
- **Green business:** Snam integrates new green businesses into its operations, such as biogas, power-to-gas technologies and attention to sustainable mobility aimed at encouraging decarbonisation and a better use of energy, as described in the new 2019-2022 Strategic Plan. For more information, see the paragraph "Snam in short" and "The 2019-2022 Strategic Plan" of the Integrated Report on operations.

The protection of the air and management of waste and water as a resource are topics that were not found to be material following the materiality analysis but which are in any case monitored by Snam. As far as air protection is concerned, the only significant emissions are those of nitrogen oxides that derive mainly from the combustion of natural gas in the gas turbines installed in the compression plants (thrust and storage). To reduce emissions, a programme has been underway for years to modify some of the existing turbines and to install new units with low-emission combustion systems (DLE). As regards

water management, this is not a material topic because water resources are used in limited quantities, mainly in the operations of the LNG Italia regasification plant and for sanitary and green care use. By the same token, waste management is also not a material topic considering the limited quantity of waste produced by the Company's operations.

The main operational risk with an impact on health, safety and the environment is represented by breakages or injuries to pipelines and plants, also as a result of extraordinary events such as fires, landslides or extreme weather phenomena due to climate change. These events could cause significant damage in addition to a reduction in revenues.

The complete list of risks to the environment, health and safety is as follows:

- Climate change risk within strategic risks;
- Possible violation of rules and regulations risk in relation to the health and safety of workers and the environment within the legal and non-compliance risks;
- Breakage or damage to the pipeline risk with damage to the environment/people within operational risks;
- Environmental risks within operational risks.

These risks are described in detail in the chapter entitled Risk factors and uncertainty, in the Integrated Report on operations.

Policies, commitments and management model

In relation to these issues, through the HSEQ Policy and the Sustainable Development Policy, Snam undertakes to:

- Guarantee respect for the protection of worker health and safety through the prevention of accidents, injuries, occupational diseases; Promote actions that combat climate change, implementing operational and management interventions to reduce the emission of greenhouse gases;
- Promote energy efficiency and ensure the sustainable use of natural resources;
- Prevent pollution and ensure the protection of ecosystems and biodiversity;
- Set up procedures to identify and respond to emergency situations and monitor the consequences of accidents.

The management of the aspects mentioned in the policies and the consequent actions for their implementation are mainly implemented within the management systems developed in compliance with the international standards ISO 14001 and OHSAS 18001, regularly verified and certified systems by a third party, of which all the companies of the Group are equipped. These actions are detailed in the Report on Integrated Management:

- for the development and maintenance aspects of the management systems, in the paragraph “Mitigation of environmental impacts, health and safety - Management systems”, you can find the certifications of the Company and its subsidiaries and details on audits conducted and the team of auditors employed;
- for aspects of health protection and accident prevention, in the paragraph “Mitigation of environmental impacts, health and safety - Accident prevention and the protection of health”, you can find the company involvement initiatives for the prevention of accidents and the company's health and health surveillance of employees;
- for aspects of greenhouse gas emissions, energy efficiency, production and use of energy from renewable sources, the paragraphs “Summary data and information - Operating performance” and “Mitigation of environmental impacts, health and safety - Climate change and energy efficiency”, details are given on the direct emissions from the Company, its initiatives to limit emissions and energy consumption and the type and power and energy produced by renewable energy plants owned by Snam;
- for actions on the mitigation of environmental impacts and the protection of biodiversity, in the paragraph on “Mitigation of environmental impacts, health and safety - Monitoring and environmental reclamation in the development of the gas pipeline network”, details are given on environmental reclamation works connected with the installation of new infrastructures.

The preventive assessments of the effects on the environment and on the safety of new settlements are carried out in the context of the Environmental Impact Assessment (EIA) procedures, at the end of which the administrations responsible, both at central and local level, issue the authorisations required by current legislation. Progress made on permitting activities is described in the paragraph “Natural gas transmission - Progress of work to obtain permits” of the Integrated Report on operations.

Snam particularly oversees the maintenance of plant safety and quality levels and carries out a regular inspection of the lines on foot, with vehicles and helicopter overflights to detect any situations at risk, and the pipe conditions with smart devices which pass through them and allow for the detection of the presence of possible damages. These actions are detailed in the paragraph on “Summary data and information - Maintenance of plant safety and quality levels” of the Integrated Report on operations.

Environmental and safety requirements in the workplace are considered in the qualification and selection of suppliers.

The highly critical suppliers operating in the procurement of works, the most significant category for core activities, in particular for health and safety and environmental aspects, are all in possession of certified quality, environmental and safety management systems according to ISO 9001, ISO 14001 and OHSAS 18001 standards.

The aspects of health and safety and environmental management are also part of the evaluation phase of the services rendered.

The fight against climate change not only takes the form of actions to reduce emissions and energy efficiency projects, but it is also expressed on a strategic level through increasing the use of natural gas as a key factor in the decarbonisation process. The Company is committed to integrating new green businesses into its operations, with particular reference to biomethane, sustainable mobility and the use of natural gas in the transport sector.

Performance Indicators

The following are representative indicators of the results of the environmental, health and safety management aspects, with indication of the GRI reference standard. 2018 results include, with respect to 2017, a reduction in the number of injuries involving employees and contract workers, none of which had a fatal outcome.

The increase in energy consumption is mainly due to greater natural gas consumptions brought about by the increase in the quantity of gas stored in deposits and the commissioning of new two compression plants (Minerbio and Sergnano), which have required an increase in fuel gas consumption to commission the plants. Emissions of scope 1 CO_{2eq} remain stable, also thanks to the reduction initiatives that impacted the part deriving from natural gas.

Indicator	GRI Standard	Unit Metering	2016	2017	2018
Employee accident frequency index		Accidents per 10 ⁶ hours worked	0.81	1.24	0.84
Contractor accident frequency index			0.71	0.54	0.41
Severity rate for employee accidents (a)		Days of work lost per 10 ³ hours worked	0.04	0.05	0.02
Contractor accident severity index (a)		Days of work lost per 10 ³ hours worked	0.05	0.83	0.03
Employee accidents (of which fatal)	403-2	no.	4(0)	6(0)	4(0)
of which due to a traffic accident		no.	0	1	2
of which due to a professional accident (maintenance, inspection, checks)		no.	1	1	1
of which due to a general accident (slipping, bumping, tripping)		no.	3	4	1
Contractor accidents (of which fatal)		no.	5 (0)	5 (1)	3(0)
Recognised cases of professional diseases		no.	0	0	0
Employee absenteeism (b)		%	4.7	4.7	4.6
Employee absenteeism (women)		%	-	-	4.8
Employee absenteeism (men)		%	-	-	4.6
CO ₂ eq emissions (Scope 1) (c)		10 ³ t CO ₂ eq	1,439	1,500	1,497
Energy consumption.	302-1	TJ	10,957.4	12,582.3	13,281.0
of which natural gas			10,541.7	12,153.2	12,801.4
of which diesel			84.4	77.9	91.0
of which gasoline			2.2	2.3	2.8
of which LPG			0.4	0.4	0.4
of which electricity purchased on the network (d)			311.7	335.3	372.8
of which thermal energy purchased			14.5	10.8	8.5
of which electricity from renewable sources			2.5	2.4	4.1
Transmission network within Natura 2000 sites (e)	304-1	km	8.7	12.6	1.4

(a) Number of working days lost (calendar days) due to accidents at work resulting in an absence of at least one day per thousand hours worked. Data is calculated including the contribution of fatal accidents, for each of which 7,500 days of absence were considered.

(b) For the purposes of calculating the employee absenteeism rate, all hours worked (paid and unpaid) were excluded, excluding holidays and recoveries. The absenteeism rate does not include Managers and periods of abstention from work for compulsory and optional maternity leave.

(c) CO₂eq emissions have been consolidated according to the operational control approach. The GHGs included in the calculation are CO₂ and CH₄ and the emissions are calculated with a GWP of methane equal to 28, as indicated in the scientific study by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

(d) The percentage of electricity produced from renewable sources and consumed by the Group depends on the individual national electricity mixes. For Italy, there is also a self-consumption of electricity from renewable sources, as better specified in the lines below.

(e) Natura 2000 sites are special protection areas/sites of Community interest. The indicator gives the km of line laid in these sites in the year. For 2018, just one Natura 2000 site was affected by the laying of infrastructure: the Loppio Lake SCI for the work to reinforce a gas pipeline "Arco-Riva del Garda".

SOCIAL ASPECTS

Relevance and related risks

The material topics linked to social aspects, in relation to Snam's activity, are:

- **Economic performance and creation of value:** economic sustainability and business growth are key objectives and factors that enable the company's operations as a whole. Fostering the creation of shared medium/long-term value for all categories of stakeholders, through operative and financial efficiency and a commitment to the development of business that can generate value for all Group stakeholders are, in fact, essential aspects for Snam.
- **Reliability of infrastructures and business continuity:** Snam operates every day to ensure the reliability of the infrastructures and services so as to prevent and/or mitigate potential situations that may compromise continuity of business and public safety. For more information, see the paragraph "Summary data and information - Maintenance of plant safety and quality levels" of the Integrated Report on operations.
- **Brand reputation:** Snam protects and values its reputation with proactive, diversified communication, seeking dialogue with its reference public and aiming to expand it further. The company communicates through a multimedia strategy integrated between both traditional and digital channels - also involving its employees and partners as brand ambassadors - and through events and campaigns, to confirm Snam's central role in the country system and as player in the energy transition on a national and international level, with special attention paid to the territories and communities in which it operates. For more information, see the paragraph "Stakeholders and the relational capital - The value of brand identity" in the Integrated Report on operations.
- **Innovation:** faced with a more complex, challenging scenario, Snam has paid close attention to research into new technologies with a view to increasing the efficiency of its business conduct yet further and reducing its environmental impacts. For more information, see the paragraph "Innovation in business development" of the Integrated Report on operations.
- **Relations with the Authorities and quality of services:** Snam is committed to supplying a quality service that can meet the demands and expectations of its clients, assuring a secure, reliable service over time, in compliance with principles of competition and equal treatment and access to infrastructures; to this end, Snam performs customer satisfaction surveys to improve its services offered. Snam also promotes constructive relations with the regulatory authorities and institutions, so as to develop services that are satisfactory to clients and, at the same time, focussed on the market needs and demands. For more information, see the

chapter "Business segment operating performance" and the chapter "Other operating information and results - Market reputation" of the Integrated Report on operations.

- **Relations with the local communities:** Through the development and support of projects for local communities, Snam intends to positively impact the social fabric in all territories in which the company operates.

The analysis revealed that the topic of the supply chain is not material, but it is in any case monitored by Snam. Indeed, Snam adopted some time ago policies for the selection of its suppliers, collaborators and commercial partners based on fair, transparent processes that envisage the integration of sustainability criteria.

In connection with material topics relating to the social area, the most significant risks are linked to the possible breakage of conduct and increase in the severity of extreme weather phenomena, which may directly impact the continuity and quality of the service supplied.

Instead, with reference to the development of new infrastructures, the main operational risk is connected with possible delays in the progress made on construction activities. As regards Snam's reputational profile and relations between the Company and the regulatory authorities, the most significant risks are linked to the maintenance of a suitable reputational profile with regards to the main stakeholders and possible breaches of sector rules and regulations.

The complete list of social risks is as follows. These risks are described in full in the chapter "Elements of risk and uncertainty":

- Climate change risk within strategic risks;
- Risk linked to maintaining an adequate reputation profile for suppliers and subcontractors in legal and non-compliance risks;
- Possible violation of rules and regulations in legal and non-compliance risks;
- Risk of delays in the progress of infrastructure implementation programmes in operational risks;
- Risk of breakage or damage to the pipeline in operational risk;
- Cyber security risk in operational risk.

Policies, commitments and management model

Snam, in line with the guidelines of its Stakeholder Engagement Policy, maintains regular and frequent relations with local government bodies and with local stakeholder associations to share new plants projects.

The Snam business development model is based on sustainable growth and the promotion of social and economic development and continuous dialogue with all players in the communities and territories in which the company operates. In line with this commitment, in 2018, the Company published its Social Supply Chain Policy, which facilitates the involvement of social businesses in the supply chain and fosters the inclusion of such, also as subcontractors, through rewarding mechanisms in assessing the offers.

Through the Sustainable Development Policy and the Policy for the management of philanthropic activities and social initiatives, Snam also pledges to promote initiatives in the areas in which the Company operates to promote local development.

The initiatives on the territory integrate the comparison with the institutions and other stakeholders that takes place in the context of authorisation procedures and environmental impact assessment and, for some plants, also socio-economic. Relations with the territory are detailed in the paragraph on "Stakeholders and relational capital - Relations with the territory" of the Integrated Report on operations. These activities are also supported by the work of the Snam Foundation. The foundation pursues innovative "business citizenship" practices to foster civil, cultural and economic development in priority areas of public interest, promoting partnerships and making available project capacities and competences.

Further information on the Snam Foundation can be found on the Company's website at www.snam.it/en/Sustainability/responsibility_towards_everyone/foundation.html.

Over time Snam has built a network of relationships with local associations, Confindustria Energia and the authorities, with which it discusses issues of energy, economic and environmental policy. On a local and national level, the Company collaborates with regulatory entities and takes part in the work of associations and committees for which it makes its know-how and competences available in matters of social innovation and sustainable development. More information is available on relations between Snam and the associations on the Company's website, at www.snam.it/en/Sustainability/responsibility_towards_everyone/innovation_and_technology.html.

Performance Indicators

Below are the representative indicators of the results of the management of the social aspects. In 2018, a total of 35.5% of the gross global added value produced by Snam was **reinvested within the Group** (an increase on 2017: +1.7 percentage points), of which approximately 77% was allocated to the amortisation and depreciation of the infrastructures used in the production process (80% in 2017). As regards the main reference stakeholders, 2018 shows a greater incidence of Value Added distributed to **employees** (11.1%; +0.9 percentage points on 2017) through direct compensation comprised of wages, salaries and severance pay and indirect compensation comprised of social safety charges and costs for staff-related services (canteen services, travel cost reimbursement). The value allocated to the **Public Administration** through payment of direct and indirect tax records substantial stability (14.0%; no change on 2017). With reference to **lenders**, there was a reduction in the value distributed of 2.1 percentage points (9.8%; 11.9% in 2017) also against the benefits deriving from the optimisation actions implemented in 2016 and 2017, in particular the operations of liability management, despite the greater period average debt. The value distributed to **shareholders** through the distribution of dividends records a stable incidence (29.5%; 29.9% in 2017). In the presence of growth of a unitary dividend (+5% on 2017), as confirmation of the commitment to guarantee shareholders an attractive, sustainable remuneration, a reduction is recorded in the number of shares in issue against the buy-back of treasury shares performed by Snam as part of the share buy-back programme. Lastly, an amount of approximately 3 million euro was designated for **local communities** (0.1% of the value generated) through donations and sponsorship initiatives and environmental compensation pursuant to the law.

Indicator	GRI Standard	Unit Metering	2016	2017	2018
Added value produced (A)			2,518	2,447	2,532
Added value distributed (B)			1,913	1,621	1,634
Employees (*)			260	249	280
Local communities			3	5	3
Donations and sponsorships Statutory environmental compensation	201-1	€ millions	610	292	249
Lenders (Bondholders and Banks)			718	732	746
Shareholders (**)			323	343	356
Government			308	329	341
Direct taxes			15	14	15
Indirect taxes			605	826	898
Added value retained by the Company (A)-(B)					

(*) Includes staff-related service costs.

(**) The 2018 figure refers to the dividend proposed by the Board of Directors subject to the approval of the Shareholders' Meeting called for 02 April 2019.

ASPECTS CONCERNING THE MANAGEMENT OF PERSONNEL

Relevance and related risks

The relevant topics related to personnel management, in relation to Snam's activities, are as follows:

- **Developing and protecting human capital:** Snam is constantly committed to developing the competences and potential of its people, encouraging professional growth and attraction and retention policies for talent, promoting the transfer of know-how and experience. Strengthening the technical, managerial and organisational skills of employees, including through training and the activation of systematic listening systems for employees, is therefore essential. Snam is also firmly convinced of the importance of conciliating life and work in its personnel and this is why it has developed numerous welfare initiatives offering support to its employees.
- **Diversity and equal opportunities:** protecting its employees, optimising merits and diversities means, for Snam, actively promoting the creation of an inclusive, effective workplace.

The topic of employment is important to Snam but has not been revealed as material by the analysis performed, in view of the fact that the Company operates in countries that have a well-defined legislative system governing worker protection.

In relation to the relevant issues, the most significant risks, managed by the competent corporate departments, are limited to situations of potential conflict and the risk of litigation, normally present in the management of labour relations.

A more extensive description of the main risks generated or suffered by Snam in relation to the management of persons is shown in the chapter on Risk factors and uncertainty of the Integrated Report on operations, under Employees and staff in key roles (within the Operational risks).

Policies, commitments and management model

Snam guarantees all workers the right to express their thoughts freely, to join associations and to engage in trade union activities. Dialogue with the trade unions⁵⁷ is framed and regulated by the current Protocol for Industrial Relations, signed in 2013.

Through the Sustainable Development Policy, Snam pledges to:

- develop its own system of professional and managerial skills;
- attract and retain qualified resources;
- ensure the involvement of staff to participate actively in the improvement processes;
- adopt work practices based on equal opportunities.

⁵⁷ See Article 3, paragraph 1, lett. d of the Legislative Decree no. 254 of 30 December 2016. At the end of 2018, 27.1% of employees were members of a union.

With particular regard to the commitment to ensure gender diversity⁵⁸, this has been strengthened with the addition of Snam to Valore D, the association of companies that promotes diversity, talent and female leadership for the growth of companies and the country.

The actions and initiatives for the implementation of these policies are reported in detail in the Report on Integrated Management:

- for aspects of performance and quality of employment, the paragraphs “Summary data and information - Personnel trend” and “Development of human capital” give general data on employment trends in terms of staff income and expenses, geographical distribution and type of contract;
- for aspects of human capital development, the paragraph “Development of human capital” shows the corporate actions to increase the development of its employees, such as performance assessment systems and training initiatives;
- for industrial relations, the paragraph “Summary data and information - Industrial relations” gives details on the meetings with the representatives of the trade unions and the content of the issues discussed;
- for aspects of gender diversity, the paragraph “Development of human capital” shows the Company's actions to promote equal opportunities and some data concerning female employment.

The information on diversity applied in relation to the composition of the administrative, management and control bodies pursuant to Article 10 of the Decree, can be found in the “Description of Snam’s diversity policy” of the 2018 Corporate governance and ownership structure report.

Performance Indicators

The following are representative indicators of the results of the management of social and personnel-related aspects, with indication of the reference GRI standard. Please note that, as a change in 2018 and 2017 values, there has been a significant increase in the hours of training delivered to employees and a greater number of total exits (189 of whom 99 for Isopensione), in any case balanced out by a higher rate of new employees. The Company’s managerial team, comprising executives and managers, numbers 587 people, of whom 18% are women (a rise of 2 percentage points on 2017 and 4 percentage points on 2016).

58 See Article 3, paragraph 1, lett. d of the Decree no. 254 of 30 December 2016.

Indicator	GRI Standard	Unit Metering	2016		2017		2018	
Total number of employees	102-8	no.	2,883		2,919		3,016	
Employees by type of contract								
Permanent contract (of whom women)	102-8	no.	2,676	(348)	2,755	(369)	2,812	(395)
Apprenticeship or internship contract (of whom women)			206	(21)	150	(15)	185	(20)
Fixed-term contract (of whom women)			1	(0)	14	(9)	19	(4)
Employees by type of position								
Full-time (of whom women)	102-8	no.	2,838	(331)	2,877	(357)	2,975	(382)
Part-time (of whom women)			45	(38)	42	(36)	41	(37)
Employees by geographical area								
Employees north	102-8	no.	2,169		2,204		2,302	
Employees centre			204		202		220	
Employees south and Sicily			506		509		490	
Employees abroad			4		4		4	
Entries and departures								
Total entries from market (of whom women)	401-1	no.	141	(35)	148	(53)	195	(42)
Entries from market <30 years		no.	84		57		110	
Entries from market between 30 and 49 years		no.	49		88		78	
Entries from market > 50 years		no.	8		3		7	
Total New hires rate		%	4.9		5.1		6.5	
New hires rate (*) < 30 years		%	20.5		13.3		22.8	
New hires rate (*) between 30 and 49 years		%	4.9		8.4		6.9	
New hires rate (*) > 50 years		%	0.5		0.2		0.5	
Departures (of whom women)		no.	53	(2)	69	(12)	189	(24)
Departures < 30 years		no.	3		10		8	
Departures 30 to 49 years		no.	9		21		30	
Departures > 50 years		no.	41		38		151	
Turnover rate (**)	%	1.8		2.4		6.3		
Voluntary leaving rate (***)	%	0.5		1.0		1.2		
Training								
Total hours of training	404-1	no.	82,184		85,346		107,771	
Average hours of training for men			30.2		31.3		36.9	
Average hours of training for women			17		15.8		28.7	
Average hours of manager training			33.8		20.5		41	
Average hours of training for directors			23.8		18.9		39.7	
Average hours of training for white collars			18.8		23.8		29.5	
Average hours of training for blue collars			52.7		49.7		46.4	

Governance body diversity	GRI Standard	Unit Metering	2016		2017		2018	
BoD members			9		9		9	
Of whom women		no.	4		4		4	
Of whom women		%	44.44		44.44		44.44	
BoD members < 30 years			0		0		0	
BoD members between 30 and 49 years		no.	3		2		2	
BoD members > 50 years			6		7		7	
BoD members < 30 years			0		0		0	
BoD members between 30 and 49 years		%	22.22		22.22		22.22	
BoD members > 50 years			77.78		77.78		77.78	
Employee diversity								
Managers (of whom women)	405-1		87	(11)	93	(14)	107	(18)
Executives (of whom women)		no.	421	(62)	456	(75)	480	(90)
Office workers (of whom women)			1,651	(296)	1,655	(304)	1,682	(311)
Labourers (of whom women)			724	(0)	715	(0)	747	(0)
Female managers			13%		15%		16.8%	
Female executives			15%		16%		18.8%	
Female office workers		%	18%		18%		18.5%	
Female labourers			0%		0%		0%	
Employees < 30 years			14%		15%		16%	
Employees between 30 and 49 years		%	35%		36%		38%	
Employees > 50 years			51%		50%		46%	

(*) New hires rate by age group shows the ratio of employees hired in the age group/total number of employees in the relative age group as at 31/12. The total recruitment rate has been calculated as (total hired from the market/average workforce).

(**) The turnover rate is calculated considering the employees leaving the organization (excluding those due to transfers to unconsolidated companies)/total number of employees as at 31/12.

(***) The voluntary leaving rate is calculated as redundancies/average workforce.

PROTECTING HUMAN RIGHTS

Relevance and related risks

The protection of human rights is a matter that, due to the type and geographic area of Snam's business, is associated with a limited risk profile of possible violation and was therefore not found to be relevant according to the latest update of the materiality analysis.

In any case, Snam recognises that the main human rights connected to its activities are those of the personal sphere, of work and of the protection of the environment, in all the contexts in which it is present, for this reason, the theme is linked to other relevant aspects discussed in this Declaration. Moreover, in connection with the performance indicators, Snam considers the matter of the protection of human rights particularly connected with aspects of diversity and equal opportunities and therefore set out as **non-discrimination**.

Policies, commitments and management model

Snam's Code of Ethics establishes Snam's commitment to the protection and promotion of human rights, inalienable and unavoidable prerogatives of human beings and the basis for building societies founded on the principles of equality, solidarity, repudiation of war and the protection of civil and political rights, social, economic and cultural rights and so-called third generation rights (right of self-determination, peace, development and protection of the environment).

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

In relation to these aspects, Snam has also adopted a Human Rights Policy, through which it undertakes to prevent and repudiate:

- all sorts of discrimination and violence, forced 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 the commitment, already stated in the specific policies mentioned in the previous chapters, aimed at promoting personal well-being, both as an individual and as part of social training, 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;

- protection of health and safety;
- guaranteeing professional growth and pay based strictly on merit and skill;
- protection of the system of values and principles in matters of transparency and sustainable development.

As a consequence, the management of human rights in the mentioned aspects is integrated with the related management models.

Performance Indicators

The following are representative indicators of management results regarding the protection of persons from discriminatory practices, with indication of the GRI reference standard. As regards the standard GRI 405-1, reference is made to the information given in the section "Aspects concerning the management of personnel" of this Statement.

Indicator	GRI Standard	Unit Metering	2016	2017	2018
Reports received for accidents related to discriminatory practices	406-1	no.	0	0	0
Reports examined			/	/	/
Reports with corrective actions during implementation			/	/	/
Corrective actions implemented			/	/	/
Archived reports			/	/	/

ANTICORRUPTION AND BRIBERY

Relevance and related risks

Snam considers **business integrity** as essential to its social and economic relations and acknowledges corruption as a major threat to their development. The Company therefore considers these topics as material and promotes business conduct in compliance with legislation and the **fight against corruption** on a national and international level, both in relations with public officials and private parties.

The risk of corruption is present in various areas of business activity, also involving the relationships inherent in the supply chain. The occurrence of illicit actions in these areas could imply sanctions and possible repercussions on the performance of Snam activity, as well as serious damage to reputation.

The complete list of risks in the prevention of active and passive corruption is as follows:

- risk of possible violation of rules and regulations in relation to corruption in legal and non-compliance risks;
- risk of maintaining an adequate reputation profile for suppliers and subcontractors in legal and non-compliance risks.

The more extensive description of the risk of fraud and corruption and, more generally, of the legal and non-compliance risks is reported in the chapter on Elements of risk and uncertainty in the Integrated Report on operations.

Policies, commitments and management model

Anticorruption Compliance Programme

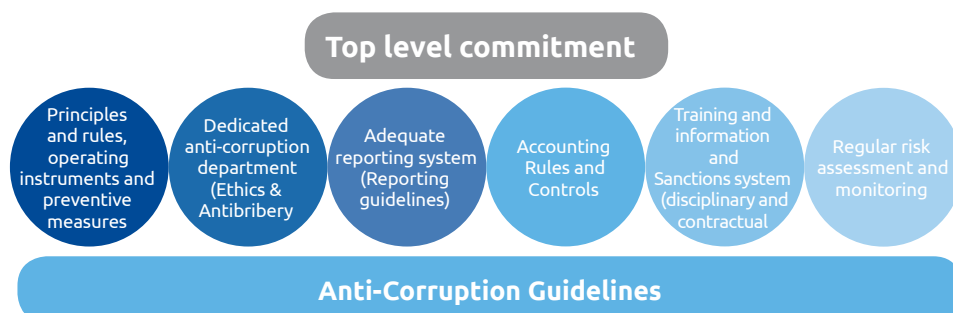
In establishing and maintaining an Anticorruption Compliance Programme, Snam has not limited itself to the adoption of Model 231 (focused on preventing the predicate offences for the criminal administrative liability of the company, including corruption offences) but, in keeping with the provisions of international best practice and guidance, it also implemented the following tools⁵⁹:

- "Top level commitment", that is the senior management's commitment to the fight against corruption;
- adoption of specific anticorruption policies;
- establishment of an Anticorruption Legal Function (Ethics & Antibribery);
- anticorruption due diligence concerning the contractual/business counterparties;
- monitoring by an external and independent adviser to verify the actual knowledge and implementation of the above-mentioned procedures;
- awareness of staff through training and information activities;
- disciplinary measures in the event of breach of the anticorruption rules;
- a periodic risk assessment.

The partnership - through a Memorandum of Understanding - formalised the principles of cooperation of Transparency International with Snam in the management of the anticorruption programmes and of the policy of fight against fraud and irregularities, conflicts of interest and whistleblowing, among the other measures aimed at strengthening the highest anticorruption standards acknowledged by Transparency International.

In 2017, Snam participated in initiatives promoted by the OECD and the Ministry of Foreign Affairs, taking part in the Global Forum on Responsible Business Conduct of the OECD held in Paris on 30 June: it was the first private company in the world to be part of the panel devoted to the discussion of the approaches to due diligence in the context of the fight against corruption and the protection of human rights. Since 2017, Snam has also been a member of the Business and Industry Advisory Committee (BIAC) - the first Italian private company to do so.

In 2018, Snam took part in a series of events, including the 27th Session of the United Nations Commission on Crime Prevention and Criminal Justice organised at the United Nations in Vienna, by the Ministry of Foreign Affairs and International Cooperation (MAECI) in conjunction with Transparency International, the Business Integrity Forum Roadshow 2018, organised by Transparency International



The cooperation with Transparency International and other initiatives

In October 2016, Snam and Transparency International executed an agreement to develop a partnership in the context of the Global Corporate Supporters Forum promoted by the ONG. By virtue of this agreement Snam was the first Italian business to become an international partner of the Forum, which was established to group the undertakings standing out for their integrity in the management of the business, in compliance with the standards of good governance, transparency and responsibility promoted by Transparency International in the context of the global commitment to fight corruption and in favour of an ethical corporate behaviour.

Italy in June and the Working Party on State Ownership and Privatisation Practices organised by the OECD in Paris in November.

In October 2018, at the Transparency International 18th International Anti-Corruption Conference, Snam renewed its partnership with Transparency International for another two years, confirming its zero tolerance policy with regard to corruption and its commitment to uphold the globally recognised best practices in transparency and business ethics.

Lastly, in December Snam took part to the Italian Business Integrity Day (IBID) held at the Italian Embassy in Washington, where the Company intervened in a round table regarding preventive approaches, management of the counterparty risk and new business strategies, aimed at making efficient the internal anticorruption control system.

⁵⁹ In this regard, the Code of Ethics provides, inter alia, that Snam rejects any kind of corruption (in all its forms with reference to any public or private entity) and that practices of corruption, illegitimate favours, collusive behaviour, solicitations, direct and/or through third parties, personal and career advantages for themselves or others, are without exception prohibited.

Highlights of the Anticorruption Procedure

- Prohibition of corruption without exception vis-à-vis any public or private person
- Specific rules and controls concerning the activities identified as being potentially at risk and the activities concerning the actual implementation of anticorruption compliance
- Clear distinction between permitted and prohibited behaviours
- Special attention to the relations with Public Officials and with suppliers and subcontractors and, generally, with business partners
- Establishment of the Ethics & Antibribery dedicated function
- Monitoring activity involving management and training launched in 2016 for 1,442 participants, continued in 2017 and, lastly in 2018, delivered to 112 new hired.
- Preparation of the "Mini Guide to Anti-Corruption" distributed to all Snam People by way of easily-consulted support that aims to reinforce the anti-corruption culture
- Example of "absolute excellence" by Transparency International Italia following its "Assessment on Transparency in Reporting on Anti-Corruption", also confirmed by the presentation of the new "Italian Business Integrity of Transparency"
- 2,074 reputational checks carried out in respect of counterparties (suppliers and subcontractors) in 2018

The Anti-Corruption Guideline is an integral part of a broader system of ethical control of the business aimed at ensuring that Snam complies with both national and international Anti-corruption Laws and the best international standards in the fight against corruption, also in order to protect Snam's reputation. Among other things, the Anti-Corruption Guideline focuses on the selection of suppliers and business partners, on the management of the relations with them and on the relevant contractual protection clauses.

The Anticorruption Guideline applies to Snam and its Subsidiaries and is also notified to the other subsidiaries so as to promote behaviours and information flows consistent with the ones expressed by Snam. Furthermore, Snam uses its influence, to the extent reasonable according to the circumstances, so that the companies and the entities in which Snam owns a non-controlling shareholding and business partners meet the standards specified in the Anticorruption Policy.

The Anticorruption Guideline may be viewed on the Company's Website (www.snam.it/export/sites/snam/repository/file/Governance/lineaguida/anticorruzione/snam_anticorruzione_01.pdf).

Performance Indicators

Below are the representative indicators of the results of the management of the aspects related to the prevention of corruption, with indication of the reference GRI standard. In 2018, the training cycle launched in 2016 continued with the aim of reducing the concept of business ethics, legality and anti-corruption in the daily operating reality, enabling the participants to recognise potential Red Flags and manage them. The training on these issues has in fact a cyclical trend that follows the evolution of the regulations applicable to the Company and the related update of the internal regulatory system.

Indicator	GRI Standard	Unit Metering	2016	2017	2018
Cases of proven corruption			0	0	0
Reports received on corruption and under examination	205-3	no.	0	0	0
Reports received on corruption and archived because unfounded			1	1	0
Hours of training on anti-corruption, code of ethics and model 231	205-2	no.	2,641	327	321
Participations in training on anti-corruption, code of ethics and model 231 (*)		no.	1,596	112	123

(*) Instead of the participants, the number of participations is reported as data aligned with the attendance recording system as far as training is concerned.

GRI STANDARD CORRELATION TABLE

Application of the GRI standards

The content of the report refers to Snam's material topics and the related material GRI topics. The General Disclosures (standard 102) were covered, as required for the application of the GRI standards according to the core option. The Topic Specific Standards of the 200 (Economic), 300 (Environmental) and 400 (Social) were selected in relation to the themes listed in the materiality matrix published in the section "Relevant material topics in connection with the

business carried out" of this Statement.

As regards standard 103 (Management approach), we proceeded as follows:

- For item 103-1 (defining the internal and external scope for each material topic), the following table was compiled;
- for items 103-2 (approach to management), and 103-3 (evaluation of approach to management) the disclosure was made for sub-groups of material GRI topics and for each of Snam's material topics which could not be related to a specific standard topic.

Key:

T = Transmission; S= Storage; R= Regasification; C= Corporate; M = Sustainable mobility; B = Biomethane; E = Energy efficiency; One Company= T, S, R, C

Material issues	GRI aspects	Scope of aspect		Limits in reporting	
		Internal	External	Internal	External
Climate change	GRI 305 Emissions	T, S, R	Suppliers	-	Emissions related to energy consumption of suppliers
	GRI 302 Energy	T, S	Suppliers	-	Energy consumption of suppliers
Health and safety	GRI 403 Occupational Health & Safety	One Company	Suppliers		
Protecting the local area and biodiversity	GRI 304 Biodiversity	T	Suppliers		
Green business	-	One Company			
Economic performance	GRI 201 Economic Performance	One Company			
Reliability of infrastructures and business continuity	-	One Company			
Brand reputation	-	One Company			
Innovation	-	One Company			
Relations with the authorities and quality of services	-	One Company			
Relations with the local communities	GRI 413 Local communities	One Company			
	GRI 203 Indirect economic impact	One Company			
Anti-Corruption	GRI 205 Anti-corruption	One Company	Suppliers		
Business integrity	GRI 205 Anti-corruption	One Company	Suppliers		
	GRI 419 Socio-economic compliance	One Company			
Developing and protecting human capital	GRI 401 Employment	One Company			
	GRI 404 Training and Education	One Company			
Diversity and equal opportunities	GRI 405 Diversity and Equal opportunities	One Company			
	GRI 406 Non discrimination	One Company			

GRI Standard correlation table

The reporting standard adopted by the Snam Group for the preparation of its NFS is the GRI Sustainability Reporting Standards, published in 2016 by the GRI - Global Reporting

Initiative. In particular, according to the provision of the GRI Standard 101: Foundation, paragraph 3, this document makes reference to the Reporting Standards listed in the following table.

RF = Integrated Financial Report - NFS = Non-Financial Statement

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 102 – General disclosure 2016				
Organisational profile	102-1	Name of the organisation	Snam S.p.A.	
	102-2	Activities brands, products and services	RF "Summary"	
	102-3	Location of headquarters	Snam S.p.A.	
	102-4	Location of operations	RF "Snam presence in Italy and in international infrastructure system"	
	102-5	Ownership structure	RF "Governance and organisation" (in "Business model and sustainable development")	
	102-6	Markets served	RF "Summary" RF "Snam presence in Italy and in international infrastructure system"	
	102-7	Size of the organisation	NFS "Introduction and guide to reading the document" NFS "Profile and activities of Snam" NFS "Aspects concerning the management of personnel" RF "Allocation of the added value" in "Snam in 2018 - Summary data and information: Results")	
	102-8	Information on employees and other workers	NFS "Aspects concerning the management of personnel"	
	102-9	Supply Chain	RF "Supply chain management" (in "Snam in 2018 - Summary data and information: Operating performance")	
	102-10	Significant changes to the organisation and its supply chain	NFS "Introduction and guide to reading the document" RF "Supply chain management" (in "Snam in 2018 - Summary data and information: Operating performance") RF "Snam and the new brand identity"	
	102-11	Precautionary principle or approach	NFS "Internal Control and Risk Management System" NFS "Environmental aspects, health and safety" RF "Progress of work to obtain permits" (in "Business segment operating performance: Natural gas transportation")	
	102-12	External initiatives	Snam adheres to the Global Compact and the Task Force on Climate Related Financial Disclosure (TCFD)	
	102-13	Membership of associations	NFS "Social aspects"	
Strategy	102-14	Statement from senior decision-maker	RF "Letter to shareholders and stakeholders"	
Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	NFS "Management of the activities"	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
Governance	102-18	Governance structure	RF "Governance and organisation"	
	102-40	List of stakeholder groups	NFS "Stakeholder relations"	
Stakeholder engagement	102-41	Percentage of employees covered by collective bargaining agreements	100%. The CCNL (Energy and Oil contract, Metalworking Contract, Trade Agreement) is applied to non- executive personnel. The National Contract for Managers of Companies producing Goods and Services is applied to executives.	
	102-42	Identifying and selecting stakeholders	NFS "Stakeholder relations"	
	102-43	Approach to stakeholder engagement	NFS "Stakeholder relations" NFS "Material issues according to the activities carried out" RF "Stakeholders and relational capital" (in "Other operating information and results")	
	102-44	Key topics and main critical issues	NFS "Material issues according to the activities carried out"	
	102-45	Entities included in the consolidated financial statements and excluded from the NFS	There are no differences in the scope of consolidation.	
Reporting process	102-46	Definition of the contents of the NFS and limits relating to topics	NFS "Introduction and guide to reading the document" NFS "Material issues according to the activities carried out" NFS "Application of GRI Standards"	
	102-47	List of material topics	NFS "Material issues according to the activities carried out"	
	102-48	Restatements of information	There is no significant data or information that has been changed compared with the previous report	
	102-49	Changes in reporting	NFS "Introduction and guide to reading the document" NFS "Material issues according to the activities carried out"	Regarding the comparison between the materiality matrices of this and last year it hasn't been reported because last year the materiality matrix hasn't been used to draw the NFS since it was performed a relevance analysis
	102-50	Reporting period	NFS "Introduction and guide to reading the document"	
	102-51	Date of most recent report	Last document published: 2017 Consolidated Non-Financial Statement, included in the Report on operations - Integrated Report 2017	
	102-52	Reporting cycle	The NFS is published once a year	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
Reporting process	102-53	Contact point for questions regarding the report	Domenico Negrini (domenico.negrini@snam.it), Bruno Andreetto (bruno.andreetto@snam.it)	
	102-54	Statement of compliance with the GRI Standards	NFS "GRI standard correlation table"	
	102-55	GRI content index	NFS "GRI standard correlation table"	
	102-56	External assurance	NFS "Independent Auditors' Report"	
Economic topics (GRI 200)				
GRI 201 2016 economic performance	103-1	Approach to topic management	RF "Breakdown of added value" in "Snam in 2018 - Summary data and information: Results")	
	103-3		NFS "Social aspects"	
	201-1	Direct economic value generated and distributed	NFS "Social aspects" RF "Allocation of the added value" in "Snam in 2018 - Summary data and information: Results")	
GRI 203 Indirect economic impacts 2016	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects"	
	203-2	Significant indirect economic impacts	RF "Supply chain management" (in "Snam in 2018 - Summary data and information: Operating performance") RF "Geographic distribution of procurement and procurement by product category" (in "Snam in 2018 - Summary data and information: Operating performance")	
	103-1 103-2 103-3	Approach to topic management	NFS "Anticorruption and bribery"	
GRI 205 Anti-corruption 2016	205-2	Communication and training about anti-corruption policies and procedures	NFS "Anticorruption and bribery" RF "Professional enhancement" (in "Other operating information and results: Development of human capital")	100% of employees and of members of the BoD have been informed about the policies and procedures adopted by Snam against corruption
	205-3	Confirmed incidents of corruption and actions taken	NFS "Anticorruption and bribery"	
Environmental topics (GRI 300)				
GRI 302 Energy 2016	103-1 103-2 103-3	Approach to topic management	NFS "Environmental, health and safety aspects"	
	302-1	Energy consumption within the organisation	NFS "Environmental, health and safety aspects" RF "Climate change and energy efficiency" (in "Other operating information and results")	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 304 Biodiversity 2016	103-1 103-2 103-3	Approach to topic management	NFS "Environmental, health and safety aspects"	
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NFS "Environmental, health and safety aspects" RF "Environmental monitoring and restoration in the development of the gas pipeline network" (in "Other operating information and results")	
GRI 305 Emissions 2016	103-1 103-2 103-3	Approach to topic management	NFS "Environmental, health and safety aspects"	
	305-1	Direct (Scope 1) GHG emission	NFS "Environmental, health and safety aspects" RF "Climate change and energy efficiency" (in "Other operating information and results")	
Social topics (GRI 300)				
GRI 401 Employment 2016	103-1 103-2 103-3	Approach to topic management	NFS "Aspects concerning the management of personnel"	
	401-1	New employee hires and employee turnover	NFS "Aspects concerning the management of personnel" RF "Employment in times of change" (in "Other operating information and results": Development of human capital)	The subdivisions of the data by country are not reported as it is not applicable (almost all the employees are located in Italy).
GRI 403 Work health and safety 2016	103-1 103-2 103-3	Approach to topic management	NFS "Environmental, health and safety aspects"	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	NFS "Environmental, health and safety aspects" RF "Prevention of accidents and protection of health" (in "Other operating information and results")	The accidents of the employees and contractors have all occurred in Italy (2 in the north, 2 in the center and 3 in the South). The injuries involved only male personnel.
GRI 404 Training and education 2016	103-1 103-2 103-3	Approach to topic management	NFS "Aspects concerning the management of personnel"	
	404-1	Average hours of training per year per employee	NFS "Aspects concerning the management of personnel" RF "Professional enhancement" (in "Other operating information and results": Development of human capital)	
GRI 405 Diversity and equal opportunities 2016	103-1 103-2 103-3	Approach to topic management	NFS "Aspects concerning the management of personnel" NFS "Protection of human rights"	
	405-1	Diversity of governance bodies and employees	NFS "Aspects concerning the management of personnel" NFS "Protection of human rights" RF "Diversity" (in "Other operating information and results")	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 406 Non-discrimination 2016	103-1 103-2 103-3	Approach to topic management	NFS "Protection of human rights"	
	406-1	Incidents of discrimination and corrective actions taken	NFS "Protection of human rights"	
GRI 413 Local communities 2016	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects"	
	413-1	Operations with implemented local community engagement, impact assessments, and development programmes	RF "Progress of work to obtain permits" (in "Business segment operating performance: Natural gas transportation")	
GRI 419 Social-economic compliance 2016	103-1 103-2 103-3	Approach to topic management	NFS "Anticorruption and bribery"	
	419-1	Non-compliance with laws and regulations in the social and economic area	RF "Litigation and other provisions" (in "Notes to the consolidated financial statements") RF "Criminal disputes" (in "Notes to the consolidated financial statements") RF "Autorità di Regolazione per Energia Reti e Ambiente – ARERA" (in "Notes to the consolidated financial statements")	
Snam's Material topics not associated with the GRI material topics				
Green business	103-1 103-2 103-3	Approach to topic management	NFS "Environmental aspects, health and safety" RF "The 2019-2022 Strategic Plan" (in "Business model and sustainable development")	
	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects" RF "Innovation for business development"	
Reliability of infrastructures and business continuity	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects" RF "Innovation for business development"	
Brand reputation	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects"	
Innovation	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects" RF "Innovation for business development"	
Relations with the authorities and quality of services	103-1 103-2 103-3	Approach to topic management	NFS "Social aspects" RF "Regulations concerning the business segment" (in the paragraphs on "Natural gas transportation", "Regasification of Liquefied Natural gas (LNG)" and "Natural gas storage" included in the chapter "Other operating information and results")	

The Consolidated Non-Financial Statement was approved by Board of Directors of Snam S.p.A. as at February 18, 2019.

The Statement was audited by the independent auditors (PwC S.p.A.) in accordance with the principles and indications

of the International Standard on Assurance Engagement (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB). The results of the audits conducted are given in the Independent Auditors' Report attached below.

Independent auditors' report



Independent auditor's report on the consolidated non-financial statement

pursuant to article 3, paragraph 10, of Legislative Decree No. 254/2016 and article 5 of CONSOB Regulation No. 20267 of January 2018

To the Board of Directors of Snam SpA

Pursuant to article 3, paragraph 10, of Legislative Decree No. 254 of 30 December 2016 (the "Decree") and article 5 of CONSOB Regulation No. 20267/2018, we have performed a limited assurance engagement on the consolidated non-financial statement of Snam SpA and its subsidiaries (hereafter the "Group") for the year ended 31 December 2018 prepared in accordance with article 4 of the Decree and approved by the Board of Directors on 18 February 2019 (hereafter the "NFS").

Responsibility of Management and those charged with Governance for the NFS

Directors are responsible for the preparation of the NFS in accordance with article 3 and 4 of the Decree and with the "GRI-Sustainability Reporting Standards" defined in 2016, hereafter the "GRI Standards", identified as the reporting standards.

Directors are responsible, in the terms prescribed by law, for such internal control as management determines is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

Directors are responsible for identifying the content of the NFS, within the matters mentioned in article 3, paragraph 1, of the Decree, considering the activities and characteristics of the Group and to the extent necessary to ensure an understanding of the Group's activities, its performance, its results and related impacts.

Directors are responsible for defining the business and organisational model of the Group and, with reference to the matters identified and reported in the NFS, for the policies adopted by the Group and for the identification and management of risks generated and/or faced by the Group.

The Board of Statutory Auditors is responsible for overseeing, in the terms prescribed by law, compliance with the Decree.

PricewaterhouseCoopers SpA

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Auditor's Independence and Quality Control

We are independent in accordance with the principles of ethics and independence set out in the *Code of Ethics for Professional Accountants* published by the *International Ethics Standards Board for Accountants*, which are based on the fundamental principles of integrity, objectivity, competence and professional diligence, confidentiality and professional behaviour. Our audit firm adopts *International Standard on Quality Control 1 (ISQC Italy 1)* and, accordingly, maintains an overall quality control system which includes processes and procedures for compliance with ethical and professional principles and with applicable laws and regulations.

Auditor's responsibilities

We are responsible for expressing a conclusion, on the basis of the work performed, regarding the compliance of the NFS with the Decree and with the GRI Standards. We conducted our engagement in accordance with "*International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (hereafter "*ISAE 3000 Revised*"), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and apply procedures in order to obtain limited assurance that the NFS is free of material misstatement. The procedures performed in a limited assurance engagement are less in scope than those performed in a reasonable assurance engagement in accordance with *ISAE 3000 Revised ("reasonable assurance engagement")* and, therefore, do not provide us with a sufficient level of assurance that we have become aware of all significant facts and circumstances that might be identified in a reasonable assurance engagement.

The procedures performed on the NFS were based on our professional judgement and consisted in interviews, primarily with company personnel responsible for the preparation of the information presented in the NFS, analysis of documents, recalculations and other procedures designed to obtain evidence considered useful.

In particular, we performed the following procedures:

1. analysis of the relevant matters reported in the NFS relating to the activities and characteristics of the Group, in order to assess the reasonableness of the selection process used, in accordance with article 3 of the Decree and the with the reporting standards adopted;
2. analysis and assessment of the criteria used to identify the consolidation area, in order to assess their compliance with the Decree;
3. comparison of the financial information reported in the NFS with those reported in the Group's Consolidated Financial Statements;
4. understanding of the following matters:
 - business and organisational model of the Group, with reference to the management of the matters specified by article 3 of the Decree;
 - policies adopted by the Group with reference to the matters specified in article 3 of the Decree, actual results and related key performance indicators;
 - main risks, generated and/or faced by the Group, with reference to the matters specified in article 3 of the Decree.

With reference to those matters, we compared the information obtained with the information presented in the NFS and carried out the procedures described under point 5 a) below;

5. understanding of the processes underlying the preparation, collection and management of the significant qualitative and quantitative information included in the NFS. In particular, we held meetings and interviews with the management of Snam SpA and with the personnel of GNL Italia SpA and Stogit SpA and we performed limited analysis of documentary evidence, to gather information about the processes and procedures for the collection, consolidation, processing and submission of the non-financial information to the function responsible for the preparation of the NFS.

Moreover, for material information, considering the activities and characteristics of the Group:

- at holding level
 - a) with reference to the qualitative information included in the NFS, and in particular to the business model, the policies adopted and the main risks, we carried out interviews and acquired supporting documentation to verify their consistency with available evidence;
 - b) with reference to quantitative information, we performed analytical procedures as well as limited tests, in order to assess, on a sample basis, the accuracy of consolidation of the information;
- for the regasification plant of Panigaglia (GNL Italia SpA) and storage plant of Cortemaggiore (Stogit SpA), which were selected on the basis of their activities, their contribution to the performance indicators at a consolidated level and their location, we carried out site visits during which we met local management and gathered supporting documentation regarding the correct application of the procedures and calculation methods used for the key performance indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of Snam Group as of 31 December 2018 has not been prepared, in all material respects, in compliance with articles 3 and 4 of the Decree and with the GRI Standards.

Other aspects

The NFS for the year ended 31 December 2017, which data are presented for comparative purposes, has been subject to limited assurance procedures from another auditor who, on 29 March 2018, expressed a conclusion without any remarks on that NFS.

Milan, 11 March 2019

PricewaterhouseCoopers SpA

Sign by
Giulio Grandi
(Revisore legale)

Sign by
Paolo Bersani
(Procuratore)

This report has been translated from the Italian original solely for the convenience of international readers.