

Social



People

For over 75 years Snam has been building energy networks dealing with new challenges in a constantly changing world by developing its most precious asset, people. Finding itself in a context of international development with a focus on new green businesses, Snam continues to invest in the training of its resources as the key to guaranteeing the continuity of technical and technological know-how. This transformation process requires the behaviour of everyone to be focused on a cultural change that facilitates the transformation process in question. This is made possible by Snam's commitment to developing the professional skills and talents of everyone in a transparent and meritocratic way and creating an inclusive work environment, where diversity and plurality encourage innovative ideas and virtuous behaviour, promoting a more motivating context, in line with company values that guide the operations of the people working in Snam.

Snam Personnel at 31.12. (no.)

	2017	2018	2019
Executives	93	107	111
Managers	456	480	493
Administrative staff	1,655	1,682	1,683
Manual workers	715	747	738
Total Employees	2,919	3,016	3,025

Graduates	676	777	819
With diplomas	1,664	1,703	1,714
Other qualification	579	536	492

Snam Personnel at 31.12. by type of contract (no.)

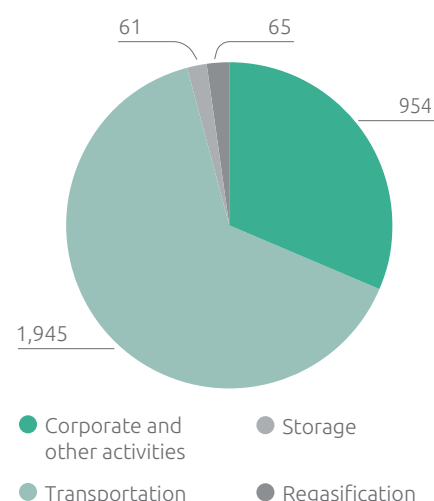
	2017	2018	2019
Permanent contract (*)	2,755	2,812	2,817
Apprentice or first employment contract	150	185	193
Fixed-term contract	14	19	15
Part time	42	41	38

(*) it includes also part-time contracts

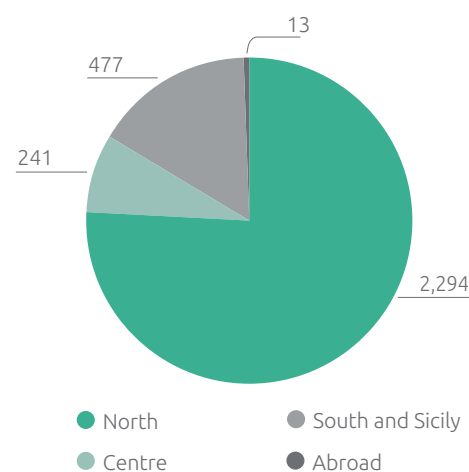
EMPLOYMENT

Snam offers a stable, continuous working relationship (93.1% of people are on a permanent employment contract) and hires highly qualified and specialised resources (57% of employees have a technical diploma and 27% are graduates). At the end of 2019, there were 38 part-time contacts and 193 apprenticeship contracts in force. During the year there were over 32 employees on a staff leasing contract (33 in 2018 and 2017).

Employees by activity (no.)



Distribution of employees by geographical area (no.)



Top Employers

The international "Top Employers" ranking by Statista in partnership with Forbes, ranked Snam among the top 150 companies in the world to work in. The list, which includes Snam and one other Italian company, is based on 2,000 global companies with the best reputation, based on 1.4 million interviews at a global and regional level.

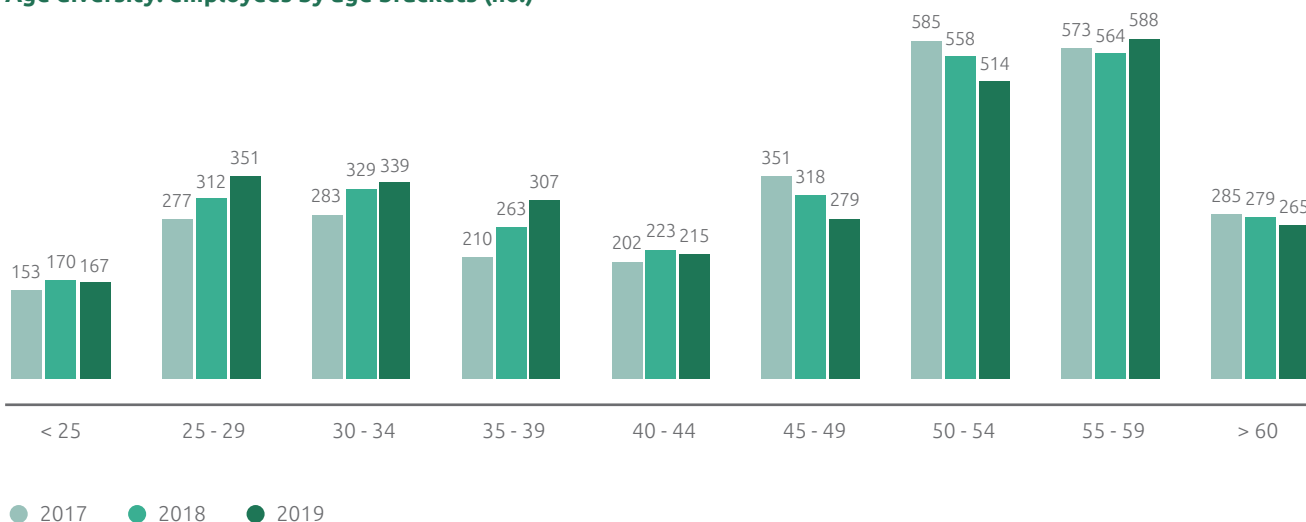
Employment dynamics

In 2019 a total of 231 entries were recorded of which 172 were hired from the market, 8 from the consolidation of the TEA S.r.l. (from December 2019), 47 from the acquisition of RENERWASTE (from December 2019) and 4 returning from leave.

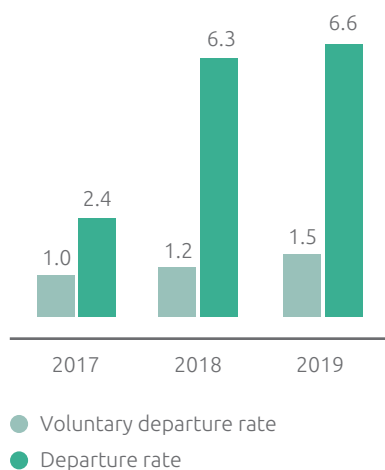
On the other hand, there were 222 departures, 77 were early retirement, 12 for other reasons, 12 transfers to non-consolidated companies and 121 through the termination of employment (53 of which were unilateral terminations).

People aged under 40 (1,164) represent the 38.5% of the corporate population, an increase of 90 resources compared with 2018, also thanks to the inclusion of young talent in recent years.

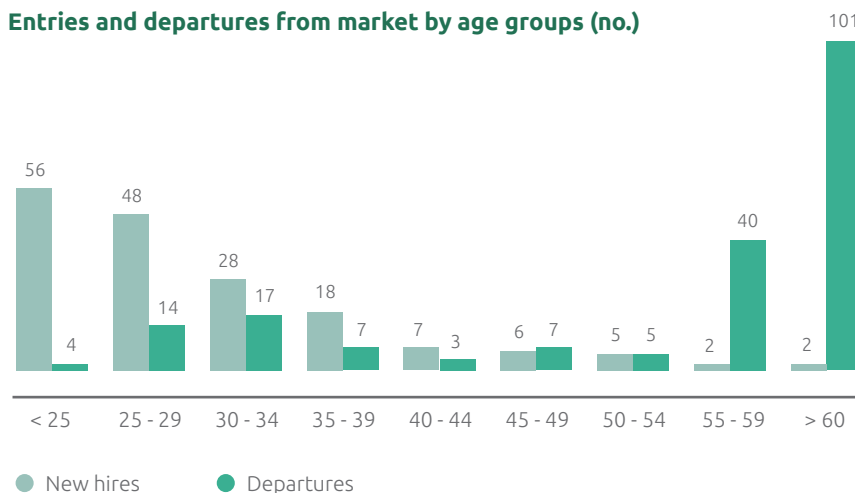
Age diversity: employees by age brackets (no.)



Departure rates (%)



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

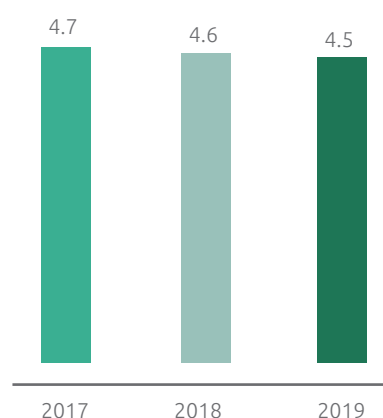


Voluntary departure rate = (departures for resignations / average headcount) * 100
 Departure rate = (departures / total number of employees at 31/12) * 100

The absenteeism rate, which in 2019 stood at 4.5%, was essentially aligned to the previous years, does not include senior management and was calculated taking into consideration all hours not worked (paid and unpaid) excluding holidays, leaves and periods of mandatory and voluntary maternity leave. There were no essential changes between the absenteeism rate for men and women, which stood at 4.4% and 5,1%, respectively.

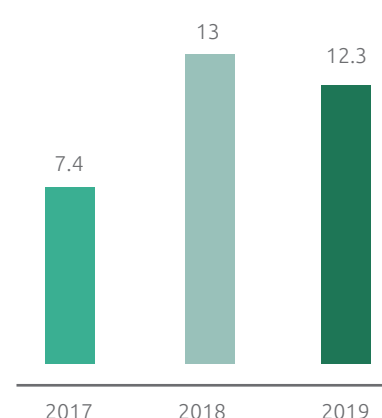
The turnover rate for 2019, remained consistent with the 2018 figure thanks to the hiring campaigns and the support of early retirement, as well as acquisitions completed during the year.

Absenteeism rate (%)



Absenteeism rate =
(hours absent/workable hours)*100

Personnel turnover (%)



Turnover =
(incoming + departures)/average
headcount employed)*100

DIVERSITY

The Diversity & Inclusion policy

Snam guarantees equal dignity and opportunities for all its people regardless of their country of origin, culture, religion, gender, sexual orientation, political opinions and any other characteristic or personal trait. To promote the dissemination to employees and contractors of a culture of equal opportunities, in October 2019 a specific corporate policy was established on diversity and inclusion. The linchpins of the policy are the creation of a welcoming work environment with no direct or indirect discrimination, the application of specific policies and metrics in human resources to guarantee fairness in all phases of the working relationship, training and the work/life balance.

Snam believes that diversity and plurality are values that contribute to create an open and stimulating work environment, promote perspectives and points of view that encourage new ideas and effective and virtuous behaviour. Valuing diversity represents a vehicle for cultural transformation that strives to make the company more competitive, innovative and focused on the growth of people.

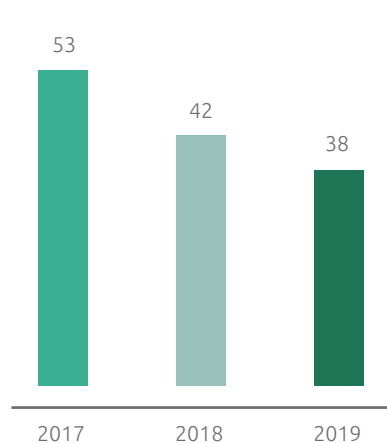
At the end of the year, the female workforce was composed of 441 employees (+5.3% compared to 2018) equal to the 14.6% of the workforce (+0.7 percentage points compared to 2018). The 89% of part time contracts involve women (34 out of a total of 38). 120 people with disabilities work at Snam and their career path promotes inclusion and integration in the company processes.

Female personnel at 31.12. (no.)

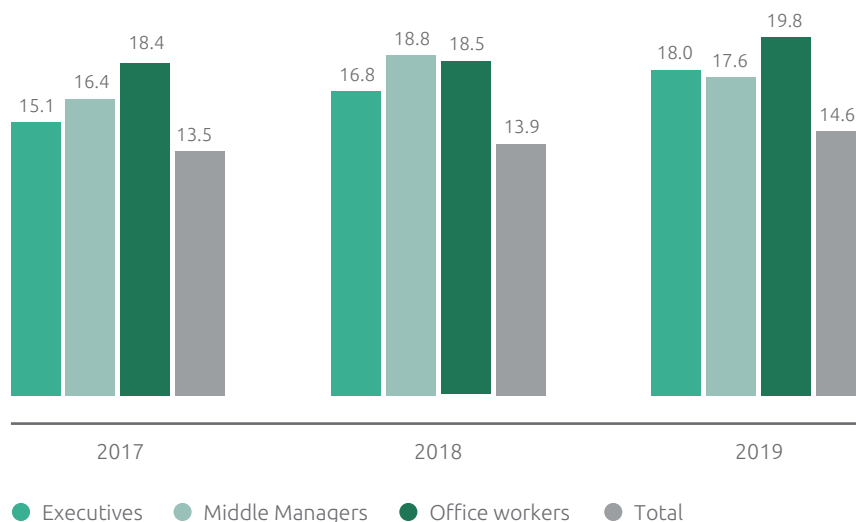
	2017	2018	2019
Executives	14	18	20
Managers	75	90	87
Administrative staff	304	311	333
Manual workers	0	0	1
Total	393	419	441

The presence of female employees is mainly concentrated in northern Italy (around 91% of the total) working predominantly at the San Donato Milanese premises.

Women hired from the market (no.)



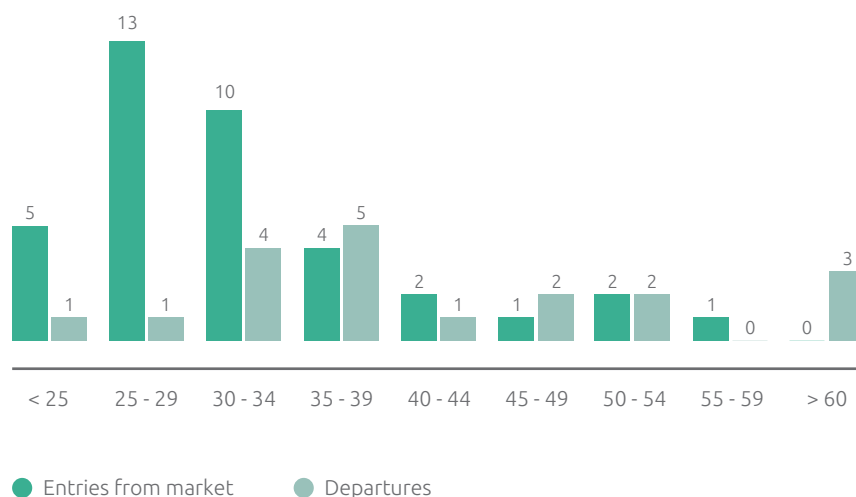
Female presence (%)



Women/men compensation differential



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



The improvement in the women-men pay gap in 2019 is due to the consolidation of the actions aimed at improving the gender balance in the company. In addition, as evidence of the Snam's commitment to guarantee gender balance, in 2019 the Shareholders' Meeting approved, with the 99% of votes in favour, a change to the by-laws, which makes the criterion of gender distribution in the Board of Directors and the Board of Statutory Auditors permanent for at least one third of the total members.

Gender diversity initiatives

Gender-Equality Index

Snam is included among the 325 global companies on the 2020 Bloomberg Gender-Equality Index (GEI). The GEI tracks the financial performance of the Companies most committed to the promotion of gender equality globally, through the development of dedicated policies and initiatives and the transparent disclosure of information.

The index is based on factors such as promoting female leadership, a commitment to reducing the gender pay gap and the culture of inclusion.

Valore D

Snam has been a Contributing Member of Valore D since 2017. A strategic decision to support company's international growth now and in the future through the increasingly strong presence of women and colleagues of other nationalities. This collaboration provided employees with the opportunity to take classes to enhance the gender, generational and cultural diversity, to develop an inclusive culture, a factor of innovation, competitiveness and growth for people and businesses. In 2019 Snam took part in the inter-company training and mentoring programmes offered by the association and 3 in-house workshops have been organised on the following subjects: Unconscious Bias, Happiness in the Company and Organisational Leadership.

InspirinGirls

This is an international campaign (promoted by Valore D) aiming to create awareness among young women of their talent freeing them of the gender stereotypes that hold back their ambitions.

The project involves female volunteers from different industries and professions sharing their professional and life experience with young girls in high school, building a practical bridge between school and the world of work. In 2019 Snam took part in the project with 70 female role models.

GROW - Generating Real Opportunities for Women

The collaboration with the LUISS Business School continued through the Job Shadowing programme which gives female students the opportunity to shadow a top Snam manager for an entire working day. The objective is to promote, support and improve the personal and professional development of women with a particular focus on joining the job market and promoting their own professional career. In 2019 7 Snam managers and 8 students were involved.

Young women @ Snam

A leadership development route was created for 20 young women working at Snam to improve their self-effectiveness and self-management, emotional intelligence for a more effective communication with their teams and enhance their leadership style.

“Women in Security”

Snam, together with the Associazione Italiana Professionisti Security Aziendale (AIPSA) (the Italian Association of Corporate Security Professionals) and Deloitte, organised the “Women in Security” initiative in Milan in June to promote gender diversity in the field of security. The event focused on comparing the human and professional experiences of women working in corporate and institutional security. During the initiative, two scholarships were awarded to young workers to attend a specialist course, organized by the University of Salento, about the security and the protection of critical infrastructures.



A confirmation for an inclusive and rewarding work environment, one year after returning from maternity or parental leave, the **100% of women** stay in the company.

Support for parenting and work-life balance

Through incentives and benefits that go beyond the legally set limits, Snam supports its employees when they become parents and promotes a work/life balance in the day by day activities. For this reason, employees retain their company benefits for the entire time they are on a maternity leave and, during the compulsory leave period, they receive the full amount of their pay rather than the legally-required 80% of it.

Staff on maternity/paternity leave at 31.12. (no.)

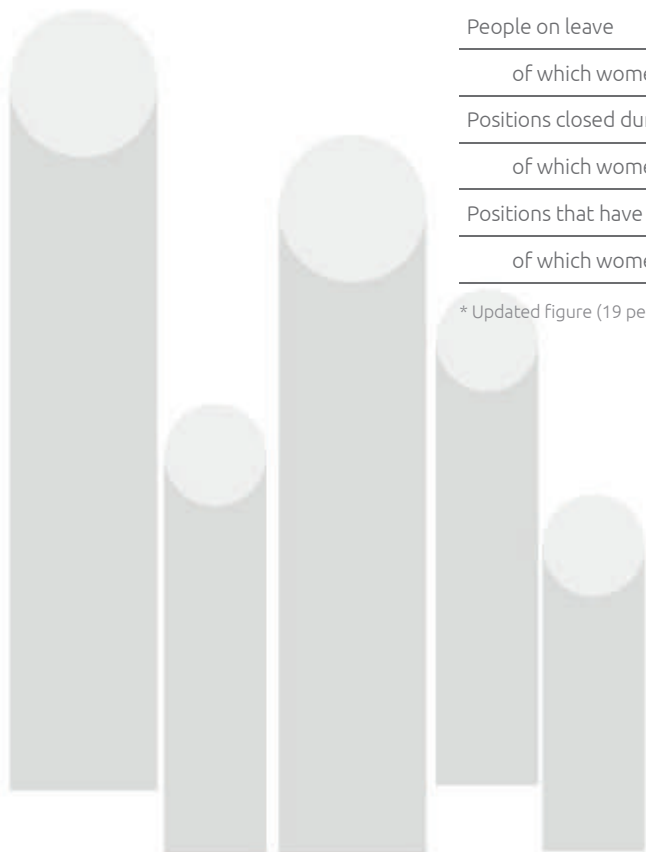
	2017	2018	2019
People on a maternity leave	53	59	67
of which women	42	45	57
Positions closed during the year	33	44	46
of which women	23	30	36
Positions that remained active	20	3*	21
of which women	19	3*	21
Women returning to work (%)	96	91	100

* Updated figure (12 females returned at the end of December 2018)

People on a parental leave at 31.12. (no.)

	2017	2018	2019
People on leave	239	254	272
of which women	61	43	72
Positions closed during the year	209	253	238
of which women	54	44	62
Positions that have remained active	30	12*	34
of which women	7	6	10

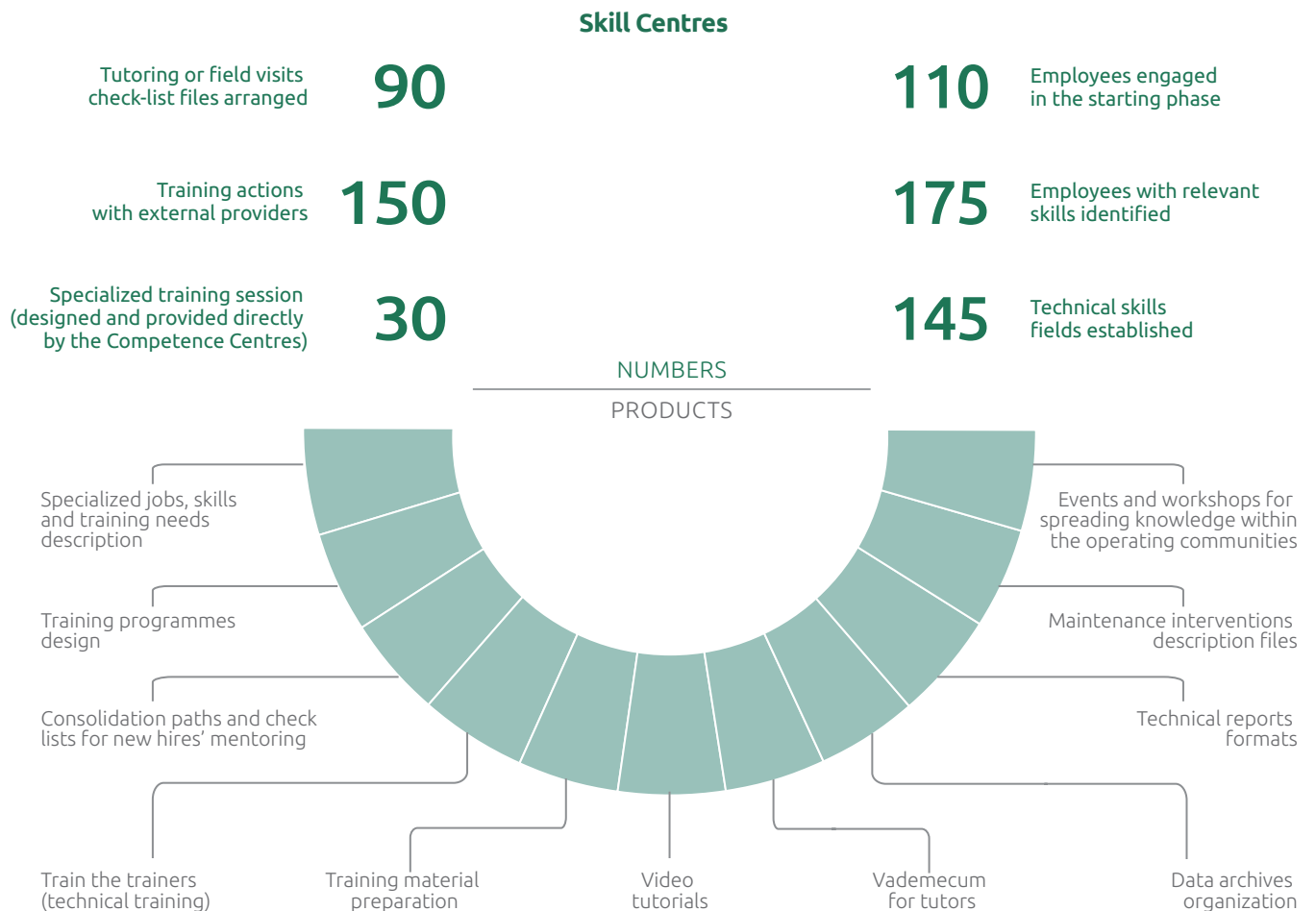
* Updated figure (19 people returned at the end of December 2018)



DEVELOPMENT OF SKILLS

In order to preserve the important heritage of its technical know-how, to develop it and transfer it to the new generations, Snam established the Skill Centres, namely groups of people across the organisational structures with consolidated and recognised know-how and expertise in specific areas that are important for the business. The main objective of the project is to monitor, develop and disseminate corporate know-how also through innovative training activities and professional development.

These centres are supported by an internal faculty of 80 employees who transfer their technical and business expertise to other colleagues through a "by Snam to Snam" approach. In 2019 the faculty provided around 1,200 teaching hours, contributing to the training of approximately 600 people.



Snam and the school

Snam's activities aimed at the world of the education continued with:

Young Energy, project, in its third edition, designed to facilitate the orientation of students and bring them closer to the world of work through initiatives focused on its business. At the start of the project, Snam hired 18 young people from the institutes involved and, during the current academic year, Young Energy will operate in 5 regions and 8 further education colleges, involving around 800 students in training activities.

"Thumbs Up Youth Award", an initiative dedicated to sustainable development as part of the school/work alternation project in which around 400 third and fourth grade students were involved.. Under the scope of the project implemented by the Thumbs Up association, with the support of the Cariplo Foundation and in partnership with the Università Cattolica del Sacro Cuore, Snam involved around 60 students of the Liceo Statale "G.B. Vico (Milan) in proposing solutions for energy efficiency solutions at their school.

Training

In 2019 114,179 training hours were supplied (+5.9% compared to 2018) with 26,518 participants (+89% compared to 2018) involving 99% of the corporate population. The increase is also due to the provision of e-learning to the entire corporate population with 5 modules of around 1 hour each on Compliance which dealt with the issues of Market Abuse, Privacy, Model 231, Anti-corruption and Antitrust. On average 37.7 hours per employee were provided (38.41 hours on average for male staff and 33.75 for female staff).

Personnel training

	2017	2018	2019
Training hours (no.)	85,346	107,771	114,179
of which executives	1,908	4,392	5,669
of which managers	8,600	19,072	16,950
of which administrative staff	39,316	49,650	58,238
of which manual workers	35,522	34,657	33,322
Participants (no.)	8,604	13,999	26,518
Average training hours per employee (no.)	29.2	35.7	37.7
Average training hours delivered to men (no.)	31.3	36.9	38.4
Average training hours delivered to women (no.)	15.8	28.7	33.8
Involvement (%)	75.4	93.0	99.2

Training plays a fundamental role in supporting the management and the entire company population to develop technical skills, managerial capacity and health and safety information.

Specifically, as far as managerial training is concerned, the Inspire the Future course that involved 40 managers from Snam and its subsidiaries (Desfa, Gas Connect Austria, TAG and Teréga) can be highlighted. The course, with contents and expertise aimed at encouraging a strategic vision, the capacity to promote innovation and the ability to steer personnel in transition, consisted of three modules (Leading Strategy, Driving Decisions through Innovation, Leader as a Coach & Corporate Storytelling) and at three different locations (Milan, London, Paris).

During the year around 20,291 hours of training attended by 2,916 participants were delivered on health and safety. Training on health and safety was also delivered during HSEQ courses (6,685 hours of HSEQ training with 1,505 participants). The Snam Institute signed a collaboration agreement on these topics with the Corpo Nazionale dei Vigili del Fuoco (National Fire Service) to provide training to technical personnel through courses on the safe management of gas infrastructures, fire prevention and other issues related to transportation, storage and regasification activities.

In addition, on matters of business ethics and anti-corruption, in 2019 4,028 hours of training were provided with 3,981 participants.

4.028 hours of training with 3.981 participations on business ethics and anti-corruption have been delivered in 2019

Main training initiatives

Description	Hours provided (no.)	Participants (no.)
Technical training	47,705	8,023
Health, Safety, Environmental Protection and Quality training	29,755	5,580
Managerial training	19,524	4,356

REMUNERATION POLICIES AND SYSTEMS

In Snam, merit is the basis of the administrative and reward practices, both in terms of professional development and career opportunities. At the same time it is a benchmark for people management to stick to fairness and sustainability criteria. The remuneration systems are periodically updated based on the comparison with the reference markets as well as taking into consideration information from external stakeholders. In particular, these systems are meant to ensure the recognition of the results achieved, the quality of the professional contribution provided and individual development potential of the person.

Incentive schemes for the different corporate population groups

EXECUTIVES

The remuneration system breaks down into two parts: a fixed remuneration, with possible annual adjustments for merit or progression of roles/responsibilities, and a variable remuneration with incentives to promote professional contribution in the short-term, by assigning an annual monetary incentive (IMA), as well as in the medium-long-term, by assigning a long-term share-based incentive (ILT). Claw-back mechanisms are also provided, to recover the variable portion if the resulting compensation is not due because it was earned based on targets that were attained as a result of malicious or grossly negligent behaviour or that were proven to be manifestly incorrect.

The Total Reward Statement, an information package on the breakdown of the individual remuneration, guarantees the promotion and transparency of the remuneration system.

NON-EXECUTIVE PERSONNEL

Snam adopts a short-term variable incentive system to reward the best performances and young resources with a potential for development. All companies in the Group anticipate a "Participation Bonus", instituted by the National Collective Labour Agreement, based on the performance of profitability and productivity parameters, measured in relation to the targets agreed upon every year between the company and the trade-union representatives.

In 2019, the second cycle of the Performance Management system was launched, which saw the expansion of the population involved to include all administrative staff on the headquarter (Corporate and Operations). As planned, in 2020, with the launch of the third cycle, the Performance Management system will involve the entire corporate population.

1,587 employees
evaluated in the annual
Performance Management
cycle

Employees assessed in Performance Management (no.)

	Men	Women	Total
Executives	89	18	107
Managers	390	87	477
Administrative staff	744	259	1,003
Total	1,223	364	1,587

In 2019, the sustainability targets assigned were more than the previous year because there was a significant increase in the number of administrative staff within the scope of evaluation and the green business activities (Hydrogen, Biomethane, Biogas) were enhanced. These distinctive behaviours, included in the Performance Management system, demonstrate how the Company is integrating its sustainable business model with the promotion of virtuous behaviours.

Sustainability targets assigned

	2017		2018		2019	
	Assigned (no.)	Reached (%)	Assigned (no.)	Reached (%)	Assigned (no.)	Reached (%)
Executives	77	95	131	97	144	81
Managers	291	97	274	87	239	88
Other personnel	67	96	63	89	377	84

The Skills Model includes a training course that consists of 2 days training and a half-day follow up for each area. In 2019, 19 sessions were conducted with 204 Group people involved.

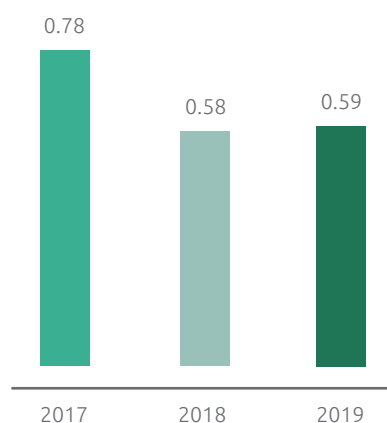
All work positions, with the exception of senior managers, are subjected to the analytical and overall evaluation of the factors of Complexity, Responsibility, Experience and Autonomy (CREA.). In 2019, 225 CREA assessments were approved.

HEALTH AND SAFETY

Snam is committed to health and safety protection in the workplace through actions aimed at reducing risk factors. All corporate activities are governed by management systems with OHSAS 18001 certification on health and safety at work and the adoption of good practices, promoted and shared with suppliers, has, for some years, made it possible to keep accident rates down, for both employees and contractors.

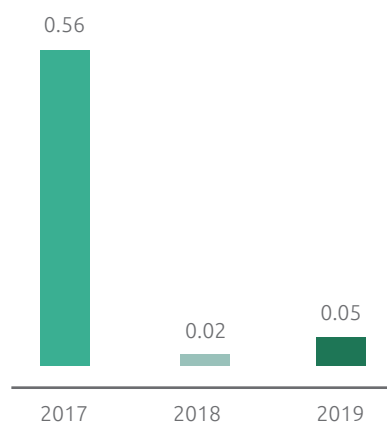
In 2019 a total of 7 accidents took place, in line with 2018, 2 of which involved Snam Group employees (4 in 2018), both of which were in companies acquired last year (IES-Biogas and Cubogas) and 5 involved suppliers/contractors (3 in 2018).

Accidents at work - Employees and contract workers frequency index



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

Accidents at work - Employees and contract workers severity index



Number of working days lost in relation to accidents at work resulting in absence of at least one day, per thousand hours worked. Data includes fatal accidents.

Accidents at work

	2017	2018	2019
Employees			
Total accidents (no.)	6	4	2
Fatal accidents (no.)	0	0	0
Frequency index	1.24	0.84	0.41
Severity index	0.05	0.02	0.03
Contract workers			
Total accidents (no.)	5	3	5
Fatal accidents (no.)	1	0	0
Frequency index	0.54	0.41	0.71
Severity index	0.83	0.03	0.07
Employees and contract workers			
Total accidents (no.)	11	7	7
Frequency index	0.78	0.58	0.59
Severity index	0.56	0.02	0.05

Employee workplace accidents by type of event (no.)

	2017	2018	2019
Type			
Road accidents	1	2	0
Occupational accidents (maintenance, inspection, checks)	1	1	1
General accidents (slipping, impact, tripping)	4	1	1

810 employees
rewarded within the "Zero
Accident Award" initiative

Alongside the consistent commitment through training, technological innovation and work organisation, the Snam4Safety project, launched in 2018 and continued in 2019, has made it possible to further strengthen the culture and awareness about health and safety issues among employees and contract workers.

In order to raise awareness among employees on the issue of safety, in 2011 Snam established an initiative called the "Zero Accident Award", which, based on homogeneous teams according to employment/safety manager, rewards employees who go 365 consecutive days without an accident in the workplace. In 2019 8 teams out of a total of 810 employees were rewarded.

Snam has also extended the awareness raising activities on health and safety outside of its corporate boundaries through the "Trofeo Sicurezza Appaltatori" (Contractors' Safety Prize), dedicated to contractors with the aim of focusing the attention of suppliers on these issues. Specifically, as part of this initiative, the performance of businesses is evaluated by collecting and analysing specific indicators (such as, for example, accident indices and negative feedback on topics of interest). In 2019, the Contractors Safety Prize (for results achieved in 2018) was awarded for the third year in a row to Max Streicher, a company specialised in the building of energy infrastructure, more specifically gas pipelines.

HEALTH PROTECTION

The health of workers who, depending on the task performed, are exposed to specific risk factors, is monitored through health surveillance activities carried out by dedicated health professionals. To guarantee a work environment that meets occupational hygiene standards, environmental surveys are periodically conducted aimed at monitoring micro-climate, biological and physical aspects of the locations. In addition, Snam absolutely prohibits the drinking of alcoholic beverages while at work. After a year in which no reports of any kind were received, one case of an occupational illness was reported in 2019 which is being investigated.

Health monitoring (no.)

	2017	2018	2019
Medical visits	1,914	1,350	1,984
Periodic medical visits	1,688	1,061	1,747
Diagnostic examinations	3,508	2,020	3,261
Environmental surveys	279	247	243

Lastly, also Snam promotes various health improvement initiatives directed at employees through its corporate welfare system. The description of the services offered, together with the other welfare activities, are reported in the next chapter "The innovation behind the company's welfare system".

Workers subject to periodic medical surveillance (no.)

	2017	2018	2019
Total employees exposed	2,646	2,652	2,742
Employees exposed for VDT	1,817	1,923	2,027
Employees exposed for emergency cover	627	599	594
Employees exposed to chemical agents	52	10	65
Employees exposed through moving loads manually	5	94	136
Employees exposed through night time work	109	113	113
Employees exposed to noise	24	24	53
Employees exposed through the synergy of several risks	609	587	690
Employees exposed in confined spaces*	119	139	176
Employees exposed for other reasons (IE, abroad, TOX, welding)	78	127	194

* Protocol with a new name that groups together the two protocols of previous years: "Employees (workers) with operational duties" and "Work in compression plants"

INNOVATION IN THE COMPANY'S WELFARE SYSTEM

The company's welfare system is a collection of interventions, both monetary and in the form of services, which increases the level of social protection and the purchasing power of employees and which can indirectly generate a positive impact on the corporate population. From 2018 the Welfare Plan has been developed on a digital platform called "Snammy" based on five areas: Family, Education, Work/Life Balance, Well-being and leisure time, Health. Five areas and 28 services (including corporate and contractual) to meet the current needs and requirements of the company.

Among the most interesting new features the "BE PARENTS" programme stands out, an online training created in partnership with "Life Based Value", that accompanies new parents during and after the birth of their child, to transfer the skills acquired as parents to their work activities. In its first year 66 employees joined the programme (of which the 45% are women).

In the Family area there are the digital education courses for parents and children on technological culture topics and the "dediCARE" service which helps to resolve big and small family problems, from assisting old people to tutorials, to babysitting.

In the Well-being and leisure time section, in addition to the arrangements with leading health institutions and

prevention programmes, SNAMMYBENE continues, the project is dedicated to the well-being of employees in its various aspects: diet, cognitive-emotional and financial. Regarding the flexible working, the Smart Working programme was extended both in terms of scope of application and the number of hours, going from 62,930 hours in 2018 to 122,762 in 2019. This initiative is supported by flexible working hours forcoming in and leaving the office premises during normal working days, and "short Fridays", where the working day can end from 13.00 onwards. The "FLEXIBLE BENEFITS" system continued. It increases the purchasing power of employees who join the initiative, transforming a share of the participation bonus (a maximum of 60%) into welfare credit that can be used to buy services supporting personal health, for school and for education, for cultural and sports activities, for travel, mobility and supplementary pensions for oneself or one's family. The advantage of transforming part of the bonus into welfare credit consists in the fact that there is no tax due on this sum and the company awards to the employee a further bonus that increases proportionally from 8% to 16% based on the share converted.

The Snam's corporate welfare system

Areas		Activities
Family	Nursery	Refund of registration fee for children of employees
	dediCARE	Social welfare service for children, old people, the disabled, etc., developed courtesy of the partnership with regional cooperatives of the voluntary sector
	Summer and study camps	Summer stays for children of employees in Italy and abroad
	Family S.O.S.	Professional family counselling service
	Micro-credit	Subsidised rate loans with major credit institutes
	Ask the expert	Service for legal and tax queries
	Motherhood, child adoption and custody	Be Parents programme, Parenting guide
Health	Insurance	Insurance coverage for non-occupational accidents
	Supplementary healthcare	Health insurance coverage that guarantees a portion for the reimbursement of expenses incurred for medical and hospital services at public and private healthcare facilities
	Medical prevention	Prevention protocols at approved medical centres
	Specialised medical services and check-ups	Arrangement with Monzino Cardiology Centre for visits intended for employees and their family members
	Flexible working schedule	Smart Working, short Fridays, individual hours account
	Mobility	Subsidised purchase of public transportation passes; shuttle service to San Donate Milanese
	Mobility portal	Traffic information, mobility app
	Company restaurant	High-quality company restaurant and takeaway service
	Special rates agreements	Special rates for insurance policies, bank credit cards, car hire, purchase of branded products, holiday bookings, methane car purchase agreements
Well-being and leisure time	Sports centres	Arrangements for sports activities at favourable conditions
	Supplementary pension	Supplementary pension funds, also funded by employer contributions
	Snammy bene	Awareness raising courses on individual well-being issues
	Snam Senza Frontiere (without borders)	2 corporate team building events: winter games and summer games
Education	School	Subsidies to buy school text books, scholarships for children of employees and loans for study expenses
	Talent days	Work orientation courses for the children of employees
	Code Generation	Training for employees and their children to stimulate different approaches to the use of the web through the creation of a video game.
	Digital education	Digital education courses for employees and their children

INTERNAL COMMUNICATION

Snam continues to promote direct and ongoing communication with its people, through an internal network of information flows aiming at disseminating information and know-how with the goal of making the Company's goals clear and sharing them, bolstering team spirit and increasing the level of participation. Communication in 2019 focused on the enrichment of contents and the introduction of new initiatives, information activities and formats and the involvement of people, also thanks to the collaboration

with the Snam Foundation. This collaboration makes it possible to match social commitment with strengthening team building and relations between people in line with the company values. In this context, the "Volunteering day" and the "Christmas with the family" initiatives continued, the first one with employees also being able to get friends and family involved in the initiative and the second one, which took place with the support of non-profit organisations, was dedicated to employees with children working in 11

different locations in Italy. The "Match giving" initiative was also introduced, a financial solidarity activity in which the Snam Foundation doubles every monetary contribution made by employees. As far as the information format is concerned, the spread of streaming and webinars for events has allowed the Snam Institute to develop a training

initiative plan that is accessible to everyone through the company intranet with the objective of disseminating the issues of sustainability, talks on climate change to the open journey on the issues of Diversity & Inclusion and take an in-depth look into important themes through comparison with other companies or experts.

Channels and main internal communication activities in 2019

"Easy" the intranet portal	Hard copy instruments and video screens	Meetings for sharing and engagement
The portal is available to all the company personnel. It is a website for information and raising awareness and a tool for sharing know-how and moments of work. In 2019 the "Agile re-design" project was launched for the creation of the new portal, which involved around 80 employees through focus group activities as they are the intended users. The new version of the portal will be available from the second half of 2020.	The magazine "Energie" represents the company's corporate identity and is the voice of the main events during the year. The spotlight in 2019 was on new businesses. "Speciali Energie" (Energy Specials) are attached to the "Energie" magazine or distributed independently, focusing on specific topics. As well as the "Osservatorio Domanda Gas" newsletter, with news, analysis and comments on gas demand, a new, two-monthly newsletter was created, InRete , about the transportation network activities.	With an Online Webinar presenting the strategic plan, the CEO illustrated the pillars of the new plan, directly answering the questions posed by employees. "Auguri In Rete" is the end of year event with video-conferencing with the 10 Italian regional offices and the 4 foreign headquarters (Tirana, Athens, Vienna, Beijing). During the 2019 event, efforts were focused on corporate sustainability. The Pulse Survey was sent to all employees to evaluate company initiatives. The results were presented to the CEO via a webinar and, later on, focus groups were organised, with 420 people involved to identify improvement measures. The second edition of the initiative #Storiedivalore is part of the activities for communicating the company's values and business purpose. The 4 colleagues winning the contest flew to Dublin and visited the LinkedIn headquarter.

INDUSTRIAL RELATIONS

In 2019 Snam maintained ongoing relations with the Trade Unions both at a national and at a local level through many meetings dedicated to comparing various business development projects already consolidated and those launched recently.

Specifically, the "Integra" project concluded the integration journey between the commercial and physical Dispatching, optimising transportation and storage activities. The work of the "Smart Gas" and "Smart Gas Plants" projects technical committee continued, seeking a more rational scheduling of the operations with the objective of analysing the technical aspects of the projects. The "Tracking Vehicles" project was introduced through a trade union agreement that allowed the pool of vehicles involved in transportation activities to be

fitted with a tracking device which is helpful to monitor the network and the assets in general.

Regarding the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics involving the business development. The discussion continued for the definition of productivity and profitability indices for Performance-Related Pay for 2019 for all the Group companies and the good results for the 2018 bonus were recorded. All the Group companies signed the implementation agreement pursuant to Article 4 of Law 92/2012 for the early departure in 2019 of an additional 110 employees who were eligible. The parties signed the new trade union agreement on smart working methods extending it to the entire corporate population.

Labour disputes (no.)

	2017	2018	2019
Total disputes pending at 31.12	29	13	13
Opened during the year	32	51 (*)	15
Closed during the year	12	67	15

(*) 46 disputes filed in 2018 are to be attributed to joint responsibility in procurement

Snam Foundation

In over 75 years of history, Snam has contributed to innovation, progress and social growth in Italy, constructing and managing complex infrastructures. Inspired by the Snam's infrastructure mission, working for the development of the social system through the construction of networks and listening directly to stakeholders, the Foundation makes corporate, methodology and managerial expertise available as well as the ability to attract investments and develop relational networks.

The Snam Foundation plans to redevelop the most vulnerable areas of the country, specifically by protecting and looking after the landscape and environmental heritage, as well as developing cultural and social activities in every expression.

The Snam Foundation, acting as a system integrator, promotes specific initiatives in different areas putting itself forward as a connecting element between Snam and the social sector.



"Tesori - Terre Solidali in Reti Inclusive"

An initiative launched in conjunction with Confagricoltura in 2017 to use certain Snam company assets, in particular unused land, making them available to local communities to implement projects that disseminate practices of social inclusion for frail subjects, associated with the agricultural sector.

In 2019, projects were supported in 2 areas, Recanati and Ronco all'Adige. In the former, a small industrial pasta factory was created, which will house students for professional internships and educational workshops, while in the latter, structures were installed for pet-therapy activities and hydroponic cultivation, aimed at supporting the rehabilitation of people with mental health difficulties.



Cortile dei Gentili

The Cortile dei Gentili is an initiative of the Pontifical Council to support children from disadvantaged areas. In 2019 the Foundation supported two of the main initiatives of the Cortile aimed at collecting funds in the cities of Milan and Rome. The Foundation also took part in the organisation of "Treno e della nave dei bambini", an initiative in which 400 children from disadvantaged areas of Liguria, Sardinia and Campania were taken to meet the Pope.



Corvetto Adottami

A three-year initiative involving local communities to contribute to the redevelopment and social development of the Corvetto district of Milan. The programme involves three areas: social innovation, fighting education poverty and improving the environment and energy efficiency. The project aims to consolidate existing initiatives in the area together with the Cariplo Foundation and, specifically with the "LacittàIntorno" and "Qubi" projects, with the Municipality of Milan and the network of local associations.

In 2019, workshops were launched for social inclusion at the Candia institute and activities were launched for directing and supporting young people not in education or at work (NEET*), and young people (aged between 14 and 17) at great risk of dropping out of school. In addition, in a joint project with a network of its regional parties and suppliers, Snam created the "Tappeto Volante" (Magic Carpet), an urban regeneration project that unites the Tommaso Grossi Institute with the Emilio Alessandrini Park.

In November 2019, on the Company Volunteering Day, Snam and the Foundation brought together over 60 people including colleagues, students of the Polytechnic and startupper in a hackstorm dedicated to creating a sustainable business model for the social partnership committed to redeveloping the covered market in piazza Ferrara.

* Not Engaged in Education, Employment or Training



Employee Engagement & Volunteering Day

In 2019, various initiatives were organised which led to Snam people making their expertise and efforts available to voluntary sector bodies as part of projects of the Foundation and specific initiatives such as "Volunteering Day". The second edition of the latter was organised. Compared with the previous year, participation was doubled, it lasted two weeks and was open to the families and friends of employees and Snam's partners. 750 volunteers signed up, 600 of them employees and 150 family members, university students, start-ups, partners and suppliers. More than 6000 hours of volunteering were supplied to 70 organisations in the voluntary sector spread over 60 locations in Italy. The Solidarity Award was introduced as part of "Volunteering Day" giving Snam volunteers the opportunity to choose one of the projects presented by the 8 organisations that received the greatest number of submissions, and allocating an extra contribution of €5,000. The AISM (Associazione Italiana Sclerosi Multipla - Italian Association for Multiple Sclerosis) project "Senti come mi sento" (Feel like I feel) won the award. In 2019, the Foundation doubled its contribution, collected through crowd funding initiatives, handed out money to 7 projects promoted by Snam employees, contributing a total of around €17.5 thousand. An incubation process to support a selected project was also funded.



ForestaMI

The Snam Foundation supports the Municipality of Milan's "Forestami" project aimed at planting 3 million trees by 2030 in two stages, with 2 million planted by 2026. This is a project on a vast scale that proposes to have a strong impact on increasing the Milan urban area and hinterland's resilience to environmental stresses and the effects of global warming. Specifically, the Snam Foundation will plan strategic forestation activities in dedicated areas identified with the Municipality of Milan and will provide financial support to the initiative in partnership with Tep Energy Solutions.



Sprint! The school one step ahead

The Sprint! project promotes an alliance between schools, families and players in the area, such as voluntary sector bodies. The objective of the project is to create an experimental model to fight educational poverty for young people and prevent forms of hardship for children, removing the economic, social and cultural obstacles that prevent the educational processes from being fully exploited. In 2019 the project, co-funded with Impresa Sociale con i Bambini, was launched in the 3 cities involved: providing fun and recreational activities for parents and children in Palermo, organising sports activities in Milan and signing a memorandum of understanding for the modelling of good practices and the definition of the measures with the Municipality of Brindisi.



Welfare, che impresa!

A competition promoted by the Fondazione Italiana Accenture, the Snam Foundation, the Bracco Foundation, the Fondazione Con il Sud and UBI Banca, where 250 ideas were submitted, and 12 finalists were chosen. The Snam Foundation hosted a 2-day educational workshop at San Donato Milanese for the finalists and funded 2 of the winning start-ups with a financial prize and mentoring. The 2 start-ups recognised by the Snam Foundation were "Playrech", an urban game app for the redevelopment of cultural heritage and "Tailleur delle Terre" which uses manufacturing waste to produce crockery.



The supply chain

A CLEAR VISION FOR THE SUPPLY CHAIN

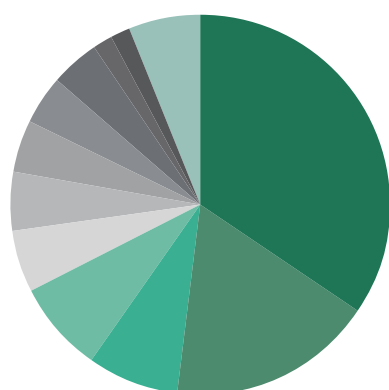
Snam founded its development model on sustainable growth and the dissemination of respecting environmental, social and economic aspects, turning them into an integral part of its strategic decisions. Given the plurality of the activities carried out, careful management of the supply chain is an essential element of this model. Identifying and recognising new suppliers in line with this vision and encouraging historical suppliers to commit to actions that go beyond complying with efficiency and quality requirements, but which lead to advantages for the environment and society, is the right route for setting an example and being an important point of reference along the entire supply chain.

The total value of acquisitions made by Snam nationally in 2019 was equal to around €1,300 million, more than 83% of its total procurement.

PROCUREMENT NUMBERS⁵

The numbers relating to relations with suppliers describe the connection between the Company and the economic framework in which it operates. In 2019, 896 procurement contracts were concluded with 600 companies (+11% compared with 2018), 424 belonging to the SME sector (+6% compared with 2018). The total value of contracts stood at €1,550 million (€1,300 million in Italy), up 2% compared with 2018. Of these, 60% involved Small and Medium Enterprises (SMEs), which represent one of the main players of the Italian economy and which, thanks to their capacity to adapt to the needs of customers and their extensive distribution throughout the area, are particularly qualified to collaborate with Snam and to cope with its requirements.

Geographic breakdown of procurement in Italy (%)



- Lombardy (34.6)
- E. Romagna (17.4)
- Marche (7.8)
- Piedmont (7.7)
- Tuscany (5.5)
- Friuli Venezia G. (4.9)
- Lazio (4.5)
- Campania (4.2)
- Abruzzo (4.0)
- Veneto (1.8)
- Liguria (1.6)
- Other regions (6.0)

Procurement (millions of euros)

	2017	2018	2019
Value of procurement*	844	1,520	1,550

(*) The value of the procurement is calculated allocating the entire value of each contract in the year it was concluded.

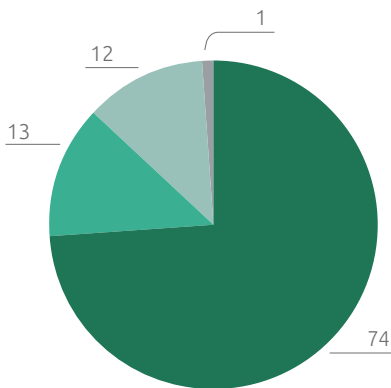
Suppliers are classified into 3 different product categories, namely goods, services and works, which in 2019 represented 34%, 30% and 36%, respectively, of total procurement.

In the product category of goods, steel, by weight, is the most used material at over 86 thousand tonnes. Specifically, steel comes from the purchase of pipes, valves and connectors which are mainly needed for gas transportation activities (activities which, in 2019, covered 74% of total procurement).

⁵) Unless stated otherwise, the data in this chapter refers to the following Companies: Snam S.p.A., Snam Rete Gas S.p.A., GNL Italia S.p.A., Stogit S.p.A. and Snam 4 Mobility S.p.A..

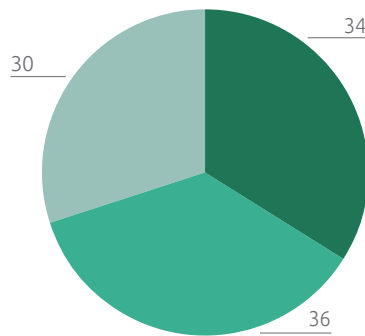
The categories of products that are, in turn, broken down into four criticality classes (A, B, C, D), depending on their pertinence to the core business, strategic importance, technological complexity and impact on performance. Classes A and B represent the most critical product categories for Snam's activities and, in 2019, involved 137 suppliers, equal to 60% of procurement. Suppliers belonging to these criticality classes, once classified, are subject to greater controls and monitoring by Snam.

Procurement by business segment (%)



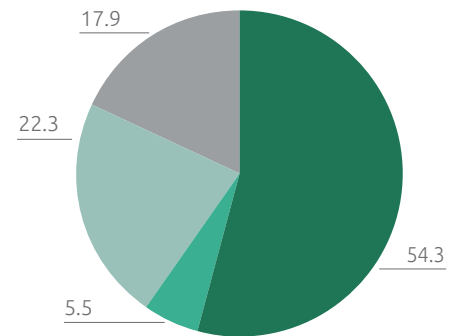
● Transportation
 ● Corporate and S4M
● Storage
 ● Regasification

Procurement by goods type (%)



● Goods
 ● Services
● Works

Breakdown of procurement by critical class (%)



● A
 ● C
● B
 ● D

The numbers of the new business companies

In 2019 as far as IES Biogas, TEP Energy Solutions and CUBOGAS were concerned, a total of 1,012 suppliers were qualified, 918 of which with at least one contract out of a total of 1,031 contracts issued. 891 of total suppliers were classified as small and medium sized enterprises (SMEs).



The social and economic impacts of procurement in Italy in 2019

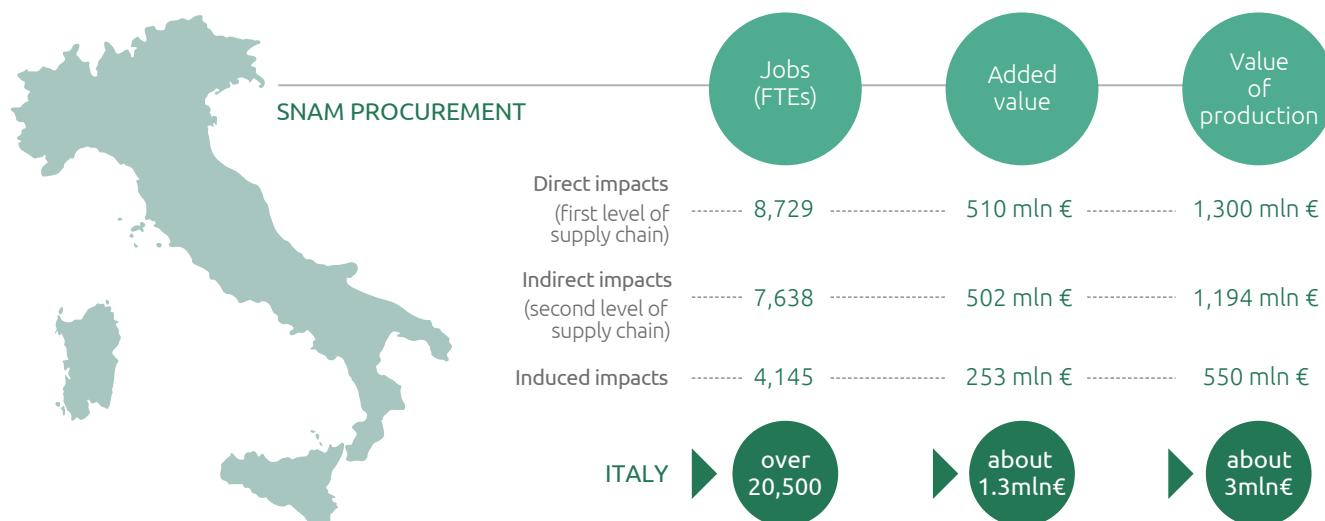
- **1 mln€** of Snam procurement **generates 1.03 mln€** of total added value in the chain and in new consumption
- **1.7 jobs** in total supported for **every 100,000 €** of Snam procurement

From a geographical perspective, Snam suppliers are distributed throughout Italy, concentrated in Lombardy (35%) and Emilia-Romagna (17%). Procurement activities therefore constitute an important driving force for activating the domestic economy and employment, setting in motion a series of economic flows that transfer wealth from the economic system of companies in the supply chain to the domestic economic system.

The impact of procurement decisions can be measured in terms of the number of people employed, the value of production and added value, generated by the purchase of goods and services along the first level of the supply chain (direct impacts) and in sectors activated by first level suppliers (indirect impact). In addition, the wealth introduced into the economic system through the final consumption of employees, activated directly and indirectly by acquisitions, generates further employment and added value.

The total value of acquisitions made by Snam nationally in 2019 was equal to around €1,300 million, more than 83% of total procurement. This generated:

- around €3,000 million in value of production, from the sum of the value generated along the supply chain to create the goods and services and the value created in an induced manner, namely the wealth produced by the final consumption of employees along the entire supply chain;
- around €1,300 million of added value (contribution to the Gross Domestic Product of Italy);
- more than 20 thousand full time external jobs for a year (employment impact).



The data was calculated taking into consideration the following Companies: Snam S.p.A, Snam Rete Gas S.p.A, GNL Italia S.p.A. S.p.A, Stogit S.p.A and Snam 4 Mobility S.p.A..
The data reported are the result of a specific study conducted with the collaboration of a specialist company

THE RELATIONSHIP WITH SUPPLIERS: FROM QUALIFICATION TO THEIR MONITORING

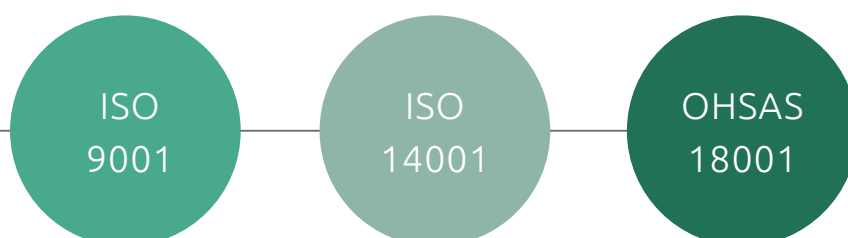
Qualification

To guarantee a stable and long-lasting relationship with its supply chain, Snam acts ahead of the procurement process, paying a great attention when evaluating the suitability of aspiring suppliers.

The qualification process is aimed at verifying the current capacity of the supplier and its future potential, in accordance with the criteria such as objectivity, transparency and traceability of the evaluations made. There are many factors subject to evaluation: technical and management skills, economic and financial reliability, ethical and reputational risk, commitment to anti-corruption, environmental protection, the promotion of healthy and safe working conditions and the absence of forced labour and economic exploitation of minors. Specifically, there are further requirements for the most critical product categories, such as, for example, a management system certified in accordance with international standards such as ISO 9001 and 14001 and OHSAS 18001.

International standards

requirements for the most critical product categories



Throughout the supplier selection and qualification phase, Snam, in line with the Social Supply Chain policy published in 2018, promotes the inclusion of companies belonging to the voluntary sector, such as cooperatives, non-profit companies and associations, incentivising its suppliers to, in turn, adopt similar practices and thereby multiplying the effect. In 2019, new social businesses joined the vendor list and were awarded contracts for the provision of services worth over €300 thousand.

In particular, these social useful players are involved in activities such as gardening services, the digitalization of corporate processes and catering services. Snam, thanks also to the support to external specialized providers, is committed to increase the number of these social useful players to be involved in these activities.

In order to ensure the adequacy of the pool of suppliers in terms of current and future procurement needs, Snam is constantly conducting market intelligence research and scouting for new suppliers. The streamlining of procedures carried out in 2019 made it possible to considerably reduce the time needed to complete the entire supplier qualification process. Specifically, during the year, the number of spontaneous applications receiving from aspiring suppliers was 980, 260 of which were contacted regarding approximately 70 different product categories and 110 new applicants were qualified.

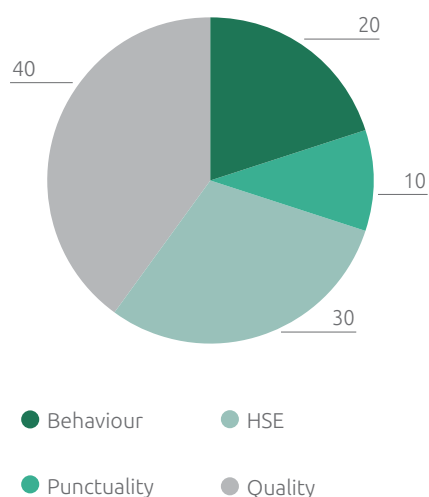
+42% of qualified suppliers in 2019 compared to 2018

At the end of 2019 a total of 2085 suppliers were qualified (+42% compared to 2018) and the qualification of 722 existing suppliers was renewed or newly qualified (+18% compared to 2018).

CDP supply chain program

Snam also joined the CDP Supply Chain Programme in 2019 in which 35 strategic suppliers disclosed their data on greenhouse gas emissions (Scope 3 indirect emissions). The CDP will award a score by analysing the data received and this will be the incentive for the management of future environmental impacts.

Rating Index -Assessment areas (%)



Performance monitoring

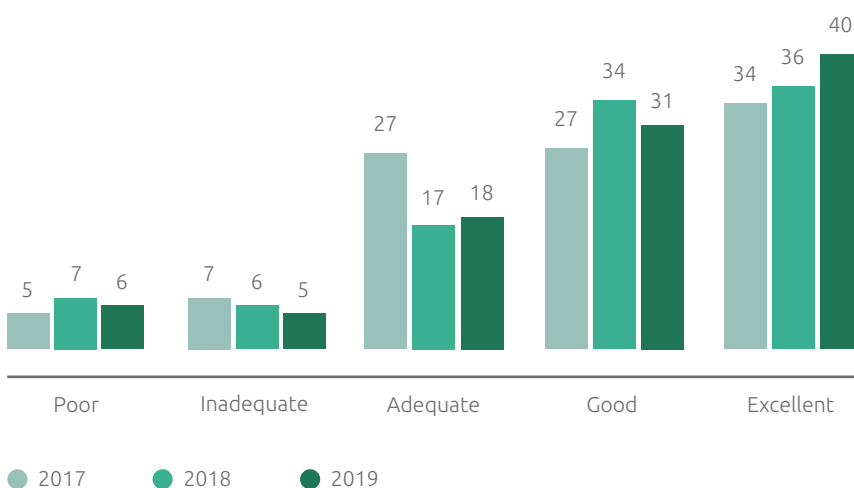
Snam is committed to involve its suppliers in pursuing its objectives and integrating them in their business model, by constantly monitoring and checking performance and requirements.

The monitoring of performance, inspection visits and evaluation processes, are the main tools used to protect the integrity of the supply chain and to ensure that the expected quality and efficiency standards are maintained. 937 feedbacks were collected during the year (+14% compared to 2018) about the performance of 117 suppliers and 3959 checks on the taxpaying of 1913 suppliers and sub-contractors were carried out (irregularities were detected in the 2,3% of the examined cases).

To evaluate the performance of suppliers, Snam uses a rating index (IR) that takes into consideration the compliance to the technical contractual requirements (Quality), the health-safety-environment features (HSE), the agreed delivery times (Level of service) and the ability to establish a good relationship with customers for the entire duration of the contract (behaviour). The evaluation is periodically sent to suppliers in the form of analytical ratings defined on the following evaluation scale: poor, inadequate, adequate, good, excellent. In 2019, the rating "excellent" increased by 4 percentage points, which proves the effectiveness of sharing the Snam's know-how and best practices along the entire supply chain.

Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. Some examples could be a supplier failing to meet the technical-organisational requirements, a negative performance of a supplier or its subcontractors, the non-compliance with the provisions on taxpaying and the rules of the Snam Code of Ethics. In 2019, 41 measures were adopted (+17% compared to 2018).

Supplier performance assessment (%)



Supplier sustainability analysis

	Number ⁽¹⁾			Employment practices ⁽²⁾			Environmental criteria			Human rights ⁽³⁾		
	2017	2018	2019	2017	2018	2019	2017	2018	2019	2017	2018	2019
Goods												
Qualified suppliers	533	495	940	60%	45%	22%	60%	45%	22%	100%	100%	100%
of which criticality classes A and B	113	105	101	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified in the year	46	85	126	65%	35%	29%	65%	35%	29%	100%	100%	100%
of which criticality classes A and B	15	9	10	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works												
Qualified suppliers	250	244	383	87%	65%	46%	87%	65%	46%	100%	100%	100%
of which criticality classes A and B	68	81	81	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified in the year	39	59	109	95%	59%	72%	95%	59%	72%	100%	100%	100%
of which criticality classes A and B	24	17	14	100%	100%	100%	100%	100%	100%	100%	100%	100%
Services												
Qualified suppliers	1,177	1,066	1,316	38%	37%	26%	38%	37%	26%	100%	100%	100%
of which criticality classes A and B	85	91	55	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified in the year	163	265	377	33%	28%	25%	33%	28%	26%	100%	100%	100%
of which criticality classes A and B	9	19	10	100%	100%	100%	100%	100%	100%	100%	100%	100%
Non-EU international projects												
Qualified suppliers	-----	7	9	-----	100%	100%	-----	100%	100%	-----	100%	100%
of which criticality classes A and B	-----	0	0	-----	0	0	-----	0	0	-----	0	0
Suppliers qualified in the year	-----	7	4	-----	100%	100%	-----	100%	100%	-----	100%	100%
of which criticality classes A and B	-----	0	0	-----	0	0	-----	0	0	-----	0	0

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

(2) Aspects relating to health and safety

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

Supplier sustainability survey

Main results:

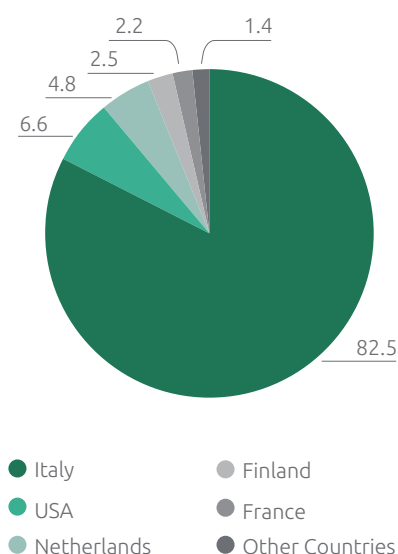
- **48%** of companies promote initiatives for personnel to **disseminate the awareness of sustainability issues**
- **58%** of companies support **social and environmental projects to promote local areas** or make donations to non-profit associations / organisations
- **70%** of companies use criteria to evaluate the **ethical-environmental performance in the selection of suppliers**

As a proof of the integration of the sustainability aspects into the evaluation of the supply chain, in 2019 a questionnaire was sent to over 2,000 businesses. The focus was on issues involving the social and environmental responsibility of the businesses, the relationship between buyers, suppliers and customers, the relations with businesses in the voluntary sector and interaction with local communities.

The answers, received from a sample of suppliers corresponding to over the 60% of the 2018/2019 procurement, made it possible to outline a global vision of the relationship between the supply chain and the adoption of sustainability principles and to assess its development potential.

The questionnaire was followed up by a focus group dedicated to suppliers in which Snam's sustainability model was presented and the issues that emerged in the questionnaire were discussed.

Geographical breakdown of the access to the suppliers portal



Communication with suppliers: the dedicated web portal

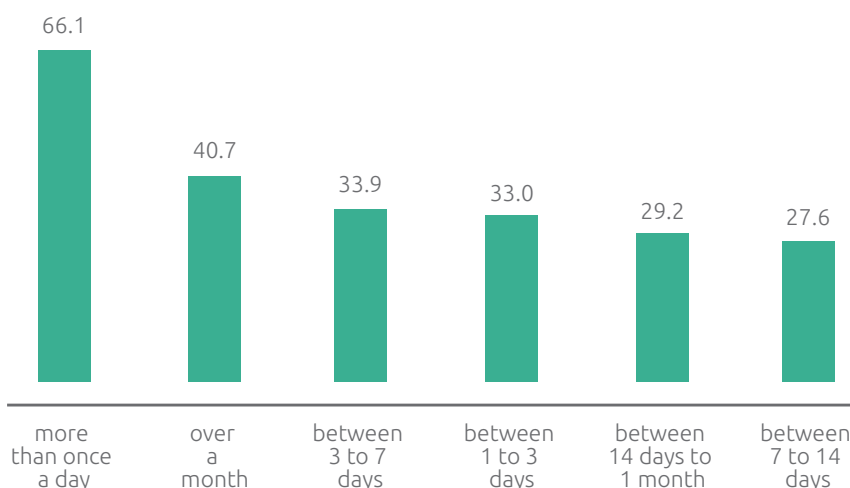
The establishment of a stable relationship of trust between Snam and its suppliers can only come from an ongoing and transparent communication. For this reason, since 2013, Snam has made a dedicated web platform available for them.

The suppliers portal represents the main tool used by the Company to implement its procurement policy, in total transparency, with the information published being total trackable. It contains documents, best practices, updates on the processes and procedures that regulate the qualification and procurement and the investigation activities (more than 713 thousand pages read in 2019, +51% compared to 2018).

All suppliers that registered in the portal have a dedicated reserved area available with information that involves them directly (the product categories for which they are qualified, the active contracts, the performance in terms of workplace safety, the notifications for the invoicing of the services provided).

The supplier portal is a tool constantly evolving and growing: the new features introduced every year improve its efficiency and stimulate the frequency of the interaction of the suppliers with Snam.

Frequency of access to the suppliers portal



The increase in the main tracking indices shows that the portal is popular among suppliers:

- more than 2,069 suppliers were registered at 31.12.2019
- 1,881 users entered the portal at least once a year (+33%)
- 23,952 communication emails were sent to suppliers (+104% compared to 2018)



The regulation and quality of services

Snam is committed to provide and improve its services for customers with a view to efficiency, continuity, transparency, quality and a focus on the market, promoting collaborative relationships with regulators and institutions and guaranteeing adequate economic returns to make the investment strategies sustainable.

The **tariff criteria** are usually defined every four years and guarantee the coverage of operating costs, depreciation/amortisation and a fair remuneration of net invested capital.

There are also differentiated incentives depending on the type of investments made during each regulatory period.

Every year each Snam company formulates a tariff proposal which is submitted to the Authority for approval.

Regulation in Italy

Tariff regulation is an essential element capable of developing the infrastructure capital from an economic perspective, necessary to direct investments to the network. To date, the 96% of Snam revenues are from regulated activities.

Snam interacts actively with the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) as follows:

- responding, directly or through trade associations, to **public consultations** that the Authority holds in relation to the various activities of the industry, in preparation to define new standards or to review the standards in force;
- participating to the **technical round tables** established by the Authority, regarding the development of the regulatory framework;
- drafting amendments to the Transportation, Storage, and Regasification Network Codes, subsequently submitted to the Authority for approval;
- participating to the collection of data and to the investigations carried out during the year to assess the state of the industry or of the individual services and to periodically send the data requested in compliance with the reporting obligations.

In 2019, Snam contributed to the development of the regulatory system by providing the Authority with several contributions and proposals. Specifically, the activity involved the definition of tariff criteria and the quality of the transportation, storage and regasification services for the fifth regulatory period, both as part of the public consultation processes and through specific meetings. In this context, given Snam's role in the country's journey to decarbonisation, the innovative use of the transportation network and technologies for the integration of **renewable gases** (such as, for example, biomethane and hydrogen) were being closely examined. From a perspective of the development of the regulatory system with arrangements that introduce cost/benefit analyses (output based), Snam has developed a cost/benefit analysis methodology, through a process open to the participation of all the stakeholders involved, for new investments in transportation infrastructure, later approved by the Regulator. A monitoring report was also prepared for the Authority on the status of the existing infrastructures in order to consider appropriate incentivisation mechanisms for keeping fully depreciated assets in operation. In 2019, the inclusion of the new gas settlement framework, in force from January 2020, was also completed.

Regarding the services offered, new storage products and new market-based regasification capacity allocation methods for LNG terminals have been introduced aiming at meeting and supporting the ever increasing needs for flexibility for infrastructure users. Lastly, Snam contributed to the total redesign of the settlement arrangements to promote a better allocation of the quantities of energy withdrawn from the network by its customers.

Relations with the ARERA

Description	Transportation	Storage	Regasification
Responses to consultation documents and service proposals (no.)	5	2	2
Tariff proposals (no.)	4	3	2
Data collections (no.)	137	45	24
Investigations (no.) *	0	0	0
Proposed changes to codes and contractual documents (no.) **	6	4	0
Proposal to amend approved contractual documents and codes (no.)	6	4	0

* Information sent to the Authority in the current year with reference to investigations in the sector. Includes fact-finding investigations.

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

GAS MARKET MONITORING

Under the scope of its evaluations of the wholesale gas markets, the Authority gave a mandate to the Energy Market Operator, as far as competitive aspects of the gas market are concerned, and to Snam, as the leading transportation business, to support it with monitoring activities through: i) the preparation of an integrated database of transportation and balancing, storage and regasification services, made available to the Regulator and supplied on a daily basis; ii) availability of indices and scheduled reports as part of the balancing function, the balancing of

the system and the flexibility of procurement sources; iii) further specific analyses at the request of the Authority. Specifically, in 2019, according to its provisions, 15,600 data flows and periodic reports, as well as analyses conducted in relation to the services (transportation, storage and regasification) were sent over to the Authority in support of the Regulator's activities. Agreements, manuals and dedicated technical specifications to manage these activities are shared with the GME and approved by the Authority.

Developments in Europe

In Europe there is an extensive discussion ongoing on the role of gas in the future energy mix and how the new renewable energy vectors (green gases) can support the energy transition process.

In 2019, the European Commission launched numerous studies and analyses to identify a package of measures, outlined in the European Green Deal in December 2019, aimed at the total decarbonisation by 2050. Specifically, the main expected development for the gas infrastructures involve the possibility of embracing

renewable gases and supporting the energy system jointly with the electricity sector (sector coupling).

Snam played an active role in this process making contributions, both through the industry associations it is a member of (e.g. ENTSO-G, Gas Infrastructure Europe and Hydrogen Europe), and directly, through the development of specific evaluations based on the requirements received from the European Commission and European Regulators (CEER/ACER).

Thanks to the development of the Snam services over the last fifteen years, the Italian gas market has seen a constant growth in the **transportation operators**, from 30 in 2003 to around 210 in 2019, with 150 shippers. In 2019, 123 connection contracts were signed for the construction of new delivery/redelivery points (of which 26 were for biomethane injection and 61 for the CNG Service Areas) or the upgrading of existing points.

One of the main activities of the **Control Room**, working 24/7 to oversee the Italian gas system, is the balancing of the system which has a dual purpose: physical and commercial.

The **physical balancing** of the system consists of the set of operations through which the Dispatching department of Snam controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from the injection points to the withdrawal points all the time.

The **commercial balancing** on the other hand consists of the activities required to correctly schedule, account for and allocate the transported gas, as well as the fee system that encourages users to maintain a balance between the volumes they inject and withdraw from the network.

THE BALANCING OF THE SYSTEM

In 2019, the integration process through which the commercial management activities of the three businesses - transportation, storage and regasification - merged into a single organisation continued, allowing the optimisation of the processes within Snam.

The creation of a single Commercial Control Room for the management of daily gas deliveries and movements, the balancing of the network (activities that define Snam's responsibilities to the market), the integration of the know-how of the three businesses managed by Snam, has led to an improvement in performance in this area.

In detail, Snam daily receives the nominations of the transportation and storage capacities from its customers. In confirming these requests, the Control Room discharges, among other things, the specific disclosure obligations set out by the Balancing Network Code (EU Regulation 312/2014), such as the hourly publication on the Snam website of the information concerning the balancing status of the system, as well as the publication, twice a day and for every shipper, of information on the withdrawals measured during the gas day. The new commercial Control Room pursues and facilitates the goal of improving the quality of service provided to customers, also reducing management times. In this way, customers which, according to the balancing regime in the Balancing Network Code are responsible for the daily balancing of their positions, receive adequate information to enable the evaluation of their status and potentially undertake actions aimed at correcting their imbalances.

FLEXIBILITY AND DEFAULT SERVICES

To promote a greater operational flexibility of the Italian gas system, the possibility of booking transportation capacity on a monthly and a daily basis as well as an annual basis was introduced at the redelivery points that supply gas directly to the thermoelectric power plants, only paying for the quantities booked and not the service for the entire thermal year. This type of access allows for a more flexible allocation methods to respond promptly and efficiently to the electrical system's changing operating conditions.

For the thermal year 2019-20 as well, Snam Rete Gas will perform the role of Default Transport Provider with regard to retail companies and end users of its network for which the balancing user responsible for the withdrawals cannot be identified. The same service is also carried out for the sales companies and final customers at third-party transporters who explicitly requested it. In the thermal year 2018-2019, this service involved 112 subjects among end users and retail companies, for volumes of approximately 323,000 MWh.

In 2019, the allocations for storage capacities, like the transportation business, were incorporated in the European PRISMA platform. This synergy helps customer to use the sole platform for booking transportation and storage capacity and makes Snam's storage capacity more transparent at a European level. Thanks to Snam's ongoing commitment to meeting its customers different needs, the flexibility of the services offered, and constant, accurate information is guaranteed through dedicated studies.

INFORMATION SYSTEMS AT THE SERVICE OF CUSTOMERS

The Company offers to its customers an information channel aimed at encouraging prompt and flexible communication, making it possible to obtain smart information according to their requirements, as well as communicating directly and informally through chats. In addition, there is a system of widgets and personalised notifications available for customers through the portal.

Quality supplied (compliance with network codes)

Transportation	2017	2018	2019
Active customers (shippers) (no.)	128	136	150
New connection agreements for delivery/redelivery/interconnection points (no.)	78	88	123
Contracted transportation capacity/Available transportation capacity (foreign entry/interconnection points) (%)	71	79	64
Compliance with deadlines for issuing connection offers (%)	100	100	100
Compliance with deadlines for performing services subject to specific commercial quality standards (%)	100	100	100
Interruptions carried out with sufficient advance notice (%)	98	97	97
Regasification			
Active customers (shippers) (no.)	4	2	6
Compliance with the maximum time to accept proposals for monthly scheduling of deliveries (%)	100	100	100
Compliance with maximum interruption/reduction of capacity for maintenance work at the terminal (%)	100	100	100
Storage			
Active customers (shippers) (no.)	89	91	83
Contractual storage capacity/Available storage capacity (%)	100	100	100
Compliance with deadlines for performing services subject to specific commercial quality standards (%)	100	100	100
Connection flow lines subject to supervision (%)	100	100	100
Total capacity not made available following interruptions/reductions to the service (%)	0	0	0

Main online systems at the service of customers

PRISMA Platform*

Manages the contracting and the exchange of transportation capacity at the interconnection points with foreign countries.

* System managed by PRISMA GmbH of which Snam is a shareholder

SRG Capacity Portal

Manages the transportation capacity contracting process

Capacity Portal

Manages the storage capacity contracting process

Gas Logistics

Manages the commercial processes of daily and hourly scheduling, allocation and temporary or final balance sheets

Sampei Portal

Manages the storage agreements in terms of inventory management and gas movements

Servire Portal

Manages the opening/closing request of Redelivering Points, the alternative gas supply service and the shippers' requests for clarification

PSV

It is the system to exchange gas at the Virtual Exchange Point

Billing Portal

Manages the process of issuing the transportation and storage invoices

Myg@sview Portal

"Custom dashboard" for shippers and traders with a set of features for a quick access to transportation and balancing services

From May 22 2019 Snam opened a new digital commercial platform (Jarvis) for its customers aimed at improving commercial activities, developed in conjunction with market operators.

The platform, actively involving customers, aims at updating services and technologies supporting all transportation storage and regasification commercial processes. It proposes to encourage the offering of integrated services for the Italian market enabling possible solutions for the foreign market and it gives its customers the possibility of:

- viewing its active contracts and having access to the documentation;
- accessing the transactions, in detail, for calculating the balancing credit limit;
- independently managing their user profiles.

To facilitate the transition to the new platform, from July 2019, Snam launched a simulator of the new functionalities that will gradually be released available to the market operators.

Specifically, in September 2019, with the release of the Trading PSV system for gas trading activities, the new Jarvis platform came into force, at the same time as the progressive shutting down of the functionalities in the PSV system used previously.

At the end of the year the actions for releasing the designation of supply from storage were finalised; in March 2020, on the other hand, the release of the functionalities for managing the designation of injection in storage is planned. In 2020, a Customer Relationship Management (CRM) will be integrated on the digital platform and the Commercial Excellence Programme (CEP) will be completed, which breaks down into the development of three areas dedicated to the Group's commercial personnel: "know-how", "behaviour" and "tools".

The programme is intended to improve and guarantee the Snam's competitive advantage in the long-term, supporting the transition to commercial systems that operate excellently.



MARKET: CUSTOMER ENGAGEMENT ACTIVITIES

Customer care initiatives represent the consolidation of a sustainability journey through which the Company proposes to increase involvement and interaction with customers in order to pursue the constant improvement of the quality of services offered.

The network codes list several indicators for monitoring the quality of service offered by the companies. With regard to these indicators, Snam has maintained its high performance in 2019 as well. One part of these indicators, which refer to specific levels of commercial services quality, leads to the automatic compensation of customers in the event of failure to comply with the service quality standard.

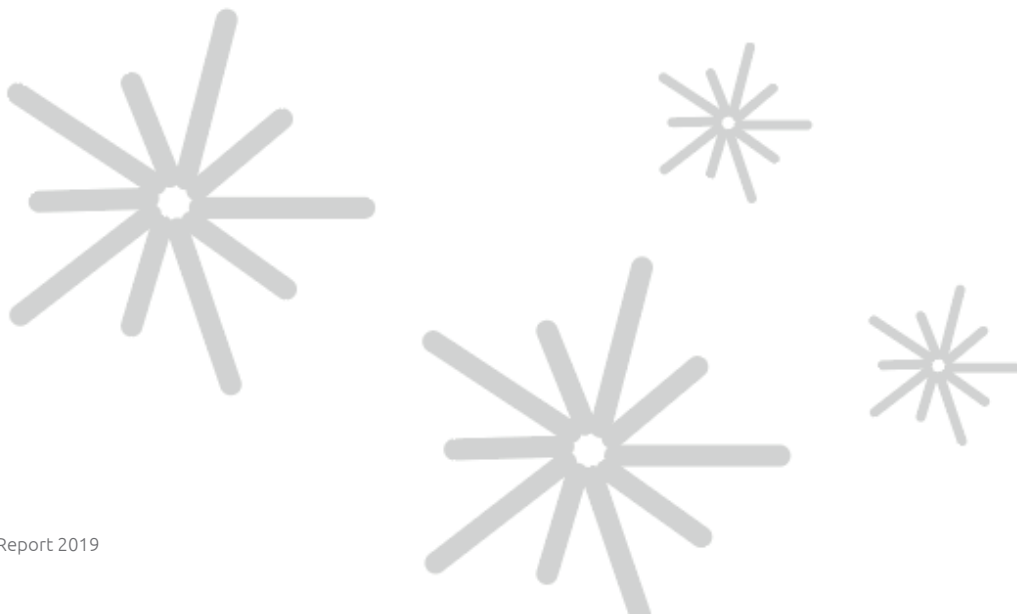
In 2019, 4 commercial workshops and one on biomethane were organised, as well as a seminar dedicated entirely to settlement. The ten-year development plans for the gas transportation network and the cost/benefit analysis methodology were also presented, and two events were held, one with customers at the Panigaglia terminal and one at the headquarter attended by the Snam's CEO.

Workshops are an opportunity for Snam to meet its customers and take an in-depth look at several issues that are important to the market, as well as a chance for discussing innovations and the performance of balancing operations and transportation, storage and regasification activities, and for receiving feedback on the information systems updating process.

Thus, with this in mind, Snam decided to modify the organisation of the events with an initial plenary session and a second session focusing on round table discussions in which its customers could interact and talk about issues related to balancing, settlement, storage allocation and services, transportation and LNG, which have an impact on commercial activities.

In addition, to meet the demands of the market and allow all the customers to participate, the events were also live streamed.

Customer feedbacks are very important to Snam in order to develop actions aiming at continuous improvement. In effect, the Company monitors customer satisfaction through customer satisfaction surveys and in 2019 it got an average score of 8.4 on a scale from 0 to 10. It also monitors the level of satisfaction of the customer engagement initiatives conducted, which stood at an average value of 9.1 in 2019.



Customer satisfaction thermal year 2018-2019

The perceived quality of customers is constantly measured through customer satisfaction surveys.

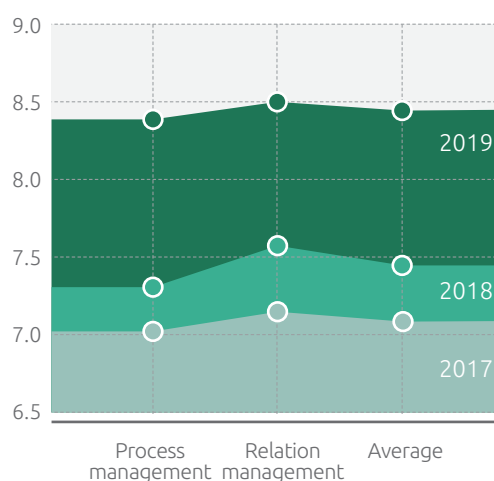
In December 2019 a new online survey was conducted, involving all shippers and traders with whom Snam collaborated in the thermal year 2018-2019.

The Survey, extended to transportation, storage and regasification activities, involved surveying the customer satisfaction on the quality of services offered, the customer engagement activities undertaken by the Company and on the functionality and additional services introduced in 2019 including in response to the needs of customer that emerged on previous occasions as well as regulatory developments.

The participation rate was 57% and the results were very positive with regard to the customer engagement activities implemented by Snam to improve the services offered and consolidate the collaboration with its stakeholders.

Results by survey areas (scale from 1 to 10)

The total average score for the **quality of service** was considerably improved compared to the previous year (7.4) standing at **8.4**.



Engagement

