

ANNUAL REPORT

2021

Energy to inspire the world



COMPANY PROFILE

Snam is Europe's leading operator in natural gas transport and storage, with an infrastructure capable of enabling the transition to hydrogen.

It operates a transmission network of around 41,000 km between Italy, Austria, France, Greece and the UK and holds 3.5% of the world's storage capacity. It is among the top ten Italian listed companies by market capitalisation.

With its 80 years of experience in the development and management of networks and plants, it guarantees security of supply and promotes energy transition in the areas it serves. In addition to transport and storage, Snam is also a major player in LNG regasification. The company is also active in Asia, the Middle East and North America.

Snam is committed to renewing its infrastructure with hydrogen-ready standards and to developing integrated projects along the green gas value chain, with investments in biomethane, hydrogen, sustainable mobility and energy efficiency. It also creates new green areas through a benefit company focused on forestation projects.

Snam has set a zero net Scope 1 and 2 CO₂ equivalent emissions target by 2040 and a Scope 3 indirect emissions reduction target (subsidiaries, suppliers) by 2030.

www.snam.it

ANNUAL REPORT

2021



Snam's reports

INTEGRATED REPORTING MEANS 'INTEGRATED THINKING'

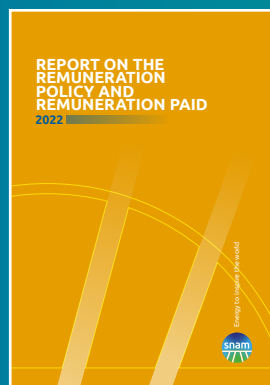
Snam has been following, for some time, a path of integration of the reporting processes based on the assumption that "integrated reporting means integrated thinking". This approach aims at responding to the requests of all stakeholders by means of an extensive, transparent and complete, as well as responsible, corporate reporting. Thanks to the publication of several specific reports, Snam provides a timely and in-depth view of its activities, performance and future objectives.

Mandatory



REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE

This provides detailed information about the company, its **governance system and structure**, the **ownership structure**, the **internal control and risk management** system and related topics.



REMUNERATION REPORT

It describes the **Remuneration Policy of Directors and Executives**, specifying the goals, the involved bodies, the procedures for its adoption and implementation in addition to the remuneration paid.

Voluntary



CLIMATE CHANGE REPORT

It describes the **governance, strategy and scenarios, risks and opportunities, metrics and targets for the fight against climate change**, in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), established by the Financial Stability Board.



SUSTAINABILITY REPORT

It describes performances and future goals regarding the **environmental, social and governance topics (ESG)**, strengthening the relationship and collaboration with all the stakeholders of the Company.

FOCUS ON

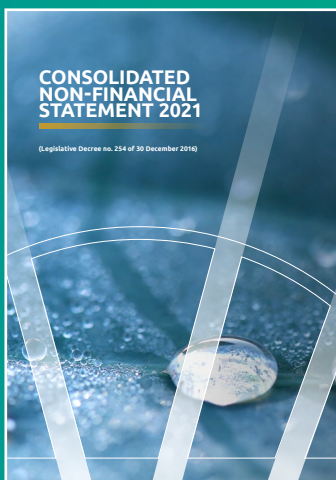
ANNUAL REPORT



This document is an English language translation of the official Italian version and is not provided in the European Single Electronic Format (ESEF) and hence it is not compliant with the provisions of the **Commission Delegated Regulation (EU) 2019/815**. The legally required **ESEF-format** of the Annual Report was filed in Italian language with the storage system “eMarket STORAGE” and is available on the Company’s website.

The **Annual Report**, which includes the **Directors’ Report**, represents the **Integrated Report** drawn up in accordance with the principles of the Framework of the **IIRC** (International Integrated Reporting Council), which Snam has applied since 2013. In addition to the Directors’ Report, the document also contains the **Consolidated Financial Statements and the Separate Financial Statements**.

The purpose of the Directors’ Report is to represent, in addition to annual results, Snam’s model for creating sustainable value over the medium/long-term, highlighting existing connections between strategy, economic/financial performance and the social, environmental and economic situation in which the Group functions. The aspects dealt with in the Directors’ Report represent the main factors which may influence its economic/financial performance and their impacts on sustainability topics which are material for the Group.



In addition, the Directors’ Report contains the **Consolidated Non-Financial Statement (NFS)**, which was prepared in accordance with the provisions of Legislative Decree no. 254/2016. The NFS, which is a specific section of the Report, contains information on the company’s management and organisational models, the policies practised, the risks and how they are managed, and the performance on sustainability topics of relevance to the Group. When expedient, the contents of the NFS include references to information available in other sections of the Directors’ Report, which can be easily identified by the **blue “NFS” symbol** placed next to the title of the relevant chapter/section. Additionally, given Snam’s adhesion to the Task Force on Climate-Related Financial Disclosure - TCFD, sections of the document which contain information on the TCFD recommendations are identified through the **light blue “TCFD”** symbol found next to the title.

NFS

TCFD

CORPORATE BODIES

BOARD OF DIRECTORS

Chairman^()**
Nicola Bedin

Chief Executive Officer
Marco Alverà⁽¹⁾

Directors

Laura Cavatorta^{(2) (3)}
Francesco Gori^{(2) (3)}
Yunpeng He^{(1) (6)}
Antonio Marano^{(1) (2)}
Francesca Pace^{(1) (2)}
Rita Rolli^{(2) (3)}
Alessandro Tonetti⁽¹⁾

BOARD OF STATUTORY AUDITORS ^(*)

Chair
Stefano Gnocchi⁽⁵⁾

Standing Statutory Auditors
Gianfranco Chinellato⁽⁴⁾
Donata Paola Patrini⁽⁴⁾

Alternate Statutory Auditors
Federica Albizzati⁽⁵⁾
Maria Gimigliano⁽⁴⁾

CONTROL AND RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

Francesco Gori - Chair
Francesca Pace
Antonio Marano

CHIEF EXECUTIVE OFFICER

Antonio Marano - Chair
Laura Cavatorta
Alessandro Tonetti

REMUNERATION COMMITTEE

Francesca Pace - Chair
Rita Rolli
Alessandro Tonetti

ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE ^(***)

Laura Cavatorta - Chair
Rita Rolli
Yunpeng He⁽⁶⁾

INDEPENDENT AUDITORS^(****)

Deloitte & Touche S.p.A.

(*) Appointed by the Shareholders' Meeting of 2 April 2019 - in office until the date of the Shareholders' Meeting to be convened in 2022 to approve the financial statements for the year ending 31 December 2021.

(**) appointed by the Shareholders' Meeting of 18 June 2020 on the proposal of the shareholder CDP Reti S.p.A. - in office until the date of the Shareholders' Meeting to be convened in 2022 for the approval of the financial statements at 31 December 2021. The Chair is independent within the meaning of the (Consolidate Finance Act) TUF.

(***) Established by the Board of Directors on 14 May 2019, in place of the Sustainability Committee.

(****) Appointed by the Shareholders' Meeting of 23 October 2019 for the period covering the years 2020 - 2028.

(1) Directors nominated in the list submitted by the shareholder CDP Reti S.p.A.

(2) Independent Directors pursuant to the TUF and the Corporate Governance Code.

(3) Directors nominated in the list submitted jointly by Institutional Investors.

(4) Auditors nominated in the list submitted by the shareholder CDP Reti S.p.A.

(5) Auditors nominated in the list presented jointly by Institutional Investors

(6) In replacement of the resigning Director Yunpeng He, on 17 February 2022, the Director of Qinjing Shen was appointed by co-option, who will hold office until the date of the General Meeting to be convened in 2022 to approve the financial statements for the year ended 31 December 2021.



GENERAL CONTENTS



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CONSOLIDATED FINANCIAL STATEMENTS

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DISCLAIMER

The Annual Report contains forward-looking statements, in particular in the sections on Strategy and Outlook with reference to: evolution in natural gas demand, investment plans and future operating performance. Such statements are, by their very nature, subject to risk and uncertainty as they depend on whether future events and developments take place. Actual results could therefore differ from those announced due to various factors, including: foreseeable trends in natural gas demand, supply and prices, general macroeconomic conditions, the impact of energy and environmental legislation, success in the development and implementation of new technologies, changes in stakeholders' expectations and other changes in business conditions.

Snam, the Snam Group (or the Group) means Snam S.p.A. and the companies within its scope of consolidation.

For the Glossary please refer to www.snam.it/it/utilita/glossario/.

DIRECTORS REPORT - INTEGRATED REPORT





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80 YEARS OF ENERGY TO INSPIRE THE FUTURE

SNAM'S PURPOSE



Sustainable success

“Energy to inspire the world”, Snam’s purpose included in its Articles of Association in February 2021, is based on Aristotle’s thought that the purpose of every individual - the reason for being - lies at the intersection between the individual’s talent and what the world needs. “Energy to inspire the world” encapsulates Snam’s experience, engineering tradition and ability to be at the forefront of the energy sector, while providing the tools and innovation needed to achieve the goal of **ecological and energy transition of the country’s system, with a view to sustainable success.**



Energy transition

As announced in the “Towards Net Zero” strategy Snam has launched a business diversification process oriented towards decarbonisation, which will lead it to become a **zero net emissions company for its activities by 2040**, equipped with **multi-molecule infrastructures**, strongly oriented towards the use of **green gases**, in particular **biomethane** and **hydrogen**, and promoting **energy efficiency** measures in Italy. In addition, in 2021 Snam strengthened its commitment along the value chain, becoming the first energy infrastructure company in the European Union to set **Scope 3 emission reduction targets** for its suppliers as well.

These objectives, supported by a medium- (the **2021-2025 Strategic Plan**) and long-term (**Vision to 2030**) investment plan, will be achievable thanks to the Group’s expertise, the creation of solid, trusting relationships with local communities, and effective collaboration with suppliers and associate companies.



Decarbonisation

The major integration of sustainability into the business, which is part of Snam’s purpose, is also demonstrated by the **ESG Scorecard**, a set of annual targets in the environmental, social and governance spheres, designed to provide stakeholders with maximum disclosure on the Group’s commitment in these areas and to report transparently on the progress achieved.

SUSTAINABLE DEVELOPMENT GOALS

In pursuing its purpose, Snam reconciles its strategic choices with its commitment to achieving the Sustainable Development Goals (SDGs) defined by the United Nations in 2015.

The 17 SDGs and their targets represent an important reference for Snam, which focuses its efforts on those that are closest to its mission, purpose and activities.



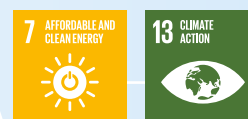
We build innovative energy infrastructures and offer integrated services that connect people and communities



We are committed to a stable supply with maximum safety and environmental protection



We promote the development of our people, ensuring respect for the dignity and diversity of each individual



We invest in tomorrow's energy sources and design infrastructure for a more sustainable future



We build innovative energy infrastructures and offer integrated services that connect people and communities



We follow an ethical and socially responsible business model, able to generate value for all our stakeholders

80 YEARS OF HISTORY

- History of the business
- History of sustainability

On 30 October 1941, the National Methane Pipeline Company for the construction and use of methane pipelines, and the distribution and sale of gas, is established.

SNAM IS ESTABLISHED

1941

Snam publishes its first Environmental Report, a voluntary tool adopted to communicate data on aspects relating to atmospheric emissions, waste management, protection of the land and biodiversity, etc.

FIRST ENVIRONMENTAL REPORT

1995

Snam obtains certification of its Environmental Management System from a third-party independent body, in accordance with the UNI EN ISO 14001 international standard, for its gas compression stations and LNG regasification plant in Panigaglia. The Group develops its Occupational Health and Safety Management System in accordance with the BS 8800 guidelines.

FIRST MANAGEMENT SYSTEMS

2000

1960-1985

METHANISATION OF ITALY

From 1960 to 1980, the network in Italy is quadrupled, reaching almost 15,000 km of total length in 1980. Import pipelines from Holland, Siberia and Algeria are built.

1997

UPGRADING OF GAS PIPELINES

Snam completes the upgrading of the import gas pipelines from Northern Europe and begins the construction of an additional import line from Russia and of the Greenstream, the undersea submarine gas pipeline imported from Libya.

2003

LIBERALISATION OF THE MARKET

The Italian legislation implemented European Directive 98/30/EC, deciding for the corporate unbundling of transport and dispatching activities from all the others. SRG therefore divests its gas procurement and sales activities.

2002

INCLUSION IN SUSTAINABILITY INDICES

SRG is included in the FTSE4Good family of sustainability indices, which are internationally recognised by the financial community for their importance and influence in the composition of benchmarks and ethical portfolios.

2001

LISTING ON THE STOCK EXCHANGE

Réte Gas Italia is founded, later renamed Snam Réte Gas (SRG), which takes over Snam's technological assets and skills in the transportation sector and is listed on the stock exchange. GNL Italia is established to manage LNG regasification activities.

2006

CORPORATE FUNCTIONS FOR SUSTAINABILITY

SRG sets up specific organisational structures under the new "Health, Safety, Environment, Sustainability and Technology Directorate". The Sustainability Project Team is also established, which involves all departments across the board to ensure the elaboration of proposals to define the company's sustainable development model and prepare the first Sustainability Report.

2007

FIRST SUSTAINABILITY REPORT

SRG publishes its first Group Sustainability Report for the 2006 reporting year and wins the 2007 Oscar di Bilancio for Corporate Governance.

2009

MEMBERSHIP IN THE GLOBAL COMPACT

SRG becomes a member of the Global Compact, the international initiative launched in July 2000 by the United Nations. It also joins the Dow Jones Sustainability World Index and the ECPI Ethical Index Global. It acquires 100% of Stogit and Italgas.

SRG reconfirms its presence in the Dow Jones Sustainability World Index and is selected in the SAM Bronze Class 2011. A project is launched to explore the concept of shared value, which aims to combine the interpretation of sustainability in terms of “value protection” with an approach aimed at “value creation”, both for the company and for the community in which it operates.

The company name is changed from SRG to Snam, defining a new corporate structure: Stogit for storage, Italgas for distribution, Snam Rete Gas for transport and dispatching and GNL Italia for regasification. The same year includes the separation from Eni and the acquisition of 31.5% of Interconnector UK

Starting in 2013, Snam embarks on a series of acquisitions (Teréga, TAG and TAP) to expand its international presence.

INCLUSION IN THE SAM BRONZE CLASS 2011

2011

NEW CORPORATE STRUCTURE

2012

INTERNATIONAL ACQUISITIONS

2013

Snam relaunches its brand identity, renewing its logo and corporate values. It also defines the new purpose: “Energy to Inspire the World.” Snam begins to invest in biomethane, sustainable mobility and energy efficiency. Negotiations begin for the acquisition of 66% of DESFA.

Snam signs several agreements and Memoranda of Understanding for business expansion (e.g., development of natural gas stations with Enel) In the same year it acquires ITG and a stake in Adriatic LNG.

Snam sets up an Internal Board Committee dedicated to sustainability issues. Snam separates from Italgas and acquires 49% of Gas Connect Austria.

NEW BRAND IDENTITY, DESFA AND NEW BUSINESSES

2018

AGREEMENTS AND MEMORANDA

2017

ESG COMMITTEE AND SEPARATION FROM ITALGAS

2016

Snam introduces a mix of hydrogen and natural gas, first 5% and then 10% in volume, to its transmission network for the first time. In addition, it creates a business unit entirely focused on the hydrogen business, assuming a key role in the energy transition.

Snam declares a Net Zero objective for its activities by 2040, also defining intermediate targets for the reduction of greenhouse gas emissions by 2030, and increases investments in new businesses in favour of the energy transition. Arbolia is established in collaboration with CDP, for reforestation and CO₂ absorption.

Snam renews its commitment to decarbonisation and energy transition by presenting the new 2021-2025 Strategic Plan and the 2030 Vision, which see significant investments in the biomethane and hydrogen businesses, aiming to achieve carbon neutrality by 2040 in its activities and setting targets to reduce emissions from its value chain (Scope 3 emissions) by 2030. Snam wins the 2021 Oscar di Bilancio and is included in the DJSI. Snam adds its purpose “Energy to inspire the world” in its Articles of Association.

COMMITMENT TO THE ENERGY TRANSITION

2019

STRATEGY TO DECARBONISATION

2020

2030 VISION AND NET ZERO CARBON

2021

LETTER TO STAKEHOLDERS

Dear Stakeholders,

Despite the continuation of the pandemic and its serious health and social impacts, 2021 was a year characterised by a recovery in economic activity compared to 2020, also thanks to the vaccination campaign, even though this improvement happened in a gradual and differentiated manner throughout different areas of the world.

At the same time, last year was also marked by a renewed and strengthened global commitment to combating climate change. COP 26 in Glasgow achieved less than what we hoped for though certainly more than expected results. The world now has a clear perspective — we must limit global warming to 1.5 degrees as well as achieve carbon neutrality. A large number of countries, accounting for around 90% of global CO₂ emissions, have made commitments to this effect. In the coming years, the ability of governments and companies to implement projects and infrastructures capable of ensuring the ecological transition will become decisive, harnessing an unprecedented volume of public and private investment, which is also attributable to domestic post-Covid recovery and resilience plans. At the same time, in a context characterised by a sharp rise in energy prices as early as summer 2021 and increasing geopolitical tensions in the heart of Europe — culminating with Russia's invasion of Ukraine in February 2022 — it will be necessary to develop short- and long-term initiatives to combat high energy prices, promote diversification and security of the supply and to ensure a transition as just as possible.

Snam's infrastructure is proving its strategic value in terms of both diversification and future prospects now more so than ever. More specifically, our network and storage facilities, which are the most developed among the European Union, support the energy security of Italy and all of Europe. Furthermore, the launch of TAP, which Snam is a major shareholder in, has been instrumental in enabling our country to add a new importation route which is contributing around 10% to the Italian gas demand.

Building on these strengths, combined with our growing exposure to the energy transition, we can play an even greater role in the momentous transformations expected over the next decade. In the vision for 2030 presented last November together with the 2021-2025 strategic plan, we outlined the Snam of the future, focusing on three areas of activity (energy transport networks,



Marco Alverà
CEO

Nicola Bedin
Chair

energy storage and renewable gas projects) with possible investment opportunities totalling 23 billion euros. Particularly, by 2030 we aim at building the first portion of a national hydrogen network, a 2,700 km backbone crossing Italy from south to north.

We are becoming an energy infrastructure company that is no longer focused solely on transporting and storing natural gas but also biomethane, hydrogen and CO₂ — focusing on achieving carbon neutrality and on the contribution we can make to the energy transition in the territories where we operate. Now more than ever, ESG factors are at the core of our strategy.

Towards this path, 2021 stood as an important year in this regard. We announced our entry into the capital of the gas pipelines connecting Algeria and North Africa to our network in Italy; this is a strategic asset for the country's energy security and for Europe's energy transition, as well as for hydrogen development. We supported the growth of our associate company De Nora, which is proving to be a technological leader in major global projects for the generation of hydrogen from renewable sources. As far as hydrogen is concerned, we continued to assess the readiness of our infrastructure: almost all of our pipelines can transport a hydrogen mix of up to 100%, most of them with no or limited reductions in operating pressure. We are also encouraged by the tests carried out in cooperation with universities and research centres on the possibility of storing up to 100% hydrogen on our sites, without observing any changes or alterations. We also launched several projects in various industries — ranging from steel and ceramics to mobility — as well as the first

global start-up accelerator run by a company and focused on hydrogen. These initiatives complement the progressive enrichment of our platform in biomethane thanks to the acquisition of Asja's portfolio of plants in Italy, making us one of the leaders in the development of green gases serving the decarbonisation of the system.

We are laying the foundations for building the network of the future, which will be managed in a more efficient way thanks to the skills of our people and the support of technology, continuing along the path marked out by the TechHub in Bologna, Italy's first highly digitalised district, which we inaugurated last spring.

Through Renovit, our new company specialising in energy efficiency, an associate company of CDP Equity and which became a B Corp this year, we have upgraded condominiums, businesses and public administration buildings, and with Arbolia we have launched new urban forestation projects in synergy with the Deposits and Loans Fund, planting 30,000 new trees in Italy.

We are at the forefront of the race towards 'net zero' emissions. After having committed to achieving net zero Scope 1 and Scope 2 emissions by 2040, we are the first company in our sector in Europe to introduce a target to reduce indirect Scope 3 emissions from our suppliers and associate companies. We have worked on all the objectives of our ESG scorecard thereby achieving important results: from the 28.9% reduction in natural gas emissions compared to 2015 in the environmental field, to the increase to 4,562 (+11%) hours donated by employees dedicated to Snam Foundation initiatives in support of communities in the social field, and the time dedicated by the Board of Directors to ESG topics, which amounts to more than 40% in the governance field. We also introduced new metrics in some areas of our scorecard by presenting a new target for Sustainable Finance. We also continue to work on gender equality in the workplace: in 2021 we recorded a 12% increase

in the number of women in the workforce, and we have extended paternity leave by an additional five days compared to the legal provisions to ensure family care is more of an equally shared duty. As a confirmation of our commitment to all dimensions of sustainability, we have once again renewed our adherence to the principles of the Global Compact and the Sustainable Development Goals (SDGs) defined by the UN.

Our investments for the future will be accompanied by growth in all financial indicators and an attractive dividend policy for our shareholders. We will finance them through financial instruments linked to ESG objectives, with the aim of increasing the weight of sustainable finance to 80% of our funding by 2025.

In 2021, we achieved growth in the main economic indicators in line with expectations. On the basis of these results, we will propose a unit dividend of 0.2620 euros to the Shareholders' Meeting on 27 April, of which 0.1048 euros has already been distributed as interim, affirming an attractive and sustainable shareholder remuneration policy.

2021 also saw the completion of the consultation process for updating the WACC in regulated activities, which ended last 23 December, with the publication of the final measure by the Regulatory Authority and consequent visibility on returns for the next six years.

Snam's evolution begun six years ago — it started out as a company focused entirely on fossil gas infrastructure and has now become a leading energy transition and ESG company that is getting stronger and stronger. Our assets and skills will be key to enabling us to seize new development opportunities and support Italy and all the countries in which we operate towards the net zero target together with all our stakeholders.

16 March 2022
for the Board of Directors

Chair

CEO

2021: KEY EVENTS



Renovit, the new Snam and CDP platform for energy efficiency, is launched

Snam joins the Nasdaq Sustainable Bond Network, the sustainable finance platform managed by Nasdaq

Tenaris, Edison and Snam launch a collaboration to test the decarbonisation of the steel sector in Dalmine as part of the "Dalmine Zero Emissions" initiative

Snam completes the acquisition of 33% of Industrie De Nora S.p.A. from Blackstone.

Arbolia crates a new 400-plant forest in Pignataro Maggiore, in the province of Caserta, which will absorb 27 tonnes of CO₂ per year and about 18 kg of PM10 per year



RINA and Arbolia build a forest of more than 2,100 trees in Turin to absorb CO₂ emissions

Snam and Mubadala sign agreement for potential hydrogen development opportunities in the UAE

Snam and SIAD sign an agreement to develop small-scale and mid-scale natural gas and biomethane liquefaction plants

Snam, RINA and the GIVA Group perform the world's first test with a 30% natural gas/hydrogen mixture in the forging processes involved in steel making

Snam Foundation publishes its first Social Report, which provides an in-depth look at the activities and related impacts of the projects carried out in 2020



Snaminnova is born: Snam's Open Innovation programme for energy transition, which also involves the corporate population in the realisation of innovative projects

JANUARY

MARCH

MAY

FEBRUARY

APRIL

JUNE

The shareholders' meeting approves amendments to the Articles of Association regarding increasing commitment to transition and gender balance

Snam issues its third Transition Bond for a total of 750 million euros

Snam is among the 50 most sustainable companies in the world according to the SEAL (Sustainability, Environmental Achievement & Leadership) Business Sustainability Awards 2020



Snam and Hera launch technological collaboration for the development of hydrogen and the decarbonisation of the Emilia-Romagna region



Marco Alverà, CEO of Snam, is named "Person of the Year" 2021 by #FORUMAutoMotive

The Shareholders' meeting approves the 2020 financial statements and distribution of a balance dividend of 0.1497 euros per share



Snam is the main partner of the European relay race "Via Francigena. Road to Rome 2021. Start Again", a 3,200 km route that started in Canterbury and will arrive in Rome, crossing 5 states

Snam confirms its position at the top of the ETicaNews and TopLegal Integrated Governance Index, standing out in the integration of ESG factors in their corporate strategies

Snam: successful issue of the fourth 500 million euro Transition Bond with a coupon of 0.625%

Snam is included in Borsa Italiana's MIB ESG Index, the first ESG index dedicated to Italian blue-chips that rewards the most effective sustainability practices

Snam4You is born with the aim of guiding users and potential partners to discover Snam's solutions related to the energy transition

HyAccelerator is born, the first global-scale acceleration programme for hydrogen start-ups, with the aim of enhancing the most innovative companies in the sector, giving rise to high-potential projects



Snam confirms its place among the world's top companies with inclusion in CDP's "A-List" (formerly the Carbon Disclosure Project)

Snam, with a score of 91.6 out of 100, confirms its eighth consecutive year on the podium of leading Italian companies in the field of digital communication

Snam opens the TechHub in Bologna, managed with digital technologies to reduce emissions and improve the safety and resilience of infrastructures

Snam and Leonardo sign an agreement to develop their respective technological expertise to support innovation and sustainability in the energy industry

Snam4Mobility inaugurates in Verona its first self-service refuelling station for compressed natural gas (CNG) and biomethane (Bio-CNG)

Edison and Snam join Saipem and Alboran for the joint development of the Apulia Green Hydrogen Valley project

Iris Ceramica Group and Snam sign agreement to develop the world's first green hydrogen ceramic industry



Snam is included for the twelfth time in S&P's Dow Jones Sustainability World Index, achieving a score of 86/100

Snam presents its new 2021-2025 Strategic Plan and 2030 vision, which include increased investments in energy transition

Snam wins the Oscar di Bilancio 2021, promoted by FERPI together with Borsa Italiana and Bocconi University, in the Large Listed Companies category



JULY

OCTOBER

DECEMBER

SEPTEMBER

NOVEMBER

2021 HIGHLIGHTS



FINANCIAL

€ 3,297 million

TOTAL REVENUES
(+19,0% VS 2020,
INCLUDING CHARGES
TO COVER ENERGY COSTS)

€ 2,250 million

ADJUSTED EBITDA
(+2.4% VS 2020)

€ 1,218 million

ADJUSTED NET PROFIT
(+4.6% VS 2020)

€ 1,496 million

UREPORTED NET PROFIT
(+35.9% VS 2020)

€ 1,270 million

TECHNICAL INVESTMENTS
(+6.8% VS 2020)

€ 0.2620

PROPOSED DIVIDEND
PER SHARE
(+5.0% VS 2020)

60%

PERCENTAGE OF SUSTAINABLE
FINANCE OUT OF TOTAL
FUNDING



OPERATING

75.77 billion m³

NATURAL GAS INJECTED IN THE
NETWORK (+8.3% VS 2020)

76.25 billion m³

GAS DEMAND
(+6.9% VS 2020)

16.50 billion m³

TOTAL STORAGE CAPACITY
(THE LARGEST ON OFFER
IN EUROPE)

12.02 billion m³

ALLOCATED STORAGE CAPACITY
(89.6% OF AVAILABLE
CAPACITY)

25 unloaded

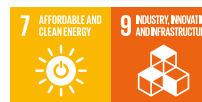
METHANE TANKERS UNLOADED
(-58.3% VS 2020)

1.05 billion m³

LNG VOLUMES REGASIFIED
(-58.8% VS 2020)

99%

HYDROGEN READY
INFRASTRUCTURE





ENVIRONMENTAL

ANNOUNCED **2**
SCOPE 3 EMISSION TARGETS
PRIMARILY CONCERNING
SUPPLIERS AND SUBSIDIARIES

-7% vs 2018
SCOPE 1 AND 2 CO_{2eq} EMISSIONS

35.4 million m³
NATURAL GAS EMISSIONS

171,000 tco_{2eq}
EMISSIONS AVOIDED

100%
VEGETATION RECOVERY
OF NATURAL AND SEMI-
NATURAL AREAS IMPACTED
BY PIPELINE CONSTRUCTION

SNAM INCLUDED IN
CDP "A- List"
and CDP
Suppliers "A List"



SOCIAL

3,430
EMPLOYEES

INCLUDED FOR THE THIRD
YEAR IN A ROW

**Bloomberg
Gender
Equality Index**

4,562 hours
VOLUNTEERING
AT SNAM FOUNDATION
(+11% VS 2020)

41%
PROCUREMENT SPENT
ON SMES (+4% VS 2020)

83
THIRD SECTOR SUPPLIERS
IN VENDOR LIST
(+219% VS 2020)



GOVERNANCE

7,687
REPUTATIONAL CHECKS ON
COUNTERPARTIES

Oscar di Bilancio
ASSIGNED TO THE ANNUAL
REPORT 2020

SNAM AMONG THE BEST
ITALIAN COMPANIES
ACCORDING TO THE

**Integrated
Governance
Index**

1,014
TRAINING HOURS
ON BUSINESS ETHICS, LEGALITY
AND ANTI-CORRUPTION



NFS

SNAM PROFILE

In the national and European energy context, gas plays a crucial role. Snam has been transporting, dispatching, storing and regasifying natural gas, ensuring energy security in Italy since 1941.

In recent years, the Company has begun a process of repositioning itself in the national and international context with the aim of playing an enabling role in the energy transition, in line with its own aims and European targets. In this regard, since 2018, Snam has accelerated, with investments and the acquisition of new expertise, in the development of energy transition businesses such as hydrogen, biomethane, sustainable mobility and energy efficiency, which have become an integral part of Snam's offering. In pursuing carbon neutrality by 2040, Snam will continue to leverage its core business, which, through a process of reconversion of existing assets, will make the transmission network and storage facilities 'hydrogen ready', i.e. capable of transporting and storing not only natural gas, but also hydrogen and biomethane.

REGULATED BUSINESSES



TRANSPORTATION

Snam, through its subsidiary **Snam Rete Gas**, Snam transports natural gas from import points, regasification plants and production and storage centres located in Italy, to delivery points located in connection with import lines. The gas is transported and then delivered to redelivery points connected to local distribution networks and to large industrial and thermoelectric users. For transportation, the Company relies on **13 compressor plants** located along the national network of methane pipelines and on a management and control structure consisting of **8 Districts** that supervise and control the activities of **48 Maintenance Centres** distributed throughout the country. In addition, the Dispatching Centre remotely monitors and controls the transmission network and coordinates the compressor stations. Thanks to an IT platform, shippers (users of transport services) have the possibility to sell and exchange gas at a **Virtual Trading Point (VTs)** of the national grid.

In recent years, the existing transport network has been repurposed in a Hydrogen-ready (H2-ready) manner, thus making it capable of transporting increasing percentages of hydrogen. Investments and upgrades have made Snam's network 99% H2-ready by 2021.



STORAGE

Snam, through its subsidiary **Stogit**, is the largest storage operator in Italy and one of the largest in Europe. The Group manages a total of **9 storage plants** that act in synergy with the Company's other transport and regasification infrastructures, contributing to the country's energy security. Indeed, the storage system makes it possible to compensate for the different needs between gas supply and consumption, guaranteeing continuity of service during periods of peak gas demand (typically in the winter period) and gas storage (generally in the summer period). Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-European supply or crises in the gas system.

With a view to achieving "Net Zero" objectives, storage will also evolve towards a structure capable of handling green gases, such as hydrogen and biomethane.



REGASIFICATION

Regasification is the process of returning gas extracted from fields to its original state. The gas is liquefied and transported on LNG carriers to the regasification point; after treatment, the gas is then fed into the national transport network. Snam, through **GNL Italia**, operates the Panigaglia (La Spezia) plant, the first operational regasification plant built in Italy, in 1971. The terminal occupies an area of approximately 45 thousand square metres and consists of two storage tanks of 50 thousand cubic metres each, vaporisation plants and a landing stage for LNG carriers. The design, construction and operational criteria of the Panigaglia terminal meet the strictest international standards and use the most modern technologies for safety and environmental protection.

NON REGULATED BUSINESSES



Thanks to the work of **Snam4Environment**, which specialises in the development of biomethane infrastructure, the technical know-how of IES Biogas, Snam is promoting the spread and use of biomethane throughout Italy, contributing to the creation of value and promoting the energy transition of the country.



Biomethane also makes more sustainable mobility possible: **Snam4Mobility**, a subsidiary of Snam, develops the biomethane and natural gas mobility sector for heavy and light vehicles and the construction of CNG/L (compressed and liquefied natural gas) and bio-CNG/L (compressed and liquefied natural gas) stations, cleaner and more efficient alternatives to traditional fuels. Thanks to the work of Snam4Mobility and Snam4Environment, we will contribute to the decarbonisation of transport in Italy by promoting renewable bio-mobility, which reduces or even eliminates CO₂ emissions. Another area of sustainable mobility in which Snam is investing is Small-scale LNG (SSLNG) to promote liquefied natural gas for heavy vehicles and is particularly suitable for heavy rail, sea and land transport, leading to a significant reduction in emissions.

The projects and promotion of initiatives related to biomethane and sustainable mobility are also carried out thanks to collaboration with leading companies in the reference sectors, from which Snam internalises new skills.

BU H2

The **Hydrogen** business unit (**H2 BU**) is dedicated to the development of projects for the use of hydrogen both in industrial applications and in the field of sustainable mobility, grasping the important prospects that this vector will have for achieving decarbonisation objectives. Hydrogen does not generate carbon dioxide or other climate-changing gases, nor emissions that are harmful to humans or the environment. Moreover, its versatility allows it to be used both in industrial applications (thermal, feedstock and fuel cells) and in sustainable mobility (trains, refuelling stations for light and heavy vehicles, airports).

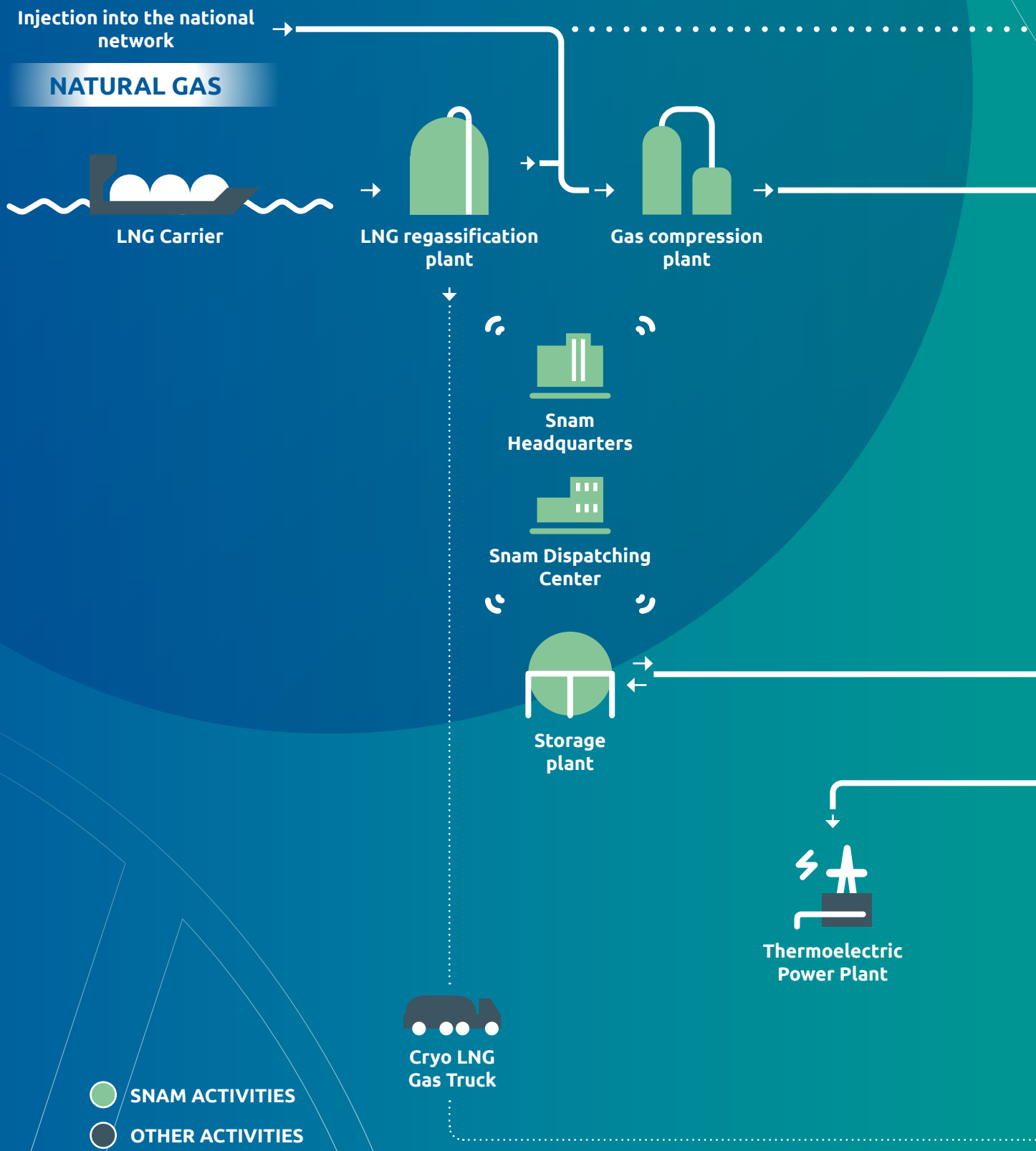
Snam operates on the hydrogen market thanks to its participation in calls for tenders such as IPCEI, Innovation Fund, Clean Hydrogen Joint Undertaking and Horizon Europe and to the signing of partnerships and agreements with leading companies in the sector, participation in working groups to spread the use of green gas in Europe and ongoing research activities. Approximately 100% of Snam's network is already H2-ready, i.e. ready to accept increasing percentages of hydrogen, and further studies are underway to promote its production, distribution and use.

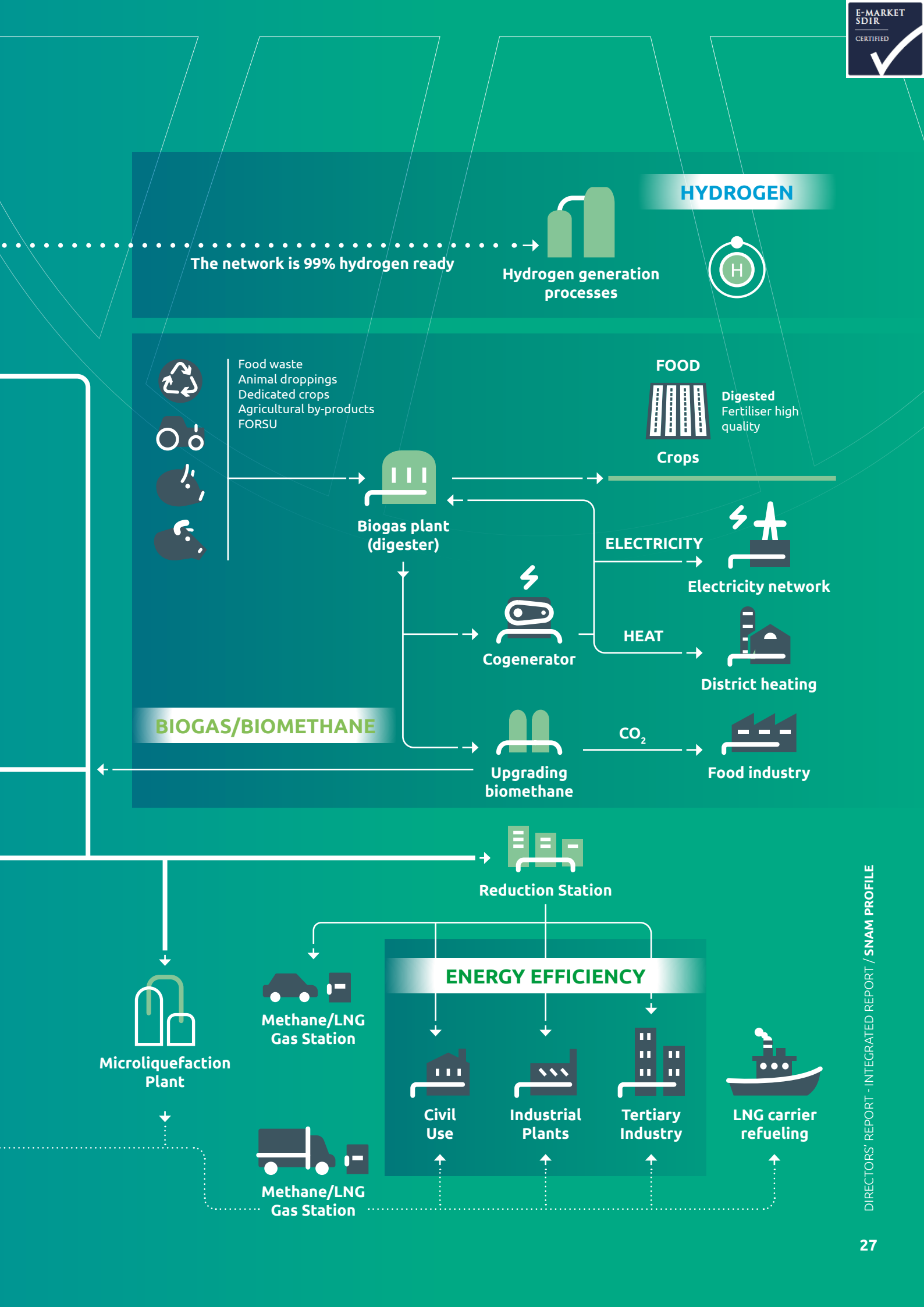


Identified as one of the three pillars of the European Clean Energy for all Europeans strategy, energy efficiency enables energy to be used more rationally, reducing consumption and thus both energy and environmental costs. Energy efficiency is therefore a key to decarbonisation and to supporting the country's economic and social development.

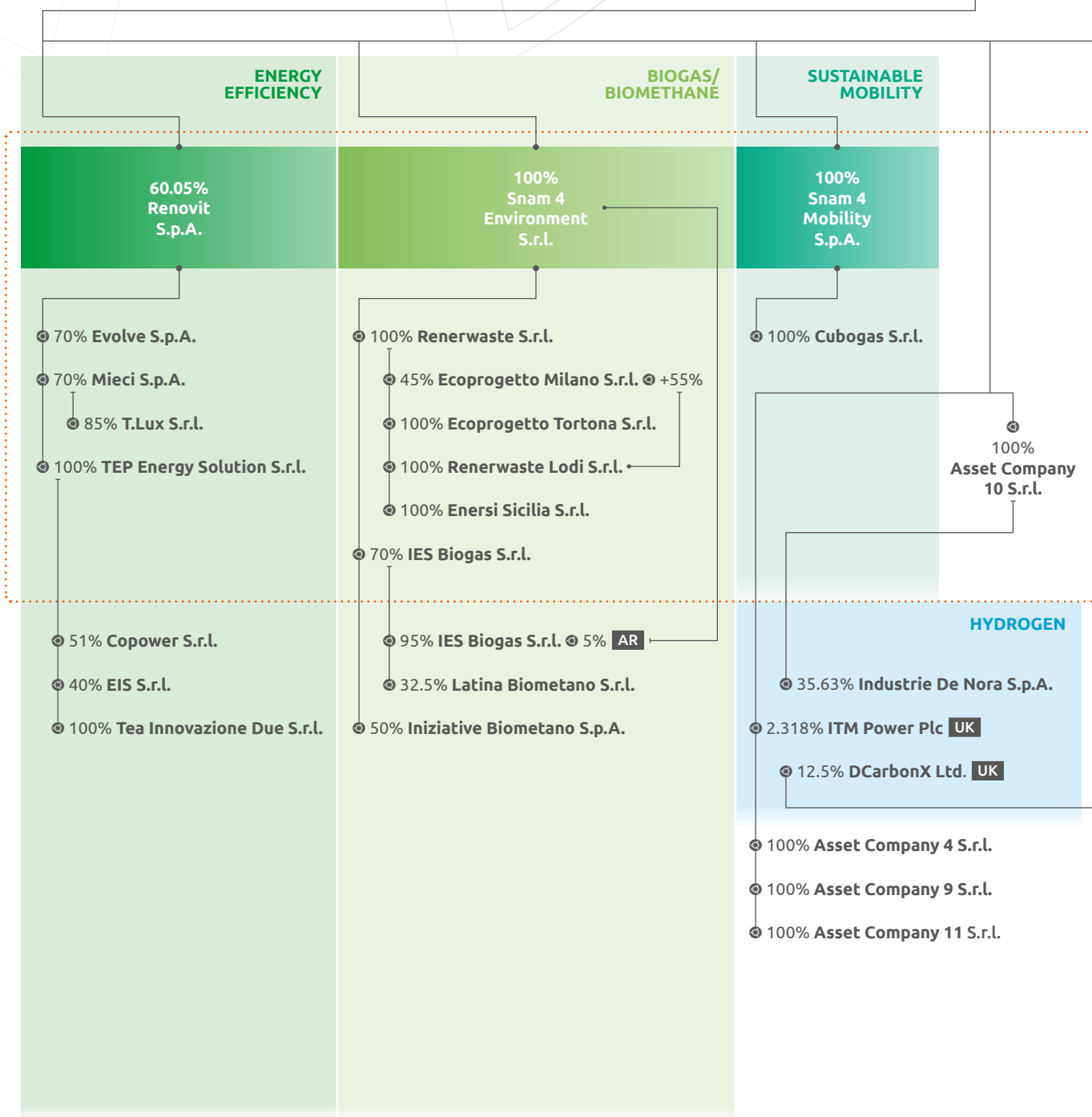
In three years, Snam has become one of Italy's leading operators in energy efficiency services for residential, industrial and public administration sectors through its subsidiary **Renovit**, which became a B-Corp at the beginning of 2022, offering innovative energy efficiency solutions to its customers by investing directly in decarbonisation, digitalisation and distributed energy generation.

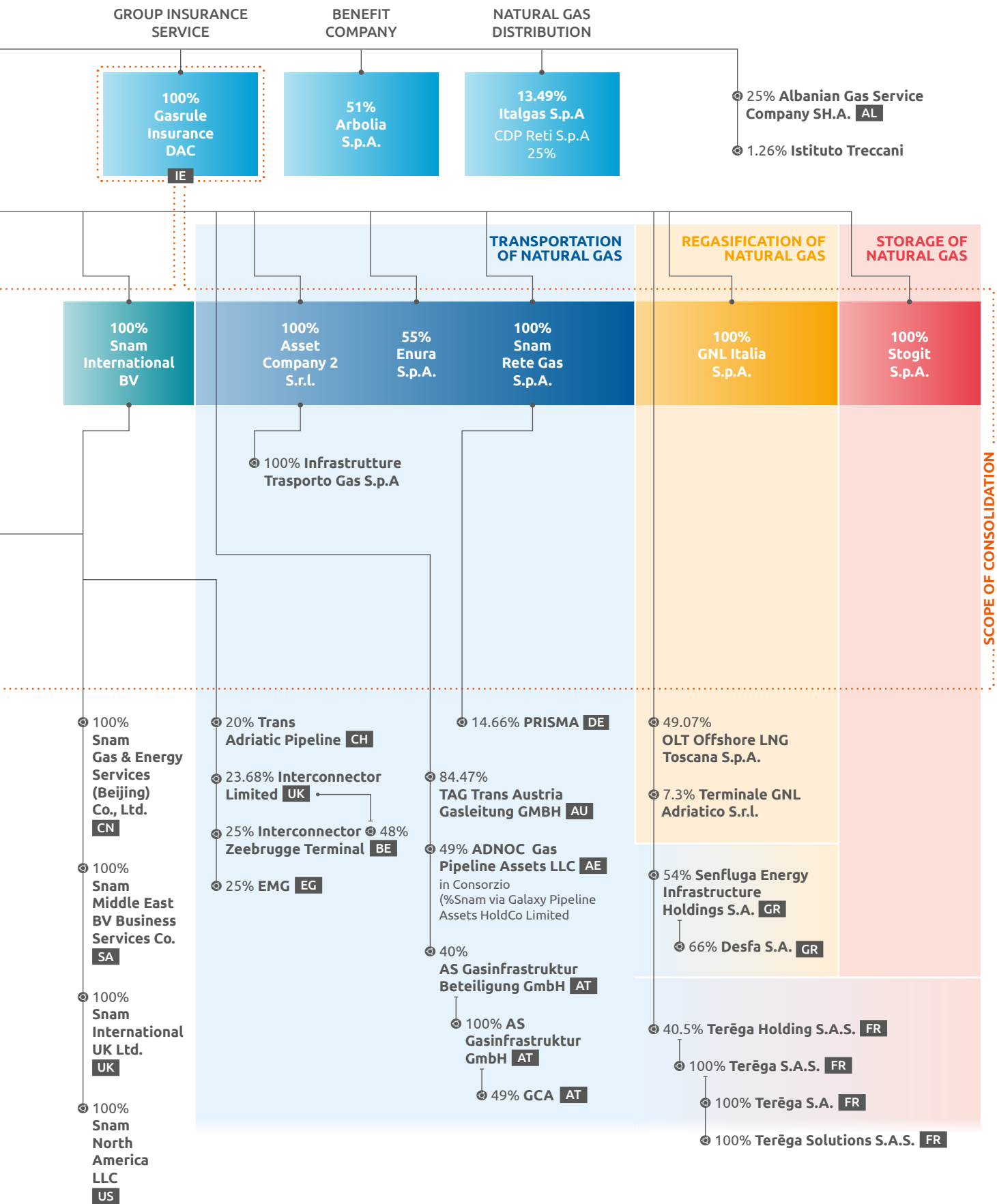
THE WORLD OF GAS





NFS GROUP STRUCTURE AT 31 DECEMBER 2021





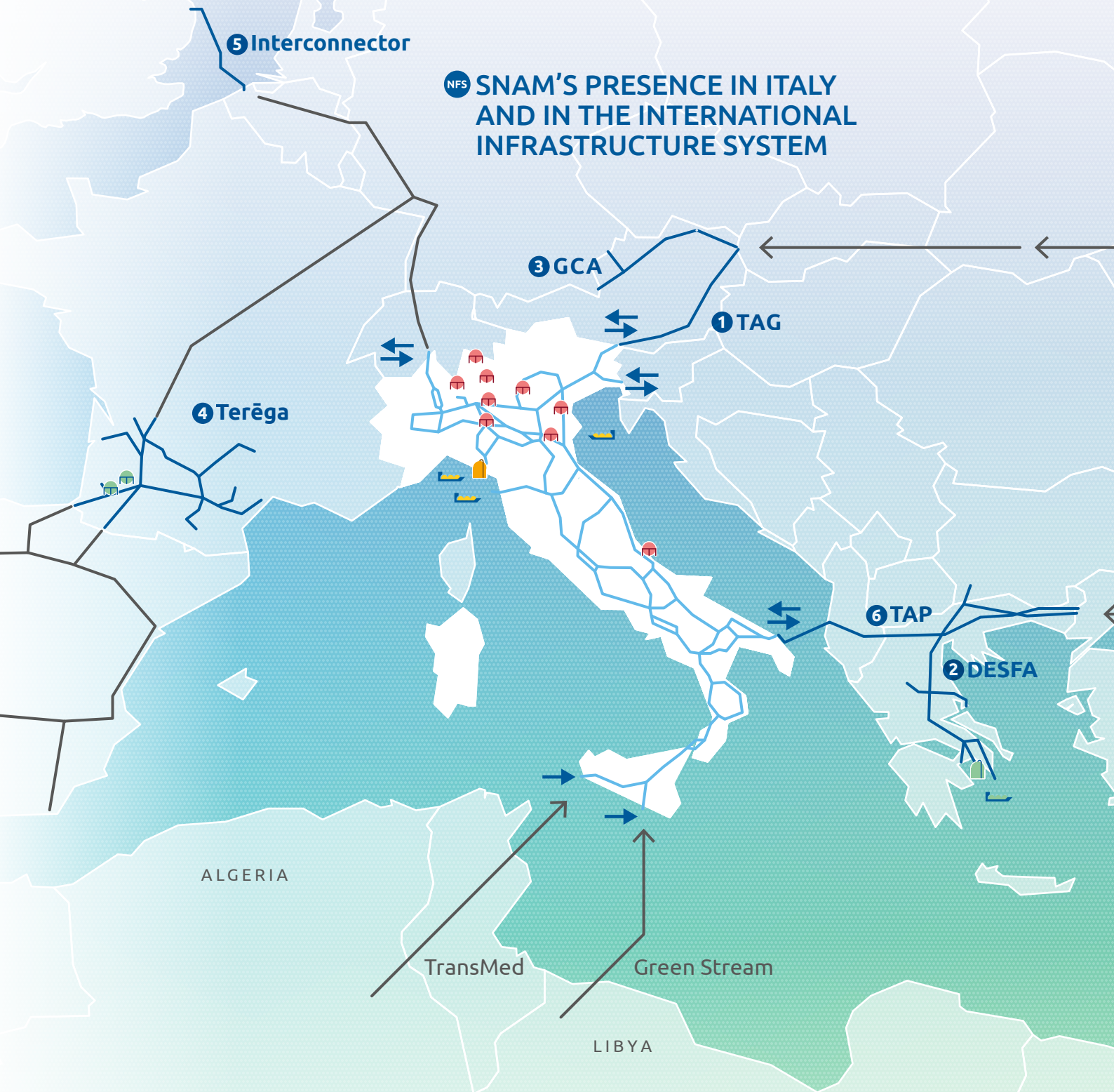
The changes in the scope of consolidation of the Snam Group at 31 December 2021 compared with that at 31 December 2020 relate to the entry into the scope of consolidation of Asset Company 10 S.r.l., a sub-holding 100% owned by Snam S.p.A., which acquired the investment in Industrie De Nora S.p.A. on 8 January 2021. This highly strategic partnership allows Snam to increase its exposure to the mega-trends of the energy transition, in particular for the production of green hydrogen and for water treatment, leveraging De Nora's leadership and technical expertise in alkaline electrodes, essential components for the production of alkaline electrolysers.

The main transactions on equity investments in 2021, which did not have an impact on the Group's scope of consolidation, were as follows:

- (i) the change in the stake in Renovit from 100% to 60.05%, mainly as a result of the entry of CDP Equity with a 30% stake in Renovit in January 2021, with the aim of contributing together to the development of energy efficiency in condominiums, businesses and public administration and to promote sustainable development and the country's energy transition;
- (ii) the acquisition, in December 2021, through the subsidiary Snam International B.V., of 25% of the East Mediterranean Gas Company (EMG), owner of the Arish-Ashkelon pipeline, part of the so-called "peace pipeline", marking Snam's entry into the Eastern Mediterranean, an area that will benefit from both the development of gas demand and energy transition initiatives;
- (iii) the acquisition, in December 2021, through the subsidiary Snam International B.V., of 12.5% of DCarbonX Ltd, a company active in geo-energy, aimed at developing hydrogen and carbon dioxide storage solutions in Ireland and the United Kingdom;
- (iv) the establishment of Snam Middle East B.V. Business Services Co. and Snam International UK Ltd., wholly owned by the subsidiary Snam International B.V., with the aim of developing Snam's presence in countries relevant to business development.





NFS SNAM'S PRESENCE IN ITALY AND IN THE INTERNATIONAL INFRASTRUCTURE SYSTEM





- | | |
|-----------------------|---------------------------------------|
| ITALIAN NETWORK | STAKES IN INTERNATIONAL GAS PIPELINES |
| Storage plants | Storage plants |
| Regasification plants | Regasification plants |
| LNG terminals | LNG terminals |
| | OTHER INTERNATIONAL GAS PIPELINES |





- 


1 TAG (84.47%)
3 parallel lines 380 km each
- 


2 DESFA (66% via Senfluga)
1,466 km of transport network
2 entry points (Bulgaria and Turkey)
1 LNG entry point in Greece
1 LNG terminal
- 

3 GCA (49% via AS Infrastruktur)
554 km of transport network
315 km of distribution network
- 

4 Terèga (40.5%)
5,135 km of network
5.8 billion Bcm of storage capacity
(working gas 2.8 Bcm)
- 

5 Interconnectors (23.68%)
through Snam International B.V.)
235 km between UK and Belgium
- 

6 TAP (20%)
878 km (773 km on-shore
and 105 km off shore) between
Greek-Turkish border and Italy,
via Greece and Albania
- 

7 ADNOC Gas Pipeline
(49% in consortium)
Management rights, remunerated
per rate, for 20 years
on 982 km of network
- 

**8 East Mediterranean
Gas Company - EMG**
(25% via Snam International B.V.)
90 km of gas pipeline (85 km off-shore)
between Israel and Egypt

NFS

GOVERNANCE AND ORGANISATION





GOVERNANCE

Snam's governance system fosters dynamics that create value and facilitate the conditions for the **proper and adequate interaction between the company and the context of reference**. These objectives are pursued thanks to the principles underlying Snam's modus operandi: **integrity, transparency and respect for both internal and external rules**, in order to guarantee a clear, sustainable development strategy that meets the interests of all stakeholders.

The governance system reflects this traditional model and is developed in compliance with the regulations in force and applicable across the sector (regulations for listed companies and unbundling regulations), in consideration of **Italian and international best practices and the principles of the Group's Code of Ethics**¹.

Furthermore, Snam adheres to the **UN Global Compact**, the most important international sustainable development initiative, aimed at promoting and spreading the ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

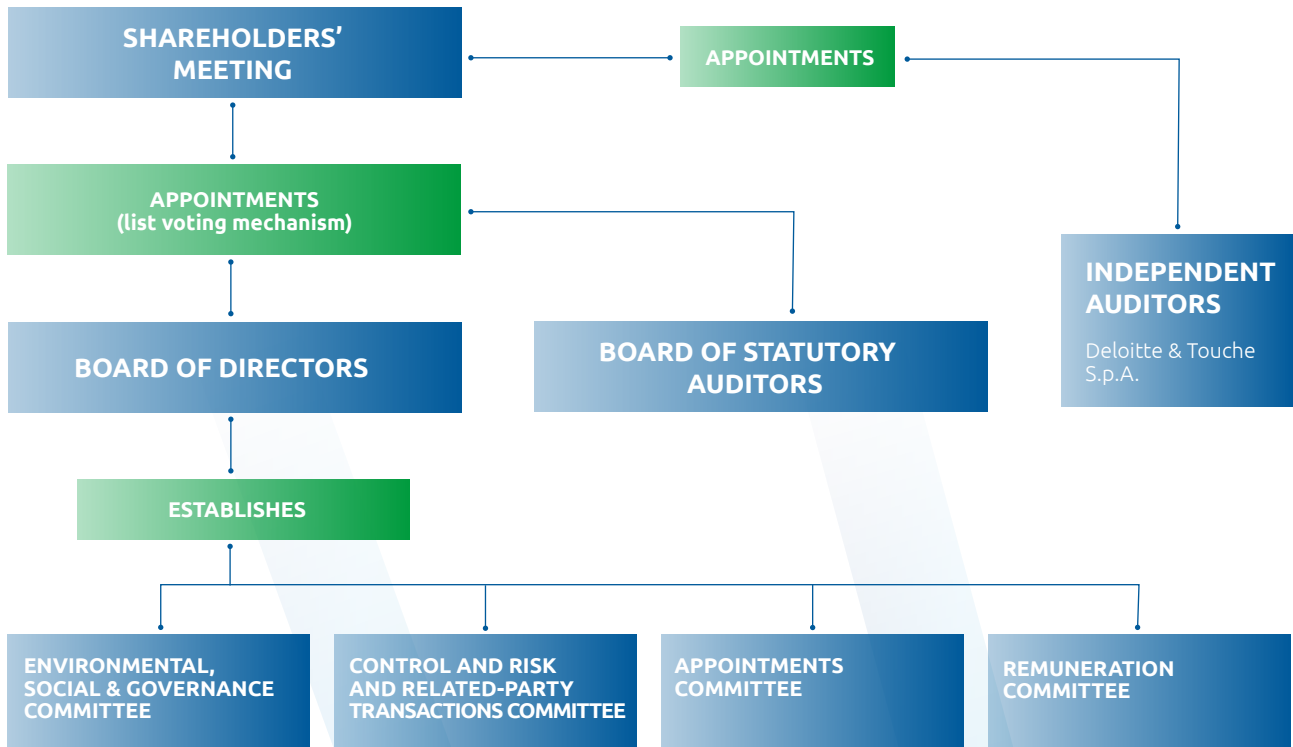
The Group's objective is to pursue **sustainable success** through the creation of long-term value to the benefit of shareholders, while enhancing the interests of other stakeholders relevant to the Company, as also formalised in the Company's Articles of Association. Snam also operates under the frameworks of **OECD Guidelines for Multinational Businesses, the UN Declaration of Human Rights the fundamental Conventions of the ILO** and its own Code of Ethics, that is also an integral part of the **Organisational Model pursuant to Italian Legislative Decree 231/2001**.

During the last year, Snam has also adopted the Corporate Governance Code published by the Corporate Governance Committee in January 2020 and officially effective from 2021. The recommendations of the new Corporate Governance Code and the application methods adopted by Snam are detailed in the **2021 Report on Corporate Governance and Ownership Structure**.

Indeed, in recognition of its commitment, again in 2021, Snam was ranked among the best Italian Companies for corporate governance and integration of ESG factors (environmental, social and governance) in corporate strategies according to the annual **Integrated Governance Index** survey carried out by ETicaNews.

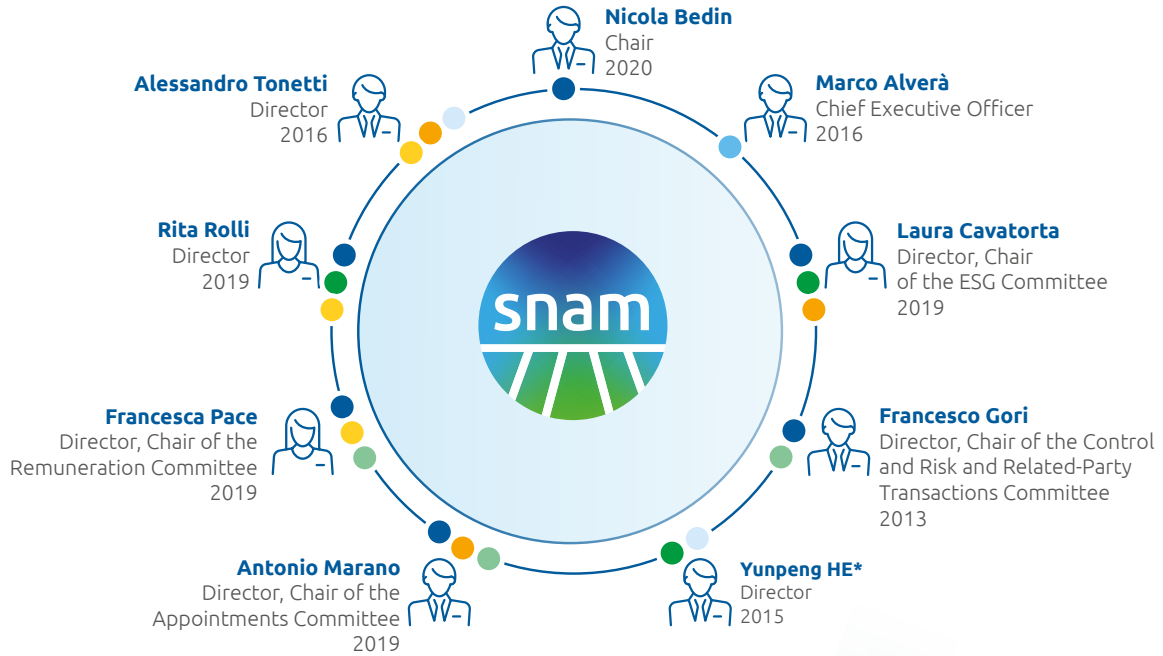
¹ Snam's Code of Ethics can be viewed on the Company's website at https://www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/Codice_Etico.pdf

The Shareholders' Meeting of 2 April 2019 established nine directors for a term of three years in office, due to expire at the date of the 2022 Meeting for the approval of the balance sheet at 31 December 2021.



Detailed information on governance and remuneration can be found in the document "2021 Report on Corporate Governance and Ownership Structure" and the "2022 Report on Remuneration", published on the website www.snam.it at the same time as the Annual Report.

THE BOARD OF DIRECTORS



Type of Director

- Independent
- Executive
- Non-independent/executive

Committee

- ESG Committee
- Control and Risk and Related-Party Transactions Committee
- Appointments Committee
- Remuneration Committee

Note: the year indicated for each Director refers to the year in which they joined the Snam Board of Directors

* Director resigned on 28 January 2022

The role and functions of the Board of Directors (BoD) at a glance

- It performs all acts it deems appropriate for the implementation and achievement of the corporate purpose, with the sole exception of those acts which the law or the Articles of Association reserve for the Shareholders' Meeting;
- It assesses the organisational, administrative and accounting structure of the Company;
- It approves strategic, commercial and financial plans and monitors their implementation;
- It defines the corporate governance system and rules, as well as the internal control and risk management system of Snam and its subsidiaries;
- It adopts procedures to ensure the fairness and transparency of transactions between related parties or, in relation to Directors and Auditors, with persons of interest;
- It adopts procedures for the management and dissemination of corporate and financial information, including price-sensitive information;
- It periodically reviews and approves:
 - the **objectives related to climate change and the energy transition**, an integral part of the corporate strategies included in the Strategic Plan approved annually;
 - Snam's **strategic risks**, including annually assessed climate change risks;
 - the share-based **Long-Term Incentive Plan** for the Chief Executive Officer (CEO) and Key Managers, with ESG objectives tied in part to the reduction of natural gas emissions consistent with the guidelines provided in the strategic plan approved each year;
 - the **annual sustainability results** and the HSE reassessment, including their impacts on climate change;
 - the **institutional report** that includes the Half-Year Financial Report, the Annual Report (including the Consolidated Non-Financial Statement - NFS), the Sustainability Report and the Financial Disclosure on Climate Change;
- It acknowledges the **information supplied by the committees**, in particular the ESG Committee, pursuant to the Regulation as part of disclosure to the Board required following every committee meeting.

The Snam Board of Directors has set up four internal committees: the Environmental, Social & Governance Committee (ESG Committee), the Control and Risk and Related Party Transactions Committee, the Appointments Committee and the Remuneration Committee. The composition, roles and function of the Committees are governed by the Board and set out in specific regulations. The Committees are composed of three non-executive directors, the majority of which are independent, except the Control and Risk and Related-Party Transactions Committee that is composed of independent directors only. The Board is also responsible for appointing the members of the Committees.

With the aim of optimising corporate processes, including the functioning, efficiency and effectiveness of the BoD, a Board Evaluation process has been implemented also for the three-year period 2019-2021, carried out by an independent advisor, aimed at assessing the Board and internal Committee operations by passing judgement on the activities carried out and identifying elements that could improve their performance.

Considering the key principles of transparency and integrity, comprising the foundation of the corporate structure, Snam is committed to identifying the information flows between corporate bodies and effectively defining the internal Control and Risk Management System. Snam exercises management and coordination activities through the implementation of **Guidelines on Corporate Governance** which define the principles, contents, instruments and operating methods of strategic activities carried out by Snam in line with its own corporate governance system and the characteristics of its organisational structure while, at the same time, taking into account the legal autonomy and the principles of the correct corporate and business management of the subsidiaries.

All BoD committees are chaired by **independent** directors.



6 Independent directors*
67%



3 Women
33% **6** Men
67%

* Independent Directors pursuant to the TUF and the Code of Corporate Governance. The Chair is independent within the meaning of the TUF

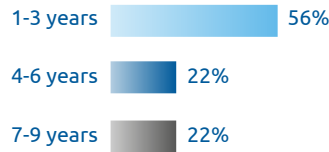


Meetings: **13**
Attendance rate: **98%**
Average duration of meetings: **193 minutes**

Independent



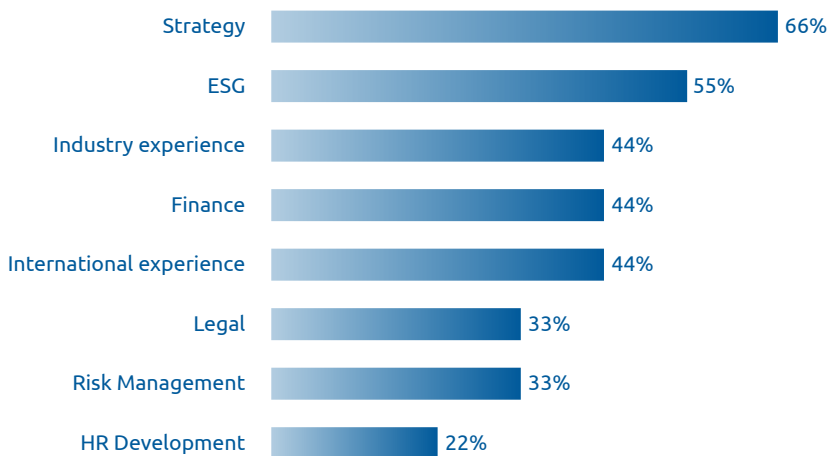
Seniority in office



Age groups



DIVERSITY AND SKILLS



67%
Business skills

33%
Finance & legal skills

SUSTAINABILITY GOVERNANCE

The BoD plays a central role in overseeing the Company's commitment to sustainable development throughout the value chain and the spread and integration of a culture aimed at fighting climate change, in accordance with the recommendations of the TCFD. To this end, Snam undertakes to ensure the comprehensive monitoring by the BoD of climate change risks and opportunities, and activities aimed at ensuring the correct management of these issues by the management department when running its activities. The BoD is also committed to integrating ESG topics into the business strategy, relative, for example, to the reduction of emissions and the promotion of a more efficient use of resources.

The amendments to the Articles of Association, approved by the Shareholders' Meeting of February 2021 testify to the Company's commitment to **"encourage energy transition towards forms of use of resources and energy sources compatible with environmental protection and progressive decarbonisation"**, included the principle of pursuing sustainable success among the aims to which the Company's business activities must conform, through the creation of long-term value for the benefit of shareholders and promoting, at the same time, the satisfaction of the interests of the Company's relevant stakeholders, constantly pursuing Snam's corporate purpose, **"Energy to inspire the world"**.

Topics linked to ESG factors represented a considerable part of the BoD induction sessions and meetings, which in 2021 again exceeded the target expected for the coming years inserted into the ESG Scorecard (at least 40% of time until 2023), devoting 41% of its time, including the six board induction sessions organised during the year, which regarded the role of sustainable mobility; analyses relative to hydrogen development projects; transportation and storage of hydrogen and market scenarios; recent evolutions of the regulatory framework, talent development and corporate welfare initiatives.

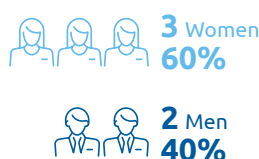
In this context, the ESG Committee, which has been assisting the BoD since 2016, plays an essential role in promoting and disseminating environmental, social and governance issues not only within the BoD through board induction sessions, but also within the company itself. For more information, see the paragraph on the "Environmental, Social & Governance Committee" of this Chapter.

In confirming last year's results and its commitment in ESG areas, in 2021 Snam was once again amongst the best Italian companies in corporate strategies according to the annual Integrated Governance Index survey carried out by ETicaNews. Finally, further recognition of Snam's transparency and commitment to sustainable practices at global level was obtained at the beginning of 2021, when the Group was included among the world's most sustainable companies in the Seal Sustainability Awards 2020.

THE BOARD OF STATUTORY AUDITORS

The role and functions of the Board of Statutory Auditors at a glance

- It monitors compliance with the law, the deed of incorporation and respect for the principles of proper administration in carrying out the company's activities;
- It monitors the adequacy of the organisational, administrative and accounting structure adopted by the company and its actual functioning;
- It performs supervisory functions as the "Internal Control and Accounts Auditing Committee", pursuant to Legislative Decree no. 39 of 27 January 2010.



Meetings: **17**
Attendance rate: **96%**
Average duration of meetings: **183 minutes**

Age groups

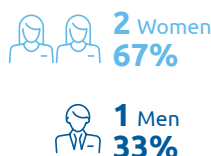


TCFD THE ENVIRONMENTAL, SOCIAL & GOVERNANCE COMMITTEE (ESG COMMITTEE)

The **ESG Committee** performs investigative, propositional and advisory functions vis-à-vis the Board of Directors, in order to promote the continuous **integration of national and international best practices** into Snam's corporate governance and of **environmental, social and governance factors** into the company's strategies aimed at pursuing **sustainable success**, which takes the form of the creation of long-term value to the benefit of shareholders, taking into account the interests of the Company's other relevant stakeholders. Specifically, the Committee:

- examines the policies for integrating ESG topics into the business model, also through the analysis of the related KPIs;
- examines the initiatives undertaken by the Company to deal with the issues raised by climate change and related reporting;
- examines the guidelines, objectives and consequent sustainability processes and the sustainability report submitted annually to the BoD;
- monitors the Company's positioning with respect to the financial markets on sustainability topics;
- examines the non-financial reporting submitted annually to the BoD;
- assesses sustainability risks in the medium to long term;
- supports the Board of Directors in carrying out the analysis of issues relevant to the generation of long-term value for the purpose of examining and approving the business plan of the Company and the group.

In FY 2021, the Committee met 16 times, with an attendance rate of 98%, and addressed climate change issues on several occasions, analysing in particular the results and strategies implemented by Snam to combat it. The Committee meetings also discussed how to achieve the decarbonisation targets set by the Towards Net Zero strategy, as well as activities to spread a culture of decarbonisation within the company.



Meetings: **16**
Attendance rate: **98%**
Average duration of meetings: **115 minutes**

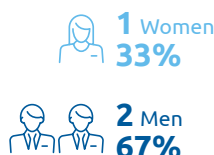
Age groups



THE CONTROL, RISK AND RELATED-PARTY TRANSACTIONS COMMITTEE

The **Control, Risk and Related-Party Transactions Committee** performs investigative, propositional and advisory functions vis-à-vis the Board of Directors, in order to support, by means of an adequate preliminary activity, the Board's assessments and decisions relating to the internal control and risk management system, as well as those relating to the approval of periodical financial and non-financial reports. Specifically, the Committee:

- periodically examines the main risks and opportunities, including those resulting from climate change;
- supports the Board of Directors in the definition of the guidelines for the internal control and management of medium and long term risks, so that the main risks are correctly identified, measured, managed and monitored (including risks that may be relevant in terms of sustainability, liaising with the ESG Committee);
- supports the Board of Directors in determining the degree of compatibility of these risks with management that is consistent with the strategic objectives.



Meetings: **15**
Attendance rate: **100%**
Average duration of meetings: **221 minutes**

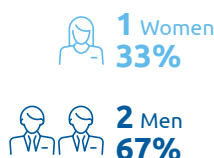
Age groups

> 50 years 100%

THE APPOINTMENTS COMMITTEE

The **Appointments Committee** performs investigative, propositional and advisory functions for the Board of Directors, proposing, evaluating and examining **candidates for the administrative bodies of Snam and its subsidiaries**. It also **formulates opinions and reports to the Board** on the activities carried out, the size and composition of the Board,, expresses **recommendations regarding managerial and professional figures** whose presence on the Board is considered appropriate. The Committee **also examines and evaluates the methods that oversee the preparation of succession plans** for the Company's Key Managers. Specifically, the Committee:

- proposes, evaluates and examines candidates for the administrative bodies of Snam and its subsidiaries;
- formulates opinions and reports to the BoD on the activities carried out, the size and composition of the Board,, expresses recommendations regarding managerial and professional figures whose presence on the Board is considered appropriate;
- examines and evaluates the methodologies that oversee the preparation of the succession plan for the Company's key management personnel.



Meetings: **8**
Attendance rate: **100%**
Average duration of meetings: **91 minutes**

Age groups

30-50 years 33%

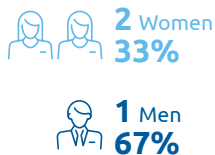
> 50 years 67%

THE REMUNERATION COMMITTEE

The **Remuneration Committee** performs investigative, propositional and advisory functions vis-à-vis the Board of Directors in relation to the remuneration of directors. The Committee assists the Board of Directors in the drafting of the Remuneration Policy and in the periodic evaluation of the same with respect to its adequacy, overall consistency and concrete application, as well as in the assessment of company results and the definition of claw back clauses.

In addition, the Committee:

- examines the indications of the CEO and proposes, with a view to promoting sustainable value creation over the medium/long term: (i) general criteria for the remuneration of Key Managers; (ii) general guidelines for the remuneration of other executives of Snam and its subsidiaries; (iii) annual and long-term incentive plans, including share-based plans;
- proposes the definition of performance targets that include indicators relating to ESG factors, identified in agreement with the ESG Committee, the final balance of company results and the definition of claw back clauses related to the implementation of the incentive plans.



Meetings: **16**

Attendance rate: **100%**

Average duration of meetings: **93 minutes**

Age groups



SNAM'S ORGANISATIONAL MODEL

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 Ethics**² 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**.

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, thereby enabling continual improvements in the effectiveness and efficiency of corporate processes.

The organisational structure of Snam features five business units and staff functions, designed with a view to simplifying processes, efficiency and continuous improvement. The business units focus on the following key Snam activities: (i) international development, (ii) management of Italian subsidiaries and development of technical services focused on specialised skills and know-how for gas operators, (iii) development of businesses related to energy transition, and (iv) development of the hydrogen business.



* On behalf of the Board of Directors, the Chair coordinates and makes use of:
 - the Board Secretary, for board induction and evaluation activities and all activities relating to the shareholders' meeting, the board of directors, the board committees and - to the extent necessary - the control body;
 - the Head of Internal Audit, for the activities falling within the remit of the Internal Audit Department, which reports hierarchically to the Board.

2 Snam's Code of Ethics can be viewed on the Company's website at the following link
https://www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/codice_etico.pdf

In 2021, in line with the company's strategic guidelines, the structures of the biomethane, energy efficiency, hydrogen, sustainable mobility and international activities business units were further consolidated, and new activities dedicated to forestation were introduced.

In addition, in order to **seize the new and important development opportunities defined by the 2021-2025 Strategic Plan with a view to 2030**, a number of initiatives have been launched that will make Snam's organisational and procedural system one of the accelerators of change. The main objective is to ensure **increasing flexibility** in the corporate structure to meet the new challenges of the energy transition.

SNAM'S REMUNERATION AND INCENTIVE SYSTEM

Snam is committed to ensuring a remuneration system that complies with European and national legislation, which guarantees constant alignment with international best practices and promotes the Company's development in line with its Strategic Plan.

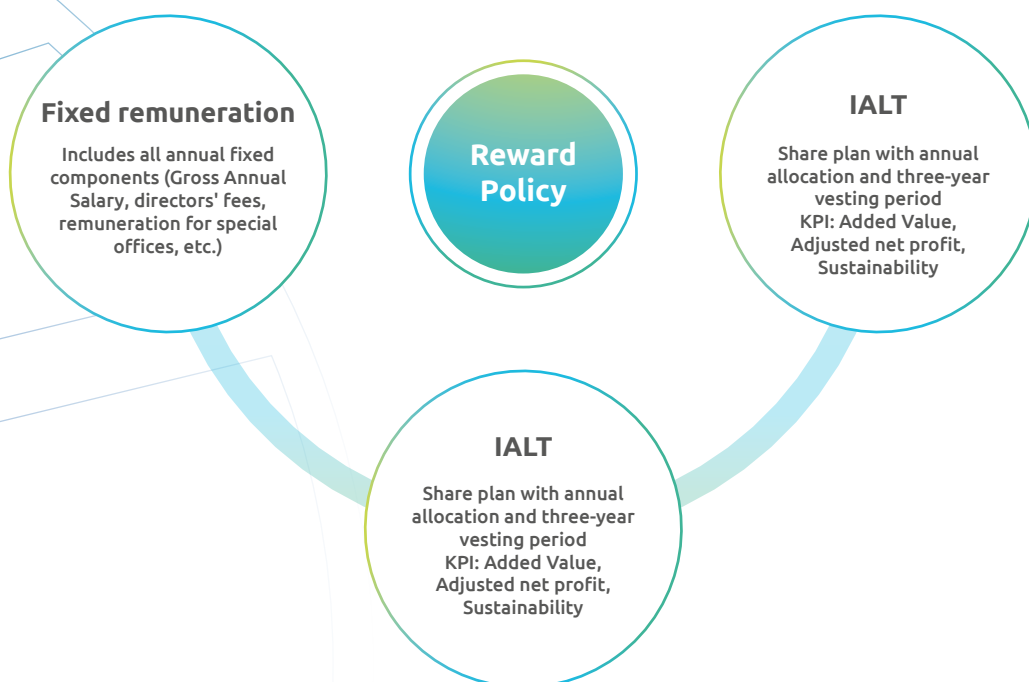
Snam's remuneration system, guided by the Remuneration Committee, is aimed at recognising the responsibilities assigned to it, the results it achieves and the quality of the professional contribution provided by the Company management department and complies with the principles of people promotion and equal opportunities, established in the Code of Ethics and present, for some time, in Snam's organisational culture.

The remuneration system represents a fundamental instrument aimed at attracting, retaining and motivating team of high-quality management personnel who are able to run the company successfully, while aligning its actions with shareholders' interests and promoting the creation of value in the medium-long term.

For **managers**, the remuneration system breaks down into two parts: fixed remuneration, with possible annual adjustments for merit or progression of roles/responsibilities, and variable remuneration with incentives aimed at promoting 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 (IALT). Also, managers are subject to claw-back mechanisms, aimed at recovering the variable portion if the resulting compensation is not due if 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. Finally, the **Compensation Statement** envisaged for managers is an information tool on the breakdown of individual remuneration that guarantees the promotion and transparency of the remuneration system.

For the **rest of the corporate population**, Snam adopts a short-term variable incentive plan intended to reward best performance and the young resources with potential for development. What is more, all companies in the Group implemented 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 trade-union representatives.

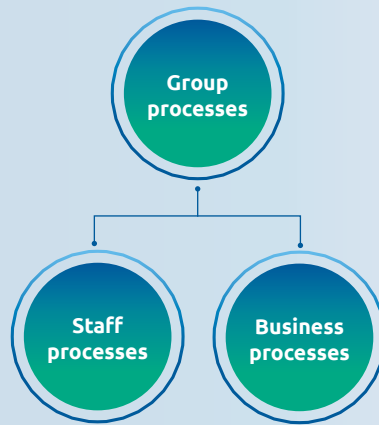
In 2021, the **Snam 2021 Remuneration Policy**³ for Directors, Statutory Auditors and Key Managers was approved⁴. In the new Remuneration Policy, sustainability becomes an even more relevant factor as the following performance targets are considered: the weighted accident frequency and severity index, inclusion in the DJSI, FTSE4GOOD, CDP Climate Change, Sustainalytics indices, increasing sustainable financing, reducing natural gas emissions and equal representation in terms of gender diversity in the management team.



³ The Snam 2022 Remuneration Policy for Directors, Auditors and Key Managers will be approved during the shareholders' Meeting of 27 April 2022.

⁴ At Snam, Key Managers differ from Directors and Auditors, and have the following roles: Chief Business Unit Asset Italy, Chief Financial Officer and Chief International & Business Development Officer and Executive Vice President Human Resources & Organization & PFM.

NFS CONTROL SYSTEM



Subsidiaries and Snam responsible for the identification, measurement and management of risks and the implementation of the related controls in the processes under their purview.

Identification, assessment and monitoring of risks within individual Group processes.

This level includes the Snam Group departments that are owners of individual risks, responsible for identifying, measuring and managing them, as well as implementing the necessary controls within the processes for which they are responsible.



COMPLIANCE > ENTERPRISE RISK MANAGEMENT

Monitoring of the main risks in order to ensure the effectiveness and efficiency of risk management and treatment and the adequacy and operability of the controls put in place to monitor the main risks; **support to the first level in the definition and implementation of adequate management systems** for the main risks and related controls.

This level includes the Group staff departments responsible for coordinating and managing the main control systems (e.g. on Corporate Administrative Responsibility, Corporate Disclosures, Anti-Corruption, Antitrust).



INTERNAL AUDIT

Independent and objective assurance on the adequacy and effective operation of the first and second level of control and overall risk management arrangements. Internal Audit operates on the basis of the "Guidelines for internal audit activities".

Internal Control and Risk Management System

Snam adopts a structured and systemic approach to governing all risks that could affect value creation.

Snam's **Internal Control and Risk Management System** (the "ICRMS") is one of the Group's key elements and constitutes all the guidelines, regulations and organisational structures that allow for the **identification, measuring, management and monitoring of the most significant risks**, including those established under Art. 3, paragraph 1, of Legislative Decree NO. 254/2016 (in relation to environmental, social and personnel-related issues, respect for human rights, and the fight against active and passive corruption), and the **monitoring of managerial processes**. 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 control system is divided into three levels, each with different objectives and associated responsibilities. **Structuring and maintaining the whole system is the task of the Chief Executive Officer**, appointed to do so by the Board of Directors. 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.

These same controls form an integral part of the managerial processes. Management must therefore **foster an environment that encourages controls**, and must specifically manage "line controls", consisting of all the control activities that individual operating units or companies perform over their own processes. **Independent controls are performed by the Internal Audit department**, which is responsible for checking that the system is functioning and adequate.

The Internal Control and Risk Management System is based on guiding principles contained in the Code of Ethics:

- the segregation of the activities of the persons in charge of the authorisation, execution, or control procedures;
- the existence of company regulations that can provide general benchmark principles for governing 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 resources management procedures).

The Internal Control and Risk Management System is audited and updated to ensure it is suited and appropriate to overseeing the main areas of corporate risk. In this context, and also in order to execute the provisions of the Corporate Governance Code, Snam has adopted an ERM (Enterprise Risk Management) Model, considered in more detail in the "Risk Management" chapter of this document.

The corporate bodies, institutions and functions involved in the internal control system are the Board of Directors, the CEO who, employed by the BoD, is responsible for the structure that maintains the entire system, the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, the Supervisory Body and the Guarantor of the Code of Ethics, the Manager responsible for preparing the Company's financial reports, and the Internal Audit Officer. In particular, the role carried out by the **Internal Audit** department is crucial in that it verifies the functionality and adequacy of the system, preparing periodic reports containing appropriate information regarding its own activities, the risk management procedures, and compliance with the plans defined to contain said information, as well as assuring the reliability of the information systems.

Risk Assurance & Integrated Compliance

Under the scope of the Internal Control and Risk Management System, through the “**Risk Assurance & Integrated Compliance**” Model implemented starting 2019, Snam has merged the second control level models in order to promote and facilitate compliance with the reference regulations and the prevention of offences. This is specifically achieved through the **Compliance Programme for the Prevention of Offences (CPPI)** that fully complies with the Code of Ethics and that is implemented and rendered operational through:

- the regulatory system;
- the corporate governance provisions adopted in conformity with applicable legislation and international best practices;
- the provisions, methodologies and activities of the models applied by the dedicated functions;
- an integrated Risk Assurance & Compliance process.

Within the CPPI, the relevant elements for its implementation are the Integrated Risk Assurance & Compliance Model, the reporting⁵, reward and sanction systems, and training and communication.

The integrated Risk Assurance & Compliance model is intended to improve the perception of the checks by the various owners involved and to make the ICRMS even more efficient through better coordination and integration of the flows and interaction between the three lines of control, valuing the respective contributions.

As in 2020, in 2021 Snam used the **Integrated Risk Assurance & Compliance (RACI)** IT platform to coordinate and integrate the information flows of second-level controls, while maintaining the specific features of

the methodologies of each model⁶, with a synergistic approach aimed at maximum rationalisation and overall efficiency. The RACI helped create an integrated data base (Risk & Control Register), where the models involved in the Risk Assurance & Integrated Compliance process share a single risk and control catalogue.

This repository makes it possible collect consistent and complete information and data in an integrated fashion to support the decision-making processes of the top management and corporate bodies which receive dedicated reports.

The Model 231

The **organisational, management and control model** pursuant to Legislative Decree no. 231/2001 (Model 231) constitutes an organic set of principles, rules and provisions concerning the control of each corporate process. The Model 231 has the fundamental role of protecting the company from any conduct that could lead to administrative liability, pursuant to Legislative Decree no. 231/2001, in relation to offences committed or attempted in the interest or to the advantage of the company by persons in “top” positions within the structure itself or by persons subject to the supervision and control of the latter.

Snam and subsidiaries adopted their own 231 Models⁷ 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 they identified and appointed a **Supervisory Body**, for each of them, with autonomous initiative and control powers, in compliance with the laws and regulations.

5 The CPPI is also made effective by the contribution provided by the adoption of a so-called whistleblowing system. The Guideline “Reports, including anonymous ones, received by Snam and its subsidiaries” regulates the process of receiving, analysing and processing reports made by anyone, including in confidential or anonymous form <https://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html>

6 The prerogatives of the Chief Financial Officer in particular are preserved as a result of Article 154-bis of the TUF, with reference, among other things, to the preparation of adequate administrative and accounting procedures for preparing the financial statements and the consolidated financial statements as well as any other financial reports.

7 The 231 Model is available on the Company’s website at <https://www.snam.it/en/governance-conduct/internal-control-and-compliance/administrative-responsibility/index.html>

The **CoSo Framework** (most recently published in May 2013) provides a basis for the analysis of corporate processes and the comparative analysis of the existing control environment and of the control systems. The Framework is the international reference model for the establishment, updating, analysis and assessment of the internal control system.

In 2021, applying the logic of the Integrated Risk Assurance & Compliance Model referred to in the guideline adopted by the Snam Board of Directors on 11 December 2018, risk assessment and gap analysis activities were carried out aimed at updating the 231 Models of Snam and its subsidiaries in relation to both the organisational changes that have taken place and the regulatory changes introduced by Legislative Decree no. 75 of 14 July 2020 concerning the “Implementation of Directive (EU) 2017/1371 on the fight against fraud to the detriment of the financial interests of the Union by means of criminal law” (the “PIF Directive”, which extended 231 liability to include additional offences⁸.

The results of the risk assessment and gap analysis confirmed the adequacy of the internal control system to monitor the legal and non-compliance risk in relation to the administrative liability of legal persons under Model 231. In addition, the organisational changes made in January-February 2021 have had an impact on the structure of Snam’s and Snam Rete Gas’s Model 231: specifically, controls related to the risks associated with the Commercial & Dispatching Department of Snam Rete Gas have been assigned (with reference to the part relating to commercial activities) to Snam’s Commercial, Asset Planning & Regulatory Affairs Department, as a result of the transfer of the Department from Snam Rete Gas to Snam. These activities have been incorporated into the updated version of the Special Section documents entitled “Processes, Sensitive Activities and Specific Control Standards of Model 231” for Snam and its subsidiaries.

Also in 2021, the Boards of Directors of the subsidiaries Snam 4 Environment, Renovit, Miecì, Evolve and Arbolia adopted their own Model 231, following the performance of their respective Risk Assessment activities, in line with the evolution of the process of integration into the Snam group.

8 Italian Legislative Decree no. 75/2020 extended the liability of entities to the following offences: (i) fraud in public supplies (Article 356 of the Criminal Code) and fraud in agriculture (Article 2 of Law no. 898 of 23 December 1986); (ii) the relevance of all the offences against the Public Administration referred to in Article 24, paragraph 1, of Legislative Decree no. 231/2001, even when committed by the entity to the detriment of the European Union; (iii) embezzlement (art. 314, paragraph 1, of the Italian Criminal Code), embezzlement by means of profiting from the error of others (art. 316 of the Italian Criminal Code) and abuse of office (art. 323 of the Italian Criminal Code) if damage to the financial interests of the European Union results from their commission; (iv) untrue declaration (art. 4 Legislative Decree no. 74/2000), omitted declaration (art. 5 Legislative Decree no. 74/2000) and undue compensation (art. 10-quater of Legislative Decree no. 74/2000) if they are committed as part of cross-border fraudulent schemes and for the purpose of evading value added tax for a total amount of not less than 10,000,000 euros; (v) extension of the punishability of the attempt of the offences of fraudulent declaration through the use of invoices or other documents for non-existent transactions (Article 2 of Legislative Decree no. 74/2000), fraudulent declaration by means of other artifices (art. 3 Legislative Decree 74/2000), untrue declaration (art. 4 Legislative Decree. 74/2000) in cases where the same are also committed in the territory of another European Union Member State and for the purpose of evading value added tax for a total value of not less than Euro 10,000,000; (vi) smuggling offences provided for in Articles 282 et seq. of Presidential Decree no. 43 of 23 January 1973 laying down the “Consolidated Law on Customs”.

In December 2021, a further risk assessment activity was launched - and is still ongoing - aimed at updating the Special Part of Models 231 of Snam and its subsidiaries Snam Rete Gas, Stogit, Snam 4 Mobility, Cubogas, IES Biogas, Snam 4 Environment and Renovit in relation to the organisational changes that have taken place.

The outcomes of these activities will make it possible to adapt the Special Section documents entitled "Processes, Sensitive Activities and Specific Control Standards of Model 231" for Snam and its subsidiaries.

Given the importance of the principles of ethics and integrity, Snam has dedicated a specific **training programme to spread awareness of the principles and contents of Model 231 and Legislative Decree no. 231/2001**. In 2021, training continued in the form of the Compliance Course for the entire workforce, comprising five modules on the following topics: Model 231, Privacy, Market Abuse, Antitrust and Anti-corruption. Finally, as part of the process of managing whistleblowing⁹, Snam has for some time now set up specific communication channels, to which Snam and its subsidiaries refer.

Finally, under the scope of reporting management, the Group has, for some time, adopted specific communication channels, available to both Snam and subsidiaries. The management of the communication channels is entrusted to an external subject (Ombudsman), who ensures the receipt and analysis of each report received, 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.

⁹ Detailed information on the topics discussed in this section can be found in the "Report on Corporate Governance and Ownership Structure 2020", available on the Company's website at https://www.snam.it/export/sites/snam-rp/repository/file/Governance/organismi_sociali/assemblea_azionisti/verbali_documenti/2021/Relazione-sul-Governo-Societario-e-gli-Assetti-Proprietari-2020.pdf

Internal Audit activities

In 2021 the Internal Audit activities are carried out by ensuring that the conditions of complete independence and autonomy are preserved, as well as the due professional diligence, objectivity, and competence, as provided for by the Mission of the Internal Audit and by the Mandatory Guidance of the Institute of Internal Auditors and by the principles contained in the Code of Ethics. The Internal Audit regularly carried out scheduled activities involving:

1. preparation of the proposed Audit Plan based on the measurement and prioritisation of the main corporate risks carried out by the ERM unit;
2. execution of the Audit Plan, composed of 14 measures, approved by the Snam Board of Directors on 17 March 2021, following the favourable opinion of the Control, Risk and Related-Party Transactions Committee and after carrying out three further audits not scheduled in the plan (spot audits);
3. monitoring of the implementation of corrective actions based on the recommendations that were provided during the audit;
4. development of the independent monitoring programme defined with the Chief Financial Officer under the scope of Snam's Corporate Information Control System;
5. confirmations of reports, including anonymous ones, of problems relating to the internal control and risk management system, the company's administrative responsibility, whistleblowing
6. activities relating to relations with the Independent Auditors concerning the management of the Framework Agreement entered into and, in particular, the supervision of activities for the conferral of additional appointments of the same.

Regarding point 5 in particular, in 2021, Snam received 6 reports, 3 of which were anonymous. The Internal Audit department was appointed by the Supervisory Body to verify 6 of these, and for one, activated the competent departments of Snam Rete Gas - BUAIT. The main issues reported in 2021 concerned alleged conduct by suppliers and employees in breach of the Code of Ethics and company regulations, the alleged involvement in criminal proceedings of the CEO of a supplier company and alleged damage to third parties as a result of conduct by a Group company. The 6 reports received in 2021 (all in the second half of the year) have been fully processed by the Internal Audit Department, but still need to be formally closed/filed by the competent Supervisory Bodies.

Significant further actions carried out include:

- the completion of the external assessment of compliance with International Standards for the professional practice of Internal Auditing (so-called “External Quality Review”) to be carried out at least once every five years by an independent party, resulting in “general compliance” with the Standards (highest achievable assessment);
- the updating of the Operational Manual of the Function with the inclusion of new methodologies in particular related to agile auditing, audit assessment of newly acquired companies and shareholder’s audits of foreign associate companies;
- the update of the “audit universe” of audit objects, also in order to consider the organisational changes to the Snam Group that took place during 2021 and to include the new processes resulting from the acquisition of companies in relation to the new businesses;
- the management of specific requests came up during periodic meetings with Snam’s control bodies.

In 2021, audit activities were performed by a dedicated team of 12 auditors (average annual headcount):

INTERNAL AUDIT ACTIVITIES (NO.)

	2019	2020	2021
Total audits performed (planned and/or spot)	15	16	16
Report for independent monitoring activities (Law 262/05)	19	21	14
Reports received and processed (*)	11	10	6
those involving the Internal Control System	1	5	4
those involving accounts, audits, fraud, etc.	-	-	-
those pertaining to administrative liability pursuant to Legislative Decree no. 231/2001	-	-	-
those involving violations of anti-corruption law	-	-	-
those involving other subjects (Code of Ethics, mobbing, theft, security, etc.) (**)	10	5	5
Reports archived due to a lack of elements or untruthfulness (***)	6	3	2
Reports concluded with disciplinary procedures/managerial action and/or subject to Court Authorities (***)	5	6	0

(*) Reports may belong to more than one category at the same time.

(**) The data for 2019 comprises the management of 4 integrations referring to 3 reports received during the year, one of which is currently under examination.

(***) The term “managerial” also refers to organisational/procedural interventions relative to actions aimed at improving the Internal Control and Risk Management System.



STRATEGY AND RISK MANAGEMENT

THE NEED TO COMBAT CLIMATE CHANGE

Climate change is an issue that is increasingly on the daily agenda of states and countries and whose effects are tangible and have a direct impact on everyday life. As temperatures continue to rise, global warming will make geophysical phenomena more extreme, rainfall and flooding will intensify, sea levels will continue to rise, with dramatic consequences for biodiversity, the agricultural system, health and human lives, as well as causing huge financial losses (source: "Climate Change 2021: The Physical Science Basis", published by the IPCC in August 2021).

CLIMATE RISKS: 1.5°C VS 2°C GLOBAL WARMING

EXTREME WEATHER

100% increase in flood risk
~ VS ~
170% increase in flood risk

SPECIES

6% of insects, **8%** of plants and **4%** of vertebrates will be affected
~ VS ~
18% of insects, **16%** of plants and **8%** of vertebrates will be affected

WEATHER AVAILABILITY

350 million urban residents exposed to severe drought by 2100
~ VS ~
410 million urban residents exposed to severe drought by 2100

PEOPLE

9% of the world's population (**700 million people**) will be exposed to extreme heat waves at least once every 20 years
~ VS ~
28% of the world's population (**2 billion people**) will be exposed to extreme heat waves at least once every 20 years

COSTS

Lower economic growth at 2°C than at 1.5°C for many countries, particularly low-income countries

FOOD

Every half degree warming will consistently lead to lower yields and lower nutritional content in tropical regions

ARTIC SEA ICE

Ice free summers in Arctic at least once **every 100 years**
~ VS ~
Ice free summers in Arctic at least once **every 10 years**

SEA-LEVEL RISE

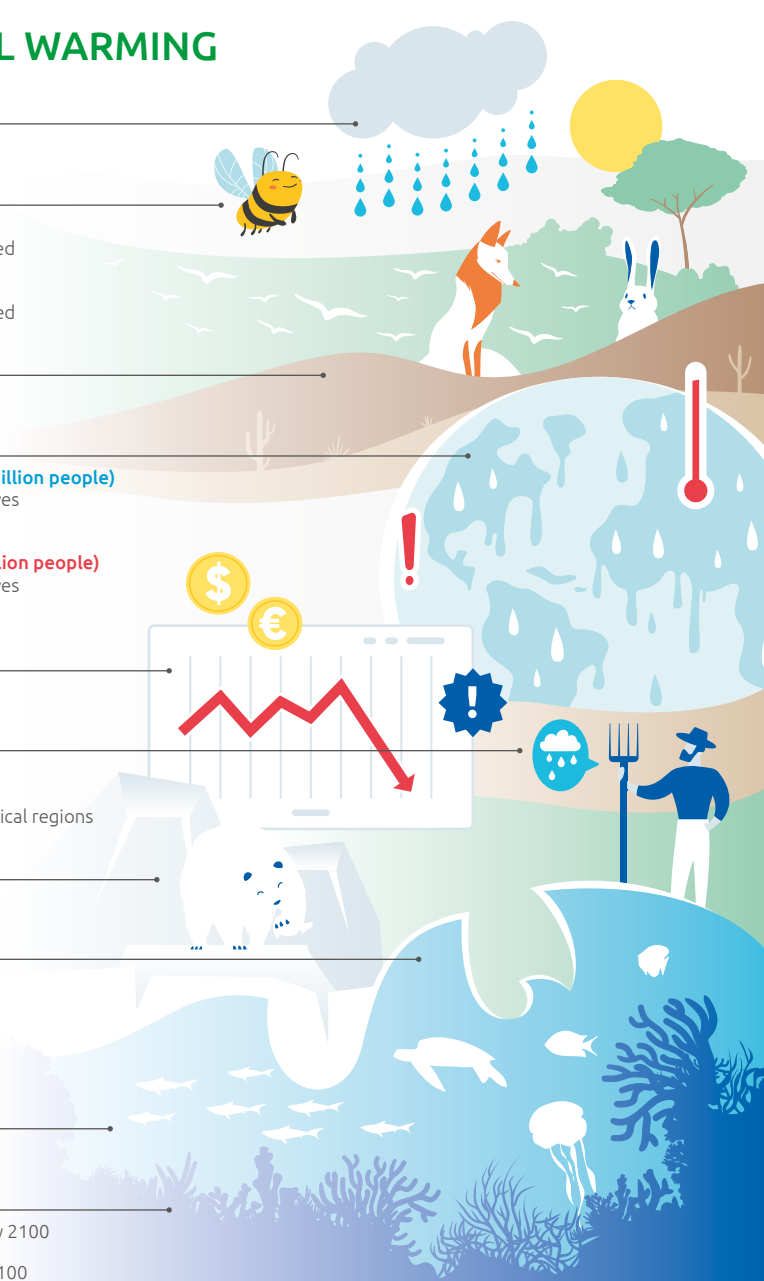
46 million people impacted by sea-level rise of 48cm by 2100
~ VS ~
49 million people impacted by sea-level rise of 48cm by 2100

OCEANS

Lower risks to marine biodiversity, ecosystems and their ecological functions and services at 1.5°C compared to 2°C

CORAL BLEACHING

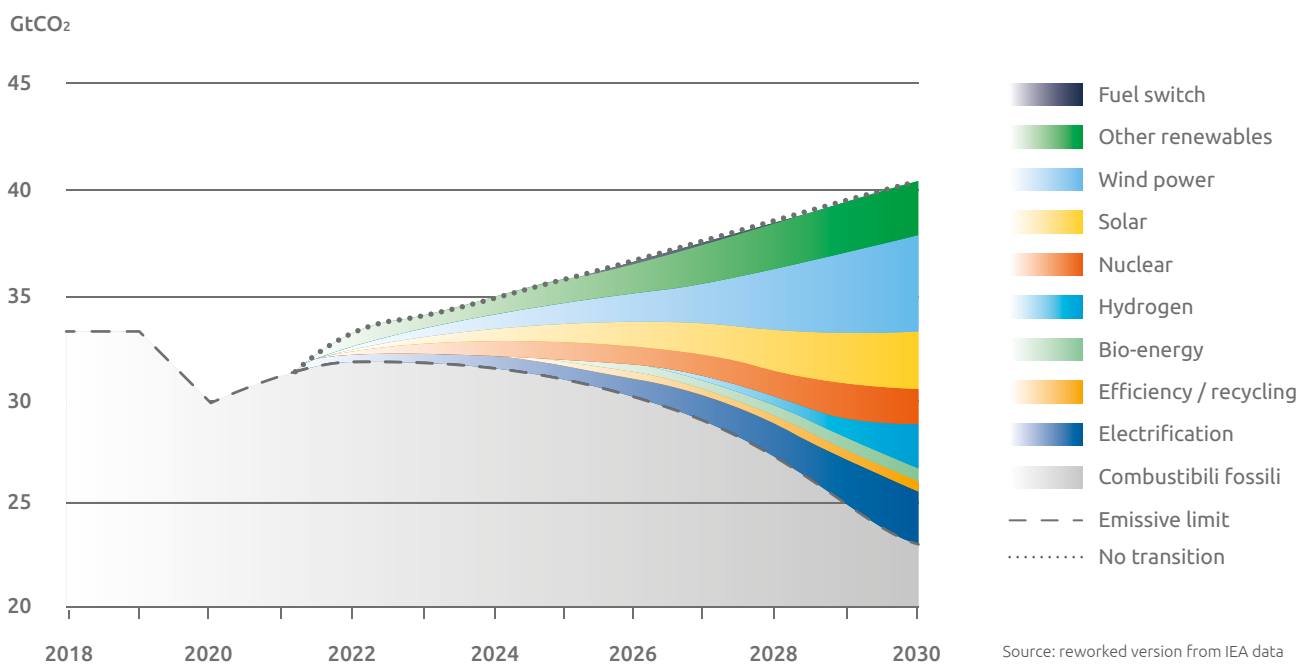
70% of world's coral reefs are lost by 2100
~ VS ~
Virtually **all coral reefs are lost** by 2100



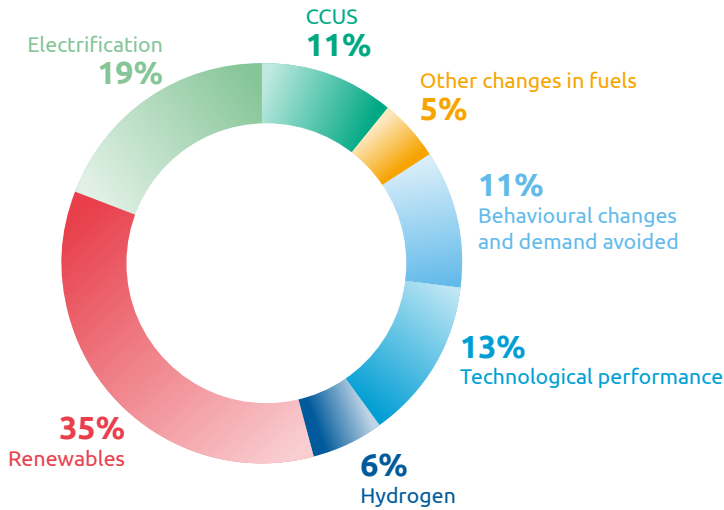
In its latest report ‘Climate Change 2022: Impacts, Adaptation and Vulnerability’, the Intergovernmental Panel on Climate Change (IPCC) points out that the effects of climate change are advancing much faster than previously assessed and that this has already caused widespread adverse impacts with consequent loss and damage to nature and people, recognising that today around 40% of the world’s population is highly vulnerable to climate impacts. The IPCC stresses the **urgency of immediate and more ambitious action** to address climate risks, recognising how **crucial the next decade is**. In this context, the report outlines a number of key elements that can support the transition, including safeguarding and protecting the natural heritage as an essential factor in ensuring a liveable future and as a complement to the actions to be taken by governments and businesses. At the same time, it identifies cities as catalysts for opportunities towards a substantial increase in renewable energy, sustainable mobility and resilient and efficient infrastructure, even though they are highly exposed to climate impacts. The report highlights the importance of involving all actors - governments, private sector, civil society - who must work in synergy to foster decision-making processes, mitigation policies and investments for transition: these perspectives will only be possible if supported by inclusive governance, backed by investments in adequate training of people and appropriate technology to support transition.

It is therefore essential to combat climate change by implementing an **energy transition** towards a net-zero energy system, focusing on energy efficiency, the use of renewables including biomethane and hydrogen, circular economy practices and general behavioural change. According to Bloomberg NEF’s **New Energy Outlook 2021** (BNEF), based on a business-as-usual scenario, global emissions will reach around 40 GtCO₂e by 2030, but by implementing energy transition actions on several fronts, such as replacing more environmentally damaging fossil fuels with more sustainable energy sources, greenhouse gas emissions could be almost halved to around 23 GtCO₂e. In addition, the International Energy Agency’s (IEA) ‘Net Zero Emissions by 2050’ scenario estimates that most of the emission reductions by 2050 will be attributable to renewables and 22% to the combined action of hydrogen and developing technologies such as CCUS (Carbon Capture, Utilisation and Storage).

TOTAL ENERGY EMISSIONS AND REDUCTION IN 2030, BY ENERGY SOURCE



CUMULATIVE EMISSION REDUCTIONS FOR MITIGATION MEASURE IN THE NET ZERO EMISSIONS BY 2050, 2021-2050 SCENARIO

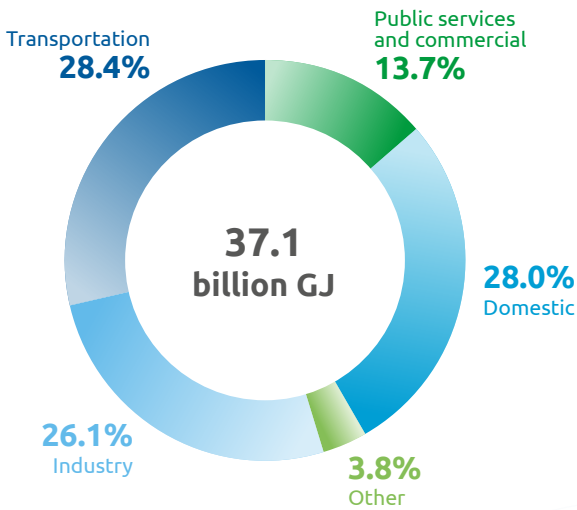


Source: IEA data re-elaboration

With the exception of 2020, which was influenced by measures to contain the Covid-19 pandemic that slowed down economic and production activities, the energy landscape in recent years has been characterised by a steady increase in consumption and consequently in greenhouse gas emissions and global temperatures.

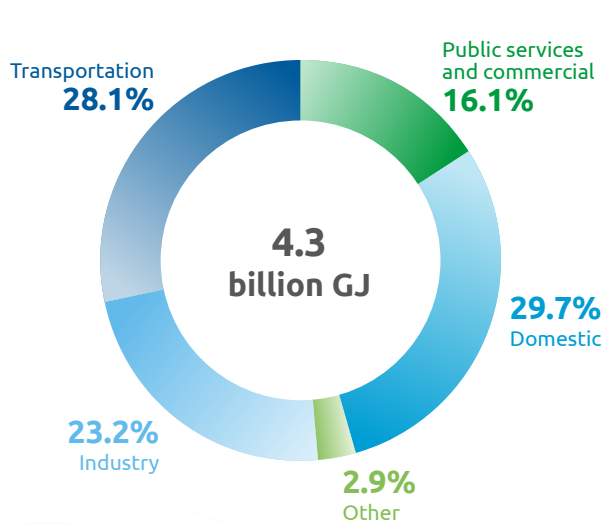
In particular, considering only the 2020 energy data of the European Union (the most recent data available to date), total energy consumption was **37.1 billion GJ**, of which more than 80% was attributable to the transport sector (28.4%), industry (26.1%) and households (28%). In Italy, total energy consumption amounted to 4.3 billion GJ, mainly attributable to domestic use (29.7%), as well as to the transport and industrial sectors (28.1% and 23.2% respectively).

TOTAL ENERGY CONSUMPTION BY SECTOR 2020 - EU 27



Source: Final energy consumption by sector, Eurostat

TOTAL ENERGY CONSUMPTION BY SECTOR 2020 - ITALY



Source: Final energy consumption by sector, Eurostat

According to the World Energy Outlook, although low-carbon gases still account for a small share of total gas supply (currently less than 1%), their demand is growing rapidly. Data show that **global biomethane production** has increased to over 5 billion cubic metres (bcm) by 2020, largely due to supportive policies in Europe and North America. In its latest report, the IEA predicts that, even in 2021, growth in biomethane production will remain stable and that, although it is still in its early stages, low-emission **hydrogen production** is set to grow in the years to come.

At the Italian level, the National Agency for New Technologies, Energy and Sustainable Economic Development (ENEA) estimates that, in the first nine months of 2021, energy demand was around 3% lower than in the same period in 2019. The decline is largely attributable to oil, whose consumption in the first nine months was 10% lower than two years ago, while gas and coal are both about 2% and 16% lower respectively. These decreases were partly offset by increases in electricity imports (+1.4 Mtoe) and renewables (+0.9 Mtoe).

Overall, CO₂ emissions in the first nine months of 2021, while increasing compared to 2020, remain more than 10% lower than in 2019. 60% of this growth is attributable to transport, a quarter to civil engineering, more than 10% to the recovery of consumption for productive activities, while the contribution of electricity generation is marginal.

Global and national consumption and emissions call for a review of the energy system. Institutions, as well as economic sectors, must therefore act to limit the increase in demand for coal and the most polluting fossil fuels and, on the contrary, support the development of renewable sources and low-emission gases, with a view to achieving carbon neutrality and combating climate change.

According to the World Energy Outlook there are four key measures that will keep global warming within the 1.5°C of the Paris Agreement over the next decade:



Use of renewables

Due to the development of **solar** and **photovoltaics**, as well as the spread of **other low-emission systems, strong infrastructure** and **greater flexibility in systems**, in addition to a **rapid phase-out of coal** and the expansion of the **use of electricity in transportation and heating**



Energy efficiency

Through the implementation of measures that regulate the demand for energy services through **material efficiency** and **behavioural change**



Reducing methane emissions

From fossil fuels, which will affect the energy sector, particularly Oil and Gas, where **methane emission reductions are most cost-effective**



Innovative clean energy systems

Through the adoption, especially in hard-to-abate sectors, of technologies that are still under development, including **hydrogen-based** and other **low-emission fuels**, and **CCUS technologies**

COP26 (the 26th UN Conference of the Parties on Climate Change) further reinforced the imminent need to support the growth of renewable energy and the electrification process, the development of resilient and flexible infrastructure to support the energy sector, and the need to support research, development and scaling up of key projects such as CO₂ storage and capture in order to meet the ambitious emission reduction and carbon neutrality targets by 2050.

COP26 helped launch a significant investment opportunity for the energy transition, in particular the Glasgow Financial Alliance for Net Zero agreed to invest over \$130 trillion of private capital in activities related to achieving net zero emissions, many of which will involve midstream infrastructure.

THE COMMON GOAL OF ZERO NET EMISSIONS

In recent years, both at national and international level, a number of policies have been substantiated with medium- and long-term targets, aimed at reducing emissions, increasing the share of renewable energy and energy efficiency and achieving carbon neutrality by 2050.

In 2019, the European Union launched the “European Green Deal” which relaunches the climate and energy targets presented in the two 2018 packages: the “Clean Energy for all Europeans” to 2030 and the “EU 2050 Climate Long-Term Strategy”. In 2021, as part of the Green Deal, the addition of the new “Fit for 55” package strengthens the target for reducing carbon dioxide emissions in 2030 from 40% to 55% of 1990 levels, to reach carbon neutrality in 2050; increases the share of energy produced from renewable sources to 40% (vs 32% of the Clean Energy for all Europeans package) and increases the percentage of energy efficiency in final and primary energy consumption to between 36% and 39% by 2030, set at 32.5% in the 2018 strategies.



In line with European energy and climate targets, the national government has set out plans to reduce emissions and achieve carbon neutrality by 2050. In December 2019, Italy approved the first Integrated National Plan for Energy and Climate (PNIEC)¹⁰ and an updated version of the PNIEC will be proposed to the European Commission by 30 June 2023, and will integrate the new targets included in the Fit for 55 package regarding emission reduction, renewable energy share and energy efficiency. It will also include a significant contribution from green gases and hydrogen, as pillars of decarbonisation, but also from decarbonised gases obtained through the application of CO₂ capture technologies.

While the PNIEC presents a medium-term vision, the **Italian long-term strategy on the reduction of greenhouse gas emissions**, published in January 2021, incorporates the energy-environmental dynamics to 2030 and extends them with the objective of achieving carbon neutrality by 2050, through the reduction of energy consumption by 40% compared to current levels and favouring the use of energy sources and vectors, such as electricity and renewables. In particular, the government has identified four levers to be integrated with energy efficiency action:



¹⁰ Targets to 2030 in the 2019 PNIEC cover: -37% CO₂ emissions vs 1990, 30% renewables in gross final energy consumption, -43% reduction in primary energy consumption and - 39.7% in final consumption vs PRIMES 2007 (energy efficiency).

THE STRATEGIC ROLE OF HYDROGEN

In this context, therefore, it is necessary to embark on a path of decarbonisation of all sectors and industries, ensuring a continuous and reliable energy supply. New energy carriers will be needed to transfer the growing share of decarbonised primary energy to the energy demand side and offer flexibility, security and diversification of energy supply sources, while maintaining the quality of services provided and accessibility.

To date, few carriers are able to ensure the development of scalable solutions and support the path to a low-carbon economy. Among those present, **hydrogen guarantees the achievement of decarbonisation targets as it will be able to meet energy demand and will allow CO₂ emissions to be reduced.**

Colourless and odourless, it is made up of two hydrogen atoms and with 1 kg can power a fuel cell car for 100 km, heat a house for two days and produce 9 kg of steel from raw iron.

INTERESTING FACTS

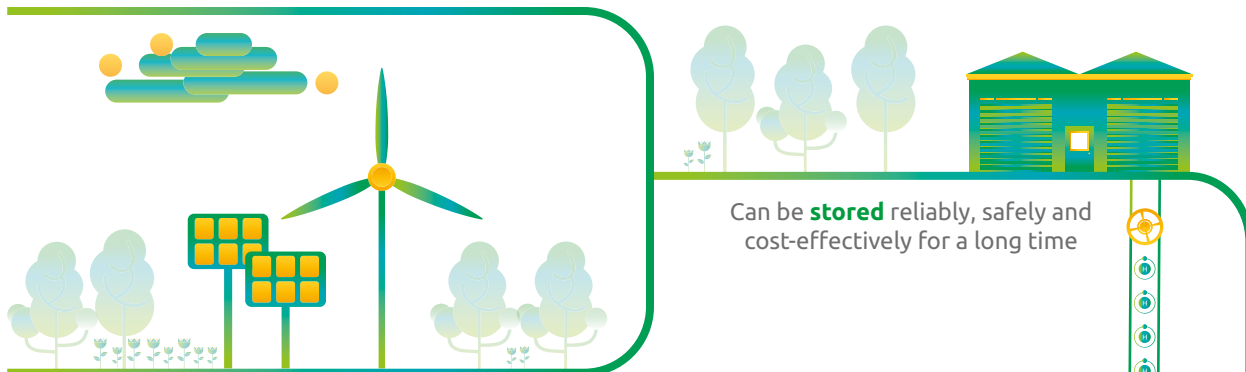
First in the periodic table and the lightest, hydrogen is the most abundant chemical element in the universe.

Combined with other elements, it is present on our planet in water, organic compounds and living things, while in the stars it is present in a gaseous state.

Hydrogen forms about 75% of matter by mass, and more than 90% by number of atoms, and is the primary ingredient of interstellar diffuse matter and condensed matter in stars, including the Sun.

The advantages of hydrogen

Does not produce
CO₂ or pollutants



Can be **stored** reliably, safely and cost-effectively for a long time

Can be produced from **renewable sources**, such as wind and photovoltaic power



Has a **lower transport cost** than electricity

Can **decarbonise** the so-called hard-to-abate sectors such as steel and refineries



Can be used in **sustainable mobility**, through fuel cells

Encourages **sector coupling**, i.e. integration between the electricity and gas sectors to achieve greater flexibility and therefore lower costs for the energy system as a whole

Can exploit **existing network** converted to H₂-ready

30
Countries with a
hydrogen roadmap

+500
projects based on
green hydrogen

90 GW
electrolysis capacity
announced

\$150 bn
in hydrogen
investments

€470 bn
investments in
hydrogen research
and production
projects

Hydrogen in free form does not occur in nature, yet it can be **produced** through a wide range of **chemical and physical processes**. Depending on the type of process adopted, hydrogen is identified with a colour that normally refers to the primary resource used.

Although only 5% of hydrogen is currently produced in its 'green' form, the gradual reduction in the cost of solar and wind energy and electrolyzers makes the use of electrolysis a '**game changer**' for the energy transition, expected to account for around 20% of the abatement potential needed to meet the 2050 targets (source: Hydrogen Council).

At a European and national level, institutions that are aware of the need to move towards a low-carbon economy and of the role they themselves play have defined strategies and action plans that favour the integration and progressive use of hydrogen. At a European and national level, the institutions have set precise and ambitious targets, and put in place measures to support research and development and promote investment so that the hydrogen future can become a reality.

The EU Strategy on Energy System Integration envisages optimising the energy system by linking different energy carriers with each other and with end-use sectors, including buildings, transport or industry by leveraging emerging technologies, processes and business models, in order to support the decarbonisation of European economies. In this context, the **EU Hydrogen Strategy** was outlined, which sees hydrogen as a priority investment to accelerate economic growth and resilience, job creation and consolidate European leadership in achieving carbon neutrality by 2050.

Through the Hydrogen Strategy, the European Union has launched a 470 billion euro investment package for research and production projects with the aim of providing EU countries with the tools to develop the electrolysis process and thus produce, in a first phase (by 2024), at least 1 million tonnes of 'green' hydrogen and, in a second phase (by 2030), at least 10 million tonnes. In the third phase (by 2050), renewable hydrogen technologies are expected to reach all hard-to-decarbonise sectors, with the share of hydrogen in the energy mix expected to grow to 13-14% by 2050.

In particular, the document estimates that the economic resources needed for the increase in production by 2030 could range between 24 and 42 billion euros for electrolysing capacity and between 220 and 340 billion euros for the construction and connection of 80-120 GW of solar generation capacity by 2030.

Italian hydrogen targets



Development of flagship projects for the use of hydrogen in the **hard-to-abate sectors** starting with the steel industry



Support in the creation of **hydrogen valleys** by leveraging brownfield sites



Enabling the use of hydrogen in **heavy transport** and on select **non-electrifiable railway lines**



Support for **research and development**



Completion of all **reforms and regulations** necessary to enable the use, transportation and distribution of hydrogen



GREY HYDROGEN

Obtained from natural gas through a thermochemical conversion process producing and releasing CO₂ into the atmosphere, **grey hydrogen** is mainly used in industrial sectors

95% grey hydrogen production



BLUE HYDROGEN

Obtained by adding CO₂ capture and storage (CCS) technology to the thermochemical conversion process, **blue hydrogen** plays a significant role in the decarbonisation of hard-to-abate sectors such as steel and refining

being implemented



GREEN HYDROGEN







Generated by the electrolysis process of water, electrical energy is used to "break down" water into hydrogen and oxygen without any CO₂ emissions at the release point, **Green hydrogen** represents the most promising alternative for achieving the decarbonisation targets

5% green hydrogen production

At a national level, hydrogen could cover almost a **quarter of Italy's entire energy demand by 2050**. In view of these considerations and in line with European policies, Italy intends to pursue this opportunity and promote the production and use of hydrogen also through the measures provided for in the **National Recovery and Resilience Plan** (the "PNRR").

In the context of post-pandemic recovery, the European Commission, together with the European Parliament and Member States, approved the **Recovery Plan for Europe** with the aim of repairing the economic and social damage caused by the coronavirus pandemic. Specifically, the regulation laying down the EU's multiannual financial framework for the period 2021-2027 provides for a **long-term budget** of 1,073.3 billion euros, including the integration of the European Development Fund. In addition, a further temporary instrument of more than 806 billion euros, the Next Generation EU, has been set up to stimulate recovery. Together, the Budget and the Next Generation EU constitute the largest stimulus package ever funded by the EU, with the aim of devoting 30% of funds to combating climate change (the highest percentage ever for the EU budget). The Italian PNRR, which is part of the Next Generation EU (NGEU) programme, envisages investments and a coherent package of reforms on which to allocate resources amounting to approximately **220 billion euros**, divided into six areas, including one concerning the '**Green Revolution and Ecological Transition**', which includes a series of **objectives** linked to the topic of '**Renewable Energy, Hydrogen, Grid and Sustainable Mobility**', including the 'promotion of the production, distribution and end use of hydrogen in line with Community and national strategies'. The adoption of hydrogen-based solutions, for which some 3.5 billion euros will be allocated, is one of the Plan's primary objectives. In addition, the PNRR foresees further measures to stimulate hydrogen production and consumption. These measures will be provided in the form of tax incentives and instruments for the dissemination of green hydrogen consumption in the transport sector.

The objectives of the PNRR

 <p>HYDROGEN VALLEYS</p> <p>Target</p> <p>Creation of H₂ valleys (H₂ production, transport and final uses)</p>	 <p>HYDROGEN IN RAIL TRANSPORT</p> <p>Target</p> <p>Construction of hydrogen production and refuelling infrastructure on railway lines</p>
 <p>HYDROGEN REFUELLING STATION NETWORK</p> <p>Target</p> <p>Construction of refuelling stations with related production of hydrogen for road mobility</p>	 <p>HARD TO ABATE</p> <p>Target</p> <p>Production and use of hydrogen in the production processes of sectors in which electrification is less economically convenient or difficult to implement</p>
 <p>PRODUCTION OF ELECTROLYSERS AND DEVELOPMENT OF AN ITALIAN H₂ SUPPLY CHAIN</p> <p>Target</p> <p>Construction of the first (scalable) production plant for electrolysis systems, integrated upstream and downstream with a national supply chain concept with leverage on Italian SMEs</p>	 <p>RESEARCH IN THE FIELD OF HYDROGEN</p> <p>Target</p> <p>R&D on key hydrogen applications: research projects, start-up incubation, industrial tests</p>

In this context, Italy has defined at the end of 2020, in a preliminary way, the **Guidelines on the National Hydrogen Strategy** with which it intends to set out the high-level vision on the role that hydrogen can play in the national decarbonisation pathway, in line with the current **National Integrated Energy and Climate Plan (PNIEC)**. The Guidelines, with around **10 billion euros of investment** planned for the hydrogen sector and a series of reforms, envisage achieving a hydrogen penetration share of around 2% in final energy demand by 2030 (supporting an 8 Mtonne reduction in CO₂ emissions) to reach 20% in 2050, thanks to the application of gas in various areas. The aim is to develop flagship projects for the use of hydrogen in hard-to-abate industrial sectors, such as chemicals, steel and refineries; to encourage the creation of hydrogen valleys, particularly in areas with disused industrial sites; to enable, through recharging stations, the use of hydrogen in heavy transport on selected non-electrifiable railway lines or in local public transport; and to support research and development by completing all the necessary regulatory procedures to enable the use, transport and distribution of hydrogen.

CREATING SUSTAINABLE VALUE: SNAM'S BUSINESS MODEL

Snam's business model is based on sustainable growth, transparency, the enhancement of talent and diversity, and the protection and social development of local areas, also through the work of the Snam Foundation.

The Group's values underpin its business model, which integrates the new businesses of the energy transition with the traditional core business. This model pursues sustainable success through the creation of long-term value to benefit shareholders, while considering the interests of relevant stakeholders. The business plan and ESG coexist and are interconnected, with the goal of providing a concrete contribution to the achievement of the United Nations Sustainable Development Goals.

The repositioning of the company in recent years and the projects called for in the new plan create the conditions for the Group to take advantage of the opportunities provided by the energy transition, in part thanks to the skills acquired by Snam personnel and the increasing digitalisation of processes.

GOVERNANCE



FINANCIAL CAPITAL

The economic resources for carrying out the necessary investments to maintain and improve the infrastructure.



HUMAN CAPITAL

The skills, competencies and experience of the people who make up the Group, necessary to achieve Snam's strategic objectives and to maintain a high focus on our distinctive values.



INFRASTRUCTURAL CAPITAL

The network for transport and facilities for storage and regasification of natural gas, production and injection of biomethane, distribution of natural gas for transportation.



RELATIONAL CAPITAL

The "license-to-operate" recognised by stakeholders in Snam, the trust placed in the Group, with its 80-year history.



INTELLECTUAL CAPITAL

Information systems, internal processes and procedures, practices developed and consolidated over time, approach to innovation.



NATURAL CAPITAL

The richness of the land on which Snam's infrastructure is built, the air and biodiversity that are part of it and the energy resources that enable the Group to provide its services.

ESG SCORECARD



- Reducing emissions
- Biomethane
- Sustainable mobility
- Energy efficiency
- Biodiversity



- Diversity and inclusion
- Health and safety
- Supply chain
- Local development
- Relations with local communities



- Infrastructure reliability and security
- Quality of services
- Fighting corruption and illegality
- Sustainable finance

BUSINESS AREAS

TRANSPORTATION

STORAGE

REGASIFICATION

ENERGY TRANSITION

Hydrogen

Biomethane

Sustainable mobility

Energy efficiency

RISK MANAGEMENT SYSTEM

WE CONNECT TO
BUILD OPPORTUNITIES

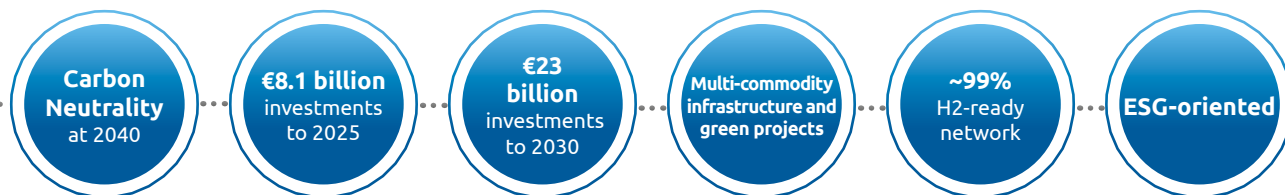
WE PROMOTE
SAFETY



<ul style="list-style-type: none"> • Financial solidity of the Group • Distribution of wealth to stakeholders 	
<ul style="list-style-type: none"> • Personal development • Health and safety in the workplace • Valuing diversity • Inclusion 	
<ul style="list-style-type: none"> • Increase in asset value • Metallisation and H2-ready network • Service continuity and reliability 	
<ul style="list-style-type: none"> • Strengthening stakeholder relations • Enhancing corporate reputation 	
<ul style="list-style-type: none"> • Process efficiency • Innovative partnerships 	
<ul style="list-style-type: none"> • Climate change mitigation • Protection of biodiversity 	

WE SUPPORT THE CHANGING WORLD **WE SHAPE THE FUTURE**

THE TRANSITION TO NET ZERO



Snam is determined to play a leading role in achieving the ambitious objectives set at national and European level, to make the decarbonisation and energy transition process a reality and to support a sustainable economic model, seizing the many synergistic opportunities that this important challenge offers.

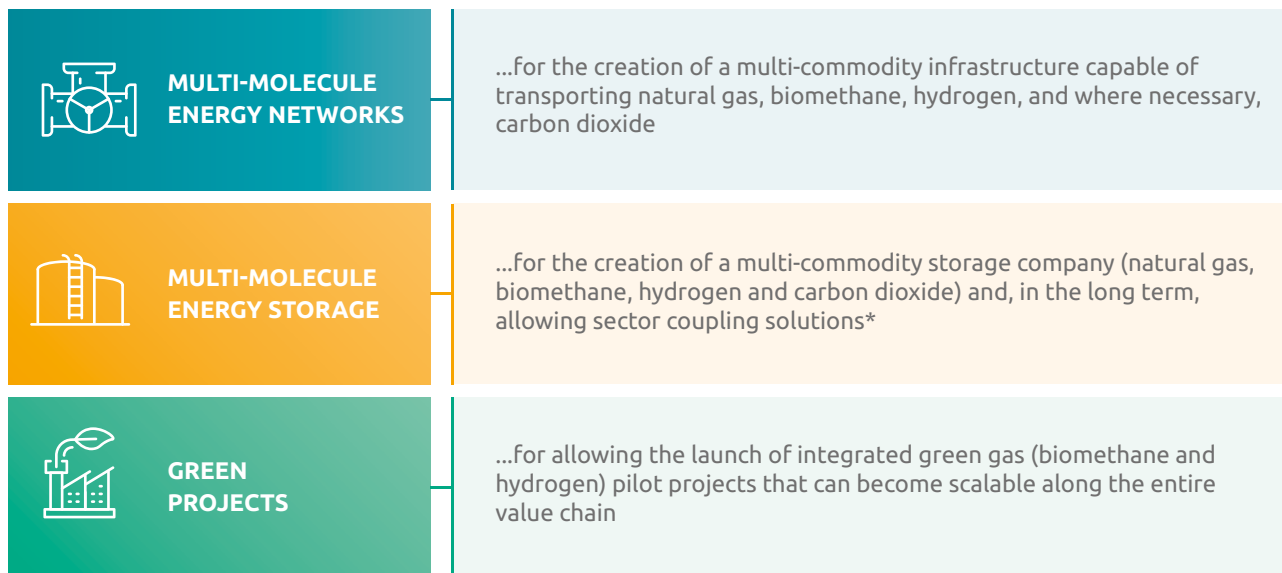
Aware of this, Snam has, in recent years, begun repurposing its infrastructure, developed its international presence, formed a large number of partnerships and launched numerous energy transition initiatives. Building on its consolidated capabilities in regulated businesses and expertise in green gas and new energy transition trends, the company is evolving towards a multi-commodity infrastructure concept, i.e. capable of transporting and storing different types of gas, leveraging and continuing to develop its hydrogen, biomethane, mobility and energy efficiency businesses.

In this context, in November 2021, the new **2021-2025 Strategic Plan** and the **Long-Term Vision to 2030** were presented, with which Snam underlined its contribution to supporting the great transformation underway in the energy sector, leveraging on the enabling role of infrastructure to achieve a fully decarbonised economy through a plan of increasing investments. The Strategic Plan envisages investments totalling **8.1 billion euros** over the next four years (+€700 million compared to the previous plan), mainly including maintenance, modernisation and infrastructure development activities. Compared to the previous plan, more investments are also planned, 1.3 billion euros (+80.5% compared to the 2020-2024 plan), aimed at achieving carbon neutrality and energy transition.

In the firm belief that the **business strategy** cannot disregard the **climate strategy**, Snam has strengthened its decarbonisation objectives by setting short- to medium-term intermediate targets for reducing greenhouse gas emissions from its activities (Scope 1 and 2) and defining new targets for reducing emissions associated with its value chain (Scope 3). In this way, Snam becomes the first energy infrastructure company within the European Union to set Scope 3 emission reduction targets, also related to its suppliers, by 2030. All ESG factors are nevertheless integrated into the company's strategy and management, and environmental, social and governance objectives are encapsulated in the ESG Scorecard, which was further strengthened in 2021 to provide stakeholders with an even more holistic view of engagement on these issues.

STRATEGIC PILLARS

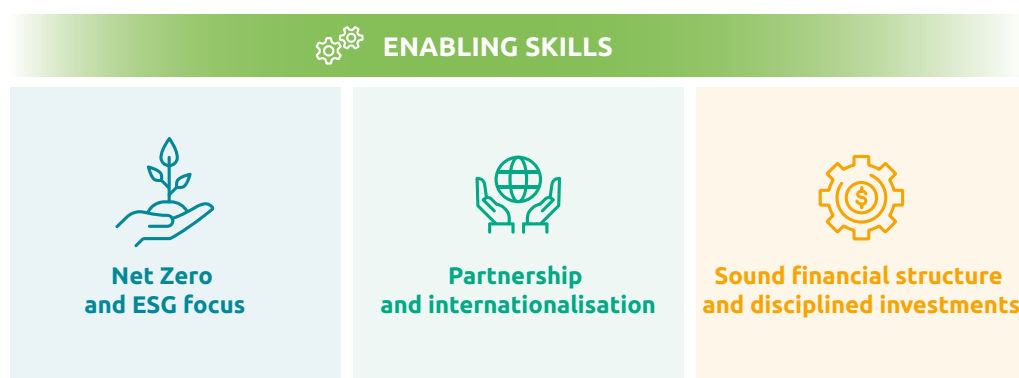
The growth to 2030 will be based on **three strategic pillars: energy networks, storage and new green projects.**



* The European Commission identifies sector coupling as a strategy that provides more flexibility to the Energy System in order for decarbonisation to be achieved in the most cost-effective way (DG ENER (2018) Request for services no. ENER/B2/2018-260 - Potentials of sector coupling for the EU natural gas sector - Assessing regulatory barriers).

ENABLING COMPETENCIES

The process will be realised through **three enabling competencies** driven by know-how and execution capacity acquired over time: the orientation of the business towards ESG topics and Net Zero objectives, the consolidation and creation of national and international strategic partnerships and a solid financial structure that will support the growth of sustainable finance in the coming years:






As an enabler of the energy transition, in order to achieve its objectives Snam has planned investments of **8.1 billion** euros by 2025 (+700 million euros compared to the previous plan) to be allocated to the maintenance, modernisation and development of the infrastructure, as well as to achieving carbon neutrality and accelerating the energy transition. The investments bring the new Plan **in line with the European Taxonomy** increased to **47% of the total** (+7 percentage points compared to the 2020-2024 Plan). Furthermore, looking at a longer time horizon, up to **23 billion euros** will be allocated by 2030 for the development of energy networks, energy storage and green projects.

NFS THE VISION THROUGH TO 2030

Snam's Vision 2030 places ESG factors at the centre, identifying them as essential elements to help develop the energy system of the future, competitive, secure and with zero net emissions. By seizing these development opportunities, Snam plans to realise its long-term vision by allocating, over the period 2021-2030, **23 billion euros** in the three strategic pillars that will affect energy transport and storage infrastructure, as well as projects to be implemented along the entire green gas value chain.

These investment opportunities are expected to generate regulated returns (energy networks and gas storage) or low double/high-single digits with a contracted model (energy storage and green projects). Snam estimates an average annual growth rate (CAGR) of EBITDA between 6 and 8% from 2022 to 2030.

Multi-molecule energy networks

INTERVENTION AREAS			
 MULTI-MOLECULE ENERGY NETWORKS	by 2030		
	<table border="0"> <tr> <td> TRANSPORT OF CH₄ AND BIOCH₄ <ul style="list-style-type: none"> • Replacement • Mantenimento • Maintenance • Digitalisation • Development </td> <td> TRANSPORT OF H₂ <ul style="list-style-type: none"> • Hydrogen backbone </td> </tr> </table>	TRANSPORT OF CH₄ AND BIOCH₄ <ul style="list-style-type: none"> • Replacement • Mantenimento • Maintenance • Digitalisation • Development 	TRANSPORT OF H₂ <ul style="list-style-type: none"> • Hydrogen backbone
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 MULTI-MOLECULE ENERGY STORAGE			
 GREEN PROJECTS			

Evolving towards a “multi-commodity” infrastructure capable of transporting not only natural gas (in an initial transition phase) but also green gas is one of Snam's main objectives, on which it will invest **15 billion euros** by 2030. Starting in 2019, Snam has launched a project to comprehensively assess the adequacy of the network for hydrogen transport, as well as H₂-ready network conversion and replacement initiatives. To date, the existing infrastructure can already transport natural gas and biomethane without distinction and about 99% of the network is already capable of transporting up to 100% hydrogen (according to **ASME** regulation **B31.12**¹¹). In particular, about 70% of pipelines can transport pure hydrogen with no or limited reductions from the maximum working pressure, while about 30% need more significant reductions.

11 The ASME (American Society of Mechanical Engineers) is a non-profit US association that enables collaboration, knowledge sharing and skills development across all engineering disciplines. ASME B31.12 is a standard for hydrogen pipes and pipelines and contains the requirements that infrastructures should have in order to enable the transport of hydrogen in a safe and quality manner.



With the aim of establishing a **shared standard for H2-readiness**, the entire verification process for each Snam pipeline, as well as the identification of the Maximum Operating Pressure (MOP) applicable for hydrogen transport, will be certified by **RINA**, one of the most internationally accredited certification bodies. In addition, Snam will cooperate with **other European shippers** to share the results of tests, analyses and studies carried out on H2 Gas Assets Readiness. Crucial will also be **collaboration with universities, institutions and fire brigades** to develop technical standards for transporting hydrogen in pipelines.

To further support the deployment and use of green gas, Snam has decided to create a backbone to transport hydrogen from Italy to the areas of Northern Europe with the highest demand, with approximately 2,700 km of network from Mazara del Vallo to Passo Gries and Tarvisio. This will be achieved by repurposing existing infrastructure and building new lines, for which an investment of around **3 billion** euros has been earmarked by 2030. In particular, 75% of the network km will come from repurposing the existing network, and 50 MW from the compressor stations will provide adequate pressure levels for the network.



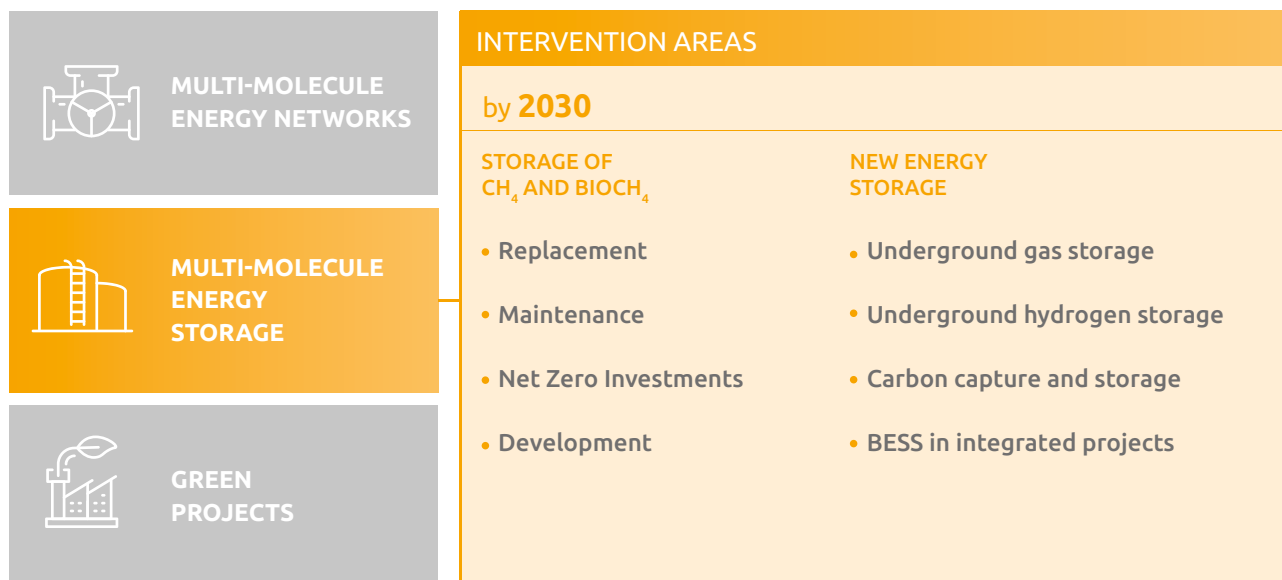
In this direction, the agreement for the sale by Eni to Snam of 49.9% of Eni’s shareholdings in the companies **TTPC** and **TMPC**, which manage the gas pipelines connecting Algeria to Italy via Tunisia and the Mediterranean, is strategic for the construction of a hydrogen pipeline linking North Africa with Italy. It will also allow for the development of upstream projects in this field, opening up interesting prospects for the future of integrated hydrogen projects. The transaction will be closed in the second half of 2022 and will contribute an average of 25 million euros per year between 2023 and 2025, with returns in line with Snam’s asset portfolio.

With a view to speeding up the **H2-ready replacement** cycle and continuing with **maintenance activities**, Snam will, by 2030, modernise over **3,000 km of the network** to make it suitable for transporting natural gas and biomethane. At the same time, it will engage in maintenance to ensure high levels of asset performance and system resilience.

Around 2 billion euros will be invested in the **‘Net Zero’ project** and the **digitisation of the network**. In particular, Snam will build **six dual-fuel compressor stations**, which will increase the flexibility of the system, facilitate sector coupling¹² and help prevent and eliminate natural gas leaks. In addition, the digitisation of assets and the adoption of the Internet of Things¹³ will improve service quality.

Finally, 1.8 billion euros will be invested in the **development of the network**, including the Sardinia methanisation project¹⁴, through the construction of the virtual pipeline and the first sections of the network, as well as new CNG and biomethane connections.

Multi-molecule energy storage



12 The European Commission sees sector coupling as a strategy offering greater flexibility to the energy system, to help achieve decarbonisation in the most economical manner possible (DG ENER (2018) Request for services no. ENER/B2/2018-260 - Potentials of sector coupling for the EU natural gas sector - Assessing regulatory barriers).

13 “Internet of Things” (IoT) refers to the extension of the Internet to the world of concrete objects and places by allowing them to send and receive data.

14 The methanisation project in Sardinia has been delayed compared to the plans in the previous Plan, due to a slower authorisation process.

The storage system makes it possible to compensate for the different needs between gas supply and consumption and for peaks in demand, ensuring continuity of service. In actual fact, whilst supply, consisting of imports from abroad and national production, has a substantially constant flow throughout the year, gas demand is concentrated mainly in the winter period. Storage, therefore, ensures that the necessary gas is available to compensate for any lack of or reduction in supply or crises in the gas system. Moreover, energy storage is, even more so in the future, an essential point for the energy system considering the problem of intermittent nature of renewables.

The centrality of storage

For this reason, energy storage is one of the three strategic pillars that Snam will develop over the 2021-2030 period, thanks to investments of up to **5 billion euros**. Specifically, Snam will focus on **natural gas and biomethane storage**, to which it will devote approximately 3 billion euros, through the consolidation of existing activities, the replacement of end-of-life wells and the installation of new storage capacity, particularly at the Ripalta, Sabbioncello, Fiume Trieste, Segnano, Minerbio and Settala plants. In addition, the Company will maintain and update safety standards and increase investments to act in compliance with regulations. In particular, Snam will increase its expertise in aquifers, salt flats and CO₂ storage, as well as its knowledge of sector coupling solutions, engineering capacity and commercial reach.

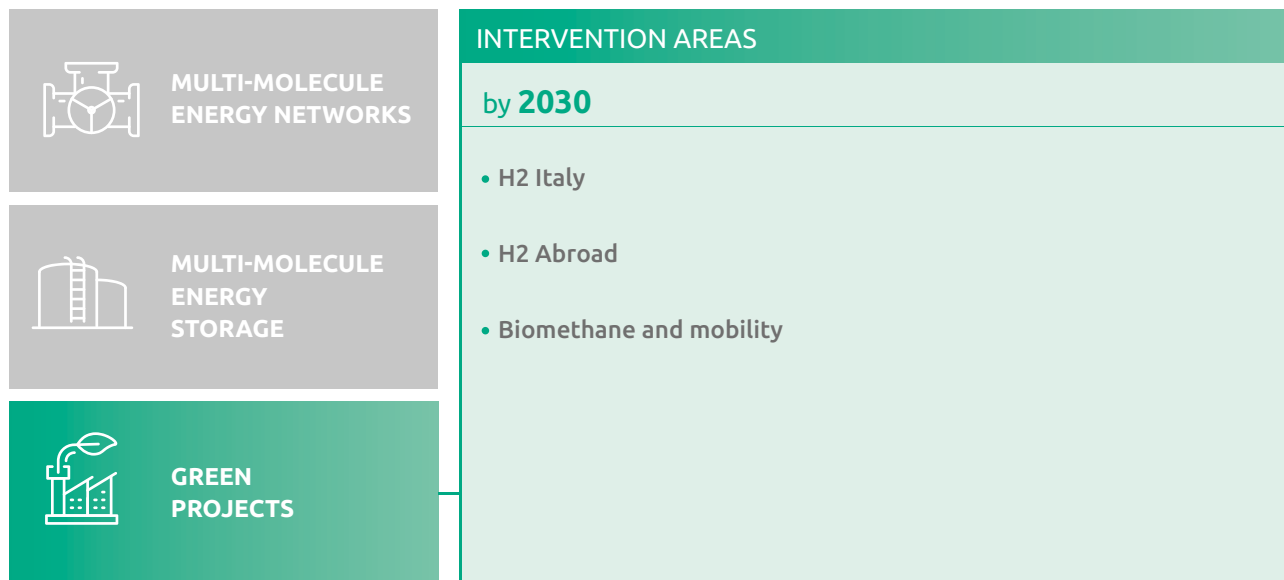
With the aim of making the infrastructure compatible for hydrogen storage as well, the Group has launched an activity in collaboration with the Turin Polytechnic, the Italian Institute of Technology and the CO₂ Cycle Lab (CCL) to investigate and simulate the chemical, physical and microbiological phenomena associated with the possibility of **storing hydrogen mixed with natural gas, even up to 100%** in depleted natural gas fields. The tests gave encouraging results, as no changes or alterations were observed on depleted reservoirs, confirming the possibility of repurposing these assets for H₂-ready reuse. The next steps in this area will be the completion of microbiological tests in a multi-reactor and the launch, once the necessary authorisations have been received, of the pilot test on a Snam storage site.

As part of **Net Zero investments**, the Segnano, Ripalta and Cortemaggiore plants will be upgraded to H₂-ready status and six compressor stations will be converted to dual-fuel.



Among the new energy storage projects, mention should be made of the agreement with **dCarbonX**, a company with which Snam will develop three offshore hydrogen storage initiatives in Ireland. In addition, the Group is involved, together with **Téréga**, in **Pycasso**, to **CCS** (carbon capture and storage) project in the south of France and the north of Spain, which will also lead to the repurposing of depleted stocks.

Green projects



Encouraging the **energy transition, promoting renewable energy sources and resources, protecting the environment, achieving carbon neutrality** and **pursuing sustainable** success are the key objectives on which Snam has defined its strategy and oriented its activities. In particular, in its Vision 2030, the Company plans to promote and develop scalable green gas projects along the entire value chain to foster market development and offer integrated solutions.

The investments made between October and November 2020 in De Nora, an Italian company of excellence in water treatment and alkaline electrolysis technologies, and ITM, a leading manufacturer of membrane electrolysers, are part of the move towards an increasingly strategic positioning. The acquisition in De Nora allows Snam to increase its technological positioning in order to be more competitive in new projects for the development of hydrogen. In midstream, the company has become one of the global leaders in defining hydrogen standards and testing; while in downstream, Snam has initiated and participated in more than 150 commercial discussions, some of which will become projects, that contribute to increasing knowledge of the needs and expectations of the hard-to-abate sector.

By 2030, Snam expects to make the pilot projects, which are already underway, scalable and suitable for a market where multi-molecule solutions will be increasingly needed and will lead to the realisation of integrated projects in the midstream and upstream segments of the green and blue hydrogen, biomethane and CO₂ value chains.

In this regard, Snam will invest up to **3 billion euros** by 2030:




- **in Italy**, developing hydrogen scale initiatives at industrial level, also leveraging on calls and funding opportunities such as the PNRR (National Recovery and Resilience Plan) and the IPCEI Fund (Major Projects of Common European Interest);
- **abroad**, launching hydrogen and CCS projects, with particular reference to Northern Europe, the United States, North Africa and the Middle East, areas where renewables are competitive, there are potential local off-takers and/or it is possible to export the infrastructure, or where there are regulatory frameworks in favour of decarbonisation;
- **in biomethane**, continuing to leverage the existing national platform to develop additional capacity (up to 150 MW) through greenfield projects and strategic acquisitions.

NFS THE 2021-2025 STRATEGIC PLAN

The Strategic Plan presented in November 2021 forms the basis of what Snam intends to achieve by 2030, setting intermediate targets preparatory to the creation of the multi-molecule infrastructure and the development of scalable projects in green gas, biomethane and hydrogen, and energy efficiency.

The new plan provides for **8.1 billion euros** in investments up to 2025 (+700 million euros compared to the previous plan), earmarked for projects to maintain, modernise and develop the infrastructure, achieve carbon neutrality and accelerate the energy transition.

Multi-molecule energy networks

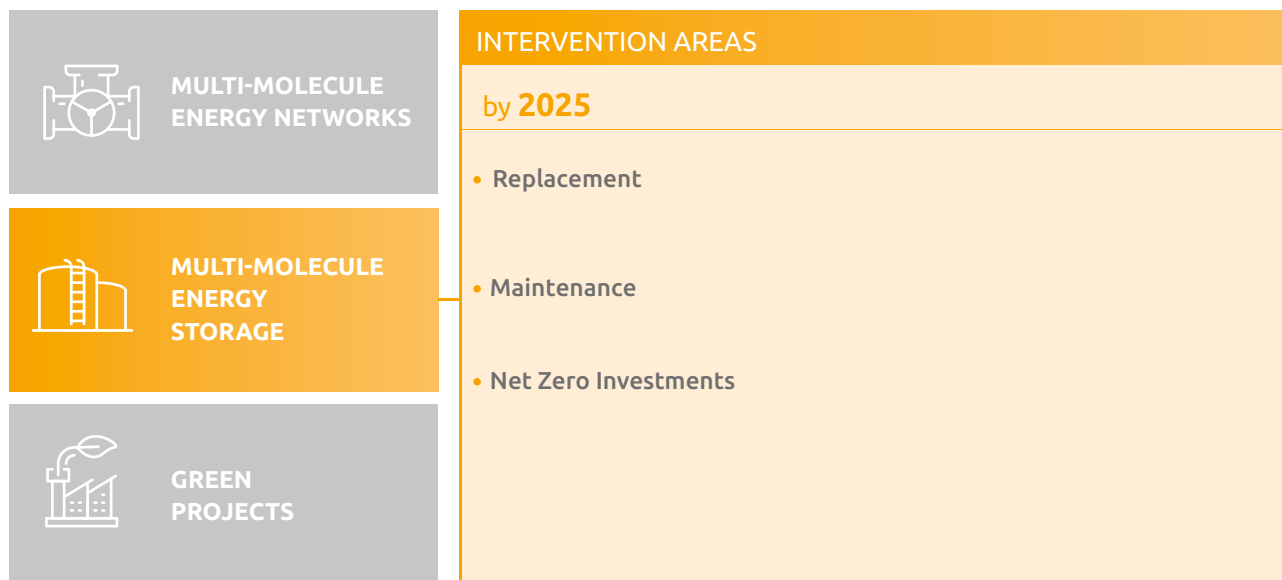
INTERVENTION AREAS	
 MULTI-MOLECULE ENERGY NETWORKS	by 2025
	• Replacement
	• Net Zero Investments
	• Digitalisation
 MULTI-MOLECULE ENERGY STORAGE	• Development
 GREEN PROJECTS	

Investments in Italy's energy networks are expected to amount to **5.6 billion euros** over the Plan period. The amount will be used to support the programme to modernise **more than 1,300 km of network** (+100 km vs 2020), which will affect in particular the Ravenna-Chieti, Rimini-San Sepolcro and San Salvo-Biccari pipelines. Investments will also be made to achieve the **'Net Zero' objective**, with the start of the **conversion of the first three compressor stations to dual fuel**, which will facilitate sector coupling, and with new connections linked to the energy transition, such as the construction of **205 L-CNG plants, 75 biomethane plants** and another **115 connections to the transmission network**.

Taking advantage of the opportunities offered by the evolution of the energy system, projects related to technological innovation and the digitalisation of assets will continue to improve the quality and reliability of the service and to increase the transmission capacity and the analysis of data in real time. Of particular relevance is the inauguration, in July 2021, of the first district of the future, **TechHub**, based in Bologna and created with the aim of becoming a **model of digital transformation** for greater safety and environmental sustainability. Among the technologies adopted in the TechHub are **Leak Detection and Repair (LDAR)**, a tool that guarantees predictive maintenance of the network and centralised control of methane emissions, and real-time monitoring systems, which will allow continuous and effective control of over 4,000 km of methane pipelines, 80 reduction plants and more than 1,000 redelivery points between Emilia-Romagna and Marche.

As a contribution to the continuous and sustainable growth of the business, Snam will start the construction of the **virtual pipeline for Sardinia** and the first sections of the network.

Multi-molecule energy storage

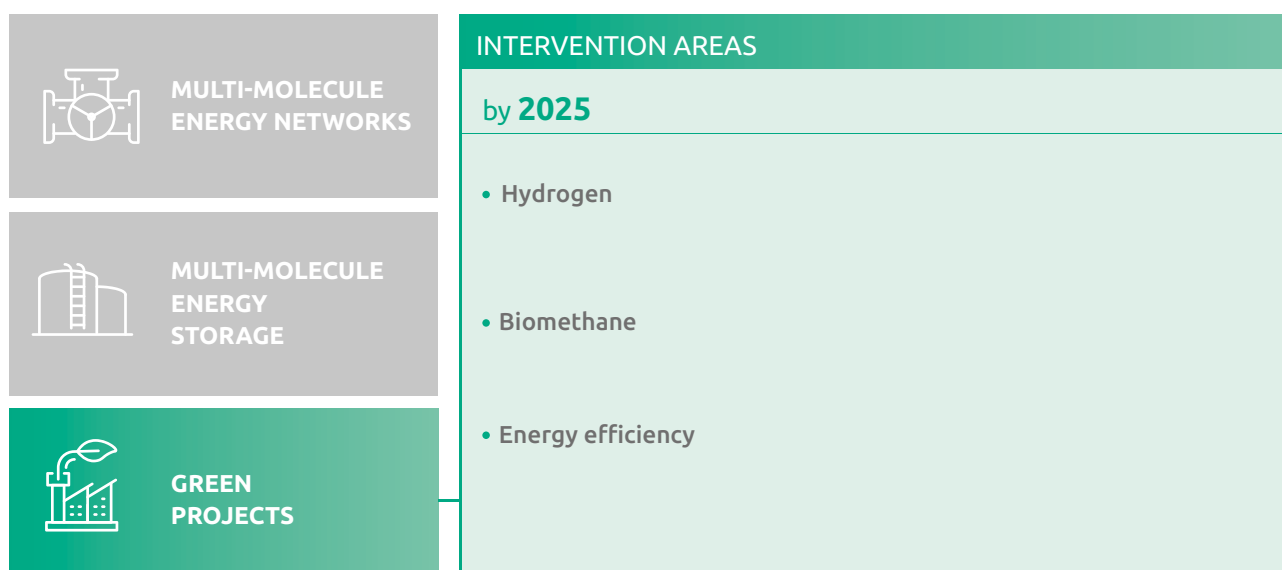


Leveraging the existing gas storage infrastructure, whose regulated storage capacity (17 billion cubic metres) is the largest in Europe, Snam aims to make it compatible for the storage of green gas by investing, by 2025, **1.2 billion euros** (+900 million euros compared to the 2020-2024 Plan), which includes the **replacement** and **upgrading of obsolete equipment/components**, in order to reduce service interruptions. These activities will concern, in particular, the Fiume Trieste, Sabbioncello, Settala, Ripalta, Minerbio and Sergnano plants.

In order to continue its **Net Zero investments**, Snam will start the **conversion of three compressor stations to dual fuel** and the construction and modernisation of gas storage wells, which will make it possible to meet the growing need for flexibility and volume peaks resulting from the volatility of energy markets, caused by the continuous development of renewables.

In addition, part of the investment will go towards maintaining high safety standards, regulatory compliance and the adoption of new metering systems. In particular, Snam will increase its expertise in the areas of groundwater, salt flats and CO₂ storage, as well as its knowledge of sector coupling solutions, engineering capacity and commercial reach.

Green projects



In recent years, Snam has created a broad and diversified platform of activities to offer integrated solutions along the green gas and energy transition supply chain. With investments of **1.3 billion euros** (net of approximately 200 million euros in possible grants, of which 100 million in hydrogen and another 100 million in biomethane), a significant increase compared to the 720 million euros in the 2020-2024 Plan, Snam continues to integrate and develop new businesses in favour of energy transition with the aim of spreading the use of renewable energy sources and resources, protecting the environment, achieving carbon neutrality and pursuing sustainable success.

BU H2

Hydrogen

Thanks to the work of the **Hydrogen** business unit, which was created with the aim of being at the forefront of a sector with great prospects, Snam has set out its investment plan to 2025 in various business sectors, including **sustainable hydrogen mobility**, with the support of Snam4Mobility, for the creation of refuelling solutions for trains, heavy and light vehicles, completing the infrastructure for sustainable hydrogen mobility by 2030. In addition, the use of this gas will also be developed in **industrial sectors**, specifically in the thermal, feedstock and fuel-cell sectors. Leveraging possible funding requests under existing calls for proposals, with the aim of **monitoring and launching new hydrogen experiments**, Snam has launched eight projects, some of which will be funded through the Innovation Fund and Horizon Europe, while others have been proposed to the IPCEI. In this context, the Group will support the Italian Gigafactory project for the production of green hydrogen, which De Nora has presented as part of the IPCEI projects.



Around 50 million euros will be allocated to **research and development** and **venture capital initiatives**. Of these, we should mention **HyAccelerator**, the first global-scale acceleration programme for hydrogen start-ups, with the aim of enhancing the most innovative companies in the sector, giving rise to high-potential projects.

THE PARTNERSHIP WITH DE NORA AND THE GIGAFACTORY PROJECT

In November 2020, Snam acquired a stake (33%) in De Nora, a global leader in sustainable energy and water treatment technologies (disinfection and filtration). In particular, De Nora is specialised in alkaline electrodes, essential components for the production of alkaline electrolyzers, and works together with numerous fuel cell operators.

During the year, Snam continued to invest in De Nora, also leveraging its 34% stake in **ThyssenKrupp Uhde Chlorine Engineers (TKUCE)**, a joint venture with ThyssenKrupp, a world leader in water electrolysis and involved in several projects for the production of green hydrogen. Snam, in line with its positioning along the entire value chain of net zero technologies, intends to exploit the significant growth potential, both in components for the production of green hydrogen and in water treatment, which could qualify it as a key player in the hydrogen sector thanks to its expertise.

The collaboration with De Nora allows Snam to further increase its ability to develop new projects at an international level. De Nora, considering the current installed capacity, which allows the production of electrolyzers of 1 GW each, aims to create an **Italian Gigafactory of electrolyzers for the production of green hydrogen**, for which a request has been submitted under the IPCEI programme and which could see its realisation also thanks to the support of Snam.

In addition, considering De Nora's economic performance (+20% in revenues to 2021 compared to 2020), Snam will also support the Company's growth phase, which could include an IPO (Initial Public Offering) during 2022, compatibly with market conditions.

Finally, it is a potential first asset for a new energy transition investment platform, with a focus on hydrogen, to be launched in 2021 with the aim of responding to the growing interest in energy transition and decarbonisation.

Biomethane



By exploiting the already consolidated Snam4Environment platform and the opportunities offered by the PNRR, Snam plans to build plants with an installed capacity of approximately **120 MW** by 2025, almost double the capacity announced in the previous plan, reaching 150 MW by 2030. The increase in installed capacity will also be achieved through greenfield projects and strategic acquisitions of biogas and biomethane plants. Due to the delay in authorisations caused by the pandemic and the pending new biomethane decree notified to the European Commission, the ramp-up of initiatives to 2025 will be slower than announced in the 2020-2024 Plan.



In the field of **sustainable mobility using biomethane and natural gas** for heavy and light vehicles, the Group, through Snam4Mobility, the subsidiary that offers integrated services in the field of “smart green” natural gas mobility, will complete the development of CNG/L (compressed and liquefied natural gas) and Bio-CNG/L (compressed and liquefied bio-gas) stations and infrastructure projects for the supply of LNG to the distribution network.

SNAM AND SIAD FOR THE DEVELOPMENT OF LNG AND BIO-LNG

In March 2021, Snam, one of the world’s leading energy infrastructure operators, and SIAD, a leading chemical group in the production and supply of industrial gases and in the engineering, healthcare, LPG and Natural Gas sectors, have signed a framework agreement to start a technological collaboration in the small-scale and medium-scale liquefaction sector. The aim of the agreement is to foster the **diffusion of LNG and Bio-LNG as alternative fuels for sustainable mobility and other end uses**. The agreement aims to build small- and medium-scale plants for the liquefaction of natural gas and biomethane on a global scale, on behalf of third-party customers. The plants will be modular and standardised, with capacities ranging from 50 ktpa (kilo tons per year) to 100 ktpa in the case of small-scale plants and 200 ktpa and above for mid-scale plants.

As part of the collaboration between Snam and SIAD, a project will be launched in Campania in 2021, with a capacity of 50 ktpa, which has already obtained European funding. The plant, which will be operated by Snam, will ensure the security of LNG and Bio-LNG supplies to other regions in Southern Italy.

Thanks to their versatility, liquefaction systems, in addition to powering sustainable mobility, will also be functional for other uses, such as the conversion of power generation from diesel to natural gas and some energy-intensive industrial processes.

Energy efficiency



In the field of energy efficiency, Snam has, in just three years, positioned itself among the leading Italian operators offering such services. With its subsidiary Snam4Efficiency, which will become **Renovit** in January 2021, Snam offers energy efficiency solutions in the residential, industrial, tertiary and public administration sectors.




During the Plan period, Snam plans to continue its organic growth path, through new acquisitions, with an investment of approximately **230 million euros**, in line with the previous year. In particular, with respect to the **residential** sector, the Group will leverage the opportunities deriving from the Ecobonus 110%; in the **industrial** sector, the installation of approximately 90 MW (+30 MW compared to the 2020-2024 Plan) of distributed energy systems (CHP, PV, Fuel cells) is planned; while, in the **public administration** sector, Snam will participate in public tenders and develop public-private partnerships.

ENERGY EFFICIENCY PROJECTS FINANCED BY THE EIB

In June 2021, Snam signed a loan agreement with the **European Investment Bank (EIB)** for a total of 150 million euros to support the energy efficiency projects in the residential and industrial sectors.

The initiatives financed by Renovit, which will reach a total of 200 million euros, will consist of the requalification of residential buildings and energy efficiency and decarbonisation measures for industrial activities, including the installation of solar panels.

Net Zero and ESG focus

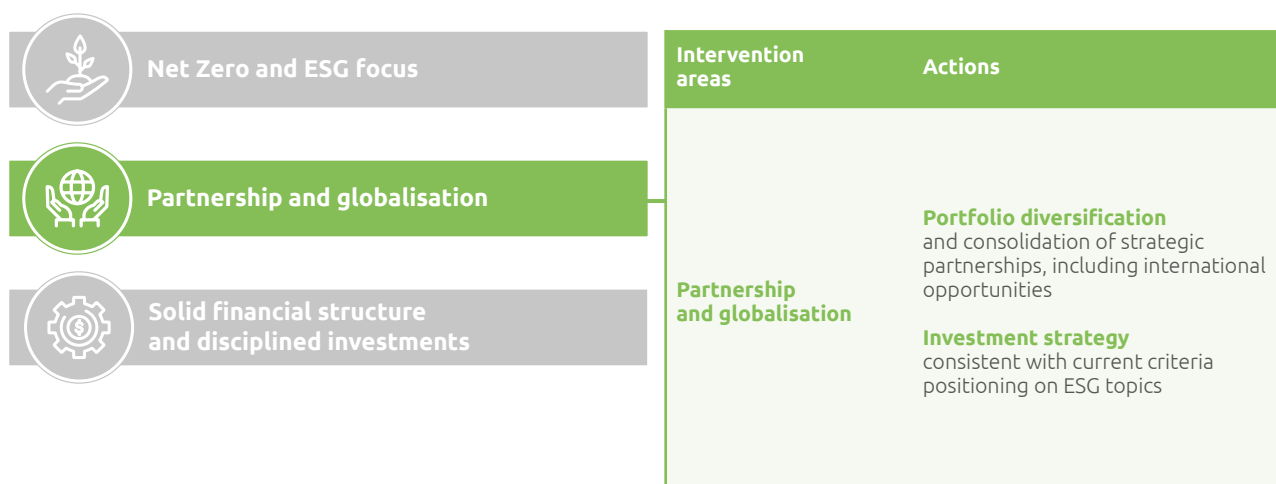
 Net Zero and ESG focus	Intervention areas	Actions	
 Partnership and globalisation	Net Zero Carbon <ul style="list-style-type: none"> - 50% Scope 1 and 2 emissions by 2030 (vs. 2018) Net Zero by 2040 - 55% CH₄ emissions by 2025 (vs 2015) - 46% scope 3 emissions for affiliates and other small emitters by 2030 (vs 2019) - 55%* Scope 3 emissions for suppliers by 2030 (vs. 2019) <p>* understood as economic intensity</p> ESG Scorecard Definition of quantitative KPIs divided at 2022 and 2025 into 14 areas to communicate performance in the areas of environment, society and governance		
 Solid financial structure and disciplined investments			

The integration of sustainability into Snam's strategy has also been renewed in the 2021-2025 Strategic Plan, which not only reconfirms the Group's desire to achieve **carbon neutrality by 2040** for its operations, but also responds concretely to the commitment to set new and more challenging targets. Compared to the previous year, the target for reducing **natural gas**

emissions to 2025 was raised (vs 2015), from -45% in the previous Plan to **-55%**. In addition, a new interim **Scope 1 and 2 emissions** target of 28% reduction in CO₂ emissions by 2025 has been announced, and two **Scope 3 emissions** reduction targets have been set that directly involve subsidiaries, suppliers and other minor emitting categories. For more information on Snam’s decarbonisation strategy, see “Strategy for the future: Net Zero Carbon” contained in this chapter.

With a view to increasingly integrating ESG topics into the strategy and management of the business, Snam has updated the **ESG Scorecard**, presented for the first time in 2020, defining quantitative objectives divided into **14 areas**, in order to give stakeholders a holistic view of the Group’s commitment and growing sensitivity to ESG topics. More information on the ESG Scorecard can be found in the section “The ESG Scorecard” in this chapter.



Partnerships and globalisation






In recent years, Snam has progressively strengthened its position in energy infrastructure at an international level, diversifying its portfolio of activities and consolidating partnerships with industrial and financial operators. In the period 2021-2025, the company expects to maintain the strategy it has already launched, which will be consistent with its current criteria (maintaining rating metrics and risk-adjusted returns in line with those of regulated activity in Italy) and with its positioning on ESG topics.

Snam’s current portfolio of partnerships meets the Group’s different needs: from access to **new green projects**, given the strategic position in markets where renewables are competitive, as well as hydrogen production costs (e.g. TTPC, TMPC and Adnoc), to others that, although belonging to mature assets, could play a strategic role as export corridors for hydrogen in the medium/long term. TTPC, TMPC and Adnoc), to others that, although belonging to mature assets, could play a strategic role as **export corridors for hydrogen** in the medium/long term (e.g. Austrian subsidiaries), passing from the development of **ecosystems and hydrogen and CO₂ storage** by leveraging the potential of offices in the Middle East and the United States.

A LONG HISTORY OF SUCCESSFUL PARTNERSHIPS

	Investment	Geographical area	Value and growth levers	Investment year and equity investments		Industrial and financial partners
ENABLERS OF INTEGRATED PROJECTS	 ADNOC	 United Arab Emirates	Integrated hydrogen projects	2020	12.3%	 Gulf Energy Infrastructure  GIC  Brookfield  Oman Gas Services  NHPC  Eni
	 ttpc tmpc	 Tunisia	H2-ready pipeline	2021	49.9% of the equity investment of Eni	 Eni
OPPORTUNITIES IN TRANSITION AND COST/PORTFOLIO OPTIMISATION	 TEREGA	 France	Ideal location for the hydrogen transition, leveraging a favourable geographical position	2013	40.5%	 GIC  CA  EDF Invest
	 desfa	 Greece	Strategic positioning along the southern gas corridor	2018	35.6%	 enaqas  FLUXYS  Copelouzos
	 Trans Adriatic Pipeline	 Greece, Albania, Italy	Development opportunities for hydrogen and decarbonisation	2015	20.0%	 SOCAR  FLUXYS  AZPO  enaqas
	 TGA Trans Austria Gasleitung	 Austria	Further cost optimisation and disciplined investment	2014	84.5%	 Verbund
	 GAS CONNECT AUSTRIA Energy everywhere	 Austria	Portfolio optimisation by leveraging Verbund Evolution towards a multi-molecule network	2016	19.6%	 Allianz
 interconnector	 UK, Belgium	Connecting UK gas markets with continental European markets	2012	23.7%	 FLUXYS	

Solid financial structure and disciplined investments

 Net Zero and ESG focus	Intervention areas Actions
 Partnership and globalisation	<p>Debt structure</p> <p>Continuation of activities to optimise the debt structure</p> <p>Maintaining the credit ratio consistent with the current credit worthiness</p> <p>Maintaining the mix of fixed and variable debt € 3.2 billion of syndicated credit lines</p> <p>Sustainable finance</p> <p>Growth in the weight of sustainable finance to 80% of available funding</p> <p>Issues of new bonds linked to ESG objectives</p> <p>Publication of the Sustainable Finance Framework</p>
 Solid financial structure and disciplined investments	

Over the 2021-2025 period, Snam plans to achieve sustainable growth in key indicators and further optimise its financial structure. The Plan assumes an impact on 2022 net profit from the WACC revision of approximately 85 million euros and on EBITDA of 120 million euros.

The expected level of net financial debt at the end of 2022 is approximately 14.8 billion euros, taking into account the investments planned during the year, amounting to 1.5 billion euros, the absorption of working capital (€0.3 billion), the outlay for the acquisition of TTPC/TMPC (€0.4 billion) and a positive contribution of 0.6 billion euros from the optimisation of the capital structure of an equity investment and the conversion of a convertible bond.

Over the Plan period, Snam expects to maintain credit ratios consistent with its current creditworthiness and a mix between fixed and variable debt of 3/4 in line with the previous Plan. In addition, 3.2 billion euros of syndicated credit lines are planned.

Compared to the Plan period, average annual growth of more than 2.5% is expected in RAB¹⁵ 2021-2025 with further upside opportunities from the development of a hydrogen infrastructure: 3% in net profit 2022-2025, 4.5% in EBITDA 2022-2025 and 5% in dividend per share until 2022, with a further 2.5% minimum growth in 2022-2025.

15 "RAB" means Regulatory Asset Base, or net Capital Invested for regulatory purposes calculated on the basis of the rules defined by the Electricity, Gas and Water Authority, to determine reference revenues for regulated business.

Moreover, Snam will continue the activity to optimise the financial structure implemented over the last six years, which has led to a reduction in the average cost of the gross debt from 2.4% in 2016 to an average of below 1% and is expected to average out as 1.1% over the Plan time horizon, as a result of actions implemented to take full advantage of current favourable market conditions and improve the interest rate and credit spread scenario. Further possible savings could derive from treasury optimisation, as well as further diversifying sources and increasing sustainable finance instruments.

In this regard, with a view to aligning its financing strategy with sustainability targets and broadening its investor base, Snam has formalised a target linked to **sustainable finance** in its ESG Scorecard, which envisages **increasing the weight of sustainable finance from 60% today to 80% by 2025**. In addition, Snam is committed to ensuring that **all future bond issues are linked to ESG objectives** and will continue to issue bonds, the proceeds of which will be invested in projects ranging from reducing emissions to increasing the use of renewable energy and making a **tangible contribution to achieving the Sustainable Development Goals (SDGs)**.

Snam has also published a new **Sustainable Finance Framework**, under which the Group will be able to issue both instruments to finance specific projects, aligned with the Taxonomy Delegated Acts, and instruments to finance general corporate activity. These projects will be linked to appropriate sustainability indicators (KPIs) for the issuance of Sustainability-Linked Bonds. During 2021, Snam maintained the reduction in its **Sustainable Loan** margin of 3.2 billion euros, already achieved in the previous two years, following the achievement of objectives linked to social and environmental sustainability parameters. In addition, it has maintained the **Euro Commercial Paper** programme, renewed in 2020, which is deployed for the maximum amount of 2.5 billion euros through the issuance of **ESG-format commercial paper**.

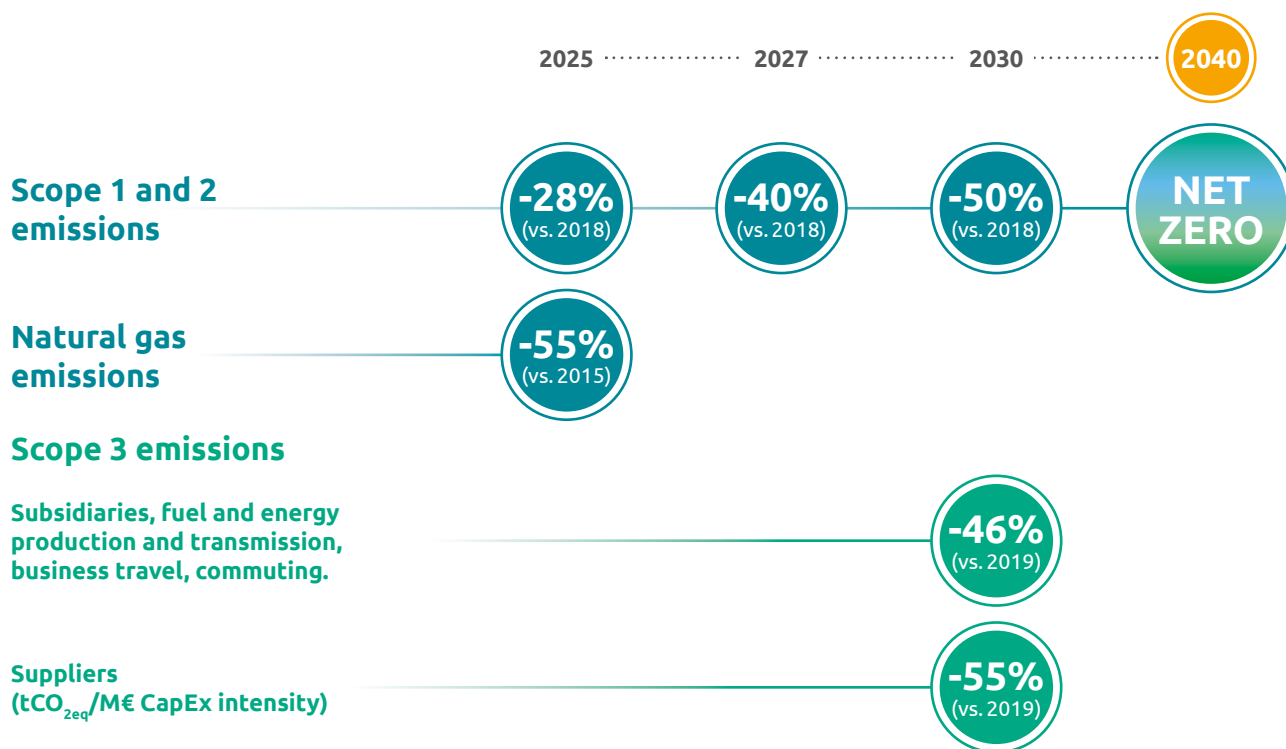
NFS THE STRATEGY FOR THE FUTURE: NET ZERO CARBON

TCFD

The fight against climate change is one of the main challenges facing the world today. The containment and reduction of greenhouse gas emissions, energy efficiency and the search for innovative, low-emission solutions are key elements of this path, in which natural gas plays a fundamental role.

In this context, in 2021 Snam decided to further strengthen its climate strategy, renewing its commitment to Net Zero at 2040 for its activities, introducing intermediate reduction targets at 2025 and 2027 in addition to the one of -50% at 2030 and making the target for reducing natural gas emissions more challenging than the previous year, raising it from 45% to 55% at 2025 vs 2015 (also exceeding the target set by the UNEP Framework). In addition, two further targets have been set to **reduce indirect greenhouse gas emissions** along the value chain (**Scope 3**), making Snam the **first energy infrastructure company in the European Union to also set such targets for its suppliers**. Snam's 2030 targets are in line with the objective of limiting global warming to 1.5°C set out in the Paris Agreement and with the generic SBTi (Science-based Targets Initiative) methodology.

THE NET ZERO CARBON STRATEGY TARGETS

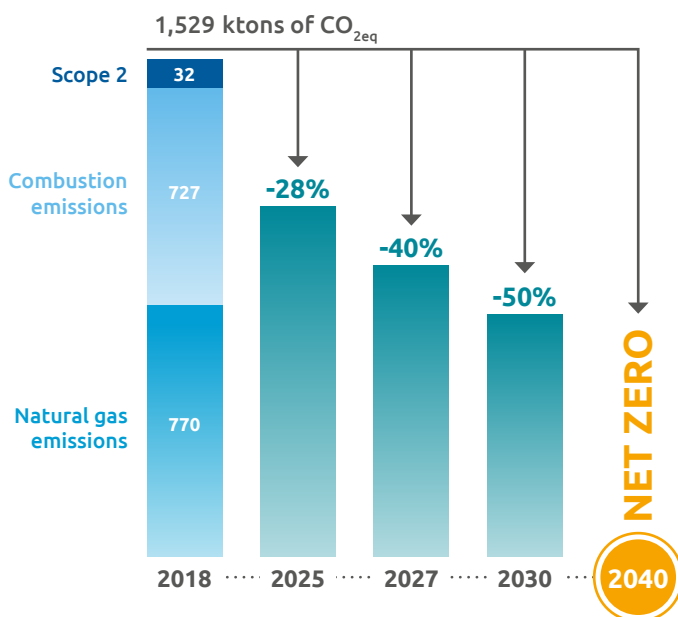


The initiatives implemented by Snam to achieve carbon neutrality in its operational activities, mainly consist of measures to contain natural gas emissions, through the modernisation, efficiency and maintenance of the network (LDAR), interventions the reduction of carbon dioxide (CO₂) emissions, thanks to the conversion of compressor stations to dual fuel (thus replacing gas turbo compressors with electric compressors), and the use of green electricity. In addition, Snam is proceeding with the adaptation of existing infrastructure for the transport and storage of different types of gas, including H₂-ready. To date, around 99% of the network is capable of transporting up to 100% hydrogen, and in 2021 the first hybrid turbine capable of operating with 10% hydrogen will be installed at the Istrana (TV) power plant. Finally, for emissions that cannot be eliminated by 2040, offsetting measures will be implemented through certified offsetting projects.

After being one of the first in its sector to commit to achieving zero net greenhouse gas emissions (Scope 1 and 2) by 2040, Snam has set itself targets for indirect emissions (Scope 3) by 2030. This confirms that the climate issue is now an unprecedented global challenge and increasingly requires concerted solutions from multiple players. By setting targets for emissions outside its direct control, Snam is sending out an important message aimed at encouraging and raising awareness of its associate companies and suppliers to define clear plans to reduce greenhouse gas emissions. The underlying conviction is that only by working together and establishing a dialogue of continuous exchange and updating will it be possible to achieve the ambitious goal of a Net Zero world.

Scope 1 and 2 Emissions

Snam plans to reduce direct (Scope 1) and indirect energy (Scope 2) emissions by 28%, 40% and 50% (vs 2018) by 2025, 2027 and 2030 respectively, until the Group's operations are carbon neutral by 2040. Actions will also go towards achieving the targets, aimed at reducing natural gas emissions (-55% by 2030 vs 2015). These are in line with the reduction targets set by the Oil and Gas Methane Partnership (OGMP) 2.0¹⁶ and COP26 (-30% of methane emissions by 2030 compared to 2020 levels).



1 Reducing emissions from operations

- Interventions and application of best practices to minimise methane emissions
- Reducing CO₂ emissions and energy needs of Snam, also thanks to the installation of new electric compressors in the gas booster and storage plants
- Use of renewable electricity

2 Reducing emissions from buildings and the company fleet

- Planning a move to a new site with LEED GOLD certification
- Use of green electricity produced by photovoltaic plants
- Conversion of company fleet to natural gas vehicles

3 Development of green gases

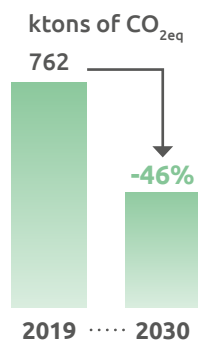
- Development and networking of new green gases, such as biomethane and hydrogen

16 The Oil & Gas Methane Partnership is a voluntary initiative launched in 2015 by the United Nations Environment Programme to support Oil & Gas companies in reducing methane emissions. Snam joined the OGMP in 2020.

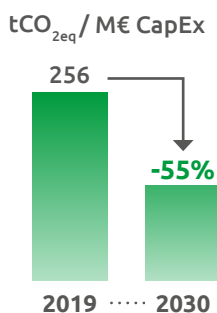
Scope 3 Emissions

As part of Snam's other indirect emissions (Scope 3), the Group has set two separate reduction targets. The first, -46% by 2030 compared to 2019 levels, takes into account emissions from associate companies and other minor emission categories. The second, -55% by 2030 compared to 2019, is expressed in terms of the emission intensity of the supply chain compared to CapEx.

Subsidiaries, fuel and energy production and transmission, business travel, employee commuting



Intensity of supply chain emissions



1 Initiatives with associate companies

Snam plans to organise workshops and meetings to share best practices for reducing greenhouse gas emissions. The initiatives will mainly concern:

- the use of **green gases** and the installation of **electric compressors** to reduce CO₂ emissions from combustion;
- the implementation of **LDAR** (Leak Detection and Repair) programmes to reduce fugitive emissions;
- the use of **energy produced from renewable sources**;
- support in defining targets for the reduction of CO₂ emissions.

2 Initiatives with suppliers

Snam will establish incentive criteria for suppliers who define clear plans to reduce greenhouse gas emissions. It will also support suppliers at the beginning of their journey to reduce emissions. Finally, it will initiate **joint projects** with suppliers to promote emerging technologies that enable them to:

- increase the use of **green gases** (biomethane, hydrogen) and **renewable energy** in production processes;
- convert their vehicle fleets to **green fuels**.

3 Initiatives to reduce other indirect emissions

Snam is also working on other, less impacting emission categories, such as those deriving from the production and transmission of fuels and electricity, by increasingly reducing its energy requirements and favouring renewable energies.

In addition, even beyond the pandemic emergency, Snam is working on a smart working plan that will significantly reduce emissions from commuting.

SNAM AND THE TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE (TCFD)

Snam's commitment to act as a major player in the energy transition is made concrete realized through more transparent reporting focussing on the issue of fighting climate change. Since 2018, the Company has published a stand-alone document in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD). The recommendations indicated by the Task Force are structured around four thematic areas, representing the fundamental elements of an organisation:

Governance: describes an organisation's governance model in relation to climate-related issues.

Strategy: describe the actual or potential impacts of the risks and opportunities related to climate change on the business, strategy and financial planning of the organisation.

Risk Management: describe how the organisation identifies, assesses and manages the risks related to climate change.

Metrics and Targets: describe the metrics and targets used to assess and manage the significant risks and opportunities related to climate change.

The Group's strategic and financial planning is closely interconnected with considerations on developments in the reference sector and the role Snam will play in guiding the energy sector's decarbonisation process. For this reason, in defining the emission reduction targets of the Group's Net Zero Carbon strategy, Snam has considered the "National Trend Italia" scenario, developed in collaboration with Terna, and the "Global Ambition" scenario developed by ENTSOs as part of the "Ten Year Development Plan" (TYNDP). Both are consistent with the environmental objectives set for Italy by the PNIEC and for Europe by the "Clean energy for all Europeans package". Both scenarios pre-date the new "Fit for 55" package, the objectives of which will be incorporated into the forthcoming "Scenario Description Document" that Terna and Snam will prepare in 2022.

Considering the "National Tren Italia" and "Global Ambition" scenarios, over a time horizon through to 2040, it is evident that the role of gas, including the progressive replacement of natural gas with green gas, appears to be the best option in enabling energy transition.

More details on the Group's strategy and its resilience with respect to climate change can be found in the document "Financial Disclosure on Climate Change 2021", prepared in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures.

Further considerations on Group governance, its risk management process, the risks and opportunities identified, and performance can be found in the relative sections of this document.

THE ESG SCORECARD

The **ESG Scorecard** is a tool designed to rationalise ESG KPIs (more than 140) and to monitor performance in the most relevant sustainability areas, as well as to improve transparency in communicating key environmental, social and governance aspects to stakeholders and the market. Driven by the need to consolidate the integration of sustainability aspects in the daily running of the business and improve extra-financial communication, **in 2021 Snam further strengthened its ESG Scorecard, aligning it with the new Strategic Plan with targets to 2025 and adding the area of Sustainable Finance.**

The review and update of ESG areas and KPIs is a process carried out annually at the time of the strategic plan and directly involves all functions of the Company and its subsidiaries. Performance is monitored on a quarterly basis.

The ESG Scorecard therefore brings together specific quantitative indicators (environmental, social and governance) to provide stakeholders with a holistic view of the Group's commitment to and growing awareness of ESG, enabling them to monitor its results. As of 2021, a new area dedicated to **sustainable finance**, an increasingly significant tool for the business and a direct contributor to the Sustainable Development Goals, has been included in the Scorecard, and two new indicators have been added in the area of responsible supply chain relating to the introduction of ESG criteria in scoring models and the number of local suppliers (SMEs in Italy) assignees of contracts with respect to the total number of contracted suppliers.

As evidence of the importance of sustainability for the business, in its Remuneration Policy for CEOs and Top Management, Snam has included sustainability objectives (some of which are included in the ESG Scorecard) in its short- and long-term variable incentives for several years now. In particular, with regard to the short term, these include: the weighted accident frequency and severity index, inclusion in the DJSI, FTSE4GOOD, CDP Climate Change, Sustainalytics sustainability indices, and an increase in sustainable financing; with regard to the long term: the reduction of natural gas emissions and equal representation in terms of gender diversity in the management team (middle and senior managers).

ESG SCORECARD



ENVIRONMENT



GOVERNANCE



SOCIAL



ENVIRONMENT

Acting for the environment by reducing natural gas emissions, protecting territories and biodiversity, investing in businesses related to the energy transition and adopting energy efficiency solutions applicable to Snam's operational management.

LAND PROTECTION AND BIODIVERSITY



% of vegetation recovery of natural and semi-natural areas impacted by pipeline routing

>99% annually until 2025

NATURAL GAS EMISSIONS



% of reduction in natural gas emissions (vs 2015)



% of natural gas recovered from maintenance activities (average of the last five years)

>40% annually until 2025

ENERGY SAVINGS OF OPERATIONAL MANAGEMENT

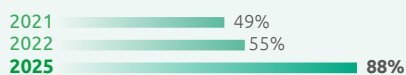


MWh production of electricity by photovoltaic plants

860 annually until 2025



% of retrofitted or methane-powered cars out of the total company car fleet



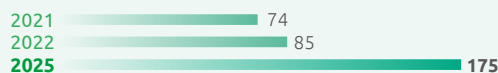
NEW BUSINESSES - GREEN INNOVATION



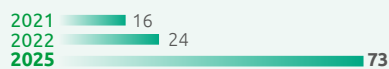
Biomethane production (mln m³)



Cumulated number of installed CNG and L-CNG stations



Reduction of CO₂ equivalent from energy efficiency interventions (kton of CO_{2eq})



Available LNG capacity for the SSLNG market (mln m³)

250 by 2025



GOVERNANCE

Operating ethically and meeting customer needs, fighting corruption, ensuring high levels of service quality and network reliability. Raising awareness of ESG issues, directly involving the Board and promoting sustainable finance.

GOVERNANCE FUNCTIONING AND STRUCTURE



% of BoD time dedicated to ESG matters in strategy meetings and induction sessions

at least **40%** annually until 2025

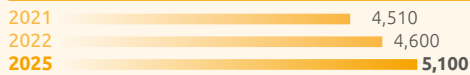
SOCIAL

Valuing people, creating a safe and inclusive working environment, promoting diversity and actively collaborating with both suppliers and local communities.

ENGAGEMENT OF LOCAL COMMUNITIES



Number of employees hours devoted to Snam Foundation's initiatives supporting local communities



SAFETY



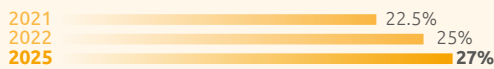
IpFG (combined frequency and severity index)

< average of the last 5 years
annually until 2025

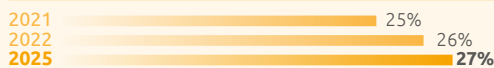
GENDER DIVERSITY



% of women in executive and middle-management roles



% of women in succession planning (first and second reporting line and key positions)



EMPLOYEE ENGAGEMENT



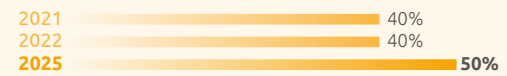
% employee engagement index



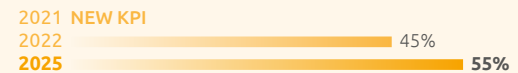
RESPONSIBLE SUPPLY



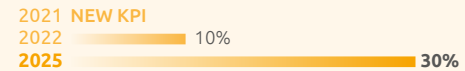
% spending to local suppliers (Italy based SMEs) on total procurement



% of local suppliers (Italy based SMEs) involved of total contractualized suppliers



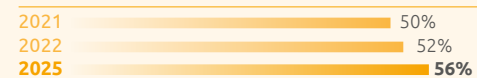
Introduction of ESG criteria in scoring models (% of expenditure)



WELFARE



% participation in welfare initiatives



ANTI-CORRUPTION



% of third parties on which reputational checks have been performed

100% annually until 2025

INFRASTRUCTURE RELIABILITY



Average annual customer satisfaction rate in terms of service quality



% of reliability levels on gas supply

99.9% annually until 2025

SUSTAINABLE FINANCE



% of ESG finance on total committed funding



MANAGEMENT OF RISK AND OPPORTUNITIES

MANAGEMENT OF RISKS AND OPPORTUNITIES

The assessment of the factors that may affect the business is an essential condition to be able to continue to operate in the long term in a sustainable manner, namely directing strategies and monitoring changes in the boundary conditions of the same.

The **Enterprise Risk Management (ERM)** unit, located at the second level of the ICRMS, reports directly to the General Counsel and plays a key role in the integrated management of enterprise risks for all Group companies, using an **ERM Model**. This Model, which operates in line with the indications of the CoSO Framework¹⁷ and of the Corporate Governance Code, as well as with international best practices, enables the **identification, assessment and monitoring** of risks and opportunities, both current and prospective, associated with Snam's corporate strategy.

In actual fact, the risk is defined as an effect of the uncertainty on the targets of the Strategic Plan and can be negative or positive in scope. The results of the risk and opportunity assessment and monitoring activities and the related mitigation measures are presented regularly to the Control, Risk and Related-Party Transactions Committee, the Board of Statutory Auditors, the Supervisory Body and the Board of Directors of Snam. In this context, the ERM unit also carries out awareness-raising and training activities for executive and non-executive directors with regard to the applied risk management methodologies and the evolution of Snam's ERM model. The results are also shared with the **Internal Audit** department, which uses them when preparing audit plans; the **Strategic Planning** department, which assesses coherence with the risk assessments and analyses of the Strategic Plan; the **Sustainability** department, to support planning activities and to define strategies for managing ESG topics that are relevant to the Group.

17 Committee of Sponsoring Organisations of the Treadway Commission.

RISK MANAGEMENT - MANAGEMENT OF RISKS AND OPPORTUNITIES

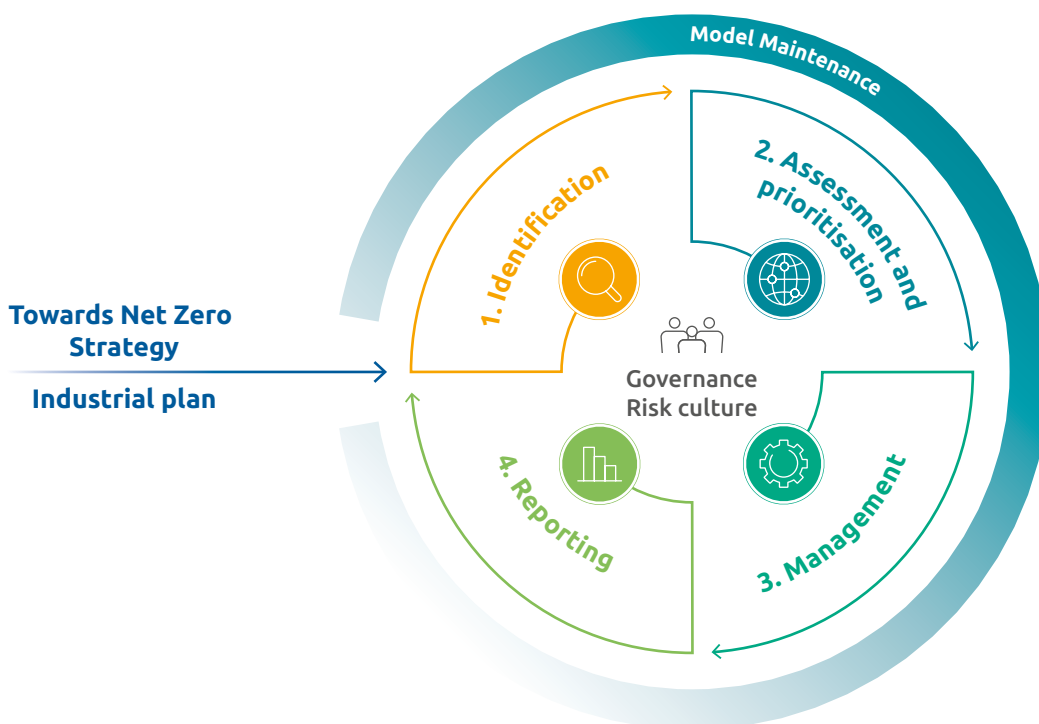
1. IDENTIFICATION

Identification of risky events related to corporate process and of external risk factors that may affect the achievement of corporate objectives, both through interviews with **Staff** and **Business Managers**, responsible for the implementation of the plans aimed at an effective risk monitoring, and **specific analyses of the operating processes of each Company and of the corporate Strategic Plan**.

The mapped events are periodically reviewed also in the light of the growing importance of the **new business development areas**, in order to ensure a proper monitoring of risks and related opportunities.

2. ASSESSMENT AND PRIORITISATION

Assessment and prioritisation of each event through the use of prioritisation matrices in which the probability of occurrence of the event and its negative impact (risks) or positive impact (opportunities) are represented. The **probability** of an event is determined on a scale of 1 (remote) to 4 (highly likely). The **impact** of the event is assessed according to different dimensions, which can be **qualitative** (industrial/business, asset, reputational, legal, market, health and safety, environment, social and governance) or **quantitative** (economic, financial), also measured on a scale from 1 (low) to 4 (significant). Risk **prioritisation** takes into account the different points of view of the risk owners (first reports to the CEO/MD of the subsidiaries) and risk specialists, combining the impact and probability measures obtained according to 4 priority classes (low, medium-high and critical for risks; slight, fair, good and excellent for opportunities).



4. REPORTING

Monitoring and **reporting** through periodic risk mapping. The periodic reporting activity guarantees, through the definition of specific metrics and Key Risk Indicators (KRI), correct information to the different corporate levels, the availability and representation of information relating to the management and monitoring activities of the relevant risks. Specific reporting flows are activated towards the CEO, the Chief Financial Officer (CFO) and the control departments and bodies.

3. MANAGEMENT

Definition of the management strategy (mitigation, monitoring, management or transfer of risk) and any specific actions for all risks, for which, if necessary, the relevant implementation time frame is also identified. Mitigation actions are aimed at limiting the likelihood and/or impacts of the risk in question while monitoring and management actions ensure that the risk level does not worsen. Risk transfer is aimed at transferring, partially or completely, the impacts inherent in a risk to a third party outside the Snam group.



Specialist impact

Operational impact



The risk assessment campaigns, provided for by the ERM model, are repeated periodically and involve risk specialists, risk impact specialists and risk owners, who are called upon to assess risks according to the metrics of the ERM model.

The wide-ranging nature of its impact measurement is a distinctive feature of Snam's ERM model. Indeed, every risk event is assessed in relation to **ten types of impact**, some of which are determined by risk owners/specialists (operational impacts: Economic/Financial, Industrial/Business, Asset), others by specialist departments (impacts: Legal/Compliance, Governance, Social, Reputational, Health and Safety, Environment, Market). In particular, the **"Environment" metric** considers environmental and climate change impacts; the **"Social" metric** considers possible impacts on human and labour rights, as well as on local communities; and the **"Governance" metric** intercepts possible consequences on governance capacity and the pursuit of sustainable success.

Risks are therefore assessed from different perspectives and their prioritisation is defined by combining measurements of their impacts and probability. The opportunities are identified in a similar way to risks, that is operational impacts are determined by risk owners/specialists and the other impacts by specialist departments. For all risks, management strategies and any specific actions are identified, with a time frame for implementation.

Risks and opportunities, identified through the ERM process, are classified into four categories: **strategic, legal and compliance, operational and financial**. Among the mapped events are also those **related to ESG topics**, which are assessed taking into account three time horizons: short term (0-1 year), medium term (1-5 years) and long term (5-10 years).

Refinement of the ERM model is carried out continuously and independently of the process phases, with the aim of continuously having an effective model that is consistent with the technological and methodological process of risk management. Continuing on from the previous year, again in 2021, the mapping of risks/ opportunities was updated through the **RACI** IT platform under the scope of the **Integrated Risk Assurance and Compliance**¹⁸ model, aimed at integrating second-level control information flows with a synergistic approach, intended to achieve the maximum rationalisation and overall efficiency of the ICRMS. In addition, Snam's entry into the **energy transition business** has stimulated the need to define **new risk/ opportunity assessment metrics at the level of the individual entity** (i.e. individual company or line of business) with the aim of grasping its specificities and integrating the current "enterprise" view (i.e. at group level) of the ERM model.

At the end of 2021, approximately **175 enterprise risks** were mapped, along with **56 opportunities** distributed across all corporate processes.

18 For further details, please refer to the section "Risk Assurance & Integrated Compliance" in the "Governance" chapter.

INTEGRATING ESG ASPECTS INTO SNAM'S ERM MODEL

Faced with the growing importance of **sustainability issues** in the national and international context, companies are increasingly focusing their **efforts** on those aspects considered to be qualifying and competitive elements of their business, as well as necessary for the creation of **shared value**.

In order to ensure the proper management of these aspects, it is essential to consider the **risks and opportunities** associated with them, integrating them into the company's assessment model.

In light of the most recent trends in this area, starting in 2021, Snam launched a series of initiatives aimed **at integrating ESG topics into the ERM framework**, drawing inspiration from **leading practices** in this area, such as **CoSO ERM**, **CoSO ERM WBCSD** (World Business Council for Sustainable Development) and **TCFD**.

In particular, the activities were divided into two consecutive project phases: the **Diagnostic Assessment** of ESG risk areas, which was completed in 2021, and the **ESG Risk Assessment, which will be completed in the first half of 2022**.

Specifically, the Diagnostic Assessment was conducted with the aim of **identifying ESG risk areas**, based on the Sustainability issues identified in the materiality analysis, and assessing the level of maturity of the control measures relating to the ESG risk areas identified.



At the end of this phase, and based on the results of the study carried out, the Group **intensified its activities** by launching, for the first time, an **extraordinary Risk Assessment campaign with an ESG focus**. Prior to this campaign, which involved the entire company perimeter and top management, the Group **strengthened its ERM methodology** from an **"ESG"** perspective, and was therefore ready to systematically incorporate ESG factors into its activities and analyses.

This methodological evolution has been made possible thanks to the inclusion in the ERM model of **innovative elements** taken from the main best practices, which have been applied to the Group's business reality and tested during the ESG Risk Assessment; in particular, the evolution of the model has focused on four fundamental aspects:

Megatrend, external and internal context analysis

The Risk Assessment was preceded by an **analysis of the external and internal context** of the Group, which included a Megatrend analysis focused on **ESG topics** and the **European context**. In particular, starting from the studies carried out by the European Environmental Agency, **18 specific Megatrends** were analysed, which can be grouped into **6 thematic areas** (*Global Population Dynamics, Climate Change and Environmental Degradation, Resource Scarcity, Technological Acceleration and Convergence, Geopolitical Scenario and Balance of Power, Diversification of Values, Lifestyles and Governance Models*), assessing their **potential impacts** in terms of **risks and opportunities**.

ESG risk classification and mapping on Material Topics

In line with the recommendations of the CoSo WBSCD and TCFD, Snam has decided to apply the definition of **ESG-related and Climate-related risks** within its model in a way that is **completely transversal to its risk portfolio**: the link to ESG factors is therefore not reserved for a specific risk category specifically created, but is expressed **horizontally to all risk categories** through an **ERM risk mapping activity on Material Topics**. In actual fact, by connecting ERM risks to Material Topics, it is possible to acquire **a new key to interpreting Risk Management activities**, integrating them with Materiality Analysis and clustering risks on the basis of cause or effect relationships linking them to specific Material Topics.

Managing the time horizon of risks and overcoming the short-term vision

In order to **overcome the limitations of traditional risk management models**, which typically focus on a **short-term vision** limited by the Strategic Plan time horizon, a **new risk assessment metric, Velocity**, has been introduced, suitably calibrated to allow **risk analysis on events far away in time** and on **long-term phenomena**. The metrics, implemented in accordance with the **recommendations of the TCFD**, clearly distinguish risks and opportunities with **immediate, short, medium and long-term impacts**, facilitating the identification and assessment of risks that exceed the Plan time horizon.

Restructuring impacts and the logic of Dual Materiality

The latest methodological evolution of Snam's ERM has focused on incorporating ESG factors into the **assessment of risk and opportunity impacts**, leading to the application of the **three corresponding assessment metrics (Environmental, Social and Governance)**. Thanks to this integration, each event in the ERM portfolio can now be assessed and classified according to a **punctual ESG logic** that can distinguish the **nature and magnitude of potential impacts**, highlighting potential critical issues in detail. In particular, the application of Environmental and Social impacts allows the ERM model to **move closer to the new approach of Double Materiality**: being able to measure the external impacts of risk events distinguishing them from the internal ones, ERM can now **separate Inside-out effects from Outside-in effects**, and consequently evaluate each risk in the double perspective of **Financial Materiality** and **Impact Materiality**.

The innovations described here have allowed Snam ERM to **identify and assess** a sample of **new ESG Risks and Opportunities**, which will be integrated into the Group ERM perimeter during 2022. The table below shows, by way of example, 5 **new risks** and 5 **new opportunities** identified during the project, the Material Topics that emerged during the mapping phase and the relevance of the ESG impacts. In particular, for this last information the strength of the impacts (negative for Risks, positive for Opportunities) on the **single factors E, S and G** is **visually represented** using the following chromatic scale:

Maximum impact	Medium impact	No impact
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	Description of Risk	Related material topics	Relevance of ESG impacts (negative)
RISKS	Delays in the implementation of the Net Zero Roadmap	<ul style="list-style-type: none"> • Climate change • Green Business 	ESG
	Delays in the implementation of the Scope 3 CO ₂ reduction roadmap attributable to the Snam supply chain and Associates	<ul style="list-style-type: none"> • Climate change • Green Business • Sustainable supply chain 	ESG
	Reduction in ESG scores and downgrading of sustainability ratings	<ul style="list-style-type: none"> • Brand Reputation • Economic performance and value creation 	ESG
	Failure to achieve the percentage of vegetation recovery in areas impacted by the development of the pipeline network	Territory and biodiversity protection	ESG
	Reduced access to sustainable finance resulting from possible revisions to the EU taxonomy of economically sustainable activities in the energy sector	Economic performance and value creation	ESG

	Description of Risk	Related material topics	Relevance of ESG impacts (negative)
OPPORTUNITIES	Achievement of awards linked to the clarity and transparency of financial statement disclosures and the quality of dialogue with stakeholders, with an improvement in Snam's perception in terms of reputation	<ul style="list-style-type: none"> • Brand Reputation • Economic performance and value creation 	ESG
	Further reduction of construction-related emissions and fugitive emissions through the adoption of innovative technologies (grid and power plants)	<ul style="list-style-type: none"> • Climate change • Green business 	ESG
	Safeguarding the security of the country and the entire Snam value chain through constant monitoring of Cybersecurity issues	Infrastructure reliability and resilience, business continuity and cybersecurity	ESG
	Increased development in decarbonisation projects to increase customer demand in the energy efficiency business	<ul style="list-style-type: none"> • Climate change • Green Business 	ESG
	Introduction of new policies to encourage the use of Bio-CNG and Bio-LNG for automotive purposes	<ul style="list-style-type: none"> • Climate change • Green Business 	ESG

ELEMENTS OF RISK AND UNCERTAINTY

This paragraph illustrates the main elements of risk and uncertainty featured in the ordinary management of Snam's operations.

The risks identified are divided into:

- **Strategic**
- **Legal and Compliance**
- **Operational**
- **Financial**
- **Emerging**

Moreover, the disclosure below takes into account the impacts of COVID-19, set out in a specific paragraph of this section.

In addition, in view of the **relevance of climate risks and opportunities**, these aspects have been highlighted with differently coloured pages in the "Strategic Risks" section.

Financial risks are illustrated in Note 25, "Financial risk management", of the Notes to the consolidated financial statements.

RISKS AND UNCERTAINTIES ARISING FROM THE COVID-19 EMERGENCY

Although the state of health emergency in Italy, in force until 31 March 2022, persists, there are increasingly encouraging signs of recovery. The vaccination campaign launched in Italy on 27 December 2020, records one year later, on 31 December 2021, administrations equal to about 110 million doses; on the same date, the complete vaccination coverage (two doses or one dose of single dose vaccine) in the population aged ≥ 5 years is about 80%. The massive vaccination campaign and, at the same time, the presence of limitations and restrictions on public events that could facilitate the spread of the virus, have therefore made it possible to start a concrete reversal of the trend; in the first few months of 2022 the vaccination trend continued with the extension of the administration to the 5-11 age group, which started on 16 December 2021.

The latest available evidence shows that the Omicron variant, predominant in Italy and found in more than 99% of the infections recorded at the beginning of 2022, has a higher transmissibility than the previous variants but at the same time, leads to a reduced risk of hospitalisation compared to the latter.

As a result, not only in Italy, but also in Europe and the rest of the major economies, there are growing expectations of a progressive and ever greater relaxation of the restrictive measures imposed by the pandemic, leading gradually to the overcoming of the health emergency.

Uncertainties related to the expected length of time for the completion of the vaccination campaign in the rest of the world could result in further delays in the normalisation of the international economic environment, as well as facilitate the spread of new variants.

Any further containment measures, presently unable to be predicted, as may be imposed in the coming months to cope with the rapid spread of variants could lead to further interruptions of non-essential production activities and the temporary closure of construction sites. This could influence, to some extent, Snam's ability to fully complete the 2022 investment programme related to its core business; this could have an impact that cannot be quantified in detail at present, with respect to the forward-looking assumptions made by Snam.

In the same way, the return of containment measures for prolonged periods of time, with consequent closure of plants and blockage of construction sites, could have a more significant impact especially on the companies involved in production (Cubogas), and on site activities (IES Biogas, Snam 4 Mobility and TEP), slowing down the completion of the works and the consequent recognition of the corresponding revenues.

The same considerations apply in respect of any potential effects on the development initiatives and suppliers or customers deriving from the slow-down to business and the current macroeconomic context consequent to the international reach of the pandemic, that cannot yet be assessed. The same applies to the assets that the Snam Group holds abroad.

RISKS AND UNCERTAINTIES ARISING FROM SNAM'S ORDINARY OPERATIONS

The descriptions of the risk categories are provided below.

For each risk category, events related to the ESG (Environmental, Social and Governance) areas that are relevant to Snam are illustrated in table form, with an indication of the main management methods adopted by the Group.

The indication of the capital assets on which the identified risks may have an impact also provides a better understanding of how the risks may impact the Group's ability to preserve and create value over time.

STRATEGIC RISKS

Regulatory and legislative risk

Regulatory risk and legislative risk for Snam is linked to the regulation of activities in the gas sector. The decisions of the Italian Regulatory Authority for Energy, Networks and the Environment (ARERA) and the National Regulatory Authorities of the countries in which the foreign subsidiaries operate, European and national regulations and, more generally, the change in the regulatory reference framework, could have a significant impact on the operations, results and financial stability of the Company.

It is not possible to foresee the effect that future changes in legislative and fiscal policies could have on Snam's business and on the industrial sector in which it operates.

Considering the specific nature of its business and the context in which Snam operates, changes to the regulatory context regarding the criteria for determining reference tariffs are particularly significant.

Macroeconomic and geo-political risk

Due to the specific nature of the business in which Snam operates, risks related to political, social and economic instability in the countries where natural gas is supplied are also relevant, and are mainly attributable to the gas transportation sector. A large part of the natural gas transported in the Italian national transportation network is imported or moved through countries in the MENA area (Middle East and North Africa, particularly Algeria, Tunisia, Libya and, in terms of the TANAP-TAP, Turkey along with the states bordering the Eastern Mediterranean) and in the former Soviet bloc (Russian Federation, Ukraine, Azerbaijan and Georgia), nations subject to political, social and economic instability which could evolve into potential crisis scenarios in the future.

In particular, the import and transit of natural gas from/through these countries are subject to a wide range of risks, including: terrorism and common crime, alteration of political-institutional balances; armed conflicts, socio-economic and ethno-sectarian tensions; unrest and riots; weak legislation on insolvency and creditor protection; restrictions on investment and on the import and export of goods and services; introduction and increases in taxes and excise duties; forced imposition of contract renegotiations; nationalisation of assets; changes in trade policies and monetary restrictions.

If the shippers who use the transportation service through Snam networks are unable to supply or transport natural gas from/through the aforementioned countries due to such adverse conditions, or are otherwise affected by such adverse conditions, or to such an extent as to cause or encourage a consequent inability to fulfil their contractual obligations to Snam, this could have an adverse effect on the business and on the Snam Group's assets and liabilities, income and financial position. In addition, Snam is exposed to macro-economic risks deriving from relocation or tension on financial markets or situations deriving from exogenous phenomena, which could have an impact on liquidity and access to financial markets.

Commodity risk related to gas price changes

Through resolution no. 114/2019/R/gas, under the scope of the process for revising the criteria for calculating the revenues recognised for the natural gas transportation and metering service for the fifth regulatory period (2020-2023), the criteria for recognising Unaccounted For Gas (UFG) were also defined. On the basis of these criteria, from 2020, the recognition of quantities of fuel gas, network leaks and UFG will take place in monetary terms instead of recognition in kind by shippers. However, the change in the price of natural gas will continue not to represent a significant risk factor for Snam, since there is a hedging mechanism for the risk associated with differences between the price recognised for fuel gas, network leaks and UFG volumes and the effective procurement price. With reference to the quantities recognised, said resolution confirmed the current criterion relative to fuel gas and network leaks, whereas for UFG, the level admitted will be updated once a year and will equal the average of the quantities effectively recorded in the last four years available.

In July 2020, with resolution no. 291/2020/R/gas, it concluded its investigation, recognising an additional volume of UFG for the years 2018-2019 totalling 182 million cubic metres, equal to a total value of about 42 million euros, which will be recognised, net of the amount already received on account for the year 2018, by the CSEA. In addition, it started a procedure, which concluded at the end of 2020 with the publication on 22 December 2020 of the 569/2020/R/gas resolution, to refine the UFG recognition criteria for the fifth regulatory period (2020-2023), aimed at strengthening the consistency of the mechanism's operation and its stability, providing that the incentive of the mechanism is in any case determined on the basis of predefined unit fees proportionate to the remuneration of the metering service, rather than the price of gas. This change results in a substantial reduction risk compared to the potential impacts of the original provision.

Specifically, the Authority, while keeping the current criterion for recognising and valuing UFG quantities for tariff purposes and the functioning of the neutrality mechanism set forth in the IBT (Integrated Balance Text), which regulate the balance of gas systems within the Nation grid, in terms of recognised value, introduced an incentive mechanism based on the difference between the recognised UFG and the actual amount for the same year.

Generally speaking, the change in the regulatory framework with regard to the recognition of natural gas quantities to cover fuel gas, network leaks and UFG could have negative effects on the Snam Group's operations, result balance sheet and cash flow.

Market risk

With reference to the risk associated with gas demand, based on the tariff system currently applied by ARERA to natural gas transportation activities, Snam's revenue, via the directly controlled transport companies, is partly correlated to volumes withdrawn. The ARERA, however, confirmed for the fifth regulatory period (2020-2023), with resolution no. 114/2019/R/gas, the guarantee mechanism with respect to the share of revenues related to volumes withdrawn already introduced in the fourth regulatory period on transported volumes. This mechanism provides for the reconciliation of major or minor revenues, exceeding $\pm 4\%$ of the reference revenues related to the volumes withdrawn. Under this mechanism, approximately 99.5% of total revenues from transportation activities are guaranteed.

Based on the tariff system currently applied by the ARERA to natural gas storage activities, Snam's revenues, via Stogit, related to infrastructure usage. However, the ARERA has introduced a mechanism to guarantee reference revenue that allows companies to cover a significant portion of revenues recorded. Until the fourth regulatory period (2015-2019), the minimum guaranteed level of recognised revenues was approximately 97%, while for the fifth regulatory period (2020-2025) resolution no. 419/2019/R/gas extended the level

of guarantee to all recognised revenues (100%). The same resolution also introduced an enhanced incentive mechanism (defined by subsequent resolution no. 232/2020/R/gas) with voluntary participation that provides for an increase in profit-sharing of revenues from short-term services from 50% to 75% against a reduction in the portion of recognised revenue subject to a hedging factor.

Finally, with reference to the tariff regulation criteria for the LNG regasification service for the fifth regulatory period (2020-2023), resolution no. 474/2019/R/gas confirmed the mechanism to cover reference revenues at a guaranteed minimum level of 64%.

In general, the change to the regulatory framework in force could have negative effects on the Snam Group's operations, results, balance sheet and cash flow.

Abroad, protection from market risk is offered by the French and Greek regulatory authorities (Teréga) and (Desfa), from the TAP and Austria long-term contracts (different expiry dates for TAG and Gas Connect from 2023), of France (with the gradual expiry of long-term contracts at the interconnection point with Spain starting 2023) and for the ADNOC Gas Pipeline (20 years tariff-based). In Austria, the UK (Interconnector) and Egypt, regulation does not guarantee coverage of the volume risk.

With reference to today's macroeconomic market framework, at the same time as the economic recovery in 2021 and consumption, there has been a rapid increase in wholesale energy prices in Europe with possible effects on the reduction of gas consumption by end users (industrial players/private citizens) and switching to other energy carriers. This growth is due to a number of factors including: increased post-Covid consumption, structural reduction in continental gas production, reduction in potential additional imports from Russia, lower production from renewable electricity (wind, solar) especially in Northern Europe, increased gas consumption and LNG imports on a global scale in Asia, increased CO₂ quotations on the ETS market. The contingent trend of commodity prices in Europe and the strong energy dependence on imports could

represent elements of vulnerability for the Italian energy system. As far as gas is concerned, Snam has already mitigated this risk thanks to a series of countermeasures adopted in recent years, such as the diversification of supply sources (most recently, the commissioning of the TAP pipeline), a wide availability of gas storage capacity (able to cover over 23% of current gas demand), efficient network management through coordination with other infrastructure operators and the adoption of additional tools to support extraordinary emergencies (e.g. peak shaving through regasification terminals, interruptibility service for withdrawals from the transportation network). For some sectors, particularly private users, there may be a perception that high prices are structural, with the risk of reduced or interrupted gas supplies in favour of other energy carriers.

Strategic Risks



REGULATORY AND LEGISLATIVE RISK

Description Regulatory framework in Italy and in the countries of interest with penalising parameters, specifically as regards the criteria for determining tariffs Significant change in legislation and/or case law

Related material topics Relations with authorities and quality of services

- Mitigation measures**
- Maintaining a continuous and constructive dialogue with the regulator that contributes to the definition of a clear, transparent and stable framework to encourage the sustainable development of the gas system
 - Monitoring consultation processes in a direct and/or indirect manner
 - Preparation and transmission of documents containing company positions and/or proposals regarding the definition of the regulatory framework
 - Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments

Impact on capital



MACROECONOMIC AND GEOPOLITICAL RISK

Description Political, social and economic instability in natural gas supply countries Change in gas demand in the short to medium term due to commodity price increases

Related material topics Relations with authorities and quality of services

- Mitigation measures**
- Continuous monitoring of the political, social and macroeconomic framework
 - Maintaining relationships with the Authorities and Institutions responsible for managing crises in high-risk markets
 - Continuous regulatory oversight with monitoring of the evolution of laws and rulings, analysis of new developments, and the dissemination of information and insights to business and commercial departments
 - Implementation of measures to counteract price increases (diversification of supply sources, availability of gas storage capacity, coordination of infrastructure operators, additional supporting regulatory instruments)
 - Monitoring price developments of other commodities and supporting policies to reduce the cost of renewable gas

Impact on capital



Climate change risk

The achievement of global climate objectives will lead to significant investments in decarbonisation of the energy sector over the next thirty years. In recent years, Snam has repositioned itself to benefit from new mega-trends of the energy transition, thanks to infrastructure that will be crucial for achieving decarbonisation targets, to its presence in energy transition business, to international growth and thanks to a disciplined approach to investments.

Snam is therefore committed to achieving carbon neutrality by 2040, with an intermediate target of reducing direct (Scope 1) and indirect (Scope 2) emissions by 50% by 2030 compared to 2018 values, in line with the target of containing global warming to within 1.5° C set out in the Paris Agreement adopted at the Climate Conference (COP 21). This objective is also consistent with the UNEP (UN Environment Programme) objectives of reducing CO₂ emissions, with which a protocol has been signed.

With regard to the risks associated with the emissions market, in field of the application of the European Union directives concerning the sale of permits relating to carbon dioxide emissions and the rules on controlling emissions of certain atmospheric pollutants, with the start of the fourth regulatory period (2021-2030) of the European Emissions Trading System (EU - ETS), the updating of the sector regulations has confirmed a constant reduction of the quotas on emissions released free of charge. The allowances will be assigned to each plant on a gradually decreasing basis, so they will no longer be constant, and will also depend on the actual functionality of the plants. The allowances assigned free of charge to Group plants no longer suffice to comply with the regulatory conformity obligations relative to ETS mechanisms, hence Snam Group companies will procure the additional allowances required on the market.













By Resolution 114/209/R/gas of 28 March 2019, the ARERA defined the regulatory criteria for the fifth regulatory period (2020-2023) of the natural gas transportation and metering service, providing, among other things, for the recognition of costs related to the Emission Trading System (ETS). Resolutions No. 419/2019/R/gas and No. 474/2019/R/gas also introduced the recognition of ETS-related costs for the storage service (regulatory period 2020-2025) and the regasification service (2020-2023).

Climate change scenarios could also lead to a change in the choice of energy mixes in different European countries and in the behaviour of the population, and could have an impact on the demand for natural gas (and the volumes transported). On the one hand, the latter could benefit from its greater sustainability compared to other fossil fuels in the short/medium term and represent a bridge towards the complete decarbonisation of some sectors; on the other hand, individual policies and choices could lead to a progressive decrease in consumption of natural gas with a consequent impact on the current use of infrastructure. The raising of decarbonisation targets across the European Community, including the new legislative proposals currently being issued on the energy transition (such as the 'fit for 55' package and the EU Taxonomy) or studies of major importance in the international energy landscape (such as the IEA roadmap to net zero) could actually accelerate the progressive reduction of fossil natural gas demand and supply. On the other hand, this could encourage a greater and earlier penetration of renewable and low-carbon gases (green hydrogen, blue hydrogen, biomethane, synthetic methane) into the energy mix, thereby promoting Snam new businesses.

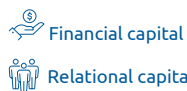
Climate change could also increase the severity of extreme weather events (floods, droughts, extreme temperature fluctuations), worsening natural and hydro-geological conditions in some areas with a possible impact on the quality and continuity of the service provided by Snam as well as on Italian and European gas demand. With reference to the effects of the change in the gas demand on the balance sheet, income statement and financial position of the Snam Group, see paragraph "Market risk" of this chapter.

Lastly, Snam has signed the Methane Guiding Principles, which commit the company to further reducing methane emissions deriving from its activities in natural gas infrastructure. In adhering to these principles, Snam has also committed to encouraging other players across the entire gas supply chain – from the producer to end consumer – to pursue the same objective.

Snam joined the Oil & Gas Methane Partnership OGMP 2.0, a voluntary initiative launched by the UNEP (United Nations Environment Programme) to support Oil & Gas companies in reducing methane emissions. The company has participated, and is still actively involved, in the various UN forums that have enabled the development of the framework to provide governments and the public with the assurance that methane emissions are treated and managed responsibly, with progress against stated targets, offering transparency and collaboration including the implementation of best practices. The protocol suggests indications as to the objectives to be achieved: - 45% by 2025 compared to 2015. In 2021, Snam renewed its commitment by setting itself a 2025 methane emission reduction target of -55% compared to 2015, more stringent than that proposed by UNEP, becoming a fundamental part of the Net Carbon Zero Strategy.

 Financial capital  Human capital  Infrastructural capital  Relational capital  Intellectual capital  Natural capital		
Strategic Risks		
CLIMATE CHANGE RISKS - TRANSITION RISKS		
Description	Political and legal risks Tightening of the regulatory framework and emerging regulatory framework to accelerate GHG emission reduction	Technological risks Diffusion of new technologies favouring the use of alternative energy sources to gas and failure to adapt to new technological standards
Related material topics	<ul style="list-style-type: none"> Green business Innovation Relations with authorities and quality of services 	<ul style="list-style-type: none"> Green business Innovation Human capital development and protection
Mitigation measures	<ul style="list-style-type: none"> Regular monitoring of energy consumption and updating consumption forecasts for plants subject to ETS Transfer of quotas between Snam companies to increase the energy efficiency of plants Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 for Scope 1+2 CO₂ emissions and -55% by 2025 vs 2015 for CH₄) culminating in the achievement of carbon neutrality by 2040 Development and improvement of the efficiency of gas infrastructures in a “multi-molecule” approach, in order to foster the use of natural gas and biomethane to replace more polluting fossil fuels and promote renewable gases, such as hydrogen, to support the energy transition and enable the transportation and storage of CO₂ 	<ul style="list-style-type: none"> Consolidation of new business related to the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency) Development and bringing in-house competencies in green and low carbon technologies to gas, through acquisitions also Partnership agreements to favour the development of operators along the hydrogen value chain and promote hydrogen as a fundamental energy source for decarbonisation, via advocacy and awareness-raising activities, both in Italy and abroad Enabling hybrid technologies (e.g. dual-fuel power plants) to promote the transport of green gas mixes (biomethane + hydrogen)
Impact on capital	     	
Potential financial impacts	up to 9 million euros (EBITDA/per year)	

Strategic Risks



CLIMATE CHANGE RISKS - TRANSITION RISKS

Description

Market risks

Reduction in demand for natural gas

Reputational risks

Negative public perception of companies working in the fossil fuel sector

Related material topics

- Climate change
- Green business
- Innovation
- Climate change

Mitigation measures

- Development of new energy transition businesses;
- Investments in multi-molecule infrastructures (e.g. hydrogen backbone, H2 tests in depleted gas field, development of storage and CO₂ expertise)
- Participation in internationally integrated projects on green and low carbon gases (biomethane and green and blue hydrogen) along the entire value chain to foster their further development
- Support to the diffusion of more efficient gas technologies (gas heat pumps and high-efficiency cogeneration heating pumps)
- Participation in European working tables in the field of energy transition and climate neutrality directly and through trade associations
- Awareness-raising activities on public opinion on natural gas as a key source to ensure energy security and enable the phasing out of coal in electricity generation
- Monitoring of European and national legislative initiatives within the natural gas field and representation for the company's interests with regards to the various institutional stakeholders
- Monitoring of international, European and national public financing programmes in the infrastructure, energy and sustainable transportation fields
- Representation with institutional stakeholders in order to promote gas infrastructure as a tool for the development of renewable gas
- Interaction and promotion/advocacy with industry stakeholders and the financial world in coordination with other gas chain operators and associations also
- Participation in European working tables in the field of energy transition and climate neutrality
- Adherence to national, European and international initiatives aimed at strengthening the commitment to reduce methane emissions, such as the UN Oil & Gas Methane Partnership OGMP 2.0 Protocol
- Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 for Scope 1 CO₂ emissions and -55% by 2025 vs 2015 for CH₄) culminating in the achievement of carbon neutrality by 2040
- Participation in the TCFD, the publication of an ad hoc document and the publication of the Sustainability Report

Impact on capital



Potential financial impacts

up to 9 million euros (EBITDA/per year)

Strategic Risks



Financial capital



Human capital



Infrastructural capital



Relational capital




Intellectual capital



Natural capital

TCFD

CLIMATE CHANGE RISKS - PHYSICAL RISKS

Description	<p>Acute risks Increase in the severity of extreme weather events, impacting service continuity and quality</p>	<p>Chronic risks Increase in temperature with consequent decrease in gas demand in the civil and residential sectors</p>
Related material topics	<ul style="list-style-type: none"> • Infrastructure reliability and resilience, business continuity and cybersecurity • Innovation 	<ul style="list-style-type: none"> • Innovation • Climate change
Mitigation measures	<ul style="list-style-type: none"> • Bringing the recovery plan business continuity management system in line with international best practices • Technologically advanced tools for monitoring/controlling the state of the infrastructure/plants and the territories concerned • Systematic and continuous maintenance and control • Timely implementation of Emergency Response Procedures • Design and construction of transportation infrastructure based on the most recent technical and safety regulations and the carrying out of dedicated studies (geomorphological, hydraulic, environmental risk, etc.) during the design phase • Continuity of investments in gas storage to provide additional flexibility in case of supply disruptions or more aggressive gas demand peaks 	<ul style="list-style-type: none"> • Consolidation of new business related to the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency) • Continued technology scouting in areas critical to the energy transition and decarbonisation of our infrastructure
Impact on capital		
Potential financial impacts	<p>up to 9 million euros (EBITDA/per year)</p>	

The table below provides a focused look at the main categories of **climate change-related opportunities** identified by the Group, which are represented in line with TCFD recommendations.

Opportunities related to climate change



Financial capital



Human capital



Infrastructural capital



Relational capital



Intellectual capital



Natural capital

RESOURCE EFFICIENCY

Description

Reduction of internal energy consumption

Actions and strategies to capitalise on opportunity

- Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 for Scope 1+2 CO₂ emissions and -55% by 2025 vs 2015 for CH₄) culminating in the achievement of carbon neutrality by 2040
- Increased activity and investment to meet decarbonisation targets
- Conversion of 6 compressor stations to dual fuel plants by 2030, by replacing gas turbochargers with electric compressors
- Production from photovoltaics
- Energy efficiency measures

Impact on capital



Potential financial impacts

up to 15 million euros (EBITDA/medium term)

ENERGY SOURCES

Description

Use of energy sources and/or technologies with low GHG emissions

Development or expansion of business serving the energy transition

Actions and strategies to capitalise on opportunity

- Identification of ambitious emission reduction targets (-50% by 2030 vs 2018 for Scope 1 and 2 emissions and -55% by 2025 vs 2015 for natural gas) culminating in the achievement of carbon neutrality by 2040
- Increased activity and investment to meet decarbonisation targets
- Conversion of 6 compressor stations to dual fuel plants by 2030, by replacing gas turbochargers with electric compressors
- Production of 860 Mwh of electricity through photovoltaic systems
- Planned investments of €1.3 billion (to 2025), net of approximately €200 million in possible grants, of which €100 million in hydrogen and €100 million in biomethane, and €3 billion (to 2030) in businesses serving the energy transition (biomethane, hydrogen, sustainable mobility and energy efficiency). Specifically, by 2025, investments include: the construction of biomethane plants with an installed capacity of about 120 MW, the development of L/CNG and BioL/CNG stations for €850 million and about €250 million for hydrogen-related activities.
- Acquisition of new companies in the field of energy transition (energy efficiency, biomethane production and infrastructures) and the development of existing business (sustainable mobility)
- Strategic partnerships and acquisition of equity in technology companies supporting the hydrogen business (e.g. De Nora, ITM Power, etc.) and biomethane
- Support for the coal phasing-out process and promoting the use of gas as an alternative fuel to the most polluting fossil sources
- Development of the gas conversion project in Sardinia, aimed at replacing fuels that have a greater impact on the climate

Impact on capital



Potential financial impacts

up to 50 million euros (EBITDA/medium term)

Opportunities related to climate change



Financial capital



Human capital



Infrastructural capital



Relational capital



Intellectual capital



Natural capital

MARKETS

Description

Access to new foreign markets

Attracting new investors

Actions and strategies to capitalise on opportunity

- Analysis and possible pursuit of extraordinary investment transactions in companies operating in Snam's core business (transportation, storage and regasification) in emerging markets where the demand for natural gas is bolstered by the need to replace the use of coal and other more polluting fossil sources (China and India)
- Pursuit of service sales activities through Snam Global Solution, leveraging on the expertise gained in the various Group companies, also on the subject of energy transition (India, China, Middle East, North Africa, Balkans, Central and North America)
- Signing strategic agreements with important sector operators within the main continental energy corridors
- Redevelopment of Snam's role within the international infrastructure system (e.g. agreement for the sale to Snam of shares in the TTPC and TMPC pipelines linking Algeria to Italy and acquisition of shares in EMG, the owner of the offshore pipeline linking Israel to Egypt)
- Project in the United Arab Emirates in collaboration with some of the most important international investment funds launched in agreement with ADNOC (Abu Dhabi National Oil Company) to invest in the energy infrastructure of the United Arab Emirates
- Participation in national and international working groups in order to take a leading role in advocacy and awareness-raising activities for decarbonisation in Italy and abroad, using our expertise

- Participation in the assessment of the main international sustainability rating agencies and in the assessments of the main ESG indices, thereby increasing the company's visibility among SRI investors and, more generally, among the entire financial community
- Issuance of bonds linked to emission reduction and climate change resilience projects (Transition Bonds)
- Snam's regular participation in roadshows with the aim of meeting institutional investors around the world, including SRI investors
- Activities related to sustainable finance: development of market standards/regulations (e.g. alignment with Taxonomy); constant interaction with investors through participation in seminars/roadshows; preparation of a framework to distribute Transition bonds

Impact on capital



Potential financial impacts 9 - 22 million euros

RESILIENCE

Description

Business diversification

Actions and strategies to capitalise on opportunity

- Development of new businesses related to green and low carbon gases, the implementation of the use of gas to support energy transition and the efficient use of energy (energy efficiency), in Italy and abroad
- Participation in national and international working groups in order to take a leading role in advocacy and awareness-raising activities to promote the use of hydrogen at national and international levels
- Actions and investments aimed at developing hydrogen as an additional source to support the energy transition (e.g. dedicated business unit, inclusion of a 10% hydrogen blend in a section of the national grid, testing of a 30% hydrogen blend, testing of hydrogen end-use - steelworks, position papers, dedicated studies and strategic positioning, storage)
- Modernisation of transportation infrastructure in a H2-ready perspective and the definition of standards for the acquisition of only H2-ready components for the grid
- Investments in energy networks and CO₂ storage as a multi-molecule infrastructure company

Impact on capital



Potential financial impacts 50 million euro

LEGAL AND COMPLIANCE RISK

The **legal and non-compliance risk** concerns the failure to comply, in full or in part, with the European, national, regional and local laws and regulations with which Snam must comply in relation to the activities it carries out. The violation of such rules and regulations may result in criminal, civil and/or administrative sanctions, as well as damage to Snam's balance sheet, financial position and/or reputation.

With reference to specific cases, inter alia, violation of the rules protecting the health and safety of workers and the environment and violation of the rules for combating corruption may also lead to sanctions, including significant ones, against the company under the administrative liability of entities (Legislative Decree no. 231 of 08 June 2001). Snam has, therefore, adopted and undertakes to promote and maintain an adequate internal control and risk management system aimed at allowing for the identification, measurement, management and monitoring of the main risks related to the activities carried out. With regard to the **Risk of Fraud and Corruption**, Snam believes it is of vital importance to ensure a climate of fairness and transparency in corporate operations and repudiates corruption in all its forms in the widest context of its commitment to abiding by ethical principles. Snam's top management is strongly committed to pursuing an anti-corruption policy, trying to identify possible areas of vulnerability and eliminating them, strengthening its controls and constantly working to increase employees' awareness of how to identify and prevent corruption in various business situations.

Reputational checks as well as accepting and signing the Ethics and Integrity Agreement are pillars of the control system designed to prevent the risks associated with illegal behaviour and criminal infiltration of our suppliers and sub-contractors, with the goal of guaranteeing transparent relations and professional morality requirements throughout the supply chain and for the entire duration of the association.

Snam is a member of the United Nations Global Compact and operates within the framework of the principles enshrined in this global initiative, which are an integral part of its strategies, policies and rules, including the tenth principle of "zero tolerance" towards all forms of corruption, which is the basis of a consolidated culture of integrity and business ethics.

Since 2014, Snam has collaborated with Transparency International Italy as a member of the Business Integrity Forum (BIF), and in 2018, Snam signed a Memorandum of Understanding with the Berlin Secretariat of Transparency International.

In 2017, Snam began a collaboration with the OECD, becoming part of the Business at OECD Committee (BIAC), and in October 2019 - as the first Italian company - joined the Leadership team as Vice-Chair of the Anti-corruption Committee.

In September 2019, Snam was also involved in the initiatives of Partnering Against Corruption (PACI) of the World Economic Forum. In addition, thanks to its commitment to business ethics and anti-corruption issues, in 2020, with a view to the progressive enhancement of ESG topics at a multilateral level as well, Snam was also selected as a permanent member of the BIAC Corporate Governance Committee, in addition to its role as Vice Chair of the Anti-Corruption Committee.

Within the OECD, Snam took part in several events, including the Global Anti-Corruption & Integrity Forum, where it participated in the round table "Leading through the Crisis Integrity and Anticorruption for a Resilient Recovery".

Finally, since 2020, he has been a full member of the Integrity & Compliance Taskforce of the B20 Forum and actively participates in the work on the development of its annual Policy Paper for G20 members.

As part of multilateral collaborations, in addition to the above, throughout 2021 Snam took part in all the events of the Italian chapter of Transparency International, among which it is worth mentioning the Annual Event in November, where Snam attended the panel “From B20 Italy 2021 to B20 Indonesia 2022 and beyond”, as well as the round table “Ethical and Useful”, which saw the participation of EVP Institutional Affairs, ESG, Communication & Marketing.

Finally, as a mention of particular prestige, proving the successful and consolidated collaboration of the last 7 years, Snam was the opening guest of the second day of the Business Integrity Forum organised by Transparency International Italia held on 23 June 2021, where the CEO of Snam sent a valuable video message on the importance of creating a corporate culture based on the principles of ethics, integrity and sustainability. During the same day, Snam also took part in the Technology & Integrity round table, talking about its recent experiences in the use of Artificial Intelligence in the service of Compliance, in a session entitled “Intelligent Compliance: from Integrated Compliance to Supplier Compliance Monitoring”.

It should also be noted that violation of data protection legislation may result in sanctions, including significant sanctions, against the company (Regulation (EU) 2016/679, “GDPR”).

Snam has therefore structured a data protection management system that provides for the definition of the obligations to be implemented in relation to the protection of personal data at corporate level, including the definition of roles and related responsibilities at corporate level, the census of processing operations carried out, the implementation of organisational and technical measures for the protection of personal data processed, the management of any data breaches, the definition of tools and measures to ensure appropriate and timely feedback to interested parties who exercise their rights under the GDPR.

Legal and compliance risks



LEGAL AND COMPLIANCE RISKS

	Financial capital	Human capital	Infrastructural capital
Description	Possible violation of rules and regulations, with particular reference to Legislative Decree 231/2001	Maintaining an adequate reputation profile for suppliers and sub-contractors	Failure to align Corporate Governance and/or the internal control and risk system with regulations and/or best practices
Related material topics	<ul style="list-style-type: none"> Health and safety Business integrity Fight against corruption 	<ul style="list-style-type: none"> Business integrity Fight against corruption 	<ul style="list-style-type: none"> Business integrity Fight against corruption
Mitigation measures	<ul style="list-style-type: none"> Updating and monitoring of Model 231 protocols Awareness-raising and training initiatives on corruption and accident prevention for the entire company and its contractors Analysis and evaluation of the reports received via the channels provided in the reporting procedure Adoption and maintenance of Health, Safety and Environment management systems certified in accordance with the ISO 14001 and OSHAS 18001 or ISO 45001 standards 	<ul style="list-style-type: none"> Introduction of additional measures to prevent corruption and criminal infiltration Obligation for suppliers and contractors to sign the Ethics and Integrity Agreement Reputation checks on suppliers and sub-contractors 	<ul style="list-style-type: none"> Regular review of employer’s model Updating of Model 231 and Code of Ethics Analysis of compliance with the latest version (June 2020) of the Italian Stock Exchange’s Corporate Governance Code and with corporate governance best practices
Impact on capital			

OPERATIONAL RISKS

Ownership of storage concessions

The risk linked to maintaining ownership of storage concessions is associated for Snam to the business in which the subsidiary Stogit operates on the basis of concessions provided by the Ministry of Economic Development. Eight of the ten concessions (Alfonsine, Brugherio, Cortemaggiore, Minerbio, Ripalta, Sabbioncello, Sergnano and Settala) expired on 31 December 2016 and can be renewed no more than twice for a duration of ten years each time. With regard to these concessions, Stogit has submitted – within the statutory terms – the extension request to the Ministry of Economic Development. The extensions for the concessions in Brugherio, Ripalta, Sergnano, Settala and Sabbioncello were issued at the end of 2020, while those for the concessions in Cortemaggiore and Minerbio were issued in January 2022. For the Alfonsine concession, the relevant proceedings are still pending at the above-mentioned Ministry. For the pending extension, the Company's activities, as provided for by the reference regulations, will continue until the completion of the authorisation procedures that are in progress, as envisaged by the original authorisation, which will be extended automatically on expiry until said completion. One concession (Fiume Trieste) will expire in June 2022 and has already been the subject of the first 10-year extension during 2011 and an application has been submitted for the second ten-year extension on 18 May 2020. Finally, one concession (Bordolano) will expire in November 2031 and may be extended for a further ten years¹⁹. If Snam is unable to retain ownership of one or more of its

19 The Stogit concessions issued before the coming into force of Italian Legislative Decree no. 164/2000 can be extended by the Ministry of Economic Development up to twice for a term of ten years each time, in accordance with Art. 1, paragraph 61 of Italian Law no. 239/2004. Pursuant to Article 34, paragraph 18 of Italian Decree Law no. 179/2012, converted by Italian Law no. 221/2012, the duration of the only Stogit concession issued after the coming into force of Italian Legislative Decree no. 164/2000 (Bordolano) is thirty years with the possibility of an extension for another ten years.

concessions or if, at the time of the renewal, the concessions are awarded under terms less favourable than the current ones, there may be negative effects on the Company's operations, results, balance sheet and cash flow.

Malfunction and unplanned service interruption

The risk of malfunction and unplanned service interruption is determined by accidental events, including accidents or malfunctions of equipment or control systems, reduced output of plants, and extraordinary events such as explosions, fires, landslides or other similar events, third-party interference and corrosion, outside of Snam's control. Such events could result in a reduction in revenue and could also cause significant damage to people and property, with potential compensation obligations. Although Snam has taken out specific insurance policies to cover some of these risks according to industry best practices, the related insurance cover could be insufficient to meet all the losses incurred, compensation obligations or cost increases.

Delays in the progress of infrastructure implementation programs

In addition, there is the possibility that Snam may encounter delays in the progress of infrastructure construction programmes as a result of the numerous uncertainties linked to operational, economic, regulatory, authorisation, competitive and social factors, or to health emergencies beyond its control. Snam is therefore unable to guarantee in absolute terms that the projects for upgrading, maintaining and extending its network will be started, be completed or lead to the expected benefits in terms of tariffs. Additionally, the development projects may require greater investments or longer time frames than those originally planned, affecting Snam's financial position and economic results.

Investment projects may be stopped or delayed due to difficulties in obtaining environmental and/or administrative authorisations or to opposition from political forces or other organisations, or may be influenced by changes in the price of equipment, materials and workforce, by changes in the political or regulatory framework during construction, or by the inability to obtain financing at an acceptable interest rate. Such delays could have negative effects on the Snam Group's operations, results, balance sheet and cash flow. In addition, changes in the prices of goods, equipment, materials and workforce could have an impact on Snam's financial results.

Environmental risks

Snam and the sites in which it operates are subject to laws and regulation relating to pollution, environmental protection, the use of hazardous substances and waste disposal. These laws and regulations expose Snam to potential costs and liabilities related to the operation and its assets. The costs of possible environmental remediation obligations are subject to uncertainty regarding the extent of contamination, appropriate corrective actions and shared responsibility are therefore difficult to estimate.

Snam cannot predict if and how environmental regulations and laws may over time become more binding and cannot provide assurance that future costs to ensure compliance with environmental legislation will not increase or that these costs can be recovered within the mechanism's tariffs or the applicable regulation. Although Snam has also taken out specific insurance contracts to cover some of the environmental risks, according to industry best practices, substantial increases in costs relating to environmental compliance and other related aspects and the costs of possible sanctions could have a negative impact on the business, operating results and financial and reputational aspects.

Employees and staff in key roles

Snam's ability to operate its business effectively depends on the skills and performance of its personnel. The loss of "key" personnel or the inability to attract, train or retain qualified personnel (particularly for technical positions in which the availability of appropriately qualified personnel may be limited) or situations in which the capacity to implement the long-term business strategy is influenced negatively due to significant disputes with employees could trigger an adverse effect on the business, financial conditions and operating results. The events related to this risk category may also refer to the topic of Diversity and Inclusion

Risk associated with foreign shareholdings

Snam's associate companies abroad may be subject to regulatory/legislative risk, conditions of political, social and economic instability, market risks, climate change and the cybersecurity, credit and financial and other risks typical of the natural gas transportation and storage segments identified for Snam such to negatively influence their operations, economic results, balance sheet and cash flows. For Snam, this could have negative impacts on the contribution to profit generated by such investments.

Risks related to future acquisitions/equity investments

Every investment made under the scope of joint venture agreements and any future investment in Italian or foreign companies could involve an increase in the complexity of the Snam Group's operations and it may not be possible to ensure that these investments generate the anticipated income under the scope of the acquisition or investment decision and are correctly integrated in terms of quality standards, policies and procedures consistent with the rest of Snam's operations. The integration process could require additional costs and investments. Improper management or supervision of the investment made may adversely affect the business, operating results and financial aspects.



Financial capital



Human capital



Infrastructural capital



Relational capital






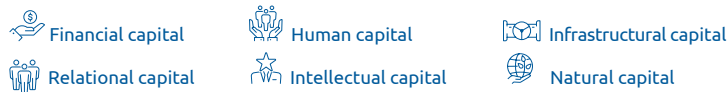
Intellectual capital






Natural capital

OPERATIONAL RISKS

Description	Maintaining ownership of gas storage concessions	Delays in the progress of infrastructure implementation programs
Related material topics	<ul style="list-style-type: none"> Economic performance and value creation 	<ul style="list-style-type: none"> Territory and biodiversity protection Relations with local communities Sustainable supply chain
Mitigation measures	<ul style="list-style-type: none"> Development of storage in accordance with the most current technical and economic criteria and science and technology best practices 	<ul style="list-style-type: none"> Application of the strictest national and international environmental and safety standards during the design process with particular attention to protecting the natural value of the territories and biodiversity Communication policy concerning the work to be carried out in order to share projects with the territory and stakeholders from the beginning Structured and meticulous performance qualification and monitoring system for contractors
Impact on capital		 



OPERATIONAL RISKS	
Description	Breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption Acquisition of equity investments
Related material topics	<ul style="list-style-type: none"> • Health and safety • Infrastructure reliability and resilience, business continuity and cybersecurity • Territory and biodiversity protection <ul style="list-style-type: none"> • Economic performance and value creation
Mitigation measures	<ul style="list-style-type: none"> • Application of management systems and procedures that take the specific nature of Snam's activities into account • Implementation of a recovery plan and business continuity management system • Communication initiatives aimed at providing information regarding the presence of infrastructure and the behaviours to be avoided/implemented by third parties in order to prevent damage occurring to them • Technologically-advanced tools for monitoring/controlling the state of the infrastructure/plants and the territories concerned • Continuous verification of insurance coverage in relation to the type of business and related risks • Systematic and continuous maintenance and control <ul style="list-style-type: none"> • Due diligence for investment assessment, also with the support of external advisers • Overall planning in terms of the time, actions and resources required to ensure efficiency/effectiveness in the management of activities • Elaboration and continuous monitoring of the acquisition business plan
Impact on capital	 
Description	Asset Management
Related material topics	<ul style="list-style-type: none"> • Economic performance and value creation
Mitigation measures	<ul style="list-style-type: none"> • Supporting subsidiaries as industrial partners in regulatory, operational and financial optimisation matters
Impact on capital	

FINANCIAL RISKS

Financial risks are illustrated in Note 25, “Financial risk management”, of the Notes to the consolidated financial statements.



Financial capital



Human capital



Infrastructural capital



Relational capital



Intellectual capital



Natural capital

FINANCIAL RISKS			
Description	Interest rate changes	Liquidity: inability to meet payment commitments	Receivables
Related material topics	Economic performance and value creation		
Mitigation measures	<ul style="list-style-type: none"> • Cash Flow at Risk monitoring through an Asset & Liability Management (ALM) model • Minimising opportunity cost and maintaining a balance in terms of debt composition and maturity • Monitoring contractual protection clauses in loan agreements (e.g. negative pledge and pari passu clauses) • Constant monitoring of Snam’s rating indicators and the availability of long-term credit lines • Regular monitoring of the credit situation and systematic management of reminders and possible recovery actions for overdue debts at certain intervals • Check of the authenticity and validity of financial guarantees received • Reporting of any critical issues in the regulatory system that could lead to opportunistic/fraudulent behaviour by operators 		
Impact on capital			

Emerging risks

Within the Group’s Enterprise Risk Management model, particular attention is paid to identifying changes in the reference context in order to seize upon events or macro-trends coming from outside the organisation that could have a significant medium-long term impact (3-5 years and beyond) on Snam’s business or on the sector.

These changes may, on the one hand, cause new risks to emerge in the long term, but also have consequences for the company today, changing the nature and extent of potential impacts and the probability of occurring of already identified risks.

The purpose of the process of identifying emerging risks is to succeed in assessing their impact in good time and putting in place the necessary strategies and related mitigation measures, both in terms of prevention and control. In this area, some of the emerging risks identified by Snam are cybersecurity and risks related to the energy transition.

CYBER SECURITY

Materiality and potential impacts on Snam

Snam carries out its activities through a complex technological architecture relying on an integrated model of processes and solutions capable of promoting the efficient management of the entire country's gas system. The development of the business and recourse to innovative solutions capable of continuous improvement, however, requires a constant focus and an ability to continuously adapt to the changing needs to protect cybersecurity. The Group's new Business Plan provides for approximately 500 million euros of investments in digitalisation - from the remote control of activities to the implementation of articulated infrastructures enabling the Internet of Things via which Snam aims to become the most technologically-advanced gas transportation operator in the world, as well as to guarantee increasingly greater security and sustainability in its business processes.

Global experts project and the company believes that cybersecurity threats will evolve in the future, in terms of both number and complexity. The digital channel is increasingly used illicitly by different types of players with different purposes and modes of action: cyber criminals, cyber hackers, state-sponsored action groups. The radical changes in working methods and processes that have occurred as a result of the pandemic (including the widespread use of smartworking) have exacerbated some specific types of threat and have made it necessary to increase the level of attention to criminal phenomena that are destined to persist over time. Similarly, technological evolution makes increasingly sophisticated tools available to these wrongdoers, through which consolidated attack techniques can be made more effective and new ones can be developed. In addition to this, the increasing digitalisation of the network with the use of new technologies (e.g. Internet of Things) poses significant challenges for the Group in these regards, extending the potential attack surface exposed by both internal and external threats. Lastly, the geopolitical tensions that have increased in the course of the year in various global spheres should not be underestimated, since the cyber terrain has become, and will increasingly become, an area of economic and political confrontation and conflict.

In this scenario, cybersecurity plays an extremely important role as it deals with preventing or tackling very diverse events that can range from the compromise of individual workstations to the degradation of entire business processes in the field of transportation, storage and regasification, with potential effects on the normal capacity to provide the service.

A correct approach to cybersecurity management also makes it necessary to ensure full compliance with the increasingly stringent sector regulations issued at both European and national level, in order to improve the management and control oversight of companies that provide essential services to the country.

Mitigation measures

Snam has developed its own cybersecurity strategy based on a framework defined in accordance with standard principles on the subject and has had a dedicated department for a few years now which, comprehensively, deals with addressing and implementing what has been planned at the strategic level, ranging from governance aspects to those that are more predominately technological.

First and foremost, we should note the adaptation of internal processes to the provisions of standards ISO/IEC 27001 (Information Security Management Systems) and ISO 22301 (Business Continuity Management Systems), as well as the formal certification of conformity to the listed standards of an independent third party. Secondly, on the basis of multiple activities, out of which Risk Analysis and Technical Verification activities stand out, the

protection needs arising from technological evolution, from changing business processes or from the identification of previously unknown vulnerabilities, are assessed and, where appropriate, solutions to replace or integrate those already in place are implemented. More specifically, in order to adequately counter the most modern cyber threats, Snam has defined a cybersecurity incident management model intended to prevent, monitor and, when necessary, implement prompt remediation against events potentially capable of harming the confidentiality, integrity and availability of information processed and the IT systems used. At the basis of these activities is a Security Incident Response Team which, by relying on solutions that make it possible to collect and correlate all security events recorded throughout the company's IT infrastructure, has the task of monitoring all anomalous situations that could have negative impacts for the company and activate, when necessary, suitable containment and remediation actions via the involvement of the technical and business structures concerned. Even in 2021, the Security Incident Response Team was able to work without interruption and guarantee its support activities 24 hours a day, seven days a week.

The change that has become necessary in operational processes starting 2020 and, in particular, the massive recourse to remote working methods has not had an impact on overall security posture to date; this is mainly due to the fact that the adoption of smartworking, which has occurred in recent years as an alternative solution to working in the office, had already led to risk analysis activities and the adoption of security solutions suitable to preserve the company's interests, even in the presence of a potential attack surface that is larger than in the past. As part of the cyber incident management activities (preventive and reactive) and in respect of formal agreements signed between the various parties, information-sharing with national and European institutions and peers is used in order to improve the capacity and speed of response when faced with the possible negative events for which exposure may be a reality. This practice will also become increasingly necessary in the future given the cyber threat notification requirements that national security regulations impose and will impose.

With regard to technological development, as mentioned previously, Snam has set in motion an ambitious digitalisation programme that will radically change business processes in the years to come and within which a strong focus on cybersecurity will always be guaranteed. In particular, starting 2020, the foundations were laid and the necessary processes implemented for the safe development of all the nascent Internet of Things initiatives. Firstly, a precise Security by Design process has been introduced, which puts in place compliance for precise requirements and checks for each application and infrastructural development. Additionally, more appropriate security technologies have been defined to support the new capabilities that Snam has acquired and will acquire in the years to come.

A great deal of attention is also paid to increasing awareness and specialist training of personnel, in order to facilitate the identification of weak signals and raising consciousness about risks of a cyber nature that could occur during normal work activities. In this context, initiatives of various kinds are organised on a regular basis, using the most appropriate teaching methods: face-to-face training, multimedia, exercises and tests, newsletters, etc.

With reference to the management of information supporting business processes, it is worth highlighting that the company owns assets used for data transmission to and from the country (fibre); this gives greater intrinsic security thanks to not being dependent on the service provided by third-parties and the possibility of using the communication channel exclusively.

ENERGY TRANSITION AND DEVELOPMENT OF THE HYDROGEN TECHNOLOGIES MARKET

Materiality and potential impacts on Snam

While the climate change demonstrates the real effects of rising temperatures, the energy sector is facing a momentous transformation. Without any change to the company's commitment to its core business of regulated activities for natural gas transportation, storage and regasification, Snam is building a wide-ranging and diversified platform of activities related to energy transportation (in particular, renewable energy transport and management and energy efficiency) to seize upon the opportunity of being a "system integrator" able to offer green solutions and contribute to the development of renewable gases.

The consolidated capacity to implement and manage projects in natural gas transport and storage, the new skills acquired in green gas and new trends in the energy transition, a growing international presence in relevant geographical areas also for integrated greenfield projects and the large number of partnerships with different types of investors in different countries, combined in a strategy that focuses on ESG factors, will be essential to help develop the energy system of the future, competitive, secure and with zero net emissions

The business diversification can reinforce Snam's position as an enabler of the energy transition towards forms of using resources and energy sources that are compatible with environmental protection and gradual decarbonisation, with a long-term vision that is in keeping with its purpose and European objectives. The new Vision 2030 presented by the company in its latest Strategic Plan should be seen in this long-term perspective: Snam will be able to seize new and important development opportunities throughout the next decade, in which a strong acceleration of the energy transition is expected in order to achieve the "net zero" targets with increasing investments, in particular, in energy transport and storage infrastructure, as well as in projects along the entire green gas value chain.

In this context, and with particular reference to the Group's strategy, the main risk factors include the risks posed by technological innovation in favour of switching to the use of electric technologies, and/or delays in the development of new technologies for the production, transportation and storage of green hydrogen at competitive costs; the delay or failure to make investments (infrastructures, projects, new acquisitions) as a result of uncertainties related to operational, economic, regulatory, authorisation, competitive and social factors; the failure to develop the hydrogen market with to the value chain that should fuel the infrastructure. Lastly, consideration must be given to the possible evolution of the regulatory framework in favour of intermittent energy sources and which would, at the same time, penalise the development of the renewable gas market.

Indeed, these factors may penalise the achievement of the development objectives of the aforementioned activities and, more generally, the opportunity for Snam to benefit from the new mega-trends in the energy transition. In this regard, a further risk factor is emerging in relation to the achievement, even partial, of the targets set out in the Recovery and Resilience Plan by 2026, with potential repercussions on the development of hydrogen and its value chain, as well as on the development of biomethane and LNG (particularly in the heavy transport sector).

Mitigation measures

The development and introduction of new technologies that would enable the achievement of the development objectives for energy transition activities pose a number of challenges for the Group. In this context, specific initiatives have been identified and developed, in order to respond to the urgent need to address climate change. With particular reference to the hydrogen value chain, the study of the necessary technological developments connected to the chemical and physical processes for the relative production requires particular skills and expertise, in order to support research and development both within the company and the national system. The processes commonly used for the commercial production of hydrogen are: reforming of hydrocarbons and biogas (95%), a thermochemical conversion process, which requires conversion temperatures between 150° and 500° C with production of CO₂ equivalent to the hydrocarbon used, and electrolysis of water (4-5%). In particular, the lack of expertise in alternative gas technologies to natural gas is a risk that can potentially be exacerbated by the rapidly changing external environment. That is why the Group is always committed to the development of internal competencies, to bringing skills in-house via acquisitions and to the participation and encouragement of governmental and industry working groups dedicated to hydrogen at national and international level. At the European level, it is also a member of Hydrogen Europe, while in Italy it is represented in the H2IT trade association - the Italian Hydrogen and Fuel Cell Association.

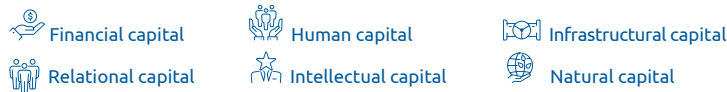
The Group's structures and assets will also need to be ready to seize upon the opportunities arising from the development of alternative gases to natural gas. The company is currently committed to verifying the full compatibility of its infrastructure with increasing quantities of hydrogen mixed with natural gas, as well as to supporting the development of the Italian supply chain, in order to promote the use of hydrogen in many sectors, from industry to transportation. Almost all of Snam's pipelines are capable of transporting up to 100% hydrogen according to ASME

B31.12. Approximately 70% of pipelines can transport pure hydrogen with no or limited reductions from the maximum operating pressure, while about 30% need more significant reductions.

Particular attention is paid to the use of the machines in the operating thrust and compression plants. Collaboration with suppliers is testing theoretical conclusions on the readiness to transport the new energy carriers (biomethane and hydrogen in different volume percentages). Upgrades and replacement of obsolete machines are planned according to a philosophy of compatibility and readiness for new transport scenarios with New HYReady Units. The Group's infrastructure development is therefore aimed at the more efficient use of programmable and low-impact fossil fuels, while, at the same time, promoting the biomethane alternative and guaranteeing the necessary conditions for accommodating hydrogen also.

Italy can use hydrogen to its advantage both to achieve decarbonisation targets and to create new forms of industrial competitiveness, leveraging its manufacturing potential and its expertise in the natural gas supply chain: this is why it is essential to develop partnerships to foster the development of operators along the hydrogen value chain, also participating in working groups so that Snam takes the lead in advocacy and awareness-raising activities for the use of hydrogen as a key energy source for decarbonisation both in Italy and abroad.

To date, the Group has reached agreements with various entities in order to promote the growth of all phases of the hydrogen value chain, with a focus on conducting pilot projects to increase the production and use of hydrogen, via strategic partnerships in hard-to-abate industries (e.g. steel plants, refineries, other energy-intensive industries, mobility) and scouting for investment opportunities in innovative technologies (fuel cells, hydrogen production and storage).




EMERGING RISKS

Description Cyber threats (Cybersecurity)

Related material topics Infrastructure reliability and resilience, business continuity and cybersecurity

- Mitigation measures**
- Adaptation of IT and business continuity systems to the ISO/IEC 27001 and ISO22013 standards respectively, with the provision of the relative certifications
 - Definition of a security incident management team model to promptly respond to events that could potentially damage the integrity of information and computer systems used
 - Development of a cybersecurity intelligence methodology for the preventive identification of potential threat sources
 - Integrating cybersecurity into the implementation of new IT solutions
 - Developing a cybersecurity culture among the corporate population

Impact on capital 

Description	Delay in the development of new technologies for the production, transport and storage of green hydrogen at competitive costs	Delay or non-implementation of investments	Failure to develop the hydrogen market
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Related material topics Climate change
Green Business
Innovazione

- Mitigation measures**
- Development of internal skills
 - Internalisation of expertise through acquisitions
 - Participation in institutional and associative working tables dedicated to hydrogen at national and international level
 - Verification of full compatibility of Snam's infrastructure for hydrogen transport

Impact on capital 

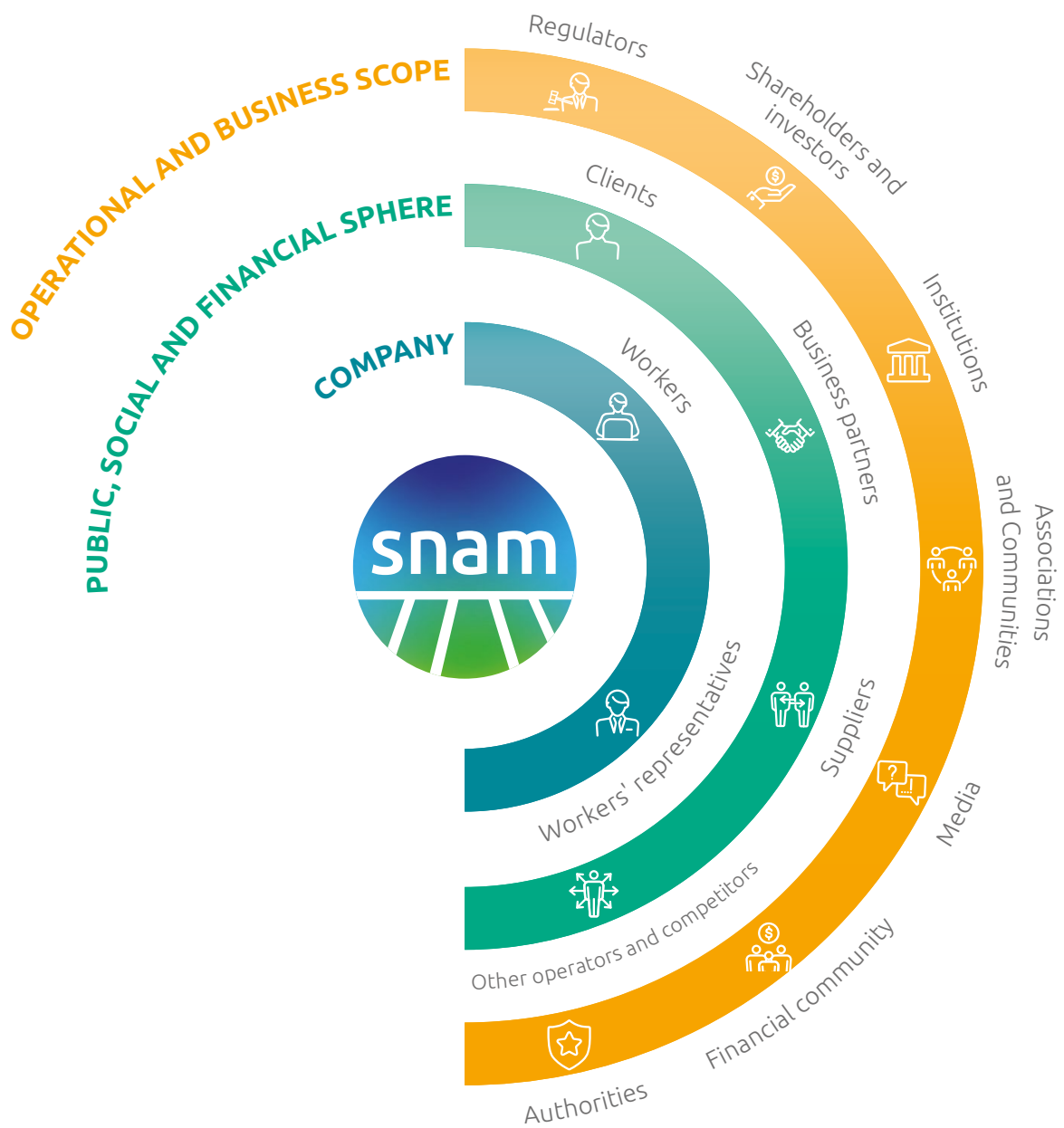
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STAKEHOLDER ENGAGEMENT AND MATERIALITY ANALYSIS

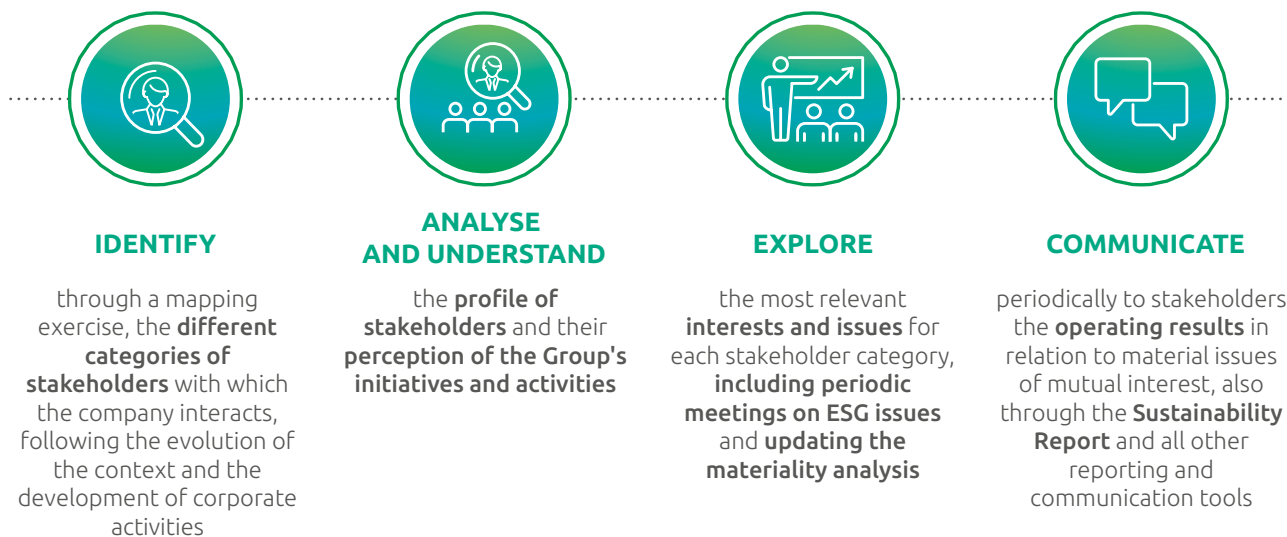


STAKEHOLDER RELATIONS

Snam is committed to promoting a transparent and collaborative relationship with all its stakeholders. Despite the continuation of the pandemic emergency, the Group has continued its efforts to organise and reorganise its initiatives in order to ensure that stakeholder engagement activities are carried out with a view to listening to and including all stakeholders, promoting continuous dialogue, increasing mutual trust and serving its decision-making processes in the best possible way.

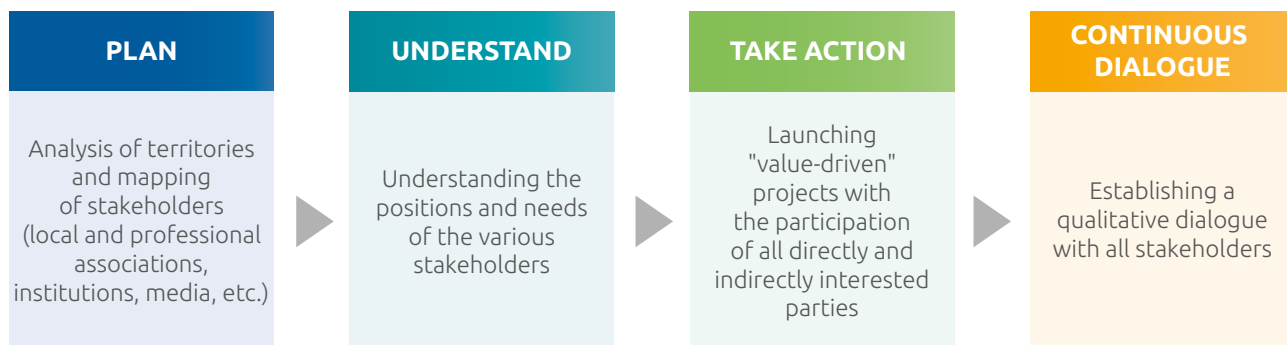


Stakeholder dialogue initiatives include all company structures, relative to their individual tasks, roles, and responsibilities. In order to guarantee a homogeneous approach to these dialogues, since 2016 the Group has followed a **Stakeholder Involvement Policy** which defines Snam's approach to this topic, establishing four fundamental objectives:












Stakeholder engagement processes and activities



The stakeholder engagement process is based on constant and proactive communication between Snam and its stakeholders with the goal of supporting continuous and reciprocal growth.



During 2021, engagement activities focused on aspects related to the **energy transition** and the new businesses of **biomethane, hydrogen and energy efficiency**, including activities related to sustainable mobility, with the aim of sharing strategic lines, objectives and activities, as well as understanding the needs of stakeholders throughout its value chain. Due to the need to ensure face of interpersonal distancing, again in 2021 including the company has continued to create in place complementary solutions and tools for dialogue, enriching its engagement in organising online events.

STAKEHOLDER CATEGORY	2021 ENGAGEMENT ACTIVITY	
WORKERS 	Intranet Easy	Easy, the Group's intranet which was awarded one of the best ten internal platforms at global level in the "Intranet Design Annual", is an important awareness-raising tool, recognised as a meeting place for all Snam people, aimed at encouraging encounters, an essential tool for communicating and encouraging employee engagement.
	Snaminnova	Open Innovation programme aimed at the entire corporate population to accelerate Snam's capacity for innovation, seizing the opportunities offered by the energy system and its developments. The programme envisaged the launch of three initiatives during 2021: <ul style="list-style-type: none"> • Innovation Ambassador • Call4Startup Innovative Learning • Centrale delle Idee
	Seminars	Realisation of an internal ESG seminar, attended by more than 150 employees.
	Webinars	Webinars are tools used by Snam to provide training and offer information, during which employees can interact with each other. The most popular include the webinar presenting the "New Snam HQ" project, the ESG strategy webinar, as well as the customary year-end webinars with the CEO dedicated to the strategic plan and to the celebration of 80 years of history at Christmas, which registered record numbers of connections.
	Workshops	Workshops make it possible to bring working groups together to discuss specific issues in an interactive manner. For example, with this tool, Snam has engaged employees to assess sustainability issues relevant to the Group, in order to update the materiality matrix, and has raised awareness of developments in corporate sustainability, the sustainability strategy and the ESG Scorecard, focusing on initiatives aimed at employees.
	Videomessaggi	Videomessages update employees about Group initiatives and decisions, providing useful information on daily operations and raising awareness about relevant issues. Snam has recorded and continued to invest in this communication asset with six video messages updating and informing about the pandemic from the CEO.
	Other initiatives	Every year Snam organises numerous initiatives to increase employee involvement. In 2021 too, these activities were fundamental in strengthening a sense of community and closeness.
WORKERS' REPRESENTATIVES 	Meetings with trade unions	The relationship with the Trade Unions at national and local level is constant: during the year, 162 telematic meetings were held dedicated to the analysis of business development projects, the definition of productivity and profitability indicators for the 2021 Participation Bonus and smartworking methods to guarantee the protection of workers' rights.
CUSTOMERS 	Workshops	<ul style="list-style-type: none"> • 4 commercial workshops. • 1 workshop on ten-year plans. • 1 workshop dedicated to the assessment of sustainability issues, as part of the 2021 materiality analysis.
	Customer satisfaction analysis	Survey to measure customer satisfaction (shippers and traders), administered at the end of each workshop. In 2021, the participation rate was 78%, with an average satisfaction score of 8.6 out of 10).
	Other initiatives	Meetings, interviews and co-design workshops to improve the service offered through the platforms used by customers for gas trading, sales and balancing activities.

STAKEHOLDER CATEGORY	2021 ENGAGEMENT ACTIVITY	
BUSINESS PARTNERS 	Partnerships, collaborations and agreements	<p>Snam works in close contact with its business partners, with which it establishes partnerships, agreements and Memorandums of Understanding of strategic importance for developing business.</p> <p>In 2021, the main agreements signed concerned energy transition businesses, particularly biomethane and hydrogen, in respect of which projects, research and feasibility studies were launched.</p>
SUPPLIERS 	Suppliers Portal	<p>Active since 2013, this contains Snam's procurement policy and provides an additional contribution to the transparency, traceability and completeness of the information provided to current and potential suppliers. As of 31 December 2021, 3,365 suppliers were registered, with very active participation.</p>
	Supplier One Platform	<p>Implementation of a digital platform aimed at optimising relations with suppliers, reducing time frames and increasing the exchange of information.</p>
	Seminars	<ul style="list-style-type: none"> ESG seminar with 130 suppliers, where a focus on the supply chain emissions reduction programme was presented. Seminar with representatives of 13 insurance companies.
	Workshops	<ul style="list-style-type: none"> Workshop to present Snam's decarbonisation strategy and to raise suppliers' awareness of Snam's work. Ad hoc workshops for the assessment of sustainability issues, aimed at updating the materiality matrix.
	Questionnaires	<ul style="list-style-type: none"> Detailed questionnaire on ESG topics, submitted to 314 suppliers, of which 226 participated, with 84% coverage. CDP-Supply Chain questionnaire addressed to a selection of strategic suppliers, also with a view to raising their awareness of operating responsibly with respect to climate change. In 2021, there were 99 participating suppliers (out of 130 invited), with a response rate of 74%. Questionnaires aimed at mapping the supply chain, planning the best form of their involvement and identifying the most appropriate actions to reduce Scope 3 emissions.
Other initiatives	<ul style="list-style-type: none"> Snam PlasticLess, an initiative aimed at reducing plastic in packaging, through which Snam has involved suppliers in defining new supply specifications 	
OTHER OPERATORS AND COMPETITORS 	<p>Snam works closely with other operators in the sector, especially to create an integrated European network and to continue the development of market-oriented services, as well as to spread alternative uses of gas, through the promotion of biomethane and hydrogen as the main solutions for achieving decarbonisation targets.</p>	
REGULATORS 	Meetings and compliance	<ul style="list-style-type: none"> Regulatory Authority for Energy, Networks and Environment (ARERA), formulation of contributions and proposals, participation in meetings and technical working tables, data collection and proposals for amendments to Network Codes and contractual documents. In 2021, there were more than 17,300 exchanges, including data flows and regular reports. European Union Agency for the Cooperation of Energy Regulators (ACER), participation in meetings and technical working tables, responses to consultation papers and proposals. Gestore Servizi Energetici (GSE), constant dialogue to monitor the possibility of benefiting from economic incentives for the production of energy from renewable sources and high-efficiency cogeneration plants.
	Continuous updating	<p>With the aim of continuously improving its reporting performance, Snam constantly monitors new requests, changes and updates from standard-setters and framework developers in the field of non-financial reporting, such as IASB, EFRAG, GRI, SASB, IIRC, WEF and TCFD.</p>
SHAREHOLDERS AND INVESTORS  FINANCIAL COMMUNITY 	Roadshow	<p>7 virtual roadshows, meeting a total of 351 investors, including 243 SRIs, up 73.6% from 140 the previous year.</p>
	Seminars	<p>ESG seminar for investors held in April with a total of 40 participants.</p>
	Sector conferences	<p>17 sector conferences dedicated to investors specialised in the utilities and infrastructure sector.</p>
Positioning in ESG ratings	<p>Snam pays attention to its positioning in sustainability ratings and indices, with a view to continuous improvement. In 2021, it is included in 3 ESG ratings and 10 sustainability indices.</p>	

STAKEHOLDER CATEGORY	2021 ENGAGEMENT ACTIVITY
<p>INSTITUTIONS</p> 	<p>Meetings with local, regional and national institutions</p> <ul style="list-style-type: none"> • 190 national and local meetings on the territories affected by Snam’s activities and infrastructure. • 43 meetings with auditors to illustrate implementation projects. • 3 meetings with local farmers’ associations. <p>Relations with the European institutions</p> <ul style="list-style-type: none"> • Participation in 27 European public consultations on topics most relevant to strategic and business perspectives. • Cycle of hearings in the European Parliament, bringing its experience as an active player in the decarbonisation process. • Constant dialogue with the Permanent Representation of Italy to the European Union, with the services and cabinets of the Commission and with the European Parliament. • Strengthening Snam’s presence at Think Tanks and other associations at European level. <p>Seminars</p> <ul style="list-style-type: none"> • Seminar aimed at illustrating Snam’s ESG commitment and Net Zero Carbon strategy with institutional stakeholders from the European Parliament. • Seminar with representatives of seven national institutions. <p>Workshop</p> <p>Workshop to raise awareness of the Group’s strategy, highlighting the integrated role of ESG topics in the Group’s work, the activities carried out for the local area, including in collaboration with the Snam Foundation, and the assessment of sustainability issues.</p> <p>Other initiatives</p> <p>“Venice Capital of Sustainability”, an initiative launched during the G20 Economy, in partnership with central and local institutions, together with other companies and supported by a dedicated advertising campaign. The aim of the initiative is to promote a plan of measures for the sustainable development of the territory, with the capital city at its heart.</p>
<p>ASSOCIATIONS AND COMMUNITIES</p> 	<p>Sector associations</p> <p>Active participation in working groups and technical tables</p> <ul style="list-style-type: none"> • organised by the associations of which Snam is a member, including Anigas, Confindustria Nazionale and its territorial branches • on the role of gas in the future energy mix and the use of renewable energy carriers, with the following associations: <ul style="list-style-type: none"> • CEO Action Group, joint declaration for the European Green Deal at the World Economic Forum. • H2 Road to Net Zero, organised by Bloomberg in conjunction with pre-COP26 in Milan, where Snam and IRENA signed a partnership agreement to develop green hydrogen to support the global energy transition. • Biogas Italy and BDR Days, organised by the Italian Biogas Consortium (CIB) to raise awareness of the “Farming4Future” principles for the agroecological conversion of Italian agriculture. • European Biogas Association, which promotes biomethane initiatives and in which Snam participated in 2020 • Marcogaz and Gas Infrastructure Europe (GIE), with which Snam has developed several documents that have become benchmarks for the sector at international level • GERG, the European association for gas research, in which Snam participates, in collaboration with other companies in the sector to develop a research project to correlate methane emissions with the top down and bottom up methods laid down in international protocols, following three different phases • CEN, the European standards body with which Snam follows the implementation of sector legislation on methane emissions at CEN • IGU, as part of the Group of Experts on Methane Emissions (GEME), with which Snam collaborates in updating the various players in the gas chain on new developments at a global level • Gas for Climate - The European Hydrogen Backbone Initiative, a consortium of 29 TSOs to define the pan-European network for pipeline hydrogen transport in Europe • Other associations: ENTSO-G, Hydrogen Initiative and Hydrogen Europe <p>Endorsement of the Stakeholder Capitalism Metrics Initiative, aimed at adopting universal and shared reporting standards for ESG topics.</p>

**STAKEHOLDER
CATEGORY**

2021 ENGAGEMENT ACTIVITY



**ASSOCIATIONS
AND COMMUNITIES**



<p>Other associations</p>	<ul style="list-style-type: none"> • Business at OECD, an international association representing more than 7 million organisations worldwide, in which Snam participated as a member in the anti-corruption, integrity and transparency events; • Transparency International Italia, an anti-corruption association, which organises forums and events to raise awareness and fight corruption. In 2021, Snam participated in the Business Integrity Forum and the Annual Event 2021 through speeches and round tables. • Partnering Against Corruption Initiative (PACI), an initiative focused on the fight against corruption promoted by the World Economic Forum, of which Snam is a member. • Business Forum 20, as part of the work of the Integrity & Compliance Task Force, which brings together companies and organisations committed to anti-corruption issues, compliance, integrity and transparency, with an increasing focus on ESG topics. Snam in 2021, was an active member of said Task Force during the B20 Italian Presidency (an also in 2020 under the Saudi Residency).
<p>Local community involvement</p>	<p>In 2021, Snam, in collaboration with the Snam Foundation, carried out numerous social initiatives, through which employees dedicated a total of 4,562 hours. Arbolia, Renovit, Rina Prime Green Solutions and Gabetti Lab have launched a forestation project in Taranto, associated with an energy requalification initiative in the area.</p>
<p>School involvement</p>	<p>Involvement with schools mainly occurs through ad hoc projects, such as:</p> <ul style="list-style-type: none"> • Young Energy, project aimed at facilitating student orientation and bringing them closer to the world of work through initiatives focused on corporate business. • Con la Scuola, a project set up by Snam in collaboration with LUISS Business School and Consorzio ELIS, aimed at strengthening the link between schools and businesses, thus contributing to the renewal and evolution of schools as an organisation. • Teaching Revolution, a project promoted by ELIS (Education, Work, Education and Sport) and sponsored by Snam, with the aim of deepening the assumptions and analysing the new didactics in the field thanks to a group of teachers who are personally committed to increasing their awareness of what is happening in their work context and to introducing radical changes in their way of teaching.
<p>One-to-one interviews</p>	<p>Interviews carried out with individual associations, allowing direct contact with the stakeholders involved, in order to understand the perception of their own work in the field of sustainability, and to obtain an exchange of opinions aimed at continuous improvement.</p>
<p>Other initiatives</p>	<p>Energy optimisation for network and compression systems” project in collaboration with the Polytechnic University of Milan</p>

STAKEHOLDER
CATEGORY

2021 ENGAGEMENT ACTIVITY

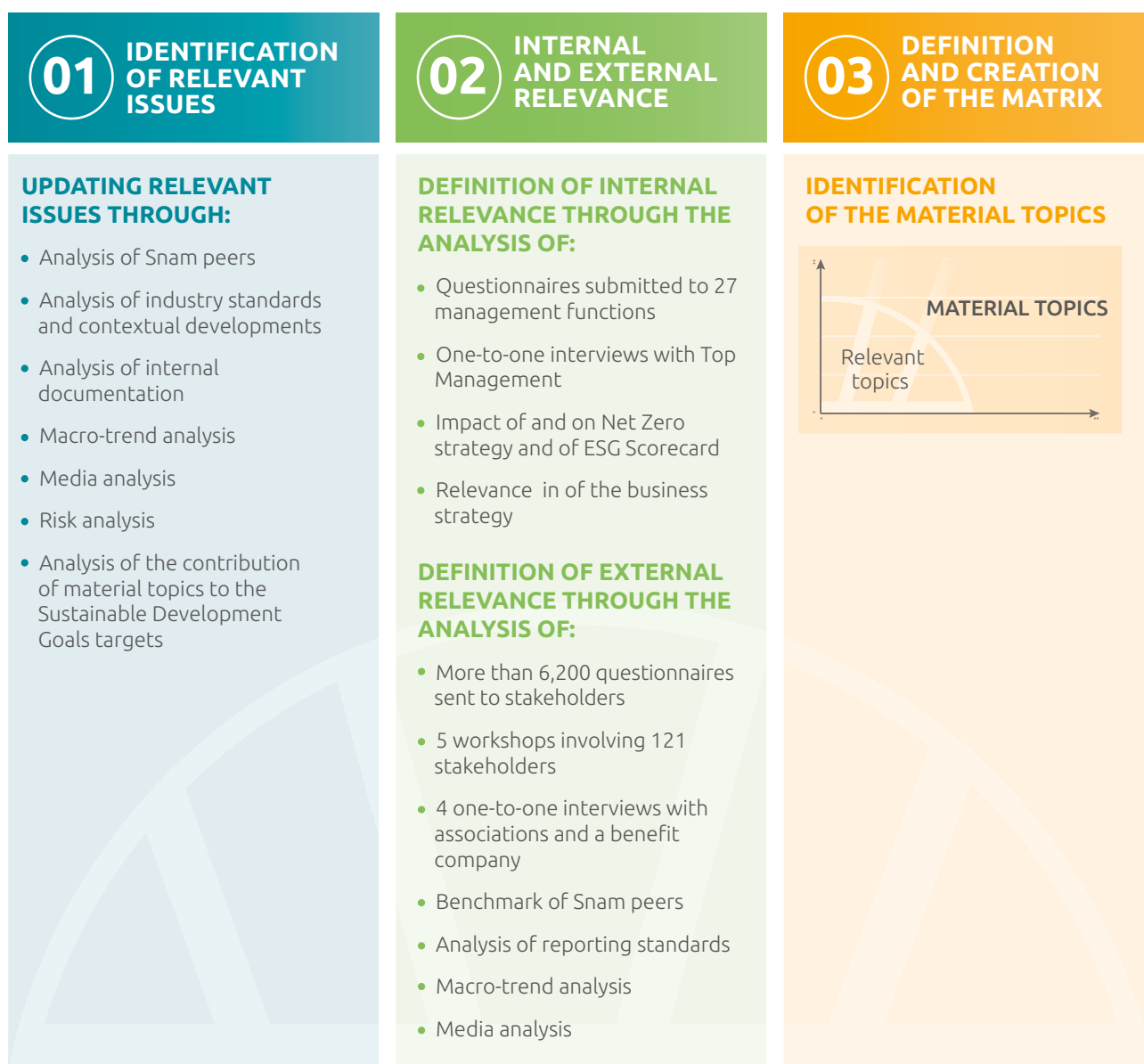
STAKEHOLDER CATEGORY	2021 ENGAGEMENT ACTIVITY
MEDIA 	Digital engagement <p>Transparent, proactive and multi-channel digital communication to all stakeholders, which has ensured Snam:</p> <ul style="list-style-type: none"> inclusion on the podium of Webranking, a ranking organised by Lundquist, in collaboration with the Swedish company Comprend, which awarded the Group a score of 91.6 points out of 100, confirming its second place in both the Italian and the Europe 500 rankings, the European version of the survey second place in the '20 years Italy' ranking, totalling 17 appearances in the top 10 in Italy over the last 20 years an increasingly marked presence in the international media (e.g. Bloomberg, Financial Times, The New York Times) and in the sector, with specific focus on new businesses linked to the ecological transition, ESG topics and Snam's new presence in the United States.
	Workshops <p>A workshop to introduce the media to the reality of Snam, exploring the main trends in the field of sustainability, climate change, diversity, inclusion and governance, as well as the Company's decarbonisation objectives. In addition, the media were involved in a questionnaire on how to communicate sustainability and how to assess the relevant topics proposed by the Group.</p>
	Focus groups <p>Realisation of a focus group with 35 participants from the communication sector.</p>
	Other communication initiatives <ul style="list-style-type: none"> Snam4You, l'hub digitale di customer engagement lanciato ad ottobre. Lancio dei siti web di Arbolia, Cubogas e Snam4Environment. Campagna di marketing e advertising digitale per il lancio del sito di Renovit. Rivoluzione Idrogeno – La piccola molecola che può salvare il mondo, libro del CEO di Snam che descrive le caratteristiche, i metodi di produzione e lo scopo di lasciare spazio all'idrogeno nel contesto dell'emergenza climatica e dell'era post-Covid. ZHero – Il segreto dell'acqua, il primo podcast fiction in tre episodi ispirato all'omonimo libro per ragazzi di Marco Alverà riguardante i temi della sfida climatica e raccontato dalla voce di Cristiana Capotondi. Campagna di influencer marketing con Geopop, al fine di rafforzare ulteriormente l'ecosistema social della Società, che, a fine 2021 conta 290.000 follower.
AUTHORITIES 	Supervisory and control bodies and public safety bodies <p>The authorities with which Snam maintains relations are supervisory and control bodies and public safety bodies, with which the Group maintains a constant dialogue to ensure ethical and transparent business conduct.</p>

Material topics for Snam

The stakeholder engagement activities carried out during the year enabled the materiality analysis to be updated and the most relevant sustainability topics (the “material topics”), i.e. those topics that can significantly reflect the economic, environmental and social impacts of the organisation, or influence the decisions of stakeholders.

The materiality analysis is carried out on an annual basis and considers both the areas provided for in Legislative Decree no. 254/2016 and the characteristic aspects of the sector in which Snam operates were considered, to the extent necessary to ensure an understanding of the Company’s activities, its performance, its results and the impact it has produced.

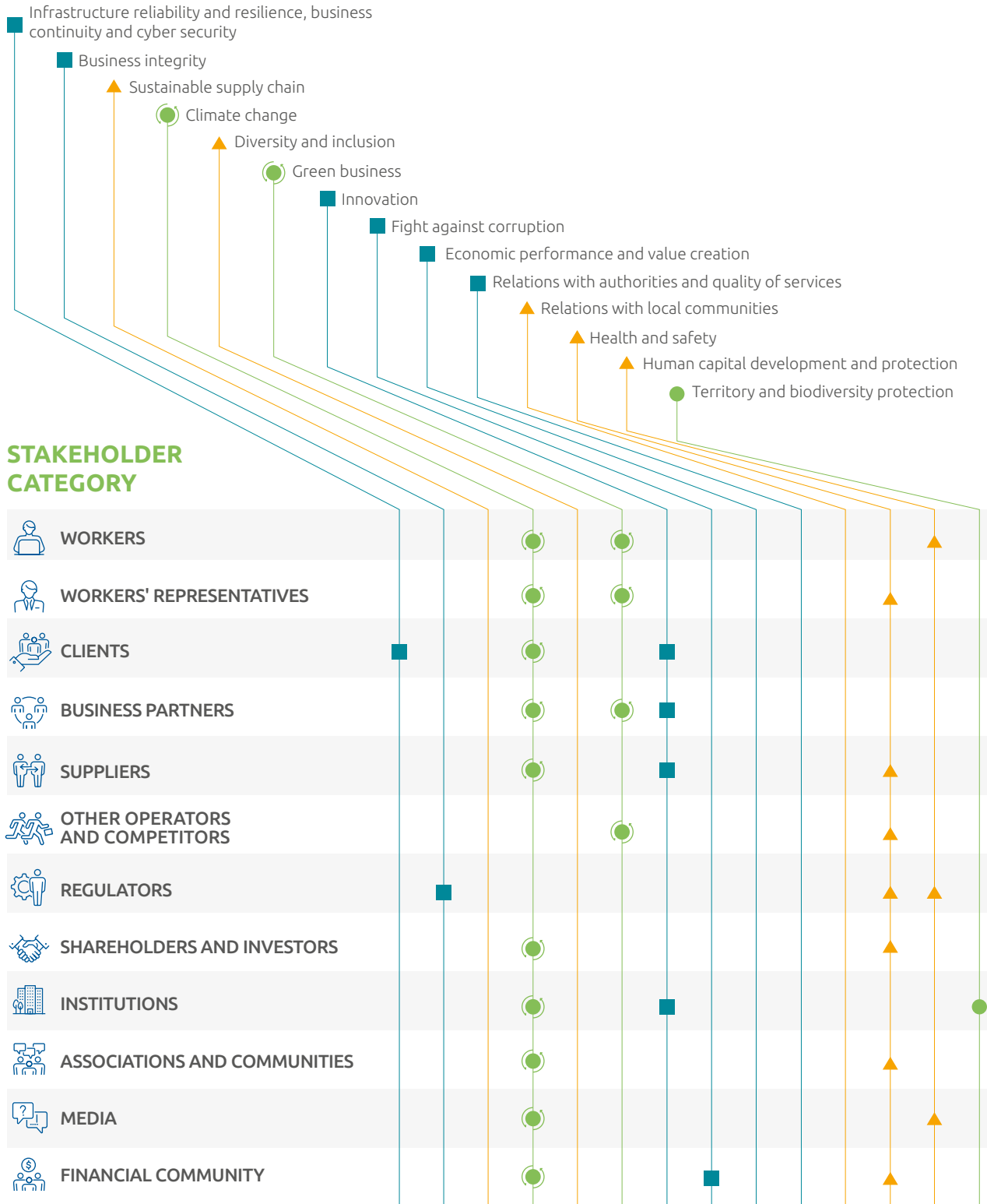
The process for updating the material topics included the following activities:



In order to assess the **external relevance** of the issues, more than **6,200 stakeholders** (including employees) were contacted and given specific questionnaires, with an overall response rate of around 28%. In order to set up an active discussion and to encourage dialogue and the exchange of points of view between the company and its stakeholders, **five** in-depth **workshops** on materiality were also held, involving specific categories of stakeholders, for a total of **121 participants** including media, institutions, suppliers, customers and employees. After a brief introduction to the evolution of Corporate Sustainability topics, Snam's strategy was presented, with special attention paid to sustainability issues, introduced together with all the issues to be evaluated with regards to the materiality analysis. Participants were then able to interact, evaluating these issues in real time through the use of tools to analyse and discuss the results directly during the meeting. In addition to last year, specific one-to-one interviews were conducted involving three NGOs and one benefit company. This method of involvement allowed direct contact with stakeholders, from which new and interesting opinions emerged regarding the perception of Snam's work in the area of sustainability, as well as the relationship between the Group and the stakeholders interviewed, which we have also tried to integrate into this Report.

Engagement activities have shown that the most relevant issue from the point of view of external stakeholders is "Climate change", highlighting an increasing sensitivity to this aspect and the issue of "Green business", in the awareness that Snam can play a significant role in decarbonisation. Health and safety continues to be considered a priority issue, underlining how this aspect is an essential requirement, on which Snam must continue to focus constant attention and commitment in order to ensure high safety standards for the protection of workers and employees. Lastly, one of the most important issues is 'Innovation', which reflects the need to invest in research and development activities to identify new technological applications that can enable Snam to achieve its objectives, while continuing along the path undertaken to progressively digitalise its business.

Main material topics by stakeholder category



The graph highlights the three main material topics identified by each stakeholder category. For the category "Shareholders and Investors" there are only two topics, as they are the only ones identified as material in 2021. The stakeholder category "Authorities" was not included due to the low number of responses received.

To assess **internal relevance**, Snam managers were involved through direct interviews and the completion of specific questionnaires. This is in order to obtain a holistic and shared view of the Society's priorities.

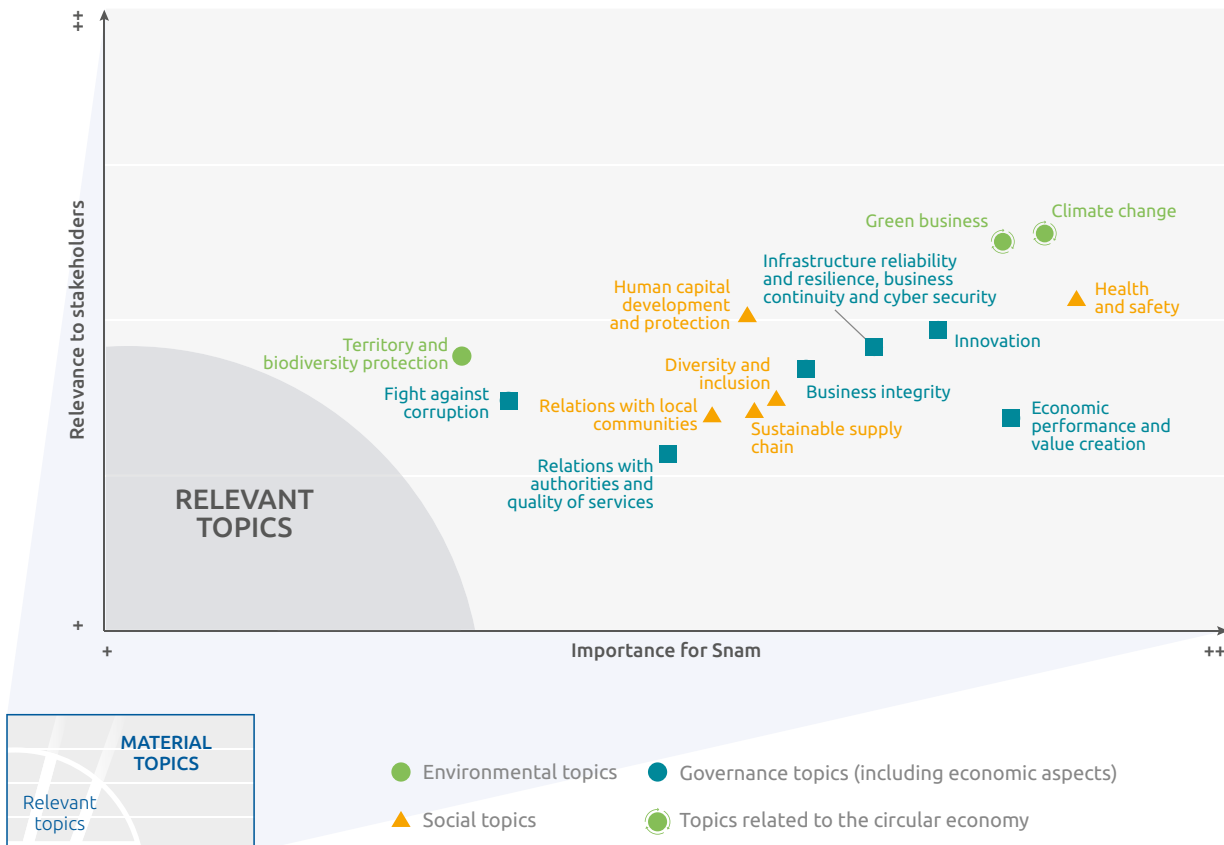
Following this process, material sustainability issues were identified and a **materiality matrix** was defined, which was validated by management, the CEO, and presented to the ESG (Environmental, Social, and Governance) Committee and the Company's Board of Directors.

Confirming the Group's commitment to promoting strategies aimed at limiting climate change, the issue of climate change is an undisputed priority, ranking first in the matrix. This is followed by "Health and safety", as always at the top of the company's priorities and also in view of the protracted pandemic event, and "Green business", in line with the objectives towards which Snam is moving and on which it is building its future.

In 2021, aspects related to 'Sustainable supply chain' became more important and were included in the material topics, also in view of the awareness-raising activities carried out in this area and the conviction that a company is responsible not only for its own activities, but also indirectly for the activities of its value chain. This commitment is reflected in Snam's net zero strategy and in particular in the definition of objectives related to suppliers' greenhouse gas emissions.

The analyses described above also made it possible to identify further topics which, although not material, are, however, relevant for Snam or its stakeholders and are carefully supervised and monitored. Consistent with the previous year, these topics are: "Air Protection", 'Brand Reputation', 'Human Rights', 'Employment', 'Waste Management' and 'Water Management'.

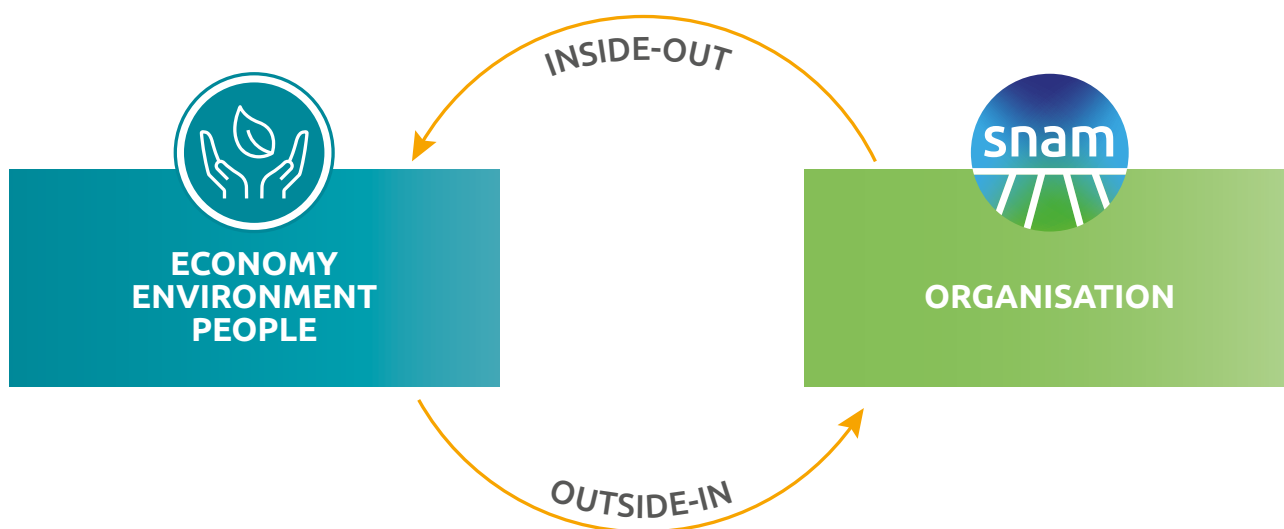
2021 Materiality Matrix



Evolution of materiality analysis

With the publication in March 2021 of the proposed Corporate Sustainability Reporting Directive (CSRD), Europe’s new non-financial reporting directive, a new approach to materiality has been introduced, which calls for organisations to report on material topics from a **dual perspective**, taking into account:

- **topics that reflect significant impacts on people and the environment**, actual or potential, negative or positive, related to the organisation’s activities as well as its value chain, upstream and downstream (“impact materiality” or “inside-out perspective”);
- **sustainability risks and opportunities that may influence**, positively or negatively, the development, **performance and position of the organisation** (in the short, medium or long term) and thus create or erode its corporate value (“financial materiality” or “outside-in perspective”).



Although the topic appears to be constantly evolving and methodological guidelines for applying CSRD requirements have not yet been made available, Snam has decided to proactively carry out an initial exercise to identify material topics from a dual perspective.

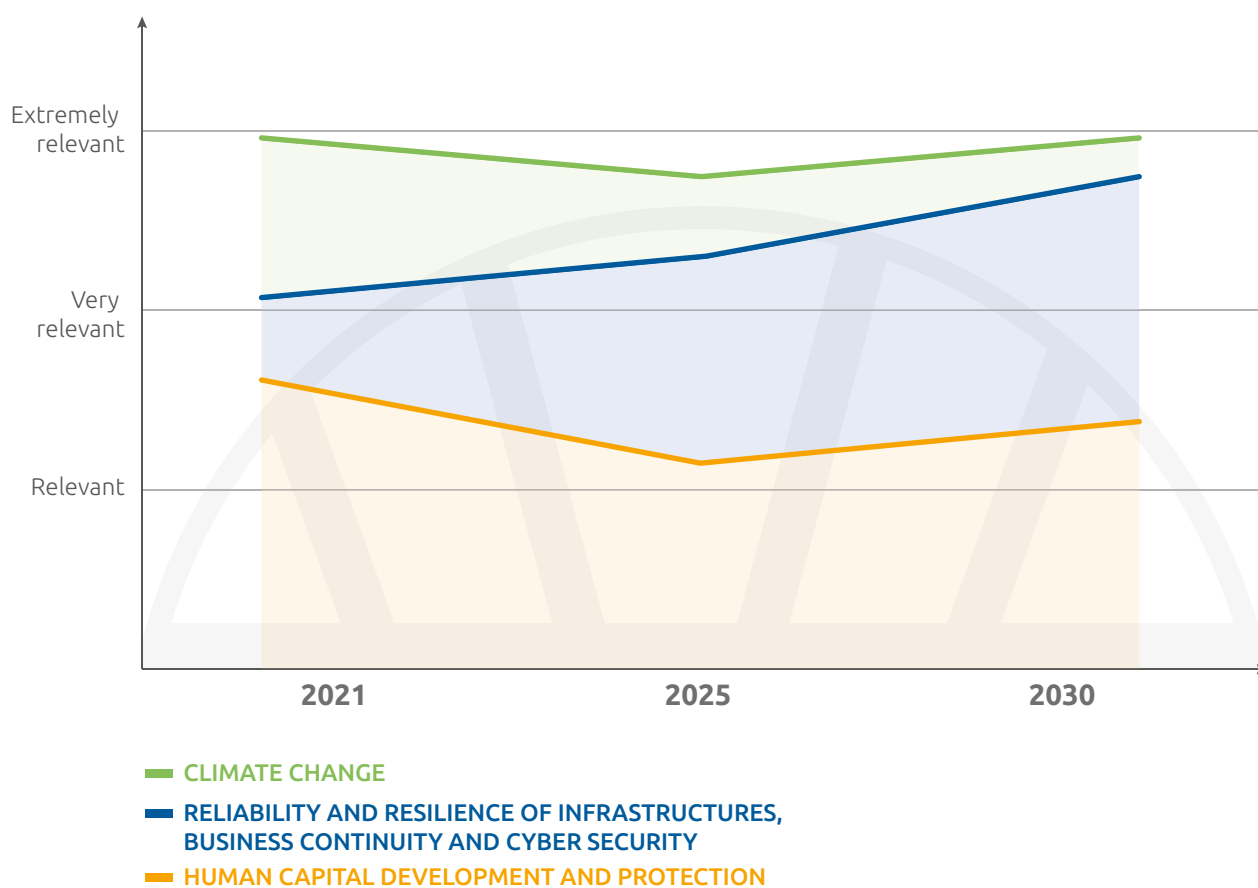
In particular, in continuity with previous years, the assessment of material topics according to the inside-out perspective saw the involvement of the Group’s management and stakeholders as part of the updating of the materiality analysis (for more details, see the section “Material topics for Snam”). In order to map the risks and opportunities that could create or erode Snam’s corporate value (i.e. the outside-in perspective), on the other hand, an assessment was carried out by the Sustainability, Risk Management and Strategic Planning functions, in which the relevance, and therefore the economic and financial impact, of the occurrence of sustainability risks and opportunities from outside for Snam was assessed.

As the first year of application of this methodology, **the results of the analysis for 3 material topics, one for each cluster of the E-S-G sphere**, are presented below in the **form of case studies**, in which for each of them Snam’s external impacts and the risks and opportunities affecting the business are reported.



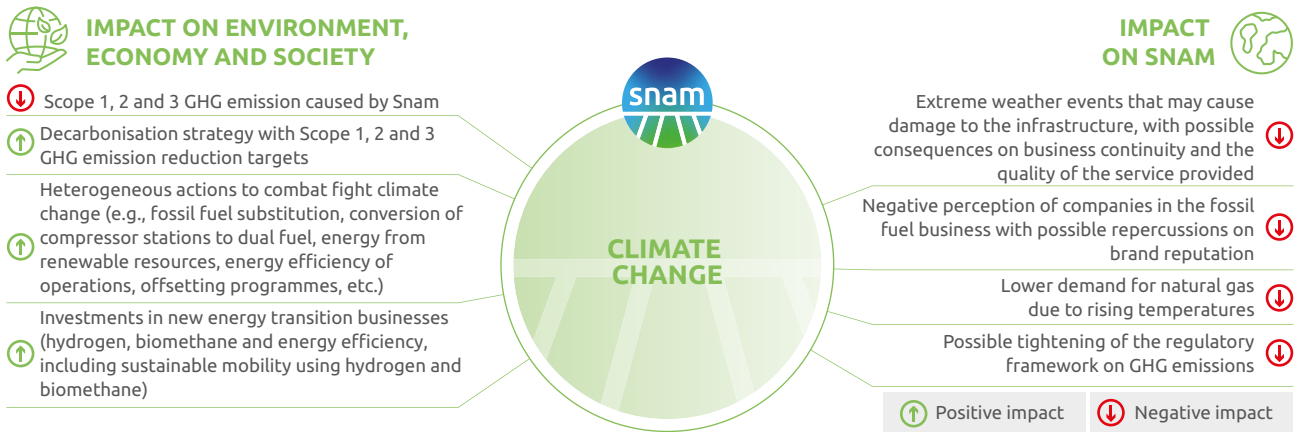
The selection of case studies considered both current relevance and future relevance, by virtue of the concept of **dynamic materiality**, which implies that the relevance of a material topic may change over time, influenced by the internal context (e.g. new investments under the Strategic Plan) and external context (e.g. new regulations; increased attention from decision-makers).

For this reason, during 2021, Snam involved top management and some categories of stakeholders, asking them to indicate possible changes in the relevance of material topics in 2025 and 2030 (the time horizons of Snam's Plan and Vision). Taking into account the issues analysed in the context of dual materiality, it emerges that their relevance will remain more or less in line with the current one. In the coming years, following the publication of the methodological guidelines that will define the dual materiality process, Snam will further refine the analysis methodology, providing results for the entire panel of material topics.



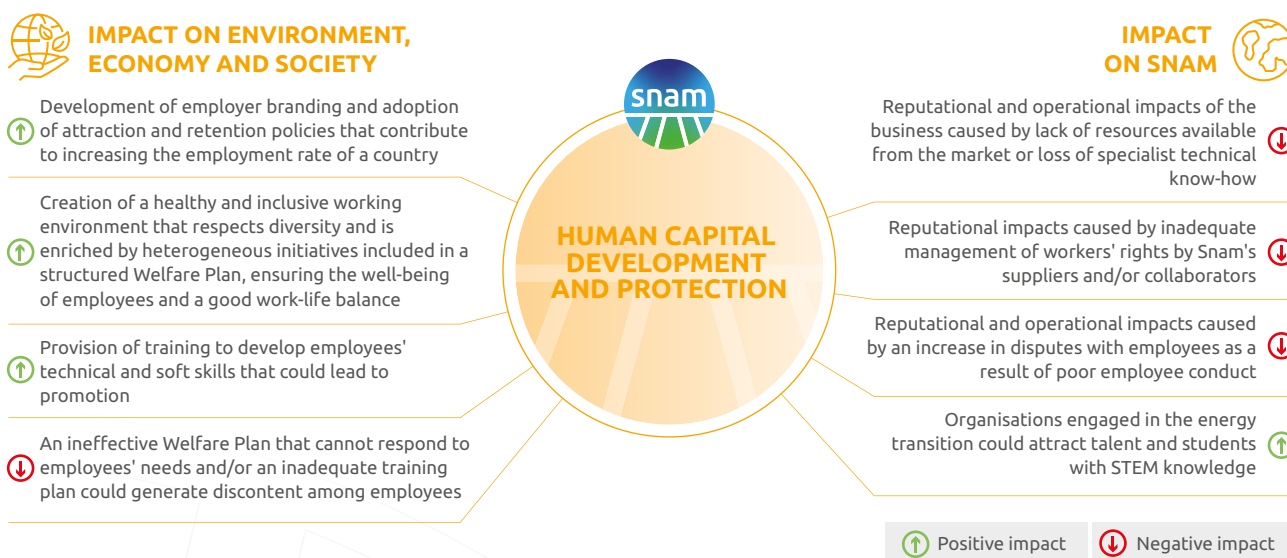
The double materiality perspective for the material topic: Climate change

Climate change is considered to be among the most urgent risks facing mankind in the short term, as rising global temperatures, one of its main consequences, can alter weather patterns, impacting on the environment, the economy and society, threatening the health, water, food and energy security of populations. Therefore, all countries and organisations are required to **define strategies and actions to combat climate change** in order to limit the temperature increase to 1.5°C, as defined in the Paris Agreement, and achieve carbon neutrality.



The double materiality perspective for the material topic: human capital development and protection

In recent years, with a view to responding to new needs emerging from the external environment, **new working models** have been developed, accompanied by a strong push towards digitalisation, to which organisations must respond by ensuring **the protection** of their workers, while respecting their rights. Bringing out the potential of the workforce, attracting and retaining more and more qualified talent are further prerogatives that companies address, investing in **growth opportunities**, also through continuous and constantly updated training activities. Activities related to the well-being of human capital have increased in importance, not least as a result of the Covid-19 pandemic, which highlighted the need to develop **initiatives to listen to and protect the psychological well-being** of all employees, through the creation of a safe, cohesive and inclusive workplace.



The double materiality perspective for the material topic: Infrastructure reliability and resilience, business continuity and cybersecurity

The evolution of business, the increasing digitisation of processes, the use of new technologies and the use of innovative solutions to improve it, lead companies to invest more and more resources in cybersecurity, where a refined and solid system can counter threats that will increasingly evolve in the future in terms of number, complexity and sophistication. Maintaining and continuously updating a corporate cybersecurity apparatus, oriented towards cyber resilience, is essential to ensure the organisation's operational continuity, infrastructure security and data protection. In order to constantly monitor the issue of business continuity and infrastructure reliability, as well as cyber security, Snam has implemented a **complex technological architecture**, relying on an integrated model of processes and solutions based on high standards of reliability and quality of service capable of facilitating the efficient management of the gas system for the entire country. In addition, it has created an ad hoc function for the surveillance and supervision of cyber security, with the aim of preventing and mitigating any attacks, as well as spreading a culture of security within and outside the organisation.



IMPACT ON ENVIRONMENT, ECONOMY AND SOCIETY

- ↑ Proper maintenance of the infrastructure by the organisation ensures service delivery
- ↓ Inadequate maintenance of infrastructure and/or unavailability of IT systems related to transmission and balancing services, as well as dispatching processes, can cause disruption to customers and suppliers
- ↓ Lack of/inadequate IT security management by the organisation can lead to loss of sensitive data of employees, customers and suppliers
- ↑ Presence of the Cybersecurity Incident Response Team to guarantee continuity of service and security for the entire national economic system

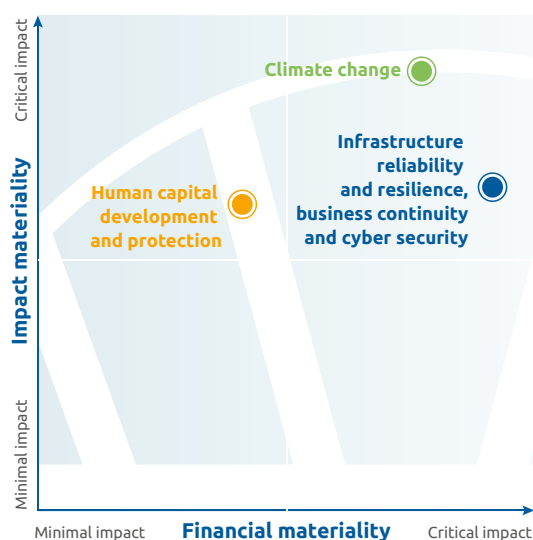
IMPACT ON SNAM



- ↓ Breakage/damage to pipelines caused by third parties may cause plant malfunctions, impacting the continuity of the service provided, with possible penalties for failure to restore within the established timeframes
- ↓ Cyber attacks by cyber criminals, cyber hackers, state-sponsored action groups with impacts on business continuity, asset functionality and protection of sensitive data



↑ Positive impact ↓ Negative impact



The overall assessments of dual materiality for the three material topics analysed are depicted in the graph on the right. This combines the results of the materiality analysis, representing the impact materiality perspective, and the results of the risk assessment, representing the financial materiality perspective.

The results of the dual materiality analysis show that **climate change** and the **reliability and resilience of infrastructure, business continuity and cybersecurity** are critical issues for both perspectives. This means that the impacts caused by Snam on the environment, society and the economy are significant, and therefore need to be properly managed. At the same time, the relevance of risks and opportunities arising from the external context requires the Company to constantly monitor them in order to monitor and ensure the creation of corporate value.

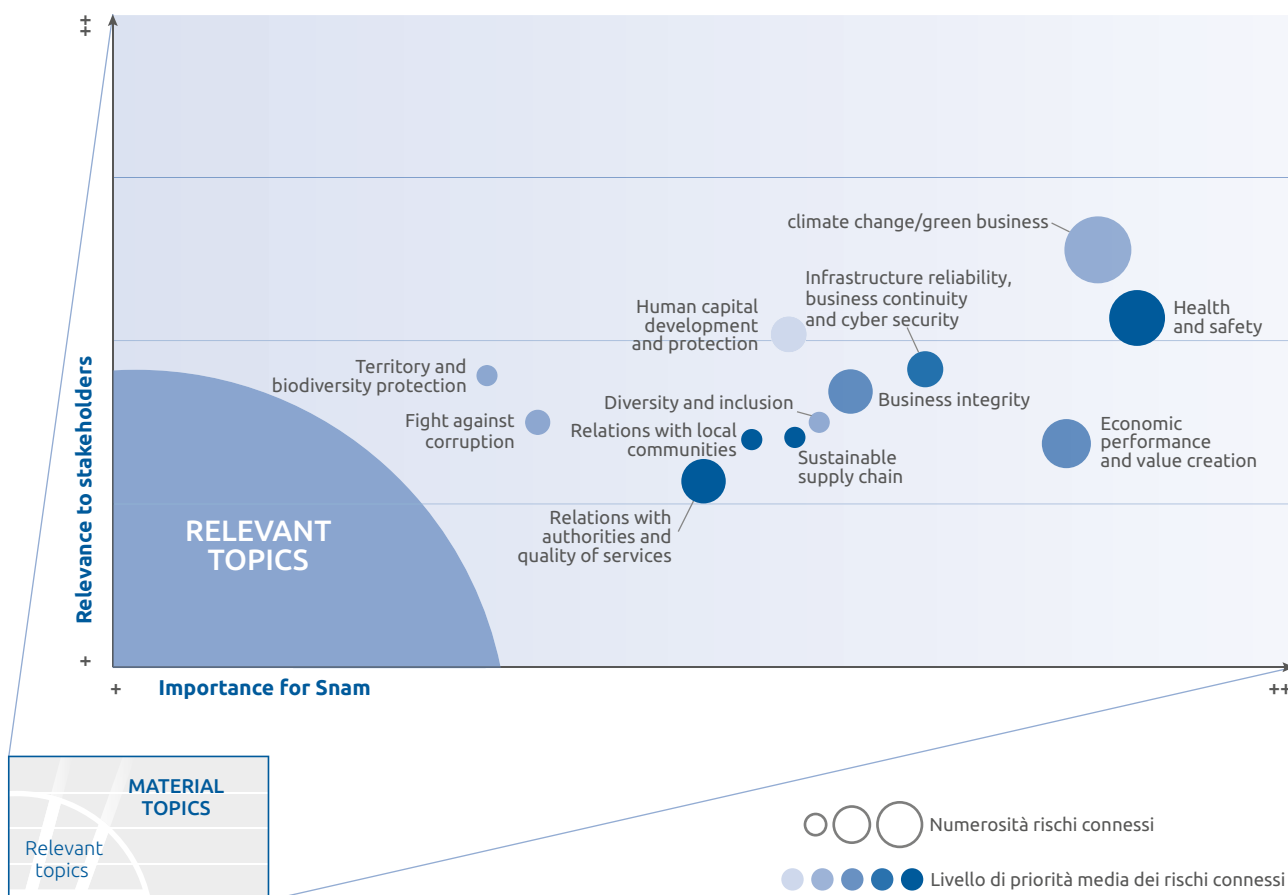
Although the **development and protection of human capital** is important in terms of its impact on employees, the opportunities and risks that could have repercussions on Snam's reputation and operations do not have a decisive influence on the Company's corporate value.

Integration of ERM model risks into the materiality matrix

As part of the project to integrate ESG aspects into the ERM Model (for further details, see the “Risk Management” section), Snam’s Material Topics have been linked to the risks mapped in the ERM Model in order to acquire **a new key to understanding Risk Management activities**, allowing risks to be classified on the basis of cause and effect relationships linking them to specific Material Topics.

The results of the analysis have been represented in the image below which, starting from Snam’s materiality matrix, integrates information relating to the number of risks associated with each material topic (“size of circles”) with the priority of the same (“chromatic gradation of circles”), i.e. the combination of probability and impact of the individual risks.

This new representation allows the aspects foreseen by Double Materiality to be captured.



PERFORMANCE OF 2021



RESULTS

In order to allow a better assessment of the economic and financial performance, this Report presents the reclassified financial statements and some alternative performance measures (Non-GAAP measures), mainly represented by the adjusted results. Specifically, adjusted EBIT and adjusted net profit are obtained by excluding the special items (respectively gross and net of the related taxes) from the reported EBIT and the reported net profit, as per the Income Statement.

Income components classified as special items in 2021 are represented: (i) by the effects of the realignment of values assigned for reporting and tax purposes (a total of 292 million euros), carried out in accordance with the provisions of Art. 110, paragraph 8 of Decree-Law no. 104 of 14 August 2020; (ii) taxes (9 million euros) related to the recognition, for tax purposes only, of capital gains associated with corporate reorganisation transactions within the Group; (iii) costs related to the continuation of the Covid-19 pandemic, relating to donations of medical equipment and costs for sanitation and cleaning services, for a total amount of 7 million euros (5 million euros net of related taxes).

ADJUSTED RESULTS^{20 21}

EBITDA ADJUSTED



2021 saw growth in key economic indicators beyond expectations.

The **adjusted gross operating margin (EBITDA)** for the first half of 2021 amounted to 2,250 million euros, up by 53 million euros, or 2.4%, compared to the corresponding value in the first half of 2020. With reference to the core business (+65 million euros; +3.0%), the increase is due to higher regulated revenues (+321 million euros; +70 million euros net of fees to cover energy costs) deriving mainly from the increase in the RAB basis of transportation (+48 million euros, including the effect of lower input-based incentives) and higher volumes of gas transported (+5 million euros) following the gradual recovery of production activities as well as a more rigid climate. The increase in gross operating profit of the core business was also affected by the release of prior-period items (+17 million euros) and the trend in provisions for risks and charges, partly absorbed by the increase in personnel costs due to the strengthening of the structure to support new business initiatives and the costs associated with the gradual return to offices.

With regard to the new businesses, the positive contribution of the energy efficiency activities, due in particular to the strong development of the residential business and the contribution of Mieci and Evolve, which entered the scope of consolidation at the end of 2020, was offset by the impact of the Covid-19 pandemic especially in the biomethane sector, in consideration of the greater authorisation and operational complexity of the plants, as well as in Snam Global Solutions, which in 2020, had thus benefited from a contribution linked to an important contract for over 11 million euros.

The **adjusted operating profit (EBIT)** for FY 2021 amounted to 1,430 million euros, up by 6 million euros, or 0.4%, compared to the corresponding value in FY 2020. The aforementioned increase in EBITDA was partly absorbed by higher depreciation and amortisation (-47 million euros, or 6.1%), mainly due to new assets entering into operation.

20 For the definition of these indicators and the reconciliation with the related reported results, in line with the guidelines of the 2015/ESMA1415 document "ESMA Guidelines on Alternative Performance Measures" of 5 October 2015, please refer to the chapter "Financial review and other information - Non-GAAP measures".

21 An analysis of EBITDA and EBIT by business segment is provided in the chapter "Operating performance by business segment".

ADJUSTED NET PROFIT



FY 2021 **group adjusted net profit** totalled 1,218 million euros, up by 54 million euros (4.6%) compared to 2020 adjusted net profit. In addition to higher EBIT, the increase was due to the positive contribution of associate companies (+45 million euros, or 18.1%), in particular TAP (+43 million euros), operational from 15 November 2020, and Industrie De Nora, and equity investment acquired in January 2021 (+21 million euros) and ADNOC Gas Pipelines (+5 million euros), which entered the Group's scope of operations in July 2020, partly offset by the lower contribution of TAG, which benefited in 2020 from non-recurring items and DESFA, mainly as a result of the lower tariffs associated with the reduction in WACC recorded and other regulatory parameters. The increase in net profit was also affected by the reduction in net financial expenses (+24 million euros; or 19.0%), thanks to the benefits associated mainly with the lower average cost of debt, partly as a result of the measures to optimise the Group's financial structure implemented in the 2016-2021 period, particularly liability management operations, and treasury management, despite the higher average net debt due to the growth in technical and equity investments.

Income taxes (400 million euros; net of special items mainly represented by the effects of the tax realignment pursuant to Decree-Law 104 of 14 August 2020) increased by 17 million euros, or 4.4%, following the higher profit before taxes.

Net financial debt was 14,021 million euros at 31 December 2021, compared with 12,892 million euros at 31 December 2020. The positive cash flow from operating activities (1,338 million euros), which was affected by the cash absorption generated by the gas balancing activity, also in relation to the sharp increase in gas prices, allowed the requirements related to net technical investments (-1,237 million euros, net of investment payables) to be fully financed. Taking into account disbursements related to equity investments and repayments concerning financial receivables from OLT, the free cash flow was negative by 340 million euros. The net financial debt, after the equity cash flow essentially deriving from payment to shareholders of the 2020 dividend (811 million euros, 326 million euros of which was an advance and 485 million euros the balance) recorded an increase of 1,129 million euros on 31 December 2020, including the non-monetary components relating to financial debt (6 million euros).

Dividends



Our healthy results and solid business fundamentals allow us to propose a **dividend of 0.2620 euros per share**, to the Shareholders' Meeting, of which 0.1048 euros per share was paid in January 2022 as an interim dividend (343 million euros) and the balance of 0,1572 euros per share will be paid from 22 June 2022 with an ex-dividend date of 21 June 2021 (record date 20 June 2022). The proposed dividend, up 5% compared with 2020, in line with the dividend policy envisaged through to 2022, confirms Snam's commitment to guaranteeing shareholders an attractive remuneration that is sustainable over a period of time.

KEY PERFORMANCE FIGURES (a)

(million euros)	2019	2020	2021	Abs. change	Change %
Regulated revenues	2,491	2,548	2,869	321	12.6
New business revenues	85	192	400	208	
Total revenues	2,606	2,770	3,297	527	19.0
Operating costs	437	573	1,047	474	82.7
EBITDA	2,169	2,197	2,250	53	2.4
EBIT	1,417	1,424	1,430	6	0.4
Net profit (b)	1,093	1,164	1,218	54	4.6

(a) Figures are stated in the adjusted configuration.
(b) Attributable to the Parent company shareholders.

REPORTED RESULTS

(million euros)	2019	2020	2021	Abs. change	Change %
EBIT	1,452	1,380	1,423	43	3.1
Net profit (a)	1,090	1,101	1,496	395	35.9

(a) Attributable to the Parent company shareholders

KEY SHARE AND INCOME FIGURES

		2019	2020	2021	Abs. change	Change %
Net profit per share (a)	(€)	0.330	0.336	0.457	0.121	35.9
Adjusted net profit per share (a)	(€)	0.331	0.356	0.372	0.017	4.7
Group shareholders' equity per share (a)	(€)	1.90	1.98	2.20	0.23	11.4
Pay-out (Relevant dividend/Group net profit) (b)	%	71.56	74.11	57.62	(16.49)	(22.3)
Adjusted pay-out (Relevant dividend/Adjusted Group net profit) (b)	%	71.27	70.10	70.77	0.67	1.0
Dividend yield (Relevant dividend/Year-end official share price) (b)	%	5.1	5.4	4.9	(0.5)	(8.8)
Price/Book value (Official average price per share/Group shareholders' equity per share)	(€)	2.36	2.23	2.04	(0.20)	(8.9)

(a) Calculated considering the average number of shares outstanding during the year.
(b) The 2021 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 28 February 2022.

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(million euros)	2019	2020	2021	Abs. change	Change %
Technical investments	963	1,189	1,270	81	6.8
Net invested capital at 31 December (*)	18,181	19,364	21,261	1,897	9.8
Snam Shareholders' equity at 31 December	6,255	6,469	7,203	734	11.3
Net financial debt at 31 December (*)	11,923	12,892	14,021	1,129	8.8
Free Cash Flow	482	(40)	(340)	(300)	

(*) Net financial debt was determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021. Accordingly, the corresponding amount at 31 December 2020 was restated, generating an increase in net borrowings of 5 million euros, due to the exclusion of short-term financial receivables and a corresponding increase in net invested capital.

KEY SHAREHOLDER FIGURES

		2019	2020	2021	Abs. change	Change %
Number of shares of share capital	(million)	3,395	3,361	3,361		
Number of shares outstanding at 31 December	(million)	3,292	3,270	3,272	2	0,1
Average number of shares outstanding during the year	(million)	3,301	3,272	3,271	(1)	(0,0)
Year-end official share price	(€)	4.686	4.601	5.300	0.699	15.2
Official average price per share for the year	(€)	4.474	4.417	4.830	0.413	9.4
Stock Market Capitalisation	(million)	15,428	15,046	17,343	2,297	15.3
Dividend per share	(€ per share)	0.2376	0.2495	0.2620	0.0125	5.0
Dividends for the year in question (*)	(million)	780	816	862	46	5.6
Dividends paid in the financial year	(million)	746	779	811	32	4.1

(*) The 2021 amount (relative to the relevant dividend) is estimated on the basis of the number of shares outstanding as at 28 February 2022.

OPERATING PERFORMANCE

TECHNICAL INVESTMENTS

Plant security and quality levels

Technical investments in 2021 amount to 1,270 million euros²², up from 2020 (+81 million euros; +6.8%), and relate mainly to the transport (1,004 million euros) and storage (160 million euros) sectors, with levels in line with expectations.

Investments in projects aimed at maintaining plant security and quality totalled 663 million euros for transportation (529 million euros in 2020) and 124 million euros for storage (101 million euros in 2020).

The monitoring phase of the areas impacted by Snam's infrastructure projects also includes continuous checks on the proper functioning of the network, which are carried out using technology and experienced personnel, in order to ensure complete, efficient and effective monitoring of all assets.

Dispatching is the structure responsible for surveying and remote control of Snam's transportation network, whose pipelines are subject to regular maintenance and inspection activities. Monitoring is carried out by the company's specialised staff, who control the pipelines on foot, by means of vehicles or through overflying activities. Additional experienced personnel are assigned to guard the power plants, storage facilities and related auxiliary installations.

Technologies are a fundamental aid in ensuring high levels of quality in terms of infrastructure monitoring. Among these, Snam uses **In Line Inspection (ILI)** instruments, which, through the use of intelligent "pigs" equipped with sensors, pass through the pipelines, detecting the presence of any defects, geometric anomalies, corrosion, or minimal axial displacement of the pipelines themselves. ILI technologies also include remote control systems to check the stress state of pipes laid in areas with potential hydrogeological instability.

Technological innovations in this field are constantly evolving and Snam is committed to researching and developing new opportunities, with a view to constantly improving its ability to observe the infrastructure and prevent and/or intercept potential dangerous situations for network security. The company has recently equipped itself with **drones** and an organisational structure based on an aviation model, as well as with **satellite tracking technologies**. In this context, project work has been completed on a pilot route of approximately 1,400 km and field verification of the evidence produced is underway, with initial results being very satisfactory. In addition, the implementation of the **Leak Detection and Repair (LDAR)** project, developed in-house, continued in 2021, enabling inspection and field surveys to be carried out in order to prevent, detect and resolve any methane leaks from pipelines.

22 An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

For **storage facilities**, monitoring is carried out by means of detection systems, including optical detectors, temperature-sensitive cables, fuse plugs, smoke detectors, sound level meters, pressure transmitters, etc. These systems allow the activation of emergency (ESD) or process (PSD) shut-downs, ensuring the safety of the installations. In this context, during 2021, Snam completed the installation on all plants of **phonometric systems** that are able to detect gas leaks from plant equipment and automatically activate the blocking of the equipment.

MONITORING AND INSPECTING THE NETWORK (KM)

	2019	2020	2021
Network inspected using smart pigs	1,651	1,487	1,410
Network inspected using helicopter overflights	20,178	20,662	20,841
Network inspected with Leak Detection technology	-	10,535	10,889
Network subject to geological inspection	5,163	4,438	5,993

INTERCONNECTED TRANSPORTATION-STORAGE CAPACITY AND NETWORK UTILISATION

The average transportation capacity provided in 2021 was 368.7 million cubic metres/day on average, which was a slight increase on 2020 (+5.6 million average cubic metres/day; +1.5%), while transferred capacity totalled 225.7 million cubic metres/day on average. Network saturation²³ was 61.2%, an increase compared with 2020 (57.1%).

The number of active transport users in 2021 was 230 compared to 213 active users in 2020. In 2021, 88 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 23 contracts for the injection of biomethane and 28 relating to CNG service areas.

Total storage capacity at end 2021, at equal strategic storage, is expected to be 16.5 billion cubic metres, among the highest in Europe during this period of supply difficulties across the continent.

There were 81 active storage customers (91 users in 2020).

²³ Ratio of capacity transferred to available capacity.

BUSINESS VOLUMES

The **volumes of gas injected into the network** in 2021 totalled 75.77 billion cubic meters, up 5.80 billion cubic meters compared to 2020 (+8.3%), in line with the increase in demand for natural gas which, in 2020, had recorded a decline due to the restrictive measures implemented to contain the contagion from Covid-19 and the greater use of deliveries from storage. The increase in **demand for gas** (76.25 billion cubic metres; +4.94 billion cubic metres, or 6.9% on 2020), recorded in all consumption sectors, is mainly attributable to: (i) to the residential and tertiary sector (+2.03 billion cubic metres; +7.4%) due to the overall colder temperatures in 2020 and the recovery of consumption impacted by the lockdown measures implemented in 2020; (ii) the industrial sector (+1.70 billion cubic metres, of which approximately half concentrated in March and April; +10.4%) by virtue of a recovery in industrial production after the sharp drop suffered last year, following the lockdown measures in March and April to contain Covid-19 contagions. In fact, in the period January-November 2021, the industrial production index grew by 12.4% compared to the same period of the previous year, completely recovering pre-Covid volumes; (iii) thermoelectric sector (+1.53 billion cubic metres; +6.1%) resulting from an increase in electricity demand compared to 2020, as well as by the greater use of natural gas in electricity generation. These effects were partly offset by the increase in electricity import flows.

Gas demand
76.25 billion m³
(+6.9% compared to 2020)

Gas demand normalised
74.85 billion m³
(+4.5% compared to 2020)

Gas moved in the storage system
18.41 billion m³

25 Unloadings from LNG carriers (60 in 2020)

The **demand for gas in normalised temperature terms**, estimated at 74.85 billion cubic metres, shows an increase of 3.24 billion cubic metres (+4.5%) compared to the corresponding value for 2020 (71.61 billion cubic metres), in the face of a progressive recovery in consumption in the sector that offsets the reduction due to the progressive increase in energy efficiency measures and the modernisation of heating systems with more efficient boilers.

Total storage capacity as at 31 December 2021, including strategic storage, was 16.5 billion cubic metres, of which 12.5 billion cubic metres related to available capacity allocated 89.6% for the thermal year 2021-2022 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2020-2021, as established by the Ministry of Economic Development by means of the notice dated 12 February 2021).

The **volumes of gas moved in the storage system** in FY 2021 amounted to 18.86 billion cubic metres, down by 1.19 billion cubic metres, or 6.1%, compared with FY 2020, mainly as a result of fewer injections into storage, in addition to fewer withdrawals against an increase in the volumes of gas injected into the network in line with the growth in demand for natural gas in Italy.

The volumes of regasified LNG during 2021 at the Panigaglia (SP) terminal amounted to 1.05 billion m³ (2.55 billion m³ in 2020; -58.8%), and 25 unloadings from LNG carriers were carried out (60 unloadings in 2020; in line with the number of unloadings conferred), compared to 30 unloadings conferred. The reduction in the volume of activity is attributable to price dynamics that are strongly conditioned by a high demand for LNG from the Asian market with values at a premium compared to the European market, against a 2020 that has benefited from a more competitive cost of LNG compared to natural gas, as well as new mechanisms for allocating regasification capacity through special auction procedures.

The capacity allocation mechanisms based on auctions as well as the new businesses in the SSLNG sector, linked specifically to the possible future uses in heavy transportation and maritime transport, will lead to a scenario of further growth in the consumption of LNG in future years.

KEY OPERATING FIGURES

In accordance with the international accounting standard IFRS 8 Operating Segments, operating segments are defined on the basis of internal reporting used by management to allocate resources to the various segments and to analyse their performance. The reportable business segments are the regulated activities of Transmission, Storage and Regasification. Other segments, which are not reported separately, include activities relating to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions.

	2019	2020	2021	Var. ass.	Var. %
Natural gas transportation (a)					
Natural gas injected into the National Gas Transportation Network (billion cubic metres) (b)	75.37	69.97	75.77	5.80	8.3
Gas demand (b)	74.48	71.31	76.25	4.94	6.9
Gas transportation network (kilometres in use)	32,727	32,647	32,767	120	0.4
Liquefied Natural Gas (LNG) regasification (a)					
LNG regasification (billion cubic metres)	2.40	2.55	1.05	(1.50)	(58.8)
Natural gas storage (a)					
Available storage capacity (billion cubic metres) (c)	12.5	12.5	12.0	(0.5)	(4.0)
Natural gas moved through the storage system (billion cubic metres)	19.33	19.60	18.41	(1.19)	(6.1)
Employees in service at year end (number) (d)	3,025	3,249	3,430	181	5.6
<i>of which business segment:</i>					
- Transport Sector	1,945	1,910	1,843	(67)	(3.5)
- Regasification Sector	65	67	65	(2)	(3.0)
- Storage Sector	61	62	66	4	6.5
- Other sectors	752	813	993	180	22.1
- Corporate and other	202	397	463	66	16.6

(a) With regards to 2021, gas volumes are expressed in standard cubic metres (SCM) with an average higher heating value (HHV) of 38.1 MJ/SCM (10.573 kWh/SCM) for transportation and regasification activities and 39.253 MJ/SCM (10.884 kWh/SCM) natural gas storage for the 2021-2022 thermal year.

(b) The data for 2021 is current as at 25 January 2022. 2020 figures were definitively updated.

(c) Working gas capacity for modulation, mining and balancing services. The available capacity as of 31 December 2021 is the capacity declared to the Authority for Electricity, Gas and the Water System at the beginning of thermal year 2021-2022 (89.60% allocated as of 31 December 2021).

(d) Fully consolidated companies. The change includes resources coming from new hires from the market, connected with the strengthening of the new energy transition businesses, particularly in biomethane and hydrogen fields.

SNAM AND THE FINANCIAL MARKETS

Snam share performance

Snam shares ended 2021 with a price of 5.300 euros, an increase of 15.2% compared to the price recorded at the end of 2020 of 4.601 euros.

The average share price during the year was 4.830 euros, with a high of 5.308 euros recorded in August 2021 and essentially confirmed at year-end.

The stock, which in 2020 was affected by the effects of the Covid-19 pandemic, benefited in 2021 from both the positive financial results recorded during the year and the growth prospects presented to the market in the strategic plan for the end of 2021. During 2021, the consultation process for updating the rate of return on invested capital took place, which ended on 23 December with the publication by the Regulatory Authority of document 614/2021/R/com, which established the criteria for determining and updating the rate of return on invested capital for the period 2022-2027²⁴.

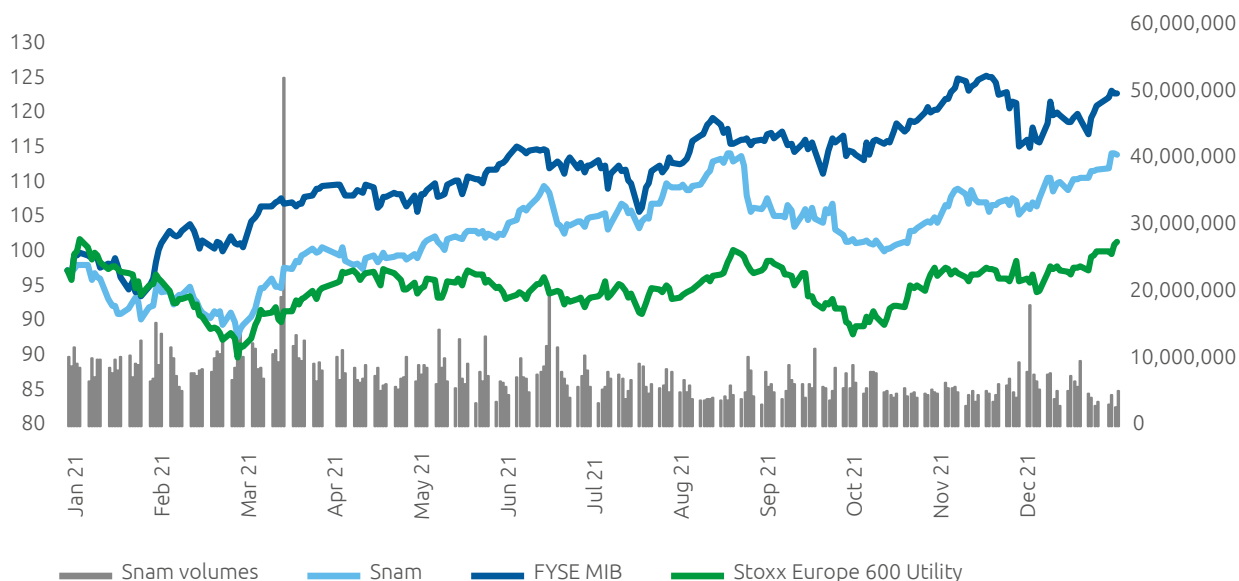
The stock showed an upward trend and significant trading volumes in the second half of March, coinciding with the presentation of positive 2020 results despite the impacts of Covid-19. This positive trend was confirmed and further consolidated at the presentation of interim results and the business plan in November 2021, during which the 2030 vision was presented to the market for the first time, which envisages 23 billion euros of investment opportunities over the period along three growth lines (energy networks, energy storage and green projects) with the aim of becoming a global leader in green gas infrastructure.

During the course of the year, the Company continued its investing activities both in its own regulated infrastructure, which is confirmed to be central to the transition to a low-emissions economy, and in the new energy transition activities in order to guarantee sustainable and profitable growth for shareholders.

24 For more information, please refer to the section "Regulatory framework and main developments" of this Report.

The recent partnership with Eni on the gas pipelines connecting Algeria and Italy consolidates the country's potential to become a renewable energy hub, while with the recent acquisition of the biomethane plants from Asja Ambiente, Snam continues its growth strategy by contributing to the development of an important sector and placing its infrastructure at the heart of the green transition.

SNAM – COMPARISON OF SNAM, FTSE MIB AND STOXX EUROPE 600 UTILITIES LISTINGS (1 JANUARY 2021 - 31 DECEMBER 2021)



NFS Snam Shareholder composition at 31 December 2021

CONSOLIDATING COMPANY	SHAREHOLDERS	% OWNERSHIP
Snam S.p.A.	CDP Reti S.p.A. (a)	31.35
	Romano Minozzi	7.46
	Snam S.p.A.	2.63
	Altri azionisti	58.56
		100.00

(a) CDP S.p.A. holds 59.10% of CDP Reti S.p.A.

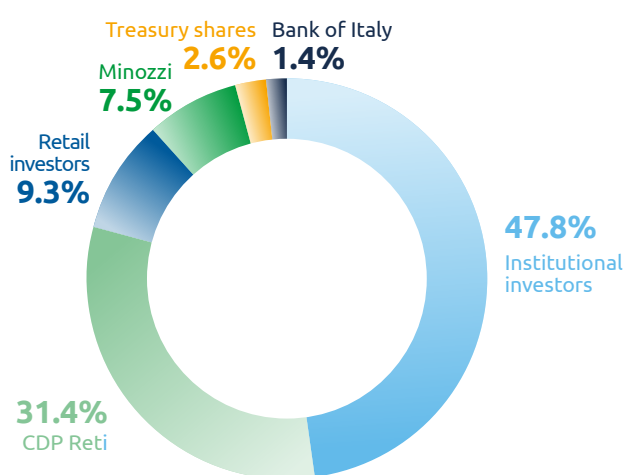
Cassa Depositi e Prestiti (CDP), a financial institution controlled by the Ministry of Economy and Finance, whose mission is to promote the growth and development of the Italian economic and industrial system, is a major shareholder in Snam S.p.A.

At the end of 2021, based on entries in the Shareholders' Register and other information gathered, CDP Reti S.p.A. held 31.35% of share capital, Snam S.p.A. held 2.63% in the form of treasury shares, and the remaining 66.02% was in the hands of other shareholders.

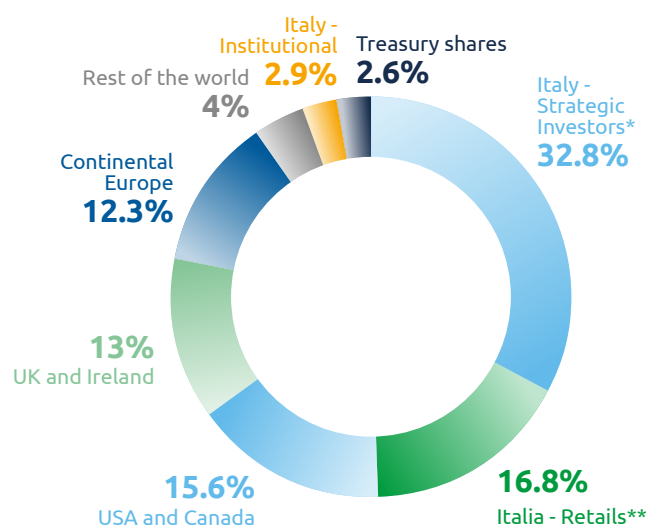
The share capital at 31 December 2021 consisted of 3,360,857,809 shares without indication of nominal value (unchanged from 31 December 2020), with a total value of 2,735,670,475.56 euros (unchanged from 31 December 2020).

As at 31 December 2021, Snam's portfolio contains 88,556,228 treasury shares (90,642,115 as at 31 December 2020), equal to 2.63% of its share capital, with a book value of about 354 million euros (2.70% for a book value of around 361 million euros at 31 December 2020). More information with regard to the changes in treasury shares in the portfolio in 2020 can be found in the chapter "Other information - Treasury shares" of this Report.

COMPOSITION OF SNAM SHAREHOLDERS



SHAREHOLDERS BY GEOGRAPHICAL AREA



* Italy's strategic investors include the Bank of Italy and CDP Reti.
** Italy's retail investors include the shares held by Romano Minozzi (7.5%).

Relations with the financial community and investor relations policy

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

2021 Engagement Activity

In addition to the normal activities in presenting the Strategic Plan and conference calls upon the publication of the Company's results (annual, half-year and quarterly) during 2021, and notwithstanding the continued restrictions on movement, Snam has virtually participated in:

- 7 roadshows to meet shareholders and institutional investors in the major financial centres of Europe and North America;
- 17 industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet senior management.

Inclusion of Snam stock in sustainability indices and ESG recognition

The Snam stock is included in the main international (**Sustainable and Responsible Investment**) stock market indices, an acknowledgement that provides investors with greater transparency in market communications and greater comparability with the Group's peers, as well as making the Company more visible to investors and to the financial market as a whole. The investors within Snam's shareholder composition that are classified as ESG account for 39.9% of all institutional shareholdings in Snam and 17% of the total shareholdings (Nasdaq analysis).

SNAM SHARE PRICE PERFORMANCE IN SUSTAINABILITY INDICES AND ESG RATINGS

Sustainability index/ESG rating	Evaluation scale	2020 Results	2021 Results	
CDP Climate Change	From D- to A	A	A-	▼
CDP Supply Chain	From D- to A	A-	A	▲
ISS ESG	From D- to A+	B-	B	▲
Sustainalytics	From 0 to 40	19.8	15.9	▲
DJSI	From 0 to 100	74	87	▲
FTSE4GOOD	From 2.9 to 5	3.2	3.9	▲
MSCI	From CCC to AAA	AA	A	▼
Gender Equality Index Bloomberg	From 0% to 100%	71.21%	77.13%	▲

ESG RATINGS



Snam has once again been included in the **"A- List"** of CDP (formerly the Carbon Disclosure Project), one of the most important international non-profit organisations on the subject of climate change. The company is at the top of the world with an A- score, demonstrating its strong commitment to climate change and energy transition issues.



Snam has joined the CDP supply chain programme for the third year, the CDP programme aimed at involving its supply chain in the climate change questionnaire. Snam has been awarded the title of **"Supplier Engagement Leader"**, reserved for the most reliable companies in measuring the climate risk of the activities of their supply chain - which affect Scope 3 emissions not directly attributable to the company itself - and in actions to counter it. In particular, **Snam obtained a score of A-**, demonstrating its commitment to engaging its suppliers on issues related to reducing emissions and developing sustainable strategies.



In 2021, Snam was confirmed at **"PRIME"** level by ISS ESG, with an upgrade in the rating, which went from B- to B. ISS ESG has recently acquired the Oekom Research service, a leading international agency rating socially responsible investments, which operates on behalf of institutional investors and financial services companies.



Snam has also been confirmed in the Sustainalytics index, the leading ratings agency for the evaluation of companies from an ESG perspective, which the company has been on since 2013. With a **risk rating of 15.9**, down from 19 a year earlier, Snam **ranks second out of 93 in the gas utility sector**. The new score indicates a low risk level in the ESG area, compared to an average risk level in 2020.

SUSTAINABILITY INDICES



In November 2021, Snam's share returned to the Dow Jones Sustainability World Index of S&P Global, the world's most important stock market index for assessing corporate social responsibility. The result of 87 points (+13 compared to 2020), places the Company second in its sub-sector and shows an increase in all ESG areas.



FTSE4Good

Since 2002, Snam has been present in the FTSE4Good, an index created to encourage investment in companies that meet globally recognised social responsibility standards and important reference point for the creation of benchmarks and ethical portfolios. Snam performed very well in 2021, with a score of **3.9 out of 5** (3.2 in 2020).



Snam confirmed in the Ethibel indices, which include companies qualified as sector leaders in terms of CSR, according to the selection made by Forum Ethibel.



In October 2021, Snam was confirmed as one of MSCI's leading companies, but was downgraded from AA to A. MSCI is a leading international provider of investment decision support tools for global investors, including asset managers, banks, hedge funds and pension funds. The MSCI Global Sustainability indices include companies with high sustainability ratings among those in their sector.



For the tenth year in a row, the Snam stock is included in the STOXX Global ESG Leaders Indices, a group of indices based on a process of selection of performances in terms of sustainability, of 1800 companies listed worldwide.



Snam has been present since 2011 in five of the main ECPI sustainability indices, which take into account more than 100 ESG indicators in their methodology for the inclusion of companies.



Vigeo, a leading company at a European level in rating companies regarding CSR issues. The assessment for inclusion in the NYSE Euronext Vigeo 120 indices takes place every two years and was carried out during 2020.



Snam present for the fifth year running, in the United Nations Global Compact 100 index, which includes the 100 companies that have distinguished themselves at global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on human rights, labour, environment and anti-corruption issues.



For the third consecutive year, Snam is among the companies included in Bloomberg's Gender-Equality Index (GEI), the index that measures the performance of companies in terms of gender balance, inclusion and data transparency. Among the 418 companies from 45 countries and a variety of sectors, from finance to technology and utilities in the energy sector, Snam achieved a total score of 77.13%, improving its GEI score by approximately 6 percentage points compared to last year.



Snam has joined the FTSE MIB ESG index, the first ESG index dedicated to Italian blue-chip companies that rewards the most effective sustainability practices. The index, activated in collaboration with Vigeo Eiris, a Moody's ESG Solutions company, has identified the best 40 Italian listed companies that have demonstrated perfect integration between economic performance and ESG criteria, in line with the principles of the United Nations Global Compact.

Debt management and credit rating

Snam's goal is to achieve a debt structure consistent with business requirements in terms of loan term and interest rate exposure.

The Group's net financial position at 31 December 2021 was 14,021 million euros, the result of a gross financial debt of 15,358 million euros and cash and cash equivalents of 1,337 million euros.

With reference to the capital market, in June 2020 Snam completed the issuance of its first Transition Bond, which follows the first Climate Action Bond issued in 2019, for an amount of 500 million euros, with an annual coupon of 0.75% and maturity on 17 June 2030. Moreover,

in November 2020, Snam issued a second Transition Bond for an amount of 600 million euros, with an annual coupon of 0% with a re-offer of 99.728% and maturity on 7 December 2028. This issue was the longest 0% coupon bond ever issued by an Italian issuer at the time of issuance. In February 2021, Snam issued a dual-tranche Transition Bond for a total of 750 million euros and in June 2021 a fourth Transition Bond for 500 million euros.

At 31 December 2021, Snam has unused committed long-term credit facilities (“Sustainable Loan”) for an amount of approximately 3.2 billion euros. During the year, as part of the process to optimise the financial structure of Group, their duration was extended without an increase in margins. Moreover, in May 2021 Snam maintained the reduction of the margin for the “Sustainable Loan” that had been obtained previously in May 2020 following the achievement of the objectives linked to social and environmental sustainability parameters. Finally, Snam has 150 million relating to the framework loan signed with the EIB in June 2021.

In order to increase the proportion of total available funding represented by sustainable finance, the Euro Commercial Paper programme was renewed, rising from 2 billion to 2.5 billion euros, linking it to environmental and social sustainability targets in line with the Sustainable Loan and with the instrument obtaining an ESG rating of EE assigned by the ESG rating company Standard Ethics.

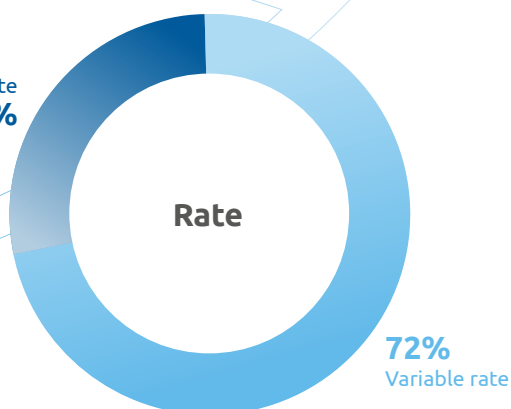
As at 31 December 2021, Snam had an active Euro Medium Term Notes (EMTN) programme with a total nominal maximum value of 12 billion euros, of which it has used approximately 8.7 billion euros.

These transactions on both the banking and bond market made it possible to optimise medium- and long-term debt maturities by extending their average term and creating conditions for a reduction in average borrowing costs in 2021.

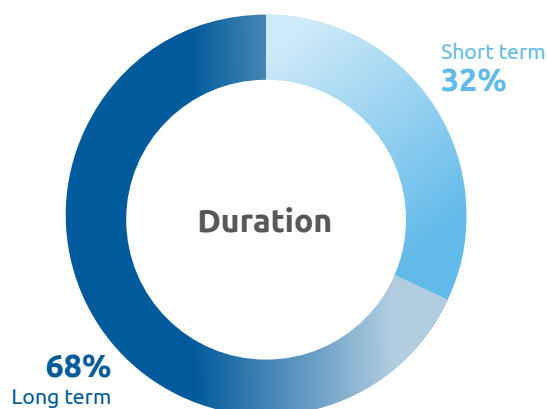
As at 31 December 2021, sustainable sources of financing stood at around 11 billion and represented approximately 60% of Snam’s committed funding. This percentage is in line with the company’s ambition to increase the proportion of available funding represented by sustainable finance to over 80% over the plan time horizon. In this regard, it should be noted that in January 2022 Snam issued the inaugural dual-tranche Sustainability-Linked Bond for 1.5 billion euros, whose economic performance is linked to the achievement of certain sustainability targets.

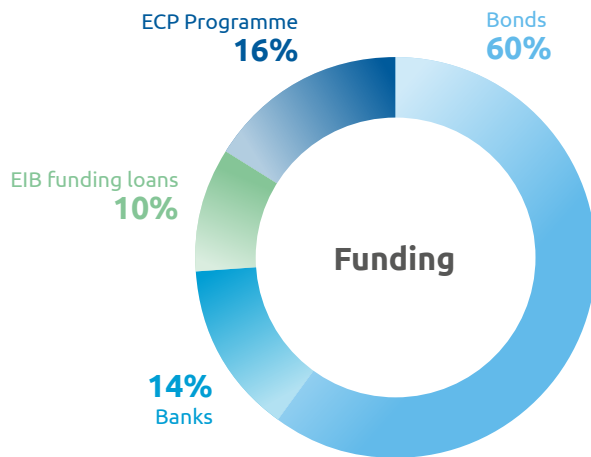
At the same time, the communication activity continued with the rating agencies Moody’s, Fitch and Standard & Poor’s, with the maintenance of the creditworthiness rating at the solid investment grade level by Moody’s (Baa2 with a stable outlook), Fitch (BBB + with stable outlook), and Standard & Poor’s (BBB + with a positive outlook).

Fixed rate
28%



Short term
32%





In addition, when the Commercial Paper programme was renewed by Snam, the agencies confirmed the short-term rating of the company at P-2 for Moody's, A-2 for S&P and F2 for Fitch. Snam's long-term rating by Moody's and Standard & Poor's is a notch higher than that of the Republic's sovereign debt.

	MOODY'S	STANDARD & POOR'S	FitchRatings
Latest update	13 th January 2022	22 th February 2022	11 th February 2022
Rating on long-term debt	Baa2	BBB+	BBB+
Rating on short-term debt	P-2	A-2	F2
Outlook	Stable	Positive	Stable

NFS SUSTAINABLE FINANCE AND SDG INVESTMENTS

TARGETS AND PERFORMANCE			
Action		Target	2021 Performance
Percentage of ESG finance out of total available funding		KPI defined in 2021 80% by 2025	60%



KPI included in the ESG Scorecard



Target reached



Target in progress



KPI included in the Net Zero Carbon Strategy



Target not reached













In recent years, sustainable finance and its related instruments has taken on an increasingly significant role within the global financial landscape. This has given Snam the opportunity to **enhance its own role and work as a sustainable company, striving towards achieving the Sustainable Development Goals**, guaranteeing broad access to financial markets at competitive costs, with positive effects on its economic and statement of financial position and reputation. In this regard, since 2018, the Company has progressively aligned its financial strategy with the Group’s sustainability objectives, in order to concretely strengthen its role in the energy transition in Europe, as well as diversify its investor base and make them aware of its ESG initiatives and investments.

In line with this approach, in 2018, Snam finalised the transformation of the **3.2 billion euros** in syndicate credit facilities, into a sustainable loan, the third largest sustainable loan to ever have been stipulated worldwide and the largest by a gas utility company. This loan envisages bonus/malus mechanisms according to the achievement of certain ESG (2 environmental and one social) KPIs. In 2021 Snam also signed new **bank term loans** with major Italian banks for a total of **600 million euros** with the same ESG characteristics as the **Sustainability-Linked Loan**.

In February 2019, Snam issued its first **500 million euro Climate Action Bond**, a bond aimed at financing investments in environmental sustainability, whose reference framework received a Second Party Opinion from DNV GL.

Between 2020 and 2021, Snam has reconfirmed its commitment by issuing **four Transition Bonds** based on the **Transition Bond Framework** published in June 2020. The scope of **Eligible Projects** already identified in the Climate Action Bond Framework has been expanded to include the new category “**Retrofit of gas transmission network**”, i.e. activities on the gas network aimed at increasing the integration of hydrogen and other low-carbon gases.

SNAM’S CLIMATE ACTION AND TRANSITION BOND ELIGIBLE PROJECTS

		Eligible Project	Description	SDGs
TRANSITION BOND	CLIMATE ACTION BOND	Carbon & Emission Reduction Projects	Infrastructure, equipment, technology, systems and processes that demonstrate a reduction in energy use/loss and a reduction in emissions of industrial facilities.	  
		Renewable Energy Projects*	Acquisition and development of biomethane facilities and upgrading of existing biogas facilities in Italy and abroad.	  
		Energy Efficiency Projects	Energy efficiency projects for Snam’s corporate facilities or supply chain.	  
		Green Construction Projects	Development and maintenance of conservation areas, natural capital protection and development and maintenance of green areas/buildings.	
	Retrofit of gas transmission network	Activities and projects carried out with the aim of adapting and preparing the Snam gas network to transport an increasing percentage of hydrogen and/or other low-carbon gases, in line with what as indicated in the European Taxonomy.	 	

(*) The acquisition of the biomethane plants is only covered by the Transition Bond Framework, while the other Renewable Energy Projects activities remain eligible for the Climate Action Bond Framework.

Sustainable Finance Framework





















NEW

Sustainability-Linked Format

KPI #1	Baseline 2015	Target
Total natural gas emissions (mln m ³)	49.74 mln m ³	-55% by 2025
KPI #2	Baseline 2018	Target
Direct (Scope 1) and indirect (Scope 2) GHG emissions (ktCO _{2eq})	1,529 ktCO _{2eq}	-40% by 2027 -50% by 2030
KPI #3	Baseline 2019	Target
Other indirect (Scope 3) GHG emissions (ktCO _{2eq})	762 ktCO _{2eq}	-46% by 2030

UPDATED

Use of Proceeds Format

CATEGORY	SDG
Transmission and Distribution Networks	  
Pollution Prevention and Control	  
Retrofit of Gas Transmission Network	 
Manufacture of Biogas and Biofuels for Use in Transport and of Bioliquids	  
Manufacture of Equipment for the Production and Use of Hydrogen	  
Electricity Generation using Solar Photovoltaic Technology	  
Infrastructure for Rail Transport	  

On the occasion of the presentation of the 2021-2025 Strategic Plan, Snam published the **Sustainable Finance Framework**²⁵, on the basis of which the Company has the option of issuing Bonds in the **“Use Of Proceeds”** format (EU Taxonomy-aligned Transition Bond) or **“General corporate purpose”** linked to environmental KPIs (Sustainable-Linked Bond).

As part of the Sustainable Finance Framework, Snam issued an inaugural dual-tranche Sustainable-Linked Bond for a total of **1.5 billion euros** characterised by demand three times greater than supply and with ESG investors accounting for around 85% of the total allocated. For these first Bonds, the economic performance (step-up coupons) is linked to the achievement of targets linked to specific KPIs. The short tranche has been associated with a natural gas emission reduction target of -55% by 2025 and a Scope 1 and 2 emission reduction target of -40% by 2027, while the long tranche has been associated with a Scope 1 and 2 emission reduction target of -50% by 2030.

25 For more details on Snam’s “Sustainable Finance Framework”, see the document published at the following link: https://www.snam.it/export/sites/snam-rp/it/investor-relations/debito_credito_rating/file/Sustainable-Finance-Framework_Snam_29.11.2021.pdf

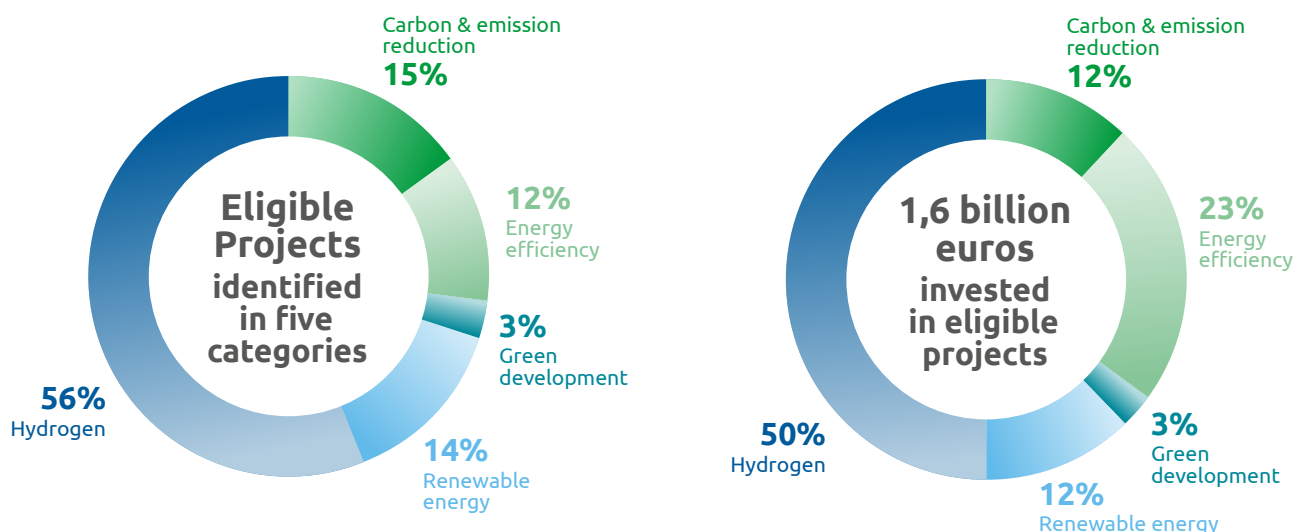
The Climate Action, Transition and Sustainable-Linked Bond not only further expand Snam’s investor base but also contribute towards financing environmental sustainability investments, in line with the key role, attributed to renewable gases, of achieving the long-term decarbonisation goals, and with the role that can be assumed by the existing infrastructure facilitating this transition.

With this in mind, at the end of 2021, the ESG Scorecard added the objective of increasing the weight of sustainable finance to over 80% of available funding by 2025, thanks in particular to the issue of new Sustainable Bonds. At the end of 2021, this percentage will amount to 60% (or around 11 billion euros of committed funding), three years ahead of the target announced in last year’s Strategic Plan (2020-2024).

Finally, again in pursuit of the objective of increasing the weight of sustainable finance in total funding, Snam has renewed its **Euro Commercial Paper** programme, increasing it by 2.5 billion euros, linking it to environmental and social sustainability objectives in line with the Sustainable Loan and obtaining an **ESG rating of EE assigned by the ESG rating company Standard Ethics**. In addition, during 2021 Snam issued **ESG instruments** totalling **4 billion euros**.

In recognition of the Group efforts, Snam joined the **Nasdaq Sustainable Bond Network**, a sustainable finance platform managed by Nasdaq, that unites investors, issuers, investment banks and specialist organisations. Relations with the financial community and socially responsible investors, which increased significantly during the year, are fundamental for access to these types of instruments and are therefore developed through constant and transparent disclosure of both the business strategy and performance, enhancing the dynamics that ensure the creation of value over time.

As of 31 December 2021, Snam has **financed eligible projects for approximately 1.6 billion euros** (vs 965 million euros as of 2020), representing approximately 60% of the issues completed by 2021. As shown in the two graphs below, approximately 56% of the total funded was allocated to the fifth category of the current Framework (i.e. the “Retrofit of gas transmission network”), which is the largest category with a substantial amount to be financed.



THE CFO TASKFORCE AND INVESTMENTS IN SUPPORT OF SDGS

Snam has long been a member of the United Nations Global Compact, the world's largest voluntary initiative on sustainability issues, doing business according to a sustainable development model based on ten fundamental principles in the areas of human rights, labour, the environment and the fight against corruption, and aims to achieve the 17 Sustainable Development Goals of the 2030 Agenda.

A financial strategy aligned with sustainability commitments for the achievement of the SDGs is an objective that the Company has set itself and that has been further strengthened by active participation in the CFO Taskforce of the UN Global Compact, of which Snam is one of the founders.

The initiative involves various players in the business landscape: investors, banks, financial institutions and credit rating agencies to make the market more efficient, broader and more liquid and to promote the flow of capital into activities that contribute significantly to achieving the SDGs. In September 2020, the Taskforce launched the first principles (the "CFO Principles") integrated and supported by the United Nations for investment and finance, developed to guide companies to align their sustainability commitments with corporate financial strategies to generate a significant impact on SDGs. As a member of the CFO Taskforce, Snam is committed to adopting these guidelines, implementing specific KPIs and sharing experiences to help create a transparent and efficient SDG financial market.

In this regard, Snam has already used the KPIs introduced by the CFO Taskforce in 2021 to measure its performance in implementing the CFO Principles, also defining specific targets to be achieved in the coming years. It also supported the drafting of the Blueprint for the implementation of the CFO Principles by sharing tips and best practices. This document will be published on the CFO Taskforce website to enable CFOs who are members of the UN Global Compact to make corporate investments in line with the SDGs and link corporate finance to ambitious targets and KPIs.

Following the approval of the Plan, Snam carried out an analysis of **alignment between the SDGs and the investments contained** therein, in which it highlighted that, thanks to maintenance, modernisation and replacement activities and those for the new energy transition businesses, **55% of CapEx** is aligned and makes a concrete contribution to achieving the four SDGs listed below; with regard to the **2021 final balance**, the percentage aligned is approximately **41%**.

SNAM'S ACTIONS FOR THE SDGS

Description

SDGs

Increase the production of energy from renewable resources, including biomethane, and improve the energy efficiency of Snam's operations, avoiding or reducing the impact on the environment, landscape and cultural heritage. Snam achieves this through its subsidiaries Snam4Environment and Renovit: the former specialises in infrastructure for the production of biomethane and the promotion of green activities, while the latter is one of the main Italian operators in energy efficiency services for the residential, industrial and public administration sectors. Both leverage the technical expertise acquired from leading companies in the sector, in particular Renerwaste and Iniziative Biometano for the biomethane business and TEP, Miei and Evolve for the energy efficiency business.



Building a more resilient and sustainable infrastructure. In the new Strategic Plan, 50% of the investment is dedicated to making the infrastructure hydrogen-ready and also includes the conversion of eight compressor stations to dual fuel, with the intention of making a positive contribution to achieving carbon neutrality of its operations by 2040. Snam is also planning a substantial digitisation of its business, which will enable the company to become the most technologically advanced gas transmission company in the world and to guarantee ever greater security and sustainability of its operations.



Promoting sustainable mobility using CNG, LNG and renewable gases (bio-CNG and bio-LNG) thanks to Snam4Mobility, a company dedicated to. Investments of 100 million euros are planned in this area over the plan period.



Playing a crucial role in the energy transition and with a long-term vision aligned with the purpose "Energy to inspire the world" and European objectives, being one of the first companies in the energy sector to achieve carbon neutrality by 2040, making a concrete contribution to the decarbonisation of the system through the development of green gases and, in particular, hydrogen. Snam has reconfirmed its Scope 1 and 2 emissions reduction targets, strengthened its natural gas emissions reduction target (increased from 45% to 55% by 2025 compared to 2015 levels) and set targets on Scope 3 emissions directly involving associate companies and suppliers.



Snam is also supporting the development of the green gas value chain through continued investments in biomethane and hydrogen technologies. To this end, the Hydrogen business unit has been created, with the aim of being at the forefront of a sector with great growth prospects, through collaborations, strategic partnerships and the launch of new of new pilot projects.

NFS EUROPEAN TAXONOMY FOR ENVIRONMENTALLY-SUSTAINABLE ACTIVITIES

Attention to environmental and social sustainability issues has grown significantly in recent years, and with it, the role of private investments in supporting sustainable development has also become increasingly important.

In this context, in 2018, the European Commission published the **Action Plan on Financing Sustainable Growth**, aimed at improving the financial sector's contribution to the EU's climate and sustainable development agenda. The Plan outlines a strategy based on **three main objectives**:

REDIRECTING CAPITAL FLOWS TOWARDS SUSTAINABLE INVESTMENTS

INTEGRATING SUSTAINABILITY INTO RISK MANAGEMENT

PROMOTING TRANSPARENCY AND LONG-TERM MANAGEMENT IN FINANCIAL ACTIVITIES

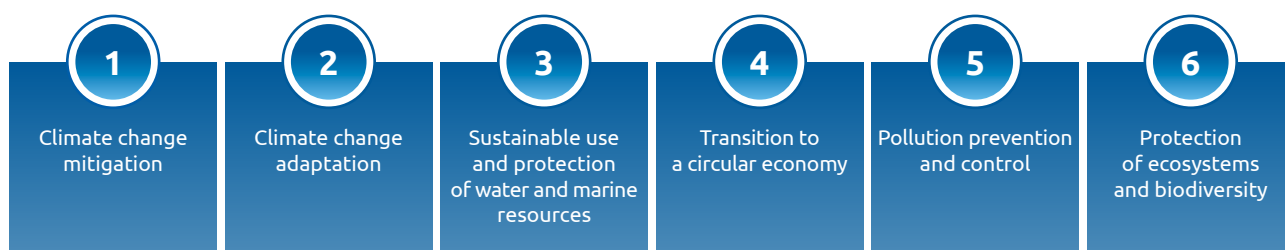
The evolutions that have occurred in the last two years - the Covid-19 pandemic slowing down economic and social development globally and the definition of the **European Green Deal** with objectives aimed at reducing GHG emissions and combating climate change in Europe - have led the European Commission to update the new **Strategy for Financing the Transition to a Sustainable Economy** in 2021. Building on what has already been done in the 2018 Action Plan, the Strategy identifies **four areas** for further action, with the ultimate goal of making the financial system in support of the economic transition towards sustainability.



In this context, the European Commission has developed two important initiatives in favour of **sustainable finance**: the **European Regulation 2019/2088** (Sustainable Financial Disclosure Regulation, or “SFRD”) and the **European Regulation 2020/852** (the “EU taxonomy”).

While the first, aimed at financial market participants and financial advisors, provides for the **harmonisation of the information to be provided to investors** on the integration of **sustainability risks**, the consideration of **negative sustainability effects** and the degree of sustainability of the financial products offered, the second (the “Taxonomy”) was created with the aim of establishing criteria for determining whether an **economic activity** is sustainable from an environmental point of view.

According to Regulation 2020/852, “environmentally sustainable activities” are defined as all those activities that contribute to at least one of the following **environmental** objectives, without, at the same time, causing significant harm to other environmental objectives (Do No Significant Harm - DNSH) and carried out in compliance with minimum social safeguards:



The EU Taxonomy envisages a gradual implementation with different timing for financial and non-financial enterprises. The latter, for documents published from 1 January 2022 (FY 2021), are required to disclose the share of their revenues, capital expenditure (CapEx) and operating expenditure (OpEx) defined as eligible (referred to as **Taxonomy-Eligible**) in relation to the first two environmental objectives according to the Climate Act.

The Climate Act, i.e. the Delegated Regulation (EU) of the European Commission 4 June 2021 no. 2021/2139²⁶, identifies the economic activities that contribute to the first two environmental objectives (climate change mitigation and climate change adaptation) and defines the related **technical screening criteria** established by the European Commission. For the remaining objectives, criteria will be published in forthcoming delegated acts expected in the course of 2022.

Taxonomy-Eligible means an economic activity described in the Delegated Acts relating to the environmental objectives of the Taxonomy, regardless of whether the respective technical screening criteria are met. For the reporting period covering FY 2021, economic activities included in the Climate Act were considered. Thus, if an activity is not included in such a document, it is not considered eligible. Furthermore, it should be considered that the EU Taxonomy is a dynamic framework that should expand its scope of activities over time, potentially including other environmental objectives, which could evolve the scope of eligible activities accordingly.

From 1 January 2023, in addition to the information on revenue share, CapEx and OpEx defined as Taxonomy-Eligible, non-financial corporations that are required to publish a Non-Financial Statement will have to report on the extent to which their economic activities are environmentally sustainable (i.e. "Taxonomy-Aligned") representing the share of the same KPIs aligned to the Taxonomy.

Taxonomy-Aligned means an eligible economic activity that substantially contributes to one of the EU Taxonomy objectives by meeting the technical screening criteria, does not cause significant harm to other environmental objectives, and respects the minimum social safeguards set out in the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

In practical terms, the identification of Taxonomy-Eligible economic activities is the first step towards the assessment of Taxonomy-Aligned activities.

THE EUROPEAN TAXONOMY APPLIED TO SNAM

Since the first developments of the European Taxonomy, Snam has welcomed the direction defined by the European Commission, in line with the Company's strategy and investment choices, aimed at decarbonisation and the creation of a low-carbon economy.

Methodology

In 2021, in order to comply with the provisions of Article 10 of Regulation 2021/2178 of the European Commission, Snam assessed the share of eligible activities ("**Taxonomy-Eligible**" activities) among those pursued by the Group based on the interpretation of the activities described in the Climate Act and on the information published by the European Commission. From Snam's interpretation of the measures contained therein, all activities associated with the maintenance, management and reconversion of gas transportation networks, activities related to the production and transportation of biomethane and hydrogen, emissions reduction, energy efficiency and sustainable mobility are mapped by the Climate Act and therefore considered eligible.

26 On 4 June 2021, the European Commission adopted Delegated Regulation (EU) 2021/2139, which sets out the technical screening criteria to determine when a given economic activity can be considered "environmentally sustainable" because it contributes substantially to climate change mitigation or adaptation, without causing significant harm to one or more of the other environmental objectives (the "Climate Act"). The Climate Act outlines the two sets of technical screening criteria respectively in Annex 1, for climate change mitigation (art. 10 of EU Regulation 2020/852), and Annex 2, for climate change adaptation (art. 11 of EU Regulation 2020/852).

In carrying out the analysis aimed at identifying eligible activities, the Q&A document published by the European Commission on 2 February 2022 was taken into account, which suggests that qualifications such as “low carbon”, to which certain articles of the Climate Act refer, should only be taken into account for the purpose of determining compliance with the technical screening criteria, thus for the purpose of identifying **taxonomy-aligned** activities. This clarification supports Snam’s interpretation of the articles of the Climate Act, according to which Transportation activities, including the construction, maintenance and operation of gas networks are to be considered fully “**Taxonomy-Eligible**” (ref. Transmission and distribution networks for renewable and low-carbon gases, Article 4.14 of the Climate Act).

An economic activity is defined as “**Taxonomy-Eligible**” if it is described in the Delegated Acts. An economic activity is defined as “**Taxonomy-Aligned**” if it contributes substantially to one of the objectives of the EU Taxonomy, does not cause significant harm to other environmental objectives (“Do No Significant Harm”), complies with the technical screening criteria, and, at the same time, respects the minimum social safeguards established by the OECD and the United Nations.

Within the Climate Act, gas storage is not addressed: it represents a pillar of the future energy system based on hydrogen and green gases and is one of the activities that make a substantial contribution to the achievement of Net Zero objectives. Snam has completed the preliminary tests for the injection of hydrogen in the storage fields with favourable results, is working for H2 readiness, and is preparing for the conversion to hydrogen of some fields now used for the storage of methane. More in detail, the activity of Storage is reported in the Climate Act with a different wording with respect to the transport activity mentioned above (ref. Storage of hydrogen, article 4.12 of the Climate Act), referring to activities exclusively dedicated to hydrogen storage activities. For this reason, Snam did not consider its storage activities as **taxonomy-eligible**, despite the fact that most of its investments meet H2 readiness criteria. It is believed that storage of natural gas should instead be able to be included in the perimeter of eligible activities, consistently with the functioning of the network and considering that storage is a complementary and necessary activity for network operation. The integration of the two activities is essential for the energy system and the achievement of the decarbonisation objectives. For this reason, we hope that the delegated acts in the forthcoming formulations or future Q&A of the Commission will clarify the issue. Snam’s investment program envisages the gradual conversion of hydrogen fields and, if article 4.12 “Storage of hydrogen”, is extended to natural gas storage activities, consistently with the provision of the same Delegated Act on transport, also Snam’s storage activities could be considered fully eligible.

“Taxonomy-Eligible” activities of the Snam group fall within the following articles of the Climate Act:

- **Activity 4.1** Electricity generation using solar photovoltaic technology
- **Activity 4.13** Manufacture of biogas and biofuels for use in transport and of bioliquids
- **Activity 4.14** Transmission and distribution networks for renewable and low-carbon gases
- **Activity 4.19** Cogeneration of heat/cool and power from renewable non-fossil gaseous and liquid fuels
- **Activity 5.7** Anaerobic digestion of bio-waste
- **Activity 5.9** Material recovery from non-hazardous waste
- **Activity 6.15** Infrastructure enabling low-carbon road transport and public transport Activity 7.1 Construction of new buildings
- **Activity 7.2** Renovation of existing buildings
- **Activity 7.3** Installation, maintenance and repair of energy efficiency equipment
- **Activity 8.1** Data processing, hosting and related activities
- **Activity 8.2** Data-driven solutions for GHG emissions reductions

The Group's economic indicators, necessary for the calculation of the KPIs relating to the **Taxonomy-Eligible** portion of the business for FY2021, were calculated using the following methodology:

- **Revenues:** revenues from regulated and non-regulated activities, excluding pass-through fees (see Note 27 'Operating revenues and income' to the Consolidated Financial Statements);
- **CapEx:** investments in property, plant and equipment and intangible assets recognised in accordance with IFRS16 (see Note 8 'Property, plant and equipment' and Note 9 'Intangible assets and goodwill' to the Consolidated Financial Statements);
- **OpEx:** direct costs of managing group activities excluding overheads such as Snam S.p.A. costs, service contracts with subsidiaries and the costs of managing development and R&D projects.

Double accounting in the calculation of revenues, CapEx and OpEx is excluded as Snam uses financial data at the activity level and associates each Taxonomy-Eligible activity with the reference article of the Climate Act. For reporting purposes, aggregation is done on the basis of the individual items under which eligible activities fall.

€m	Revenue	CapEx	OpEx
Totale Taxonomy-Eligible	2,417	928	295
Totale Snam	2,986	1,277	313
Taxonomy-Eligible portion	80.9%	72.7%	94.3%

As mentioned above, for the purposes of identifying the "**Taxonomy-Eligible**" assets, Snam considered gas transmission activities as eligible, but not storage activities.

In the hypothesis of extending eligibility also to the latter, the share of capital expenditure (CapEx) **Taxonomy-Eligible** would increase to about 83%, revenues to about 98% and operating expenses (OpEx) to approximately 100%.

Snam has already carried out a preliminary analysis on a voluntary basis with respect to the alignment of its CapEx plan with the EU Taxonomy, showing an alignment of 47% of its investment plan for the 2021-2025 period. Based on this preliminary exercise, Snam Group's estimated share of capital expenditure (CapEx) for FY2021 Taxonomy-Aligned is 37%. As mentioned above, it should be noted that unlike Taxonomy-Eligible activities, Taxonomy-Aligned activities are activities that contribute to at least one of the environmental objectives contained in the Climate Act, meet the technical screening criteria of the delegated acts, do not significantly harm any of the other objectives and are carried out in compliance with minimum social safeguards.

Snam will continue to monitor the publication of any further guidelines by the European Commission to ensure consistency of interpretation of the measures contained in the Climate Act.

NFS KEY SUSTAINABILITY PERFORMANCE



Employment

The number of employees in service at 31 December 2021 was 3,430, an increase of 181 (+5.6%) over 2020. Over the year, the following were recorded:



- Inputs of 413 resources (37 more than in 2020), of which 208 in the core business, 160 in new businesses (72 in energy efficiency, 33 in biomethane, 17 in sustainable mobility, 25 in hydrogen and the remaining 13 in other new businesses) and 45 in “New Businesses”;
- Outflows of 226 resources, mainly due to consensual termination of employment (107), and voluntary resignation (88).



With respect to the Group’s distribution country-wide, 2,647 people are employed in the northern regions of Italy, 277 in the central regions and 502 in the south and Sicily. Moreover, 4 resources are permanently in service abroad.



Industrial relations

During 2021, Snam maintained constant relations with the trade unions at national and local level through 162 virtual meetings, in compliance with government regulations and specific company policies aimed at limiting contagion from Covid-19, during which the parties discussed various projects to develop already consolidated businesses and those recently launched, as well as issues of organisational importance arising from the emergency situation that occurred this year.



The main issues addressed in the meetings concerned the definition of the paths deriving from the Works Project and the Installations Project, initiatives aimed at optimising respectively the activities of the Works with regard to the management of the gas network and the Installations Management. In addition, an important agreement was reached on the matter of smartworking, where the operating procedures for using the tool were defined, both in emergency and normal situations.

In the regasification business, meetings were held with the trade unions, at national and local level, aimed at sharing and comparing the issues concerning the evolution of the business that can have an impact on employees.

In 2021, the total number of pending litigations is 18 (+2 compared to 2020), of which 2 for termination pay litigation, 3 for breach of contract and 13 for joint and several liability, while the number of litigations opened in the year is 16, up 5 from the previous year.



Supply chain management²⁷

Snam considers its suppliers not only as essential allies in the consolidation of core business and new business, but also as partners with whom to achieve decarbonisation objectives. This is why, deepening and consolidating the relationship with suppliers is constant and is based on the sharing of skills and expertise, with the aim of promoting sustainability practices along the value chain.

The fight against climate change, with a view to achieving an increasingly decarbonised economy, is one of the main objectives that Snam is committed to sharing with its suppliers. In fact, the containment and reduction of greenhouse gas emissions, energy efficiency and the search for innovative solutions with a low emissions impact are among the key elements that characterise the relationship between Snam and its suppliers, where, inseparably, the actions of one must necessarily be reflected in the actions of the others. In addition, promoting a sustainable economy through the progressive “green transformation” of the companies in its supply chain is considered by Snam to be a success factor across the entire supply chain, as well as a key element in giving new impetus to their growth and competitiveness.

In 2021, there were 780 suppliers under contract, of which 494 belong to the small-medium business (SME) sector (69% of the total), concluding 1,959 procurement contracts worth a total of approximately 1,517 million euros (-18% compared with 2020). From the geographical point of view, approximately 86.5% of assets, works and services were acquired in Italy, equal to 1,312 million euros, involving suppliers located throughout almost all of the national territory (18 regions). The most significant raw material among those purchased is steel, with more than 11,200 tonnes as part of the supply of pipes, valves and fittings, mainly used for the gas transport business.

In addition to the procurement activities of Group companies mainly related to Snam’s core business, supply contracts have been signed directly by the companies most involved in promoting green businesses aimed at achieving decarbonisation targets (Renovit, Snam4Environment, EcoProgetto Milano, EcoProgetto Tortona), for a total of 556 million euros.

PROCUREMENT

(mln €)	2019	2020	2021
Value of procurement	1,550	1,832	1,517

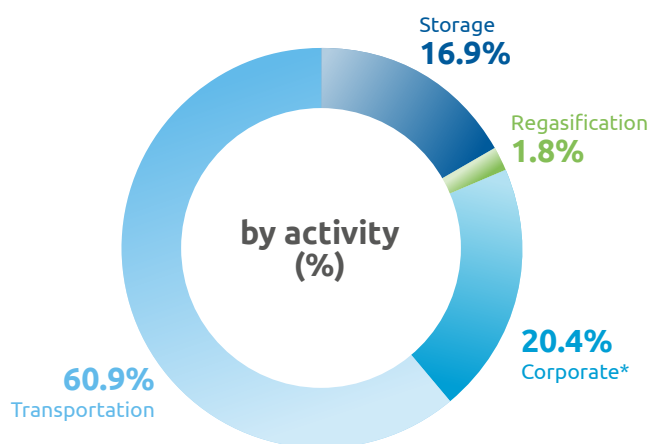
To ensure the adequacy of suppliers in relation to current and future procurement requirements, Snam is constantly conducting market intelligence analyses and scouting activities for new suppliers. Thus, the correct balancing of the number of supplier companies on the Vendor List is ensured, according to criteria that follow the evolution of the need to acquire goods, works and services over time.

In 2021, the actions aimed at rationalising the number of suppliers on the Vendor List and the relevant product groups continued, seeking new and efficient synergies between the suppliers already available. At the same time, the number of suppliers operating in energy transition and new business activities was increased.

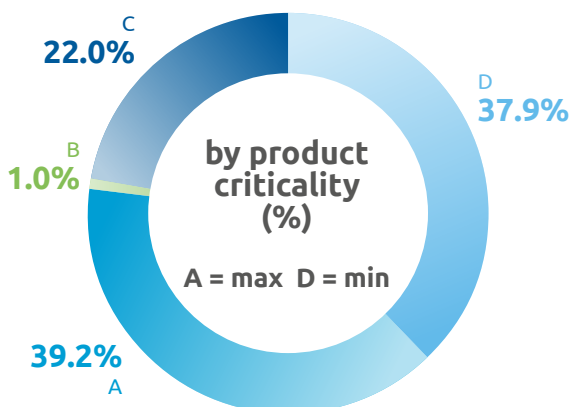
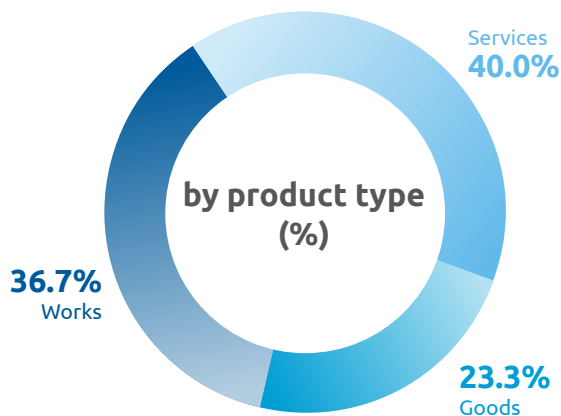
²⁷ Unless otherwise specified, the data in this paragraph relate to the companies: Snam, SRG, GNL Italia, Stogit, Enura, Snam4Mobility, Cubogas.

As at 31 December 2021, the total number of qualified suppliers was 2,323, of which 216 belonged to the most important and strategic product categories (A and B) and 743 involved by the renewal of qualifications and those qualified ex-novo.

Control of its supply chain is assured by monitoring supplier performance during the execution phase of contracts through audits, inspections and evaluation processes. During the course of the year, 810 feedback reports were collected, relating to the services of 151 suppliers, 389 contracts were analysed and, in line with the promotion of sustainable behaviours along the supply chain, 4,358 audits (+ 14% on 2020) of 1,811 suppliers and subcontractors were also carried out (+2.4% on 2020), detecting fewer irregularities than in 2020: 1.03% of cases, confirming the responsible path taken by suppliers.



* Including Snam4Mobility and Cubogas



Moreover, with regard to the fight against corruption, all suppliers and subcontractors are required to accept the Integrity Ethics Pact and are subject to reputational checks. In 2021, 2,376 reputational checks were conducted on suppliers and contractors. Snam has implemented a new process aimed at having a deeper knowledge of its suppliers, not only from a “reputational” point of view, but also from a broader “compliance” point of view. It then introduced the new category of “Compliance Audits”, which involve analyses of the financial soundness of suppliers as well as their suitability and adequacy, both from a technical and HSEQ point of view.

In procurement of works related to Snam’s core activities, the suppliers considered critical (critical levels A and B) must be in possession of quality and environment management systems certified with ISO 9001, ISO 14001, OHSAS 18001 and ISO 45001 standards.

To evaluate the performance of its own suppliers over time, Snam uses a rating index (IR) that takes into consideration compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Level of service), establishing a good relationship with the customer for the entire duration of the contract (Behaviour). Snam may restrict, suspend or even revoke the qualification of a supplier that fails to meet the agreed standards. The possible cases could include, for example: the failure to meet technical-organisational requirements, negative performance evaluation and/or safety procedures for it or its subcontractors and a non-compliance with the provisions about social security contribution regularity and with the rules laid out in the Snam Code of Ethics. A total of 29 measures were issued in 2021.



Health and safety

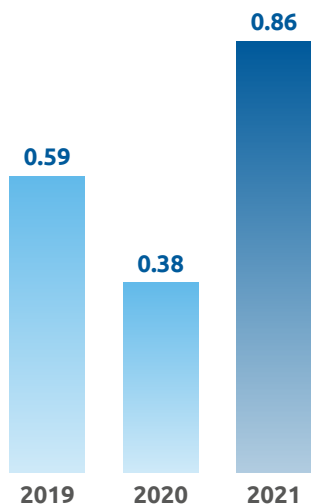
Snam has always considered the protection of the health and safety of its people a key element and one worthy of great attention, above all considering the nature of the activities carried out by its employees on site and the operations required, for example, in infrastructure construction. To properly monitor this topic, all company activities are governed by management systems certified according to standard UNI ISO 45001 on “Health and safety at work management systems” and the adoption of good practices, promoted and shared with suppliers.

Despite the efforts made by the Group to reduce accident rates, including following the acquisition of new businesses that need time to adapt to Snam Group policies, a total of 12 accidents occurred in 2021 (5 in 2020). Specifically, 11 occurred to Snam Group employees (3 in 2020), of which 4 occurred in companies in the regulated sector (1 in GNL Italia and 3 in Snam Rete Gas) and 7 in companies in the non-regulated sector (4 in Cubogas, 2 in Mieci and Evolve and 1 in IES Biogas); and 1 to a supplier contractor (2 in 2020), which resulted in a fatal outcome.

In 2021, the accident frequency index for employees²⁸ was 2.08, an increase compared to 2020 (0.59), while for contractors it was 0.12, a reduction compared to 2020 (0.25).

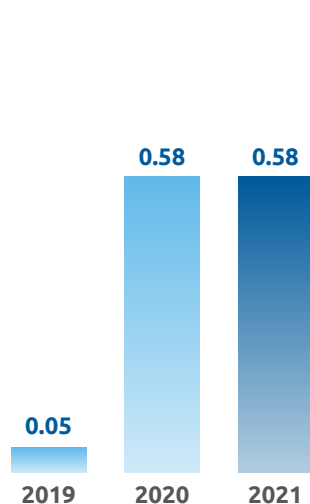
The severity index amounts to 0.12 for employees was, an increase compared to 2020 (0.01), while for contractors it was 0.86, reduced compared to 2020 (0.93). Overall, for employees and contractors, the frequency index was 0.86 while the severity index was 0.58.

FREQUENCY INDEX Employees and contractors



Number of accidents at work (excluding during commutes) resulting in absence of at least one day, per one million of hours worked.

SEVERITY INDEX Employees and contractors (including fatal)



Number of work days lost, related to accidents at work (excluding during commutes) resulting in absence of at least one day, per one thousand of hours worked. A fatal accident is counted as 7,500 days of absence.

28 The accident indices shown also include the company Snam Gas & Energy Services Beijing, deconsolidated from November 2021, with retroactive effect from 1 January 2021. Excluding Snam Gas & Energy Services Beijing, the employee accident frequency index would change to 2.11. All other accident indices would remain unchanged.

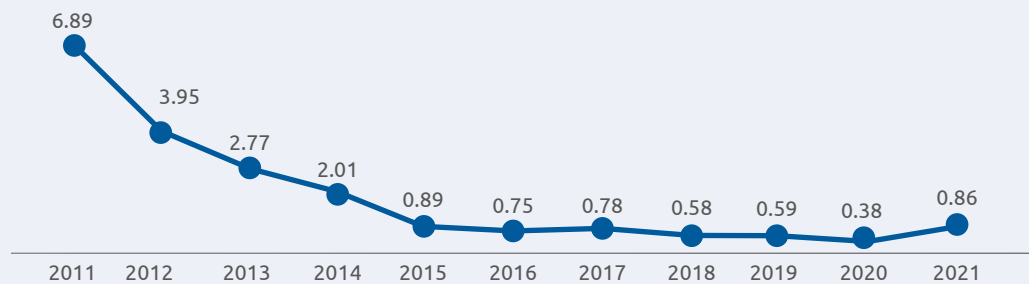
Health and safety: achievements over the last ten years

The issue of health and safety is one of the fundamental values on which Snam's business is based, both in its 'traditional' regulated activities (transport, storage and regasification) and in the non-regulated activities that have entered the scope of interest in recent years. For this reason, over the last ten years, numerous measures and initiatives have been adopted, increased and better targeted to effectively disseminate at all levels of the Company a culture based on health protection, accident prevention and safety, through the involvement of the entire company population, as well as contractors.

Constant monitoring of accidents, through the evaluation of specific indices, allows Snam to intervene promptly to correct and eliminate problems and critical issues that may arise.

Evidence of this is provided by the recent initiatives launched with the Snam4Safety project for employees and contractors, which, focused on strengthening the safety culture, have the main objective of further reducing accident rates until the goal of zero accidents is reached and consolidated.

FREQUENCY INDEX* Employees and contractors





Energy consumption

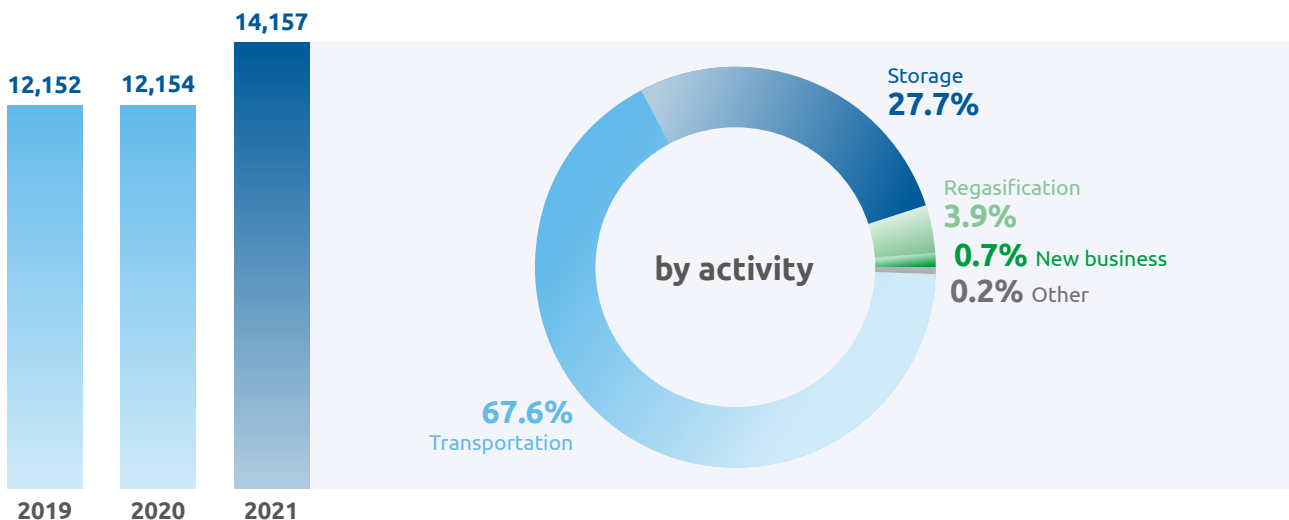
The energy needed to operate the gas turbines used in the storage plants and those present in the compression plants represents the primary source of Snam's energy consumption.

Total energy consumption in 2021 was **14,157 TJ**, almost entirely attributable to natural gas (96.5%), used for the operation of transport, storage and regasification plants, for heating buildings and for automotive use. The energy mix is also made up of electricity (2.8%), which is needed for the operation of industrial sites, lighting and the heating/air conditioning system in offices and for servers, and other fuels and heat (a total of 0.7%), used for the operation of plants, for heating and as fuel for the company fleet.

The increase in energy consumption compared to 2020 is attributable to the import backbones used during the year. In actual fact, during the year, the use of the North African backbone, which is more energy-intensive than the North European and Russian backbones, led to a 16.5% increase in consumption compared to 2020.

The Company's energy mix is almost entirely made up of natural gas (95.4%); the other sources of which it is composed are electricity (increased from 3.5% in 2019 to 3.8% in 2020) and other fuels (diesel fuel, gasoline, LPG and heat), which together make for an increase in consumption that exceeds the increase of the gas injected into the network (+8% on 2020). Compared to the regasification business, the reduced quantity of regasified gas has led to a reduction in the consumption of the regasification plant (-57% compared to 2020). Finally, for the storage of natural gas, consumption, which was reduced by 12% compared to 2020, fell more than the gas stored, which was reduced by 6%, as the turbo-compressors were used more efficiently, reaching lower maximum pressures than in the previous year.

ENERGY CONSUMPTION (TJ)



Greenhouse gas emissions

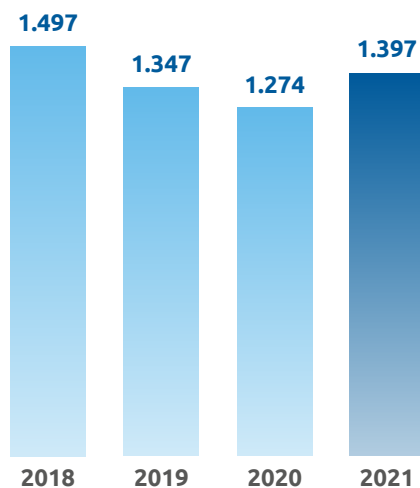
Despite the increase in energy consumption (+16.5%) compared to 2020, total GHG emissions in 2021 did not increase proportionally, but by 6.1% to 2.4 ktonnes CO_{2eq}. This has been made possible by continuous efforts to reduce emissions, including:

- the installation of photovoltaic plants at the main premises and the production of green electricity;
- the purchase of electricity from certified renewable sources through specific supply contracts;
- the installation of high-efficiency heat generators, in particular at gas reduction and regulation plants;
- the installation of trigeneration plants;
- the installation of turboexpanders;
- the improvement of the energy efficiency of buildings.

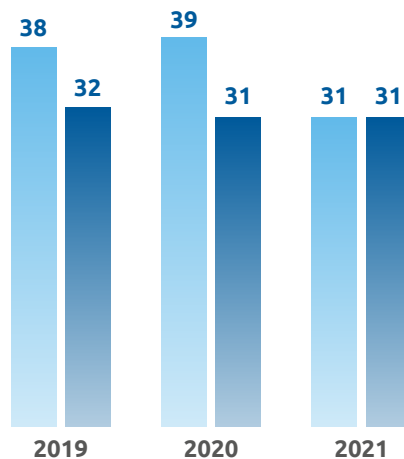
In 2021, Snam avoided 171 thousand tonnes of CO_{2eq} emissions and, thanks to the work carried out to reduce methane emissions, a total of 9 million m³ in natural gas emissions were avoided, equating to more than 156 thousand tonnes of CO_{2eq}.

Direct CO_{2eq} emissions amounted to 1.4 million tonnes of CO_{2eq}, up 10% from 2020 but down 7% from 2018, the base year used in the Scope 1 and 2 emissions reduction target included in the Towards Net Zero strategy. Specifically, CO₂ emissions from combustion increased by 18% compared to 2020, reaching 0.78 million tonnes, CH₄ emissions also increased, from 615 thousand tonnes of CO_{2eq} to 618 thousand tonnes of CO_{2eq} in 2021. HFC emissions were almost the same, coming in at 1.01 thousand tonnes of CO_{2eq} (-5% compared with 2020).

TOTAL DIRECT GHG EMISSIONS - SCOPE 1
(kt CO_{2eq})



INDIRECT GHG EMISSIONS - SCOPE 2
(kt CO_{2eq})



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

■ Location Based (LB)
■ Market Based (MB)

Natural gas emissions amounted to 35.4 million m³, remaining broadly in line with 2020 (+1.2%) and decreasing by 29% compared to 2015, thus being in line with the achievement of the target included in the Towards Net Zero strategy and the ESG Scorecard, which calls for a 55% reduction in natural gas emissions by 2025. By 2022, this factor will be reabsorbed and a significant decrease is expected, with a reduction target of -42%.

Indirect CO_{2eq} emissions from energy consumption derived from the procurement of electricity and heat generated by third parties, which the Company uses for its own activities. In 2021, electricity consumption, at around 111 thousand MWh, decreased by 14% compared to 2020 as a result of the reduction in LNG consumption in Italy (-57% compared to 2020), due to the decrease in regasified gas. This decrease is reflected in the reduction of CO_{2eq} Location Based emissions (-20.5%). Market-based CO_{2eq} emissions, on the other hand, remained in line with the previous year, as a result of increased consumption by new businesses (+24% vs 2020), mainly due to the energy expenditure required for waste treatment and biogas production at Snam4Environment sites, which are now fully operational and account for 85% of the total electricity consumption of the new businesses.

The result of the two opposing effects, the reduction in the energy consumption of GNL Italia, which is supplied with green electricity, and the increase in that of Snam4Environment, which is supplied with fossil electricity, has been a reduction in the overall share of electricity from renewable sources for the entire Snam Group, which has been offset by the switch to electricity from renewable sources at the Melizzano power plant and at Snam's headquarters.

The result of the two effects in indirect emissions from energy consumption has avoided a total of more than 12 thousand tonnes of CO_{2eq}.

SCOPE 3

- 46% for emissions from associate companies, fuel extraction and electricity production and transport, business travel and employee commuting

- 55% for the intensity index for supply chain emissions, calculated as the emissions of suppliers benchmarked against millions of euros of CapEx

Indirect Scope 3 emissions are those emissions that originate from the value chain and are therefore not directly attributable to the scope of the Company. In 2021, Snam has decided to launch a project to define specific Scope 3 emission reduction targets and make them an integral part of its decarbonisation strategy. In particular, two targets have been set for 2030 compared to 2019 values, one on absolute emissions and the other considering emission intensity.

Snam's Scope 3 emissions are calculated according to the GHG Protocol and have been reported for years in the CDP Climate Change Questionnaire (formerly the Carbon Disclosure Project). As part of the Scope 3 target-setting project, Snam revised its calculation methods and thus refined the data from previous years. In addition, a major coordination effort was also made to include in the emissions reported in this Report the emissions of associate companies, for which numerous exchange and coordination meetings were held.

Snam's value chain emissions can be classified into the following macro-categories:

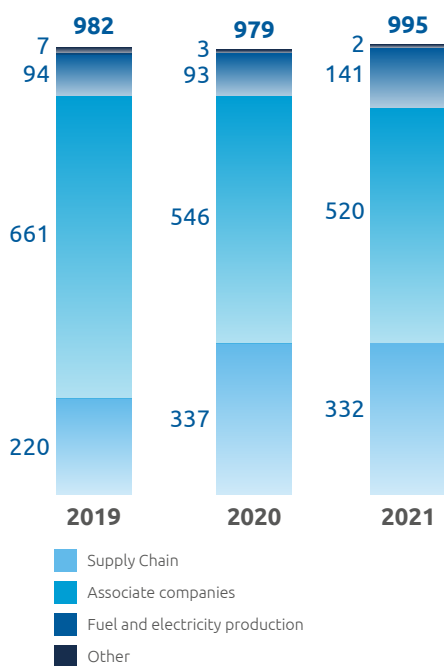
- **Emissions from Snam's associate companies** (GHG Protocol category): Investments);
- **Emissions from the supply chain**, which include emissions from suppliers working for Snam (GHG Protocol categories: Purchased goods and services, Capital goods, Upstream transportation and distribution, Waste generated in operations and Upstream leased assets);
- **Emissions from fuel extraction and electricity generation and transport** that are not included in Scope 1 and 2 (GHG Protocol category): Fuel-and-energy-related activities not included in Scope 1 or 2);
- **Other**, which includes **business travel** and employee **commuting** (GHG Protocol categories: Business Travels; Employee commuting).

During 2021, Scope 3 GHG emissions amounted to approximately 995 thousand tonnes of CO_{2eq} with an increase of 2% compared to 2020 and 1% compared to 2019, mainly due to indirect emissions associated with the production of fuel and electricity, which are closely linked to the Group's energy consumption (+16.5 vs 2020).

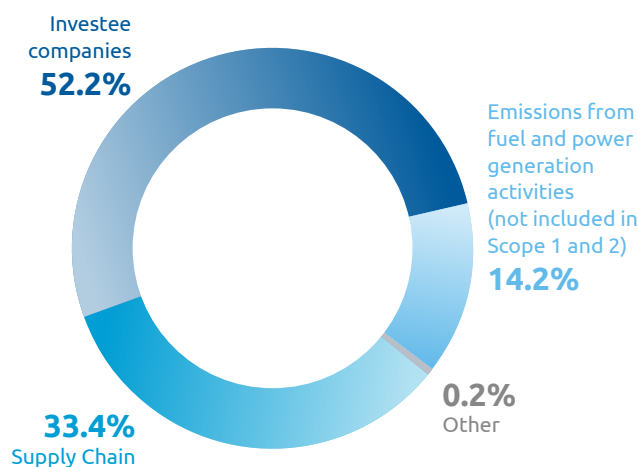
Compared to the targets of the net zero strategy, Snam has reduced its absolute emissions due mainly to associate companies (target 1) by **13% compared to 2019**, thanks to the increasing awareness of the investee companies themselves, which have reduced their emissions by 21% over the same period. Snam is continuing to work on this issue by organising workshops and meetings to share best practices for reducing greenhouse gas emissions, including the use of green gas, the implementation of LDAR programmes and the use of energy from renewable sources. Other activities to work towards this target include sustainable mobility and employee initiatives (company shuttles, public transport facilities, smart working and the use of video conferencing systems for meetings).

On the other hand, with regard to the target for the intensity of emissions from the supply chain, Snam remained broadly in line with the 2019 values (+2%), while achieving a reduction compared to the 2020 values (-16%), thanks to green procurement initiatives for the procurement of goods and services and the continuous activity of raising awareness among suppliers on the issue of decarbonisation. For the next few years, this will be a challenging objective on which to work and on which Snam is committed to offering incentive to those suppliers that define clear plans to reduce greenhouse gas emissions and to develop synergies with suppliers to accelerate the fight against climate change.

INDIRECT SCOPE 3 EMISSIONS (ktCO_{2eq})



INDIRECT SCOPE 3 EMISSIONS (%)



The EU ETS is a European system designed to encourage emission reductions by setting a cap on the total amount of certain greenhouse gas emissions that can be emitted by installations with specific characteristics. If a company emits more than the cap, it is obliged to buy emission allowances from the market. 2021 was the first year of application of the new rules provided for in the Legislative Decree no. 47/20 for the fourth period 2021-2030 of application of Directive 2003/87/EC.

Snam has 22 plants subject to EU ETS, whose emissions amounted to 0.73 million tonnes of carbon dioxide, of which 0.14 million tonnes were allocated for free, while the remaining 0.59 million tonnes were bought from the market.

FINANCIAL REVIEW AND OTHER INFORMATION



FINANCIAL REVIEW

INCOME STATEMENT							
2019		2020		2021		2021 adjusted vs 2020 adjusted	
Adjusted (*)	(million euros)	Reported	Adjusted (*)	Reported	Adjusted (*)	Abs. change	Change %
2,491	Regulated revenues	2,548	2,548	2,869	2,869	321	12.6
30	Non-regulated revenues	30	30	28	28	(2)	(6.7)
2,521	Core business revenues	2,578	2,578	2,897	2,897	319	12.4
85	New business revenues	192	192	400	400	208	
2,606	TOTAL REVENUES	2,770	2,770	3,297	3,297	527	19.0
(351)	Core business operating costs	(437)	(393)	(654)	(647)	(254)	64.6
(86)	New business operating costs	(180)	(180)	(400)	(400)	(220)	
(437)	TOTAL OPERATING COSTS	(617)	(573)	(1,054)	(1,047)	(474)	82.7
2,169	EBITDA	2,153	2,197	2,243	2,250	53	2.4
(752)	Amortisation, depreciation and impairment losses	(773)	(773)	(820)	(820)	(47)	6.1
1,417	EBIT	1,380	1,424	1,423	1,430	6	0.4
(165)	Net financial expense	(158)	(126)	(102)	(102)	24	(19.0)
216	Net income from equity investments	249	249	294	294	45	18.1
1,468	Profit before taxes	1,471	1,547	1,615	1,622	75	4.8
(375)	Income taxes	(370)	(383)	(115)	(400)	(17)	4.4
1,093	Net profit	1,101	1,164	1,500	1,222	58	5.0
1,093	- Attributable to the parent company shareholders	1,101	1,164	1,496	1,218	54	4.6
	- Non-controlling interests			4	4	4	

(*) The values exclude special items.

RECONCILED SUMMARY OF ADJUSTED RESULTS (*)

2019	(million euros)	2020	2021	Abs. change	Change %
1,452	EBIT	1,380	1,423	43	3.1
(35)	Exclusion of special items	44	7	(37)	
1,417	Adjusted EBIT	1,424	1,430	6	0.4
1,090	Net profit	1,101	1,500	399	36.2
1,090	- Attributable to the parent company shareholders	1,101	1,496	395	35.9
	- Non-controlling interests		4		
3	Exclusion of special items	63	(278)	(341)	
1,093	Adjusted net profit	1,164	1,222	58	5.0
1,093	- Attributable to the parent company shareholders	1,164	1,218	54	4.6
	- Non-controlling interests		4		

(*) For the nature and detailed reconciliation of the individual adjustments, read the paragraph: "Non-GAAP measures" of this Report.

ANALYSIS OF THE ENTRIES ON THE ADJUSTED INCOME STATEMENT

In accordance with the international accounting standard IFRS 8 Operating Segments, operating segments are defined on the basis of internal reporting used by management to allocate resources to the various segments and to analyse their performance. The reportable business segments are the regulated activities of Transmission, Storage and Regasification. An analysis of the performance of the business segments is provided in the chapter "Operating performance by business segment".

"Other segments", which are not reported separately, include activities relating to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions. The additional unallocated amounts mainly relate to the parent company Snam and the activities carried out by the group's captive insurance company. The corresponding figures for FY 2020 have been restated.

Operating revenues and costs are also represented in the "core business" view, which includes the regulated activities of transporting, regasifying and storing natural gas, which are subject to separate disclosure pursuant to IFRS 8, as well as residual head office activities carried out by the parent company Snam and insurance services, and the "new business" view, which includes activities related to the new Energy Transition businesses (sustainable mobility, energy efficiency and biogas/biomethane) and Snam Global Solutions.

TOTAL REVENUES

2019	(million euros)	2020	2021	Abs. change	Change %
Business segments					
2,031	Transport Segment	2,093	2,379	286	13.7
508	Storage Segment	504	530	26	5.2
22	Regasification Segment	23	20	(3)	(13.0)
85	Other Segments	192	400	208	
18	Amounts not allocated to segments	16	16		
(58)	Consolidation eliminations	(58)	(48)	10	(17.2)
2,606	TOTAL REVENUES	2,770	3,297	527	19.0

REVENUES - CORE AND NEW BUSINESS REVENUES

2019	(million euros)	2020	2021	Abs. change	Change %
2,521	Core business revenues	2,578	2,897	319	12.4
2,491	Regulated revenues	2,548	2,869	321	12.6
1,969	- Transport Segment	2,028	2,327	299	14.7
505	- Storage Segment	499	523	24	4.8
17	- Regasification Segment	21	19	(2)	(9.5)
30	Non-regulated revenues	30	28	(2)	(6.7)
85	New business revenues	192	400	208	
2,606	TOTAL REVENUES	2,770	3,297	527	19.0

Total revenues for FY 2021 amount to 3,297 million euros, up 527 million euros, or 19.0%, compared to FY 2020, and include fees to cover energy costs²⁹, amounting to 311 million euros up (60 million euros in 2020) mainly due to the significant increase in natural gas prices in the second half of 2021. Net of these fees, total revenue increased by 276 million euros, or 10.2%, due to higher revenue from the core business (+68 million euros; +2.7%), partly as a result of the release of prior-period assets (+17 million euros), and higher revenue from new businesses (+208 million euros), particularly energy efficiency.

Core business revenues (2,897 million euros, net of consolidation eliminations) rose by 319 million euros, up 12.4% compared with 2020), essentially due to higher regulated revenues, thanks in particular to the contribution from the transportation business segment. Net of the effects of the sterilisation of energy costs, regulated revenues amounted to 2,558 million euros, up by 70 million euros or 2.8% on 2020, due to: (i) the increase in the transportation RAB base (+48 million euros, including the effect of lower input-based incentives); (ii) higher volumes

²⁹ On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, the charges for the purchase of CO₂ emission rights and the consumption of electricity, are covered in revenues through the variable fee applied to users.

of gas transported (+5 million euros) as a result of the gradual recovery in production activities as well as more severe weather conditions in April and May. With reference to revenues from output-based services, the increase recorded by the storage segment due to the expansion of the range of services offered was offset by the reduction in the transportation segment.

Non-regulated revenues (28 million euros), essentially in line with that of 2020, principally refers to income from the leasing and maintenance of fibre optic telecommunications cables (14 million euros) and contributions for connections to infrastructure.

New business revenues (400 million euros, net of consolidation elisions) increased by 208 million euros on FY 2020 due the strong development of energy efficiency activities (+236 million euros), particularly in the residential sector, and the contribution from Miecì and Evolve, two companies that entered the scope of consolidation at the end of 2020. Snam Global Solutions' revenues slowed compared with the same period in 2020 due to the Covid-19 pandemic.

OPERATING COSTS - CORE AND NEW BUSINESS COSTS (*)

2019	(million euros)	2020	2021	Abs. change	Change %
351	Core business costs	393	647	254	64.6
288	Fixed costs	280	289	9	3.2
11	Variable costs	46	210	164	
52	Other costs	67	148	81	
86	New business costs	180	400	220	
437	TOTAL OPERATING COSTS	573	1.047	474	82.7

(*) Net of special items

Operating costs in 2021 stood at 1,047 million euros, an increase of 474 million euros, up 82.7% compared with 2020. Net of energy costs, which are covered by the variable fees applied to users under the current regulatory framework for the fifth regulatory period, operating costs of the core business increased by 229 million euros, or 44.9%, mainly due to the growth in business volumes in energy efficiency.

Core business costs (647 million euros, net of consolidation elisions) increase of 254 million euros, 64.6% compared with FY 2020. Net of energy costs, core business operating costs increased by 9 million euros, or 3.2%, mainly due to an increase in personnel costs as a result of the strengthening of the structure to support new business initiatives and costs associated with the gradual return to offices.

New business costs (400 million euros, net of consolidation elisions) increase of 220 million euros compared with FY 2020. The increase is attributable to a growth in business volumes and costs resulting from the entry and integration of companies active in the energy efficiency business that entered the scope of consolidation at the end of 2020.

The number of employees as at 31 December 2021 (3,430 units) is analysed below by professional status.

2019	(No.)	2020	2021	Abs. change	Change %
Professional status					
111	Senior Managers	131	141	10	7.6
493	Middle Managers	549	600	51	9.3
1,683	Office workers	1,764	1,880	116	6.6
738	Manual workers	805	809	4	0.5
3,025	TOTAL EMPLOYEES IN SERVICE	3,249	3,430	181	5.6

The increase of 181 units compared to FY 2020 is mainly due to new entries from the labour market, also in support of new businesses, which more than absorbed the exits for the period.

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES

2019	(million euros)	2020	2021	Abs. change	Change %
722	Total amortisation and depreciation	762	809	47	6.2
598	Transport Segment	627	659	32	5.1
5	Regasification Segment	7	8	1	14.3
105	Storage Segment	108	116	8	7.4
4	Other Segments	12	17	5	41.7
10	Amounts not allocated to Segments	8	9	1	12.5
30	Impairment losses (Recovery of value)	11	11		
752	TOTAL AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES	773	820	47	6.1

Amortisation, depreciation and impairment losses (820 million euros) rose by 47 million euros or 6.1% compared with 2020. The increase is due to higher depreciation, with the same level of write-downs, mainly as a result of new infrastructure coming on stream.

Below is a breakdown of EBIT by business segment:

EBIT (*)					
2019	(million euros)	2020	2021	Abs. change	Change %
Business segments					
1,122	Transport Segment	1,142	1,135	(7)	(0.6)
1	Regasification Segment				
337	Storage Segment	314	338	24	7.6
(5)	Other Segments		(17)	(17)	
(38)	Amounts not allocated to Segments	(32)	(26)	6	(18.8)
1,417	TOTAL EBIT	1,424	1,430	6	0.4

(*) Net of special items.

With reference to the business segments subject to separate reporting pursuant to IFRS 8, an analysis of EBIT is provided in the "Business segment operating performance" section of this Report.

NET FINANCIAL EXPENSE

2019	(million euros)	2020	2021	Abs. change	Change %
164	Financial expense related to net financial debt	145	131	(14)	(9.7)
173	- Interest and other expense on short- and long-term financial debt (*)	156	146	(10)	(6.4)
(9)	- Interest receivable and other income	(11)	(15)	(4)	36.4
11	Other net financial expense (income)	(7)	(9)	(2)	28.6
8	- Financial expenses related to the lapse of time (accretion discount)	6	5	(1)	(16.7)
3	- Other net financial expense (income)	(13)	(14)	(1)	7.7
1	Expenses from derivative instruments ineffective portion (*)				
(11)	Financial expense capitalised	(12)	(20)	(8)	66.7
165	TOTAL NET FINANCIAL EXPENSES	126	102	(24)	(19.0)

(*) Net of 2020 special items related to Liability Management operations.

Net financial expenses in FY 2021 stood at 102 million euros, a reduction of 24 million euros or 19% compared with 2020. The reduction was mainly due to lower expenses related to net financial debt (-14 million euros; -9.7%) mainly related to the lower average cost of debt. The reduction in cost benefited from actions to optimise the Group's financial structure implemented over the 2016-2021 period, in particular from liability management operations, as well as from positive market conditions and actions to optimise treasury management, more than offsetting the increase in average net debt.

Financial expense allocated to assets came to 20 million euros, a increase of 8 million euros or 66.7% compared with greater investments.

NET INCOME FROM EQUITY INVESTMENTS					
2019	(million euros)	2020	2021	Abs. change	Change %
218	Share of profit or loss of investments accounted for using the equity method	247	294	47	19.0
(2)	Other (expenses) and income from equity investments	2		(2)	(100.0)
216	TOTAL NET INCOME FROM EQUITY INVESTMENTS	249	294	45	18.1

Net income from equity investments (294 million euros; +45 million euros or 18.1%) related to the share of the net results for the period of companies accounted for using the equity method, mainly joint ventures and associates (+47 million euros; +19.0%). The increase is attributable to the positive contribution of TAP (+43 million euros), in operation as of 15 November 2020, and Industrie De Nora, a shareholding acquired in January 2021 (+21 million euros), as well as ADNOC Gas Pipelines (+5 million euros), which entered the group's scope as of July 2020. These effects were partly offset by the lower contribution of TAG (-18 million euros), which benefited in 2020 from non-recurring items, and DESFA (-5 million euros), mainly as a result of the lower tariffs associated with the reduction in WACC recorded and other regulatory parameters.

INCOME TAXES					
2019	(million euros)	2020	2021	Abs. change	Change %
410	Current taxes (*)	409	425	16	3.9
(35)	Deferred taxes (*)	(26)	(25)	1	(3.8)
375	TOTAL INCOME TAXES	383	400	17	4.4

(*) Net of special items.

Income taxes come to 400 million euros, net of special items mainly represented by the effects of the tax realignment pursuant to Decree-Law 104 of 14 August 2020) increased by 17 million euros, or 4.4%, compared to FY 2020, attributable to higher profit before taxes.

NON-GAAP MEASURES

Snam presents in the directors' report, in addition to the financial results envisaged by the IFRS, certain variables deriving from the latter, even if not envisaged by the IFRS or by other standard setters (Non-GAAP measures).

Snam's management believes that these measures facilitate the analysis of the Group's performance and of the business segments, ensuring better comparability of results over time.

Non-GAAP financial information must be considered as complementary and does not replace the information prepared in accordance with IFRS.

In accordance with the Consob Communication DEM/6064293 of 28 July 2006 and subsequent amendments and additions (Consob Communications no. 0092543 of 3 December 2015 which incorporates the ESMA/2015/1415 guidelines on alternative performance indicators), the following paragraphs provide indications relating to the composition of the main alternative performance indicators used in this document, not directly deducible from reclassifications or algebraic sums of conventional indicators³⁰ and compliant with international accounting standards³¹.

With regard to the impact of Covid-19 on the determination of alternative performance indicators, ESMA³² recommends caution in the use of separate items in the income statement with regard to the impacts of Covid-19 in order to ensure consistency in the determination of alternative performance indicators, and not to affect the comprehensibility of a company's financial performance through new indicators if not adequately justified. Recommendations.

In accordance with these recommendations, recalled by ESMA in the subsequent document "European common enforcement priorities for 2021 annual financial reports" of 29 October 2021, also due to the limited impact of Covid-19 on its results, Snam has not changed the Non-GAAP financial disclosure provided previously, simply isolating emerging costs directly related to the current pandemic situation as income components classified under special items, as illustrated below.

EBITDA, EBIT and adjusted net profit

Adjusted EBITDA, EBIT and net profit are obtained by excluding special items, gross and net of related taxes, respectively, from reported EBIT and net profit (as per the statutory income statement format). Income components classified as special items in 2021 consist of:

- (i) costs incurred following the continuation of the state of emergency related to the Covid-19 pandemic, mainly concerning the donations of medical equipment, purchases of personal protective equipment for internal use and costs for sanitation and cleaning services, for a total amount of 7 million euros (5 million euros net of related taxes);
- (ii) the effects of the tax realignment pursuant to Decree-Law no. 104 of 14 August 2020 (292 million euros in total)³³ attributable: (a) the 3% substitute tax, to be paid over three years, for a total charge of 42 million euros; (b) the release of deferred tax liabilities recognised in previous years for a total income of 334 million euros;
- (iii) taxes (9 million euros) related to the recognition, solely for tax purposes, of the capital gains associated with the contribution of the equity investment held by Snam S.p.A. in TAP to Snam International B.V. (100% controlled).

30 According to the CESR/05-178b recommendation of October 2005, all the data included in the financial statements audited in accordance with IFRS or in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are conventional indicators or in the commentary notes.

31 For the definition of these quantities refer to the Glossary.

32 For more information see ESMA document 32-51-370 "ESMA Guidelines on Alternative Performance Measures (APMs)" of 17 April 2020, Q&A no. 18.

33 For further information, please refer to Note 32.1 Income taxes in the Notes to the financial statements.

Income components classified as special items in 2020 are mainly represented by: (i) costs incurred as a result of the state of emergency related to the Covid-19 pandemic (22 million euros net of the related tax effect); (ii) financial expenses arising from the repurchase of bonds on the market (24 million euros net of the related tax effect).

Special item

The income components are classified under special items, if significant, when: (i) they result from non-recurring events or transactions or from transactions or events which do not occur frequently in the ordinary course of business; or (ii) they result from events or transactions which are not representative of the normal course of business. The tax rate applied to the items excluded from the calculation of adjusted net profit is determined on the basis of the nature of each revenue item subject to exclusion. Any income components deriving from non-recurring transactions in accordance with Consob Resolution no. 15519 of 27 July 2006 are also shown separately in the IFRS financial report.

Free cash flow

Free cash flow is the measure that allows the connection between the obligatory financial statement, which expresses the change in liquidity between the beginning and end of the period, and the change in net financial debt between the beginning and end of the reclassified cash flow statement. The “free cash flow” represents the cash surplus or deficit left over after financing the investments and closes either: (i) on the cash change for the period, after the cash flows related to the financial payables/assets (credit/debit repayments/financial payables) have been added/subtracted, to self-owned capital (payment of dividends/net purchase of treasury shares/capital injections), as well as the effects on cash and cash equivalents of changes in the scope of consolidation and exchange differences arising from conversion; or (ii) on the change in net financial debt for the period, after the flows relating to self-owned capital have been added/subtracted, as well as the effects on net financial debt of changes in the scope of consolidation and exchange differences arising on conversion.

Indebitamento finanziario netto

Snam calculates net financial debt as the sum of short- and long-term financial debt, including financial debt for lease agreements pursuant to IFRS 16, net of cash and cash equivalents and current financial assets, such as securities held for trading, which are not cash and cash equivalents or derivative instruments used for hedging purposes.

In accordance with Consob Communication DEM/6064293 of 2006, as last amended on 5 May 2021, other current financial assets that do not constitute liquidity (e.g. short-term financial receivables maturing beyond 90 days) are excluded from the calculation of net financial debt.

The tables below show the reconciliation between the reported Income Statement and the adjusted Income Statement, as well as a table summarising the special items:

(million euros)	2020			2021			2021 adjusted vs 2020 adjusted	
	Reported	SPECIAL ITEM	Adjusted	Reported	SPECIAL ITEM	Adjusted	Abs. change	Change %
Regulated revenues	2,548		2,548	2,869		2,869	321	12.6
Non-regulated revenues	30		30	28		28	(2)	(6.7)
Core business revenues	2,578		2,578	2,897		2,897	319	12.4
New business revenues	192		192	400		400	208	108.3
TOTAL REVENUES	2,770		2,770	3,297		3,297	527	19.0
Core business operating costs	(437)	44	(393)	(654)	7	(647)	(254)	64.6
New business operating costs	(180)		(180)	(400)		(400)	(220)	122.2
TOTAL OPERATING COSTS	(617)	44	(573)	(1,054)	7	(1,047)	(474)	82.7
EBITDA	2,153	44	2,197	2,243	7	2,250	53	2.4
Amortisation, depreciation and impairment losses	(773)		(773)	(820)		(820)	(47)	6.1
EBIT	1,380	44	1,424	1,423	7	1,430	6	0.4
Net financial expense	(158)	32	(126)	(102)		(102)	24	(19.0)
Net income from equity investments	249		249	294		294	45	18.1
Profit before taxes	1,471	76	1,547	1,615	7	1,622	75	4.8
Income taxes	(370)	(13)	(383)	(115)	(285)	(400)	(17)	4.4
Net profit	1,101	63	1,164	1,500	(278)	1,222	58	5.0
- Attributable to the parent company shareholders	1,101	63	1,164	1,496	(278)	1,218	54	4.6
- Non-controlling interests				4		4		

DETAILS OF SPECIAL ITEMS

(million euros)	2020	2021	Abs. change	Change %
Special item of EBIT	44	7	(37)	(84.1)
Allocation to provisions for risks and charges	17		(17)	(100.0)
Exclusion of special items for emerging Covid-19 costs:	27	7	(20)	(74.1)
- of which assets donated	14	3	(11)	(78.6)
- of which cash donated	2		(2)	(100.0)
- of which healthcare material for internal use and services	11	4	(7)	(63.6)
Special item Net financial expenses	32		(32)	(100.0)
- liability management finance charges	32		(32)	(100.0)
Special item Income taxes	(13)	(285)	(272)	
- Taxation on special items in EBIT	(5)	(2)	3	(60.0)
- Taxation on special item net financial expense	(8)		8	(100.0)
- Snam Group tax realignment pursuant to DL 104/2020		(292)	(292)	
- Tax effect on corporate reorganisation operations		9	9	
Total special item of net profit	63	(278)	(341)	

Reclassified statement of financial position

The reclassified Statement of Financial Position combines the assets and liabilities of the Statutory layout included in the Annual Report and the Half-Year Financial Report based on how the business operates, usually split into the three basic functions of investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(million euros)	31.12.2020	31.12.2021	Abs. change
Fixed capital	20,265	21,296	1,031
Property, plant and equipment	16,815	17,204	389
- of which right-of-use leased assets	21	20	(1)
Non-current inventories - Compulsory inventories	363	363	
Intangible assets and goodwill	1,125	1,167	42
Equity investments accounted for using the equity method	1,923	2,560	637
Other financial assets	426	403	(23)
Net payables for investments	(387)	(401)	(14)
Net working capital	(861)	1	862
Liabilities for employee benefits	(40)	(36)	4
NET INVESTED CAPITAL	19,364	21,261	1,897
Equity	6,472	7,240	768
- attributable to Parent company shareholders	6,469	7,203	734
- non-controlling interests	3	37	34
Net Financial Debt (*)	12,892	14,021	1,129
- of which financial liabilities for leased assets (***)	21	20	(1)
COVERAGE	19,364	21,261	1,897

(*) For a reconciliation of the reclassified statement of financial position to the compulsory statement see the paragraph below "Reconciliation of the reclassified financial statement with the legally required statements".

(**) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021. Accordingly, the related value as of 31 December 2020 was restated, generating an increase in net debt of 5 million euros due to the exclusion of short-term financial receivables.

(***) Including non-current lease liabilities (14 million euros) and the current portion of non-current lease liabilities (6 million euros).

Fixed capital (21,296 million euros) increased by 1,031 million euros with respect to 31 December 2020, essentially due to: (i) the increase in investments accounted for using the equity method (+637 million euros) mainly resulting from the acquisition of 37.47% (35.63% at 31 December 2021)³⁴ of Industrie De Nora S.p.A. on 8 January 2021, as well as from the profits earned in 2021 by associate companies, partly absorbed by dividends distributed; (ii) the increase in tangible and intangible assets (+431 million euros), including the change in net payables for investments.

The change in property, plant and equipment and in intangible fixed assets can be broken down as follows:

(million euros)	Property, plant and equipment	Intangible assets	Total
BALANCE AT 31 December 2020	16,815	1,125	17,940
Technical investments	1,122	148	1,270
Amortisation, depreciation and impairment losses	(720)	(100)	(820)
Transfers, write-offs and derecognition	(13)		(13)
Reclassifications	6	(6)	
Other changes	(6)		(6)
BALANCE AT 31 December 2021	17,204	1,167	18,371

Technical investments in 2021 amount to 1,270 million euros³⁵, up from 2020 (+81 million euros; +6.8%) and relate mainly to the transportation (1,004 million euros) and storage (160 million euros) sectors.

The other changes (-6 million euros) mainly concern: (i) the effects arising from the adjustment of the present value of disbursements for site decommissioning and restoration costs (+20 million euros)³⁶, following an increase in the expected discount rates; (ii) and contributions on works for interference with third parties (recharges; -29 million euros).

Non-current inventories - Compulsory inventories

Non-current inventories - Compulsory inventories, of 363 million euros (the same as at 31 December 2020) include minimum quantities of natural gas that the storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001. The quantities of gas in storage, corresponding to approximately 4.5 billion standard cubic metres of natural gas, are determined annually by the Ministry of Economic Development³⁷.

34 At 31 December 2021, the stake in Industrie De Nora was 35.63% as a result of: (i) the subscription of a share capital increase, with the exclusion of pre-emptive rights, in the context of a share incentive plan and (ii) the sale of 1.38% against the exercise of a call option by the shareholders, pursuant to the provisions of the SHA.

35 An analysis of the technical investments made by each business segment is provided in the "Business segment operating performance" section of this Report.

36 More information is provided in note no. 18 "Provisions for risks and charges" of the Notes to the consolidated financial statements.

37 By means of the Decree of 12 February 2021, the Ministry confirmed the strategic gas storage volume for the thermal year 2021-2022 (1 April 2021-31 March 2022) as 4.62 billion cubic metres, 4.5 billion cubic metres of which was allocated to Stogit.

Equity investments accounted for using the equity method

Investments accounted for using the equity method (2,560 million euros) mainly relate to the companies Trans Austria Gasleitung GmbH - TAG (556 million euros), Industrie De Nora (463 million euros), Teréga Holding S.A.S. (361 million euros), Trans Adriatic Pipeline AG - TAP (310 million euros), Italgas S.p.A. (255 million euros), Galaxy Pipeline Assets HoldCo Limited (217 million euros), Senfluga (139 million euros) and AS Gasinfrastruktur Beteiligung GmbH (122 million euros). Detailed changes are provided in note no. 10 “Equity investments accounted for using the equity method” in the Notes to the Consolidated Financial Statements.

Other financial assets

Other financial assets (403 million euros) mainly relate to long-term financial receivables from OLT (286 million euros) and the fair value through OCI of the minority interests in Terminale GNL Adriatico S.r.l. (34 million euros) and IT Power PLC (59 million euros).

For more details, see note no. 11 “Other current and non-current financial assets” in the Notes to the Consolidated Financial Statements.

NET WORKING CAPITAL

(million euros)	31.12.2020	31.12.2021	Abs. change
Trade receivables	1,551	2,729	1,178
Inventories	98	121	23
Tax receivables	93	255	162
Other assets	187	652	465
Provisions for risks and charges	(798)	(782)	16
- of which: Provision for decommissioning and site restoration	710	713	3
Trade payables	(639)	(1,348)	(709)
Accruals and deferrals from regulated activities	(111)	(4)	107
Net deferred tax liabilities	(90)	267	357
(Liabilities) Assets for hedging derivative instruments	(38)	(3)	35
Tax liabilities	(10)	(76)	(66)
Other liabilities	(1,104)	(1,810)	(706)
- of which: Payables to the Cassa per i Servizi Energetici e Ambientali (CSEA)	(575)	(677)	(102)
- of which: Payable for interim dividend	(326)	(343)	(17)
- of which: Security deposits	(92)	(641)	(549)
	(861)	1	862

The net capital for the fiscal year increased by 862 million euros in respect to 31 December 2020. This increase was mainly due to: (i) the release of deferred tax liabilities recognised in previous years for the tax realignment pursuant to Decree-Law 104 of 14 August 2020 (+334 million euros); (ii) lower net liabilities for balancing (+183 million euros, including security deposits paid as guarantees by users) and gas settlement (+86 million euros) mainly due to the settlement in the first months of 2021 of debt items outstanding at 31 December 2020; (iii) higher tax credits for ecobonus (+175 million euros).

COMPREHENSIVE INCOME STATEMENT

(million euros)	2020	2021
NET PROFIT FOR THE YEAR	1,101	1,500
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT		
Cash flow hedge – effective portion of fair value change	(6)	17
Investments accounted for using the equity method - share of other components in the comprehensive income statement (*)	(38)	58
Tax effect	1	(4)
Total components which are or could be reclassified in profit for the year, net of tax effect	(43)	71
Reassessment of defined benefit liabilities for employees	(1)	(3)
Investments accounted for using the equity method - portion of other components of the comprehensive income statement	1	1
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	43	(16)
Tax effect		1
Total components which will not be reclassified in profit for the year, net of tax effect	43	(17)
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX	0	54
TOTAL COMPREHENSIVE INCOME	1,101	1,554
Total comprehensive income statement attributable to:	1,101	1,554
- shareholders of the parent company	1,101	1,550
- non-controlling interests		4

(*) The value refers to the change in fair value of derivative hedges and the change in investments in related companies.

SHAREHOLDERS' EQUITY

(million euros)	2020	2021
Shareholders' equity at 31 December 2020		6,472
<i>Increases owing to:</i>		
- Comprehensive income	1,554	
- Other changes	52	
		1,606
<i>Decreases owing to:</i>		
- 2020 dividend balance	(490)	
- 2021 Interim Dividend (*)	(343)	
- Purchase of treasury shares	(5)	
		(838)
Shareholders' equity at 31 December 2021		7,240
- Shareholders' equity attributable to Parent company shareholders		7,203
- Non-controlling interests		37

(*) Amount paid on 26 January 2022.

Information about the individual equity items and changes therein compared with 31 December 2020 is given in Note 23 to the consolidated financial statements, "Shareholders' Equity".

RECONCILIATION BETWEEN SNAM S.P.A.'S NET PROFIT AND THE SHAREHOLDERS' EQUITY AND THOSE OF THE CONSOLIDATED COMPANIES

(million euros)	Net profit		Shareholders' equity	
	2020	2021	31.12.2020	31.12.2021
Statutory financial statements of Snam S.p.A.	1,015	957	4,550	4,676
Net profit of the Companies included in the scope of consolidation	971	1,326		
Difference between the carrying value of the equity investments in consolidated companies and the shareholders' equity in the annual financial statements, inclusive of the profit for the period			1,912	2,379
Adjustments made upon consolidation for:				
- Dividends	(868)	(878)		
- Difference between purchase price and corresponding net shareholders' equity	(5)	(7)		
- Adjustments due to uniformity of accounting principles	(2)	(26)		
- Income from valuation of equity investments accounted for using the equity method and other Income from equity investments	(10)	128	10	185
	1,101	1,500	6,472	7,240
Non-controlling interests		(4)	(3)	(37)
CONSOLIDATED FINANCIAL STATEMENTS (*)	1,101	1,496	6,469	7,203

(*) Equity attributable to Parent company shareholders.

NET FINANCIAL DEBT (*)

(million euros)	31.12.2020	31.12.2021	Abs. change
Financial debt and bond	15,937	15,358	(579)
Current financial payables (**)	5,599	4,975	(624)
Non-current financial liabilities	10,317	10,363	46
Financial payables for leased assets (***)	21	20	(1)
Financial receivables and cash and cash equivalents	(3,045)	(1,337)	1,708
Cash and cash equivalents	(3,044)	(1,337)	1,707
Short-term securities held for sale	(1)		1
NET FINANCIAL DEBT	12,892	14,021	1,129

(*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021 to implement the new ESMA Recommendations 32-232-1138 of 4 March 2021 on Net Financial Position. For more details, see note no. 17.3 "Analysis of net financial debt" in the Notes to the Consolidated Financial Statements.

(**) Includes the current portion of non-current financial liabilities.

(***) Including non-current lease liabilities (14 million euros) and the current portion of non-current lease liabilities (6 million euros).

Net financial debt was 14,021 million euros at 31 December 2021, compared with 12,892 million euros at 31 December 2020.

The positive cash flow from operating activities (1,338 million euros), which was affected by the cash absorption generated by the gas balancing activity, also in relation to the sharp increase in gas prices, and to the development of the energy efficiency business, allowed the requirements related to net technical investments (-1,237 million euros, net of investment payables) to be fully financed. Taking into account net disbursements related to equity investments and repayments concerning financial receivables from OLT, the free cash flow was negative by 340 million euros. The net financial debt, after the equity cash flow essentially deriving from payment to shareholders of the 2020 dividend (811 million euros, 326 million euros of which was an advance and 485 million euros the balance) recorded an increase of 1,129 million euros on 31 December 2020, including the non-monetary components relating to financial debt (6 million euros), mainly referring to the change in financial debt recorded in application of IFRS 16 "Leases" and the change in interest instalments.

Financial and bond debts at 31 December 2021 equal to 15,358 million euros (15,937 million euros at 31 December 2020) comprise the following:

(million euros)	31.12.2020	31.12.2021	Abs. change
Bond	8,140	9,138	998
- of which short-term (*)	308	1,172	864
Bank loans	5,273	3,695	(1,578)
- of which short-term (*)	2,788	1,298	(1,490)
Euro Commercial Paper - ECP (**)	2,503	2,503	
Financial payables for leased assets	21	20	(1)
Other lenders		2	2
TOTAL FINANCIAL DEBTS AND BONDS	15,937	15,358	(579)

(*) Includes the current portion of non-current financial liabilities.
 (**) Entirely short-term.

Bonds (9,138 million euros) increased by 998 million euros compared to 31 December 2020 mainly as a result of: (i) the issuance of the dual tranche fixed-rate Transition Bond, with a total nominal amount of 750 million euros; (ii) the issuance of the fourth fixed-rate Transition Bond, with a nominal amount of 500 million euros. These changes were partly offset by the repayment of a fixed-rate bond that had reached its natural maturity, with a nominal amount of 259 million euros.

Bank loans (3,695 million euros) recorded a reduction of 1,578 million euros, net of renewals, mainly as a result of the repayment of Term Loans for a total nominal value of 950 million euros and the net less usage of uncommitted credit lines (890 million euros). This change was partially offset by the subscription of two new Term Loans with a total nominal value of 350 million euros.

The Euro Commercial Papers (2,503 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors.

Cash and cash equivalents, of 1,337 million euros (3,044 million euros as at 31 December 2020) refer mainly to current accounts and on-call bank deposits (1,278 million euros) and cash held at the subsidiaries (in all, 59 million euros).

At 31 December 2021, Snam had unused committed long-term credit lines worth 3.35 billion euros.

Information on financial covenants can be found in Note 17.2 "Long-term financial liabilities and short-term portions of long-term liabilities" of the Notes to the consolidated financial statements.

Reclassified statement of cash flows

The reclassified statement of cash flows below summarises the legally required financial reporting format. The reclassified cash flow statement shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	2020	2021
Net profit	1,101	1,500
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	525	527
- Net capital losses (capital gains) on asset sales and write-offs	13	13
- Dividends, interest and income taxes	502	206
Change in net working capital	(224)	(613)
Dividends, interest and income taxes collected (paid)	(320)	(295)
Cash inflow from operating activities	1,597	1,338
Technical investments	(1,166)	(1,244)
Technical disinvestments	2	
Acquisition of subsidiaries and businesses, net of liquidity acquired	(30)	
Equity investments	(193)	(453)
Change in long- and short-term financial receivables	(303)	12
Other changes relating to investment activities	53	7
Free cash flow	(40)	(340)
Repayment of financial liabilities for leased assets	(7)	(7)
Change in current and non-current financial liabilities	1,133	(584)
Equity cash flow (a)	(893)	(775)
Change in liquidity companies leaving the scope of consolidation		(1)
Net cash flow for the year	193	(1,707)

CHANGE IN NET FINANCIAL DEBT

(million euros)	2020	2021
Free cash flow	(40)	(340)
Financial payables and receivables from companies entering the consolidation scope	(25)	(1)
Change in financial liabilities for leased assets	(6)	(6)
Equity cash flow	(893)	(775)
Other changes	(5)	(7)
Change in net financial debt	(969)	(1,129)

(a) Includes cash flow from payment of dividend to shareholders.

Reconciliation of the reclassified financial statement with the Legally Required Statements

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)		31.12.2020		31.12.2021	
Reclassified Statement of Financial Position items (Where not explicitly stated, the component is obtained directly from the mandatory prospectus)	Reference to notes to consolidated financial statements	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Fixed capital					
Property, plant and equipment			16,815		17,204
Non-current inventories - Compulsory inventories			363		363
Intangible assets and goodwill			1,125		1,167
Equity investments accounted for using the equity method			1,923		2,560
<i>Other financial assets, consisting of:</i>			426		403
- Minority investment accounted at FVTOCI	(11)	112		94	
- Short-term financial receivables - beyond 90 days (*)	(11)	5		5	
- Long-term financial receivables - current portion	(11)	1		1	
- Long-term financial receivables - non-current portion	(11)	306		301	
- Other financial assets	(11)	2		2	
<i>Net payables for investments, consisting of:</i>			(387)		(401)
- Trade payables for the purchase of fixed assets	(22)	(394)		(412)	
- Receivables for private contributions	(15)	7		11	
Total fixed capital			20,265		21,296
Net working capital					
Trade receivables			1,551		2,729
Current inventories			98		121
<i>Tax receivables, consisting of:</i>			93		255
- Current income tax assets	(16)	20		11	
- VAT credits	(13)	46		201	
- Other tax credits	(13)	18		33	
- IRES receivables for the National Tax Consolidation Scheme with former parent ENI	(15)	9		10	
Trade payables			(639)		(1,348)
<i>Tax payables, consisting of:</i>			(10)		(76)
- Current liabilities for income taxes	(16)	(2)		(50)	
- IRPEF withholdings for employees	(21)	(7)		(7)	
- Other taxes	(21)	(1)		(19)	
<i>Net deferred tax liabilities, made up of:</i>			(90)		267
- Deferred tax assets	(19)	23		302	
- Deferred tax liabilities	(19)	(113)		(35)	
Provisions for risks and charges			(798)		(782)
Market value of derivative financial instruments	(21)		(38)		(3)

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

(million euros)		31.12.2020		31.12.2021	
Reclassified Statement of Financial Position items (Where not explicitly stated, the component is obtained directly from the mandatory prospectus)	Reference to notes to consolidated financial statements	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
<i>Other assets, consisting of:</i>			187	652	
- Other receivables from the Energy and Environmental Services Fund (CSEA)	(15)	79		552	
- Advances to suppliers	(15)	6		24	
- Receivables from joint ventures and associates for dividends	(15)	17			
- Other receivables	(15)	7		5	
- Other assets	(13)	78		71	
<i>Assets and liabilities from regulated activities, consisting of:</i>			(111)	(4)	
- Regulatory assets	(13)	19		57	
- Regulatory liabilities	(21)	(130)		(61)	
<i>Other liabilities, consisting of:</i>			(1,104)	(1,810)	
- Other payables	(22)	(996)		(1,129)	
- Other liabilities	(21)	(108)		(681)	
Total Net working capital			(861)	1	
Liabilities for employee benefits			(40)	(36)	
NET INVESTED CAPITAL			19,364	21,261	
Equity attributable to Parent company shareholders			6,469	7,203	
Minority interests			3	37	
Total equity			6,472	7,240	
Net Financial Debt (*)					
<i>Financial liabilities, consisting of:</i>			15,937	15,358	
- Non-current financial liabilities		10,332		10,377	
- Current financial liabilities		5,605		4,981	
<i>Financial receivables and cash and cash equivalents, composed of:</i>			(3,045)	(1,337)	
- Cash and cash equivalents		(3,044)		(1,337)	
- Other current financial assets	(11)	(1)			
Total net financial debt			12,892	14,021	
COVERAGE			19,364	21,261	

(*) In accordance with the Consob changes in relation to the calculation of net financial debt, applicable as of 5 May 2021, short-term financial receivables (5 million euros at 31 December 2021; the same at 31 December 2020) were reclassified under financial assets in fixed capital, and no longer contribute to net financial debt.

RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	2020		2021	
	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Items from the reclassified statement of cash flows and reconciliation with the Legally Required Statement				
PROFIT FOR THE YEAR		1,101		1,500
<i>Adjusted for:</i>				
Amortisation, depreciation and other non-monetary components:		525		527
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	773		820	
- Share of profit or losses of equity investments accounted for using the equity method	(247)		(294)	
- Change in liabilities for employee benefits	(9)		(7)	
- Other changes	8		8	
Net losses (gains) on asset sales, write-offs and derecognition		13		13
Dividends, interest and income taxes:		502		206
- Dividends	(2)		0	
- Interest income	(25)		(32)	
- Interest expense	159		123	
- Income taxes	370		115	
Change in net working capital:		(224)		(613)
- Inventories	(23)		(11)	
- Trade receivables	(308)		(1,173)	
- trade payables	138		709	
- Change in provisions for risks and charges	13		(36)	
- Other assets and liabilities	(44)		(102)	
Dividends, interest and income taxes collected (paid):		(320)		(295)
- Dividends collected	241		199	
- Interest collected	22		28	
- Interest paid	(155)		(115)	
- Income taxes (paid) received	(428)		(407)	
CASH FLOWS FROM OPERATING ACTIVITIES		1,597		1,338
Technical investments:		(1,166)		(1,244)
- Property, plant and equipment	(1,001)		(1,096)	
- Intangible assets	(165)		(148)	
Technical disinvestments:		2		0
- Property, plant and equipment	2		0	
Acquisition of subsidiaries and businesses, net of liquidity acquired		(30)		0
- Acquisition of subsidiaries, net of liquidity acquired	(30)		0	
Equity investments		(193)		(453)
- Investments	(288)		(524)	
- Divestments	95		71	

RECLASSIFIED STATEMENT OF CASH FLOWS

(million euros)	2020		2021	
	Partial amount from legally required statement	Amount from reclassified format	Partial amount from legally required statement	Amount from reclassified format
Items from the reclassified statement of cash flows and reconciliation with the Legally Required Statement				
Short-term and long-term financial receivables		(303)		12
- Assumption of long-term financial receivables	(332)		(8)	
- Assumption of short-term financial receivables	(5)			
- Repayments of long-term financial receivables	34		20	
- Repayments of short-term financial receivables				
Other changes relating to investment activities:		53		7
- Change in net payables for investments	53		7	
FREE CASH FLOW		(40)		(340)
Change in financial payables:		1,126		(591)
- Increase in non current financial liabilities	1,684		1,600	
- Repayment of long-term financial payables	(2,091)		(1,295)	
- Increase (decrease) short-term financial payables	1,540		(889)	
- Repayment of financial liabilities for leased assets	(7)		(7)	
Equity cash flow		(893)		(775)
- Dividends paid	(779)		(811)	
- Purchase of treasury shares	(114)		(5)	
- Change in minority interests in subsidiaries that do not entail a change of control	0		41	
- Change in liquidity of companies leaving the scope of consolidation				(1)
NET CASH FLOW FOR THE YEAR		193		(1,707)

SNAM S.P.A. FINANCIAL REVIEW

CORPORATE INFORMATION

Snam S.p.A. (hereinafter also referred to as Snam) is an industrial holding company listed on the Milan stock exchange, which holds equity investments in industrial and service companies in Italy and abroad.

In its capacity as the group's parent company, it is responsible for the strategic direction, planning and control of the financial management, direction and coordination of the group's activities. It provides Group companies with business support services (mainly administrative, tax, legal, human resources, information technology and HSEQ services) in order to optimise the available resources and efficiently use the existing know-how. These services are governed by specific inter-company service contracts.

As at 31 December 2021, the reference shareholder, CDP S.p.A. holds, through CDP Reti S.p.A., 31.4% of the share capital of Snam S.p.A. To this end it is noted that from 1 August 2019, CDP reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

No management and coordination activity has been formalised or exercised by CDP over Snam.

RECLASSIFIED INCOME STATEMENT

In order to facilitate the reading of the Income Statement, taking into consideration the nature of Snam S.p.A. as an industrial holding company, the Reclassified Income Statement was prepared by presenting items relating to financial management first, because they represent the most important component of an income nature³⁸.

³⁸ This statement is prepared on the basis of the suggestions contained in Consob Communication no. 94001437 of 23 February 1994.

RECLASSIFIED INCOME STATEMENT

2019	(million euros)	2020	2021	Change	% change
Income and financial expenses					
898	Income from equity investments	1,124	1,032	(92)	(8.2)
159	Interest income and other financial income	151	134	(17)	(11.3)
(212)	Interest expense and other financial expenses	(188)	(146)	42	(22.3)
845	Total financial income and expenses	1,087	1,020	(67)	(6.2)
227	Revenues from the provision of services	260	268	8	3.1
15	Other income	15			
242	Other business income	275	268	(7)	(2.5)
Other management costs					
(88)	For personnel	(58)	(16)	42	(72.4)
(186)	For the provision of non-financial services and other costs	(285)	(291)	(6)	2.1
(274)	Total other management costs	(343)	(307)	36	(10.5)
813	Profit before taxes	1,019	981	(38)	(3.7)
4	Income taxes	(4)	(24)	(20)	
817	Net profit	1,015	957	(58)	(5.7)

Net profit achieved in 2021 amounted to 957 million euros, reduction by 58 million euros (5.7%), compared to FY 2020. The decrease was mainly due to lower financial income and expenses (-67 million euros; -6.2%) mainly as a result of lower income from equity investments (-92 million euros; -8.2%) partially offset by the reduction in other operating expenses (+36 million euros; or -10.5%).

Analysis of income statement items

INCOME AND FINANCIAL EXPENSES					
2019	(million euros)	2020	2021	Change	% change
898	<i>Income from equity investments</i>	1,124	1,032	(92)	(8.2)
876	- Dividends	1,103	1,007	(96)	(8.7)
22	- Other income from investments	21	25	4	19.0
159	<i>Interest income and other financial income</i>	151	134	(17)	(11.3)
159	- Interest income	151	134	(17)	(11.3)
(211)	<i>Interest expense and other financial expenses</i>	(178)	(146)	32	(18.0)
(204)	- Interest expense	(171)	(139)	32	(18.7)
(7)	- Other financial expense	(7)	(7)		
(1)	<i>Losses from derivative financial instruments – ineffective portion</i>	(10)		10	(100)
845	TOTAL FINANCIAL INCOME AND EXPENSES	1,087	1,020	(67)	(6.2)

Financial income and expense in 2021 (1,020 million euros) dropped by 67 million euros or 6.2% compared with the previous year.

Income from equity investments (1,032 million euros) mainly consists of dividends distributed by the subsidiaries Snam Rete Gas S.p.A. (673 million euros) and Stogit S.p.A. (190 million euros), the jointly controlled company Trans Austria Gasleitung GmbH - TAG (31 million euros) and the associated companies Galaxy Pipeline Assets HoldCo Limited (40 million euros in total), Italgas S.p.A. (30 million euros) and Senfluga Energy Infrastructure Holding S.A. (23 million euros). The decrease of 92 million euros, or 8.2%, compared to 2020 is mainly due to lower dividends distributed by the companies controlled by Terega (-81 million euros) and TAG (-52 million euros).

Interest income and other financial income (134 million euros) mainly relates to interest from intra-group loans granted by Snam S.p.A. to its subsidiaries Snam Rete Gas S.p.A. and Stogit S.p.A. (100 million euros in total) and the jointly controlled company OLT - Offshore LNG Toscana S.p.A. (14 million euros).

The interest expense and other financial expenses (146 million euros) relate to: (i) interest on 19 bonds for a total of 130 million euros³⁹; (ii) interest expense to banks (9 million euros), mainly related to term loans; (iii) the portion of up-front fees on revolving credit facilities (7 million euros).

³⁹ This amount includes charges of 15 million euros arising from the application of the amortised cost method.

OTHER BUSINESS INCOME

2019	(million euros)	2020	2021	Change	% change
242	<i>Ricavi per prestazioni di servizio</i>	274	263	(11)	(4.0)
198	Ricavi servizi prestati a società controllate	229	239	10	4.4
25	Ricavi per servizi di Global Solution	31	9	(22)	(71.0)
13	Ricavi per riaddebito cavi di telecomunicazione	13	15	2	15.4
6	Altri ricavi per prestazioni di servizio				
1	<i>Altri proventi operativi</i>	1	5	4	
243	TOTALE ALTRI PROVENTI DELLA GESTIONE	275	268	(7)	(2.5)

Revenue for the provision of services (263 million euros) mainly involve charge backs for services provided by Snam to subsidiaries (239 million euros in total). The services are governed by contracts entered into with Snam S.p.A. and the subsidiaries, and concern the following areas: ICT, Personnel and Organisation, Planning, Administration Finance and Control, General Services, Property, Security, Legal and Corporate Affairs and Compliance, Health, Safety and Environment, External Relations and Communication, Internal Audit, Technical, Commercial, Regulation and Procurement.

The decrease in revenue for Global Solution services (22 million euros) is mainly due to lower revenue for services rendered to the associated company TAP.

OTHER MANAGEMENT COSTS

2019	(million euros)	2020	2021	Change	% change
186	<i>Costi per prestazioni di servizi non finanziari e altri costi</i>	253	205	(48)	(19.0)
13	Costi per materie prime	26	16	(10)	(38.5)
132	Costi per servizi non finanziari	158	163	5	3.2
11	Ammortamenti e svalutazioni	11	10	(1)	(9.1)
30	Altri costi e oneri operativi	58	16	(42)	(72.4)
88	<i>Costi del personale</i>	90	102	12	13.3
274	TOTALE ALTRI COSTI DELLA GESTIONE	343	307	(36)	(10.5)

The decrease in **non-financial services and other costs** (-48 million euros) was mainly due to: (i) lower costs incurred as a result of the state of emergency related to the Covid-19 pandemic (-13 million euros); (ii) lower costs for raw materials (-10 million euros), mainly attributable to accident-prevention material; (iii) lower costs for use of third-party assets, mainly attributable to software licences (-7 million euros) and to changes in the provisions for risks and charges and the provision for bad debt (-3 million euros).

Operating costs include costs incurred as a result of the emergency status related to the Covid-19 pandemic, mainly related to donations of goods (3 million euros).

Staff costs amounted to 102 million euros, an increase of 12 million euros mainly due to the higher number of staff in service.

The number of employees as at 31 December 2021 (989 people) is analysed below by professional status.

EMPLOYEES BY PROFESSIONAL STATUS (No.)

31.12.2019	Professional status	31.12.2020	31.12.2021	Change	% change
71	Senior Managers	75	93	18	24.0
242	Middle Managers	265	323	58	21.9
426	Office workers	461	570	109	23.6
3	Manual workers	3	3		
742		804	989	185	23.0

Income taxes

Income taxes amount to 24 million euros mainly on account of the share of non taxable dividends collected in the year.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION

The reclassified statement of financial position combines the assets and liabilities of the condensed statement based on how the business operates, conventionally split into the three basic functions: investment, operations and financing.

Management believes that this format presents useful information for investors as it allows identification of the sources of financing (equity and third-party funds) and the investment of financial resources in fixed and working capital.

The reclassified statement of financial position format is used by management to calculate the key leverage and profitability ratios.

RECLASSIFIED STATEMENT OF FINANCIAL POSITION (*)

(million euros)	31.12.2020	31.12.2021	Abs. change
Fixed capital	11,061	11,133	72
Property, plant and equipment	18	16	(2)
- of which right-of-use leased assets	12	9	(3)
Intangible assets	15	18	3
Equity investments	6,761	7,203	442
Other financial assets	4,273	3,903	(370)
Net payables for investments	(6)	(7)	(1)
Net working capital	(320)	(173)	147
Provision for employee benefits	(13)	(13)	0
Assets held for sale			0
NET INVESTED CAPITAL	10,728	10,947	219
Equity	4,550	4,676	126
Net financial debt	6,178	6,271	93
- of which financial liabilities for leased assets (***)	12	10	(2)
COVERAGE	10,728	10,947	219

(*) Please refer to the "Non-GAAP measures" paragraph for the methodological illustration of the reclassified financial statements.

(**) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021 in implementation of the new ESMA recommendations 32-232-1138 of 4 March 2021 on the subject of net financial position. Accordingly, the related value as of 31 December 2020 was restated, generating an increase in net debt of 5 million euros due to the exclusion of short-term financial receivables over 90 days, reclassified in "other financial assets" of net working capital.

(***) Including non-current lease liabilities (6 million euros) and the current portion of non-current lease liabilities (4 million euros).

Fixed capital (11,133 million euros) increased by 72 million euros compared to 31 December 2020 mainly as a result of the increase in equity investments (+442 million euros) partly offset by the decrease in financial assets (-370 million euros), as described in the following paragraphs.

EQUITY INVESTMENTS

(million euros)	Balance at 31.12.2020	Acquisitions and subscriptions	Assignments and reimbursements	Other changes	Balance at 31.12.2021
Investments in subsidiaries	4,921	474	(32)	319	5,682
Investments in joint ventures	968		(1)		967
Investments in associates	872			(318)	554
TOTAL EQUITY INVESTMENTS	6,761	474	(33)	1	7,203

The increase in equity investments of 474 million euros compared to 31 December 2020 is attributable to the capital increase of Asset Company 10 S.r.l. in order to acquire 37.47% of Industrie De Nora S.p.A. on 8 January 2021.

Disposals and reimbursements essentially refer to the reduction in the cost of the Renovit S.p.A. investment (32 million euros), following the sale of a 30% stake to CDP Equity S.p.A. on 28 January 2021.

Detailed changes are provided in Note 9 'Investments in subsidiaries, associates and joint ventures' in the Notes to the Financial Statements.

Financial assets

Financial assets stand at 3,903 million euros and relate to: (i) receivables from long-term loans, including the relative current portions, granted mainly to the subsidiaries Snam Rete Gas (2,808 million euros) and Stogit (659 million euros), (ii) the loan granted to the company under joint control OLT (286 million euros) and (iii) fair value measurement through OCI of the minority interests in the company Terminale GNL Adriatico S.r.l. and ITM Power PLC (93 million euros overall).

NET WORKING CAPITAL

(million euros)	31.12.2020	31.12.2021	Abs. change
Trade receivables	106	234	128
Other assets	54	27	(27)
Tax receivables	39	211	172
Net prepaid tax assets	25	23	(2)
Inventories	3		(3)
Provisions for risks and charges	(28)	(16)	12
Tax liabilities	(32)	(179)	(147)
Derivatives	(38)	(3)	35
Trade payables	(83)	(79)	4
Other liabilities	(366)	(391)	(25)
	(320)	(173)	147

Net working capital (-173 million euros) increased by 147 million euros with respect to 31 December 2020, essentially due to: (i) the increase in trade receivables (+128 million euros); (ii) the increase in tax receivables (+172 million euros) mainly due to higher VAT receivables. These effects were partly offset by the increase in tax liabilities (-147 million euros), mainly due to higher VAT liabilities.

SHAREHOLDERS' EQUITY

(million euros)

SHAREHOLDERS' EQUITY AT 31 DECEMBER 2020		4,550
Increases owing to:		
- 2021 Comprehensive income (*)	953	
- Share-based payments	8	
- Bond conversion	3	
		964
Decreases owing to:		
- Final 2020 dividend	(490)	
- 2021 interim dividend	(343)	
- Acquisition of treasury shares	(5)	
		(838)
SHAREHOLDERS' EQUITY AT 31 December 2021		4,676

(*) For further details, please refer to the Statement of Comprehensive Income of the Financial Statements of Snam S.p.A.

NET FINANCIAL DEBT (*)

(million euros)	31.12.2020	31.12.2021	Abs. change
Financial debt and bond	15,972	15,448	(524)
Current financial liabilities (a)	5,651	5,079	(572)
Non-current financial liabilities	10,309	10,359	50
Financial liabilities for leased assets (b)	12	10	(2)
Financial receivables and cash and cash equivalents	(9,794)	(9,177)	617
Cash and cash equivalents	(2,991)	(1,278)	1,713
Other current financial receivables (c)	(6,803)	(7,899)	(1,096)
NET FINANCIAL DEBT	6,178	6,271	93

(*) Determined in accordance with Consob Communication No. DEM/6064293 of 2006, as amended on 5 May 2021 to implement the new ESMA Recommendations 32-232-1138 of 4 March 2021 on Net Financial Position. For more details, see note no. 16.3 "Analysis of net financial debt" in the Notes.

(a) Includes the current portion of non-current financial liabilities.

(b) Including non-current lease liabilities (4 million euros) and the current portion of non-current lease liabilities (6 million euros).

(c) With a maturity of less than 90 days.

Net financial debt was 6,271 million euros at 31 December 2021, slightly up on 31 December 2020.

Financial and bond debts (15,448 million euros) are denominated in euros and relate mainly to bond loans (9,138 million euros; 59%) and bank loans (3,688 million euros, 24%, of which 1,538 million euros was provided by the European Investment Bank - EIB).

Non-current financial liabilities (10,359 million euros) represented around 67% of gross financial debt (around 65% at 31 December 2020).

The breakdown of debt by type of interest rate at 31 December 2021 is as follows:

(million euros)	31.12.2020	%	31.12.2021	%	Abs. change
Fixed rate	10,717	67	11,112	72	395
Variable rate	5,255	33	4,336	28	(919)
FINANCIAL AND BOND DEBT	15,972	100	15,448	100	(524)

Bonds (9,138 million euros) increased by 998 million euros compared to 31 December 2020 mainly as a result of: (i) the issuance of the dual tranche fixed-rate Transition Bond, with a total nominal amount of 750 million euros; (ii) the issuance of the fourth fixed-rate Transition Bond, with a nominal amount of 500 million euros. These changes were partly offset by the repayment of a fixed-rate bond that had reached its natural maturity, with a nominal amount of 259 million euros.

Bank loans (3,688 million euros) recorded a reduction of 1,572 million euros mainly as a result of the repayment of Term Loans for a total nominal value of 950 million euros and the net less usage of uncommitted credit lines (890 million euros). These changes were partly offset by the subscription of two new Term Loans with a total nominal value of 350 million euros.

The Euro Commercial Papers (2,503 million euros) involve unsecured short-term securities issued on the money market and placed with institutional investors.

Other current financial assets (7,899 million euros) relate to receivables arising from current account relationships between Snam S.p.A. and its subsidiaries. The increase of 1,096 million euros compared to 31 December 2020 is mainly attributable to Snam Rete Gas and TEP (914 million euros in total).

Cash and cash equivalents, standing at 1,278 million euros (2,991 million euros as at 31 December 2020) refer to current accounts and bank deposit accounts.

At 31 December 2021, Snam had unused committed long-term credit lines worth 3.35 billion euros.

RECLASSIFIED STATEMENT OF CASH FLOWS AND CHANGE IN NET FINANCIAL DEBT

The reclassified statement of cash flows below summarises the legally required financial reporting format. The reclassified cash flow statement shows the connection between opening and closing cash and cash equivalents and the change in net financial debt during the period. The two statements are reconciled through the free cash flow, i.e. the cash surplus or deficit left over after servicing capital expenditure. Free cash flow closes either: (i) with the change in cash for the period, after adding/deducting all cash flows related to financial liabilities/assets (taking out/repaying financial receivables/payables) and equity (payment of dividends/capital injections); or (ii) with the change in net financial debt for the period, after adding/deducting the debt flows related to equity (payment of dividends/capital injections).

RECLASSIFIED CASH FLOW STATEMENT

(million euros)	2020	2021
Net profit	1,015	957
<i>Adjusted for:</i>		
- Amortisation, depreciation and other non-monetary components	17	16
- Dividends, interest and income taxes	(1,101)	(1,000)
Change in working capital due to operating activities	(30)	(198)
Dividends, interest and income taxes collected (paid)	1,111	1,042
Net Cash inflow from operating activities	1,012	817
Technical investments	(9)	(9)
Equity investments	(226)	(429)
Change in long- and short-term financial receivables	827	352
Free cash flow	1,604	731
Change in short-term financial receivables	(1,692)	(1,096)
Repayment of financial liabilities for leased assets	(4)	(4)
Change in current and non-current financial liabilities	1,171	(528)
Equity cash flow (a)	(893)	(816)
Net cash flow for the year	186	(1,713)

CHANGE IN NET FINANCIAL DEBT

(million euros)	2020	2021
Free cash flow	1,604	731
Bond conversion		3
Change in financial liabilities for leased assets	(2)	(1)
Equity cash flow (a)	(893)	(816)
Other non-monetary changes	(13)	(10)
Change in net financial debt	696	(93)

(a) Includes the cash flows deriving from the payment of the dividend to shareholders.

OTHER INFORMATION

TREASURY SHARES

In compliance with the provisions of Article 2428 of the Italian Civil Code, the treasury shares held by the Company at 31 December 2021 are analysed in the table below:

	No of shares	Average cost (euros)	Total cost (million euros)	Share capital (%) (**)
Treasury shares held by the Company at 31 December 2020	90,642,115	3.987	361	2.70
Movements 2021				
- Shares granted free of charge under the 2018 stock incentive plan	(-) 2,441,742	3.987	10	
- Purchases 2021	(+) 1,023,634	4.962	5	
- Shares allocated for early conversion of the Convertible Bond	(-) 667,779	3.998	3	
Treasury shares held by the Company at 31 December 2021	88,556,228	3.998	354	2.63

As at 31 December 2021, Snam held 88,556,228 treasury shares, (90,642,115 treasury shares, equal to 2.70% of the share capital at 31 December 2020), equal to 2.63% of the share capital, with an overall book value of 354 million euros. The market value of treasury shares at 31 December 2021 amounts to approximately 469 million euros⁴⁰. The reduction in the number of treasury shares compared with 31 December 2020 is attributable to: (i) the free allocation of 2,441,742 shares to Snam managers under the 2018 Stock Incentive Plan, the vesting period of which expired in July 2021, and the simultaneous repurchase, by the same managers, of 1,023,634 shares to cover the amount of taxes owed by them to the Tax Authority; (ii) the allocation of 667,779 shares to holders of the Snam convertible bond, against the request for partial conversion for a nominal value of 3.2 million euros.

The share capital at 31 December 2021 consisted of 3,360,857,809 shares (the same at 31 December 2020), with no nominal value, for a total value of 2,736 million euros.

The subsidiaries of Snam S.p.A. do not hold, and have not been authorised by their Shareholders' Meetings to acquire, shares in Snam S.p.A.

The Snam Ordinary Shareholders' Meeting, held on 28 April 2021, authorised, subject to revocation of the resolution to authorise a purchase of treasury shares by the Ordinary Shareholders' Meeting on 18 June 2020, for the part that remained non-executed, a share buy-back plan, to be carried out on one or more occasions through one or more primary intermediaries appointed by the Company, for a maximum duration of 18 months from the Shareholders' Meeting, with a maximum disbursement of 500 million euros and up to a maximum limit of shares in portfolio equal to 6.5% of subscribed and paid-up share capital.

⁴⁰ Calculated by multiplying the number of treasury shares by the period-end official price of 5.30 euros per share.

Incentive plans for executives with Snam shares

2020-2022 Long-Term Share-Based Incentive Plan

The Shareholders' Meeting of Snam, held on 18 June 2020 in ordinary session, approved the 2020-2022 long-term share-based incentive plan, conferring to the Board of Directors, every necessary power for the implementation of the Plan.

The plan is intended for Snam's Chief Executive Officer and managers, identified among those holding positions with the greatest impact on company results or with strategic importance for the achievement of Snam's long-term objectives, as well as any other positions identified in relation to performance achieved, skills possessed or with a view to retention, up to a maximum of 100 beneficiaries.

The Plan provides for three annual allocations for the period 2020-2022. Each allocation is subject to a three-year vesting period and consequently the actual vesting period is between 2023 and 2025, as illustrated in the scheme below:

The Board of Directors has determined that a maximum of 3,500,000 Shares will be used for each three-year cycle of the Plan. The Plan will be concluded in 2025, upon expiry of the vesting period for the last attribution envisaged in 2022.

Attribution	Performance period	End of vesting period	Assignments of shares
2020	2020-2022	2023	2023
2021	2021-2023	2024	2024
2022	2022-2024	2025	2025

The Plan envisages the free assignment of a variable number of Shares, depending on the individual attribution and the degree to which the Plan performance conditions are achieved. The number of shares accrued is subject to the achievement of performance conditions, verified for all Beneficiaries at the end of each three-year implementation period following a detailed process of verification of the results actually achieved by the Remuneration Committee.

The performance conditions of the Plan, calculated according to a linear interpolation criterion between minimum, target and maximum values, are linked to the following parameters:

- Adjusted net profit cumulated in the three-year period corresponding to the Performance Period, with a weight of 50%;
- Added Value which reflects the generation of the value of the regulated business, calculated as the change in the RAB over the three-year period corresponding to the Performance Period, added to the dividends distributed, the treasury shares repurchased and reduced by the change in net debt⁴¹;
- ESG metric, with a weight of 20%, measured through the results achieved with respect to 2 indicators, aiming at:
 - 1) reducing natural gas emissions (weight 10%) in the three-year period corresponding to the Performance Period;
 - 2) guaranteeing a fair representation of the less present gender in Snam's management team (weighing for 10%) in terms of the % of the less represented gender in executives and middle managers and out of all Group executives and middle managers.

41 The change in net debt is calculated excluding changes to working capital connected with regulatory dynamics and considering changes to commercial working capital.

It is also envisaged that an additional number of shares will be assigned - defined as “dividend equivalents” - according to the shares effectively assigned at the end of the vesting period. The number of additional shares to be allocated is determined by dividing the sum of the dividends distributed in the vesting period by the average price of the share recorded in the month prior to the assignment. For the Chief Executive Officer and the other Plan Beneficiaries, it is envisaged that 20% of the shares assigned, gross of those required to fulfil tax requirements, shall be subject to a lock-Up period.

For further information, see the “Information Document on the 2020-2022 Long-Term Share-Based Incentive Plan” prepared pursuant to Article 84-bis of the Issuers’ Regulations, available on Snam’s website.

Under the Plan, 1,277,996 shares were allocated for 2020 and 1,245,854 shares for 2021.

The expenses, relating to FY 2021, equal to the product of the number of shares expected to mature at maturity and their fair value at the grant date, were reported as a component of the personnel cost against a corresponding shareholders’ equity reserve, and came to 4 million euros.

2017-2019 Long-Term Share-Based Incentive Plan

On 11 April 2017 the Shareholders Meeting approved the 2017-2019 Long-term share-based incentive plan conferring all necessary powers on the Board of Directors to implement the plan.

Attribution	Performance period	End of vesting period	Assignments of shares
2019	2019-2021	2022	2022

The plan is intended for Snam’s Chief Executive Officer and managers, identified among those holding positions with the greatest impact on company results or with strategic importance for the achievement of Snam’s long-term objectives; it will end in 2022, when the vesting period expires relative to the last attribution of 2019.

The number of shares that accrue is subject to the performance conditions being achieved, calculated as the average of the annual performance of the parameters identified in the three-year vesting period, which affect EBITDA, adjusted net profit and sustainability.

The Plan also involves the beneficiaries receiving, at the end of the vesting period, a Dividend Equivalent, or an additional number of shares equivalent to the ordinary and extraordinary dividends distributed by Snam during the vesting period due on the number of shares effectively granted to the beneficiaries by way of performance levels achieved under the terms and conditions of the Plan. In addition, a lock-up period of two years on 20%⁴² of the allocated shares is envisaged for the Chief Executive Officer and the other allocated managers, as recommended by the Corporate Governance Code.

42 The percentage reaches about 40% in case of sale of shares assigned to pay the relevant taxes.

With reference to the 2017-2019 Long-Term Share-Based Incentive Plan, approved by the Snam Shareholders' Meeting on 11 April 2017, a total of 5,385,372 shares were granted, of which 1,368,397 shares valid for the 2017 allocation (allocated for 1,511,461 shares in July 2020, at the end of the vesting period), 2,324,413 shares valid for the 2018 allocation (allocated for 2,441,742 in July 2021, at the end of the vesting period) and 1,692,562 shares valid for the 2019 allocation.

With respect to the allocations still outstanding, the charges recognised in 2021 as a component of labour costs, against a corresponding reserve in equity, amount to approximately 4 million euros.

For more information on the terms and conditions of the Plan, see the "Information Document 2017-2019 Long-Term Share-Based Incentive Plan" prepared pursuant to article 84-bis of the Issuers' Regulation, available on the Snam website.

Compensation paid to directors and statutory auditors, general managers and Key Managers, and investments held by each of these

Information on the compensation paid to directors and statutory auditors, general managers and Key Managers, and the equity investments held by each of these, can be found in the Remuneration Report, which is prepared in accordance with Article 123-ter of Legislative Decree 58/1998 (TUF). The Remuneration Report is available on the Snam website (www.snam.it) in the Governance section, to which reference is made.

Transactions with related parties

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

Considering the de facto control of CDP S.p.A. over Snam S.p.A., based on the current Group ownership structure the related parties of Snam are represented by Snam's associates and joint ventures as well as by the parent company CDP S.p.A. and its subsidiaries and associates, as well as subsidiaries, associates and companies under joint control (directly or indirectly) with the Ministry of Economy and Finance (MEF).

Operations with these parties mainly involve the exchange of goods and the provision of regulated services in the gas sector.

These transactions are part of ordinary business operations and are generally settled at market conditions, i.e. the conditions which would be applied for two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group.

Pursuant to the provisions of the relevant legislation, the company has adopted internal procedures to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and statutory auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

No management or coordination activity of CDP S.p.A. has been formalised or exercised.

As at 31 December 2021, Snam manages and coordinates its significant subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code.

The amounts involved in commercial, miscellaneous and financial relations with related parties, descriptions of the key transactions and the impact of these on the statement of financial position, income statement and cash flows, are provided in Note 35 "Transactions with related parties" of the Notes to the consolidated financial statements.

Relations with Key Managers ("Key Managers") are shown in Note 28 "Operating costs and expenses" of the Notes to the consolidated financial statements.

Performance of subsidiaries

For performance information concerning the segments in which the Company operates wholly or in part through subsidiaries, please refer to the sections "Business segment operating performance" and "Financial review" within this Report.

Branch offices

As required by Article 2428, paragraph five of the Italian Civil Code, it is noted that Snam does not have branch offices.

Research and Development

Research and development activities performed by Snam are described in the section "Strategy - The Towards Net Zero strategy" of this Report.



BUSINESS SEGMENTS OPERATING PERFORMANCE



SNAM REGULATED INFRASTRUCTURE IN ITALY



NATURAL GAS TRANSPORTATION

	Entry points	9
	Compression stations	13
	Pipelines under operations	32,767 km
	national network	9,655 km
	regional network	23,112 km
	Natural gas injected in the network	75,77 bn m ³
	national production	3.13 mld m ³
	imported	72.64 bn m ³
	Employees	1,843

LNG REGASIFICATION

	Regasification plants	1
	Lng carriers docked	25
	Regasified gas	17,500 bn m ³
	Maximum capacity Of daily regasification	57 m ³
	Employees	65

NATURAL GAS STORAGE

	OPERATING CONCESSIONS	9
	NATURAL GAS MOVED IN STOCK	18.41 bn m ³
	injected	8,74 bn m ³
	supplied	10.12 bn m ³
	Total storage capacity	16.5 bn m ³
	of which available	12,0 bn m ³
	of which strategic	4.5 bn m ³
	Employees	66

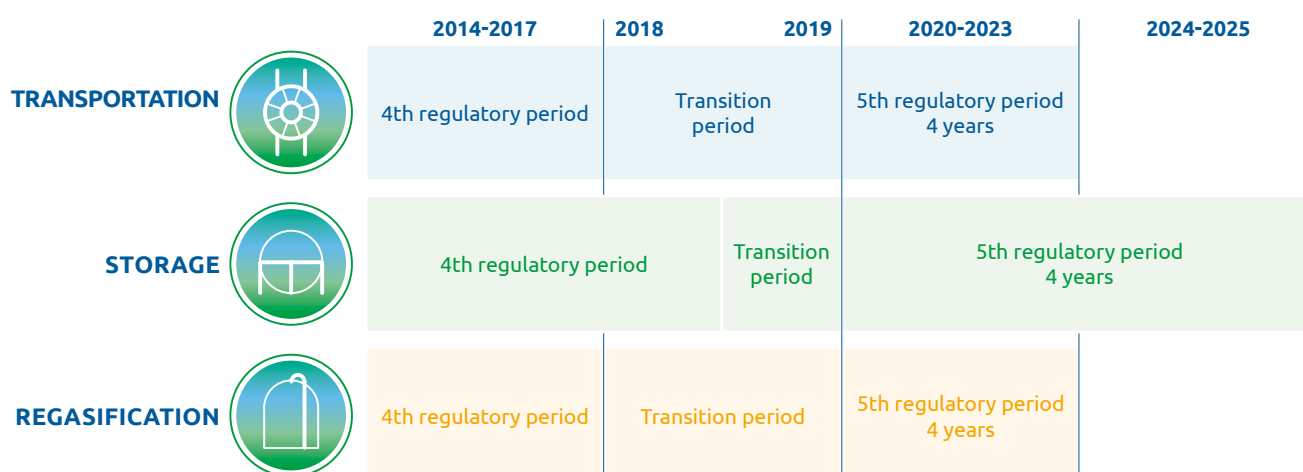
DIRECTORS' REPORT - INTEGRATED REPORT / BUSINESS SEGMENTS OPERATING PERFORMANCE

APPLICABLE REGULATORY FRAMEWORK AND PRINCIPAL DEVELOPMENTS

TARIFF REGULATION IN ITALY

With resolutions 114/2019/R/gas, 474/2019/R/gas and 419/2019/R/gas the Authority defined the tariff criteria for the fifth regulatory period, respectively for transportation and regasification activities (1 January 2020-31 December 2023) and for storage activities (1 January 2020-31 December 2025).

The following is the timeline connecting the current and previous regulatory periods, including the transitional period:



Below are the main tariff elements for each of the regulated activities carried out by Snam, based on the regulatory framework in force for 2021 and a summary of the changes for 2022 relating, in particular, to the rate of return on invested capital (WACC).

More information on the main regulatory measures with an impact on the current tariff system, and the changes in 2021 with reference to each business sector, is provided in the following paragraph “Main measures of the tariff framework of the business sectors and the changes in 2021”.

	TRANSPORTATION	REGASIFICATION	STORAGE
End of period of regulation (TARIFF)	5th period: 1 January 2020 – 31 December 2023	5th period: 1 January 2020 – 31 December 2023	5th period: 1 January 2020 – 31 December 2025
Calculation of capital net capital invested recognised for regulatory purposes (RAB)	5th period: Historic cost revalued Working capital recognised 0.8%	5th period: Historic cost revalued Working capital recognised 0.8%	5th period: Historic cost revalued Working capital recognised 0.8%
Remuneration of net invested capital recognised for regulatory purposes (WACC pre-tax)	5th period: 5.7% Years 2020-2021; 5.1% Year 2022 (*) LIC remuneration: - WACC 5.3% Years 2020-2021 - WACC 4.8% Year 2022 (*)	5th period: 6.8% Years 2020-2021; 6.1% Year 2022 (*) LIC excluded	5th period: 6.7% Years 2020-2021; 6% Year 2022 (*) LIC excluded
Incentives for new investments	5th period: (investments during financial year by 2022): +1.5% for 10 years (investments in new capacity of transportation and with cost analysis-benefits >1.5)	5th period: Withholding 40% of revenues flexibility services (covering revenues not subject to guarantee factors)	5th period: Withholding 50% of revenues from auctions short-term Possible optional strengthening of the percentage, against % reduction, revenue guarantees
Efficiency factor (X FACTOR)	5th period: 0.7% on operating costs (**)	5th period: 3.1% on operating costs	5th period: 1% on operating costs

(*) The rate of return on net invested capital (WACC) from 1 January 2022 was set by the Authority in Resolution 614/2021/R/com, published on 23 December 2021. The duration of the regulatory period for the WACC (PIWACC) for infrastructural regulations for the gas sector was set at six years (2022-2027) and a mechanism was established to adjust the rate halfway through the period, based on current trends.

(**) Referring to the largest transportation company.

The remuneration rate of net invested capital (WACC)

The **remuneration rate for net invested capital (WACC)** as of 1 January 2016 was set by the Authority with resolution 583/2015/R/com of 2 December 2015 “Remuneration rate for capital invested in infrastructural services for the electric and gas sectors: criteria for determination and update”. **The duration of the regulatory period for the WACC (TIWACC)** for infrastructural regulations for the gas sector **was set at six years** (2016-2021) and a mechanism was established to adjust the rate halfway through the period, based on current trends. By Resolution 639/2018/R/COM of 6 December 2018, the Authority updated the rate of return on capital employed for regulated infrastructure services in the gas sector for the year 2019. The respective resolutions defined the tariff adjustment criteria for the 5th regulatory period for this type of business, confirmed the value of the Beta parameter for all sectors for the year 2020, keeping the WACC unchanged for that year, in line with the TIWACC regulations.

With Resolution 380/2020/R/gas, published on 15 October 2020, the Authority began proceedings to determine the remuneration rate for capital invested (WACC) in the electricity and gas sectors for the second regulatory period, starting on **1 January 2022 (II PWACC)**. The document provides some **general guidelines**, which include:

- the duration of the II PWACC shall be no less than 4 years;
- an infra-period revision to allow adjustments to the WACC based on current trends;
- confirmation of the current general methodology (weighted average of Ke and Kd, use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
- identification of as detailed as possible criteria for estimating the Beta, to improve the predictability of the model and reduce the level of discretion;

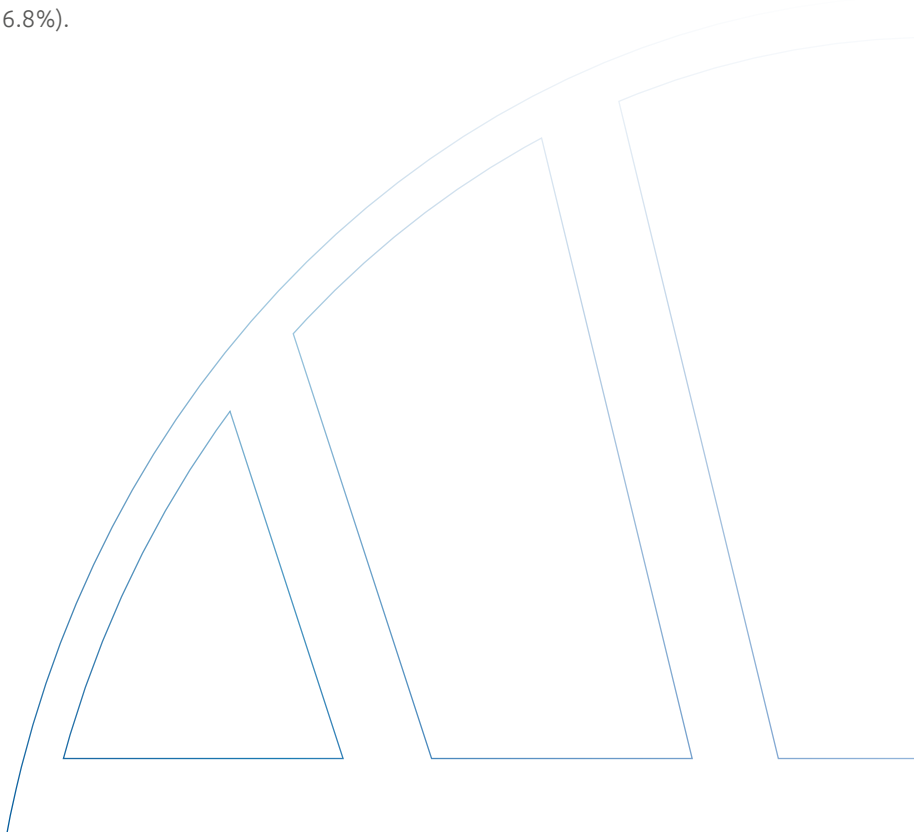
- as part of preparatory activities to develop regulations for spending and service objectives, the start of a process to align regulations for electricity and gas infrastructure, in relation to criteria for recognition of capital invested and operating costs, to make the regulations as homogeneous as possible and avoid imbalances on returns on capital invested linked to differences in the regulatory treatment of specific operating cost items and capital.

The resolution established that documents will be made available for consultation containing the Authority's guidelines, as well as the possibility to call for hearings to consult with interested entities and associations.

During 2021, the Authority published two **consultation** documents, Consultation Document 308/2021/R/com, published on 16 July 2021, containing its initial guidance and Consultation Document 488/2021/R/com, published on 12 November 2021, containing the Authority's final guidance on the criteria for calculating and updating the rate of return on invested capital.

- NEW** The two consultation documents were then followed by **Resolution 614/2021/R/com, published on 23 December 2021**, in which the Authority defined the criteria for calculating and updating the rate of return on capital employed for infrastructure services in the electricity and gas sectors for the second period (II PWACC), the main aspects of which are:
- duration of the PIWACC 6 years (2022-2027);
 - mid-term review of baseline parameters and possibility of annual review in the event of a 50 bp change in WACC (trigger mechanism);
 - confirmation of the current general methodology (weighted average of K_e and K_d , use of CAPM and confirmation of the use of the Country Risk Premium as an addendum, which reflects the Country Risk Premium);
 - risk-free asset rate without floor with introduction of additional parameters (Convenience Premium, Forward Premium, Uncertainty Premium) to reflect actual market conditions;
 - new methodology for calculating the cost of debt (K_d), based on the iBoxx index and with a distinction between existing and new debt, with a gradual implementation of the new methodology;
 - beta revision for businesses with a current Beta of less than 0.4;
 - confirmation of the corrective factor for taxation on nominal yields (F-factor).

The Resolution leads to **rates of return for the year 2022** in real terms before tax of 5.1% for the transmission service (previous 5.7%), 6.0% for storage (previous 6.7%) and 6.1% for regasification (previous 6.8%).



RELATIONS WITH THE REGULATORY AUTHORITY

Over the years Snam has established a constructive relationship and effective cooperation with the Italian Regulatory Authority for Energy, Networks and the Environment – ARERA in the various sectors in which Snam works

RELATIONS WITH THE REGULATORY AUTHORITY (No.)

	2019	2020	2021
Natural gas transportation			
Responses to consultation documents and service proposals	5	4	7
Tariff proposals	4	6	7
Data collection	137	97	100
Investigations (*)	0	0	0
Proposals to amend/update codes and contractual documents (**)	6	9	6
Proposals to amend/update codes and contractual documents (approved)	6	8	8
Natural gas storage			
Responses to consultation documents and service proposals	2	0	3
Tariff proposals	3	2	2
Data collection	45	33	59
Proposals to amend/update codes and contractual documents (**)	4	1	0
Proposals to amend/update codes and contractual documents (approved)	4	1	2
Regasification of Liquefied Natural Gas			
Responses to consultation documents and service proposals	2	0	2
Tariff proposals	2	1	2
Data collection	24	22	20
Proposals to amend/update codes and contractual documents (**)	0	1	1
Proposals to amend/update codes and contractual documents (approved)	0	1	1

(*) Information sent to the Authority during 2020 relative to investigations in the sector. Includes exploratory investigations.

(**) Also includes proposals still being evaluated by ARERA, including agreements and contractual documents involving operators in the regulated services sector.

Gas Market Monitoring

As part of its evaluations of the gas market and services, the Authority has mandated Snam, as the largest company, for structural aspects and phenomena relating to the functioning of the Gas System, and the Gestore dei Mercati Energetici, for the competitive aspects of the gas market, to support the Regulator's monitoring activities through (i) the preparation of an integrated database of key data relating to transportation and balancing, storage and regasification services, made available by Snam to the Regulator and fed on a daily basis; (ii) the provision of indices and reports on a regular basis as part of the operation of balancing and the balance of the system; (iii) further specific analyses at the request of the Authority.

In particular, in 2021, more than 17,300 data flows and periodic reports were submitted to the Authority, in accordance with its instructions, and analyses were carried out in relation to services (transport, storage and regasification) in support of the activities of the Regulator. For the management of these activities, conventions, manuals and dedicated technical specifications are shared with the GME and approved by the Authority.

RELATIONS WITH THE REGULATORY AUTHORITY RELATIVE TO GAS MARKET MONITORING IN 2020 (No.)

Description	Transportation	Storage	Regasification
Reports/analysis (with reference to all business)	12	-	1
Monitoring conventions, manuals and specifications (with reference to all business)	2	2	2
Reports and data flows	13,902	2,472	931

MAIN PROVISIONS OF THE TARIFF FRAMEWORK OF THE SECTORS OF ACTIVITY AND THE NOVELTIES OF 2021

NATURAL GAS TRANSPORTATION

Regulation for the fifth regulatory period 2020 - 2023

Tariff adjustment criteria for the natural gas transportation and metering service for the fifth regulatory period (2020-2023)

Through resolution 114/2019/R/gas, published on 29 March 2019, the Authority defined the regulation criteria of the natural gas transportation tariffs for the fifth regulatory period (1 January 2020-31 December 2023).

The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.364, with the WACC remaining unchanged at 5.7% before tax for the years 2020-2021, in line with the TIWACC framework. Works in progress are included in the calculation of the RAB predicting a real pre-tax return of 5.3%. The inclusion in the RAB of investments made in the year t-1 for the purpose of remuneration to compensate the regulatory time-lag is also confirmed.

Limited to the interventions included in the Development Plans that will come into operation in the years 2020-2021-2022 with a cost/benefit ratio of more than 1.5, a greater WACC of +1.5% for 10 years is applied.

The revenue component relating to the return and amortisation and depreciation is updated on the basis of an annual recalculation of net invested capital (RAB) and additional revenue from the higher rate of return for investments realised in prior regulatory periods. Amortisation and depreciation are calculated based on the useful economic and technical life of the transportation infrastructure.

Operating costs recognised for 2020 are calculated based on effective recurring costs for 2017, increased by the greater efficiency achieved in the current period (50% profit sharing), with the possibility of including any recurring costs for 2018 if adequately justified. The application of the price-cap method for the purpose of updating operating costs is confirmed, envisaging an X-factor to return the greater efficiency achieved in the fourth regulatory period to users in 4 years.

It is expected that the largest transportation business will procure quantities of gas to cover self-consumption, leaks and unaccounted for gas (UFG) under the scope of the centralised market. The quantities of gas recognised are assessed based on the weighted average price of forward products with delivery to the PSV (Virtual Trading Point) in the reference tariff year. The resolution includes the recognition of the difference between the price recognised for these volumes and the effective procurement price, deferring the definition of the detail mechanism to the next provision. For more details, please see the section below, "UFG - Unaccounted for gas".

With regard to tariff structure, the current methodology for determining the capacity/commodity split was confirmed, providing for capacity revenue to cover capital costs (return and amortisation and depreciation) and commodity revenue to cover recognised operating costs. The current revenue correction factor applied to the capacity component (100% guaranteed) and to the component related to transported volumes (allowance $\pm 4\%$) is confirmed. With reference to the metering service, a mechanism to cover revenues similar to that of the transportation service (100% guaranteed) was introduced.

The tariff structure based on the entry/exit model is confirmed, including not only the domestic network but also the regional network in the reference price methodology. The entry and exit capacity fees are calculated using the capacity weighted distance methodology (CWD) with the revenues distributed between the entry and exit points 28/72.

A variable fee was introduced, applied to volumes transported, intended to cover the operating costs recognised, the costs relating to the Emission Trading system, ratifying the principle of neutrality adopted by the business in relation to price risk and offering incentive for virtuous behaviour aimed at reducing CO₂ emissions, and the costs of procurement of quantities to cover self-consumption, leaks and UFG. This fee is applied to the transportation network entry points and is calculated annually based on the volumes effectively withdrawn in the year t-2.

Finally, it is established that the definition will be deferred of the regulation criteria regarding quality of the natural gas transportation service for the fifth regulatory period, promoting experimental innovative uses of the transportation networks, as well as in respect of the restructuring of the metering services, as a result of specific consultation to be carried out in 2019. In this regard, with Resolution no. 554/2019/R/gas, published on 23 December 2019, the Authority has approved the new Integrated Text for the regulation of the quality of the gas transportation service, which contains provisions on service continuity, safety and commercial quality, valid for the fifth regulatory period 2020-2023.

Approval of 2020 Revenues

With Resolution 201/2019/R/gas, published on 28 May 2019, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2020. The revenues recognised for the natural gas transportation service for the year 2020 amount to 2,096 million euros. The RAB used to calculate 2020 revenue for the transportation, dispatching and measurement business was 16.4 billion, and included the investments estimated for 2019.

Approval of revenues for the year 2021

With Resolution 180/2020/R/gas, published on 26 May 2020, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2021. The revenues recognised for the natural gas transportation service for the year 2021 amount to 2,121 million euros. The RAB used to calculate 2021 revenue for the transportation, dispatching and measurement business was 16.8 billion, and included the investments estimated for 2020.

Approval of revenues for the year 2022

With Resolution 230/2021/R/gas, published on 3 June 2021, the Authority approved the recognised revenues and fees for the natural gas transportation, dispatching and metering service for the year 2022. The revenues recognised for the natural gas transportation service for the year 2021 amount to 2,174 million euros. The RAB used to calculate 2022 revenue for the transportation, dispatching and measurement business was 17.1 billion, and included the investments estimated for 2021.

Initiation of proceedings for the formation of measures concerning tariffs and quality of natural gas transmission and measurement service, for the sixth regulatory period (6PRT)

With Resolution no. 617/2021/R/gas, published on 27 December 2021, the Authority began the process of revising the provisions on tariffs and quality of service for natural gas transportation and measurement activities for the sixth regulatory period. As part of these proceedings, the Authority has indicated its intention to define the criteria for determining the reference revenue in coordination with the ROSS regulatory principles, based on total expenditure.

Balancing and gas settlement

Amendments to the Integrated Text on Balancing (TIB)

By Resolution No. 45/2020/R/gas, the AEEG approved several amendments to the Integrated Text for balancing and the Integrated Text for monitoring the wholesale natural gas market, which are functional to the definition of the parameters for the incentive system of the Balancing Manager for the fourth incentive period from 20 February 2020 to 31 December 2021.

The measure confirmed the incentive scheme in place, based on three performance indicators (p1, p2, p3) that measure respectively the goodness of the System's forecasts of requirements (p1) and the efficiency of the Balancing Manager's balancing actions (p2 linked to the intervention prices of the Balancing Manager and p3 on the residual balance sheet), providing for profit sharing with the System of part of the annual bonus. Two new performance indicators have also been introduced (p4 already defined with Res. 208/2019/R/gas and p5), linked to the start of the new Settlement regime, which measure Snam Rete Gas's efficiency in supplying the quantities of gas needed to operate the network.

In addition, the Authority has referred to further evaluations and to the examination of the performance results for 2020, the introduction of a new incentive based on the forecast by the person in charge of Balancing withdrawals during the gas day.

NEW In this regard, with Resolution 577/2021/R/gas, published on 16 December 2021, the Authority initiated a procedure for the definition of the incentive parameters for the balancing manager for 5PI and at the same time extended the deadline for the application of the incentive parameters referred to in point 4, letters a) and b) of Resolution 45/2020/R/gas until 30 April 2022.

Other measures

NEW Certification of Snam Rete Gas and Infrastrutture Trasporto Gas as natural gas transmission system operators

As part of the energy transition, at the request of Snam Rete Gas S.p.A. and Infrastrutture Trasporto Gas S.p.A., the Authority, by way of Resolution 570/2020/R/gas, published on 28 December 2020, initiated a procedure for the recertification of companies as transmission system operators under ownership unbundling pursuant to Article 9 of Directive 2009/73/EC.

The process set out in the current regulations provides for the Regulatory Authority to notify the European Commission, in order to obtain an opinion on compatibility with the applicable regulations.

NEW Reorganisation of gas measurement activities at entry and exit points of the transmission network

With Resolution no. 512/2021/R/gas, published on 23 November 2021, the Authority introduced specific regulations for the reorganisation of measurement activities in gas transportation, with the aim of improving the accuracy and reliability of measurements at the delivery and redelivery points of the network. The new regulation defines roles and responsibilities of different players in relation to measurement and reading activities. It introduces specific standards (minimum and optimum) applied to owners of metering installations who will be subject, from 2024 onwards (after an initial trial period) to a sanctioning mechanism in the event of failure to meet the required quality levels. The right to transfer ownership of the metering plant to the transmission company (by taking over the business) was also introduced, with the application of the regulated tariff (CMcf metering tariff) for the provision of the service with a 50% discount for 4 years in order to encourage transfers.

NEW Service of technical interruptibility of withdrawals from the natural gas transmission and distribution network in emergency conditions

By way of Resolution 511/2020/R/Gas published on 2 December 2020 and Resolution 586/2021/R/gas published on 16 December 2021, the Authority adopted the provisions on the technical interruptibility of withdrawals from the natural gas transportation and distribution network, for the thermal year 2020/2021 and the thermal year 2021/2022 respectively, pursuant to the Decree of the Minister for Economic Development of 30 September 2020.

In particular, the following have been defined:

- the modalities for the implementation of the interruptibility service and the sanctions to be applied to the entities selected for the service which have not provided for the reduction of withdrawals in case of activation,
- the modalities for participation in the procedure for awarding the service based on economic merit and the maximum prices for awarding the service,
- the modalities for the exemption of entities providing the interruptibility service from the payment of tariff fees remunerating the strategic storage service and the storage service revenue coverage factor, pursuant to Article 60, paragraph 7-bis of Decree-Law 76.

The economic regulation of fees and penalties to Interruptible Customers is carried out by the Fund for Energy and Environmental Services through the largest transport company.

LIQUEFIED NATURAL GAS (LNG) REGASIFICATION

Regulation for the fifth regulatory period 2020 - 2023

Criteria for adjusting the tariffs for the liquefied natural gas regasification service for the fifth regulatory period (2020-2023)

Through resolution 474/2019/R/gas, published on 21 November 2019, the Authority defined the criteria for calculating the revenues recognised and the tariffs for the regasification service for the fifth regulatory period (1 January 2020-31 December 2023).

The duration of the regulatory period was confirmed as 4 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method.

The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.524, with the WACC remaining unchanged at 6.8% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period. The revenue guarantee mechanism is confirmed as 64% of revenues recognised for a duration of 20 years starting from the first year in which the business offers the regasification service or, if prior to that, from the first year of ownership of the guarantee factor pursuant to resolution ARG/gas 92/08.

In order to give incentive to the range of flexible services offered, there are plans that a share of 40% of revenues from the offering of these services can be retained by the regasification business to cover the revenues not subject to the revenue guarantee factor, up to the recognised revenues.

Recognition of variable electricity costs will be introduced (dependent on the unloading of ships and regasification of LNG) through a fee applied to users. Costs relating to electricity for the basic operation of the terminal continue to be recognised in the reference revenues.

There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and offering incentive for virtuous behaviour aimed at reducing CO₂ emissions.

Approval of 2020 Revenues

With resolution 43/2020/R/gas "Approval of the tariffs for the LNG regasification service for 2020 and amendments and additions to the RTRG", published on 19 February 2020, the Authority approved the revenues recognized for the service of regasification for 2020 on the basis of the proposal presented by GNL Italia. The tariffs were determined on the basis of reference revenues of 25.1 million euros and energy costs of approximately 3.1 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 121.8 million euros.

At the same time, the Authority published the definitive 2019 revenues with a total amount of 26.8 million euros, based on the final 2018 balance sheet data.

Approval of revenues for the year 2021

By means of Resolution no. 229/2020/R/gas "Approval of tariffs for the LNG regasification service for the year 2021 and provisions relating to the revenue coverage factor for 2019", published on 26 June 2020, the Authority approved the revenues recognised for the regasification service for the year 2021 based on the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 26.6 million euros and energy costs of approximately 4.3 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 129 million euros.

At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2019 for an amount of approximately 11 million euros.

NEW Approval of revenues for the year 2022

With Resolution 268/2021/R/gas “Approval of tariff proposals for the LNG regasification service for 2022 and provisions in relation to the revenue coverage factor for 2020”, published on 30 June 2021, the Authority approved the revenue recognised for the regasification service for 2022 on the basis of the proposal submitted by GNL Italia. The tariffs were determined on the basis of reference revenues of 28.9 million euros and energy costs of approximately 8.1 million euros. The revenue coverage factor has been set at 64% of the reference revenue. The RAB for LNG regasification activities was 147.3 million euros. At the same time, the Authority gave the go-ahead for the payment by the CSEA of the amounts due in relation to the revenue coverage factor for the year 2020 for an amount of approximately 3.8 million euros.

NATURAL GAS STORAGE

Regulation for the fifth regulatory period 2020 – 2025

Criteria for adjusting the tariffs for the natural gas storage service for the fifth regulatory period (2020-2025)

Through resolution 419/2019/R/gas, published on 23 October 2019, the Authority defined the criteria for calculating the revenues recognised for the storage service for the fifth regulatory period (1 January 2020-31 December 2025).

The duration of the regulatory period will be extended from 4 to 6 years. The valuation of the net capital invested (RAB) is based on the revalued historical cost method. The net invested capital remuneration rate Beta parameter (WACC) remains fixed at 0.506, with the WACC remaining unchanged at 6.7% before tax for the years 2020-2021, in line with the TIWACC framework.

Works in progress (LIC) remain excluded from the calculation of the RAB, at the same time as the recognition of financing expenses (IPCO). The operating costs recognised are calculated based on the recurring effective costs for the last available year (2018), plus the greater efficiencies achieved in the current period (50% profit sharing), with the size of the efficiency factor (X factor) designed to restore the greater efficiencies achieved in the fourth period to consumers in the fifth regulatory period.

The mechanism for hedging revenues will be extended to cover 100% of the reference revenues, also predicting the storage businesses can optionally access an updated incentive system following the remodelling of the share of revenue recognised subject to the hedge factor. The methods for recognising renewal costs are confirmed.

There are plans to recognise the costs relating to the Emission Trading System (ETS), ratifying the neutrality principle of the business in relation to the price risk and encouraging virtuous behaviour aimed at reducing CO₂ emissions.

Lastly the resolution approves the regulatory provisions for the quality of the storage service for the period 2020-2025.

Approval of 2020 Revenues

By means of Resolution 535/2019/R/gas, published on 19 December 2019, the Authority approved the revenue recognised for the storage service for 2020. The recognised revenues amounted to Euro 491 million. The RAB for storage activities was 4.0 billion.

Approval of 2021 Revenues

By means of Resolution 275/2020/R/gas, published on 23 July 2020, the Authority approved the revenue recognised for the natural gas storage service for 2021. The recognised revenues amounted to Euro 486 million. The RAB used for the calculation of revenues 2021 is 3.95 billion and includes the estimated investments for the year 2020.

NEW Approval of 2022 Revenues

By means of Resolution 346/2021/R/gas, published on 04 August 2021, the Authority approved the revenue recognised for the natural gas storage service for 2022. The recognised revenues amounted to Euro 493.7 million. The RAB used for the calculation of revenues 2022 is 3.97 billion and includes the estimated investments for the year 2021.

Resolution 31/2021/R/Gas - Extension of the validity of the incentive parameters for the company Stogit S.p.A.

With Resolution 31/2021/R/Gas, the Authority extends to 31 March 2021 the validity of the incentive parameters pursuant to Article 29 of the RAST, originally provided for until 31 December 2020 by Resolution 232/2020/R/gas.

NEW Resolution 202/2021/R/Gas - Amendments to the RAST and definition of incentive parameters for the year 2021 for Stogit S.p.A.

With Resolution 202/2021/R/Gas, published on 24 May 2021, the Authority confirmed the incentive scheme provided for in the RAST, until the end of 2021. ARERA also introduced further incentives for primary capacity offered on a daily basis, in addition to seasonal capacity, through the use of a linear function between 40% and 80% (80% in the case of capacity offered above 10MSmc/d).

NEW Resolution No 347/2021/R/Gas - Initiation of proceedings for the intra-period review of the efficiency recovery levels of natural gas storage companies for the fifth regulatory period 2020-2025

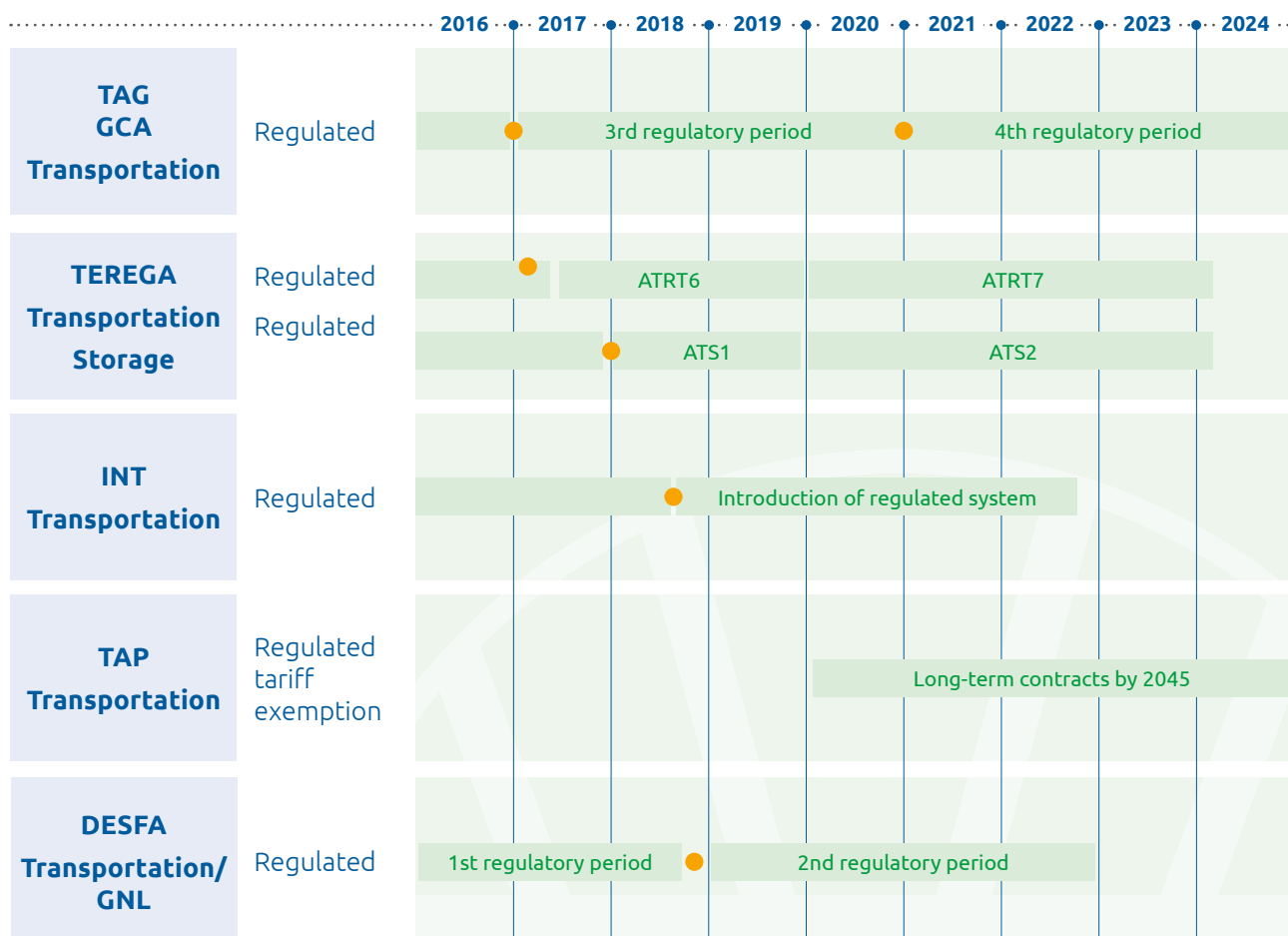
With Resolution 347/2021/R/gas, published on 4 August 2021, the Authority initiated proceedings to revise the criteria for determining the level of efficiency recoveries (X-factor) for the natural gas storage service relevant for the purposes of tariff updates for the years 2023-2025. The procedure is expected to be completed by 30 April 2022.

NEW Resolution 54/2022/R/gas - Definition of the incentive parameters for Stogit S.p.A. for the fourth incentive period (4PI)

With Resolution 54/2022/R/gas, published on 18 February 2022, the Authority approved the parameters of the incentive system provided for in Article 29 of the RAST, for the company Stogit, for the period 1 January 2022 - 31 December 2023. The approved parameters are in line with the structure approved in Resolution 202/2021/R/gas for 3PI.

Regulation in European countries of interest to Snam: main characteristics

Snam constantly monitors developments in the regulations within the various European countries in which it has a presence through international equity investments. Below is a summary of the main drivers with regards to the regulatory structures of reference:



TRANSPORTATION

- Regulatory revision for the fourth period (2021 - 2024) completed in June 2020
- RAB differentiated between equity financed portion (Revalued Historical Cost) and debt financed portion (Book Value). Additionally, different treatments are established for old assets (prior to 2012) and new investments;
- Different remuneration rates are established for the portion of RAB financed with equity (Cost of Equity(*) 8.94 Real Pre Tax) and the portion financed with debt (Cost of Debt 1.61 Nominal Pre Tax).
- The capex incurred starting from 2021 are remunerated through a "single WACC" rate of 4.982% nominal pre-tax



TRANSPORTATION

- RAB annually revalued using inflation (Consumer Price Index), taking new investments and amortisation/depreciation into account (Current economic cost method);
- WACC remuneration rate of 4.25% Real Pre-Tax.

STORAGE

- Storage under regulated regime from January 2018;
- WACC remuneration rate of 4.75% Real Pre-Tax; RAB of around 1.3 billion.



TRANSPORTATION

- Under an exemption regime until October 2018;
- Switch from an exemption regime to a regulated regime without volume risk protection, upon maturity of long-term contracts (October 2018).



- Third Part Access exemption on initial capacity (10bcm/y);
- Exemption from tariff regulation on initial capacity and expansion.



TRASPORTO/GNL

- RAB based on historic cost, Work in Progress remunerated by WACC;
- Nominal Pre-Tax Remuneration rate 2019-2022 period: 8.22%, 7.84%, 7.52%, 7.44%
- RAB approximately 0.8 billion euros (Transportation + LNG)
- Socialisation of the cost of LNG in the transportation tariff (50% from 2020 vs. previous 75%)
- Recovery of the old Recoverable Difference accumulated between 2006 - 2016, around 326 million euros, distributed over 16 years, from 2017 - 2032

PROVISION AND DEVELOPMENT OF REGULATED SERVICES

In 2021, 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. In particular, the creation of a single Commercial Control Room to manage daily movements and deliveries of gas and network balancing has led to improved performance, by integrating know-how from various sectors.

RELATIONS WITH THE ARERA

	2019	2020	2021
Transportation			
Active customers (shippers) (no.)	150	145	160
New connection agreements for delivery/redelivery/interconnection points (no.)	123	103	88
Contractualised transportation capacity/Available transportation capacity (entry points interconnected w/foreign countries) (%)	64	57	50
Compliance with connection demand emission times (%)	100	100	100
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	100
Interruptions with adequate notification (%)	97	95	96
Storage			
Active customers (shippers) (no.)	83	91	81
Contractualised storage capacity/Available storage capacity (%)	100	100	89,6
Compliance with execution times for services subject to specific commercial quality standards (%)	100	100	100
Connection flow line subject to monitoring (%)	100	100	100
Total capacity not made available due to service interruptions/reductions (%)	0	0	0
Regasification			
Active customers (shippers) (no.)	6	5	2
Compliance with maximum time for accepting monthly delivery scheduling proposals (%)	100	100	100
Compliance with maximum Terminal capacity interruption/reduction time for maintenance (%)	100	100	100

COMMERCIAL DISPATCHING AND PHYSICAL DISPATCHING AT THE SERVICE OF CUSTOMERS

Balancing is the key concept for the operation of the gas system and has a dual significance:

- The **physical balancing** of the system consists of the set of operations through which the Transporter, through its physical Dispatching, controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times;
- **Commercial balancing**, i.e. the set of actions through which each User ensures the equality between its own quantities injected into and withdrawn from the network, as well as all the activities necessary for the correct accounting and allocation of the gas transported and the system of fees that encourages Users to maintain the equality between the quantities injected into and withdrawn from the network.

Snam Rete Gas, in its capacity as Balancing Manager, if it considers that the actions taken by the Users, responsible for their own positions in or withdrawn from the network, do not prove sufficient to balance the System, it shall carry out balancing on a residual basis by resorting to non-discriminatory balancing actions aimed at keeping the System within its operating limits and restoring a correct pressure level in the transportation network consistent with the economic and efficient operation of the network itself.

As of 2016, commercial dispatching operates on call 24 hours a day, seven days a week, guaranteeing the collection, verification and confirmation of transport, regasification and storage schedules sent by shippers.

Commercial Dispatching works closely with Physical Dispatching, which ensures the safe and efficient movement of gas from injection points to withdrawal points according to the schedules communicated by the shippers.

Trading on the Gas Exchange for the purpose of balancing the System is carried out, where deemed necessary, by a dedicated team of traders, who also ensure, on a daily basis, the supply of operating gas (to cover needs such as consumption, leaks, unaccounted for gas).

Commercial dispatching also ensures the processing and publication, on an hourly basis, of functional information on system balancing by shippers, in accordance with the information requirements of the Balancing Network Code (EU Regulation 312/2014). Each shipper is also provided, twice a day, with information on gas withdrawals measured during the day at his own redelivery points.

Commercial Dispatching also **manages the Virtual Trading Point**, where shippers and traders carry out gas transactions.

Flexibility and Default Services



TRANSPORTATION

Flexibility services

The possibility of reserving transportation capacity not only on an annual basis, but also on a monthly, daily and hourly basis allows shippers to redeliver gas to all end customers directly connected to the Snam Rete Gas network (industrial users, natural gas distribution plants, thermoelectric power plants) rather than at interconnection points with distribution companies which, in turn, have the task of routing gas along the local networks they manage.

An example of such flexibility is the service provided at power plants using gas for electricity production, where shippers, by paying only the quota of booked capacity instead of the tariff for the whole thermal year, are provided with booking arrangements capable of coping in a timely and efficient manner with the variability of the operating conditions of the system.

Default services

In order to ensure the correct functioning of the network and guarantee the continuity of withdrawals to all directly or indirectly connected customers, Snam Rete Gas also acts as Default Transportation Supplier, guaranteeing the balancing on the transportation network even in transitory situations in which the shipper responsible for gas withdrawals cannot be identified. The same service is also carried out for the sales companies and final customers at third-party transporter networks who explicitly requested it. In the 2020-21 thermal year, the default transport service involved the signing of over 1,000 contracts with End Customers and Sales Companies, for the supply of volumes exceeding 250 million SCM/year.



STORAGE

Flexibility services

Customers (more than 80 in 2021) can adjust their contractual performance during the thermal year, through auction allocation mechanisms, allowing them to seize business opportunities and/or adjust their strategies for using the same storage capacities in the face of changes in market scenarios, which are becoming increasingly rapid.

The introduction of flexibility services in natural gas storage aims to ensure increasing attractiveness for such a strategic asset as the one managed by Stogit. Proof of this is the growing number of foreign customers who turn to Stogit to sign contracts for the use of what it offers.

With the aim of helping to make the company's storage capacity ever more transparent at European level, in 2021, allocations for storage capacity, similar to what is already in place for transport, were brought together on the European PRISMA platform, a single platform that makes it easier for customers to book transport and storage capacity.



REGASIFICATION

Flexibility services

Flexibility services for the Regasification business were developed during 2021 and are expected to be implemented as early as 2022, with the intention of creating greater value also for the services offered each year by the LNG Italia Terminal.

Informational systems serving clients

The Company makes an information channel available to its clients, to support prompt and flexible communication, making it possible to obtain “smart” information based on individual requirements, as well as offering direct and informal “chat” communication. Further, the portal offers clients a system of widgets and notifications which can be personalised.

The Jarvis platform, open to customers from 2019, is designed to create a single commercial platform, where all the portals and applications serving customers are gradually coming together, enabling a new and complete user experience.

Jarvis has been developed in an agile way, with a continuous and progressive release of functionality, directly involving the market players in a co-design process in order to grasp and get closer to the real needs of the customer: further new releases are planned for 2022, focused on improving the quality of service offered to customers using the platform on a daily basis.

In order to increase and guarantee its competitive advantage in the long term and to operate increasingly from a customer-centric perspective, Snam has continued its work on integrating a **Customer Relationship Management (CRM)** system within Jarvis and has started to develop the first Mobile Application that will enable its customers to carry out the main commercial transactions, simply by using a smartphone or tablet.

The adoption of a CRM system intends to transform the relationship with the customer, bringing considerable benefits by reducing the average response time to the customer as well as the number of contracts, making their management easier.

NATURAL GAS TRANSPORTATION

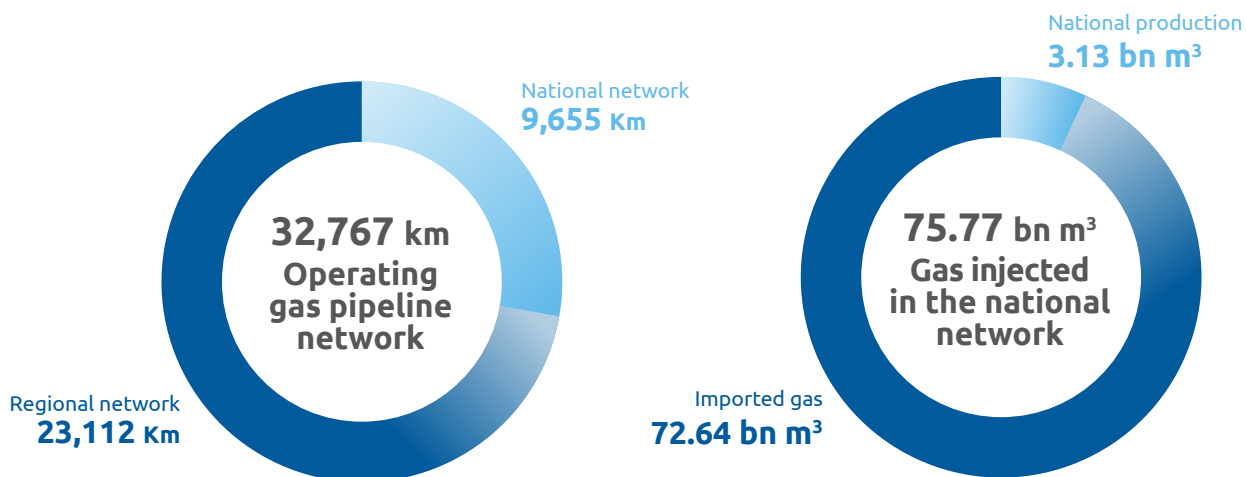
Snam, through its subsidiaries Snam Rete Gas S.p.A. and Infrastrutture Trasporto Gas, is the leading Italian natural gas transportation and dispatching operator, and owns almost all the transportation infrastructures in Italy, with over 32,700 kilometres of high- and medium-pressure gas pipelines (approximately 93% of the entire transportation system). Snam manages the gas pipeline network via 8 districts, 48 maintenance centres throughout Italy, 13 compression stations, including the two plants in Minerbio and Sergnano that came into operation in 2018, and a new dispatching unit that has recently been renovated in terms of structure and technology. Gas coming from abroad is injected into the network at nine entry points, in correspondence with the 6 methane pipeline interconnection points (including the TAP pipeline which began operating in November 2020) and the three interconnection points for the LNG regasification terminals. Once it has been imported or regasified, the gas is transported to the local distribution networks, the regional network redelivery points or large end users such as thermoelectric power stations or manufacturing plants.

Snam awards transportation capacity to shippers who apply. In this way, users acquire the right to inject or withdraw a quantity of gas not exceeding the daily rate allocated on any day of the thermal year. The conditions for access to the service are contained in the Network Code. Shippers have the possibility of making gas sales and trades at a Virtual Trading Point (PSV) of the National Network, thanks to the dedicated IT platform.

The transport capacity of the network has made it possible, also for the year 2021, to fully satisfy the demand for capacity on the part of users. In addition to the average transportation capacity offered at entry points connected with foreign countries and with LNG terminals equal to 368.7 million cubic metres/day; Snam has made further transport capacities available at entry points interconnected with national producers for a total of 20.0 million cubic metres average/day and with the production of biomethane for a total of 1.2 million of cubic metres average/day.

Over the last few years, transportation operators have been constantly increasing, going from around 30 operators in 2003 to around 230 operators in 2021 (including shippers and traders).

In 2021, 88 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 23 contracts for the injection of biomethane and 28 relating to CNG service areas.



KEY PERFORMANCE INDICATORS

The natural gas transportation sector information includes figures for Snam Rete Gas, Infrastrutture Trasporto Gas and Enura.

(million euros)	2019	2020	2021	Abs. change	Change %
Regulated revenues (a) (b)	1,969	2,028	2,327	299	14.7
Other non-regulated revenues	62	65	52	(13)	(20.0)
Total revenues (a) (b)	2,031	2,093	2,379	286	13.7
Operating costs (a) (b)	246	320	578	258	80.6
Adjusted operating costs (*) (a) (b)	281	317	575	258	81.4
Adjusted EBITDA (*)	1,750	1,776	1,804	28	1.6
Adjusted EBIT(*)	1,122	1,142	1,135	(7)	(0.6)
Technical investments	813	981	1,004	23	2.3
- of which with a greater return	249	265	123	(142)	(53.6)
- of which with a basic return (c)	564	716	881	165	23.0
Net invested capital at 31 December	12,959	13,411	14,164	753	5.6
Natural gas injected in the National Gas Transportation Network (billion cubic metres) (d)	75,37	69,97	75,77	5.80	8.3
Gas transportation network (kilometres in use) (e)	32,727	32,647	32,767	120	0.4
- of which National Network (e)	9,727	9,649	9,655	6	0.1
- of which regional network	23,000	22,998	23,112	114	0.5
Employees in service at the period end (number)	1,945	1,910	1,843	(67)	(3.5)

(*) Values were stated in the adjusted configuration and excluding costs suffered following the state of emergency linked to the Covid-19 pandemic, essentially relative to personal protective equipment for internal use and for deep cleaning of work areas (3 million euros total). More information on adjusted results measures and the relative special items relevant at the consolidated level can be found in the chapter "Financial review – Non-GAAP measures".

(a) Before consolidation adjustments.

(b) Net of the cost and revenue components relating to the modulation service, which are compensated for at the economic level (so-called pass-through items) in accordance with the tariff regulations in force.

(c) At a pre-tax real base WACC of 5.7% for 2020 and 2021.

(d) The data for 2021 is current as at 25 January 2022. The corresponding value for 2020 has been definitively updated and is aligned with that published by the Ministry of Economic Development. Gas volumes are expressed in Standard cubic metres (SCM) with an average Higher Heating Value (HHV) of 38.1 MJ/SCM (10.573 kWh/SCM).

(e) The amount includes 84 km of network relative to Infrastrutture Trasporto Gas.

RESULTS

Total revenues amounted to 2,379 million euros, an increase of 286 million euros, or 13.7%, compared to FY 2020 (2,093 million euros), mainly due to higher regulated revenues.

Regulated revenues amounted to 2,327 million euros, up by 299 million euros, or 14.7%, and include variable fees to cover the costs of purchasing fuel gas (energy costs), previously the subject of contributions in kind from users, up compared with FY 2020 (+249 million euros), mainly due to the significant increase in gas prices. Net of variable fees related to energy costs⁴³, regulated revenue increased by 50 million euros, or 2.5%, due mainly to the increase in the RAB base (+56 million euros), thanks to the contribution of new investments and higher depreciation and amortisation recognised, and to higher redelivered volumes (+5 million euros) thanks to the gradual recovery of production activities after the sharp drop suffered in 2020 due to the Covid-19 pandemic, as well as to a milder climate than in 2020. These effects were partly absorbed by lower input-based incentives (-8 million euros) and lower output-based service revenues.

Other non-regulated revenues (52 million euros) decreased by 13 million euros, or 20.0%, compared to 2020 and mainly related to recharges for technical services (particularly engineering and project management activities for large-scale investments) provided to other group companies, which were matched by the costs incurred in providing the related services. The decrease is attributable to the transfer of certain services of a commercial nature to the parent company Snam following the corporate reorganisation.

Adjusted EBITDA amounted to 1,804 million euros, up 28 million euros, or 1.6%, compared with 2020, mainly as a result of higher regulated revenues (+50 million euros, net of fees to cover energy costs), partly absorbed by the dynamic of provisions for risks and charges and greater costs due to incentives to take redundancy.

Adjusted EBIT amounted to 1,125 million euros, down by 17 million euros or 1.5% compared with the adjusted EBIT for 2020 (1,142 million euros). The aforementioned increase in EBITDA was absorbed by higher amortisation, depreciation and impairment losses (-35 million euros, or 5.5%), mainly due to new assets entering into operation.

43 On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, and the charges for the purchase of CO₂ emission rights, are covered in revenues through the variable fee.

OPERATING PERFORMANCE

TECHNICAL INVESTMENTS

Type of investment	2019		2020		2021
	Higher remuneration (%) (*)	Million euros	Higher remuneration (%) (*)	Million euros	Million euros
Sviluppo	1.0%	249	1.5%	265	123
Sostituzione e altro		564		716	880
		813		981	1,003

(*) With respect to an actual basic pre-tax WACC of 5.7%, applied to investments in new transmission capacity and with a cost-benefits analysis of more than 1.5 in accordance with ARERA resolution 575/2017/R/Gas.

Technical investments in 2021 amounted to 1,004 million euros, an increase of 23 million euros, or 2.2%, compared with 2020 (981 million euros).

The investments for the first half of 2020 and 2021 have been classified in accordance with Resolution 114/2019/R/gas by which the Regulatory Authority for Energy, Networks and the Environment (hereinafter also referred to as ARERA or the Authority) identifies different categories of projects to which a different level of remuneration is associated.

The main investments in new transportation capacity **Development** (123 million euros), for which a **greater return of 1.5%** is planned, mainly involve:

- investments in **the development of new transport capacity on the national network functional to import and export capacity** (60 million euros) as part of the construction of the TAP interconnection pipeline (23 million euros; 156 million euros in 2020), and projects to upgrade the transport network from entry points in southern Italy for the continuation of construction work on the reconnection of the Massafra-Biccari pipeline (12 million euros) and for complementary works related to the Calabria methanisation initiative (6 million euros);
- investments in **developing new transmission capacity on the regional and national networks** (Euro 63 million), including: (i) the continuation of construction activities for some biomethane (17 million euros) and CNG (14 million euros) connections; (ii) engineering activities and feasibility studies related to the hybrid power plants in Messina and Poggio R. (8 million euros); (iii) engineering and permitting activities for the development of the backbone in Sardinia.

Replacement and other investments with **basic remuneration** (881 million euros), mainly relate to: (i) works to maintain plant safety and quality levels (663 million euros), the most important of which include the “replacement of methane pipelines” initiative (342 million euros), which includes the continuation of the delivery of materials and the construction and partial reconstruction of the Rimini - S. Sepolcro (97 million euros), Mestre-Trieste (49 million euros), Sparacollo-Gagliano-Termini Imerese (49 million euros) and San Salvo - Biccari (37 million euros) methane pipelines; (ii) projects related to the development of new information systems, as well as the implementation of existing ones (144 million euros), including projects to upgrade the satellite network for telecommunications, strategic initiatives for the development of Connected Field Platform applications; (iii) design activities for the new ‘Headquarters’ headquarters (34 million euros); (iv) works recharged to third parties (20 million euros).

NFS Progress of activities related to obtaining permits

To develop new settlements, in addition to the technical-economic feasibility criteria, Snam adopts procedures that respond to stringent environmental and safety compatibility assessments.

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

VIA DECREES OBTAINED DURING THE YEAR

Name	Length (km)	Regions involved	Responsibility	Decree Date
Methane Pipelines				
Renovation of Ravenna - Chieti pipeline Ravenna-Jesi section	147,490	Emilia-Romagna - Marche	MITE	11 January 2021
Recanati - Foligno gas pipeline	78,000	Marche - Umbria	MITE	21 May 2021
Refurbishment of San Benedetto del Tronto - Chieti pipeline	78,200	Marche - Abruzzo	MITE	08 November 2021

PROVISIONS TO VERIFY VIA JURISDICTION OBTAINED DURING THE YEAR

Name	Length (km)	Regions involved	Responsibility	Decree Date
Methane Pipelines				
Alessandria - Cairo Montenotte methane pipeline Variant Construction of a trap plant	0.770	Piemonte - Liguria	MITE	14 May 2021
Renovation of the Rimini - San Sepolcro methane pipeline and related works Trenchless bypass in the municipalities of Verucchio and San Leo	0.800	Emilia-Romagna	MITE	11 October 2021
Upgrading of Malborghetto power station	-	Friuli-Venezia Giulia	MITE	13 December 2021
Methane pipeline Recanati - Foligno (Fraz. Colfiorito)	78	Marche – Umbria	MITE	22 December 2021
Portovesme terminal and related works	6.638	Sardegna	MITE	19 November 2021
Renovation of the Sansepolcro-Foligno pipeline and related works	125.345	Toscana – Umbria	MITE	15 December 2021

REQUESTS TO VERIFY VIA JURISDICTION PRESENTED TO THE MINISTRY OF ENVIRONMENT (MATTM)

Name	Length (km)	Regions involved	Date presented
Methane Pipelines			
Piggability of the Castellana - Castellana Grotte methane pipeline	0.342	Puglia	15 February 2021
Piggability of the Siena-Torrenieri methane pipeline KM 1.800	1.800	Toscana	25 February 2021
Sardinia Virtual Pipeline Network Centre (ENURA)	49.180	Sardegna	26 April 2021
Sardinia Virtual Pipeline Southern Network (ENURA)	18.830	Sardegna	28 June 2021
Upgrading of Messina gas compressor station	//	Sicilia	30 June 2021
Adaptation of Masera gas compressor station	//	Piemonte	02 July 2021
Casalbordino network gas pipeline refurbishment and related works	15.500	Abruzzo	30 July 2021
San Salvo network and related works	18.000	Abruzzo	05 August 2021
Upgrading of the Poggio Renatico compression plant	//	Emilia-Romagna	01 October 2021
Rationalisation of Fabriano network	8.900	Marche	26 November 2021
Pipeline inspection. "Camerino - Gubbio" and 'Refurbishment - Der. Gualdo Tadino	11.000	Marche - Umbria	09 December 2021

Gas distribution on the National Transportation Network

Gas volumes are stated in standard cubic metres (SCM) with a traditional higher heating value (HHV) of 38.1 MJ/SCM (10.573 Kwh/SCM). The basic figure is measured in energy (MJ) and obtained by multiplying the physical cubic metres actually measured by the relative heating value.

GAS DEMAND IN ITALY

(billions of m ³)	2019	2020 (a)	2021	Abs. change	Change % (b)
Residential and tertiary	28.13	27.46	29.49	2.03	7.4
Thermoelectric	26.65	25.16	26.69	1.53	6.1
Industrial (c)	17.30	16.40	18.10	1.70	10.4
Other (d)	2.4	2.29	1.97	(0.32)	(14.0)
	74.48	71.31	76.25	4.94	6.9

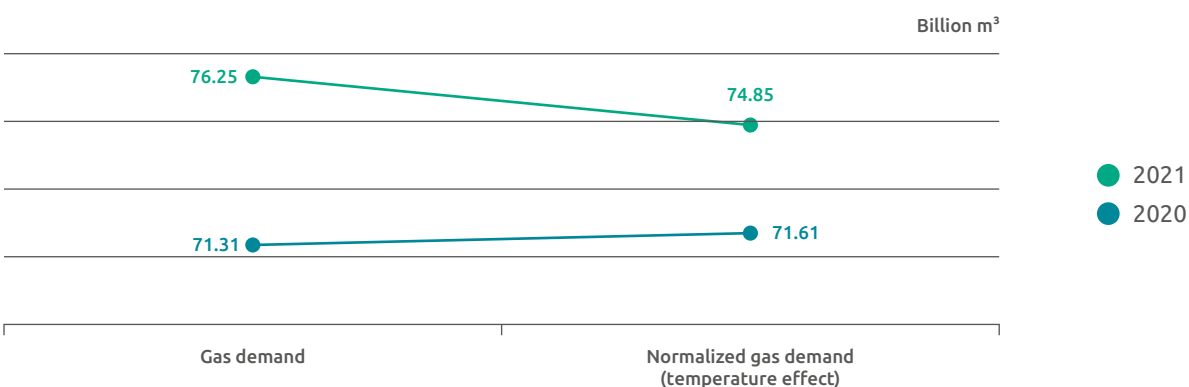
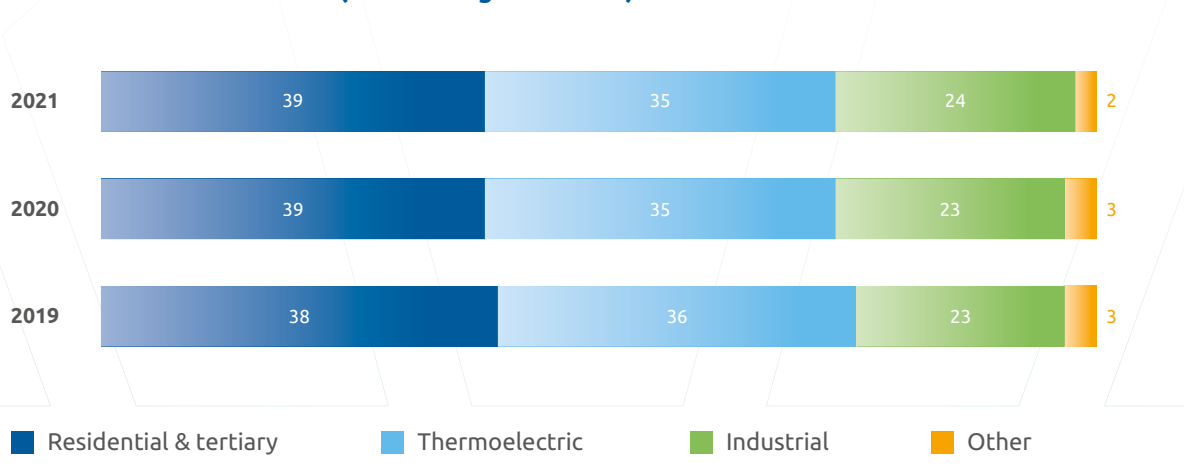
- (a) The figures for 2020 have been definitively updated and are consistent with those published by the Ministry of Economic Development.
(b) The percentage change is calculated with reference to the figures in cubic metres.
(c) Includes consumption from Industry, Agriculture and Fishing, Chemical Synthesis and Motor Transport sectors.
(d) Consumption and loss mainly relative to the natural gas transportation system, the energy system, up-stream sector, storage and LNG systems.

Gas demand in Italy in 2021 was 76.25 billion cubic metres, up 6.9%, an increase of 4.94 billion cubic metres compared to 2020, which had seen a decline due to the restrictive measures put in place to contain the Covid-19 contagion. More specifically, the growth in gas demand is attributable: (i) **to the residential and tertiary sector** (+2.03 billion cubic metres; +7.4%) due to the colder temperatures than in 2020 and the recovery of consumption impacted by the lockdown measures implemented in 2020; (ii) the industrial

sector (+1.70 billion cubic metres, of which approximately 0.7 billion cubic metres concentrated in March and April; +10.4%) by virtue of a recovery in industrial production after the sharp drop suffered last year, following the lockdown measures in March and April to contain COVID-19 contagions. In fact, in the period January-November 2021, the industrial production index grew by 12.4% compared to the same period of the previous year, completely recovering pre-Covid volumes; (iii) thermoelectric sector (+1.53 billion cubic metres; +6.1%) resulting from an increase in electricity demand compared to 2020, as well as by the greater use of natural gas in electricity generation. These effects were partly offset by the increase in electricity import flows.

The **demand for gas in normalised temperature terms**, estimated at 74.85 billion cubic metres, shows an increase of 3.24 billion cubic metres (+4.5%) compared to the corresponding value for 2020 (71.61 billion cubic metres), in the face of a progressive recovery in consumption that offsets the reduction due to the progressive increase in energy efficiency measures and the modernisation of heating systems with more efficient boilers.

GAS DEMAND BY SECTOR (% of total gas demand)



AVAILABILITY OF NATURAL GAS

(billions of m ³)	2019	2020	2021	Abs. change	Change %
From gas injected into the network by entry point	70.86	66.11	72.64	6.53	9.9
From domestic output	4.51	3.86	3.13	(0.73)	(18.9)
Total gas injected into the network	75.37	69.97	75.77	5.80	8.3
Net balance storage withdrawals/injections (**)	(2.39)	0.93	1.46	0.53	57.0
Total availability of natural gas	72.98	70.90	77.23	6.33	8.9

(*) The figures for 2020 have been definitively updated and are consistent with those published by the Ministry of Economic Development.

(**) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.

The **availability of natural gas in Italy** (77.23 billion cubic metres), equal to the sum of the gas injected into the National Transportation Network and the net balance of withdrawals/injections from/into storage, shows an increase of 6.33 billion cubic metres (+8.9%) compared to 2020. The increase is in line with the growth in the volumes of gas injected into the network (+6.53 billion cubic metres; +9.9%), while the reduction in domestic production (-0.73 billion cubic metres; -18.9%) was offset by the greater use of gas from storage (+0.53 billion cubic metres, with reference to net deliveries).

GAS INJECTED INTO THE NETWORK (*)

(billions of m ³)	2019	2020	2021	Abs. change	Change %
Domestic output	4.51	3.86	3.13	(0.73)	(18.9)
Entry points (**)	70.86	66.11	72.64	6.53	9.9
Tarvisio	29.85	28.43	29.06	0.63	2.2
Mazara del Vallo	10.21	12.02	21.17	9.15	76.1
Cavarzere (GNL)	7.91	6.81	7.28	0.47	6.9
Melendugno		0.01	7.21	7.20	
Gela	5.70	4.46	3.23	(1.23)	(27.6)
Passo Gries	11.13	8.60	2.17	(6.43)	(74.8)
Livorno (GNL)	3.62	3.27	1.42	(1.85)	(56.6)
Panigaglia (GNL)	2.42	2.51	1.06	(1.45)	(57.8)
Gorizia	0.02		0.04	0.04	
	75.37	69.97	75.77	5.80	8.3

(*) The data for 2021 is current as at 25 January 2022. The corresponding value for 2020 has been definitively updated and is aligned with that published by the Ministry of Economic Development.

(**) Entry points connected with other countries or with LNG regasification plants.

Injections and gas withdrawals in the transportation network

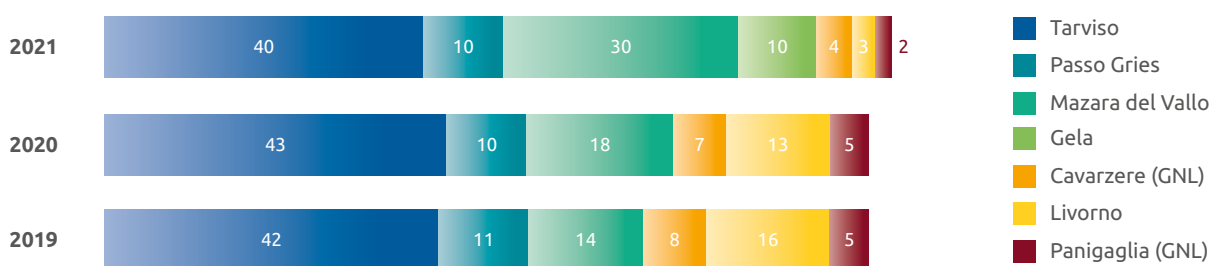
In 2021, a total of 75.77 billion cubic metres of gas was injected into the network, an increase of 5.80 billion cubic metres (+8.3%) compared with 2020.

Injections into the network from domestic production fields or their collection and treatment centres totalled 3.13 billion cubic metres, down by 0.73 billion cubic metres (-18.9%) compared with 2020.

Volumes injected at entry points connected with other countries and with regasification plants, overall equal to 72.64 billion cubic metres, rose by 6.53 billion cubic metres (+9.9% with respect to 2020), in line with the growth in natural gas demand and the greater use of provisions from storage.

The greater volumes injected at the Mazara del Vallo (+9.15 billion cubic metres; +76.1%) and Melendugno (+7.20 billion cubic metres) entry points, the new interconnection point with the TAP pipeline, which came into operation in November 2020, were partly offset by the lesser volumes injected by the LNG regasification terminals (-2.83 billion cubic metres; -22.5%) and at the entry points of Passo Gries (-6.43 billion cubic metres; -74.8%) and Gela (-1.23 billion cubic metres; -27.6%).

NATURAL GAS INJECTED INTO THE NETWORK BY IMPORT POINT (% OF TOTAL GAS INJECTED INTO THE NETWORK)



NATURAL GAS WITHDRAWALS

(billions of m ³)	2019	2020	2021	Abs. change	Change %
Redelivery to domestic market	73.04	70.01	75.06	5.05	7.2
Exports and transit (*)	0.37	0.36	1.6	1.24	
Consumption and emissions, Snam Rete Gas	0.23	0.23	0.34	0.11	47.8
Unaccounted for gas and other changes (**)	0.33	0.30	0.23	(0.07)	(23.3)
Total natural gas withdrawals	73.97	70.90	77.23	6.33	8.9

(*) Includes exports to the Republic of San Marino.

(**) Includes variation from network invasion. In the energy budget prepared by Snam Rete Gas, UFG is conventionally defined as the natural difference between the amounts of gas measured at injection and the amounts of gas measured at withdrawal, deriving from the technical tolerances of the measurement tools.

Natural gas withdrawn from the national transportation network in 2021 (77.23 billion cubic metres; +8.9% with respect to 2020) mainly went to: (i) redelivery to users at network exit points (75.06 billion cubic metres; 70.01 billion cubic metres in 2020); (ii) exports and transit (1.6 billion cubic metres; 0.36 billion cubic metres in 2020); and (iii) consumption by the compression stations and gas emissions from the network and from Snam Rete Gas plants (0.34 billion cubic metres; 0.23 billion cubic metres in 2020).

RECONCILIATION OF GAS VOLUMES INJECTED INTO THE NETWORK AND GAS DEMAND IN ITALY

(billions of m ³)	2019	2020	2021	Abs. change	Change % (b)
Total gas injected into the network	75,37	69,97	75,77	5,80	8,3
Net balance storage withdrawals/injections (c)	(1,40)	0,93	1,46	0,53	57,0
Total natural gas withdrawals	73,97	70,90	77,23	6,33	8,9
Exports (-) (d)	(0,37)	(0,36)	(1,60)	(1,24)	
Gas injected in other operator regional network	0,03	0,03		(0,03)	(100,0)
Other consumption (e)	0,85	0,74	0,62	(0,12)	(15,9)
Total demand Italy	74,48	71,31	76,25	4,94	6,9

- (a) The figures for 2020 have been definitively updated and are consistent with those published by the Ministry of Economic Development.
(b) The percentage change is calculated with reference to the figures in cubic metres.
(c) Understood as the balance between withdrawals from storage (+) and injections into storage (-), expressed after consumption through injection/provision.
(d) Includes transits and exports to the Republic of San Marino.
(e) Includes consumption from LNG regasification terminals, consumption from storage compression stations and from power stations for production treatment.

TRANSPORTATION CAPACITY

(millions of m ³ /day)	Calendar year 2019			Calendar year 2020			Calendar year 2021		
	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)	Transportation capacity	Capacity transferred	Saturation (%)
Entry points									
Tarvisio (*)	110.6	98.3	88.9	113.0	88.5	78.3	111.5	90.5	81.1
Mazara del Vallo (*) (**)	86.7	36.1	41.6	85.6	36.9	43.1	70.7	60.9	86.1
Passo Gries	64.4	31.3	48.6	64.4	23.9	37.1	64.4	6.2	9.6
Cavarzere (GNL)	26.4	24.9	94.3	26.4	22.3	84.5	17.4	13.8	79.0
Gela (**)	22.9	19.0	83.0	22.4	17.2	76.7	21.5	19.4	90.2
Melendugno (**) (***)							26.4	22.9	86.7
Livorno (GNL)	15.0	14.3	95.3	15.0	11.7	78.0	15.0	8.3	55.4
Panigaglia (GNL)	13.0	7.4	56.9	13.0	6.7	51.5	13.0	3.8	29.0
Gorizia	4.0	0.1	2.5	4.2			4.2	0.1	2.9
Capacità Concorrente (**)	19.9			19.1			24.6		
	362.9	231.4	63.8	363.1	207.2	57.1	368.7	225.7	61.2

(*) Capacity values at the Mazara del Vallo and Tarvisio Entry Points include capacity quotas pursuant to ARERA Resolution 666/2017/R/GAS.

(**) Capacity values at the Mazara del Vallo, Gela and Melendugno Entry Points do not include Competitor Capacity. This capacity, pursuant to Regulation EU 984/2013, in effect as of 1 November 2015, is the transportation capacity available at a Point for which the transfer entirely or partially reduces the capacity available for transfer at another Point on the Transportation System.

(***) In 2020, the values for Melendugno were not taken into account as commercial operations (availability of transport capacity) started from 15/11/2020. Capacity was only allocated on 31.12.2020 at a value of approximately 9.5 MSm³ (9,594,737 Sm³/g).

The transport capacity of the network has made it possible, also for the year 2021, to fully satisfy the demand for capacity on the part of users. Average transportation capacity provided in 2021 at the entry points connected with foreign pipes and at regasification facilities was 368.7 million cubic metres on average per day, 24.6 of which were offered as competing capacities between the Mazara del Vallo, Gela and Melendugno entry points. In addition to the aforementioned capacities which concern the entry points interconnected with foreign countries and the LNG terminals, a transportation capacity is available at the domestic production entry points:

- Inational production at a total of 20.00 million cubic metres/day;
- the production of biomethane at a total of 1.2 million cubic metres/day;
- production from virtual entry points (PIV) connected to distribution networks/other transportation networks for a total of 0.2 million cubic metres/day.

Snam Rete Gas has prepared a long-term plan for available transportation, sent to the Ministry of Economic Development on 30/06/2021 and published on the Snam website <http://www.snam.it/it/trasporto> at in the online services/capacity section.

The document shows data about capacity at all entry points interconnected with foreign countries and with LNG terminals for the thermal year 2021 - 2022 and subsequent years up to 30 September 2036.

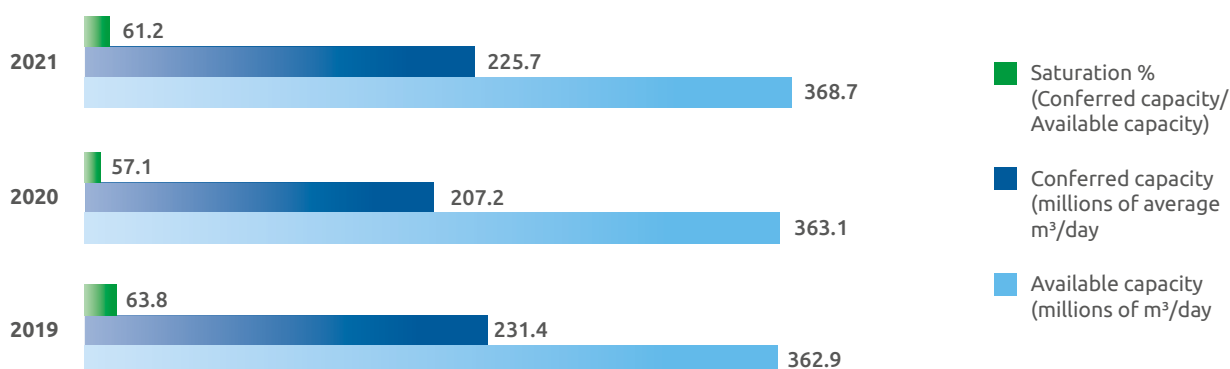
Also shown for the thermal year 2021 - 2022 are the transportation capacities of the interconnected exit points with the foreign countries of Passo Gries, Gorizia, Melendugno, Bizzarone and San Marino at a total of 46 million cubic metres/day. As a result of all the infrastructures of the “Supporting the north-west market and two-way cross-border flows” project coming into service, a total capacity of 40 million cubic metres/day became available simultaneously at the Passo Gries and Tarvisio exit points. The maximum capacity of the Passo Gries exit point is 40 million cubic metres/day, while the maximum capacity of the Tarvisio exit point is 18 million cubic metres/day, therefore there is a “Competing capacity” pursuant to chapter 5, paragraph 3 of the Network Code available at the two points.

Over the last 15 years transportation operators have been constantly increasing, going from around 30 entities in 2003 to more than 230 entities in 2021 (including shippers and traders), with the number of customers (shippers) standing at 160.

The number of PSV traders active in September 2021 (end of thermal year 2019-2020) is 69, compared to 68 PSV traders active in September 2020.

In 2021, 88 connection agreements were entered into for the creation of new delivery/redelivery points or for upgrading existing ones, 23 contracts for the injection of biomethane and 28 relating to CNG service areas.

TRANSPORT CAPACITY AND SATURATION



Organisational changes

During the course of 2021, the recorded number of personnel in service fell by a total of 67 resources, from 1,909 at 31 December 2020 to 1,842 resources at 31 December 2021. The reduction is mainly attributable to the transfer of the Sales Department from Snam Rete Gas to the parent company Snam, in line with the evolution of the group's organisational model towards increasingly greater integration and synergies of certain activities.

In 2021, the organisational structure for engineering and construction activities was further simplified, consistent with the expected growth of the investment plan and support for the energy transition. Finally, the implementation of the "New Gest work model" project aimed at redesigning an organisational structure in line with the new business requirements is worth mentioning.

Accidents

In 2021 the number of accidents was 3 for employees and 1 for contractors (compared with 0 and 1 accidents in 2020).

WORK-RELATED ACCIDENTS (No.)

	2019	2020	2021
Total employee accidents	0	0	3
Total contractor accidents	5	1	1

INDEXES - ACCIDENTS

	2019	2020	2021
Employees			
Frequency index (*)	0.00	0.00	0.94
Severity index (**)	0.00	0.00	0.09
Contractors			
Frequency index (*)	0.83	0.16	0.14
Severity index (**)	0.08	1.18	1.03

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.

(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

Energy consumption for transport, equal to 9,565 Terajoules (TJ), increased by approximately 51% compared to 2020, also due to an increase in gas injected into the network (+8.3%): the trend of energy consumption for gas transport is strongly influenced by the use of import backbones and in 2021 more energy-intensive routes were used (North African backbone), compared to the less energy-intensive Northern European and Russian backbones.

In 2021, nitrogen oxide (NOx) emissions totalled around 428 tonnes (+77% compared with 2020). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines.

ENERGY CONSUMPTION

	2019	2020	2021
Energy consumption (TJ)	6.123	6.321	9.565
Emissions of CO _{2eq} – scope 1 (ktonnes) (*)	838	848	1.024
Natural gas emissions (10 ⁶ m ³)	28,7	28,5	28,1
Natural gas avoided (10 ⁶ m ³)	9,4	10,4	8,94
NOx emissions (ton)	286	242	428

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

LIQUEFIED NATURAL GAS (LNG) REGASIFICATION

The Panigaglia plant, built in 1971 and owned by GNL Italia, is able to regasify 17,500 m³ of LNG every day; under conditions of maximum efficiency, it can supply more than 3.5 billion cubic metres of natural gas into the transportation network every year.

The total amount of gas regasified at the Panigaglia plant in 2021 was 1.05 billion m³ (2.55 billion m³ in 2020; -58.8%).

In 2021, 25 methane tankers were unloaded (60 unloaded in 2020; equal to the number allocated) compared with 30 allocated.

GNL Italia plays a key role in ensuring adequate gas system diversification and flexibility of supplies.

Maximum daily LNG regasification capacity at Panigaglia, **3.5 billion m³**

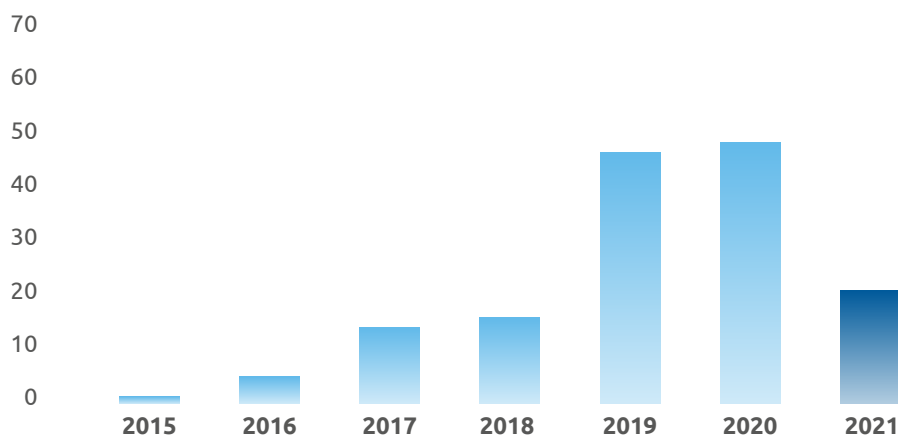
LNG regasified in 2020 at Panigaglia **1.05 billion m³ (2,55 billion m³ in 2020)**

Methane tankers were unloaded **25 (60 unloaded in 2020)**

The reduction in the volume of activity is attributable to price dynamics that are strongly conditioned by a high demand for LNG from the Asian market with values at a premium compared to the European market, against a 2020 that has benefited from a more competitive cost of LNG compared to natural gas, as well as new mechanisms for allocating regasification capacity through special auction procedures.

The capacity allocation mechanisms based on auctions as well as the new businesses in the SSLNG sector, linked specifically to the possible future uses in heavy transportation and maritime transport, will lead to a scenario of further growth in the consumption of LNG in future years.

METHANE SHIP TRENDS



The regasification service can be continuous for the entire thermal year or the spot type. Moreover, from October 2018 the regasification capacity was awarded through dedicated auctions. Lastly, the regasification service includes the ancillary service, which consists of correcting the heating power of the natural gas to comply with quality requirements for its injection into the transportation network (correction of the Wobbe index).

KEY PERFORMANCE INDICATORS

(million euros)	2019	2020	2021	Abs. change	Change %
Regulated revenues (a) (b)	17	21	19	(2)	(9.5)
Other non-regulated revenues	5	2	1	(1)	(50.0)
Total revenues (a) (b)	22	23	20	(3)	(13.0)
Operating costs (a) (b)	16	16	12	(4)	(25.0)
EBIT	1	0	0		
Technical investments (c)	19	20	33	13	65.0
Net invested capital at 31 December	95	104	140	36	34.6
Regasified LNG volumes (billion cubic metres) (d) (e)	2.40	2.55	1.05	(1.50)	(58.8)
Tanker loads (number)	57	60	25	(35)	(58.3)
Employees in service at 31 December (number)	65	67	65	(2)	(3.0)

(a) Before consolidation adjustments.

(b) Net of the cost and revenue components relating to the transport service, which under the current tariff regulations are offset at economic level (so-called pass-through items).

(c) Investments remunerated at the pre-tax real base WACC of 6.8% for both 2020 and 2021.

(d) With reference to 2021, gas volumes are expressed in standard cubic metres (Scm) with a conventional average Higher Heating Value (HHV) of 38.1 MJ/Scm (10.573 kWh/Scm).

RESULTS

Total revenues amounted to 20 million euros, down by 3 million euros, or 13.0%, compared with FY 2020, and related to regulated revenue relating to the regasification service (19 million euros; -9.5%) and other non-regulated revenue relating to gas sales on the balancing platform (1 million euros; -1 million euros on 2020).

Regulated revenues relative to the regasification service include variable fees (2 million euros; -3 million euros 2020) applied to users to cover costs related to energy consumption (electricity and CO₂). Net of these fees, regulated revenues amounted to 17 million euros (+1 million euros compared with 2020), of which 10 million euros related to the guarantee factor (4 million euros in 2020) against a reduction in regasified volumes due to price dynamics strongly influenced by a high demand for LNG from the Asian market compared with the European market.

With revenues in line with 2020, lower operating costs were absorbed by higher depreciation due to new capitalisations, with EBIT in line with 2020.

TECHNICAL INVESTMENTS

Technical Investments in FY 2021 amounted to 33 million euros, up from 2020 (+13 million euros; +65.0%), which was affected by the lockdown of construction sites, and related to maintenance investments, aimed at ensuring the safety of the plant's systems, with particular reference to revamping of tanks (15 million euros).

OPERATING PERFORMANCE

During 2021, 1.05 billion cubic metres of LNG were regasified at the LNG terminal in Panigaglia (SP) (2.55 billion cubic metres in 2020; -58.8%) with 25 methane tankers unloaded as compared with 30 conferred.

With reference to the number of employees, this figure stood at 65 resources, essentially in line with the previous year.

Accidents

In 2021, there were no accidents involving either employees or contract workers.

WORK-RELATED ACCIDENTS (No.)

	2019	2020	2021
Total employee accidents	0	0	1
Total contractor accidents	0	0	0

INDEXES - ACCIDENTS

	2019	2020	2021
Employees			
Frequency index (*)	0	0	9.2
Severity index (**)	0	0	0.47
Contractors			
Frequency index (*)	0	0	0
Severity index (**)	0	0	0

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.

(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

2021 saw a decrease in consumption for the regasification facility (-57% with respect to 2020). Total emissions of natural gas amounted to 2.1 million m³ (+62% compared to 2020), while emissions of nitrogen oxides (NOx) decreased by 37% compared to the previous year to 30.5 tonnes.

	2019	2020	2021
Energy consumption (TJ)	1,217	1,265	546
Emissions of CO _{2eq} – scope 1 (ktonnes) (*)	83	88	63
Natural gas emissions (10 ⁶ m ³)	1.3	1.3	2.1
NOx emissions (ton)	49.8	48.6	30.5

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

NATURAL GAS STORAGE

The storage system makes it possible to compensate for the different needs between gas supply and consumption: while supply has a largely constant flow throughout the year, gas demand is mainly concentrated in the winter period. Storage also ensures that quantities of strategic gas are available to compensate for any lack of or reduction in non-EU supply or crises in the gas system.

Total storage capacity in 2021 stands at 16.5 billion cubic metres, the highest in Europe at this time of difficulty in procurement over the entire continent.

The storage business makes use of an integrated group of infrastructure comprising deposits, wells, gas treatment plants, compression plants and the operational dispatching system. Snam has nine storage concessions located in Lombardy (five), Emilia-Romagna (three) and Abruzzo (one). In 2015, the Bordolano site began operating, gradually increasing the capacity offered to a total of 1,050 million SCM.

Stogit provides its storage services (peak modulation, uniform modulation, strategic, transporter balancing, mining, short-term allocation services and, from 2018, the new Fast Cycle⁴⁴, to 81 operators based on the Storage Code approved by the Italian Regulatory Authority for Energy, Networks and the Environment (hereinafter also ARERA).

In 2021 Snam took action to promote the replenishment of national storage facilities for the purpose of being able to manage seasonal peaks in demand. The replenishment level at the end of the injection campaign (October 2021) was 87.52%, well above the European average (77.02%).

The market oriented approach adopted allowed the Company to increase the mix of customers owing a Storage contract (not only shippers serving end users but also traders who maximise revenues from buying and selling gas to the PSV - virtual trading point) as well as attracting major European players.

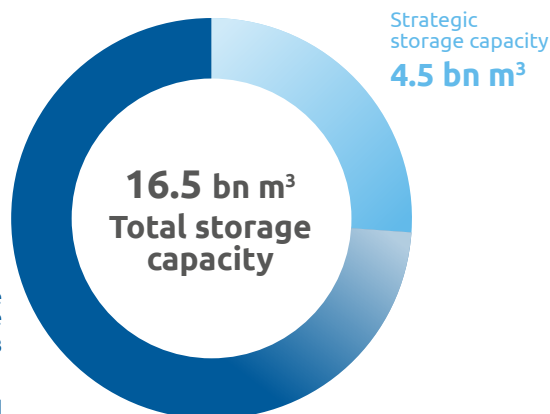
Total storage capacity at the end of 2021, holding strategic storage equal, came to 16.5 billion cubic metres, thanks to the gradual increase in operations at the Bordolano field.

A result that attests to Stogit's ability to respond to both the needs of the national market as well as the contingent dynamics linked to international markets and policies, which can significantly modify demand by increasing the value of business with policies to support the security of supplies.

9 operating concessions

18.86 billion di m³
Gas moved through
the storage system

Total storage
capacity available
12.0 bn m³
89.6% allocated



⁴⁴ The storage service involves constant injection services and supply availability.

KEY PERFORMANCE INDICATORS

(million euros)	2019	2020	2021	Abs. change	Change %
Regulated revenues (a) (b)	505	499	523	24	4,8
Other non-regulated revenues	3	5	7	2	40,0
Total revenues (a) (b)	508	504	530	26	5,2
Operating costs adjusted (*) (a) (b)	66	78	75	(3)	(3,8)
EBITDA adjusted (*)	442	426	455	29	6,8
EBIT adjusted (*)	337	314	338	24	7,6
Technical investments (c)	112	134	160	26	19,4
Net invested capital at 31 December	3.421	3.460	3.574	114	3,3
Concessions (number)	10	10	10		
- of which operational (d)	9	9	9		
Natural gas moved in storage (billions of cubic metres) (e)	19,33	19,60	18,41	(1,19)	(6,1)
- of which injected	10,16	9,30	8,46	(0,84)	(9,0)
- of which withdrawn	9,17	10,30	9,95	(0,35)	(3,4)
Total storage capacity (billion cubic metres)	17,0	17,0	16,5	(0,48)	(2,8)
- of which available (f)	12,5	12,5	12,0	(0,48)	(3,8)
- of which strategic	4,5	4,5	4,5		
Employees in service at 31 December (number)	61	62	66	4	6,5

(*) The values relating to 2021 are shown net of the costs incurred following the state of emergency connected to the pandemic caused by Covid-19 (1 million euros), relating essentially to personal protective equipment for internal use and sanitization of work environments. More information on the measures of adjusted result and related special items that are relevant at consolidated level are provided in the section "Comments on economic and financial results - Non GAAP measures".

(a) Before consolidation adjustments.

(b) Net of the cost and revenue components relating to the transport service, which under the current tariff regulations are offset at economic level (so-called pass-through items).

(c) The values relating to 2021 are shown net of costs incurred following the state of emergency connected to the Covid-19 pandemic (1 million euros), essentially relating to personal protective equipment for internal use and sanitisation of workplaces.

(d) Investments remunerated at the basic pre-tax WACC of 6.7% for 2020 and 2021.

(e) Working gas capacity for modulation services.

(f) Volumes of gas are expressed in Standard cubic metres (SCM) with an average Higher Heating Value (HHV) conventionally set to 39.253 MJ/Scm (10.884 kWh/SCM) for natural gas storage for thermal year 2021- 2022 (approximately 39.3 MJ/SCM, 10.893 kWh/SCM, for the thermal year 2020- 2021).

RESULTS

Total revenue came to 530 million euros, up on 2020 (Euro +26 million; 5.2%).

Regulated revenue amounted to 523 million euros, an increase of 24 million euros, or 4.8%, compared with 2020, and included variable fees (8 million euros; +5 million euros compared with 2020) applied to users to cover costs related to energy consumption (purchase of CO₂ emission rights). Net of these fees, regulated storage revenue amounted to 515 million euros, an increase of 19 million euros, or 3.8%, due to the release of prior-period items and higher revenue from output-based services.

Other non-regulated revenue (7 million euros) increased by 2 million euros compared to 2020, due to higher insurance reimbursements.

EBITDA amounted to 455 million euros, an increase of 29 million euros, or 6.8%, compared to 2020, due to higher regulated revenues and a reduction in operating expenses mainly attributable to the dynamics of provisions for risks and charges.

EBIT amounted to 338 million euros, up by 24 million euros (7.6%) compared to 2020. The increase in gross operating margin was partly offset by higher depreciation and amortisation (-8 million euros; or 7.4%) following the entry into service of new infrastructure, partly absorbed by lower impairment losses (-3 million euros).

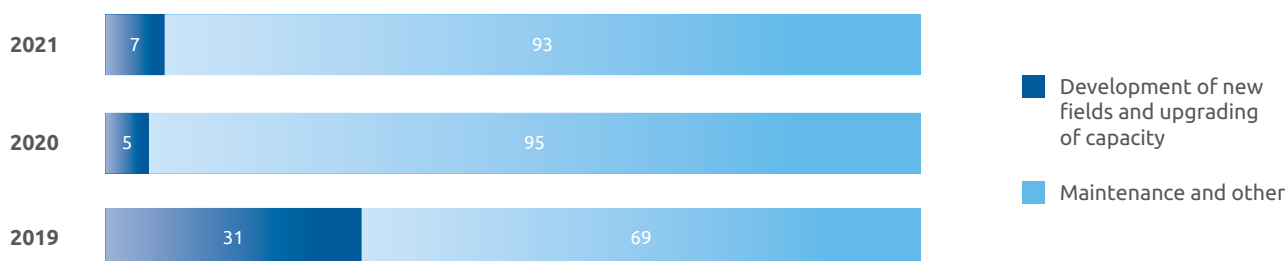
TECHNICAL INVESTMENTS

Technical investments made by the Company in 2021 totalled 160 million euros, an increase of 26 million euros (approximately +19.4%) compared with the previous year and refer to investments to develop new fields and upgrade capacity (11 million euros) and investments in maintenance and sundry (149 million euros).

These latter mainly refer to: (i) “work over” activities on existing wells, in particular at Abbioncello and Ripalta for the restoration to operation of wells made unavailable due to the loss of mechanical integrity; (ii) upgrading works on the regeneration systems of the plants of Cortemaggiore and Fiume Treste; (iii) IT projects (15 million euros) and for the purchase of licenses and projects on system renewals.

Total storage capacity as at 31 December 2021, including strategic storage, was 16.5 billion cubic metres (17.0 billion cubic metres in 2020), of which 12.0 billion cubic metres related to available capacity, allocated 89.6% for the thermal year 2021-2022 and 4.5 billion cubic metres related to strategic storage (unchanged compared with thermal year 2020-2021, as established by the Ministry of Economic Development by means of the notice dated 12 February 2021).

INVESTMENT PROPORTIONS BY TYPE (% OF TOTAL INVESTMENTS)

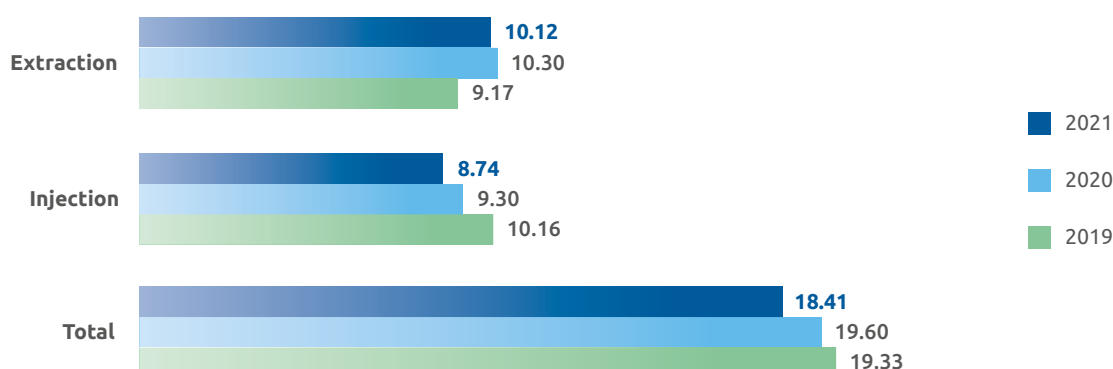


OPERATING PERFORMANCE

Gas moved through the storage system

The volumes of gas moved in the storage system in FY 2021 amounted to 18.41 billion cubic metres, down by 1.19 billion cubic metres, or 6.1%, compared with FY 2020, as a result of fewer injections into storage in addition to fewer withdrawals, against an increase in the volumes of gas injected into the network in line with the growth in demand for natural gas in Italy.

GAS MOVED THROUGH THE STORAGE SYSTEM (BILLION CUBIC METERS)



Organisational changes

At the end of 2021, the number of personnel in service totalled 66, essentially in line compared with 31 December 2020 (62).

In the course of 2021, the supervision dedicated to infrastructure planning activities was strengthened, with particular reference to the possible evolution of the storage business.

Accidents

In 2021, there were no accidents involving either employees or contract workers.

WORK-RELATED ACCIDENTS (No.)

	2019	2020	2021
Total employee accidents	0	0	0
Total contractor accidents	0	1	0

INDEXES - ACCIDENTS

	2019	2020	2021
Frequency index (*)			
Severity index (**)	0	0	0
Contractors	0	0	0
Frequency index (*)			
Severity index (**)	0	0.99	0
Indice di gravità (**)	0	0.06	0

(*) Number of accidents at work resulting in absence of at least one day, per million hours worked.

(**) Number of working days lost (calendar days) due to accidents at work resulting in absence of at least one day per thousand hours worked. These data have been calculated taking fatal accidents into consideration.

Energy consumption and emissions

In 2021 energy consumption for gas storage fell by 12% compared with 2020, in line with the reduction in gas stored. In 2021, nitrogen oxide (NOx) emissions totalled around 96 tonnes (-14% compared with 2020). In order to minimise these emissions, a programme has been launched over the years to replace conventional turbines with low-emission turbines (DLE), which, to date, have replaced almost all of the turbines installed. In particular, all storage sites operated with low emission units.

ENERGY CONSUMPTION

	2019	2020	2021
Energy consumption (TJ)	4,784	4,483	3,924
Emissions of CO _{2eq} – scope1 (ktonnes) (*)	424	336	306
Natural gas emissions (10 ⁶ m ³)	9.2	5.2	5.2
NOx emissions (t)	116	111	96

(*) Emissions of CO_{2eq} are calculated with a methane Global Warming Potential (GWP) of 28, as indicated in the scientific study issued by the Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment Report IPCC".

OUTLOOK



Achieving global climate goals will lead to significant investments in decarbonising the energy industry over the next thirty years. Many countries, accounting for around 90% of global emissions, have defined measures to contain and, if possible, reverse the process of global warming and the resulting climate change.

Great perspectives will concern the energy transition, the main trends related to the achievement of the Net Zero targets are i) the growth of renewables, mainly solar and wind, to decarbonise electricity production and at the same time allow it to rise from about 20% to about 50% of the energy mix; ii) the exponential growth of green hydrogen to reach a share of the energy mix between 15% and 35%; iii) the development of technologies for carbon capture and storage.

Snam has set itself the goal of being the global leader in green gas infrastructure and the first company in the sector in Europe with a target to reduce indirect Scope 3 emissions by 2030 in order to achieve carbon neutrality by 2040. This target is in line with the 1.5°C global warming target of the Paris Climate Agreement and reinforced by the recent Glasgow Pact. Snam's infrastructure is an enabler of the energy transition and will allow the company to contribute to an overall emissions reduction. The company envisages to transport entirely decarbonised gas by 2050, making of Italy a hub for renewable energies.

Moreover, Snam is committed to establishing a market positioning across the value chain for both hydrogen and biomethane, thereby contributing to the energy transition also through the supply of energy efficiency services to the residential, industrial and public administration sectors as well as promoting sustainable mobility.

In line with this objective, in 2020, Snam's corporate purpose "Energy to inspire the world", has been introduced in the company Articles of Association, to reflect "the company's commitment to supporting the energy transition through resource use and energy sources compatible with protecting the environment and with progressive decarbonisation".

Environment, Social, Governance (ESG) factors will continue to play a central role in defining the company's strategy and in its management. In this regard, Snam has updated its "ESG scorecard" to 2050 on 14 areas with 23 material quantitative indicators, to provide stakeholders with a holistic view of the commitment and growing sensitivity towards ESG, enabling them to monitor the results.

In the 2021-2025 period, Snam has planned 8.1 billion euros in investments, an increase of 700 million euros over the 7.4 billion euros in the previous plan, due to the acceleration of storage and green project investments.

The plan provides for the maintenance, modernisation and development of its infrastructure, investment in

net zero and the acceleration of the energy transition.

Snam envisages that the activities to optimise the financial structure implemented over the last five years have led to a reduction in the average cost of the gross debt from 2.4% in 2016 to an average of less than 1% over the plan time horizon (compared to 1.2% in the previous plan), thanks to actions implemented to take full advantage of current favourable market conditions and favourable interest rate and credit spread scenario with respect to the previous plan. Further possible savings could derive from treasury optimisation, as well as further diversifying sources and increasing sustainable finance instruments.

Expectations regarding the management of the Covid-19 pandemic in Italy confirm a progressive easing of restrictive measures linked to the acceleration of the vaccination campaign against the virus, albeit accompanied by concerns about the spread of variants, which could result in slowdowns in the process of normalisation of the domestic and international economic backdrop.

Snam continues to focus on measures that will ensure safety in control rooms, plants and local offices so as to guarantee regular operations and energy security in the country.

To date, the company, on the basis of the information available, expects an overall limited impact on the financial results of the current year.

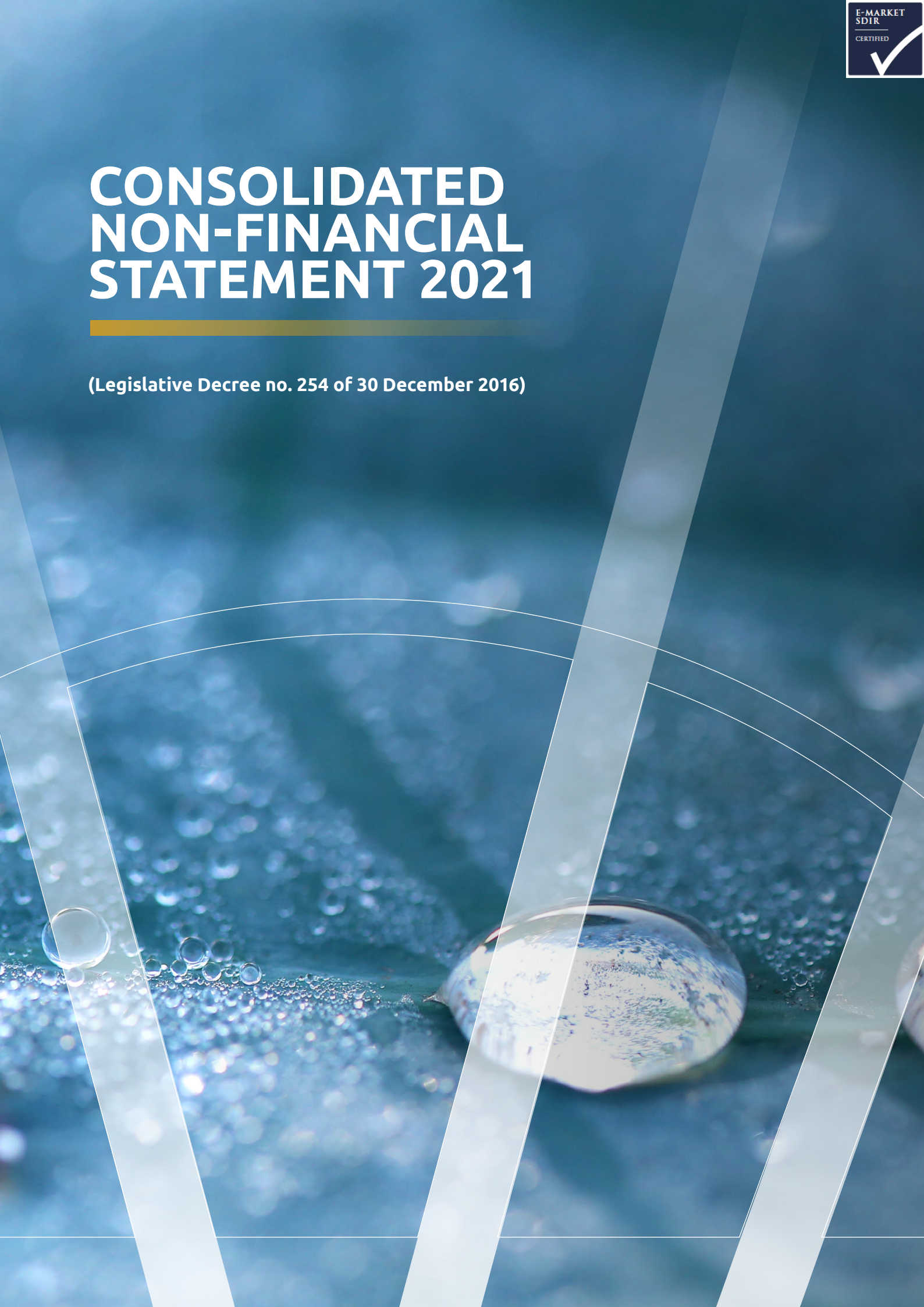
Any additional further impacts on the Group's economic-financial performance and on its equity situation, as well as on business development plans, will be evaluated in light of the evolution and duration of the pandemic, both in Italy and abroad. The same remarks also apply to possible impacts on development initiatives and on suppliers and clients, as well as on the assets held by the Snam Group abroad.

With reference to the significant events that occurred after the close of the financial year, information on the Russia-Ukraine conflict is provided in Note no. 39 "Significant events occurring after the close of the financial year" of the Notes to the comments on the consolidated financial statements.



CONSOLIDATED NON-FINANCIAL STATEMENT 2021

(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 referred to as the “Non-Financial Statement”, “Declaration” or “NFS”) of Snam Group for the year 2021 (from 1st January 2021 until 31st December 2021) constitutes a specific section of the Directors’ Report – Integrated Report (hereinafter also referred to as the “Integrated Directors’ Report”) and is drafted in compliance with the provisions of the Legislative Decree of 30 December 2016, no. 254 and subsequent supplements ((hereinafter also referred to as the “Decree”)⁴⁵.

The NFS contains the relevant data and information relating to environmental, health and safety, social, personnel and active and passive corruption prevention aspects, which have been coherently selected on the basis of a structured materiality analysis (see the chapter “Stakeholder engagement and materiality analysis” of the Integrated Directors’ Report), which has allowed the identification of the most relevant sustainability issues for the Group and its stakeholders, described in Annex 1 (“Definition of material issues”) of the 2021 Non-Financial Statement. The relevance of individual issues is defined considering the activities carried out and the characteristics of Snam.⁴⁶

The scope of reference of the information contained in the NFS coincides with the scope of consolidation of the Consolidated Financial Statements and includes, in addition to the parent company Snam S.p.A:

- Natural gas transportation (Snam Rete Gas S.p.A., Asset Company 2 S.r.l., Infrastrutture Trasporto Gas S.p.A., Enura S.p.A.);
- LNG regasification (GNL Italia S.p.A.);
- Natural gas storage (Stogit S.p.A.);
- Sustainable mobility (Snam 4 Mobility S.p.A., Cubogas S.r.l.);
- Biogas / Biomethane (Snam 4 Environment S.r.l., Renerwaste S.r.l., Ecoprogetto Milano S.r.l., Ecoprogetto Tortona S.r.l., Renerwaste Lodi S.r.l., IES Biogas S.r.l., Enersi Sicilia S.r.l.);
- Energy efficiency (Renovit S.p.A., TEP Energy Solution S.r.l., Mieci S.p.A., Tlux S.r.l., Evolve S.p.A.);
- Other activities (Asset Company 10 S.r.l., Snam International BV, Gasrule Insurance DAC).

With reference to the environmental aspects reported, the companies Snam International BV, Gasrule Insurance DAC and Enura S.p.A., which do not have significant environmental impacts, are excluded from the consolidation.

The structure of the Snam Group, including equity investments abroad, is shown on page 28 of the Integrated Directors’ Report.⁴⁷

The content of the NFS is supplemented, where necessary or appropriate, by other information contained in the Integrated Directors’ Report, in the Report on Corporate Governance and Ownership Structure, and on the Company’s Website (www.snam.it), which can be identified and consulted by following the specific references.⁴⁸

In order to standardize the reporting of data and information, as well as to facilitate the link with each topic envisaged by the Decree, each area listed above has been articulated into specific paragraphs divided into four sections dedicated respectively to:

- main results achieved, future objectives and SDGs of reference;
- material topics and relevant generated or incurred risks;
- Company policies and commitments and details of their implementation by the Group, in order to manage the issues and mitigate the relevant risks;
- relevant performance indicators to understand the results achieved in pursuing these commitments.

45 See Article 5, paragraph 1 of Legislative Decree no. 254 of 30 December 2016, Law no. 145 of 30 December 2018, Article 1073.

46 See Article 3, paragraph 1 of the Decree no. 254 of 30 December 2016.

47 See Article 4, paragraph 1 of the Decree no. 254 of 30 December 2016.

48 See Article 5, paragraph 4 of the Decree no. 254 of 30 December 2016.

With reference to ESMA (European Securities and Markets Authority, - European common enforcement priorities for 2021 annual financial reports of 29th October 2021) Recommendations, the references within the Annual Report are reported:

- Priority 1: Impacts of Covid-19, additionally to what is disclosed in the present section, Note 2.2 of the Notes to the Consolidated Financial Statement
- Priority 2: Climate-related matters, “Strategy and Risk Management” of the 2021 Directors’ Report and “Environment” of 2021 NFS
- Priority 3: Disclosures relating to Article 8 of the Taxonomy Regulation, “2021 Performance, European Taxonomy for eco-sustainable activities” of the 2021 Directors’ Report.

The NFS has been prepared in accordance with the “GRI Sustainability Reporting Standards” published by the Global Reporting Initiative (GRI Standards), adopting the “in accordance - Core” option⁴⁹. Alongside the tables displaying the data for the financial year ending 31 December 2021, the results of the two previous years are shown for comparison purpose. In the annex to the NFS, it is possible to consult the “GRI Contents Index” where the GRI Standards indicators are matched with the Group’s material topics. In addition, the Integrated Directors’ Report is enhanced with the contents required by the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Under Regulation 2020/852 (the so-called EU Taxonomy), Snam is subject to the obligation to report specific information on how and to what extent the company’s activities are associated with economic activities considered “eco-sustainable” pursuant to articles 3 and 9 of the Regulation itself. The required disclosure is available in the paragraph “2021 Performance, European Taxonomy for eco-sustainable activities” of the 2021 Integrated Directors’ Report.

To fulfil our aim of constantly improving transparency on the Company’s performance, the guidelines provided by the Sustainability Accounting Standards Board (SASB) for the identification and publication of information considered most relevant to the creation of long-term value for the sector were also considered.

With the aim of further promoting transparency in the reporting of its ESG performance, for the first time, the 2021 Non-financial Statement includes “Core” and “Expanded” metrics relevant to Snam’s business, defined by the framework “**Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting for Sustainable Value Creation**”⁵⁰. The framework, which Snam signed up to in 2021, has been defined by the International Business Council (IBC) of the World Economic Forum (WEF), of which the Company has been a partner since 2019. The disclosure required by the WEF metrics is enriched in Snam’s 2021 Sustainability Report.

In order to ensure the reliability of the information reported, the use of estimates was limited as much as possible. Any estimates are based on the best information available or on sample surveys. Restatements of previously published comparative data are clearly indicated as such.

This Non-Financial Statement was approved by the Board of Directors of Snam S.p.A. on 16th March 2022. The same Statement has been subjected to a judgment of conformity (“limited assurance engagement”, according to the criteria indicated by the ISAE 3000 Revised principle), with respect to the provisions of Articles 3 and 4 of Legislative Decree 254/16, by Deloitte & Touche S.p.A, which is expressed in a specific “Independent Auditor’s Report”. The assurance has been conducted according to the procedures presented in the “Independent Auditor’s Report”, included in the present document. The opinion by the Independent Auditor and the related assurance activities did not include the requirements concerning SASB, TCFD and WEF, whose indexes are presented after the “Independent Auditor’s Report”. Moreover, the limited

⁴⁹ See Article 3, paragraph 5 of the Decree no. 254 of 30 December 2016.

⁵⁰ For further details please refer to the document, in its full version, at the site: <https://www.weforum.org/reports/measuring-stakeholder-capitalism-towards-common-metrics-and-consistent-reporting-of-sustainable-value-creation>.

assurance activity did not include the information required by the Article 8 of the European Regulation 2020/852, which is disclosed in the paragraph “2021 Performance, European Taxonomy for eco-sustainable activities” of the 2021 Integrated Directors’ Report.

The Integrated Directors’ Report, of which the NFS is a specific section, is published within the 2021 Annual Report, available on the Company’s website at: https://www.snam.it/en/Investor_Relations/Reports/index.html.

An association table is shown below, highlighting the information content required by the Decree and its location within the document.

Scope of Legislative Decree 254/2016	Material topics	Paragraphs contained in the NFS	Other relevant content of the Integrated Management Report
Management and organisation business model			Snam Profile Strategy and Risk Management Governance
Policies enacted by the company		Within the specific paragraphs regarding each area of Legislative Decree 254/2016. Internal regulatory system Annex 2 “Main policies and guidelines of Snam” Annex 3 “Management systems”	Governance
Main generated and incurred risks, including their management		Within the specific paragraphs regarding each area of Legislative Decree 254/2016.	Governance Strategy and Risk Management
Environmental topics	Climate change		Governance
	Green business Territory protection and biodiversity	Environment	Strategy and Risk Management: Net Zero Transition; The strategy for the future: Net Zero Carbon; The ESG Scorecard
Social	Health and safety		
	Infrastructure reliability and resilience, business continuity and cyber security	Innovation, digitization for business development and cyber security	
	Relations with authorities and quality of services	People	Strategy and Risk Management: The ESG Scorecard
	Innovation	Suppliers	
	Economic results and value creation	Community	
	Sustainable supply chain Relations with local communities		
Personnel	Diversity and inclusion		Strategy and Risk Management: The ESG Scorecard
	Human capital development and protection	People	
Human rights	<i>Non material topic according materiality analysis</i>	Human rights	Strategy and Risk Management: The ESG Scorecard
Anti-corruption	Business integrity	Fiscal transparency and prevention of active and passive corruption	Governance
	Fight against corruption		

INTERNAL REGULATORY SYSTEM

Snam's corporate activities are based on the principles set out in the United Nations Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organisation (ILO), the OECD Guidelines for Multinational Enterprises and the Global Compact.

In order to adequately monitor all issues related to the business and to ensure proper management of business activities, Snam's corporate governance system is organised on three levels, Policies, Guidelines and Rules, which guarantee the performance of activities, ensuring compliance with the general principles contained in the Articles of Association, the Code of Ethics, the Corporate Governance Code, the Model 231 and the Enterprise Risk Management Model (ERM Model). In addition, the Ethical Integrity Pact and the Sustainable Development Policy define further principles that must be applied at all levels and express Snam's commitment to considering sustainability as a guiding element in defining its strategic and operational choices, as well as a lever for ensuring sustainable growth in the medium and long term.

Articles of Association	Code of Ethics	Policies	Snam's policies define the principles and criteria that guarantee proper and adequate monitoring of the topic in question and are communicated and disseminated within the organisation and among all persons who have relations with Snam, with a view to transparency and cooperation.
Model 231	Corporate Governance Code	Guidelines	The purpose of the guidelines is to facilitate the implementation of standards and rules of conduct to be followed in carrying out activities and which must be observed by all members of corporate bodies, managers, employees and collaborators of Snam companies. The Guidelines are brought to the attention of other associate companies in order to promote principles and conduct consistent with those of Snam.
ERM Model	The Ethics and Integrity Agreement	Rules	The rules define the ways in which activities are carried out within the company, including with a view to fulfilling the compliance obligations set out in the legislation, and apply to Snam and the companies it controls as part of the management and coordination activity exercised by Snam; they are also proposed to the associate companies, in order to promote consistent conduct and information flows.
Documents underpinning the corporate governance system	Sustainable Development Policy		

For further details on Snam's main policies and guidelines, see "Annex 2 - Main Snam policies and guidelines" in the 2021 Consolidated Non-Financial Statement

All measures prescribed by internal regulations are also implemented through the development, continuous updating and implementation of management models.

The following are the Policies and Guidelines that Snam has defined, as well as the management models aimed at creating and maintaining adequate oversight of issues related to innovation and cybersecurity, environment, health and safety, personnel management, human rights, supply chain, local community, fiscal transparency and anti-corruption.



INNOVATION, DIGITISATION AND CYBER SECURITY

GUIDELINES AND POLICIES

- Global Security Guidelines
- Privacy Guidelines

MANAGEMENT MODELS

- Business continuity management system compliant with **ISO standard 22301**
- **ISO/IEC 270001-compliant** information security management system
- **Training and awareness-raising activities** aimed at Snam employees and collaborators to disseminate good cyber security practices



ENVIRONMENT

GUIDELINES AND POLICIES

- Sustainable Development Policy
- HSEQ Policy

MANAGEMENT MODELS

- **Definition of the 'Towards Net Zero'** strategy to reduce Scope 1, 2 and 3 emissions and natural gas and achieve carbon neutrality by 2040
- **Setting targets for 2022 and 2025** in the ESG Scorecard and monitoring other KPIs
- **Development and investment in energy transition businesses** with the creation of dedicated business units
- **ISO 14001-compliant** environmental management system
- **Active participation** in round tables, research projects, associations and consortia for the development and study of green gases
- **Protecting and safeguarding territories** through actions that minimise, mitigate and compensate for the impacts of the Company



PEOPLE

GUIDELINES AND POLICIES

- Sustainable Development Policy
- HSEQ Policy
- Diversity and Inclusion Policy
- Diversity and Inclusion Policy: Harassment Policy
- Diversity and Inclusion Policy: Gender Equality
- Diversity and Inclusion Policy: Recruiting @ Snam
- Human Rights Policy

MANAGEMENT MODELS

- Health and safety management system compliant with **ISO standard 45001**
- **Specialist** health and safety **training**
- **Improvement and prevention** plans to protect workers' health and safety
- Definition of a **performance management** programme
- Implementation of a welfare system able to meet and satisfy the needs of employees
- Membership of **initiatives** and **associations** for the promotion of gender diversity
- Creation of the **Inclusion Team** representing corporate diversity
- Creation of **Snam Institute** to enhance skills both within and outside Snam
- Creation of **Competence Centres** for Snam staff training



SUPPLIERS

GUIDELINES AND POLICIES

- Human Rights Policy
- Social Supply Chain Policy
- Ethical and Integrity Agreement

MANAGEMENT MODELS

- Suppliers are required to have a health and safety management system compliant with **ISO 45001**, an environmental management system compliant with **ISO 14001** and a quality management system compliant with **ISO 9001**
- Involvement in **training and awareness-raising initiatives** aimed at combating climate change (e.g. CDP Supply Chain, GHG emission reduction plans, elimination of plastics from packaging, etc.)
- Suppliers **sign the Code of Ethics and the Ethical Integrity Agreement**
- Inclusion of **ESG criteria** in scoring models
- Optimisation of **local suppliers and Italian SMEs** through the definition of specific targets aimed at increasing the percentage of expenditure towards and the number of local suppliers



COMMUNITY

GUIDELINES AND POLICIES

- Stakeholder Engagement Policy
- Sustainable Development Policy
- Human Rights Policy
- Snam Policy on the Management of Philanthropic Activities and Social Initiatives

MANAGEMENT MODELS

- Implementation of **control and monitoring systems** for service quality and continuity
- Quality management system compliant with **ISO standard 9001**
- **Continuous dialogue with all players in the communities and territories** in favour of license-to-operate
- Development of **constructive relations with regulatory authorities and institutions**
- Administration of an **annual customer satisfaction survey**
- Development of a platform, **Jarvis**, with a view to improving the customer experience
- Development of **local community involvement initiatives**, also thanks to the support of the **Snam Foundation**



HUMAN RIGHTS

GUIDELINES AND POLICIES

- Sustainable Development Policy
- Human Rights Policy
- Diversity and Inclusion Policy
- Diversity and Inclusion Policy: Harassment Policy
- Diversity and Inclusion Policy: Gender Equality
- Diversity and Inclusion Policy: Recruiting @ Snam

MANAGEMENT MODELS

- **Specific training** for the dissemination of guiding principles on respect for human rights
- **Evaluation of suppliers** also in the field of human rights



TAX TRANSPARENCY AND THE FIGHT AGAINST CORRUPTION

GUIDELINES AND POLICIES

- Anti-Corruption Guidelines
- Tax Control Framework Guideline - Tax Strategy
- Corporate Governance Guidelines

MANAGEMENT MODELS

- Combating corruption through a structured **Internal Audit** activity
- Adoption and application of the principles contained in the **Model 231**
- Quality management system compliant with **ISO standard 9001**
- Implementation of the **Anti-Corruption Compliance Programme**
- Presence of a **dedicated** anti-corruption monitoring **department**
- Adequate **reporting system**
- **Training and information** activities in the field of anti-corruption
- Implementation of a **sanctioning system**
- Verification of the adequacy of suppliers and counterparties through **Reputational Audits** and **Compliance Audits**
- **Risk assessment** activities and **continuous monitoring** of corruption risks
- Adoption of the **Tax Control Framework** for the assessment, management and control of tax risks

INNOVATION AND DIGITISATION FOR BUSINESS DEVELOPMENT AND CYBERSECURITY

Material topics

SDGs

Infrastructure reliability and resilience, business continuity and cybersecurity

Snam works daily, through an integrated approach, to carefully manage cybersecurity aspects and prevent and/or mitigate cyber attacks



Innovation

In view of a more complex and challenging economic outlook, Snam has paid special attention to the search for new technologies from a perspective of increasing efficiency in conducting its business and reducing the impact on the environment



Risks related to innovation, digitisation and cybersecurity

Risks	Material topics
Strategic risks <ul style="list-style-type: none"> • Climate change risks leading to a tightening of the regulatory framework and emerging regulatory framework • Risks connected with climate change, which entail the diffusion of new technologies favouring the use of intermittent energy sources and failure to adapt to new technological standards • Climate change risks leading to reduced demand for natural gas • Risks related to climate change with impacts on continuity and quality of service • Climate change risks leading to a reduction in gas demand due to rising temperatures 	<ul style="list-style-type: none"> • Infrastructure reliability and resilience, business continuity and cybersecurity • Innovation
Operational risks <ul style="list-style-type: none"> • Breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption • Risk of cyber threats 	<ul style="list-style-type: none"> • Infrastructure reliability and resilience, business continuity and cybersecurity

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and risk Management' in the Integrated Directors' Report.

Policies, commitments and management models

The specificity of the business in which Snam operates, its significant presence on national and foreign territories, the socio-political problems, including on a local level, the massive use of information and multimedia technologies, terrorist attacks and new forms of illegal and criminal entrepreneurship, in addition to traditional threats that a major business finds itself facing, require an increasing commitment in policies to protect the safety of staff and company assets. All this leads to a conscious and effective assessment and management of security risks on an ongoing basis.

The **Global Security & Cyber Defence** Department defines the technical guidelines and methods, identifies the reference standards and guarantees the design, development and management of activities relating to the following security areas:

- **Physical & Personnel Security**, which prevents or mitigates potential security risks affecting people and physical assets of the company
- **Information & Cybersecurity**, which safeguards and protects corporate information assets
- **Business Continuity & Crisis Management**, which defines the actions and initiatives that the various company stakeholders are called upon to implement in order to ensure company operations even in the event of emergencies and crises
- **Security Intelligence**, which provides processed and correlated information useful for current and future business decisions, for the defence of rights, people, tangible and intangible corporate assets
- **Investigation & Forensics**, which regards investigations, also carried out with the support of qualified professionals, of internal or external threats, also implemented through IT tools.

The **Global Security Guidelines** approved in 2018 illustrate the principles adopted by Snam to prevent security risks and reduce the impact of events potentially capable of generating negative effects for the company, through:

- the uniform, prompt application of security directives;
- the allocation of the resources necessary to ensure the deployment of suitable measures in terms of physical, logical and organisational security;
- the commitment to considering security risk prevention as an integral part of managerial and business activities;

- the spread of security culture, also supporting communication, sensitisation, training and update initiatives for staff and third parties collaborating with the company.

L'importanza di gestire attentamente e correttamente i dati personali, in un'epoca in cui l'uso del digitale è sempre più frequente, si è sostanziata nella **Linea guida in materia di privacy** definisce i ruoli aziendali e gli adempimenti da attuare in materia di protezione dei dati personali ai sensi del Regolamento (UE) 2016/679 e indirizza tutti i dipendenti di Snam affinché il trattamento dei dati personali si svolga nel rispetto dei diritti e delle libertà fondamentali delle persone fisiche e in particolare del diritto alla protezione dei dati personali.

In considerazione degli obiettivi che Snam si è posta nel breve, medio e lungo termine, che richiedono ingenti sforzi nell'ambito dell'innovazione e della digitalizzazione, nonché della cyber security, sono previsti significativi investimenti destinati ad attività di ricerca e sviluppo, di digitalizzazione e innovazione, anche nell'ottica di aumentare la capacità di trasmissione e l'analisi dei dati in real time.

Cybersecurity

In order to adequately monitor the issue of cybersecurity, Snam has developed security risk management models, suitable for identifying threats and vulnerabilities and assessing the relative risk, identifying and implementing the most effective mitigation measures. Snam's approach to cybersecurity is integrated and based on a framework defined in accordance with the main standards on the subject: attention to regulatory obligations and reference standards is in fact constant, and the Company already complies with the provisions of the **ISO/IEC 27001** (Information Security Management Systems) and **ISO 22301** (Business Continuity Management Systems) standards.

The Global Security & Cyber Defence function applies international best practices in security risk management, ensuring that they are properly implemented by staff, customers and suppliers. Snam established an **Ethics and Integrity Agreement** with the latter that includes cybersecurity issues, with particular focus on the transparency of incidents and defence procedures in case of problems. In addition, in accordance with the principle of continuous improvement, there is a phase of verification and control of the effectiveness of the initiatives implemented, as well as continuous monitoring of new requirements.

All the domains are managed under the same operations system, through a **Cybersecurity Incident Management** model applied by the **Security Incident Response Team** that prevents, monitors and addresses remediation interventions and timely escalation plans to mitigate the most modern cyber threats that could compromise the confidentiality, integrity and availability of information. During 2021, the Security Incident Response Team continued to operate without interruption, providing support on a daily basis, 24 hours a day, 7 days a week. This was possible thanks to the experience gained during recent years in relation to remote working, leading to risk analyses and the adoption of security solutions suitable for safeguarding corporate interests, also while implementing this way of working.

Communication and awareness of cybersecurity are ensured thanks to the regular meetings held by the **Cybersecurity Committee**, and training initiatives aimed at the entire company population.

The human factor is a central element in developing risk awareness and supporting the identification of potential cyber attacks that may occur in the course of normal business activity. For this reason, Snam promotes both **information** activities, for example by alerting staff to ongoing phishing campaigns by means of specific e-mails, and **training and awareness-raising** activities, for example by means of periodic “White Phishing” campaigns, i.e. simulations of forwarding fraudulent e-mails aimed at identifying the Company’s most vulnerable areas.

Innovation and security in the energy industry

In July 2021, Snam and Leonardo, a global high-tech company and one of the world’s leading companies in Aerospace, Defence and Security, signed a Memorandum of Understanding (MoU) to develop their respective technological competences to support innovation and sustainability in the energy industry with a particular focus on digitisation, monitoring, physical and cybersecurity of processes, networks and infrastructures in order to increase their resilience and operational efficiency. The partnership between the two companies is also aimed at developing the use of hydrogen in the aviation sector to achieve decarbonisation.

In a context where the physical assets of the energy are undergoing a rapid digital transformation, the collaboration between the two contexts is strategic and will range from Industry 4.0 - with applications for the digitalised management of infrastructures and industrial processes based on IT, OT (Operational Technology), IoT, artificial intelligence and machine learning, big data, blockchain, advanced analytics and digital twin - to infrastructure security, using situational awareness solutions, mission critical communication technologies and advanced sensors, and the use of drones and satellites for asset monitoring. In the area of cybersecurity, Leonardo and Snam will collaborate in the context of threat analysis, monitoring, detection and response to cyber attacks.

Innovation and digitisation

In the 2021-2025 Strategic Plan and in the Vision to 2030, Snam has placed digitalisation and innovation among the main activities necessary to become a multi-commodity company and to manage its business more and more effectively. The investments, linked in particular to research and development activities in the area of innovation and digitalisation, are aimed at accelerating Snam’s innovative capacity to transform and manage its assets in order to seize the opportunities offered by the evolution of the energy system.

In this regard, the inauguration of the **TecHub** in Bologna in July 2021, the first Snam district “of the future”, where cutting-edge technologies are used to reduce emissions, improve the safety and resilience of infrastructures and the operational effectiveness, security, integrity and reliability of assets, was particularly significant. TecHub activities will be fundamental in the digitisation of the Snam network, which will become increasingly intelligent, secure and ready for ecological transition.

Snaminnova and the ideas hub

In 2021, Snam launched **Snaminnova**: the **Open Innovation** programme that aims to accelerate the Company's capacity for innovation in order to seize the opportunities offered by the evolution of the energy system. Snaminnova stems from the desire to make innovation a pillar of strategic business development in order to support Snam in becoming an increasingly important player in the energy transition. Within Snaminnova, three initiatives were launched: Innovation Ambassador, Call4Startup Innovative Learning and Ideas Hub.

The Ideas Hub was created with the aim of identifying innovative solutions, in line with the plan to become Net Zero Carbon in its activities by 2040, starting with a Call4Ideas dedicated to the corporate population that collected **91 applications**. The topic of the power plant was divided into five areas of interest:

ENERGY: promotion and development of the energy transition through the use of renewable energy sources

MOBILITY: promotion of green mobility

PEOPLE & COMMUNITY: raising awareness of decarbonisation, promoting a low-impact lifestyle

BUILDING: promotion of the energy efficiency of buildings

RECYCLE: optimisation of waste management and reuse

Of the 91 ideas collected, 10 were selected by an Evaluation Committee made up of Snam experts on the five topics, and were given access to the start-up process aimed at structuring and finalising the idea using a design thinking methodology. At the end of the start-up phase, the **Evaluation Committee** selected the five finalist ideas that embarked on the development phase for the design of the potential testing of innovative solutions. At the end of the process, a winning idea 'H2Aviators' was identified, which envisages the creation of small autonomous airships with zero emissions. The idea also envisages the use of helium for buoyancy and hydrogen fuel cells to generate electricity for propulsion and on-board instrumentation), which will continue the implementation process through the feasibility study of a prototype and its eventual realisation.

Snam's innovation strategy is based on four macro-areas:

- **energy efficiency and reducing emissions in its core business**, in order to maintain a high level of performance and, at the same time, contribute to the combat against climate change;
- **digitisation of the core business** for technological innovation and digital transformation of the transport, storage and regasification businesses;
- **digitisation of staff functions** to achieve digital transformation also among corporate functions supporting the core business;
- **investments for the energy transition** by participating in tests, research and studies for its realisation.

Here are the main projects.

**ENERGY
EFFICIENCY
AND REDUCING
EMISSIONS
WITHIN THE CORE
BUSINESS**

Asset Control Room

Project to improve and innovate asset management and operation. Design activities and the first prototypes were started during the year.

Energy optimisation for grid layouts and compression

Project carried out in collaboration with the Polytechnic University of Milan, with the aim of developing an application solution capable of determining the best set-up of turbo-compressors (from the point of view of energy efficiency) and suggesting the set-up changes to be made to individual thrust and storage machines, according to the parameters supplied by the SCADA (Supervisory Control And Data Acquisition) system, with the ultimate objective of reducing CO₂ emissions.

Analytics 4 Maintenance and Risk based maintenance

Projects aimed at effectively and efficiently managing the life cycle of assets, through the definition of models for assessing their condition in order to optimise maintenance and upkeep plans, with the support of appropriate information systems, and at the same time guaranteeing the most appropriate levels of security over time.

Turboexpanders

With regard to the possibility of decompressing natural gas from the network through special turbo-compressors (systems that allow the production of “green” electricity to cover internal consumption or to be fed into the grid in the event of production in excess of the same), the engineering phase continued for the creation of a pilot project which, although it does not maximise energy production due to compliance with the current legal/regulatory framework, aims to provide feedback from the field on the validity of the solution in terms of energy efficiency and reliability.

Smart-PE

Project aimed at protecting company assets from corrosion and improving process efficiency, and incorporating the requirements of the new international standard EN ISO 15589-1.

Network monitoring

Experimentation with **aerial surveillance of pipelines** on a pilot route of approximately 1,400 km, which would make it possible to improve the identification of territorial areas characterised by landslide movements of a particularly slow nature (such that they cannot be identified with the conventional control methods currently used, such as periodic geological reviews by qualified geologists).

Experimentation in the use of drones to support operators during network monitoring activities. Snam is registered as an ADR Operator with ENAC, providing itself with an aviation-type organisation to meet regulatory requirements, and there are currently 48 personnel trained to carry out operations and the first operational missions have been carried out.

T-LAB - SnamTEC Laboratory

Experimentation with a **system for detecting gas pipeline leaks and third-party interference** on the gas pipeline route (excavations, drilling, etc.), which envisages the use of the existing fibre-optic cable accompanying the pipelines on the primary gas transport network.

Within the framework of T-Lab and Open Innovation, experimentation began on a **remote connection system** for unreachable installations or as an alternative to the mobile network (4G/5G), using a geostationary satellite for data acquisition and transmission.

DIGITISATION
OF THE CORE
BUSINESS**IoT Foundation**

Technology enabler to support grid digitisation and energy transition initiatives, focusing on the implementation of solutions for acquiring, transporting, processing and making data available, and for ensuring infrastructure monitoring and reliability.

The programme will bring benefits such as **increased service resilience and business continuity, flexibility, faster deployment of new services, scalability of technology infrastructures and acceleration of innovation**. The programme focuses on:

- development and optimisation of technological services enabling interoperability of application and data solutions;
- upgrading of wired/wireless interconnection networks between plant sites and central architectures;
- development of technologies for acquiring and processing more and more data from plant sites.

PIMOS

A system to detect and locate gas leaks along the gas transmission network based on the analysis of pressure waves and the detection of possible disturbances and their propagation time. Between June and December 2021, this plant was put into operation on the entire network of the Bologna and Catania Districts.

INTELLIGENT DISP Limit setting

A nationwide project aimed at supporting the control room in monitoring pressure limit values and suggesting new thresholds using artificial intelligence algorithms.

Gas Transmission Network Asset Maintenance System (SMART GAS)

Corporate initiative to improve the effectiveness of technical and operational processes related to asset maintenance activities. In particular, following the go-live of the SMART LNG for the maintenance unit, which took place in October 2020, the project continued to include the operation and prevention and protection service unit. In addition, after the dematerialisation of the territorial units' archives with the eDoc document system, the process was also extended to the LNG archives of the booster and storage plants.

Artificial Intelligence (AI) and Machine Learning

Use of AI and Machine Learning algorithms to provide the Dispatching control room with support in managing the flow rates of the transmission network, with functionality being put into production for an initial portion of the network.

Asset Self-Regulation Monitoring

A project that originally initiated as a means to analyse, in a structured way, the requirements of the acquisition processes and the management of data relating to the control and operation of the transportation, storage, and regasification assets, to increase their effectiveness levels and identify the best supporting technologies of the whole remote-controlled process.

SmartPipeline and SmartPlant

Study of plant solutions for the implementation of 'SmartPipeline' and 'SmartPlant' projects.

The first aims to make the gas transport network increasingly intelligent, through the identification and installation of new digital diagnostic and operating equipment.

The second, to which the concepts of the SmartPipeline are extended, is aimed at identifying new digital instrumentation for collecting data from the field that is currently unavailable, as well as defining and optimising the supervision and maintenance logics for each device.

DIGITISATION OF STAFF FUNCTIONS

New reporting model

Introduction of a new reporting model for the Finance & Planning area, aimed at self-service analysis of information.

Platform supporting Group financial and treasury management

Start of the process of overhauling the platform supporting the Group's financial and treasury management, replacing the old integrated tools with a single platform capable of communicating via Host to Host channel with banking circuits and guaranteeing centralised management of financial investments.

Digitisation of payroll communications

Introducing digitisation of pay communications to employees, eliminating historically used paper letters, enabling tracking and digital management of learning, recruiting and talent management processes.

Electronic tendering, catalogue purchases, quality assurance and subcontracting

Implementation of new technological solutions for the management of electronic tenders, catalogue purchases, quality assurance and subcontracting, creating a single platform where operations are concentrated.

Digital to support smart working

To address the pandemic, Snam has continued with the implementation of a series of interventions to expand, on large scale, and consolidate the new ways of working that were already used, for some time, by the company, such as smart working. Smart working involves connecting to company resources remotely and adopting secure technological solutions that guarantee this connection, and using platforms to carry out calls, message exchanges and, most importantly, virtual meetings that involve multiple users. Among all these aspects, a significant intervention carried out in 2021 was the **upgrade of the VPN** (Virtual Private Network) infrastructure in order to make the connection to the company network more reliable and secure for smart working users. In terms of technological equipment for remote working, a total of **349 kits (monitor and keyboard)** and **694 headsets** were distributed.

ENERGY TRANSITION INVESTMENTS

Power to Hydrogen (P2H)

A process through which the electricity produced by renewable sources that is surplus to immediate consumption is transformed into hydrogen to be injected directly into the network. In this context, feasibility studies have been initiated to cover the entire chain of hydrogen production from green energy produced by solar fields and the upgrading of Snam Rete Gas regulation and reduction plants with the installation of electrolyzers, with deliveries to end customers.

Adsorbed Natural Gas (ANG)

Technology to store natural gas in tanks containing a porous sorbent, allowing larger quantities of natural gas to be stored than in an empty tank of equal volume.

Studies for a multi-commodity and efficient infrastructure

In 2021, Snam continued activities aimed at enabling the implementation of the multi-commodity infrastructure, through the evaluation of the existing infrastructure and the transportation of natural gas and hydrogen blends with H2 content up to 100%. Specifically, the Company has:

- completed factory tests on nine gas turbine units, also involving suppliers, to validate the supply of **natural gas and H2 at 10% variable (H2NG)**, while field tests are being completed to verify the feasibility of using the same mixture;
- issued internal regulations for the **construction of new pipelines and the conversion of existing ones** to accommodate the transport of up to 100% H2. These regulations were supported by carrying out valve and piping tests according to ASME B.31.12 "Hydrogen Piping & Pipelines";
- actively participated in **research groups for the definition of new European standards** for studying the effects of hydrogen in steel pipes;
- participated in **Joint Industry Projects** to study, through the running of tests, the effects of the presence of hydrogen on gas measurement systems, in terms of quantity and quality.

Furthermore, with the aim of optimising the energy efficiency of the infrastructure, the study of **pre-heating plant solutions** with automated management continued with a view to reducing emissions.

ENVIRONMENT

TARGETS AND PERFORMANCE

Action		Target	2021 Performance	
EMISSIONS				
Percentage of emission reduction of gas greenhouse gas emissions Scope 1 and Scope 2 (vs 2018)		-28% by 2025	-7%	
		-40% by 2027		
		-50% by 2030		
		Net Zero by 2040		
Percentage of reduction in natural gas emissions (vs 2015)		-25.1% by 2021 -55.0% by 2025	-28.9%	
Percentage of natural gas recovered from maintenance activities		>40% of the average of the last five years until 2025	52%	
Percentage of Scope 3 emission reduction (vs 2019)		-46% by 2030*	-13%	
		-55% by 2030**	+2%	
ENERGY EFFICIENCY IN OPERATIONAL MANAGEMENT				
MWh production of electricity from photovoltaic plants		>860 MWh saved by 2025	950 MWh	
Increase electricity purchased from renewable sources		55% by 2030	41%	
Trigeneration plants		13,000 MWh by 2025	5,445 MWh	
High-efficiency heat generators		110 MW by 2025	94 MW	
Improvement of the energy efficiency of buildings		Savings of 75,000 m ³ per year of gas and 250 MWh per year of electricity by 2025	Savings of 30,000 m ³ of gas and 80 MWh of electricity	
Installation of LED lighting systems		Replace 534 kW with 1,860 MWh savings by 2022	Replaced 534 kW with 1,774 MWh savings	
Percentage of retrofitted or methane-powered cars out of the total company fleet		49% by 2021 88% by 2025	51%	

KPI included in the ESG Scorecard

Target reached

Target in progress

KPI included in the Net Zero Carbon Strategy

Target not reached

Action		Target	2021 Performance	
NEW BUSINESS - GREEN INNOVATION				
Biomethane production		19 mln m ³ by 2021 229 mln m ³ by 2025	7.2 mln m ³	
Cumulative number of CNG and LNG stations installed		74 by 2021 175 by 2025	65	
Reduction of CO ₂ emissions from energy efficiency measures		16 ktonnes by 2021 73 ktonnes by 2025	10 ktonnes***	
Available LNG capacity for the SSLNG market		250 mln m ³ by 2025	-	
SOIL PROTECTION AND BIODIVERSITY				
Percentage of vegetation recovery of natural and semi-natural areas impacted by pipeline construction		>99% until 2025	100%	



KPI included in the ESG Scorecard



Target reached



Target in progress



KPI included in the Net Zero Carbon Strategy



Target not reached

* Emissions of subsidiaries, fuel and energy production and transmission, business travel, commuting.

** Supplier emissions in terms of emission intensity (tCO₂eq/M€ CapEx).

*** The perimeter is related to TEP. For the following years, the target will be repriced taking Miec and Evolve into account.

Material topics

SDGs

Climate change	As it operates in the energy sector, Snam is aware of its role in the fight against climate change. The Group sets itself challenging targets in reducing emissions and improving energy efficiency to ensure an ever-smaller impact on climate change. In addition, it promotes collaborations between energy sector businesses in order to jointly achieve the common goal of carbon neutrality. Snam promotes more sustainable business management through the use and production of energy from renewable sources, with regard to the development of green gases (biomethane and hydrogen).	
Green business	Snam has developed and integrated green projects (biomethane, hydrogen and energy efficiency) into its business and strategy with the aim of guiding the country's energy transition and promoting decarbonisation.	
Territory and biodiversity protection	Snam is committed to protecting the biodiversity of the areas it operates in, carrying out its activities efficiently and responsibly and minimising their impact on the environment, particularly during infrastructure construction processes. The landscape and local areas where the Group's plants and sites are located are safeguarded through inspection and monitoring activities as well as through policies aimed at protecting the soil, subsoil and aquifers.	

Other relevant issues included in the environmental sphere, which were not material in the 2021 materiality analysis but which are overseen by the Company, include **air protection, waste management and water resource management**. Snam carefully and constantly monitors pollutant emissions into the air, particularly those of nitrogen oxides (NO_x), which are the most significant and derive mainly from the combustion of natural gas in the gas turbines installed in the compression (thrust and storage) plants. Over the years, the organisation has implemented specific actions to contain these emissions, including the replacement of conventional turbines with low-emission turbines (DLE). The latter now make up almost all of the installed turbines, and in particular all of the storage sites have operated low-emission units.

Snam's water resources are used in limited quantities and mainly in the operations of the LNG Italia regasification plant, for sanitation and landscaping. Also in the case of waste management, the issue is not material because Snam produces a limited amount of waste in operations and most of it is non-hazardous.

Environmental risks

Risks		Material topics
Strategic risks	<ul style="list-style-type: none"> • Climate change risks leading to a tightening of the regulatory framework and emerging regulatory framework • Risks connected with climate change, which entail the diffusion of new technologies favouring the use of intermittent energy sources and failure to adapt to new technological standards • Climate change risks leading to reduced demand for natural gas • Climate change risks leading to negative perception of fossil fuel companies 	<ul style="list-style-type: none"> • Climate change • Green business
Operational risks	<ul style="list-style-type: none"> • Risk of breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption • Risks linked to maintaining an adequate reputation profile for suppliers and sub-contractors 	<ul style="list-style-type: none"> • Territory and biodiversity protection

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and risk management' in the Integrated Directors' Report.

Policies, commitments and management models

In order to adequately manage environmental aspects, Snam has approved the Health, Safety, Environment and Quality Policy (HSEQ Policy) and the Sustainable Development Policy which:

- promote respect for the environment in the design, implementation, management and decommissioning of assets and in the provision of services;
- promote the fight against climate change by implementing operational and management measures for the continuous reduction of greenhouse gas emissions and the efficient use of natural resources, in line with the Sustainable Development Goals defined by the UN;
- promote the protection of biodiversity, prevent pollution and ensure proper waste management, including through recovery at the final destination;
- promote energy efficiency and guarantee the responsible use of natural resources;
- ensuring that staff and stakeholders are informed, trained and made aware of the principles expressed in the policies.

Snam's Environmental Policy covers the entire value chain and applies:

- to all stages of production of each product and service, including distribution and logistics, as well as related waste management;
- to each site and building;
- to all relations with external stakeholders;
- to all mergers and acquisitions;
- to each key trading partner;
- to any supplier, including service providers and contractors;
- to all due diligence processes.

In managing environmental topics, Snam uses an environmental management system, based on compliance with legislative obligations and improvement of the company's environmental aspects, in accordance with ISO 14001 and ISO 9001 standards. In order to verify the effectiveness of the management systems, an internal team of 7 auditors carries out health, safety and environmental audits: 363 audits were carried out in 2021, 316 at the various Group companies (of which 98 were conducted by an external team) and 47 at contractors working on the sites. For further information on management systems, see "Annex 3 - Management Systems" of the Consolidated Non-Financial Statement.

In addition, the Company ensures and monitors that suppliers have management systems that comply with ISO 14001 and ISO 9001 standards, which are fundamental requirements in the supplier selection and qualification process. Finally, particular attention is paid to Environmental Impact Assessment (EIA) procedures, for the issuing of authorisations required by legislation for the construction of plants and infrastructures while respecting and protecting territories and biodiversity. Ensuring the safety and quality levels of the plants is of great importance to Snam, which is why the Group employs numerous technologies to guarantee complete, continuous and efficient control and monitoring of the network.

For further information on Snam's management systems, see "Annex 3 - Management Systems" of the 2021 Consolidated Non-Financial Statement.

The development of new businesses for the energy transition

For further details on the new businesses for the energy transition, see the chapter “Planet – Contributing to the energy transition” of the 2021 Sustainability Report.

Snam intends to consolidate, year after year, its position in the hydrogen, biomethane, sustainable mobility and energy efficiency sectors thanks to the presence of dedicated business units and subsidiaries, which are committed to identifying new development opportunities, internalising skills through the acquisition of industry leaders and active participation in research and development projects, both nationally and internationally.

In 2021, Snam has increased its **biomethane production** from 0.44 mln m³ in 2020 to more than **7 mln m³**, a significant increase, achieved also thanks to the increasing investments for the construction of infrastructure and plants through the subsidiary **IES Biogas** and the acquisitions managed by **Snam4Environment**.

In the area of sustainable mobility, Snam has continued to expand its network of refuelling stations for vehicles powered by natural gas and biomethane. Specifically, contracts were signed for the development of around **37 refuelling stations**, including one LNG station in Germany. In total, Snam has 170 refuelling stations built since 2017, including **22 LNG** stations, bringing the total to 65 CNG and LNG refuelling stations installed. To monitor the progress of the sustainable mobility business, a specific target has been included in the ESG Scorecard for the installation of 175 CNG and LNG stations by 2025. In 2021, the cumulative number of these stations is 65, lower than the 74 planned, due to the pandemic and delays in the authorisation process.

Snam4Mobility has continued its activities to promote and distribute LNG in favour of sustainable mobility for the transport of ships, trucks and trains, with the aim of reaching 250 ktonnes of LNG capacity available for the SSLNG market by 2025. In 2021, the authorisation process for the Panigaglia terminal continued, while that for the first micro-liquefaction plant in Campania was completed. The latter will ensure the security of supply of LNG and Bio-LNG (so-called liquid biomethane) also to other regions in southern Italy, shortening the chain between supply and end users and serving a rapidly developing market.

With regard to the hydrogen business, Snam has continued to develop research projects and feasibility studies for the application of green gas. In particular, the Hydrogen business unit launched two projects to develop the hydrogen value chain: **Hydrogen innovation Center** and **HyAccelerator**. In addition, new partnerships have been signed for the application of hydrogen in aeronautics, transport and industry. Among these, the agreements with Industrie De Nora for the study and construction of a Gigafactory and with Eni, which sold Snam 49.9% of its interests in the TTPC and TMPC pipelines, are particularly important for Snam’s positioning in the hydrogen value chain. In addition, the Company has launched the activities envisaged by the four calls for tenders won in 2020 under the European funding programme **Fuel Cells and Hydrogen Joint Undertaking (FCH JU)**, which aim to contribute to the production of green hydrogen from renewable sources, the use of green gas as an alternative fuel, the use of fuel cells to ensure the safety and reliability of energy supply, and to assess the technical feasibility and implementation potential of large-scale storage of renewable H₂ in porous geological reservoirs.

In the field of hydrogen, Snam has applied for and won three other tenders for the LIFE, Innovation Fund and Horizon Europe programmes, which provide for the development and construction of a refuelling station for hydrogen powered vehicles, specifically buses, trains, heavy and light vehicles.

2021 has also been a crucial year for sustainable hydrogen mobility, in which Snam4Mobility has been working to identify **land** and both public and private **partners** with which to build the first plants equipped with this new fuel. The main projects in the portfolio are currently the subject of feasibility studies and work has begun to assess and materialise funding opportunities.

In the energy efficiency business, Snam offers such services through **Renovit**, the company created together with CDP Equity, which provides energy efficiency services in the residential, industrial, tertiary and public administration sectors. In 2021 alone, thanks to the activities of Renovit and its subsidiaries Tep Energy Solution, Miecì and Evolve, approximately 14 thousand tonnes of CO₂ emissions were avoided (10 ktonnes considering only the work of Tep Energy Solution), a significant increase compared to 2020 (5 ktonnes CO_{2eq}). Renovit has also been certified by **B Corporation** following the **B Impact Assessment** and the audit conducted by **B Lab**, the international body that awards certification to companies that operate according to the highest standards of social and environmental performance, responsibility and transparency.

Compared to the targets set for 2021, the monitored KPIs did not achieve the expected results as a result of the slowdowns and constraints caused by the post-pandemic recovery situation.

Climate change and emission reduction

Snam's commitment to preventing climate change is embodied in a challenging climate strategy aimed at achieving **carbon neutrality by 2040**. The **Net Zero Carbon** strategy includes intermediate emission reduction targets, in particular:

- **55%** by 2025 compared to 2015 values for **natural gas emissions**
- **-50%** by 2030 compared to 2018 values for all **CO_{2eq} Scope 1 and Scope 2 emissions**
- **-46%** by 2030 compared to 2019 values, for **Scope 3 CO_{2eq} emissions** from subsidiaries, fuel and energy production and transmission, business travel and commuting
- **-55%** by 2030 compared to 2019 values, for **Scope 3 CO_{2eq} emissions** in terms of intensity (tCO_{2eq}/M€ CapEx) from the supply chain
- **Net Zero** by 2040, for all **Scope 1 and Scope 2 CO_{2eq} emissions**.

In addition, starting 2020, Snam has signed the **Methane Guiding Principles**, which commit the Company to further reducing methane emissions deriving from its activities in natural gas infrastructure. Adherence to the principles also requires Snam to encourage other players in the gas chain to pursue the same objective. Membership of the **Oil and Gas Methane Partnership** also encourages the Company to take action to reduce methane emissions, the 2021 target for which has been raised **from -45% to -55% by 2025 compared to 2015 levels**.

Snam contributes to the fight against climate change starting with its own energy choices: in 2020, 96.5% of the Snam Group's energy needs were covered by the use of natural gas. Almost all of Snam's direct Scope 1 emissions belong to methane (CH₄) and carbon dioxide (CO₂) emissions, while a small part is attributable to hydrofluorocarbon (HFC) emissions. Methane emissions arise from the release of natural gas into the atmosphere and are generated by the normal plant operation, by operations to connect new gas pipelines and the maintenance thereof, or by accidental events occurring on infrastructure, whereas the CO₂ produced is directly correlated with fuel consumption. HFC emissions are derived from the use of refrigerant gases (i.e. hydrofluorocarbons) in refrigeration systems.

In 2021, direct emissions were 1.4 million tonnes of CO_{2eq}, up 10% from 2020, but down 7% from 2018, the base year used in the Scope 1 and 2 emissions reduction target included in the Towards Net Zero strategy.

Specifically, CO₂ emissions from combustion increased by 18% compared to 2020, reaching 0.78 million tonnes, CH₄ emissions also increased, albeit slightly, from 615 thousand tonnes of CO_{2eq} to 618 thousand tonnes of CO_{2eq} in 2021. HFC emissions were almost the same, coming in at 1.01 thousand tonnes of CO_{2eq} (-5% compared with 2020).

Thanks to continuous reduction measures, including the recovery of natural gas emissions, the increasing use of green electricity and energy efficiency measures. Together, all activities recorded over **171 thousand tonnes of CO_{2eq} avoided**. For more information on these initiatives, see the chapter “2021 Performance - Greenhouse gas emissions” in the 2021 Annual Report and the chapter “Planet - Combating climate change and reducing emissions” in the 2021 Sustainability Report.

Energy efficiency in operational management

Snam’s commitment and investment in making its consumption increasingly efficient and with a reduced environmental impact has grown over the years, with the aim of significantly increasing the production of renewable energy. In 2021, due to the partial decommissioning of Snam4Environment cogeneration plants, in favour of plants for the production of biomethane, the amount of electricity produced from renewable sources was reduced compared to 2020, as was the installed capacity, reduced from 5.12 MW to 4.31 MW. In contrast, the total number of installations increased from 2,360 to 2,833.

The increase in consumption by Snam4Environment, which buys electricity from the grid, has also led to a reduction in the overall share of electricity from renewable sources for the entire Snam Group, which has cancelled out the benefits of switching to electricity from renewable sources at the Melizzano power plant, GNL Italia and Snam’s headquarters offices. Thus, the share of green electricity in the total has fallen from 49% in 2020 to 41% in 2021, which however is in line with the target of 55% of electricity purchased from renewable sources by 2030. In addition, with a view to combating climate change and energy efficiency, between 2020 and 2021, Snam has reconfirmed its front-line commitment to further integrate the Group’s sustainability objectives with its financial strategy by issuing four **Transition Bonds** on the basis of the **Transition Bond Framework**, published in June 2020. The Climate Action, Transition and Sustainable-Linked Bond also contribute towards financing environmental sustainability investments, in line with the key role, attributed to renewable gases, of achieving the long-term decarbonisation goals, and with the role that can be assumed by the existing infrastructure facilitating this transition.

Environmental protection and safeguarding biodiversity

To develop new infrastructure, Snam adopts procedures that meet stringent environmental compatibility and safety assessments and ensure maximum respect for the natural environment and protection of biodiversity. Snam undertakes to carry out, in compliance with current legislation, **Environmental Impact Assessments (EIA)** or **Integrated Environmental Authorisation (IEA)**, which present stringent requirements for environmental compatibility and safety, guaranteeing maximum respect for the natural environment and protection of biodiversity, and which are operationally implemented through the preparation and implementation of specific **Environmental Monitoring Projects (EMPs)**. At the end of the evaluations, the competent Administrations, both at central and local level, issue the authorisations to start the activities. The progress of the permit activities is reported in the paragraph "Progress of activities related to obtaining permits" in the chapters Natural gas transportation in the Integrated Directors' Report.

In order to systematically address environmental aspects, Snam operates according to the **Deming Cycle**, which involves four phases:



Snam acts with a view to **avoiding and minimising** the impact of its activities on biodiversity right from the planning stage, making the most appropriate design choices. Once the infrastructures are complete, the Company puts in place **environmental restoration** and **monitoring** projects in agreement and in collaboration with the responsible government bodies. In addition, if necessary, Snam adopts **compensation practices** to offset its impacts.

The objective of vegetation restoration, with particular regard to **reforestation**, is not merely to reconstitute forest areas but to reconstitute the landscape in general and to revive the biological functionality of vegetated areas, especially in their role as habitats for fauna with specific biodiversity characteristics. Restoration and reforestation is followed by the implementation of “horticultural initiatives”, i.e. the care and maintenance, for a period of at least five years, of seedlings that have been planted.

The monitoring projects involve the sections of several pipelines that interfere, even only marginally, with natural areas high in fauna and ecological value. These programmes are aimed at verifying the renaturation process of the areas disturbed by the installation process, based on the comparison between the conditions after the restoration (“post-construction”) and the original conditions (“pre-construction”). Monitoring is normally performed for the most significant habitats identified in the design phase.

The km of pipelines subject to replanting depends on the km of lines laid during the year and the environments they have passed through.

Environmental monitoring: between environmental protection and innovation

In a context of increasing sensitivity to environmental issues, Environmental Impact Assessments and Environmental Monitoring Projects have become increasingly important. In particular, an LDC consists of a series of measurements, surveys and field analyses carried out by a multidisciplinary team of experts on: **water environment** (surface water and groundwater), **soil, biodiversity** (vegetation, flora, fauna and ecosystems), **noise, atmosphere** and **landscape**.

The PMA has a multi-year duration, with the first field activities beginning one year before the start of construction activities (**ante-operam monitoring**) for seasonal fauna monitoring, and then continuing in parallel with all construction activities (in-progress monitoring), generally continuing for 5 years after the closure of the construction sites (**post-operam monitoring**).

In 2021, the Directorate in charge of pipelines construction managed the **environmental monitoring of around 950 km of network**, but as the planned programme of interventions is implemented, this figure is set to rise in the coming years.

Key performance indicators














In 2021, Snam's Scope 1 emissions amount to approximately 1.4 million tonnes of CO_{2eq}, up 10% compared to 2020, but down 7% compared to 2018. The increase in direct emissions was mainly due to carbon dioxide emissions, while methane and HFC emissions remained broadly in line. Despite the increase recorded in total GHG emissions, Snam has continued its committed initiatives to reduce emissions.

Indicator	GRI Standard	Measurement unit	2019	2020	2021
Emissions					
Emissions of CO _{2eq} – Scope 1 (a)			1,347	1,274	1,397
CO _{2eq} emissions - Scope 2 - Market based	305-1	10 ³ tCO _{2eq}	32	31	31
CO _{2eq} emissions - Scope 2 - Location based			38	39	31
Energy consumption					
			12,152	12,154	14,157
of which natural gas			11,627.9	11,597.5	13,662.2
of which diesel			82.6	69.5	51.4
of which petrol			3.9	10.3	29.7
of which LPG	302-1	TJ	0.4	0.4	0.2
of which electricity (b)			422.6	463.5	399.3
of which thermal energy			14.8	13.4	13.8
green energy consumed			186	226	162
Territory and biodiversity protection					
Environmental restoration			63	98	154
New reforestation (c)			8	16	6
Horticultural initiatives	304-1	km	73	65	70
Environmental monitoring			747	1,094	946
Transportation network within Natura 2000 sites (d)			3.7	34.6	9.7

- (a) The emissions of CO_{2eq} were consolidated according to the operational control approach. The GHG gases 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".
- (b) The percentage of electricity produced from renewable sources and consumed by the Group depends on the individual national electricity mixes. For Italy, self-consumption of electricity from renewable sources also takes place.
- (c) New afforestation area 108,800 m² (285,722 m² in 2020).
- (d) Natura 2000 sites are special protection areas/sites of Community interest. The indicator denotes the km of lines laid in these sites in the year. For 2021, the number of Natura 2000 Network Sites subject to infrastructure laying is lower than in the previous year (9.7 km vs 34.6 km) and affected the regions of Abruzzo, Friuli-Venezia Giulia, Molise, Apulia, Sicily Trentino-Alto Adige and Veneto.

PEOPLE

TARGETS AND PERFORMANCE


Action		Target	2021 Performance	
GENDER DIVERSITY				
Percentage of women in executive and management positions*		22.5% by 2021 27.0% by 2025	22.3%	
Percentage of women in the succession plan (first and second line)*		25% by 2021 27% by 2025	25%	
WELFARE				
Percentage of participants in welfare activities		50% by 2021 56% by 2025	50%	
EMPLOYEE ENGAGEMENT				
Percentage employee engagement index		70% by 2021 N.M.** to 2025	82%	
Eliminating single-use plastics in offices		-100% by 2021	Postponed to 2022	
TRAINING				
Hours of training provided		320,000 hours by 2023	157,341 hours total since 2020	
PERFORMANCE MANAGEMENT				
Adoption of the Performance Management programme		Extension of the scope to all subsidiaries by 2021	Perimeter extended to all subsidiaries ***	
SECURITY				
IpFG (combined frequency and severity index)****		< the average of the last five years until 2025	0.65	

 KPI included in the ESG Scorecard

 Target reached

 Target in progress

 KPI included in the Net Zero Carbon Strategy

 Target not reached

* The perimeter relates to the following companies: Snam S.P.A. Snam Rete Gas, Snam4Mobility, Snam Gas & Energy Services, Snam International B.V., GNL Italia, Stogit, Cubogas, Enura, Gasrule, IES Biogas S.r.l., Renerwaste Lodi, Renerwaste and TEP.





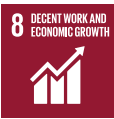
** New methodology under development.

*** Snam, SRG, Foundation, LNG, Stogit, Enura, Snam4mob, Cubogas, Renovit, TEP, Snam4env, IES Biogas, Renerwaste, Gasrule and Snam Gas & Energy Services Beijing.

**** Accident frequency and severity index for employees and contractors (the latter excluding those of non-regulated companies), excluding commuting accidents, takes into account both the frequency of total accidents recorded in relation to the number of hours worked and is calculated by adding and weighing the two indices (IF and IG). The scope of analysis will include, if any, companies acquired after 6 months of their acquisition.

Material topics

SDGs

Diversity and inclusion	<p>Snam values and protects its employees, creating an inclusive working environment that enhances the diversity and merits of each individual, through transparent dialogue and collaborative initiatives.</p>		
Health and safety	<p>Ensuring the safety of one's own people is an indispensable factor in the proper day-to-day running of the business. Snam annually monitors current, potential and emerging risks to mitigate and prevent accidents in the workplace and impacts on people's health.</p>		
Human capital development and protection	<p>Developing the skills and potential of the people who work in and for Snam is a fundamental aspect, which drives the Company to strengthen the professional growth paths it offers, as well as its talent attraction and retention policies. The company promotes the dissemination and sharing of knowledge and encourages the development of technical, managerial and organisational skills. Snam is committed to protecting the well-being of its employees, offering a listening and welfare system to identify and respond to workers' needs.</p>		

The promotion of stable and continuous employment, ensuring a healthy working environment and generational turnover in line with business development, although considered an important aspect by Snam, was not among the material topics in the analysis conducted. This result, in line with the previous reporting year, is due to the fact that the Company operates in countries with well-defined regulations on the protection of workers.

Risks related to staff management

Risks		Material topics
Employees and staff in key roles	<p>Risk of loss of 'key' personnel or inability to attract, train or retain qualified personnel or situations where the ability to implement the long-term business strategy is adversely affected due to significant disputes with employees</p>	<ul style="list-style-type: none"> • Human capital development and protection • Diversity and inclusion
Legal and compliance risk	<p>Risk of violations of rules and regulations in relation to workers' health and safety (Italian Legislative Decree no. 231/2001)</p>	<ul style="list-style-type: none"> • Health and safety
Operational risks	<p>Risk of breakage or damage to pipelines/plants, also as a result of extraordinary events, which could cause malfunction and unplanned service interruption or delays in the progress of infrastructure construction programmes</p>	<ul style="list-style-type: none"> • Health and safety

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and risk management' in the Integrated Directors' Report.

Policies, commitments and management models

The main policies approved and adopted by Snam to monitor personnel management and the health and safety of workers are the **Sustainable Development Policy**, the **Human Rights Policy**, the **Health, Safety, Environment and Quality Policy (HSEQ Policy)** and the **Diversity and Inclusion Policy**, with the relevant integrations related to **Gender Equality** and **Recruiting**. In 2021, the Diversity and Inclusion Policy was further enhanced by the **Harassment Policy**.

Through these instruments, Snam undertakes to:

- develop its system of professional and managerial skills supporting the growth of its resources;
- attract and retain qualified resources;
- ensure the involvement of staff so that they participate actively in the improvement processes;
- adopt work practices based on a culture of diversity and equal opportunities, safeguarding the dignity, freedom and equality of all employees and partners;
- create a welcoming work environment with no direct or indirect discrimination of any kind;
- protect jobs, working conditions and trade-union freedoms;
- guarantee pay rises based strictly on merit and skill;
- protect the system of values and principles in matters of transparency and sustainable development;
- ensure respect for the protection of health and safety of workers and the environment, through the prevention of accidents, injuries and occupational illnesses;
- guarantee the implementation and procedures to identify and respond to emergency situations and monitor the consequences of accidents.

With respect to its commitment to ensuring gender diversity⁵¹, Snam is also active through numerous initiatives aimed at strengthening awareness of this issue. These include membership of **Valore D**, as a Supporting Member, **InspirinGirls**, **Parks**, **Shetech**, **Rock your Mind** and **YEP - Young Women Empowerment Program**, associations, campaigns, events and programmes that promote diversity, talent and female leadership for the growth of companies and the country.

Internally, the Group envisaged, starting 2020, the **Inclusive Language Manifesto** to spread a culture of language that respects all identities, conditions, affiliations, orientations and cultures, and has implemented, thanks to the Inclusion Team, the **#Snam4Diversity Talks**, training events aimed at discussing diversity and inclusion issues.

In addition, for the third year running, Snam has been confirmed in **Bloomberg's Gender-Equality Index (GEI 2022)**, which measures companies' performance in terms of gender balance, inclusion and data transparency. Snam has further improved its ranking, with a score of 71.21% (+2.1 percentage points compared to 2021), growing especially in the "Inclusive Culture" parameter, an award that underlines its commitment to disseminating and promoting a more inclusive corporate culture.

Snam guarantees to all workers the right to freely express their thoughts, join associations and undertake trade union activities. The dialogue with the social partners⁵² is framed and regulated by the current **Protocol for Industrial Relations**, signed in 2013. For more information on employment dynamics and industrial relations, see the chapter "Performance in 2021", while for information on employee engagement activities in 2021, see the chapter "Stakeholder engagement and materiality analysis" contained in the 2021 Annual Report.

51 See Article 3, paragraph 1, letter d of Legislative Decree no. 254 of 30 December 2016.

52 See Article 3, paragraph 1, letter d of Legislative Decree no. 254 of 30 December 2016. At the end of 2020, 21.4% of employees were members to a trade union organisation.

Finally, with regard to health and safety management, Snam uses an ISO 45001-compliant management system and ensures that its suppliers do the same.

Trends in employment, diversity and inclusion

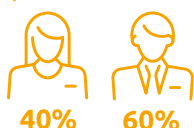
Growing with people, in an **inclusive and meritocratic environment** that values human resources and provides them with opportunities for personal and professional development are the foundations on which Snam's staff management is developed. The development of new businesses for the energy transition and the consequent need to expand know-how and skills in these areas has led to a progressive increase in the company population.

Creating a **cohesive, open and stimulating work environment** is one of Snam's main prerogatives in the area of personnel management and, for this reason, it is committed to preserving and enhancing the **plurality and diversity** of its resources. With this in mind, the backgrounds, opinions and viewpoints of Snam people are promoted to encourage new ideas and effective and virtuous behaviour. Valuing diversity makes the company more competitive, innovative and people-oriented.

In alignment with its Sustainable Development Goals, Snam undertakes to generate and maintain stable and continuous employment relationships involving qualified and specialist activities (54% of employees have a technical diploma and 33% are graduates). Moreover, the **Snam Institute** aids the Company in its ambition to exploit the potential of its skills not only internally, but also externally.

As of 31 December 2021, there are 3,430 Snam employees, more than 92% of whom have permanent employment contracts. In addition, there are 37 part-time employment contracts and 246 apprenticeship contracts and 53 workers were employed under temporary contracts (43 in 2020). The average age of Snam Group employees is slightly over 43 years, while the average length of service is around 16 years.

Female presence in Leadership Team (%)



Staff aged under 40 (1,463) account for approximately 43% of the company workforce, increased by 189 employees compared with 2020, also thanks to the progressive hiring of young talent to the workforce in recent years.

The turnover rate in 2021 (18.2%), compared to the trend in the previous two years, is increasing (11.9% in 2020), mainly due to the higher number of exits during the year (226 vs 152 in 2020).

Gender diversity and inclusion are issues to which Snam pays particular attention; this commitment is also reflected in the top management, in particular 40% of Snam's **Leadership Team** is made up of women.

Among the many initiatives in favour of diversity, a specific inter-functional working group, comprising 40 people, called the **Inclusion Team**, has been set up. The latter, representative of the many corporate diversities present, is aimed at promoting a culture of diversity and equal opportunities, in order to create an environment that enhances as much as possible all the peculiarities of which it is composed. The team has drawn up an action plan “#Snam4Diversity, Energia che Include”, which includes a series of initiatives aimed at spreading the culture of diversity.

With regard to the gender distribution of employees, at the end of the year, there were 569 female staff members, an increase on the previous year (+12.2%), while the Group employed 117 people with disabilities, who Snam aims to include and integrate in company processes.

Female empowerment: from school to the world of work

The growing presence of women in Snam, and their promotion to positions of responsibility, are formal commitments reflected in concrete actions and precise objectives, some of which are included on the ESG Scorecard.

Snam's commitment in this regard does not stop within the company, but also extends outside, starting with schools. Through meetings with role models, workshops, activities carried out in partnership with organisations, such as Valore D in the InspiringGirl programme, tutoring projects in collaboration with Snam Foundation, where Snam volunteer-employees work alongside first and second grade girls to consolidate their knowledge and skills.

The Society believes it is important for girls to become more involved in **STEM** (Science, Technology, Engineering, Mathematics) subjects, four areas of study that can open doors to the world of work. For this reason, Snam encourages young women to undertake studies based on these disciplines, offering scholarships to female students, as in the case of the **Milan and Turin Polytechnic Universities**.

For further details on the subject of diversity in relation to the composition of the administrative, management and control bodies pursuant to Article 10 of the Decree, please refer to the paragraph "Description of the Snam policy on diversity" in the 2021 Report on corporate governance and ownership structures.

Diversity is a value that also contributes positively to the effectiveness of the action of the corporate bodies. Considering this, Snam aims to integrate a variety of professional skill sets in the composition of its administration, management, and control bodies, complemented by different experiences, and enriched by age and gender diversity. The Articles of Association, as amended in 2020, stipulate that at least one third of the members of the management and control bodies must be of the least represented gender. In this regard:

- three out of nine board members are female (one third of the total);
- the Board of Statutory Auditors is composed of three Standing Statutory Auditors (one of whom is a female) and of two female Alternate Statutory Auditors;
- two Chairpersons of the Committees out of four are female.

For the next term of office, at least two-fifths of the members of the Board of Directors will belong to the least represented gender, as set out in the February 2021 amendment to Article 13 of the Articles of Association.

The Company ensures the monitoring of the situation in relation to diversity and the complementary nature of professional profiles and take actions to increase the knowledge of the members of the administrative and control bodies through **board inductions**, through which specific industry expertise is acquired.

As far as age is concerned, Snam's Articles of Association do not contain specific limits for members of corporate bodies. It is believed that statutory limits are not required because adequate diversity is already guaranteed, as demonstrated by the following figures:

- the age of Snam's board members spans between 43 and 69 years, with an average age of 54;
- the age of Snam's statutory auditors spans between 45 and 70 years, with an average age of 56.

With the aim of assessing the functioning of the Board of Directors and its Committees, in 2019, a Board Evaluation process entrusted to an independent advisor was launched, which expresses an opinion on the activity carried out, identifying any elements that could improve its performance, in terms of efficiency and effectiveness of its work.

Development of human capital

Continuing on from previous years, Snam has concentrated its investments, equal to approximately 783 euros per employee, in **career and skills development activities**, mainly focused on routes aimed at improving the leadership model, consolidating the new skills model, identifying and developing talent throughout the organisation, keeping succession plans solid and structured, thereby guaranteeing a sustainable succession line, and increasing engagement levels.

In addition, with a view to fostering professional development and further opportunities for career advancement, Snam has been implementing for years a performance assessment process, "**Performance Management**", which in 2021 will reach its fourth cycle and will be extended to the BUAIT (Asset Italy Business Unit) technicians and employees and to part of the New Businesses, for a total of 2,853 people (+77.6%) assessed, reaching the goal of expanding the scope to all subsidiaries.

In order to activate an assessment as extensive as possible on the company population through a structured and homogeneous framework, all job positions, with the exception of executives, are also subject to the analytical and comprehensive assessment of Complexity, Responsibility, Experience and Autonomy (C.R.E.A.) factors. In 2021, 383 CREA assessments were approved.

The context of continuous change and evolution in which Snam operates requires special attention to be paid each year to the training provided to human resources. In this regard, the Company provides employees with training courses tailored to their role, experience and area of expertise, as well as cross-cutting training courses on topics related to their business. Among these, digitisation is an area on which numerous proposals have been developed to respond to the technological challenges and evolutions emerging from the reference context

Precisely in order to preserve technical know-how in order to develop it and transfer it to new generations, **Competence Centres** were set up in 2019: groups of people across organisational structures who possess consolidated and recognised knowledge and experience in specific subject areas relevant to the business. The 16 Skill Centres that were set up involved 110 Group staff, identifying 175 experts and 145 trades, working to create the 16 volumes that make up the Snam technical "trades" encyclopaedia. These centres are also supported by an **Internal Faculty** composed of 90 employees who transfer their technical and business expertise to other colleagues through a by-Snam-to-Snam logic.

During 2021, **89,375 hours of training were provided with 15,108 participants** recording **26.1 average hours per employee** (28.9 average hours for male staff and 11.8 average hours for female staff). Compared to the previous year, the blue-collar category more than doubled the training hours thus exceeding 51,000, returning to pre-pandemic levels thanks to the reinstatement of in-person training and consistent with the business need to transfer distinctive technical skills and ensure business continuity. The prioritisation of technical training initiatives has had a strong impact on the increase in average training hours provided to men, since the workforce is 99% male.

About 22,526 hours of training were provided, with 4,089 participants exclusively on HSEQ topics, which are always central to the training of Snam employees. Extensive efforts were also devoted to employee training programmes on business ethics and anti-corruption, providing 1,014 hours of training to all new employees in 2021.

Innovative Learning: start-ups on board with Snam

96 start-ups for 100 projects: two numbers are enough to define the success of Snaminnova's **Call4Startup Innovative Learning**, which will help Snam Institute to improve the quality of engagement and training in the company. From the many digital solutions proposed, an Evaluation Committee selected proposals from Skillgym, Skill Eyd Lab and Rising Pixel.

Skillgym is a Digital Role Play platform that simulates conversations by interacting with characters played by real actors and guided by an artificial intelligence engine.

Skill Eyd Lab combines different tools to develop skills through micro-learning and gamification.

Rising Pixel creates advergames and digital interactivity for team building and virtual event experiences.

The three selected start-ups underwent a business case development process, following which only two of them - Skillgym and Rising Pixel - were chosen to enter the final PoC (Proof Of Concept) phase, during which trials will be launched in 2022.

96
startup

100
projects



3
selected
start-ups




2
winners

Company welfare

Snam's **Welfare Plan**, created in 2018, has continued to evolve, year after year, to guarantee employees services capable of responding effectively to their needs. To this end, as well as to ensure a better browsing experience and to better guide staff in choosing the most appropriate service, a **welfare assistant** has been activated as a single point of contact and mediator between personal needs and corporate welfare responses.

"**Snammy**" is the platform that encompasses all the initiatives of the Welfare Plan and is organised in five main areas of intervention: Family and Education, Health and Care, Well-being and Work-Life Balance, Finance and Savings, Social Commitment. In total, there are 30 services (both corporate and contractual) offered to meet people's current needs and requirements. The year 2021 saw a **renewal of the Welfare portal**: in fact, a new graphic design was developed that allows for an improved and simplified welfare experience both in terms of content and the possibility of autonomous search for services. In order to facilitate better understanding and use of the platform, a dedicated communication campaign has been launched and presentation webinars have been organised, with voluntary participation, to explain the offer and answer questions live. In parallel, all newly acquired companies completed their integration process and had access for their employees to the dedicated portal.

AREAS	ACTIVITIES OFFERED	
FAMILY AND EDUCATION 	Nursery school reimbursement	Reimbursement children's enrolment fee for employees who use it
	Accidents	Insurance coverage for non-occupational accidents
	Supplementary healthcare	In 2021, a supplementary contractual health fund policy was designed for Snam's technical leaders, colleagues with particular experience and expertise who will be able to take advantage of this benefit from 2022
	LILT Medical prevention	Prevention protocols at affiliated medical centres
	Health arrangements	Arrangement with Monzino Cardiology Centre and with San Raffaele Hospital for specialised medical services and check-ups intended for employees and their family members
	Summer and study campus	Summer stays for children of employees in certain locations of Italy and abroad. Despite the still emergency period, summer camps were organised in 2021 for 107 children (children of employees) with activities at the seaside and in the mountains
	S.O.S. Famiglia	Counselling centre run by professionals to assist families
	Maternity, adoptions and foster care	Parenting guide. In this context, webinars were provided during 2021, involving psychologists, to enable employees who are 'parents' to understand what it means to be 'digital' for their children. The webinars covered various topical issues, including cyber bullying
	Be Parents Master	Program that transforms the parenting experience into a master of transversal skills essential also for professional growth for new parents with children up to 3 years of age
	Study support	Subsidies for the purchase of schoolbooks, scholarships for employees' children and loans for school expenses
	Covid-19 Response	Babysitter reimbursement* to meet family needs
HEALTH AND CARE 	dediCARE	Social service for children, the elderly, disabled, etc. developed courtesy of the partnership with the regional cooperatives of the tertiary sector
	Covid-19 Response	Covid policy, also extended for 2021, covering expenses due to hospitalisation due to pandemic virus. In 2021, the request service for swabs and serological tests was activated (free of charge for the employee, paid at home for family members)

AREAS	ACTIVITIES OFFERED	
<p>WELL-BEING AND WORK-LIFE BALANCE</p> 	Fitness Arrangements	Discounts and favourable conditions for sports activities
	Snammy bene	Awareness-raising courses on individual well-being issues Mindfulness courses, which were created as part of the activities in response to Covid-19, were also offered in 2021, along with webinars on new topics such as healthy eating and digital detox. In addition, one-hour counselling packages with a qualified nutritionist were offered to employees
	Remote Leisure Courses	Following suggestions from a questionnaire submitted to the employees, cooking courses were proposed in 2021, which were developed in three online appointments
	Mobility Arrangements	Subsidised purchase of public transportation passes; shuttle service to San Donate Milanese
	Mobility portal	Traffic information, mobility app
	Diet	High-quality company restaurant and takeaway service for private use
	Working hours	Smart working, short Fridays, individual time accounts
<p>FINANCE AND SAVINGS</p> 	Flexible benefits	A programme aimed at increasing the purchasing power of employees who participate in the initiative, by transforming a portion of the participation bonus, up to the totality of the same, into Welfare Credit that can be used to purchase other services offered by the Welfare Plan
	Microcredit	Low-interest loans with major credit institutions
	Legal and tax counseling	Service to help solve your legal and tax questions
	Methane car Arrangements	In 2021, 23 colleagues chose to join the arrangements through the portal, securing a special discount on the loan interest or a contribution to the purchase of the methane retrofit to be installed on their car
	Arrangements	Insurance policies, bank credit cards, car rental, purchase of branded products, booking of holidays
	Electronic shopping vouchers	Contractual vouchers of the metalworking national collective bargaining agreement (CCNL) on a basket of goods chosen by the employee directly on the portal
<p>SOCIAL COMMITMENT</p> 	5 x 1000	Cyclical and constantly updated list of organisations supported by the Snam Foundation, registered in the Revenue Agency lists for the 5x1000 contribution. Among the categories offered are the financing of scientific research and university and health research, the support of voluntary work and other non-profit social organisations, social promotion associations and recognised associations and foundations operating in the sectors referred to in Article 10, paragraph 1, letter a) of Legislative Decree no. 460 of 1997
	Volunteering	Volunteering days and volunteering of competence
	Solidarity shopping	During the festive season (Christmas and Easter) colleagues can choose to give a special value to their gifts, donating support to those in need, choosing from the many proposals offered by the organisations in the dedicated area

Note: some services are not active in consideration of the geographical area or the CCNL to which they belong.

Snam, Caring Company® 2022

Lifeed has included Snam as an Italian Caring Company® of 2022, an award given to companies able to identify and welcome the fullness of life of their people, with an eye to innovation and the future, contributing, more broadly, to growth and cultural change in the country system.

Inclusion as a Caring Company® confirms Snam's commitment to its people, which it has strengthened in recent years by carrying out activities and initiatives with the aim of:

- Creating a positive work-life synergy, also thanks to the smart working agreement
- Promoting an evolving leadership model
- Aiming at the continuous growth of its people



Prevention of accidents and protection of health

The Group has a long-term commitment to developing and promoting the protection of the health and safety of its people and the adoption of good practices at its workplaces, as part of an ongoing process to improve its HSE performance in accordance with its Health, Safety, Environment and Quality Policy. In addition, all company activities are governed by management systems certified according to UNI ISO 45001 'Occupational health and safety management systems'.

Accident prevention is carried out through the implementation of targeted initiatives aimed at eliminating or reducing risk factors inherent in employees' work. These initiatives are listed in the table below.

For further information on Snam's management systems, see "Annex 3 - Management Systems" of the 2021 Consolidated Non-Financial Statement.

Management area	Activities
Reduction of work-related risk factors, also through risk assessment activities	<ul style="list-style-type: none"> Assessment of all risks and consequent drafting of the document required by Legislative Decree no. 81/2008 In-depth analysis of the causes of accidents in order to identify possible interventions to eliminate, mitigate and correct risk factors Application of technical and managerial organisational solutions for equipment, facilities, workplaces, but also operational and behavioural methods Regular safety meetings, where staff are made aware of the causes of possible accidents and of any prevention and protection measures taken
Snam4Safety (improvement and prevention plans)	<ul style="list-style-type: none"> Creation and reinforcement of a culture of awareness of health and safety issues through training activities, technological innovation and work organisation Selection of winners of the "Zero Accident Prize", whereby employees of the sites commit to achieving 365 consecutive days without an accident (either at work or en-route). A tangible award is given to the winning staff each year, in the form of welfare credits. In 2021, 10 teams, amounting to 1,296 employees, received the prize
(improvement and prevention plans)	<ul style="list-style-type: none"> Technical and professional training in the classroom or online, including on-the-job training, with priority given to internal expert teachers and, where appropriate, cooperation with top-tier external institutes and training bodies In 2021, 22,518 hours of HSEQ training were conducted, totalling 4,083 participations
Supplier engagement	<ul style="list-style-type: none"> Evaluation of suppliers during the qualification phase Control and monitoring through feedback and inspections during the execution of works Periodic annual workshops both to illustrate the Company's strategic plans and to share operational best practices in the areas of safety, environment and transparency "Contractor Safety Trophy" awarded to contractors whose performance is assessed through the collection and analysis of specific indicators (e.g. accident indices and negative feedback on issues of interest)

The continuous monitoring of risk elements, analysed in the company processes, and the implementation of appropriate prevention and protection measures are the fundamental elements to guarantee the **protection** of workers' **health**. Moreover, work environment inspections are periodically carried out by the Duty Doctor and the Prevention and Protection department, in order to evaluate working and environmental conditions and to identify possible measures for prevention or improvement.

Workers are continually exposed to specific risk factors in relation to the tasks they carry out, which is why their state of health is monitored through periodic health surveillance carried out by the doctors in charge of this activity. In addition, in order to guarantee a working environment that complies with workplace hygiene standards, environmental screening is periodically carried out to monitor microclimate, biological and physical aspects of the workplaces. There are no recognised cases of occupational diseases of employees in the three-year reporting period.

Snam employees are not susceptible to a high risk of contracting occupational illnesses, and those exposed to specific risk factors undergo periodic health surveillance and are covered by specific health protocols, in addition to any supplementary specialist visits. Employees whose work requires them to travel to non-European countries receive specific preventive care.

Key performance indicators

The indicators that represent the results of the management of social and personnel-related aspects are provided below, together with the GRI reference standard. The main changes between 2021 and 2020 are 74 more outflows than in the previous year, offset by an increase in the number of inflows, which demonstrates Snam's desire to continue on its growth path. The presence of women in companies has also increased, from 15.6% in 2020 to 16.6% in 2021. Compared to 2020, the number of injuries to employees increased from 3 to 11, while there was only one fatal injury among contractors.

Indicator	GRI Standard	Measurement unit	2019	2020	2021
Total number of employees			3,025	3,249	3,430
Employees by type of contract					
Permanent contract (of which women)			2,817 (417)	3,036 (480)	3,161 (541)
Apprentice or first employment contract (of which women)			193 (23)	197 (24)	246 (26)
Fixed-term contract (of which women)			15 (1)	16 (3)	23 (2)
Employees by type of employment					
Full-time (of which women)	102-8	no.	2,987 (407)	3,207 (474)	3,393 (540)
Part-time (of which women)			38 (34)	42 (33)	37 (29)
Employees by geographical area					
Northern Italy			2,294	2,495	2,647
Central Italy			241	246	277
Southern Italy and Sicily			477	498	502
Abroad			13	10	4
New hires (of which women)					
< 30 years (of which women)			172 (38)	376 (84)	413 (100)
Between 30 and 50 years (of which women)			59	111 (39)	198 (61)
> 50 years (of which women)		no.	9	10 (2)	17 (2)
of which university graduates			92	151	242
of which school graduates			79	71	134
of which possessing other title			1	4	24
Other new employees (non-consolidated companies, acquisitions, tenders, etc.)			59	150	13
Hire rate (a)					
< 30 years (b)			5.7	7.3	12.0
Between 30 and 50 years (b)			20.1	20.6	33.1
> 50 years (b)	401-1	%	5.2	8.5	13.3
Male recruitment rate (c)			0.6	0.7	1.2
Female recruitment rate (c)			-	5.7	10.7
			-	13.7	16.5

Departures (of which women)			198 (19)	152 (19)	226 (36)
< 30 years (of which women)		no.	18 (2)	13 (4)	24 (7)
Between 30 and 50 years (of which women)			34 (12)	31 (11)	70 (14)
> 50 years (of which women)			146 (5)	99 (1)	117 (11)
Other departures (to other companies, for other reasons)			-	9 (3)	15 (4)
Exit rate (d)			6.6	4.6	6.2
< 30 years (e)			-	2.5	4.3
Between 30 and 50 years (e)			-	2.4	4.7
> 50 years (e)		%	-	6.9	8.5
Exit rate (f) men			-	4.6	6.3
Exit rate (f) women			-	3.2	5.6
Voluntary exit rate (g)			1.5	1.5	2.6
Training (h)					
Total hours			114,179	67,966	89,375
Senior Managers			5,669	3,390	2,034
Middle Managers			16,950	13,766	8,749
Office workers (h)			58,238	29,914	27,584
Manual workers			33,322	20,896	51,008
Average hours men		no.	38.4	20.8	28.9
Average hours women			33.8	18.5	11.8
Average hours senior managers			51.1	25.9	14.4
Average hours middle managers			34.4	25.1	14.5
Average hours office staff (h)			34.6	17.0	14.6
Average hours manual staff			45.2	26.0	63.0
Key training initiatives					
Technical training (of which participations)			47.705 (8.023)	35.304 (5.706)	53.648 (4.750)
Health, safety, environment and quality (of which participations) (h)	404-1	no.	29.755 (5.580)	12.602 (3.016)	22.526 (4.089)
Management training (of which participations)			19.524 (4.356)	11.174 (4.862)	6.715 (3.262)
Diversity of governing bodies					
Board members (of which women)		no.	9 (3)	9 (3)	9 (3)
Diversity of employees					
Senior Managers (of which women)			111 (20)	131 (27)	141 (30)
Middle Managers (of which women)		no.	493 (87)	549 (109)	600 (133)
Office workers (of which women)	405-1		1,683 (333)	1,764 (369)	1,880 (404)
Manual workers (of which women)			738 (1)	805 (2)	809 (2)

Female Senior Managers			18.0	20.6	21.3
Female Middle Managers			17.6	19.8	22.2
Female Office Workers		%	19.8	20.9	21.5
Female Manual Workers			0.1	0.2	0.2
Employees < 30 years			17	16	17
Employees between 30 and 50 years			38	40	43
Employees > 50 years			45	44	40
Total staff turnover (i)		%	12.3	11.9	18.3
Accidents					
Employee accident frequency index (j)			0.41	0.59	2.11
Employee frequency index of accidents with serious consequences (excluding deaths) (j)			-	0	0.19
Employee frequency index of accidents with fatal consequences (j)(k)			-	0	0
Contractor accident frequency index (j)(k)			0.71	0.25	0.12
Contractor frequency index of accidents with serious consequences (excluding deaths) (j)	403-9 403-10		-	0	0
Contractor frequency index of accidents with fatal consequences (j)			-	0.12	0.12
Employee accidents (of which with serious consequences) (l)			2	3 (0)	11 (1)
of which fatal		no.	0	0	0
of which due to a traffic accident			0	0	0
of which due to a professional accident (maintenance, inspection, checks)			1	2	6
of which due to a general accident (slipping, collisions, tripping)			1	1	5
Contractor accidents (of which with serious consequences) (l)			5	2 (0)	1 (0)
of which fatal			0	1	1
Hours worked by employees (m)			/	5,089,955	5,208,036
Hours worked by contractors (m)			/	8,140,212	8,683,637
Recognised cases of professional illnesses for employees			0	0	0
Employee gravity accident index (j)(k)			0.03	0.01	0.12
Contractor gravity accident index (j)(k)		Work days lost per 10 ³ hours worked	0.07	0.93	0.86
Environmental visits and surveys					
Medical visits	403-3	no.	1,984	2,109	2,701
of which regular			1,747	1,649	2,058
Environmental surveys			243	212	158

(a) Total hire rate = (number of employees hired/average headcount) x 100.

(b) The hire rate by age group = (number of employees hired in the age group/the total number of employees in the corresponding age group as at 31/12) x 100.

(c) The hire rate by gender = (market entries by gender/total number of employees by gender at 31/12) x 100.

(d) Exit rate = (exits/total number of employees at 31/12) x 100. Exits due to transfers to non-consolidated companies are excluded.

(e) The exit rate by age group = (exits in the age group/the total number of employees in the corresponding age group as at 31/12) x 100. Exits due to transfers to non-consolidated companies are excluded.

(f) Exit rate by gender = (market exits by gender/total number of employees by gender at 31/12) x 100. Exits due to transfers to non-consolidated companies are excluded.

(g) Voluntary departure rate = (departures from resigning/average headcount) x 100.

(h) The 2020 figure has been recalculated.

(i) Overall turnover = ((market entries + exits)/average staff per service) x 100. Exits due to transfers to non-consolidated companies are excluded.

(j) The accident indices included in the table exclude the company Snam Gas & Energy Services Beijing, which was deconsolidated from November 2021, with retroactive effect from 1 January 2021. Including Snam Gas & Energy Services Beijing, the frequency index of employee injuries would change to 2.08. All the other injury indices, on the other hand, would remain unchanged.









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

(l) Work-related accident leading to an injury from which the worker cannot recover, does not recover or cannot realistically be expected to recover fully and return to his pre-accident state of health within 6 months (excludes fatal accidents).

(m) For all Group companies, with the exception of Renovit, the hours worked used to calculate the frequency and severity rate of accidents are an estimate based on those relating to 2020.

SUPPLIERS

TARGETS AND PERFORMANCE

Action	Target	2021 Performance
SUSTAINABLE SUPPLIERS		
Percentage spent on local suppliers (SMEs in Italy) on total procurement 	40.0% by 2021 50.0% by 2025	40.7% 
Percentage of the number of local suppliers (SMEs in Italy) assignees of contracts with respect to the total number of suppliers contractualised 	55% by 2025	New KPI 
Introduction of ESG criteria in scoring model (percentage of expenditure) 	30% by 2025	New KPI 
Growth of third sector suppliers in Vendor List	+10% vs 2020 by 2021 +20% (year on year) up to 2023	83 +219% vs 2020 
Reducing the amount of plastic in packaging for industrial supplies	-100 by 2023	96% 



KPI included in the ESG Scorecard



Target reached



Target in progress






KPI included in the Net Zero Carbon Strategy



Target not reached

Material topics

SDGs

Sustainable supply chain	Snam is committed to building a solid relationship of trust with its suppliers, adopting specific selection policies with fair and transparent processes that pay particular attention to the sustainability, quality and health and safety aspects implemented by suppliers. The company also carries out training and awareness-raising activities, disseminating and developing social responsibility practices among suppliers.	  
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Risks linked to the supply chain

Risks	Material topics
Legal and compliance	<p>Legal Action by the supplier/third-party Authority on the correctness of the tender procedure (public context-Procurement Code)</p> <ul style="list-style-type: none"> • Business integrity • Sustainable supply chain

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and risk management' in the Integrated Directors' Report.

Policies, commitments and management models

The business development model adopted by Snam is based on the responsible management of the supply chain, with the aim of defining and maintaining stable and long-lasting relationships capable of creating an advantage for both parties. Particular attention is also paid to the suppliers and business partners with whom Snam works, ensuring that they adopt the main environmental, health and safety and quality standards, in accordance with ISO 14001, ISO 45001 and ISO 9001, as well as the principles contained in the Snam **Human Rights Policy** and **Code of Ethics**.

Snam has also adopted a **Social Supply Chain Policy to facilitate the involvement of social enterprises in the supply chain**, i.e. private entities that carry out activities in the public interest, on a non-profit basis and for civic, solidarity and social purposes. Snam also encourages the application of this policy for its subcontractors, by rewarding certain attributes when evaluating bids.

Snam's suppliers are also required to sign the **Ethics and Integrity Pact**, which is necessary for the following purposes:

- obtaining and/or maintaining the qualification;
- inclusion in the Snam Vendor List;
- the award and/or maintenance of contracts;
- the signing and/or maintenance of subcontracts and/or sub-subcontracts by the Snam Group.

Snam's objective, through this Agreement, is to create a relationship of trust between the Company and its suppliers, with a view to continuous improvement and to raise awareness among suppliers of the need to adopt responsible behaviour.

Supply chain relations

Snam considers its suppliers not only as essential allies in the consolidation of core business and new business, but also as partners with whom to achieve decarbonisation objectives. This is why, deepening and consolidating the relationship with suppliers is constant and is based on the sharing of skills and expertise, with the aim of promoting sustainability practices along the value chain.

On the basis of this approach, Snam's suppliers have been involved in specific initiatives aimed at surveying their knowledge regarding climate change and mapping in detail the effective sustainable management of their activities.

The fight against climate change, with a view to achieving an increasingly decarbonised economy, is, in fact, one of the main objectives that Snam is committed to sharing with its suppliers. The containment and reduction of greenhouse gas emissions, energy efficiency and the search for innovative solutions with a low emissions impact are among the key elements that characterise the relationship between Snam and its suppliers, where, inseparably, the actions of one must necessarily be reflected in the actions of the others. Starting from these assumptions, in 2021 Snam has further accelerated the optimisation of its **Supply Chain 4.0**, continuing the reorganisation of its supplier base, integrating data and material flows to achieve even more secure, faster and more flexible performance, consolidating its core business and successfully managing activities related to new green businesses.

This context has made it possible to make increasingly up-to-date and timely choices about suppliers, to ensure the integrity of the value chain, and to generate positive and lasting results.

In addition, the inclusion of decarbonisation targets within Snam's Strategic Plan demonstrates the Company's willingness to continue to take concrete action to reduce Scope 3 emissions from the supply chain. In this respect, a systematic awareness-raising campaign on sustainability issues was launched with suppliers in order to accelerate their contribution to the energy transition. This means strengthening the existing partnership with them, sharing values and objectives, highlighting strengths and developing areas for improvement for each.

Another important initiative implemented also with a view to reducing the environmental impact of the Group and its suppliers is **Snam Plasticless**. Its aim is to eliminate all plastics for packaging by 2023, except for the amount required for safety reasons. In 2021, incoming plastics were reduced by 96% and outgoing plastics from centralised warehouses by 100%.

Snam also continued to engage a selection of its main suppliers in the CDP (formerly Carbon Disclosure Program) - Supply Chain programme with the aim of collecting their data on greenhouse gas emissions. In 2021, the scope of analysis was extended by inviting the most significant suppliers in terms of procurement and most strategic to the business to provide their data. 74% of the participants responded to the questionnaire (60% in 2020). In line with the previous year, CDP has assigned Snam a score of A-, acknowledging its commitment in its engagement activities with suppliers to issues related to the reduction of emissions and the development of sustainable strategies.

Continuous communication with suppliers is facilitated through the Suppliers Portal, a web platform active since 2013, where suppliers can access their reserved area and various documents, published with the aim of keeping them up-to-date on the processes governing qualification and procurement activities. Thanks to the Supply Portal, the Company can implement its procurement policy with absolute transparency, ensuring the traceability and completeness of the information published. The Portal is a constantly evolving and growing tool: new functionalities were introduced in 2021 to further improve the efficiency, traceability and transparency of the information made available.

At the end of 2021, there were 3,365 registered suppliers on the portal, with around 200,000 accesses (+3% compared to 2020) and 904,000 pages read (+33% compared to 2020), confirming a lively and participatory site.

ESG criteria in the supplier scoring model

Suppliers are an essential component of Snam's business model. In this regard, the Company is committed to maintaining an ongoing dialogue with them in the name of responsibility, transparency and value production along the supply chain. This relationship consolidates the sharing of a **common vision in favour of sustainable development**, within which suppliers are actively involved in operating correctly, improving risk mitigation performance and innovating management processes.

In particular, the incorporation of **ESG criteria** is of significant strategic importance for the ethical conduct of procurement management, as well as being an optimal lever for the efficiency of the entire supply chain. On the basis of this, in addition to compliance with the requirements of quality, price and reliability, suppliers are also required to make a formal commitment to comply with the contents of Snam's Code of Ethics and the "Ethics and Integrity Pact" (including subcontractors). To further protect the integrity of its supply chain, Snam allocates all of its supplies through contracts that contain explicit clauses linked to compliance with sustainability criteria and also subjects suppliers to checks on their compliance and financial solidity, as well as on their technical suitability.

As part of its procurement activities, Snam also actively promotes respect for legality, the fight against corruption, safe working conditions and the protection of human rights, as set out in its "Human Rights Policy", which contains the principles and criteria that suppliers must adhere to in all phases of their collaboration with Snam. The required standards of conduct and the areas of application are verified and checked by Snam on several pre-established occasions: during the qualification/accreditation process, when the contract is signed and during audit activities. Finally, the constant training activity addressed to suppliers, during regular meetings, also contributes significantly to the achievement of sustainable and inclusive growth of the entire supply chain.

Key performance indicators

Snam plays a fundamental role in promoting and safeguarding human and labour rights among its suppliers: in order to ensure a consistent approach within the Group, a "Human Rights Policy" has been defined, which contains the principles and criteria according to which Snam acts to manage this issue. Suppliers are required to share and comply with the commitments set out in the Policy in all phases of their collaboration with Snam, with particular reference to the promotion of safe working conditions, the absence of forced labour and the exploitation of minors.

The standards of conduct required of suppliers and the related areas of application are also outlined in the Snam Code of Ethics, which is a key element of the Group's corporate culture and which all those who apply to be included in the Snam suppliers list are required to comply with. In addition, the General Contract Specifications contain further provisions of a general nature that regulate and apply to the activities covered by each contract entered into by Snam with contractors (it contains precise references to the health and safety of workers in the workplace, the pay, contribution and welfare treatment of contractors' staff, etc.). Verification activities mainly take place during the qualification and contracting process. Periodic audits and, above all, constant training activities addressed to suppliers during periodic meetings are additional tools used by the Group to promote good practices and respect for human rights also along the supply chain.

Below is the supplier assessment on the main sustainability issues, for more information on the main supply chain performance, see chapter “Performance 2021, Supply chain management”.

SUPPLIERS ASSESSMENT ON SUSTAINABILITY ISSUES⁽¹⁾

	Number no.			Employment Practices ⁽²⁾			Environmental criteria %			Human rights ⁽³⁾		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Goods												
Qualified suppliers	940	630	821	22%	48%	37%	22%	48%	34%	100%	100%	100%
of which A and B level	101	98	96	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	126	234	257	29%	45%	29%	29%	45%	24%	100%	100%	100%
of which A and B level	10	20	6	100%	100%	100%	100%	100%	100%	100%	100%	100%
Works												
Qualified suppliers	383	309	375	46%	69%	88%	46%	69%	57%	100%	100%	100%
of which A and B level	81	79	80	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	59	88	111	72%	66%	94%	72%	66%	47%	100%	100%	100%
of which A and B level	17	11	22	100%	100%	100%	100%	100%	100%	100%	100%	100%
Services												
Qualified suppliers	1.316	1.328	1.655	26%	41%	27%	26%	41%	24%	100%	100%	100%
of which A and B level	55	54	49	100%	100%	100%	100%	100%	100%	100%	100%	100%
Suppliers qualified during the year	377	431	496	25%	46%	24%	25%	46%	18%	100%	100%	100%
of which A and B level	10	8	8	100%	100%	100%	100%	100%	100%	100%	100%	100%
Non-EU international projects												
Qualified suppliers	9	10	13	100%	90%	85%	100%	90%	85%	100%	100%	100%
of which A and B level	0	0	0	0	0	0	0	0	0	0	0	0
Suppliers qualified during the year	4	3	6	100%	67%	83%	100%	67%	83%	100%	100%	100%
of which A and B level	0	0	0	0	0	0	0	0	0	0	0	0





(1) A supplier may hold more than one qualification, even for different goods.

(2) Health and safety aspects.

(3) Ethical aspects (ethical pact, regularity of contributions/DURC, law 231, child labour, forced labour, etc.).

COMMUNITY

TARGETS AND PERFORMANCE

Action		Target	Performance 2021	
ENGAGEMENT OF LOCAL COMMUNITIES				
Hours dedicated to Snam Foundation activities for support to local communities from employees		4,510 hours by 2021 5,100 hours by 2025	4,562 hours	
RELIABILITY OF INFRASTRUCTURES				
Average annual customer satisfaction with quality of service*		7.8 by 2021 N.M.** to 2025	8.4	
Percentage level of reliability of supply of gas		99.9% until 2025	99.9%	



KPI included in the ESG Scorecard



Target reached



Target in progress



KPI included in the Net Zero Carbon Strategy






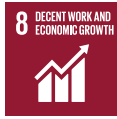



Target not reached

* The value is the average of the last three years.

** New methodology under development.

Material topics

SDGs

Infrastructure reliability and resilience, business continuity and cybersecurity	Snam works daily to ensure the reliability of its infrastructures and services in order to prevent and/or mitigate potential situations that could compromise the continuity of the business and public safety (e.g. emergencies, cyber-attacks). For more information, please see the chapter "2021 Performance - Maintenance of plant security and quality" of the 2021 Annual Report.	
Economic performance and value creation	Economic sustainability and business growth represent key objectives and factors that enable business activities as a whole. To this end, Snam is committed to fostering the creation of shared medium to long-term value for all categories of stakeholders through operational and financial efficiency. For more information, see the chapter "Financial review and Other Information" in the 2021 Annual Report.	 
Relations with local communities	By creating and supporting projects for local communities, Snam intends to have a positive impact on the social fabric in the areas in which the company operates reinforcing its "licence-to-operate". For more information see the chapter "Stakeholder engagement and materiality analysis" in the 2021 Annual Report.	 
Relations with authorities and quality of services	Snam is committed to providing a quality service capable of meeting the needs and expectations of its customers, ensuring a safe and reliable service over time, in compliance with the principles of fair competition and equal treatment and access to infrastructure; to this end, Snam conducts customer satisfaction analyses to improve the services it offers. Furthermore, Snam promotes constructive relations with regulatory authorities and institutions to develop satisfactory services for customers that are at the same time geared to market needs and demands. For more information see the chapter "Business segment operating performance - Provision and development of regulated services" in the 2021 Annual Report.	 

Constant, proactive and diversified communication, with the aim of maintaining a transparent dialogue with its target audience and expanding it further, are the main actions implemented by Snam in relation to the issue of brand reputation, which, although not material, is valued and protected by the Company. The strategy adopted by the Group to improve and constantly protect its brand image is integrated and multimedia, using both traditional and digital channels, also engaging its employees and partners as brand ambassadors, and through events and campaigns to confirm Snam’s centrality in the country system and as a player in energy transition, nationally and internationally, with a special focus on the areas and communities in which it operates. For more information see the chapter “People” in the Sustainability Report 2021.

Risks linked to social aspects

Risks		Material topics
Strategic risks	<ul style="list-style-type: none"> • Risks linked to the national regulatory framework and that of the countries of interest with penalising parameters, specifically as regards the criteria for determining tariffs • Risks linked to the significant change in legislation and/or case law • Risks linked to political, social and economic instability in natural gas supply countries • Risks linked to the change in gas demand in the short to medium term due to commodity price increases • Risks of increased severity of extreme weather events and tightening of the regulatory framework in favour of new technologies favouring the use of intermittent energy sources with consequent reduction in demand 	<ul style="list-style-type: none"> • Infrastructure reliability and resilience, business continuity and cybersecurity • Relations with authorities and quality of services
Financial risks	<ul style="list-style-type: none"> • Risk of changes in the internal and external financial environment that may affect the income and capital structure • Risk linked to maintaining ownership of gas storage concessions • Risk linked to the management of equity investments 	<ul style="list-style-type: none"> • Economic performance and value creation
Operational risks	<ul style="list-style-type: none"> • Risk linked to maintaining an adequate reputation profile for suppliers and subcontractors • Risk associated with the acquisition of equity investments • Risk of breakdown, injury or malfunction, including as a result of exogenous events or cyber threats, which may cause an unforeseen interruption in service or delays in the progress of infrastructure implementation programmes 	<ul style="list-style-type: none"> • Infrastructure reliability and resilience, business continuity and cybersecurity • Relations with local communities

For a full description of the risks, please refer to ‘Risk and uncertainty factors’ in the chapter ‘Strategy and risk management’ in the Integrated Directors’ Report.

Policies, commitments and management models

Snam's business development model is based on **sustainable growth** and the **promotion of economic and social development and the continuous dialogue with all players in the communities and areas** in which the business operates. 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.

Among the policies related to social aspects, the Group has drawn up its own **Sustainable Development Policy** and a **Policy for the Management of Philanthropic Activities and Social Initiatives**. In accordance with these documents, Snam is committed to foster local development through:

- a continuous exchange with institutions and other stakeholders about authorisation and environmental impact assessments procedures and, for some plants, socio-economic processes;
- Snam Foundation⁵³ promotes innovative “corporate citizenship” practices to promote civil, cultural and economic development in priority areas of public interest, encouraging partnerships and making design skills and expertise available;
- collaboration with local associations, Confindustria Energia and the authorities, with which it handles issues relating to energy, economic and environmental policies;
- collaboration, locally and nationally, with regulatory bodies and participation in associations and committees, lending its know-how and expertise on social innovation and sustainable development⁵⁴.

Through its **Code of Ethics**, Snam is committed to protecting and promoting human rights. In this regard, Snam upholds the framework provided by the **United Nation's Universal Declaration of Human Rights**, the **Fundamental Conventions of the ILO – International Labour Organization** – and the **OECD Guidelines for Multinational Enterprises**. In addition, the Group has set out a **Human rights policy** through which it pledges to prevent and denounce:

- all forms 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.

Relations with local communities

Snam's capillary presence throughout Italy and the extent of its infrastructure have guided the Company to build, over time, solid and lasting relationships with local communities, institutions, the Public Administration and the Third Sector.


Maintaining these relationships is fundamental to guaranteeing Snam the “license to operate” in the areas affected by its infrastructures, whose projects are duly analysed and assessed in terms of environmental, economic and social impacts, for example through Social Impact Assessment tools and methodologies.

During the year, **190 national and local meetings** were held in relation to the areas affected by Snam's activities and infrastructure, in addition to **43 meetings with mayors** to illustrate construction projects and **3 meetings with local farmers' associations**.

⁵³ More information on the Snam Foundation can be found on the Company's website (https://www.snam.it/en/Sustainability/responsibility_towards_everyone/foundation.html).

⁵⁴ More information on relations between Snam and the associations is available on the Company's website at <https://www.snam.it/en/governance-conduct/business-conduct/ethics-and-public-affairs/index.html>.

Area	The main initiatives in local communities
School	<p>Young Energy, project aimed at facilitating student orientation and bringing them closer to the world of work through initiatives focused on corporate business. Eight technical colleges are involved in 2021, of which six are new.</p> <p>Con la Scuola, a project with the aim of helping schools to move from knowledge-based teaching to know-how-based teaching, where cooperation, involvement and creativity are the essential ingredients of a new way of school learning. In 2021, 23 institutions were involved, with a total of 500 teachers and 2,000 students, an increase on 2020, confirming the success of the project.</p> <p>Teaching Revolution, a project, promoted by the ELIS Consortium, with the aim of investigating and analysing a new teaching method by directly involving a group of teachers, who are committed to introducing radical changes in their way of teaching.</p> <p>Sprint! La scuola con una marcia in più promotes an alliance between schools, families and third sector organisations to create an experimental model for combating educational poverty among minors and preventing forms of juvenile distress. Overall, the project involved more than 700 children, 100 parents and 50 teachers and educational workers.</p>
Vulnerable citizens	<p>Tesori - Terre Solidali in Reti Inclusive (Tesori - Solidarity Land in Inclusive Networks) is an initiative aimed at implementing environmental and agricultural projects involving fragile social groups and through which Snam makes unused land available to communities. In 2021, the project covered several areas in the city of Messina with the aim of developing an agricultural activity involving fragile people and implementing innovative irrigation techniques.</p> <p>Welfare, che impresa! is a competition aimed at rewarding and supporting the best community welfare projects promoted by organisations capable of producing benefits in terms of local development. In 2021, out of the 12 finalists, the first prize was awarded to LinkAbili created a digital platform for support and guidance on the subject of disability.</p>
Company volunteering	<p>Volunteering Skills “E-LAB” (Empowerment Lab) is a mentorship programme aimed at social enterprises and cooperatives. In 2021, 35 volunteers followed up with 16 Cooperatives/Social Enterprises providing work to vulnerable groups to strengthen their business plan, business skills and internal organisation.</p> <p>The “Buddy Program” Tutoring STEM is a programme that has enabled more than 70 colleagues to work with as many female secondary school students from fragile socio-economic backgrounds in Milan, Bari, Palermo and Cagliari to help them with after-school activities in the study of science subjects.</p> <p>Relation volunteering is an initiative, conducted online for 2021, which involved elderly and disabled people and in which 40 employee volunteers participated.</p> <p>Payroll giving and matchgiving, campaigns for Third Sector organisations on women’s empowerment, combating educational poverty and child food poverty. In 2021, Snam employees donated more than 1,000 hours corresponding to approximately 29,000 euros, which was then doubled by the Snam Foundation.</p> <p>“Let’s shape the future” is a project, continued in 2021 with the launch of the “Motivo Donna” initiative, aimed at promoting women’s empowerment by generating job opportunities for women from disadvantaged backgrounds with the desire to experiment with a replicable social enterprise model to trigger virtuous processes of resilience and inclusive and equal social growth.</p>
Land redevelopment and social development	<p>Corvetto Adottami is an initiative that involves local communities to contribute to the redevelopment and social development of Milan’s Corvetto district. The activities pursue three strands: social innovation, combating educational poverty and improving the environment and energy efficiency. In 2021, workshops for social inclusion were carried out in the Istituto Comprensivo Candia and guidance and support activities for young people not in training or employment and young people at high risk of dropping out of school were launched and the urban regeneration project “Il Tappeto Volante”, continued.</p> <p>ForestaMI is a project also supported by the Municipality of Milan aimed at planting 3 million trees by 2030. In 2021, the Snam Foundation planted a total of 7,752 plants in two areas near motorway junctions managed by Serravalle Milano.</p>
Tackling energy poverty	<p>In 2010, the Snam Foundation finalised the research study aiming at defining, measuring and describing the phenomenon of energy poverty and the main countermeasures.</p> <p>In addition, the Foundation has launched the call for projects “Energia Inclusiva” to support the development of project activities aimed at combating energy poverty. The 13 finalist projects, accompanied by seven tutors from the Turin Polytechnic’s incubator, I3P, and 12 Snam volunteers, carried out training activities and one-to-one meetings to develop and make their ideas more solid. The four winning projects will be able to realise their ideas thanks to a total financial contribution of 185 thousand euros.</p>

<p>Third Sector</p>	<p>Since 2012 Snam has been a member of the Sodalitas Foundation, an Assolombarda foundation set up in 1995, to which important companies and foundations belong. The mission of Sodalitas is to build a bridge between the business world and the non-profit sector, contributing to the widespread growth of the Third Sector's planning and managerial capacity and developing projects to promote corporate sustainability in the Italian market. Snam participates by sharing its sustainability best practices in two projects: Sodalitas Social Master Class and Sodalitas Call for future.</p> <p>Sodalitas Social Master Class</p> <p>A free training course for social entrepreneurship, aimed at Third Sector organisations and consisting of various themed workshops - from decision making to social innovation, from business plans to social impact assessment, from fund-raising to social finance - developed with the direct contribution of member companies.</p> <p>Sodalitas Call for future</p> <p>This initiative was created to make people, institutions and especially young people aware of the strategic role of businesses in the sustainable development of the country. A campaign to raise awareness of relevant challenges and effective, concrete solutions proposed by member companies that can contribute to achieving the goals of the UN 2030 Agenda. Snam took part in the initiative by presenting four projects carried out in the last five years or in the process of being carried out that have contributed to achieving a positive change with respect to issues linked to the UN SDGs, which were awarded the "Sodalitas Call for Future" label, namely Corvetto Adottami, #Snam4Diversity Energy that Includes, Inclusive Energy and The Net Zero Carbon and ESG strategy.</p> 
<p>Economic support for the territory</p>	<p>In 2021, Snam contributed around 4 million euros in sponsorships and donations to local communities and around 2 million euros in environmental compensation</p>

Quality of service

With a view to creating long-term value for its customers, Snam has developed customer care initiatives, which include constructive and collaborative dialogue, active involvement and constant comparison and interaction, to make the management of the infrastructure increasingly effective for the benefit of the entire system, as well as improving relations with customers, with a view to achieving a high level of "customer-centric" service, where the customer is at the centre of the company's strategies.

In continuity with past years, in order to constantly improve the quality of the services it offers and to meet the needs of its customers, Snam has carried out stakeholder engagement activities, through **four business workshops, one on the Ten-Year Plans and one dedicated to assessing sustainability issues**, all held in digital mode, but without neglecting interactivity with customers and offering them an experience as close as possible to an in-person event.

In addition, activities focused on redesigning business processes have been organised, including meetings, interviews and co-design workshops with customers, which have enabled Snam to grasp their expectations, in order to make the Jarvis platform and Mobile Application, used daily for gas trading, sales and balancing activities, as responsive as possible to their needs.

In order to measure customer satisfaction, at the end of each workshop, customers are asked to fill in special questionnaires, which Snam sends to its customers the day after each event. In 2021, all the shippers and traders with whom Snam worked during the year were involved, investigating their satisfaction with the transportation, storage and regasification activities, the quality of the services offered, the customer engagement activities undertaken and the additional features and services introduced. The participation rate in the survey was 78% and the results suggested a good level of customer satisfaction, which stood at **8.6 on a scale of 0 to 10 and 8.4** measured as an average over the three-year period.

Jarvis, Snam's commercial platform at the service of the customer

As evidence of its attention to the customer, Snam has designed Jarvis, the single commercial platform developed in agile mode, with continuous and progressive releases of functions, directly involving market players in a co-design process.

In order to increase and guarantee its competitive advantage in the long term and to operate increasingly from a customer-centric perspective, Snam has continued its work on integrating a **Customer Relationship Management (CRM)** system within Jarvis and has started to develop the first **Mobile Application** that will enable its customers to carry out the main commercial transactions, simply by using a smartphone or tablet.

The adoption of a CRM system will bring considerable benefits by reducing the average response time to the customer as well as the number of contracts, making their management easier. Transforming the relationship with the customer is one of the company's objectives: from complexity to efficiency, from many communications to a single voice, to strengthen the relationship of mutual trust.



Added Value

At Snam, sustainability and value creation are strongly connected concepts. Sustainability creates value for the Company and the stakeholders and establishes a connection between the business and corporate social responsibility. The wealth produced by Snam contributes to the economic growth of the society and environment in which it operates. This wealth is measured in terms of **Added Value produced and distributed** to its key stakeholders.

Snam calculates the added value based on the standard prepared by the Gruppo di Studio per il Bilancio Sociale (GBS) and the GRI Standards.

In 2021, the gross global Added Value produced by Snam was 2,930 million euros, an increase of 172 million euros or 6.2% compared with 2020 (2,758 million euros).

50.7% of the gross global Added Value produced by Snam was reinvested within the Group (an increase on 2020, 38.7%), of which around 54.5% was employed for the amortisation of group assets (71.3% in 2020). With regard to the main reference stakeholders, the value distributed to financing bodies fell in 2021 (5.0%; -1.5 percentage points compared with 2020), following a reduction in financial expenditures attributable to the effects of the activities carried out to optimise the financial structures in 2016-2020 and the absence of bond buybacks in 2021. The value distributed to shareholders through dividend payments is in line with 2020 (29.4%; 29.6% in 2020), with a growing unit dividend (+5% compared to 2020), confirming the commitment to provide shareholders with attractive and sustainable remuneration.

With reference to employees, there was a stable incidence in the Added Value distributed (10.0%; same in 2020) through direct remuneration consisting of salaries, wages and TFR [employee severance indemnity] and indirect remuneration composed of social security contributions and staff-related service costs (canteen services, welfare). As the pandemic situation continued, initiatives to support the corporate population continued in 2021 by expanding the range of welfare and work-life balance services.

The amount allocated to the public administration through direct and indirect taxes for the period decreased sharply (4.7%; -9.8% compared to 2020) due to the one-off effects of the realignment of civil and fiscal values pursuant to Decree Law no. 104 of 14 August 2020, carried out on certain group assets. Net of this effect, the value allocated to the public administration is 14.6%, in line with the previous year (14.5% in 2020).

Finally, an amount of more than 6 million euros was allocated to local communities (0.2% of the value generated), and is represented by donations and environmental offsets made in accordance with the law for a total of about 3 million euros (in line with 2020) and donations to support the Italian health system and the third sector in the fight against the Covid-19 emergency (3 million euros).

During 2021, Snam spent approximately 147 million euros on environmental protection (133 million euros on investments and 14 million euros on operating costs).

Key performance indicators

Indicator	GRI Standard	Measurement unit	2019	2020	2021
Generated Added Value (A)			2,695	2,758	2,930
Distributed Added Value (B)			1,639	1,690	1,443
Employees*			258	278	293
Local community Donations and sponsorships and Statutory environmental offsetting			3	19	6
Lenders (Bond-holders and Banks)	201-1	mil. €	211	178	146
Shareholders**			780	816	862
Public Administration			387	399	136
Direct taxes			375	370	115
Indirect taxes			12	29	21
Added Value retained by the Company (A) - (B)			1,056	1,068	1,487

* Includes staff-related service costs.

** The 2021 figure refers to the dividend proposed by the Board of Directors subject to the approval of the Shareholders' Meeting of 27 April 2022.

HUMAN RIGHTS

Material topics and risks related to human rights

Safeguarding human rights is a subject that, given the type and geographical area of Snam's activities, is associated with a limited risk profile and it hasn't been regarded as significant following the recent updating of the materiality analysis. Snam is aware of the importance of the issue in question, which has become increasingly important and requires well-structured and monitored supervision, also in view of the internationalisation strategy and the acquisition of new companies. For Snam, the topic of safeguarding human rights is closely linked to aspects of diversity and equal opportunities, expressed specifically in this area from the perspective of non-discrimination. Further issues may potentially arise along the supply chain, for which specific initiatives have been implemented to ensure the upholding of human rights in business relations (for more details see the section 'Suppliers').

Policies, commitments and management models

Snam's **Code of Ethics** enshrines our commitment to protect and promote human rights, which we believe are inalienable and unavoidable liberties for all human beings and represent 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 to self-determination, peace, development and protection of the environment).

In this regard, Snam strives to uphold the framework provided by the United Nation's Universal Declaration of Human Rights, the Fundamental Conventions of the ILO – International Labour Organization – and the OECD Guidelines for Multinational Businesses.

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

- all forms 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.

Snam human Rights Policy and the new Diversity & Inclusion Policy defined in 2019 and supplemented in 2020 and 2021 with three appendices (the Diversity & Inclusion Policy: Gender Equality, the Diversity & Inclusion Policy: Recruitment and the Diversity & Inclusion Policy: Harassment Policy) reaffirm our commitment, already stated in the specific policies mentioned in the previous chapters, to promote personal well-being, both on an individual and societal level, 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 career growth and pay based strictly on merit and skill;
- protection of the system of values and principles in matters of transparency and sustainable development;
- creation of a welcoming work environment with no direct or indirect discrimination of any kind.

Key performance indicators

The following indicators show the results of the management non-discrimination initiatives, with an indication of the reference GRI standard. In 2021, no reports of discriminatory incidents were received.

Indicator	GRI Standard	Measurement unit	2019	2020	2021
Reports received for episodes related to discriminatory practices*			1	/	/
of which reports pending			/	/	/
of which ongoing corrective actions	406-1	n.	/	/	/
of which completed corrective actions			/	/	/
of which archived reports			1	/	/

* no corrective actions were implemented in 2021 in the area of human rights as there were no cases concerning this topic.

TAX TRANSPARENCY AND PREVENTION OF ACTIVE AND PASSIVE CORRUPTION

TARGETS AND PERFORMANCE

Action		Target	Performance 2021
ANTI-CORRUPTION			
Percentage of third parties subject to the procurement process on which reputational checks have been carried out		100% until 2025	100% 
GOVERNANCE			
Percentage time that the Board of Directors dedicates to ESG topics in strategic meetings and induction sessions		at least 40% until 2025	41%* 
 KPI included in the ESG Scorecard		Target reached	 Target in progress
 KPI included in the Net Zero Carbon Strategy		Target not reached	

* Data extracted from the minutes of Board meetings from January to December and from the Corporate Governance Report and including Board Induction sessions.

Material topics

SDGs

Business integrity	Snam considers maintaining business integrity essential for its economic and social relations, promoting honesty, transparency and fairness in its business processes, in compliance with the principles and values on which the Group is based	
Fight against corruption	Snam recognises corruption as a serious threat to its development. For this reason, The Group conducts its business in full compliance with the rules and pledges to fight against corruption nationally and internationally, in relations with both public and private officials.	

Risks related to taxation and corruption

Risks	Material topics
Legal and compliance risk	<ul style="list-style-type: none"> • Risk of possible violation of rules and regulations, with particular reference to Legislative Decree no. 231/2001 • Risk linked to an inadequate reputation profile for suppliers and subcontractors • Risk of failure to align Corporate Governance and/or the internal control and risk system with regulations and/or best practices
	<ul style="list-style-type: none"> • Business integrity • Fight against corruption

For a full description of the risks, please refer to 'Risk and uncertainty factors' in the chapter 'Strategy and risk management' in the Integrated Directors' Report.

Policies, commitments and management models

Fight against corruption

Snam has defined an **Anti-corruption Compliance Programme** designed to identify and assess corruption risks related to its business activities and to prevent the violation of both internal and external rules. This programme not only adopts the **231 Model** (aimed at preventing the offences constituting the company's administrative liability, including bribery offences) but, in line with international guidance and best practice, has also implemented the following tools⁵⁵:



The **Anti-corruption Guidelines** are an integral part of a broader corporate ethics control system, aimed at ensuring Snam's compliance with national and international Anti-corruption Laws and with the best international standards in the fight against corruption, also with the goal of protecting Snam's reputation, with particular regard to the **selection of suppliers and business partners**, the management of relations with such parties and the relevant protective contractual clauses. Furthermore, the Guidelines comply with the tenth principle of the Global Compact, which repudiates corruption "in all its forms, including extortion and bribery" and clearly outline permissible and prohibited conduct.

The Anti-Corruption Guidelines apply to Snam and its subsidiaries and have also been brought to the attention of associate companies, with the aim of promoting conduct and information flows consistent with those expressed by Snam. Furthermore, Snam uses its influence, as far as the circumstances reasonably permit so, to encourage the companies and the entities in which Snam owns a non-controlling shareholding and associated businesses to meet the standards specified in the Anti-corruption Guidelines⁵⁶.

55 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, unlawful favours, collusive behaviour, solicitations, direct and/or through third parties, personal and career advantages for themselves or others, are without exception prohibited.

56 The Anti-Corruption Guideline is available on the Company's website at https://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/anticorruzione/Snam_anticorruzione_anticorruption.pdf

Anti-corruption Compliance Programme Highlights

Zero Tolerance Policy

of any form of corruption

Annual monitoring

with the involvement of management

Rules and controls

specific in relation to the activities identified as potentially “at risk” and to the activities concerning the effective implementation of anti-corruption compliance

Permitted and prohibited conduct

clearly distinguished

Example of ‘absolute excellence’ awarded by Transparency International

following the ‘Assessment on Transparency in Reporting on Anti-Corruption’

Attention to relations with public officials, suppliers and subcontractors

and, in general, with all business associates

7,687 reputation checks

carried out on business partners in 2021 (2,376 of which on suppliers and subcontractors)

Specific training

started in 2016 and extended to all new recruits

Ethics & Antibribery Department

Collaboration with Transparency International and other initiatives

As a member of the **Business Integrity Forum** (BIF), Snam has been working with **Transparency International Italia** since 2014, with the aim of developing a partnership within the **Global Corporate Supporters Forum**. As part of the agreement, Snam is one of the international partners of the Forum as the first Italian company to be in conformity with the standards of good governance, transparency and accountability promoted by Transparency International, in the context of the global commitment against corruption and promoting ethical business conduct.

Since 2017, Snam has been part of the **Business at OECD Committee** and in 2019 was the first Italian company to join the Leadership as Vice-Chair within the **Anticorruption Committee**. In addition, it was presented as a ‘Tangible example’ of a company that, through concrete actions, has distinguished itself in the fight against corruption at the **B20 Summit** under the Japanese Presidency. In the same year, the Group was involved in the **Partnering Against Corruption** (PACI) initiatives set up by the **World Economic Forum**.

In 2020, with a view to the progressive enhancement of ESG topics at a multilateral level as well, Snam was presented as a **permanent member of the BIAC Corporate Governance Committee** and distinguished itself for its commitment in the area of **ESG and Corporate Governance**” in the tables promoted by the World Economic Forum.

In addition, Snam has eliminated all manual data procedures and has improved the traceability, transparency and security of all its operations by digitising its information flows to the **National Anti-Corruption Authority** through a direct interface between their respective computer systems and the assignment of a tender identification code (CIG).

Also in 2021, Snam demonstrated its commitment and attention to anti-corruption issues by participating in various events, including:



Global Anti-Corruption & Integrity Forum

Participation in the round table “Leading through the Crisis, Crisis Integrity and Anti-corruption for a Resilient Recovery”, where, from the point of view of a large company, the changes caused by the pandemic in the area of risk were discussed, highlighting how the health emergency has led to new scenarios evolving and future problems emerging, which are likely to persist even after the crisis has passed.

Other OECD events

- Global Forum on Responsible Business Conduct
- Working Party on State Ownership and Privatisation Practices
- Corporate Governance Committee meeting
- Public Integrity Indicators Portal and 2021 Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions



B20 Italian Presidency

Partecipazione in qualità di membro effettivo della Integrity & Compliance Task Force. I contributi emersi da tale partecipazione sono stati formalizzati nel Policy Paper veicolato ai membri del G20 in vista della futura Presidenza Indonesiana (2022).

Conference call periodiche nell’ambito della partecipazione all’Integrity & Compliance Task Force.

Special Event “How to promote Sustainable Governance, increase transparency, fight corruption to enhance fair competition”.

Summit di ottobre 2021, in cui è stato ufficializzato il passaggio di testimone del Forum internazionale del Business alla Presidenza Indonesiana.



Annual Event of Transparency International Italy

Participation in panels:

“From B20 Italy 2021 to B20 Indonesia 2022 and beyond”, in which he talked about his experience within the Integrity & Compliance Task Force of past and future Presidencies

“Ethical and Useful”, in which Snam’s EVP Institutional Affairs, ESG, Communication & Marketing was involved in a round table discussion on the possible role of Italy as a driver of the energy transition.

Business Integrity Forum of Transparency International Italy

The opening guest on the second day of the Forum, where, through a video message from the CEO, Snam conveyed the value and importance of creating a corporate culture based on the principles of ethics, integrity and sustainability.

Participation in the session “Intelligent Compliance: from Integrated Compliance to Supplier Compliance Monitoring”, as part of the round table on Technology & Integrity, where Snam reported on its experience in the use of Artificial Intelligence in the service of Compliance.



Partnering Against Corruption Initiative

Participation in the Half-yearly meetings of the initiative promoted by the World Economic Forum, also in the area of “ESG and Corporate Governance”.

Approach to tax

In line with the **Code of Ethics**, Snam and its direct and indirect subsidiaries apply **principles of fairness, transparency, honesty and integrity**, which in the tax area are implemented in the correct discharge of tax obligations in compliance with the rules. In managing tax matters, the Group aims for the “certainty” of its tax adopted positions.

In order to further strengthen its Internal Control and Risk Management System, the Snam Group has adopted the **Tax Control Framework (TCF)**, a system for the detection, assessment, management and control of tax risks through periodic assessments and monitoring. The implementation of the TCF for Snam S.p.A. and Snam Rete Gas S.p.A. was instrumental to the admission, on 2 December 2019, to the collaborative compliance regime laid out by Legislative Decree no. 128/2015 (referred to as “**cooperative compliance**”). The scheme requires eligible entities to maintain high standards of transparency and cooperation with the tax authorities and provides an increased level of certainty on relevant tax issues.

The regime enables continuous and preventive dialogue with the Italian Tax Agency and reflects the constant application of the principles of fairness, transparency and awareness of the fulfilment of the tax obligation defined in the “**Tax Control Framework - Tax Strategy**” **Guidelines**⁵⁷, which define the corporate conduct in connection with the tax variable.

The Tax Strategy sets out to achieve the following aims:

- **tax Value**, i.e. the effective management of the tax ‘cost’ inherent in a company’s business;
- **risks and Reputation**, i.e. the control of fiscal risk with a view to protecting the reputation of the Company and the Group;
- **tax Compliance**, i.e. integrity in the management of tax compliance and the determination of the tax liability of Group companies;
- **promotion of shared values**, i.e. promoting awareness at all levels of the company of the importance that Snam attributes to the values of transparency, honesty, fairness and compliance with regulations;
- **relations with tax authorities**, i.e. establishing relations with tax authorities based on good faith and transparency;
- **resource enhancement**, i.e. developing and strengthening the professional skills of resources involved in any capacity in the tax process.

The Tax Control Framework carries out periodic assessment and monitoring activities, which are reported to the relevant corporate functions, the Company’s Administrative and Control Bodies and the financial authorities.

In order to ensure maximum transparency of the tax management procedures, Snam provides its financial, economic and tax information for each jurisdiction in which it operates. This 2020 reporting provides an indication of the magnitude of the Group activities and their tax contributions in these jurisdictions.

⁵⁷ An excerpt of the Guideline “Tax Control Framework - Tax Strategy” can be found at https://www.snam.it/en/Sustainability/snam_commitments/tax_policy.html.

Country	Description of the main activities of the organisation	Employees (no.)	Revenues from sales to third parties (€ mln)	Revenues from intra-group transactions with other tax jurisdictions (€ Mln)	Pre-tax profit/loss (€ Mln)	Tangible assets other than cash and cash equivalents (€ mln)	Corporate income taxes paid on a cash basis (€ Mln)	Corporate income taxes accrued on profits/ losses (€ Mln)
Italy	In Italy, Snam is responsible for natural gas transportation, dispatching and storage as well as regasification of liquefied natural gas (LNG). Parallel to its core business, the company is also increasingly investing in new businesses related to the energy transition, from sustainable mobility to energy efficiency and the development of renewable gases such as biomethane and hydrogen.	3,240	3,115,792.63	631,607.26	2,354,547.55	16,781,885.44	425,360.98	396,226.57
Albany	Engineering services and Project Management	0	-	832.12	73.18	-	8.64	10.98
Netherlands	Subholding activities	1	2,118.67	-	1,543.06	-	-	-
United Kingdom	Engineering services and Project Management	0	-	-	-	-	1.00	-
Ireland	Captive insurance business.	2	1,765.84	8,869.00	217.21	-	154.20	27.15
China	Development of the Snam Group activities in Chinese market	6	313.00	1,663.00	-172.00	4.00	100.00	2.00
TOTAL		3,249	3,119,990.14	642,971.38	2,356,209.00	16,781,889.44	425,624.82	396,266.70

Note: The scope of information and the data reported in this section represent "country-by-country" reporting, pursuant to Art. 1, paragraphs 145 and 146, of Law No. 208 of 28/12/2015. Entities registered in Italy: Snam S.p.A., Snam Rete Gas S.p.A., GNL Italia SpA, Stogit S.p.A., Snam 4 Mobility S.p.A., Asset Company 2 S.r.l., Infrastrutture Trasporto Gas S.p.A., Cubogas s.r.l., Snam 4 Efficiency S.r.l. (formerly Asset Company 4 S.r.l.), Tep Energy Solution S.r.l., Enura S.p.A. (formerly Asset Company 5 S.r.l.), Asset Company 6 S.r.l., IES Biogas S.r.l., Enersi Sicilia, Renerwaste S.r.l., Renerwaste Lodi S.r.l., Ecoprogetto Milano S.r.l., Ecoprogetto Tortona S.r.l., Tea Servizi S.r.l. Entities registered in Albania: Snam Rete Gas S.p.A. - Branch Albania. Entities registered in the Netherlands: Snam International B.V. Entities resident in the United Kingdom: Snam Rete Gas S.p.A. - Branch UK. Entities registered in Ireland: Gasrule Insurance D.A.C. Entities registered in China: Snam Gas & Energy Services (Beijing) Co. Ltd.

Key performance indicators

The indicators below show the results of the management of the aspects related to the prevention of corruption, with an indication of the reference GRI standard.

In 2021, the training cycle launched in 2016 continued with the aim of applying the concepts of business ethics, legality and anti-corruption in our daily operations, enabling the participants to recognise potential Red Flags and manage them. The training on these issues has a cyclical nature, designed to follow the evolution of the regulations applicable to the Company and the related amendments to the internal regulatory system. In fact, the figures for training on the code of ethics and anti-corruption are decreasing as the 'compliance track', which started in 2019, continues to be delivered mostly to new employees. In 2021, 100% of employees and Board members were informed of the policies and procedures adopted by Snam regarding anti-corruption. In addition, all board members and new employees have been trained in anti-corruption, in particular of the 1,014 hours provided in this area to employees, 585 were dedicated exclusively to anti-corruption.

With regard to reports received on corruption, it should be noted that:


























- for 2 reports, the analyses under the responsibility of the Internal Audit function were completed as part of a specific audit;
- for 1 report, the analyses under the responsibility of the Internal Audit function have been completed and the related note has been sent to the relevant Supervisory Board.
















Indicator	Standard GRI	Measurement unit	2019	2020	2021
Cases of proven corruption			0	0	0
Reports received on corruption and under examination	205-3		0	1	3
Reports received on corruption and archived because unfounded		no.	0	0	0
Hours of training on anti-corruption, Code of Ethics and Model 231			4,028	1,414	1,014
Participations in training on anti-corruption, Code of Ethics and Model 231*	205-2		3,981	1,408	1,014

* Instead of the participants, the number of participations is reported as recorded in the attendance recording system for training purposes.





ANNEX 1 - DEFINITION OF MATERIAL TOPICS

To obtain a better understanding of the significance of the topics, their definitions are given below:

ISSUES	DEFINITION	SDGs*
Climate Change 	Promote decarbonisation strategies against climate change in order to reduce greenhouse gases and contribute to the achievement of carbon neutrality targets. Develop energy efficiency initiatives at Group sites and increase the use and production of energy from renewable sources.	 
Green business 	Accompany decarbonisation processes by integrating the new businesses of biomethane, hydrogen, sustainable mobility and energy efficiency into its operations, assuming a strategic position in the value chain.	    
Health and safety 	Adopt practices and management systems to safeguard the health and safety of employees and third parties involved in company activities (e.g. suppliers).	 
Innovation 	develop new technologies aimed at increasing the efficiency of business and reducing environmental impacts. Exploit technological innovation (e.g. cloud, AI, etc.) for greater efficiency of operations and services offered, to digitise and optimise the monitoring and management of infrastructure and to easily integrate new green business opportunities.	
Infrastructure reliability and resilience, business continuity and cyber security 	Ensure the reliability of infrastructures and services in order to prevent and/or mitigate potential situations that could compromise business continuity (e.g. emergencies, pandemic events). Manage cybersecurity with particular reference to potential cyber attacks.	
Economic performance and value creation 	Foster the creation of shared medium- to long-term value for all stakeholders, through operational and financial efficiency and economically sustainable management of the business.	 
Human capital development and protection 	Adopt talent attraction and retention policies, encouraging professional growth paths that enhance technical, managerial and organisational skills. Ensure employees' work-life balance through a welfare scheme that meets the needs of employees.	
Business integrity 	Carry out activities with loyalty and fairness in compliance with the law, regulations, prescriptions and company provisions. Ensure a responsible approach to fiscal strategy and ensure the efficiency of corporate governance, with particular attention to the issues of remuneration and balanced participation in key corporate governance bodies.	
Diversity and inclusion 	Ensure an inclusive working environment, starting with the recruitment process, which encourages respect and value for everyone's diversity, rejecting any discriminatory behaviour.	 

ISSUES	DEFINITION	SDGs*
Sustainable supply chain 	Adopt policies for selecting suppliers, contractors and commercial partners using on fair and transparent processes which set out the integration of sustainability criteria. Foster the development of social responsibility practices among suppliers, including through training and awareness-raising activities, in order to improve reliability and safety, encourage the reduction of emissions and stimulate the development of innovative approaches to green business and the circular economy.	  
Relations with local communities 	Involve local communities, developing project activities capable of effectively responding to stakeholder expectations and strengthening Snam's acceptability and integration in the territory, supporting local populations even in times of economic crisis and uncertainty.	 
Territory and biodiversity protection 	Safeguard the landscape heritage of the territories in which the Group's plants or sites are located and to promote the protection of biodiversity while carrying out the various activities.	 
Relations with authorities and quality of services 	Ensure that customers receive a safe and reliable service over time, while respecting the principles of competition and equal treatment and access to infrastructure. Also promote constructive, transparent relations with regulatory authorities and institutions to develop satisfactory services for customers that are at the same time geared to market needs and demands.	 
Fight against corruption 	Adopt preventive measures and targeted policies, and promote partnerships aimed at combating corruption and crime in general and at spreading a culture of legality.	

* In 2021, Snam carried out an analysis to consider the contribution of the Group's activities and initiatives developed during the year in achieving the United Nations Sustainable Development Goals (SDGs). This process has led to an updating of the correlation between the SDGs targets and their own material topics.

-  Environmental topics
-  Governance topics (including economics aspects)
-  Social topics
-  Topics related to the circular economy

ANNEX 2 - MAIN SNAM POLICIES AND GUIDELINES

Snam's main policies and guidelines are listed in the table below.

Subject	Policies and guidelines	Objectives and content
Environment	Health and Safety, Environment and Quality Policy (HSEQ Policy)	Outline the key principles that safeguard and continually improve the health and safety of people, the protection of the environment and public safety, in order to pursue sustainable development and value creation, by adopting management systems that comply with international best standards and practices.
	Charter of Principles for Environmental Sustainability	Drafted by Confindustria, Snam has voluntarily subscribed to the document, which outlines the shared values and actions required for a unified and progressive move towards ever greater environmental sustainability, outlining realistic and achievable objectives for Italian companies.
People	Diversity and Inclusion Policy	Promote diversity and plurality as values contributing to an open and stimulating working environment, ensuring equal dignity and opportunities to all people regardless of their country of origin, culture and religion, gender, sexual orientation, political opinions and any other personal characteristics and styles. The policy is drafted in line with the values of the Code of Ethics, the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO (International Labour Organization), the OECD Guidelines for Multinational Enterprises and the principles enshrined in the United Nations Global Compact.
	Diversity and Inclusion Policy: Harassment Policy	Promote a serene and professional working environment, free from all forms of discrimination and harassment, where people feel respected, valued and free to express their full potential, with a company policy of zero tolerance for any form of harassment in the workplace. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
	Diversity and Inclusion Policy: Gender Equality	Contribute to the creation of a more balanced and diverse leadership pipeline, fairly valuing the contributions of both genders in decision-making processes within the organisation, and create a culture of gender equality to ensure excellent performance based on talent and long-term sustainability. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
	Diversity and Inclusion Policy: Recruiting @ Snam	Create a standardised and inclusive methodology of the selection and recruitment process through clear, shared, consistent, fair and merit-based guidelines. The document is an integral part of the Diversity and Inclusion Policy and is an appendix to it.
Suppliers	Social Supply Chain Policy	Outline principles for proper supply chain management, recognising the social and inclusive role of Third Sector organisations, promoting collaboration between social enterprises, encouraging the inclusion of social enterprises as subcontractors and encouraging suppliers to define policies for the involvement of social cooperatives in their supply chain.
Communities	Sustainable Development Policy	Illustrate the principles that characterise Snam's work for the development of an economic-entrepreneurial model that integrates sustainability-related aspects such as respect for people, stakeholders, the environment and society as a whole into its business activities. Snam considers sustainability to be a guiding element for strategic and operational choices and a lever for ensuring sustainable growth over time.
	Stakeholder Engagement Policy	Ensure consistent application at all levels of the Company's stakeholder engagement strategy, which is based on a mutually beneficial approach and involves all categories of the Company's stakeholders, who are identified periodically in order to adequately manage their expectations, needs and specific and local realities.
	Snam Policy on the Management of Philanthropic Activities and Social Initiatives	Illustrate the criteria to be adopted in the selection and promotion of social, cultural and environmental interventions, emphasising its commitment to respond to the needs expressed by the context in which the Company operates and to play an active role in the economic development of the territories and the promotion of community well-being.

Subject	Policies and guidelines	Objectives and content
Human rights	Human Rights Policy	Outline the founding principles and actions taken for the protection of Human rights in the performance of corporate activities and in general, in every context in which the Company operates, including through its businesses partner. The principles, as essential requirements for the management of business activity, concretely implement the Universal Declaration of Human Rights of the United Nations, the Fundamental Conventions of the ILO (International Labor Organization), the OECD Guidelines for Businesses Multinationals and the principles sanctioned by the United Nations Global Compact.
Tax transparency and prevention of active and passive corruption	Anti-Corruption Guidelines	Provide a systematic framework of rules and procedures on anti-bribery and corruption, drafted in compliance with the tenth principle of the Global Compact ⁵⁸ .
	Tax Control Framework Guideline - Tax Strategy	Outline the objectives that Snam, together with its subsidiaries, must pursue on an ongoing basis, while maintaining adequate control over tax risk and supporting the Tax Strategy.
	Enterprise Risk Management Guidelines	Promote a structured and systematic approach through compliance with principles aimed at adequately managing risks, disseminating a culture of correct and transparent risk management and promoting continuous improvement in risk governance according to strategies, the external and internal context and the interests of Snam's stakeholders.
Governance	Corporate Governance Guidelines	Consolidate and rationalise the set of current regulations, guidelines and internal rules on governance, through which the activity of management and coordination of the Snam Group is carried out, clarifying their interpretation and simplifying their implementation.
	Integrated Risk Assurance & Compliance Guidelines	Integrate, within the ICRMS, the models of 2nd level relative to Enterprise Risk Management Model 231, Corporate Information Control System (SCIS), Tax Control Framework ("TCF"), Privacy, Antitrust, Anticorruption, Health, Safety, Environment & Quality ("HSEQ") and Security. Promote and support compliance with relevant regulations and the prevention of any wrongdoing in the conduct of business activities, through the adoption and effective implementation of a specific integrated compliance programme (Compliance Programme for the Prevention of Offences, hereinafter "CPPI"). 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.
Other	Linea guida Enterprise Risk Management	Promote a structured and systematic approach through compliance with principles aimed at adequately managing risks, disseminating a culture of correct and transparent risk management and promoting continuous improvement in risk governance according to strategies, the external and internal context and the interests of Snam's stakeholders.
	Linea guida in materia di Global Security	Prevent security risks and reducing the impact of events potentially capable of generating negative effects for the Company.
	Politica per la gestione del dialogo con azionisti e altri soggetti interessati	Regulate the standard procedures for Dialogue, as well as the Dialogue between the Board of Directors and Stakeholders on issues within the Board's competence, in line with the recommendations of the New Corporate Governance Code (which the Company has adopted), with the engagement policies adopted by institutional investors, proxy advisors and active managers, and with international best practices.
	Politica di Business Continuity Management	Outline the commitments and actions that demonstrate the ability to continue to operate its business in the face of the occurrence of events of such severity as to compromise the normal operation of its critical processes, with the aim of guaranteeing a predefined minimum level of service.

58 The Global Compact or 'Global Pact' is an international initiative launched in July 2000 by the United Nations to uphold ten universal principles relating to human rights, labour, the environment and anti-corruption, bringing together governments, businesses, UN agencies, labour and civil society organisations, with the aim of contributing to the achievement of 'a more inclusive and sustainable global economy' by introducing respect and the application of common values. When it joined the Global Compact in 2009, Snam aimed at confirming and strengthening its commitment to corporate social responsibility, and has pledged to support and play an active role in the work of the Global Compact Network Italy.

ANNEX 3 - MANAGEMENT SYSTEMS

Snam is also committed to the expanding and the maintaining of management systems that cover certain specific issues, such as health and safety at work, the environment and the quality of services provided. During the year, Snam implemented all the necessary activities to extend the certification of the management systems to the new companies that entered the scope of consolidation and to maintain and update existing certifications.

Certification	Scope of application	Company	Year of first certification
ISO 22301 Business continuity	Natural gas dispatch and transportation activities	Snam Rete Gas	2015
	Management of operational continuity for the design, development and centralised management of processes and remote control systems for the dispatch of natural gas transportation	Snam	2018
ISO 27001 Information security	Management of the security of information for the design, development and centralised management of processes and remote control systems for the dispatch of natural gas transportation	Snam	2014
ISO 9001 Quality	Company	Evolve S.p.A.**	2003
	Natural gas storage and modulation activities in geological units	Stogit	2008
	Company	TEP	2010
	Design, installation and maintenance, also in global service, of thermo-hydraulic and related technological systems, district heating, energy production through cogeneration systems. Energy/heat management services and third party function with energy efficiency works	Mieci S.p.A. **	2011
	Company	Renerwaste Lodi S.r.l.*	2013
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	2016
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities		
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations	Snam Rete Gas	
	Natural gas pipeline, ancillary plant and metering activities	ITG	
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Snam4Mobility	2018
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	
	Company	IES Biogas	
Company	Ecoprogetto Milano S.r.l.*	2019	

Certification	Scope of application	Company	Year of first certification
ISO 9001 Quality (cont'd)	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	2020
	Company	Renerwaste S.r.l.*	
	Company	Ecoprogetto Tortona S.r.l.*	
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit	2021
	Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Snam4Environment	
ISO 14001 Environment	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	2000
	Natural gas storage and modulation activities in geological units	Stogit	2002
	Natural gas pipeline, ancillary plant and metering activities	ITG	2010
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations.	Snam Rete Gas	2013
	Company	Renerwaste Lodi S.r.l.*	
	Company	Evolve S.p.A.**	
	Energy service, heat management, operation, maintenance and function of third party responsible, of technological plants in general ("global service"); energy requalification through redesign and interventions on existing plants.	Mieci S.p.A.**	2014
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Snam	2018
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Snam4Mobility	
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	2019
	Company	Ecoprogetto Milano S.r.l.*	
	Company	Ecoprogetto Tortona S.r.l.*	2020
	Company	Renerwaste S.r.l.*	
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit	2021
	Company	TEP	
	Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Snam4Environment	

Certification	Scope of application	Company	Year of first certification
ISO 45001 Health and safety at work	Natural gas pipeline, ancillary plant and metering activities	ITG	2009
	Staff, management and operational activities (including design, construction, operation, maintenance, measurement and dispatching) carried out in connection with the transport and storage in geological units of natural gas by means of pipelines, auxiliary plants and compressor and treatment stations.	Snam Rete Gas	2010
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with regulated activities	Snam	2012
	Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities		
	Receipt of liquefied natural gas (LNG) by sea, transfer to tanks, storage, subsequent regasification and injection into the pipeline network	GNL Italia	
	Natural gas storage and modulation activities in geological units	Stogit	
	Energy service, heat management, operation, maintenance and function of third party responsible, of technological plants in general ("global service"); energy requalification through design and interventions on existing plants	Mieci S.p.A. **	2016
	Company	Evolve S.p.A.**	2017
	Design and management of the production, installation, maintenance and marketing of compression and delivery systems for natural gas for automotive use	Snam4Mobility	2018
	Design, production, marketing, installation and maintenance management of systems for compressing and delivering natural gas	Cubogas	
Management and development of activities for the production of biomethane from organic waste, agricultural and agro-industrial waste and livestock effluents, as well as promotion of green business aimed at achieving sustainability and decarbonisation objectives, with particular reference to the transport sector	Snam4Environment	2021	
Strategic direction, management, coordination and control of operating companies focused on the management and development of their businesses with non-regulated activities	Renovit		
ISO 17025 Competence of testing and calibration laboratories	Calibration laboratory (LAT 155 Natural gas mixtures)		2002
	Testing laboratory (LAB 764 Piped gaseous flows)	Snam Rete Gas	2007
UNI 11352 Energy management for companies providing energy services	Company	Evolve S.p.A.**	2012
	Company	TEP	2013
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2018
SOA OS 22 CL VII Water treatment and purification plants	Company	IES Biogas	2019
SA 8000 Social responsibility	Company	Evolve S.p.A.**	2018
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2021
SOA Certificate of qualification for the execution of public works	Company	Evolve S.p.A.**	
	Provision of energy services, including financing of improvement works	Mieci S.p.A. **	2007

* Controlled by Snam 4 Environment S.r.l.

** Controlled by Renovit.

ANNEX 4 - MAIN PARTNERSHIPS



GRI STANDARDS CORRELATION TABLE

Legend:

T = Transport; S = Storage; R = Regasification; C = Corporate; M = Sustainable mobility; B = Biomethane;
E = Energy efficiency; H = Hydrogen; **Group** = T, S, R, C, M, B, E, H.

Subject	Material topics	GRI aspects	Scope of the aspect		Reporting restrictions	
			Internal	External	Internal	External
Innovation	Innovation	-	Group	-	-	-
Environment	Climate change	GRI 305 Emissions	Group	Suppliers	-	Emissions related to energy consumption of suppliers
		GRI 302 Energy				Energy consumption of suppliers
	Green business	-	Group	-	-	-
	Territory protection and biodiversity	GRI 304 Biodiversity	T, B	Suppliers	-	-
People	Health and safety	GRI 403 Occupational Health & Safety	Group	Suppliers	-	-
	Human capital development and protection	GRI 401 Employment	Group	-	-	-
		GRI 404 Training and Education				
	Diversity and inclusion	GRI 405 Diversity and Equal opportunities	Group	-	-	-
GRI 406 Non discrimination						
Suppliers	Sustainable supply chain	GRI 204 Procurement Practices	Group	Suppliers		
Community	Relations with local communities	GRI 203 Indirect economic impact	Group	-	-	-
		GRI 413 Local communities				
Fiscal transparency and prevention of active and passive corruption	Fight against corruption	GRI 205 Anti-corruption	Group	Suppliers	-	-
	Infrastructure reliability and resilience, business continuity, and cyber security	-	Group	-	-	-
	Economic results and value creation	GRI 201 Economic results	Group	-	-	-
	Business integrity	GRI 205 Anti-corruption	Group	Suppliers	-	-
		GRI 207 Tax				
		GRI 419 Socioeconomic compliance				
Relations with authorities and quality of services	-	Group	-			

GRI CONTENT INDEX

Legend:

AR = Annual report; NFS = Non-Financial Statement

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
GRI 102 – General disclosure 2016				
Organizational profile	102-1	Name of the organization		Snam S.p.A.
	102-2	Activities, brands, products, and services	AR "Snam's profile"	
	102-3	Location of headquarters		Snam headquarters are located in San Donato Milanese https://www.snam.it/en/about-us/headquarter/
	102-4	Location of operations	AR "Snam's Profile - Snam's presence in Italy and in the international Infrastructure system"	
	102-5	Ownership and legal form	AR "2021 Performance, Snam Shareholder composition at 31 December 2021"	
	102-6	Markets served	AR "Snam's Profile - The world of gas" AR "Snam's Profile - Snam's presence in Italy and in the international infrastructure system"	
	102-7	Scale of the organization	AR "Snam's Profile - Snam's presence in Italy and in the international infrastructure system" NFS "People" NFS "Introduction and guide to reading the document"	
	102-8	Information on employees and other workers	NFS "People"	The total number of employees by employment contract broken down by gender and geographical area, respectively, is not significant as Snam operates mainly in Italy.
	102-9	Supply chain	AR "2021 Performance - Key sustainability performances" NFS "Introduction and guide to reading the document"	
	102-10	Modifiche significative all'organizzazione e alla sua catena di fornitura	NFS "Introduction and guide to reading the document" NFS "Suppliers" AR "2021 Performance - Key sustainability performances"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
Organizational profile (cont'd)	102-11	Precautionary Principle or approach	AR "Governance - Control system" AR "Strategy and Risk Management" AR "Operating performance by business segment - Transportation of natural gas; Progress of activities related to obtaining permits" NFS "Environment"	
	102-12	External initiatives		Snam adheres, among others, to the Global Compact and the Task Force on Climate Related Financial Disclosures (TCFD).
	102-13	Membership of associations		Section "Ethics and Public Affairs" published on the web page: https://www.snam.it/en/governance-conduct/business-conduct/ethics-and-public-affairs/index.html
Strategy	102-14	Statement from senior decision-maker	AR "Letter to stakeholders"	
	102-15	Key impacts, risks, and opportunities	AR "Strategy and Risk Management - Risk and opportunity management; Elements of risk and uncertainty"	
Ethics and integrity	102-16	Values, principles, standards, and norms of behavior	AR "Governance - Governance and organisation" NFS "Fiscal transparency and prevention of active and passive corruption"	
Governance	102-18	Governance structure	AR "Governance - Governance and organisation"	
Stakeholder engagement	102-40	List of stakeholder groups	AR "Stakeholder engagement and materiality analysis - Relations with the stakeholders"	
	102-41	Collective bargaining agreements		100%. The National Collective Labor Agreements (Energy and Oil Contract, Metalworkers' Contract, Trade Contract) apply to non-executive personnel. The National Contract for Executives of Companies producing Goods and Services is applied to executive personnel.
	102-42	Identifying and selecting stakeholders	AR "Stakeholder engagement and materiality analysis - Relations with the stakeholders"	
	102-43	Modalità di coinvolgimento degli stakeholder	AR "Stakeholder engagement and materiality analysis - Relations with the stakeholders"	
	102-44	Temi e criticità chiave sollevati	AR "Stakeholder engagement and materiality analysis - Relations with the stakeholders"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
Reporting practice	102-45	Entities included in the consolidated financial statements and excluded from the NFS	NFS "Introduction and guide to reading the document"	There are no differences in the scope of consolidation of NSF and Annual Report.
	102-46	Defining report content and topic Boundaries	NFS "Introduction and guide to reading the document"	
	102-47	List of material topics	AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	102-48	Restatements of information		Any changes from the previous report have been punctually indicated in the text.
	102-49	Changes in reporting	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "GRI Standards correlation table"	
	102-50	Reporting period	NFS "Introduction and guide to reading the document"	
	102-51	Date of most recent report		Last published document: 2020 Consolidated Non-Financial Statement, included in the Directors' Report - 2020 Integrated Report in the 2020 Annual Financial Report, approved by Snam's Board of Directors on March 17th, 2021.
	102-52	Reporting cycle		The NFS is published on an annual basis.
	102-53	Contact point for questions regarding the report		Sofia Maroudia (sofia.maroudia@snam.it)
	102-54	Claims of reporting in accordance with the GRI Standards	NFS "Introduction and guide to reading the document"	
	102-55	GRI content index	NFS "GRI Standards correlation table"	
	102-56	External assurance	NFS "Independent auditor's report"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
GRI 200 - Economic topics				
GRI 201 Economic results 2016	103-1		AR "Strategy and Risk Management - Risk and opportunity management; Elements of risk and uncertainty"	
	103-2			
	103-3	Management approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "People" NFS "GRI Standards correlation table"	
	201-1	Direct economic value generated and distributed	NFS "Community"	The methodology adopted by Snam for the calculation of the Direct economic value generated and distributed (GBS Standard) differs from the GRI Standards only considering the following aspects: <ul style="list-style-type: none"> the Direct economic value generated category ("Economic value produced" in SNAM) is shown net of operating costs falling within the Distributed Generated Value according to disclosure 201-1; deferred taxes are also considered among direct taxes. <p>if the directly generated and distributed economic value had been calculated exclusively according to the GRI methodology, the 2021 values would have been the following:</p> <ol style="list-style-type: none"> Value generated equal to 3,615 mil. €; Distributed value equal to 2,516 mil. €; Value retained in the group equal to 1,099 mil. €.
GRI 203 Indirect economic impacts 2016	103-1		RAR "Strategy and Risk Management - The 2021-2025 Strategic Plan and the 2030 Vision"	
	103-2			
	103-3	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "Community" NFS "GRI Standards correlation table"	
	203-1	Infrastructure investments and services supported	AR "Snam's profile" AR "Strategy and Risk Management - The 2021-2025 Strategic Plan and the 2030 Vision"	
	203-2	Significant indirect economic impacts	NFS "Community"	
GRI 204 Procurement Practices 2016	103-1		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2			
	103-3	Management Approach	NFS "Suppliers" NFS "GRI Standards correlation table"	
	204-1	Proportion of spending on local suppliers	NFS "Suppliers"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
GRI 205 Anti-corruption 2016	103-1	Management Approach	AR "Governance - Control system"	
	103-2		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-3		NFS "Fiscal transparency and prevention of active and passive corruption" NFS "GRI Standards correlation table"	
	205-2	Communication and training about anti-corruption policies and procedures	NFS "Fiscal transparency and prevention of active and passive corruption".	100% of employees and Board members were informed on anti-corruption policies and procedures. 100% of new hires received training on anti-corruption policies and procedures. Overall, 586 employees received training about anticorruption.
	205-3	Confirmed incidents of corruption and actions taken		No incidents of corruption were detected in 2021.
GRI 207 Tax 2019	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-3		NFS "Fiscal transparency and prevention of active and passive corruption" NFS "GRI Standards correlation table"	
	207-1	Approach to tax	NFS "Fiscal transparency and prevention of active and passive corruption"	
	207-2	Tax governance, control, and risk management	NFS "Fiscal transparency and prevention of active and passive corruption"	
	207-3	Stakeholder engagement and management concerns related to tax	NFS "Fiscal transparency and prevention of active and passive corruption"	
	207-4	Country-by-country reporting	NFS "Fiscal transparency and prevention of active and passive corruption"	
	GRI 300 - Environmental topics			
GRI 302 Energy 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-3		NFS "Environment" NFS "GRI Standards correlation table"	
	302-1	Energy consumption within the organization	AR "2021 Performance - Key sustainability performances" NFS "Environment"	Source of conversion factors: Ispra 2021.

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions		
GRI 304 Biodiversity 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" AR "2021 Performance - Key sustainability performances" NFS "Environment" NFS "GRI Standards correlation table"			
	103-2					
	103-3					
	304-1				Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	
GRI 305 Emissions 2016	103-1	Management Approach	AR "Strategy and Risk Management - Snam's Net Zero Carbon strategy" AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "Environment" NFS "GRI Standards correlation table"			
	103-2					
	103-3					
	305-1				Direct (Scope 1) GHG emissions	Source of emission factors: Ispra 2021
	305-2				Energy indirect (Scope 2) GHG emissions	European Residual mix 2020 (source AIB: 2021) for Scope 2 Market Based emissions; ISPRA 2021 for Scope 2 Location Based emissions. It is specified that the emission factor considered for the calculation of Scope 2 emissions is the one relating to the year 2019.
GRI 400 - Social topics						
GRI 401 Employment 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "People" NFS "GRI Standards correlation table"			
	103-2					
	103-3					
	401-1				New employee hires and employee turnover	The breakdown of the data by country are not reported as it is not applicable (almost all the employees are located in Italy)

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions	
GRI 403 Occupational Health and Safety 2018	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics"		
	103-2				
	103-3		NFS "People"		
		403-1	Occupational health and safety management system	NFS "People"	
		403-2	Hazard identification, risk assessment, and incident investigation	NFS "People"	
		403-3	Occupational health services	NFS "People"	
		403-4	Worker participation, consultation, and communication on occupational health and safety	NFS "People"	Worker representation is also ensured by law (ref. TU Legislative Decree 81/2008) and national contracts. During 2021, numerous trade union agreements were signed on various issues (the definition of paths derived from "Progetto Lavori" and "Progetto Impianti", the smartworking topic both in an emergency and a normal situation).
		403-5	Worker training on occupational health and safety	NFS "People"	
		403-6	Promotion of worker health	NFS "People"	
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	NFS "People"	
	403-8	Workers covered by an occupational health and safety management system	NFS "People"	At December 31st, 2021, the percentage of employees covered by an occupational health and safety management system is 95.2%	
	403-9	Work-related injuries	AR "2021 Performance - Key sustainability performances" NFS "People"	All the injuries involving employees and contractors occurred in Italy (for employees 8 in the North, 1 in the Centre, and 2 in the South, and for the contractors 1 in the Centre). The injuries involved only male staff. The rate of fatalities as a result of accidents at work was 0 for employees, while it is 0.12 for contractors. The rate of high-consequence work-related injuries (excluding fatal accidents) is 0.19 for employees and 0 for contractors. The rate of recordable work-related accidents, which correspond to the total number of injuries, is 2.11 for employees, while it is 0.12 for contractors. The rates are calculated as the ratio between the number of injuries of the related types and the number of hours worked in the related category, multiplied by 1,000,000. The hours worked of employees and contractors taken into account for the calculation are respectively 5.2 and 8.7 million hours. For all the Group's societies, except Renovit, the hours worked to calculate the frequency and the severity indexes is an estimate based on the 2020 ones.	
	403-10	Work-related ill health	NFS "People"	Contractors, like employees, are not exposed to risks that will generate occupational illnesses over time. Moreover, considering the fact that health surveillance protocols are implemented for contractors by the employer of the contracting companies, the collection of data on the occupational illnesses of contractors is not applicable	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
GRI 404 Training and Education 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "People" NFS "GRI Standards correlation table"	
	103-2			
	103-3			
	404-1	Average hours of training per year per employee	AR "2021 Performance - Key sustainability performances" NFS "People"	In 2021, 78% of the corporate population was involved in training activities, excluding those related to health, safety, environment and quality (HSEQ) issues. Specifically, 76% of women and 79% of men were involved in at least one training course.
GRI 405 Diversity and equal opportunities 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "People" NFS "GRI Standards correlation table"	
	103-2			
	103-3			
	405-1	Diversity of governance bodies and employees	AR "Governance - Governance and organization" NFS "People"	In 2021, 3 Board members belong to the 30-50 age group, while 6 belong to the >50 age group (unchanged from 2020, while in 2019 there were 2 for the 30-50 age group and 7 for the >50 age group). Employees under the age of 30: 0 executives, 3 middle managers, 313 white collars, 243 blue collars. Employees aged between 30 and 50: 84 executives, 346 middle managers, 813 white collars, 244 blue collars. Employees aged over 50: 57 executives, 251 middle managers, 754 white collars, 322 blue collars.
GRI 406 Non-discrimination 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "Human rights" NFS "GRI Standards correlation table"	
	103-2			
	103-3			
	406-1	Incidents of discrimination and corrective actions taken	NFS "Human rights"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
GRI 413 Local Communities 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2			
	103-3		NFS "Community"	
	413-1	Operations with local community engagement, impact assessments, and development programs	AR "Operating performance by business segment - Transportation of natural gas; Progress of activities related to obtaining permits" NFS "Community"	
GRI 419 Socioeconomic compliance 2016	103-1	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2			
	103-3		NFS "Fiscal transparency and prevention of active and passive corruption" NFS "GRI Standards correlation table"	
	419-1	Non-compliance with laws and regulations in the social and economic area	NFS "Fiscal transparency and prevention of active and passive corruption" AR "Criminal and tax disputes and proceedings with the regulatory authority, ARERA" (in "Notes to the consolidated financial statements")	
Snam's Material topics not associated with the GRI material topics				
Green business	103-1	Management Approach	AR "Strategy and Risk Management - The strategy for the future: Net Zero Carbon"	
	103-2			
	103-3		AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "Environment" NFS "GRI Standards correlation table"	

GRI Standard	Disclosure	Description	Reference document and paragraph	Notes / Omissions
Reliability of infrastructures, business continuity and cyber security	103-1		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2			
	103-3	Management Approach	AR "2021 Performance - Key sustainability performances" NFS "Innovation and digitalization for business development and cyber security" NFS "GRI Standards correlation table"	
Innovation	103-1		AR "Strategy and Risk Management"	
	103-2			
	103-3	Management Approach	AR "Stakeholder engagement and materiality analysis - Snam's material topics" NFS "Innovation and digitalization for business development and cyber security" NFS "GRI Standards correlation table"	
Relations with authorities and quality of services	103-1		AR "Stakeholder engagement and materiality analysis - Snam's material topics"	
	103-2			
	103-3	Management Approach	AR "2021 Performance - Key sustainability performances" AR "Operating performance by business segment: Regulatory framework and main developments" NFS "GRI Standards correlation table"	

INDEPENDENT AUDITOR'S REPORT

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**INDEPENDENT AUDITOR'S REPORT
ON THE CONSOLIDATED NON-FINANCIAL STATEMENT PURSUANT TO ARTICLE 3,
PARAGRAPH 10 OF LEGISLATIVE DECREE No. 254 OF DECEMBER 30, 2016 AND
ART. 5 OF CONSOB REGULATION N. 20267/2018**

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

Pursuant to article 3, paragraph 10, of the Legislative Decree no. 254 of December 30, 2016 (hereinafter "Decree") and to article 5 of the CONSOB Regulation n. 20267/2018, we have carried out a limited assurance engagement on the Consolidated Non-Financial Statement of Snam S.p.A. and its subsidiaries (hereinafter "Snam Group" or "Group") as of December 31, 2021 prepared on the basis of art. 4 of the Decree, presented in the specific section of the Directors' Report and, integrated, through references, with information presented in other sections of the Directors' Report, approved by the Board of Directors on March 16, 2022 (hereinafter "NFS").

Our limited assurance engagement does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "*European taxonomy for environmentally-sustainable activities*".

Responsibility of the Directors and the Board of Statutory Auditors for the NFS

The Directors are responsible for the preparation of the NFS in accordance with articles 3 and 4 of the Decree and "Global Reporting Initiative Sustainability Reporting Standards" established by GRI – Global Reporting Initiative ("GRI Standards") which they have identified as reporting framework.

The Directors are also responsible, within the terms established by law, for such internal control as they determine is necessary to enable the preparation of NFS that is free from material misstatement, whether due to fraud or error.

The Directors are moreover responsible for defining the contents of the NFS, within the topics specified in article 3, paragraph 1, of the Decree, taking into account the activities and characteristics of the Group, and to the extent necessary in order to ensure the understanding of the Group's activities, its trends, performance and the related impacts.

Finally, the Directors are responsible for defining the business management model and the organisation of the Group's activities as well as, with reference to the topics detected and reported in the NFS, for the policies pursued by the Group and for identifying and managing the risks generated or undertaken by the Group.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the compliance with the provisions set out in the Decree.

Auditor's Independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the *International Ethics Standards Board for Accountants*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Our auditing firm applies *International Standard on Quality Control 1 (ISQC Italia 1)* and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's responsibility

Our responsibility is to express our conclusion based on the procedures performed about the compliance of the NFS with the Decree and the GRI Standards. We conducted our work in accordance with the criteria established in the *"International Standard on Assurance Engagements ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews of Historical Financial Information"* (hereinafter *"ISAE 3000 Revised"*), issued by the *International Auditing and Assurance Standards Board (IAASB)* for limited assurance engagements. The standard requires that we plan and perform the engagement to obtain limited assurance whether the NFS is free from material misstatement. Therefore, the procedures performed in a limited assurance engagement are less than those performed in a reasonable assurance engagement in accordance with ISAE 3000 Revised, and, therefore, do not enable us to obtain assurance that we would become aware of all significant matters and events that might be identified in a reasonable assurance engagement.

The procedures performed on NFS are based on our professional judgement and included inquiries, primarily with Company personnel responsible for the preparation of information included in the NFS, analysis of documents, recalculations and other procedures aimed to obtain evidence as appropriate.

Specifically we carried out the following procedures:

1. analysis of relevant topics with reference to the Group's activities and characteristics disclosed in the NFS, in order to assess the reasonableness of the selection process in place in light of the provisions of art.3 of the Decree and taking into account the adopted reporting standard;
2. analysis and assessment of the identification criteria of the consolidation area, in order to assess its compliance with the Decree;
3. comparison between the financial data and information included in the NFS with those included in the Consolidated Financial Statements of the Snam Group;

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4. understanding of the following matters:

- business management model of the Group's activities, with reference to the management of the topics specified by article 3 of the Decree;
- policies adopted by the entity in connection with the topics specified by article 3 of the Decree, achieved results and related fundamental performance indicators;
- main risks, generated and/or undertaken, in connection with the topics specified by article 3 of the Decree.

Moreover, with reference to these matters, we carried out a comparison with the information contained in the NFS and the verifications described in the subsequent point 5, letter a) of this report;

5. understanding of the processes underlying the origination, recording and management of qualitative and quantitative material information included in the NFS.

In particular, we carried out interviews and discussions with the management of Snam S.p.A. and with the employees of the main legal entities of the Group and we carried out limited documentary verifications, in order to gather information about the processes and procedures which support the collection, aggregation, elaboration and transmittal of non-financial data and information to the department responsible for the preparation of the NFS.

In addition, for material information, taking into consideration the Group's activities and characteristics:

- at the parent company and subsidiaries level:
 - a) with regards to qualitative information included in the NFS, and specifically with reference to the business management model, policies applied and main risks, we carried out interviews and gathered supporting documentation in order to verify its consistency with the available evidence;
 - b) with regards to quantitative information, we carried out both analytical procedures and limited verifications in order to ensure, on a sample basis, the correct aggregation of data.
- for entities Snam S.p.A., Snam Rete Gas S.p.A. and Stogit S.p.A., which we selected based on their activities, their contribution to the performance indicators at the consolidated level and their location, we carried out remote meetings, during which we have met their management and have gathered supporting documentation with reference to the correct application of procedures and calculation methods used for the indicators.

Conclusions

Based on the work performed, nothing has come to our attention that causes us to believe that the NFS of the Snam Group as of December 31, 2021 is not prepared, in all material aspects, in accordance with article 3 and 4 of the Decree and GRI Standards.

Our conclusion on the NFS does not extend to the information required by art. 8 of the European Regulation 2020/852 included in the paragraph "*European taxonomy for environmentally-sustainable activities*".

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Other matters

The NFS for the year ended December 31, 2019, whose data are presented for comparative purposes, has been subject to a limited assurance engagement by another auditor that on May 11, 2020, expressed an unmodified conclusion.

DELOITTE & TOUCHE S.p.A.

Signed by
Franco Amelio
Partner

Milan, Italy
April 5, 2022

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



WEF CORRESPONDENCE TABLE

Legend:

SR = Sustainability Report; AR = Annual Report; NFS = Non-Financial Statement;

CGR = Corporate Governance and Ownership Structure Report; TCFD = Climate Change Report

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Principles of Governance	Governing purpose	Setting purpose	The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues. Corporate purpose should create value for all stakeholders, including shareholders.	AR "80 years of energy to inspire the future - The purpose of Snam"	
		Purpose led management	How the company's stated purpose is embedded in company strategies, policies and goals.	AR "80 years of energy to inspire the future - The purpose of Snam" AR "Governance - Governance and organisation"	
	Quality of governing body	Governance body composition	Composition of the highest governance body and its committees by: competencies relating to economic, environmental and social topics; executive or non-executive; independence; tenure on the governance body; number of each individual's other significant positions and commitments, and the nature of the commitments; gender; membership of under-represented social groups; stakeholder representation.	CGR "The Board of Directors of Snam" AR "Governance - Governance and organisation"	
		Remuneration	<ol style="list-style-type: none"> How performance criteria in the remuneration policies relate to the highest governance body's and senior executives' objectives for economic, environmental and social topics, as connected to the company's stated purpose, strategy and long term value. Remuneration policies for the highest governance body and senior executives for the following types of remuneration: <ul style="list-style-type: none"> Fixed-pay and variable-pay, including performance-based pay, equity-based pay, bonuses and deferred or vested shares Sign on bonuses or recruitment incentive payments Termination payments Clawbacks Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives and all other employees. 	RR "Remuneration Policy Guidelines"	

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Principles of Governance (cont'd)	Stakeholder engagement	Material issues impacting stakeholders	A list of the topics that are material to key stakeholders and the company, how the topics were identified and how the stakeholders were engaged.	AR "Stakeholder engagement and materiality analysis"	
	Ethical behaviour	Anti-corruption	<ol style="list-style-type: none"> Total percentage of governance body members, employees and business partners who have received training on the organization's anti-corruption policies and procedures, broken down by region. <ol style="list-style-type: none"> Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and Total number and nature of incidents of corruption confirmed during the current year, related to this year. Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption. 	NFS "Fiscal transparency and prevention of active and passive corruption"	<p>100% of employees and Board members were informed on anti-corruption policies and procedures. 100% of new hires received training on anti-corruption policies and procedures.</p> <p>Overall, 586 employees received training about anticorruption.</p> <p>No incidents of corruption were detected in 2021</p>
		Protected ethics advice and reporting mechanisms	A description of internal and external mechanisms for: <ol style="list-style-type: none"> Seeking advice about ethical and lawful behaviour and organizational integrity; and Reporting concerns about unethical or unlawful behaviour and lack of organizational 		https://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html
		Monetary losses from unethical behaviour	Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti trust, anti competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations.	AR "Criminal and tax disputes and proceedings with the regulatory authority, ARERA" (in "Notes to the consolidated financial statements")	
		Risk and opportunity oversight	Integrating risk and opportunity into business process	Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	<p>AR "Strategy and Risk Management - Risk and opportunity management; Elements of risk and uncertainty"</p> <p>TCFD "The ERM model and the risks and opportunities associated with climate change - The risks associated with climate change"</p> <p>TCFD "The ERM model and the risks and opportunities associated with climate change - The opportunities associated with climate change"</p>

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
Planet	Climate change	Greenhouse gas (GHG) emissions	For all relevant greenhouse gases (e.g. carbon dioxide, methane, nitrous oxide, F gases etc.), report in metric tonnes of carbon dioxide equivalent (tCO _{2e}) GHG Protocol Scope 1 and Scope 2 emissions. Estimate and report material upstream and downstream (GHG Protocol Scope 3) emissions where appropriate.	AR "2021 Performance - Key sustainability performances" NFS "Environment"	
		TCFD implementation	Fully implement the recommendations of the Task Force on Climate related Financial Disclosures (TCFD). If necessary, disclose a timeline of at most three years for full implementation. Disclose whether you have set, or have committed to set, GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre industrial levels and pursue efforts to limit warming to 1.5°C – and to achieve net zero emissions before 2050.	TCFD	
	Nature loss	Land use and ecological sensitivity	Report the number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	NFS "Environment"	
	Freshwater availability	Water consumption and withdrawal in water stressed areas	Report for operations where material: megalitres of water withdrawn, megalitres of water consumed and the percentage of each in regions with high or extremely high baseline water stress, according to WRI Aqueduct water risk atlas tool. Estimate and report the same information for the full value chain (upstream and downstream) where appropriate.	SR "Planet - Acting for the environment: Waste and water management" SR "Appendix - Data and performance indicators"	Data on the types of water discharges and their location in water-stressed areas are not currently available.
Air pollution	Air pollution	Report wherever material along the value chain: nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter and other significant air emissions. Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas.	SR "Planet - Combating climate change and reducing emissions" SR "Appendix - Data and performance indicators"		

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
People	Dignity and equity	Diversity and inclusion (%)	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	NFS "People"	
		Pay equality (%)	Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.	SR "People - Valuing people" SR "Appendix - Data and performance indicators"	
		Wage level (%)	Ratios of standard entry level wage by gender compared to local minimum wage. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	AR "Section II - Compensation paid in fiscal year 2021"	
		Risk for incidents of child, forced or compulsory labour	An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to: a) type of operation (such as manufacturing plant) and type of supplier; and b) countries or geographic areas with operations and suppliers considered at risk.	NFS "People"	
				NFS "Suppliers"	
				NFS "Human rights"	
		Pay gap (%; #)	1. Mean pay gap of basic salary and remuneration of full time relevant employees based on gender (women to men) and indicators of diversity (e.g. BAME to non BAME) at a company level or by significant location of operation. 2. Ratio of the annual total compensation for the organization's highest paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest paid individual) in the same country.	SR "People - Valuing people"	
SR "Appendix - Data and performance indicators"					
Discrimination and harassment incidents (#) and the total amount of monetary losses (\$)	Number of discrimination and harassment incidents, status of the incidents and actions taken, and the total amount of monetary losses as a result of legal proceedings associated with: a) law violations; and b) employment discrimination.	NFS "Human rights"			

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
<p>People (cont'd)</p>	<p>Health and well being</p>	<p>Health and safety (%)</p>	<ol style="list-style-type: none"> 1. The number and rate of fatalities as a result of work related injury; high consequence work related injuries (excluding fatalities); recordable work related injuries; main types of work related injury; and the number of hours worked. 2. An explanation of how the organization facilitates workers' access to non occupational medical and healthcare services, and the scope of access provided for employees and workers. 	<p>AR "2021 Performance - Key sustainability performances"</p> <p>NFS "People"</p>	<p>All the injuries involving employees and contractors occurred in Italy (for employees 8 in the North, 1 in the Centre, and 2 in the South, and for the contractors 1 in the Centre). The injuries involved only male staff. The rate of fatalities as a result of accidents at work was 0 for employees, while it is 0.12 for contractors. The rate of high-consequence work-related injuries (excluding fatal accidents) is 0.19 for employees and 0 for contractors. The rate of recordable work-related accidents, which correspond to the total number of injuries, is 2.11 for employees, while it is 0.12 for contractors. The rates are calculated as the ratio between the number of injuries of the related types and the number of hours worked in the related category, multiplied by 1,000,000. The hours worked of employees and contractors taken into account for the calculation are respectively 5.2 and 8,7 million hours. For all the Group's societies, except Renovit, the hours worked to calculate the frequency and the severity indexes is an estimate based on the 2020 ones. Contractors, like employees, are not exposed to risks that could lead to occupational diseases over time. Moreover, considering the fact that the health surveillance of the contractor's staff is the responsibility of the employer of the contracting companies, the collection of data on occupational diseases of the contractor's staff is not applicable.</p>

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes
People (cont'd)		Employee well being (#, %)	<ol style="list-style-type: none"> The number of fatalities as a result of work related ill health, recordable work related ill health injuries, and the main types of work related ill health for all employees and workers. <ol style="list-style-type: none"> Percentage of employees participating in "best practice" health and well-being programmes, and Absentee rate (AR) of all employees. 	NFS "People"	
	Skills for the future	Training provided	<p>Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).</p> <p>Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).</p>	<p>AR "2021 Performance - Key sustainability performances"</p> <p>NFS "People"</p>	In 2021, 78% of the corporate population was involved in training activities, excluding those related to health, safety, environment and quality (HSEQ) issues. Specifically, 76% of women and 79% of men were involved in at least one training course.
Prosperity	Employment and wealth generation	Absolute number and rate of employment	<ol style="list-style-type: none"> Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region. 	<p>AR "2021 Performance - Key sustainability performances"</p> <p>NFS "People"</p>	The split of the data by country is not reported because it is not applicable (almost all the employees is located in Italy).
		Economic contribution	<ol style="list-style-type: none"> Direct economic value generated and distributed (EVG&D), on an accruals basis, covering the basic components for the organization's global operations, ideally split out by: <ol style="list-style-type: none"> Revenues Operating costs Employee wages and benefits Payments to providers of capital Payments to government Community investment Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period. 	<p>AR "2021 Performance - Economic results; Financial results"</p> <p>NFS "Community"</p>	<p>The methodology adopted by Snam for the calculation of the Direct economic value generated and distributed (GBS Standard) differs from the GRI Standards only considering the following aspects:</p> <ul style="list-style-type: none"> the Direct economic value generated category ("Economic value produced" in SNAM) is shown net of operating costs falling within the Distributed Generated Value according to disclosure 201-1; deferred taxes are also considered among direct taxes.

Pillar	Category	Indicator	Description	Reference documents and paragraphs	Notes	
Prosperity (cont'd)		Financial investment contribution	<ol style="list-style-type: none"> Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders. 	AR "Operating performance by business segment"		
		Infrastructure investments and services supported	<p>Qualitative disclosure to describe the below components:</p> <ol style="list-style-type: none"> Extent of development of significant infrastructure investments and services supported. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. Whether these investments and services are commercial, in kind or pro bono engagements. 	AR "Strategy and Risk Management - The 2021-2025 Strategic Plan and the 2030 Vision"		
		Significant indirect economic impacts	<ol style="list-style-type: none"> Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g. national and international standards, protocols, policy agendas). 	NFS "Community"		
		Innovation of better products and services	Total R&D expenses	Total costs related to research and development.	AR "Operating performance by business segment"	
	Community and social vitality		Total tax paid	The total global tax borne by the company, including corporate income taxes, property taxes, non creditable VAT and other sales taxes, employer paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.	NFS "Community"	
			Additional tax remitted	The total additional global tax collected by the company on behalf of other taxpayers, including VAT and employee related taxes that are remitted by the company on behalf of customers or employees, by category of taxes.	NFS "Fiscal transparency and prevention of active and passive corruption"	
			Total tax paid by country for significant locations	Total tax paid and, if reported, additional tax remitted, by country for significant locations.		

SASB CORRESPONDENCE TABLE

Legend:

AR = Annual Report; NFS = Non-Financial Statement; SR = Sustainability Report

Dimensions	Category	Disclosure	Description	Reference document and chapter/paragraph	Notes / Omissions
Environmental	GHG Emissions	EM-MD-110a.1	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions limiting regulations	AR "2021 Performance - Key sustainability performances" NFS "Environment"	
		EM-MD-110a.2	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	AR "2021 Performance - Key sustainability performances" NFS "Environment"	
	Air Quality	EM-MD-120a.1	Emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs) and (4) particulate matter (PM10)	AR "Operating performance by business segment - Natural gas transportation"	
				AR "Performance by business segment - Liquefied Natural Gas (LNG) regasification" AR "Operating performance by business segment - Natural gas transportation"	
	Ecological Impacts	EM-MD-160a.1	Descrizione delle politiche di gestione ambientale e delle pratiche per le operazioni attive	AR "2021 Performance - Key sustainability performances" NFS "Environment" SR "Planet - Protecting the earth and biodiversity"	
		EM-MD-160a.2	Percentuale di terreni posseduti, affittati e/o gestiti all'interno di aree protette o habitat con specie in via di estinzione	NFS "Environment"	
		EM-MD-160a.3	Superficie terrestre impattata, percentuale di area impattata ripristinata	NFS "Environment"	
	Competitive Behaviour	EM-MD-520a.1	Numero e volume aggregato di perdite di idrocarburi, volume nell'Artico, volume in aree ecologicamente sensibili, e volume recuperato		The indicator is not applicable for Snam
				Numero totale di perdite monetarie dovute a procedure legali associate a normative federali sui gasdotti e sullo stoccaggio	AR "Criminal and tax disputes and proceedings with the regulatory authority, ARERA" (in "Notes to the consolidated financial statements")

Dimensions	Category	Disclosure	Description	Reference document and chapter/paragraph	Notes / Omissions
Environmental (cont'd)	Operational Safety, Emergency Preparedness & Response	EM-MD-540a.1	Number of recordable pipeline accidents, significant percentage	AR "Criminal and tax disputes and proceedings with the regulatory authority, ARERA" (in "Notes to the consolidated financial statements")	
		EM-MD-540a.2	Percentage of (1) natural gas and (2) hazardous liquid pipelines inspected	AR "2021 Performance - Key sustainability performances"	4% of the network of transport of natural gas inspected with smart pig; 64% inspected by overflight by helicopter; 33% inspected with leak technique detection and 18% subjected to geological monitoring.
		EM-MD-540a.3	Number of (1) accident releases and (2) non-accident releases (NARs) from rail transportation		The indicator is not applicable for Snam
		EM-MD-540a.4	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout project lifecycles.	NFS "Environment"	

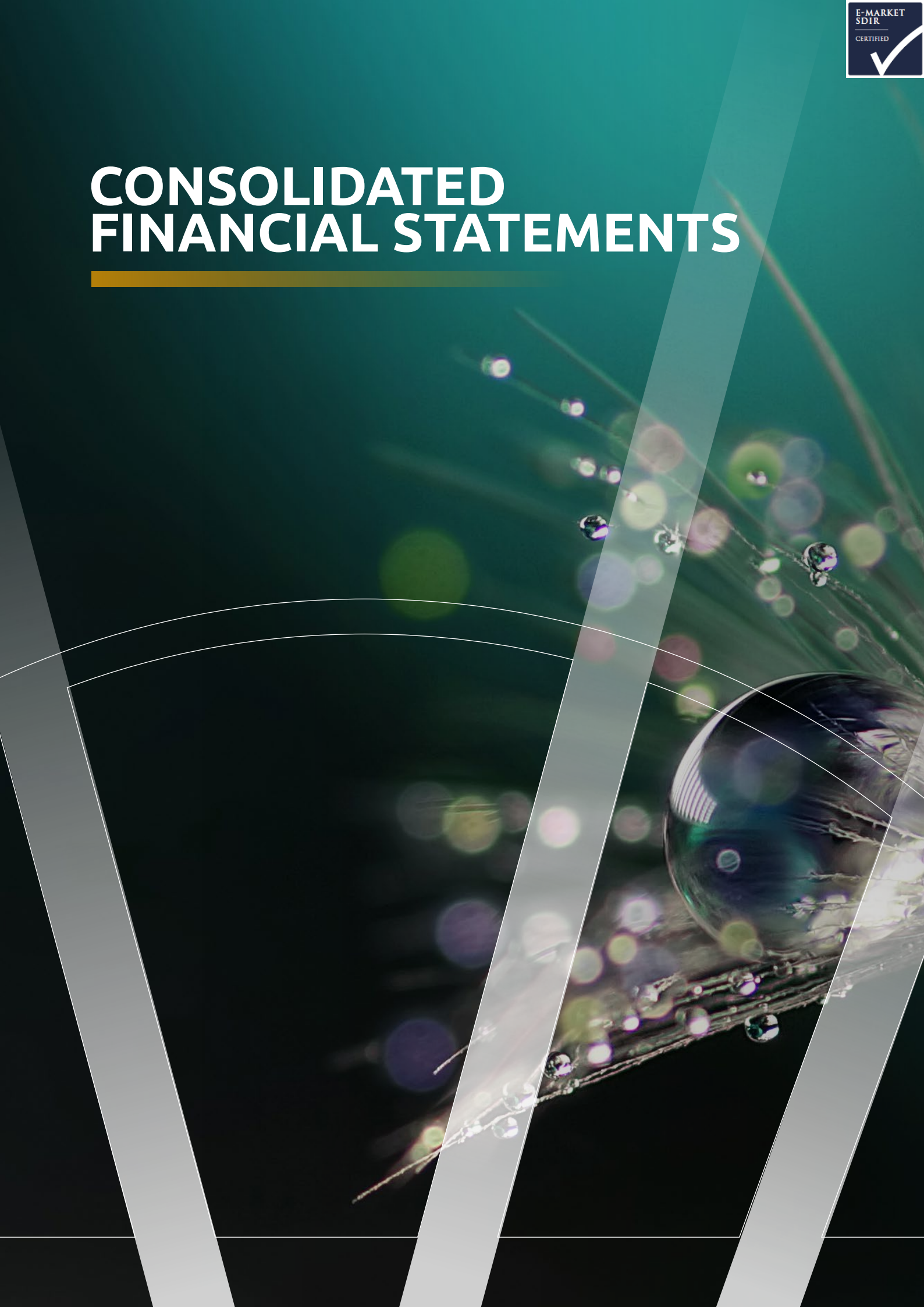
TCFD RECOMMENDATIONS CORRESPONDENCE TABLE


AR: Annual Report
NFS: Non-Financial Statement
SR: Sustainability Report
TCFD: Climate change report

GRI Standard	Disclosure
GOVERNANCE Disclose the company's governance around climate-related risks and opportunities.	
a) Describe the board's oversight of climate-related risks and opportunities.	AR "Governance - Governance and organisation" TCFD "Governance for climate change management - The Board of Directors"
b) Describe management's role in assessing and managing climate-related risks and opportunities.	AR "Strategy and Risk Management - Managing risks and opportunities; Elements of risk and uncertainty" TCFD "Governance for climate change management - The role of management"
STRATEGY Disclose the actual and potential impacts of climate-related risks and opportunities on the company's businesses, strategy, and financial planning where such information is material.	
a) Describe the climate-related risks and opportunities the company has identified over the short, medium, and long term.	AR "Strategy and Risk Management - Elements of risk and uncertainty" TCFD "The ERM model and the risks and opportunities associated with climate change - The risks associated with climate change" TCFD "The ERM model and the risks and opportunities associated with climate change - The opportunities associated with climate change"
b) Describe the impact of climate-related risks and opportunities on the company's businesses, strategy, and financial planning.	AR "Strategy and Risk Management - Elements of risk and uncertainty" TCFD "The ERM model and the risks and opportunities associated with climate change - The risks associated with climate change" TCFD "The ERM model and the risks and opportunities associated with climate change - The opportunities associated with climate change"
c) Describe the resilience of the company's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	SR "Net Zero Transition - The strategy for the future: Net Zero Carbon" TCFD "The context and reference scenarios" TCFD "Net Zero Transition" TCFD "Acting for tomorrow - Snam and the commitment against climate change"

GRI Standard	Disclosure
RISK MANAGEMENT Disclose how the company identifies, assesses, and manages climate-related risks.	
a) Describe the company's processes for identifying and assessing climate related risks.	AR "Strategy and Risk Management - Elements of risk and uncertainty" TCFD "The ERM Model and the Risks and Opportunities Related to Climate Change - The ERM Model for Centralized Risk Management"
b) Describe the company's processes for managing climate-related risks.	AR "Strategy and Risk Management - Elements of risk and uncertainty" TCFD "The ERM Model and the Risks and Opportunities Related to Climate Change - The ERM Model for Centralized Risk Management"
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.	TCFD "The ERM Model and the Risks and Opportunities Related to Climate Change - The ERM Model for Centralized Risk Management"
METRICS AND TARGETS Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	
a) Disclose the metrics used by the company to assess climate-related risks and opportunities in line with its strategy and risk management process.	AR "Strategy and Risk Management - The strategy for the future: Net Zero Carbon" NFS "Environment" TCFD "Acting for tomorrow - Snam and the commitment against climate change" TCFD "Performance Indicators"
b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	AR "Strategy and Risk Management - The strategy for the future: Net Zero Carbon" AR "2021 Performance - Key sustainability performances" NFS "Environment" TCFD "Acting for tomorrow - Snam and the commitment against climate change, the reduction of GHG emissions" TCFD "Performance indicators"
c) Describe the targets used by the company to manage climate-related risks and opportunities and performance against targets.	AR "Strategy and Risk Management - The strategy for the future: Net Zero Carbon" NFS "Environment" TCFD "Acting for tomorrow - Snam and the commitment against climate change" TCFD "Performance indicators"

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FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION

(million euros)	Notes	31.12.2020		31.12.2021	
		Total	of which with related parties	Total	of which with related parties
ASSETS					
Property, plant and equipment	(8)	16,815		17,204	
Equity investments accounted for using the equity method	(10)	1,923		2,560	
Intangible assets and goodwill	(9)	1,125		1,167	
Other non-current financial assets	(11)	420	303	397	294
Non-current inventories - Compulsory inventories	(12)	363		363	
Deferred tax assets	(19)	23		302	
Other non-current assets	(13)	48	2	89	1
Total non-current assets		20,717		22,082	
Cash and cash equivalents	(14)	3,044		1,337	
Trade receivables and other receivables	(15)	1,676	301	3,331	556
Current inventories	(12)	98		121	
Current income tax assets	(16)	20		11	
Other current financial assets	(11)	7	5	6	5
Other current assets	(13)	113		273	
Total current assets		4,958		5,079	
TOTAL ASSETS		25,675		27,161	

(million euros)	Notes	31.12.2020		31.12.2021	
		Total	of which with related parties	Totale	of which with related parties
LIABILITIES AND SHAREHOLDERS' EQUITY					
Non-current financial liabilities	(17)	10,332		10,377	
Provisions for risks and charges	(18)	798		782	
Deferred tax liabilities	(19)	113		35	
Liabilities for employee benefits	(20)	40		36	
Other non-current liabilities	(21)	214		718	1
Total non-current liabilities		11,497		11,948	
Current financial liabilities	(17)	5,605		4,981	1
Trade payables and other payables		2,029	209	2,889	441
Current liabilities for income taxes	(16)	2		50	
Other current liabilities	(21)	70	1	53	
Total current liabilities		7,706		7,973	
TOTAL LIABILITIES		19,203		19,921	
Share capital	(23.1)	2,736		2,736	
Treasury shares	(23.2)	(361)		(354)	
Share premium reserve	(23.3)	611		611	
Reserves	(23.4)	(116)		(60)	
Retained earnings	(23.5)	3,599		4,270	
Equity attributable to parent company shareholders		6,469		7,203	
Non-controlling interests		3		37	
TOTAL EQUITY	(23)	6,472		7,240	
TOTAL LIABILITIES AND EQUITY		25,675		27,161	

INCOME STATEMENT

(million euros)	Notes	2020		2021	
		Total	of which with related parties	Total	of which with related parties
Revenue	(27.1)	2,753	1,262	3,285	1,203
Other operating income	(27.2)	17	2	12	1
Total operating revenues and income		2,770		3,297	
Costs for purchase of raw materials, consumables and finished goods	(28.1)	(172)	(2)	(568)	(2)
Costs for services	(28.2)	(146)	(20)	(179)	(28)
Personnel costs	(28.3)	(188)	2	(216)	2
Other operating costs and expenses	(28.4)	(111)	(2)	(91)	(3)
Total operating costs and expenses		(617)		(1,054)	
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(29)	(773)		(820)	
EBIT		1,380		1,423	
Financial income		26	12	32	14
Financial expense		(184)		(134)	
Total net financial expenses	(30)	(158)		(102)	
Share of profit or loss of investments accounted for using the equity method		247		294	
Other income (expense) from equity investments		2			
Total income from net investments	(31)	249		294	
PROFIT BEFORE TAXES		1,471		1,615	
Income taxes	(32.1)	(370)		(115)	
PROFIT FOR THE YEAR		1,101		1,500	
Net Profit attributable to:		1,101		1,500	
- parent company shareholders		1,101		1,496	
- non-controlling interests				4	
Earnings per share (amounts in € per share)	(33)				
- base		0,336		0,459	
- diluted		0,329		0,448	

COMPREHENSIVE INCOME STATEMENT

		2020	2021
(million euros)	Notes	Total	Total
NET PROFIT FOR THE YEAR		1,101	1,500
OTHER COMPONENTS IN THE COMPREHENSIVE INCOME STATEMENT			
Cash flow hedge - effective portion of fair value change	(23.3)	(6)	17
Equity investments accounted for using the equity method - portion of other components of the comprehensive income statement (*)	(10)	(38)	58
Tax effect	(32.2)	1	(4)
<i>Total components which are or could be reclassified in profit for the year, net of tax effect</i>		(43)	71
Revaluation of defined benefit liabilities for employees	(20)	(1)	(3)
Investments accounted for using the equity method - portion of other components of the comprehensive income statement	(10)	1	1
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	(11)	43	(16)
Tax effect	(32.2)		1
<i>Total components which will not be reclassified in profit for the year, net of tax effect</i>		43	(17)
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT, NET OF TAX		0	54
TOTAL COMPREHENSIVE INCOME		1,101	1,554
Total comprehensive income statement attributable to:		1,101	1,554
- parent company shareholders		1,101	1,550
- non-controlling interests			4

(*) The value refers to the change in fair value of derivative hedges and the change in investments in related companies.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity pertaining to parent company shareholders

(million euros)	Notes	Reserves								Retained earnings			TOTAL	MINORITY INTERESTS' EQUITY	TOTAL EQUITY	
		Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for cash flow hedges	Reserve for defined-benefit plans for employees	Fair value reserve for equity investments	Reserve for business combinations under common control	Other reserves	Profits from previous years	Interim dividend				Profit for the year
BALANCE at 31 DECEMBER 2019 (a)		2,736	(389)	746	547	(62)	(8)	5	(674)	64	2,513	(313)	1,090	6,255	3	6,258
- Net profit for fiscal year 2020													1,101	1,101		1,101
- Other components of the comprehensive income statement, net of the tax effect						(5)	(1)	43	-37					0		0
Total comprehensive income statement for the year 2020 (b)						(5)	(1)	43	-37				1,101	1,101		1,101
- Dividend for fiscal year 2019 (0.2376 € per share), net of interim dividend (0.095 € per share)												313	(779)	(466)		(466)
- Appropriation of 2019 residual net profit											311	(311)				
- Interim dividend for 2020 (€ 0.0998 per share)												(326)	(326)		(326)	
- Share-based payments										8				8		8
- Allocation of treasury shares for share incentive plan				7						-7						
- Purchase of treasury shares			(114)											(114)		(114)
- Cancellation of treasury shares			135	(135)												
Total transactions with shareholders (c)			28	(135)						1	311	(13)	(1,090)	(898)		(898)
Other changes (d)										11				11		11
BALANCE AT 31 DECEMBER 2020 (e=a+b+c+d)	(23)	2,736	(361)	611	547	(67)	(9)	48	(674)	39	2,824	(326)	1,101	6,469	3	6,472

Shareholders' equity pertaining to parent company shareholders

	Notes	Reserves								Retained earnings			TOTAL	MINORITY INTERESTS' EQUITY	TOTAL EQUITY	
		Share capital	Treasury shares	Share premium reserve	Legal reserve	Reserve for cash flow hedges	Reserve for defined-benefit plans for employees	Fair value reserve for equity investments	Reserve for business combinations under common control	Other reserves	Profits from previous years	Interim dividend				Profit for the year
BALANCE AT 31 DECEMBER 2020 (e=a+b+c+d)	(23)	2,736	(361)	611	547	(67)	(9)	48	(674)	39	2,824	(326)	1,101	6,469	3	6,472
- Net profit for fiscal year 2021													1,496	1,496	4	1,500
- Other components of the comprehensive income statement, net of the tax effect						13	(2)	(16)		59				54		54
Total comprehensive income statement for the year 2020 (f)						13	(2)	(16)		59			1,496	1,550	4	1,554
- Dividend for fiscal year 2020 (0.2495 € per share), net of interim dividend (0.0998 € per share)	(23.5)											326	(816)	(490)		(490)
- Appropriation of 2020 residual net profit											285	(285)				
- Interim dividend for 2021 (€ 0.1048 per share)	(23.5)											(343)		(343)		(343)
- Share-based payments	(28.3.2)									8				8		8
- Allocation of treasury shares for share incentive plan	(23.2)		9							(9)				0		0
- Allocation of treasury shares for bond conversion	(23.2)		3											3		3
- Purchase of treasury shares	(23.2)		(5)											(5)		(5)
- Sale of interest in subsidiaries without loss of control											8		8	30		38
Total transactions with shareholders (g)			7							(1)	293	(17)	(1,101)	(819)	30	(789)
Other changes (h)										3				3		3
BALANCE AT 31 DECEMBER 2020 (i=e+f+g+h)	(23)	2,736	(354)	611	547	(54)	(11)	32	(674)	100	3,117	(343)	1,496	7,203	37	7,240

CASH FLOW STATEMENT

(million euros)	Notes	2020	2021
PROFIT FOR THE YEAR		1,101	1,500
<i>Adjustments reconciling profit for the year to cash flows from operating activities:</i>			
- Depreciation of property, plant and equipment and amortisation of intangible assets and impairment losses	(29)	773	820
- Share of profit or loss of investments accounted for using the equity method	(10)	(247)	(294)
- Dividends	(31)	(2)	
- Net capital losses /(capital gains) on asset sales		13	13
- Interest income		(25)	(32)
- Interest expense		159	123
- Income taxes	(32)	370	115
- Other changes		8	8
<i>Change in net working capital:</i>			
- Inventories		(23)	(11)
- Trade receivables		(308)	(1,173)
- Trade payables		138	709
- Provisions for risks and charges		13	(36)
- Other assets and liabilities		(44)	(102)
<i>Cash flow from net working capital</i>		<i>(224)</i>	<i>(613)</i>
Change in liabilities for employee benefits		(9)	(7)
Dividends collected		241	199
Interest collected		22	28
Interest paid		(155)	(115)
Income taxes paid net of tax receivables reimbursed		(428)	(407)
CASH FLOWS FROM OPERATING ACTIVITIES		1,597	1,338
<i>- of which with related parties</i>	(35)	<i>1,243</i>	<i>1,150</i>

(million euros)	Notes	2020	2021
<i>Investments:</i>			
- Property, plant and equipment (*)	(8)	(1,001)	(1,096)
- Intangible assets	(9)	(165)	(148)
- Acquisition of subsidiaries and businesses, net of liquidity acquired		(30)	
- Long-term financial receivables		(332)	(8)
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		(288)	(524)
- Current financial assets		(5)	
- Change in payables and receivables relating to investments		53	7
<i>Cash flow from investments</i>		<i>(1,768)</i>	<i>(1,769)</i>
<i>Divestments:</i>			
- Property, plant and equipment	(8)	2	
- Investments (including investments valued at FVTOCI, included in non-current financial assets)		95	71
- Long-term financial receivables		34	20
<i>Cash flow from divestments</i>		<i>131</i>	<i>91</i>
CASH FLOW FROM INVESTMENT ACTIVITIES		(1,637)	(1,678)
- of which with related parties	(35)	(338)	(16)
Assumption of long-term financial payables		1,684	1,600
Repayment of long-term financial payables		(2,091)	(1,295)
Increase (decrease) short-term financial payables		1,540	(889)
Repayment of financial liabilities for leased assets		(7)	(7)
Purchase of treasury shares		(114)	(5)
Dividends distributed	(23)	(779)	(811)
Change in minority interests in subsidiaries not involving a change in control			41
Cash and cash equivalents of companies outside the scope of consolidation			(1)
CASH FLOWS FROM FINANCIAL ACTIVITIES		233	(1,367)
- of which with related parties	(35)		1
NET CASH FLOW FOR THE YEAR		193	(1,707)
Cash and cash equivalents at beginning of the period	(14)	2,851	3,044
Cash and cash equivalents at end of the period	(14)	3,044	1,337
CHANGE IN CASH AND CASH EQUIVALENTS		193	(1,707)

(*) For financial reporting purposes only, the flow includes: (i) the change in inventories of piping and related ancillary materials used in plant construction activities, referring to the natural gas transportation segments (3 million euros and -3 million euros, respectively, for 2020 and 2021); (ii) subsidies on works for interference with third parties, so called compensation (20 million euros and 29 million euros, respectively, for 2020 and 2021).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The Snam Group, consisting of Snam S.p.A., the Italian consolidating company, and its subsidiaries (hereafter referred to as “Snam”, the “Snam Group” or the “Group”), is an integrated Group at the forefront of the regulated gas industry (transportation, regasification and storage) and a major player in terms of its regulatory asset base (RAB) in the sector.

In addition to Italy, through its international subsidiaries, it is also present in Albania, Saudi Arabia, Austria, China, Egypt, United Arab Emirates, France, Greece, the United Kingdom and the USA. Snam invests in innovation and in development of new energy transition businesses, from sustainable mobility to biomethane and energy efficiency. It also seeks to enable and promote the development of hydrogen to move forward the decarbonisation of the energy sector and industry.

Snam S.p.A. is a joint-stock company incorporated under Italian law and listed on the Milan Stock Exchange, with registered offices at 7, Piazza Santa Barbara, San Donato Milanese (MI) - Italy.

Through the resolution of 1 August 2019, the Board of Directors of CDP S.p.A. which, through the subsidiary CDP Reti S.p.A. owns a stake in Snam S.p.A. of 31.4%, reclassified its equity investment in the latter, already classified as de facto control pursuant to international accounting standard IFRS 10 - Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraphs 1 and 2 of the Italian Civil Code and Article 93 of the TUF.

No management or coordination activity of CDP S.p.A. has been formalised or exercised over Snam S.p.A.

2 DRAFTING CRITERIA, EFFECTS OF THE COVID-19 PANDEMIC AND CLIMATE CHANGE RELATED MATTERS

2.1 Basis of presentation

These consolidated financial statements:

- a) have been prepared in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) and adopted by the European Commission pursuant to Article 6 of (EC) Regulation No. 1606/2002 of the European Parliament and of the Council of 19 July 2002 and pursuant to Article 9 of Legislative Decree 38/2005;
- b) they have been prepared in accordance with the going concern assumption, based on the conventional historical cost criterion, taking into account value adjustments where appropriate, with the exception of items that must be measured at fair value, in accordance with IFRS, as described in the measurement criteria. Considering the characteristics of Snam’s core business, which did not require an uninterrupted continuation of operating activities, and the results of the analyses conducted on the impacts of the COVID-19 epidemic, there are no elements that require in depth analysis regarding the validity of the going concern assumption;
- c) they have been approved and authorised for publication by the Board of Directors of Snam S.p.A. in its meeting of 16 March 2022, and have been audited by Deloitte & Touche S.p.A.;

- d) they are denominated in euros; given their size, the amounts in the financial statements and respective notes are expressed in millions of euros, unless otherwise specified.

2.2 Effects of the Covid-19 pandemic on the presentation and measurement of items in the consolidated financial statements

2.2.1 Regulated business

The Snam Group's core business is represented by transportation, storage and regasification activities carried out by companies operating under regulated regimes. The assessment of the effects related to the spread of the pandemic showed the limited exposure of these sectors to the effects of COVID-19, allowing Snam not to recognise any impairment indicators at 31 December 2021. Despite the absence of indicators, the company subjects its relevant CGUs (Snam Rete Gas, Infrastrutture Trasporto Gas, Stogit and GNL) to an impairment test at least once a year; in particular, the test conducted with reference to the financial statements for the year ended 31 December 2021 did not reveal any impairment losses. With regard to investment activities, Snam has implemented all necessary actions aimed at completing the investment programme in accordance with budget forecasts and despite the difficulties encountered mainly in the first half of 2021, associated with the strict containment measures imposed to limit the spread of COVID-19, activities continued without delay; the action taken by Snam has made it possible to complete the 2021 investment programme.

2.2.2 Energy Transition

The businesses related to energy transition, Biomethane, Energy Efficiency, and Sustainable Mobility, have not suffered significant impacts related to the effects of COVID-19; in particular:

- in the **Biomethane** business, the production plants from OFMSW did not have a substantial impact as the collection and transfer of waste continued uninterrupted. The construction activities of IES Biogas were indirectly impacted by COVID-19, mainly due to delays and disruptions experienced in the global production and supply chains. In particular, during 2021, difficulties were noted in the procurement of raw materials related to the construction industry. In addition, certain delays in obtaining authorisations prevented the start-up of construction sites as planned in the budget; in these circumstances, pending receipt of the necessary permits, the clients asked the company to postpone the start-up date of construction sites, which progressively resumed in the second half of 2021. The company has implemented a series of actions, where possible including the revision and optimisation of timelines, to limit the effects of the pandemic on 2021 results.
- within the **Energy Efficiency** business, the impacts due to the effects of COVID-19 were limited; there were no slowdowns in the execution of activities, related to the containment measures imposed due to the emergency. Limited indirect impact due to COVID-19 were recorded in the integrated management of thermal plants business, so-called Energy Service; in particular, the introduction of obligations to ensure frequent airing of rooms has led to greater heat loss with a consequent increase in energy carrier costs. Finally, despite the gradual relaxation of the containment measures imposed by the pandemic, the latter part of 2021 was also impacted by slowdowns in public administration authorisation processes and activities. However, it should be noted that, also due to the actions taken by the company, the consequent impacts at 31 December 2021 are limited.

- Limited impacts related to the effects of COVID-19 were found in the **Sustainable Mobility** business. The emergency containment measures in place mainly in the first half of 2021 did not affect the full operation of the Cubogas production site, which continued uninterrupted operations. The actions taken by the company during 2021 partially reduced the indirect impacts of Covid-19 related to the increase in material prices, difficulties in finding materials and delays in deliveries. With reference to the refuelling stations business, during 2021, travel restrictions gradually disappeared, with a consequent increase in the consumption of automotive fuels; this led to a gradual growth in the volumes supplied by each station, with a consequent positive impact on the Company's variable revenues. Finally, despite the comforting signs of recovery, there are still partial delays in the processes and authorisation activities of the public administrations, which consequently cause delays in the Company's projects. However, the impacts are limited compared to the results achieved by Snam 4 Mobility.

The limited impact recognised with respect to the effects of COVID-19 on the Energy Transition businesses meant that Snam did not identify any related impairment indicators at 31 December 2021. Nevertheless, the company tested its relevant CGUs for impairment (as well as the CGUs to which goodwill and/or intangible assets not yet available for use and intangible assets with an indefinite useful life have been allocated) and did not recognise any impairment losses for the purposes of the 2021 financial statements.

2.2.3 Foreign and Italian subsidiaries

The Snam Group's foreign and Italian subsidiaries mainly operate in the regulated sectors of natural gas transportation, storage, regasification and distribution (Teréga, Desfa, GCA, TAG, OLT and Italgas) or operate under long-term, ship or pay (TAP and Adnoc) contracts. With regard to Interconnector UK, which, although operating under a regulated regime,

derives its remuneration from the transport contracts signed with customers, the results for 2021, which benefited from the positive trend in the capacity demand, exceeded budget forecasts.

With reference to De Nora, a world leader in the production of electrodes for electrochemical industrial applications as well as in water treatment technologies, there are no significant impacts related to the COVID-19 emergency. The growing global interest in sustainable energies allows De Nora, as an innovator in this field, to forecast growing results for future periods.

The limited exposure of these segments to the effects of COVID-19 allowed Snam not to recognise any impairment indicators at 31 December 2021; however, the company tested its = CGUs, represented by its equity investments in foreign and Italian companies, for impairment and did not recognise any impairment losses for the purposes of the 2021 financial statements.

2.2.4 Analysis of potential impact as a result of the persistence of the COVID-19 pandemic and the increasing spread of variants

Although the state of health emergency in Italy, in force until 31 March 2022, persists, there are increasingly encouraging signs of recovery. The vaccination campaign launched in Italy on 27 December 2020, records one year later, on 31 December 2021, administrations equal to about 110 million doses; on the same date, the complete vaccination coverage (two doses or one dose of single dose vaccine) in the population aged ≥ 5 years is about 80%. The massive vaccination campaign and, at the same time, the presence of limitations and restrictions on public events that could facilitate the spread of the virus, have therefore made it possible to start a concrete reversal of the trend; in the first few months of 2022 the vaccination trend continued with the extension of the administration to the 5-11 age group, which started on 16 December 2021.

The latest available evidence shows that the Omicron variant, predominant in Italy and found in more than 99% of the infections recorded at the beginning of 2022, has a higher transmissibility than the previous variants but at the same time, leads to a reduced risk of hospitalisation compared to the latter.

As a result, not only in Italy, but also in Europe and the rest of the major economies, there are growing expectations of a progressive and ever greater relaxation of the restrictive measures imposed by the pandemic, leading gradually to the overcoming of the health emergency.

Uncertainties related to the expected length of time for the completion of the vaccination campaign in the rest of the world could result in further delays in the normalisation of the international economic environment, as well as facilitate the spread of new variants.

Any further containment measures, presently unable to be predicted, as may be imposed in the coming months to cope with the rapid spread of variants could lead to further interruptions of non-essential production activities and the temporary closure of construction sites. This could influence, to some extent, Snam's ability to fully complete the 2022 investment programme related to its core business; this could have an impact that cannot be quantified in detail at present, with respect to the forward-looking assumptions made by Snam.

In the same way, the return of containment measures for prolonged periods of time, with consequent closure of plants and blockage of construction sites, could have a more significant impact especially on the companies involved in production (Cubogas), and on site activities (IES Biogas, Snam 4 Mobility and TEP), slowing down the completion of the works and the consequent recognition of the corresponding revenues.

2.3 Climate change related matters

Evidence of the impact of climate change on different industrial sectors has increased considerably in recent years. Many economic sectors will be adversely affected by permanent changes in temperature, precipitation, sea level and more generally by the magnitude and frequency of extreme climate events.

In the energy sector, variations in average and extreme temperatures could lead to an increase in energy demand in summer periods and a decrease in demand in winter periods; the final balance will, of course, depend on geographical, socio-economic and technological factors. On the supply side, climate change could adversely affect the energy production infrastructure in some geographical areas.

In general, climate risks are systemic risks, which cascade throughout society. The World Economic Forum, in its annual 'Global Risks report' of 2021, considered extreme climate events and failure to act to address the climate crisis to be among the greatest dangers to humanity, both in terms of likelihood of occurrence and impact.

The fight against climate change for an increasingly decarbonised economy is the main challenge facing the world today.

2.3.1 Managing climate change risks and opportunities in Snam

The energy and climate scenarios that form the backdrop to Snam's activities involve a series of risks and opportunities that must be identified, assessed and managed effectively and promptly. The assessment of the factors that may affect the business is, in fact, an essential condition to be able to continue to operate in the long term in a sustainable manner, namely directing strategies and monitoring changes in the boundary conditions of the same.

The risks and opportunities identified by Snam are taken into account in the definition of corporate strategy, with particular reference to objectives in the area of energy transition and

decarbonisation and the reduction of greenhouse gas and methane emissions.

As part of the integrated management of corporate risks, Snam adopts an Enterprise Risk Management Model (hereinafter ERM) within which the risks associated with climate change are also identified and managed, assessed taking into account the following time horizons:

- **Short-term (0-1 year):** in the short-term, Snam creates value by pursuing its business in the manner established by the rules and procedures, with particular focus on risk management and operational efficiency. The main point of reference is the annual budget.
- **Medium-term (1-5 years):** in the medium term, the ability to carry out investment programmes, thereby ensuring a flow of resources and that favourable economic conditions are maintained, is also important. The main point of reference is the **Strategic Plan, which covers a period of up to five years.**
- **Long-term (5-10 years):** in the long-term, it is vital that the investment decisions and strategic choices made have interpreted trends in the best way possible. The main point of reference is the **Ten-year transportation network development plan** submitted to the Authority, which covers a period of 10 years.

Snam's ERM model envisages assessment cycles, the results of which are shared with the Leadership Team, the Audit and Risk and Related Party Transactions Committee, the Board of Statutory Auditors and the Supervisory Board. On an annual basis, the Board of Directors, together with the ESG Committee, is also updated on these topics in order to integrate climate change topics into the planning and definition of strategies for the management of ESG topics relevant to the Group.

Aware that adequate climate risk management is a key element in achieving "sustainable success", Snam has launched a project initiative in 2021 aimed at integrating ESG risk areas into the ERM model. This process was based on a Diagnostic Assessment activity, adopting an approach inspired by the leading

practices of the CoSO ERM and the CoSO ERM WBCSD (World Business Council for Sustainable Development) Framework, with the aim of identifying ESG risk areas on the basis of the sustainability topics identified in the materiality analysis and assessing the level of maturity of the control measures relating to the ESG risk areas identified.

The outcome of this project led to the identification of 10 ESG risks, 7 of which were associated with the Strategic Plan and related to climate change.

The risks are illustrated in the Directors' Report, in the "Environment and Social Risks" section of the "Risk and Uncertainty Factors" paragraph, where a detailed analysis has been carried out, both qualitatively in terms of a description of the risk and the related mitigation measures implemented by Snam, and in terms of probability of occurrence and related impacts.

2.3.2 Climate change related risks

In accordance with the recommendations of the Task Force on Climate Related Financial Disclosure (TCFD), climate change subjects companies to two types of risk: physical risk, due directly to weather and climate variations, and transition risk, related to the socio-economic reaction of society to climate change.

Physical risks are divided into: (i) acute risks, related to the increase in the severity of extreme weather phenomena, which may cause material damage to the infrastructure, with impacts on the continuity and quality of the service; and (ii) chronic risks, which are more predictable and which Snam associates mainly with the increase in temperature with a consequent lower demand for gas.

Transition risk divided into:

- compliance risk, in terms of the tightening of the reference and emerging regulatory framework to accelerate the reduction of pollutant and climate-changing emissions;
- market risk, in terms of increased penetration of renewable energies to the detriment of natural gas, alternative

uses of gas and the development of new businesses (biomethane, etc.) and/or the CNG market, as well as the behaviour of consumers, financiers and investors, who are increasingly oriented towards sustainable products;

- technological risks, in terms of diffusion of new technologies fostering the use of intermittent energy sources and the need to adapt to new technological standards.

2.3.3 Actions undertaken by Snam: from the development of new businesses, directly associated with the commitment to energy transition, to interventions on regulated infrastructures

With regard to physical risks, Snam continually monitors the integrity of its infrastructure and plants, as well as the state of health and conservation of the areas in which they are located, constantly updating the processes and systems used in order to identify, with increasing notice, any critical issues through the introduction of new technologies that can also reduce the environmental impact of the activities themselves.

These actions allow the company to limit its exposure to risks associated with chronic natural events. In addition, in order to remedy unforeseeable extreme natural events, Snam has adopted innovative intervention strategies and action plans aimed at ensuring immediate safety and the restoration of activities in the shortest possible time.

Snam also has specific insurance contracts in place to cover some of these risks, in line with industry best practices.

With reference to the risks of transition, Snam has, in recent years, begun repurposing its infrastructure, developed its international presence, formed a large number of partnerships and launched numerous energy transition initiatives. Building on its consolidated capabilities in regulated businesses and expertise in green gas and new energy transition trends, the company is evolving towards a multi-commodity infrastructure concept,

i.e. capable of transporting and storing different types of gas, leveraging and continuing to develop its hydrogen, biomethane, mobility and energy efficiency businesses.

In this context, in November 2021, the new **2021-2025 Strategic Plan** and the **Long-Term Vision to 2030** were presented, with which Snam underlined its contribution to supporting the great transformation underway in the energy sector, leveraging on the enabling role of infrastructure to achieve a fully decarbonised economy through a plan of increasing investments. The Strategic Plan envisages investments totalling **8.1 billion euros** over the next four years (+€700 million compared to the previous plan), mainly including maintenance, modernisation and infrastructure development activities. Compared to the previous plan, more investments are also planned, 1.3 billion euros (+80.5% compared to the 2020-2024 plan), aimed at achieving carbon neutrality and energy transition.

The pillars of Snam's Net Zero strategy are discussed in more detail in the chapter "Strategy and Risk Management - The transition to Net Zero" in the Integrated Directors' Report.

For these reasons, it is believed that, at present, the Group has a limited exposure to the impact that possible climate risks could have on the valuation of non-current assets and other assets, including receivables, recognised in the financial statements, also in consideration of the specific business and segments in which it operates.

Similarly, due to the systematic monitoring of its assets and the areas on which they insist, the Company is able to identify in advance possible situations that could potentially generate potential liabilities related to climate risks.

3 ACCOUNTING STANDARDS AND INTERPRETATIONS APPLICABLE FROM 2021

For the financial year ended 31 December 2021, the Group applied accounting standards in line with those of the previous year, with the exception of the accounting standards and interpretations which came into force in the year starting on 1 January 2021, which are described below; their initial application did not, however, have a material impact on these consolidated financial statements.

3.1 Amendments to IFRS 16: Covid-19-Related Rent Concessions after 30 June 2021

Regulation no. 1126/2008 issued by the European Commission on 30 August 2021 endorsed the regulatory provisions contained in the document "Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendments to IFRS 16)" issued by the IASB on 31 March 2021, which extends by one year the period of application of the amendment to IFRS 16, issued in 2020, relating to the accounting of facilities granted, due to Covid-19, to lessees. The amendments shall apply from 1 April 2021.

The adoption of these amendments did not have effects on the Group's consolidated financial statements.

3.2 Extension of temporary exemption from application of IFRS 9 (Amendments to IFRS 4)

Regulation no. 2020/2097, issued by the European Commission on 15 December 2020, endorsed the regulatory provisions contained in the document "Extension of the temporary extension of the application of IFRS 9 (Amendments to IFRS 4)", whose provisions are effective for financial years beginning on or after 1 January 2021. The main changes relate to the deadline for the temporary exemption in IFRS 4 'Insurance Contracts' from applying IFRS 9 'Financial Instruments', so that entities are required to apply IFRS 9 for annual periods beginning on or after 1 June 2023, in order to address the temporary accounting consequences of the delay between the effective date of IFRS 9 'Financial Instruments' and the effective date of the future IFRS 17 'Insurance Contracts'.

The adoption of the amendment did not have effects on the Group's consolidated financial statements.

3.3 Interest rate benchmark reform – Phase 2

Regulation no. 2021/25, issued by the European Commission on 13 January 2021, endorsed the regulatory provisions contained in the document "Reform of the interest rate benchmarks - Phase 2 - (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)" whose provisions are effective for financial years beginning on or after 1 January 2021. These amendments provide for a specific accounting treatment to allocate over time changes in the value of financial instruments or leases due to the replacement of the interest rate reference index, avoiding immediate impact on profit or (loss) for the year and unnecessary discontinuance of hedging relationships due to the interest rate reference index.

The adoption of the amendment did not have effects on the Group's consolidated financial statements.

4 FINANCIAL STATEMENTS

With reference to the financial statements, note that:

- the items in the statement of financial position are classified by distinguishing assets and liabilities on a current/non-current basis¹;
- the income statement has been presented separately from the comprehensive income statement and classifies costs by type, since this is deemed to be the best way of representing the Group's operations and is in line with the established practice of companies operating in international markets;
- the cash flow statement has been prepared using the indirect method.

Moreover, pursuant to Consob Resolution No. 15519 of 28 July 2006, any income and expense from non-recurring operations is shown separately in the income statement.

With regard to the same Consob Resolution, the balances of receivables/payables and transactions with related parties, described in more detail in Note 39 – “Related-party transactions”, are shown separately in the financial statements.

5 SIGNIFICANT ACCOUNTING STANDARDS

The most significant measurement criteria adopted when preparing the consolidated financial statements are described below.

5.1 Consolidation Criteria

Subsidiaries, joint ventures, associates and other significant equity investments are indicated separately in the appendix “Equity investments of Snam S.p.A. as at 31 December 2021”, which is an integral part of these notes. The same annex shows the changes in the scope of consolidation at 31 December 2021 compared to 31 December 2020. For further details on the acquisition of controlling interests, please refer to the section “Business combinations”.

All the financial statements of the companies included in the consolidation area are expressed in euro, adjusted, where necessary, to make them consistent with the accounting principles applied by the Parent Company.

Fully consolidated subsidiaries

The Group defines another entity as a subsidiary when it:

- has the power to make decisions concerning the investee entity;
- is entitled to receive a share of or is exposed to the variable profits and losses of the investee entity;
- is able to exercise power over the investee entity in such a way as to affect the amount of its economic returns.

Figures relating to subsidiaries are included in the consolidated financial statements, based on standardised accounting principles, from the date on which the Company assumes direct or indirect control over them until the date on which said control ceases to exist. The assets, liabilities, income and expenses of consolidated companies are fully incorporated line-by-line in the consolidated financial statements (full consolidation method).

¹ Assets and liabilities are classified as current if: (i) their realisation/settlement is part of the normal operating cycle of the company or in the 12 months after the financial year-end; (ii) they consist of the cash and cash equivalents without restrictions that would limit usage thereof in the 12 months following the closure of the year; or (iii) they are held mainly for trading.

Unrealised gains from transactions between consolidated companies are derecognised, as are receivables, payables, income, expenses, guarantees, commitments and risks between consolidated companies. The portion pertaining to the Group of unrealised gains with companies valued using the equity method is derecognised. In both cases, intragroup losses are not derecognised because they are considered to represent the impairment loss on the transferred asset.

Changes in equity investments held directly or indirectly by the Company in subsidiaries that do not result in a change in the qualification of the investment as a subsidiary are recorded directly in equity as transactions with shareholders. The book value of the equity attributable to Parent company shareholders and non-controlling interests are adjusted to reflect the change in the equity investment ownership. The difference between the book value of minority interests and the fair value of the consideration paid or received is recorded directly under equity attributable to Parent company shareholders.

Otherwise, the selling of interests entailing loss of control requires the posting to the income statement of: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding portion of shareholders' equity transferred; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other comprehensive income statement components relating to the former subsidiary that will be reclassified to the income statement. The fair value of any equity investment maintained at the date of loss of control represents the new reference value for the successive valuation of the equity investment according to the applicable valuation criteria.

Associates and joint ventures accounted for using the equity method

An associate is an investee in which the Group has significant influence, i.e., the power to participate in determining the financial and operating policies of the associate company, without, however, having control or joint control over it². It is assumed that the investor has significant influence (unless there is proof to the contrary) which is presumed to exist when the investment held is at least 20% of the exercisable voting rights.

A joint venture is a joint arrangement in which the parties that hold joint control have rights to the net assets subject to the arrangement and, therefore, have an interest in the jointly controlled corporate vehicle.

Equity investments in associates and joint ventures are measured using the equity method, whereby the investments are initially recognised at cost and subsequently adjusted to take account of:

- (i) the investor's share of the results of operations of the investee after the date of acquisition;
- (ii) the investor's share of the other components of comprehensive income statement of the investee.

Dividends distributed by the investee are recognised net of the book value of the equity investment. For the purposes of applying the equity method, the adjustments provided for the consolidation process are taken into account (see also the previous point on fully consolidated subsidiaries).

In the case of assumption of an association (or joint control) in successive phases, the cost of the equity investment is measured as the sum of the fair value of the interests previously held and the fair value of the consideration transferred on the date on which the investment is classed as associated (or under joint control). The effect of revaluing the book value of the investments previously held at assumption of association is posted to the

² Joint control is the contractual sharing of control pursuant to an agreement, which exists only where the unanimous consent of all the parties that share power is required for decisions relating to significant activities.

income statement, including any components recognised under other components of comprehensive income. The sale of investment that results in loss of joint control or significant influence over the investee determines the recognition of the following in the income statement: (i) any capital gains or losses calculated as the difference between the consideration received and the corresponding fraction of the book value of the investment sold; (ii) the effect of the alignment to the fair value of any residual equity investment maintained; (iii) any amounts posted to other comprehensive income statement components relating to the former subsidiary that will be reclassified to the income statement. The value of any equity investment maintained, aligned with the relative fair value at the date of loss of joint control or significant influence, represents the new reference value for the successive valuation according to the applicable valuation criteria.

If there is objective evidence of impairment, the Group performs an impairment test by comparing the book value with the related recoverable amount and recognises the difference in the income statement under "Share of profit or loss of investments accounted for using the equity method". If the Group's share of the loss exceeds the book value of the investment, the latter is written off and any excess is recognised in a specific provision, if the investor is obliged to meet the legal or constructive obligations of the investee or otherwise cover its losses. When the reasons for the impairment losses no longer apply, equity investments are revalued up to the amount of the impairment losses entered, with the effect posted to the income statement under the above item.

The parent company's share of any losses of the investee company, greater than the investment's book value, is recognised in a special provision to the extent that the parent company is committed to fulfilling its legal or implied obligations to the subsidiary/ associate, or, in any event, to covering its losses.

Business combinations

Business combinations are transactions with which the group acquires control of a business. To determine whether a particular set of acquired assets and activities meets the definition of a business, the Group examines whether that set comprises at least a production factor and a substantial process and whether it has the ability to generate production.

Business combinations are accounted for by applying the acquisition method, whereby the consideration transferred at the date of acquisition of control is equal to the fair value of the assets transferred, the liabilities incurred or taken on, and any equity instruments issued.

The consideration transferred also includes the current value of any deferred fixed payments and the fair value of any contingent considerations (e.g. earn-outs). If the contingent consideration meets the definition of an equity instrument, it is classified as shareholders' equity and is not measured thereafter. Other contingent considerations are recognised as a liabilities and are measured at fair value at each financial year-end; changes in fair value are recognised in the income statement.

Costs directly attributable to the transaction, other than those related to the issue of debt or equity instruments, are recognised in the income statement when they are incurred.

The shareholders' equity of these associate companies is determined by attributing to each asset and liability its fair value at the date of acquisition of control. If positive, any difference from the consideration transferred is posted to the asset item "Goodwill"; if negative, it is posted to the income statement.

Where total control is not acquired, the share of equity attributable to minority interests is determined based on the share of the current values attributed to assets and liabilities at the date of acquisition of control, net of any goodwill (the "partial goodwill method"). Alternatively, the full amount of the goodwill generated by the

acquisition is recognised, therefore also taking into account the portion attributable to minority interests (the “full goodwill method”). In this case, non-controlling interests are expressed at their total fair value, including the attributable share of goodwill. The choice of how to determine goodwill (Partial goodwill method or full goodwill method) is based on each individual business combination transaction.

If control is assumed in successive stages, the consideration transferred is determined by adding together the fair value of the equity investment previously held in the acquired company and the amount paid to acquire the additional equity investment. The difference between the fair value of the previously held equity investment (redetermined at the time of acquisition of control) and the relative book value is posted to the income statement. Upon acquisition of control, any components previously recorded under other components of the comprehensive income statement are posted to the income statement or to another item of shareholders’ equity, if no provisions are made for classification in the income statement.

When the values of the assets and liabilities of the acquired entity are determined provisionally in the financial year in which the business combination is concluded, the figures recorded are adjusted, with retroactive effect, no later than 12 months after the acquisition date, to take into account new information about facts and circumstances in existence at the acquisition date.

Business combinations involving entities under joint control

Business combinations involving companies that are definitively controlled by the same company or companies before and after the transaction, and where such control is not temporary, are classed as “Business combinations of entities under common control”, whose accounting is not specifically disclosed in IFRSs. In the absence of a reference accounting standard, the selection of an accounting standard for such transactions, for which a significant influence on future cash flows cannot be established, is guided by the principle of prudence, which leads to the application of the criterion of continuity of values of the net assets acquired. The assets are measured at the book values from the financial statements of the companies being acquired (or the vendor company) before the transaction or, alternatively, at the values from the consolidated financial statements of the common ultimate parent.

With regard to the sale of business, the treatment of the difference between the contractually defined consideration and the carrying amounts of the transferred business is differentiated depending on the entities involved in the transfer.

With regard to contributions involving businesses under common control, on the other hand, irrespective of the pre-existing investment relationship, the transferee entity recognises the transferred business at its historical carrying value, increasing its own equity by an equal amount; the transferring entity shall recognise the investment in the transferee entity at an amount equal to the increase in the latter’s shareholders’ equity. This accounting treatment refers to the proposal by Assirevi in the Preliminary Guidelines on IFRS (OPI No. 1 Revised) - “Accounting treatment of business combinations of entities under common control in the separate and consolidated financial statements” issued in October 2016.

Accounting treatment of put options written on the shares of subsidiaries

Therefore, if the Group does not have the unconditional right to avoid delivery of cash or other financial instruments when a put option on shares in subsidiaries is exercised, a financial liability equal to the current value of the option exercise price is recognised and subsequent changes in the financial liability are recognised in the income statement. The same accounting treatment is applicable when, in addition to a put option, there is also the simultaneous presence of a symmetrical call option, the so-called “symmetrical put and call options related to non-controlling interest”.

Snam considers that shares subject to put options (or symmetrical put and call options) have already been acquired by the Group, in cases where the economic benefits and risks associated with the actual ownership of the shares do not remain with the minority shareholders; therefore, in such circumstances, it does not recognise minority interests in the consolidated financial statements.

5.2 Property, plant and equipment

Recognition and measurement of property assets

Property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses. When a significant period of time is needed before the asset is ready for use, financial expenses incurred during the asset preparation period are also capitalised in the cost of the asset.

If there are current obligations for dismantling and removal the assets and restore the sites, the book value includes the estimated (discounted) costs to be incurred at the time that the structures are abandoned, recognised as a contra-entry to a specific provision. The accounting treatment for revisions in these cost estimates, the passage of time and the discount rate are indicated in the Note 5.9 “Provisions for risks and charges, contingent liabilities and contingent assets”.

Subsequent costs of improvements, upgrades and transformations to/ of property, plant and equipment are capitalised when it is likely that they will increase the future economic benefits expected. Costs are also capitalised when related to items purchased for security or environmental reasons which, although not directly improving the future economic benefits of existing assets, are necessary to carry out the company’s operations.

Property, plant and equipment includes:

- (i) with regard to natural gas transportation, the value relating to the quantities of natural gas injected to bring natural gas pipelines into service. The valuation is carried out using the weighted average purchase price method. Specifically, the component of this quantity that can no longer be extracted (the “initial line pack”) is depreciated over the useful life of the plant to which it refers. On the contrary, the commercial component, which is eventually transferable to the market or can be put to alternative uses (the so-called “Operating line pack”), is not subject to depreciation, since by its nature it cannot depreciate;
- (ii) in the context of natural gas storage, the part of the gas injected into the storage wells as cushion gas.

Recognition and measurement of leased assets

A contract is or contains a lease if it gives an entity the right to control the use of an identified asset for a certain period of time in exchange for a fee. For all leases that run for more than 12 months, relating to non-low value assets³, the following elements are recognised in the balance sheet at the effective date, i.e. when the asset is available for use:(i) an asset, under Property, plant and equipment, representing the right to use the asset, and (ii) a financial liability, representing the obligation to make the payments under the contract(also referred to as the “lease liability”).

3 The Group considers low-value assets to be all assets worth 25 thousand euros or less.

In determining the duration of the lease, the group considers the non-cancellable period of the contract and, when it believes there is reasonable certainty, also the additional periods for the exercise of renewal options or the non-exercise of early termination options provided in the contract.

Liabilities for leases are recognised initially at an amount equal to the current value of the following lease payments not yet made at the lease commencement date:

- (i) fixed (or substantially fixed) payments, net of any incentives to be received;
- (ii) variable payments that depend on trends in rates or indices;
- (iii) estimated future payments for any residual value guarantees, for the exercise of the purchase option and for any penalties related to the early termination of the contract, if the group considers the exercise of such options to be reasonably certain.

The current value of the payments is calculated using a discount rate equal to the group's marginal borrowing rate taking into account the frequency and duration of payments under the lease agreement.

Subsequent to initial recognition, the lease liability is measured at amortised cost and is redetermined, against the book value of the right-of-use asset, when there is a change in the lease payments due as a result of:

- (i) contract renegotiations;
- (ii) changes in rates or indices; or
- (iii) changes in measurement made regarding the exercise of contractually-provided options (e.g. purchase of the leased asset or the extension or early termination of the contract).

The right-of-use asset is initially recognised at cost, determined as the sum of the following components:

- (i) the initial amount of the finance lease liability;
- (ii) the initial direct costs incurred by the lessee;
- (iii) any payments made on or before the lease commencement date, net of any incentives received by the lessor; and
- (iv) the best estimate of the costs that the group expects to incur for the dismantling and removal of the asset and for the possible restoration of the site (i.e. the costs for restoring the asset to the conditions established in the contract).

After the initial recognition, the right-of-use asset is adjusted to take account of (i) depreciation and amortisation expense,

- (i) any impairment losses and
- (ii) the related effects and any restatements of the financial lease liability.

Depreciation of property, plant and equipment

Starting when the asset is available and ready for use, owned and leased property, plant and equipment is systematically depreciated on a straight-line basis over its useful life, defined as the period of time in which it is expected that the company may use the asset. The amount to be depreciated is the book value, reduced by the projected net realisable value at the end of the asset's useful life, if this is significant and can be reasonably determined.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application⁴:

	Annual economic-technical depreciation rate (%)
Land	not depreciated
Buildings	2
Plant and machinery – Transportation	
- Methane pipelines	2 or higher depending on the residual useful life
- Compression stations	5 or higher depending on the residual useful life
- Gas reduction and regulation plants	5 or higher depending on the residual useful life
- Radio links	25
- Monitoring and control instruments and systems	5 or higher depending on the residual useful life
Plant and machinery – Storage	
- Pipelines	2
- Treatment plants	4
- Compression stations	5
- Storage wells	1.66
- Monitoring and control instruments and systems	5
Plant and machinery – Regasification	
- Regasification facilities	4 or higher depending on the residual useful life
- Tanks and oil pipelines	4 or higher depending on the residual useful life
Other assets	
Centralised IT infrastructures	20
Other plant and equipment	2.5-12.5
Measuring equipment	5
Industrial and Commercial Equipment	10-35
Other assets	10-33
Rights of use for leased assets	< between economic-technical life and contract duration

When an item recorded under property, plant and equipment consists of several significant components with different useful lives, a component approach is adopted, whereby each individual component depreciates separately.

⁴ The application rate or internal could be higher depending on the residual life following business combination acquisitions and/or transactions.

5.3 Intangible assets and goodwill

Recognition and measurement of intangible assets and goodwill

Intangible assets are those non monetary assets without identifiable physical form, are controlled by the group and are capable of generating future economic benefits. They are recognised at cost net of amortisation and any accumulated impairment losses.

Goodwill arising from the acquisition of subsidiaries is measured at cost less impairment losses.

Technical development costs are capitalised as intangible assets when: (i) the cost attributable to the intangible asset can be reliably determined; (ii) there is the intent, availability of financial resources and technical capability to make the asset available for use or sale; and (iii) it can be shown that the asset is capable of producing future economic benefits.

Alternatively, costs for the acquisition of new knowledge or discoveries, investigations into products or alternative processes, new techniques or models, or the design and construction of prototypes, or incurred for other scientific research or technological developments, which do not meet the conditions for capitalization are considered current costs and charged to the income statement for the period in which they are incurred.

The book value of the storage concessions represents the reserves of natural gas in the fields (so-called cushion gas), which does undergo depreciation, because:

- (i) the volume of this gas is not changed by the storage activity;
- (ii) the economic value of the gas that can be recovered at the end of the concession, in accordance with the provisions of the Ministerial Decree of 3 November 2005 "Criteria for determining an adequate consideration for the remuneration of assets allocated to a concessionaire for the storage of natural gas" of the Ministry of Productive Activities (MAP), is not less than the value recorded in the financial statements.

Amortisation of intangible assets with finite useful life

Intangible assets with a finite useful life are amortised systematically over their useful life, which is understood to be the period of time in which it is expected that the company may use the asset.

The table below shows the annual depreciation rates used for the year in question, broken down into homogeneous categories, together with the relevant period of application:

	Annual economic-technical depreciation rate (%)
Storage concessions	non-amortised: residual value greater than book value
Information systems	20-33
Other intangible fixed assets	20 or based on the duration of the contract

5.4 Public and private grants

Capital grants given by public authorities are recognised when there is reasonable certainty that the conditions imposed by the granting government agencies for their allocation will be met, and they are recognised as a reduction to the purchase or production cost of their related assets. Similarly, capital grants received from private entities are recognised in accordance with the same regulatory provisions.

Operating grants are recognised in the income statement on an accruals basis, consistent with the relative costs incurred.

5.5 Impairment of non-financial assets

Impairment of tangible and intangible assets with finite useful life

At least once a year, non-financial, tangible and intangible assets with a finite useful life are analysed to uncover any indicators of impairment.

When there are indications that an impairment loss may exist or when events occur leading to the assumption of impairment of property, plant and equipment or intangible assets with a finite useful life, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value, net of disposal costs (see paragraph 5.8 "Measurement at fair value"), or the value in use, whichever is greater.

The recoverable amount, in the value in use configuration, is determined by discounting projected cash flows resulting from the use of the asset and, if they are significant and can be reasonably determined, from its sale at the end of its useful life, net of any disposal costs.

This methodology is applied for the Renerwaste,, IESbiogas, ITG CGUs, as well as for the Energy Efficiency and Mobility CGU clusters.

With reference to the Transportation (Snam Rete Gas), Regasification (LNG) and Storage (Stogit) CGUs, the recoverable value was defined as corresponding to the estimated value of the Net Invested Capital recognised to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Regulatory Authority for Energy, Networks and the Environment (ARERA), net of the flat-rate components⁵, of the Employee Severance Indemnity (TFR) and of the contributions received.

The measurement is made on a per-asset basis or for the smallest identifiable set of assets that, through its own continuous use, generates cash inflows that are largely independent of those of other assets or groups of assets (Cash Generating Units - CGUs). Expected cash flows are determined on the basis of reasonable and documentable assumptions representative of the best estimate of the future economic conditions of the asset or groups of assets, giving greater importance to indications from the outside.

Discounting is done at a rate reflecting current market conditions for the time value of money and specific risks of the asset not reflected in the estimated cash flows.

⁵ The RAB is the reference basis for the determination of the service tariffs and, therefore, of the cash flows generated by the activities. The value of the RAB is defined through the historical cost method revalued as regards the Fixed capital, and on a flat rate basis for the working capital, the employee severance indemnity and, with reference to the storage segment, the provision for decommissioning and site restoration.

If the book value of the asset or CGU is greater than its recoverable amount, an impairment loss is recognised in the income statement; a CGU's impairment losses are first recognised as a reduction in the book value of any goodwill (see next point "Impairment of goodwill and intangible assets not yet available for use") allocated to it and then as a reduction in the book value of the other assets of the CGU, in proportion to their respective carrying amounts. The book value of each Cash Generating Unit (or grouping of CGUs), consistently with the prevailing valuation practice, is equal to the respective Net Invested Capital recorded at the level of Snam's consolidated financial statements at the reference date for carrying out the impairment test.

If the conditions for a previously effected impairment no longer apply, the book value of the asset (except for goodwill) is restored with recognition in the income statement (recovery of value), within the limits of the net book value that the asset in question would have had if the impairment had not been carried out and any related amortisation had been carried out.

If certain specific assets held by the Group are affected by unfavourable operating or economic conditions that may compromise their ability to contribute to the realisation of cash flows, they may be subject to an independent recoverability analysis and impaired, if necessary.

Impairment of goodwill and intangible assets not yet available for use

The recoverability of the book value of goodwill and intangible assets not yet available for use is tested at least annually, and in any case when events occur leading to an assumption of impairment.

Pursuant to the provisions of IFRS 3, in the context of business combinations, the acquirer, at the acquisition date, recognises all assets, liabilities and identifiable contingent liabilities under the acquisition at their fair values; any remaining positive difference with respect to the acquisition cost is recognised in the asset item Goodwill, and any negative difference is recognised in the income statement.

For the purpose of the impairment test, goodwill is allocated, as from the date of acquisition, to each Cash Generating Unit, or group of CGUs, that is expected to benefit from the synergies of the combination.

After its initial recognition, goodwill is not amortised but is instead subject to a recoverability test at least annually by determining the recoverable value of the CGU or group of CGUs to which it is allocated (following the procedures described in the note "Impairment of property, plant and equipment and intangible assets of finite useful life"); this is then compared to the book value of the CGU itself (or group of CGUs). The book value of each Cash Generating Unit (or group of CGUs), consistently with the prevailing valuation practice, is equal to the respective Net Invested Capital recorded in Snam's consolidated financial statements at the reference date for carrying out the impairment test.

When the book value of the CGU (or group of CGUs), including the goodwill attributed to it, exceeds the recoverable value, the difference is subject to impairment, which is attributed by priority to the goodwill up to its amount; any surplus in the impairment with respect to the goodwill is attributed *pro rata* to the book value of the assets constituting the CGU (or group of CGUs). Goodwill write-downs are not reversed, even if the reasons for the write-down no longer apply in subsequent years.

Reduction in value of the investments

When there are indications that an impairment loss may exist or when events occur leading to the assumption of impairment of investments, their recoverability is tested by comparing the book value with the related recoverable value, which is the fair value, net of disposal costs (see paragraph 5.8 "Measurement at fair value"), and the value in use, determined through the application of the Dividend Discount Model (DDM) or Discounted Cash Flow⁶ (DCF) method, whichever is greater (the present value of the expected cash

6 If the Discounted Cash Flow (DCF) method is used, the results are adjusted for the respective net financial positions.

flows is determined in accordance with the provisions of the previous paragraph (“Impairment of tangible and intangible assets with a finite useful life”). The application of the Dividend Discount Model (DDM) provides that the recoverable value, in the configuration of the value in use, is determined by discounting the expected dividend flows on the basis of the forecast plans of the investee companies drawn up according to reasonable and documentable assumptions, discounted at the cost of the capital (K_e) which includes any specific risks not reflected in the estimated cash flows.

5.6 Inventories

Inventories, including compulsory inventories, are recorded at the lower of purchase or production cost and net realizable value, which is the amount that the entity expects to receive from their sale in the normal course of business, net of the estimated costs for the completion and the realisation of the sale.

The cost of natural gas inventories is determined using the weighted average cost method.

It should be noted that any transactions involving strategic gas, which are subject to prior authorisation by the MED, entail a withdrawal and subsequent replenishment of the quantities of gas from the strategic reserve, not resulting in any movement of the stock⁷.

5.7 Financial instruments

Non-derivative financial assets - cash and cash equivalents

Cash and cash equivalents include cash amounts, on demand deposits, and other short-term financial assets with a term of less than three months, which are readily convertible into cash and for which the risk of a change in value is negligible. They

⁷ Or the risk, the timing or the amount of the future cash flows of the entity are not intended to change following these transactions (IFRS 15.9d)

are recorded at their nominal value, which corresponds to the fair value.

Non-derivative financial assets - receivables and debt securities

Debt securities held by the group consist mainly of trade receivables, financial receivables and other receivables.

Initial recognition is at fair value; except for trade receivables without a significant financial component, whose initial recognised value is represented by the price of the transaction.

When the purchase or the sale of financial assets takes place in accordance with a contract that involves the regulation of the transactions and the handing over of the asset within a certain number of days, established by the market control bodies or by market agreements (e.g. the acquisition of securities on regulated markets), the transaction is recognised at the regulation date.

Financial assets in the form of debt securities held by the Group, generate contractual cash flows exclusively representative of payments of principal and interest and are held with the purpose of collecting the contractual cash flows (the so-called hold to collect business model); they are subsequently measured at amortised cost. According to the amortised cost method the initial book value is then adjusted to account for repayments of principal, any impairments for credit losses and the amortisation of the difference between the repayment amount and the initial book value.

Amortisation is carried out using the effective internal interest rate, which represents the rate that would make the present value of projected cash flows and the initial recognition value equal at the time of the initial recording.

Financial assets valued at the amortised cost are presented in the statement of financial position net of the related provision for impairment losses.

The valuation of the recoverability of financial assets valued at amortised cost is carried out based on the so-called Expected Credit Loss model.

In particular, expected losses are generally determined on the basis of the product between:

- (i) exposure to the counterparty net of the relative mitigating factors (so-called Exposure At Default);
- (ii) the probability that the counterparty will default on its payment obligations (so-called Probability of Default);
- (iii) the percentage estimate of the amount of non-recoverable credit in the event of default (so-called Loss Given Default) defined on the basis of past experience and possible recovery actions (e.g. out-of-court actions, legal disputes, etc.).

Taking into consideration the characteristics of regulated markets, credit exposures more than 90 days overdue are considered to be in default or, in any event, credit exposures subject to litigation or for which restructuring/re negotiation actions are taking place. Exposures for which credit recovery measures have been implemented through legal/judicial proceedings are defined as disputed.

Impairments of trade receivables and other receivables are recognised in the income statement, net of any write-backs, under the item "Other operating expenses".

The recoverability of long-term financial receivables granted to associate companies and joint ventures, the repayment of which is not planned or is not probable in the foreseeable future, and which, in essence, represent a further investment in them, is valued, firstly, based on the expected credit loss model and, secondly, together with the investment in the associate company/ joint venture by applying the criteria of equity-accounting method. The application of the expected credit loss model does not consider any adjustments of the book value of the long-term interest resulting from the application of the criteria of the equity accounting method.

Financial assets that are disposed of are derecognised in the balance sheet when the contractual rights connected to obtaining the cash flows associated with the financial instrument expire or are transferred to third parties.

Non-derivative financial assets - minority interests

Financial assets representing minority interests, because they are not held for trading purposes, are measured at fair value on an alternating basis with the effects recognised: (i) in the income statement (so-called fair value through profit or loss or FVTPL) or in the shareholders' equity reserve that comprises the other components of the comprehensive income statement, without provision for reclassification to profit or loss in the event of realisation (fair value through other comprehensive income or FVTOCI).

This classification can be made security by security, exclusively at the time of initial recognition and it is irrevocable.

The dividends from these investments are recognised in the income statement under "Income (expense) from investments". The valuation at cost of a minority interest is allowed in limited cases in which the cost represents an adequate estimate of the fair value.

Financial liabilities

Financial liabilities, unlike derivative instruments, including financial debt, trade payables and other payables, are initially recorded at fair value less any transaction-related costs; they are subsequently recognised at amortised cost using the effective interest rate for discounting purposes, as demonstrated in the previous point "Non-derivative financial assets - debt securities".

Financial liabilities are derecognised upon extinguishment or upon fulfilment, cancellation or maturity of the contractual obligation.

Offsetting a financial asset and a financial liability

Financial assets and liabilities are offset in the balance sheet when there is a currently legally enforceable right to set-off and the intention either to settle the relationship on a net basis (i.e. to realise the asset and settle the liability simultaneously).

Derivative financial instruments and hedge accounting

Derivative financial instruments, including embedded derivatives, are assets and liabilities recognised at fair value. Under the scope of the strategy and objectives defined for risk management, the qualification of transactions as hedging requires: (i) the verification of the existence of an economic relationship between the object hedged and the hedging instrument for the purpose of offsetting the changes in value and ensuring this offsetting capacity is not invalidated by the level of counterparty credit risk; (ii) the definition of a hedge ratio consistent with the risk management objectives, under the scope of the risk management strategy defined, where necessary activating the appropriate rebalancing actions. The amendments of the risk management objectives, the disappearance of the conditions indicated previously for the qualification of transactions as hedging or the activation of rebalancing operations cause the total or partial prospective discontinuation of the hedge.

In order to qualify a transaction as a hedge, at the start of the hedge a formal document is prepared that illustrates the strategies and objectives of the risk management and identifies the hedging instrument, the instrument hedged, the nature of the risk hedged and the methods through which the evaluation of whether the hedge relationship satisfies the hedge effectiveness requirements takes place.

When hedging derivatives hedge the risk of changes in the fair value of the hedged instruments ("fair value hedge"; e.g. hedge of the risk of fluctuations in the fair value of fixed-rate assets/liabilities), the derivatives are recognised at fair value with attribution of the effects on the income statement; by

the same token, the hedged instruments are adjusted to reflect in the income statement the changes in fair value associated with the hedged risk, regardless of the provision of a different valuation criterion generally applicable to the instrument type.

The group subscribes to derivative instruments to cover the risk of changes in cash flows (cash flow hedges) as a result of fluctuations in interest rate or exchange rates. Changes in the fair value of hedging derivatives considered effective are initially recognised in the shareholders' equity reserve relating to other components of the comprehensive income statement and are subsequently reclassified to profit or loss in line with the economic effects produced by the hedged transaction. In the case of hedging future transactions that involve the recording of a non-financial asset or liability, the cumulative variations of the fair value of the hedge derivatives, recognised in shareholders' equity, are recognised in the adjustment of the book value of the non-financial asset/liability subject to hedging (basis adjustment).

The ineffective portion of the hedge and the changes in the fair value of derivatives that do not meet the qualifying conditions for hedging are recognised in the income statement.

Treasury shares

Treasury shares, including those held to service share-based payment plans (share incentive plans), are measured at cost and entered as a reduction of shareholders' equity. The economic effects arising from any subsequent sales are recognised in shareholders' equity.

Distribution of dividends

The distribution of dividends to the Company's shareholders entails the recording of a payable in the financial statements for the period in which distribution was approved by the Company's shareholders or, in the case of interim dividends, by the Board of Directors.

5.8 Fair value measurement

The fair value is the amount that may be received for the sale of an asset or that may be paid for the transfer of a liability in a regular transaction between market operators as at the valuation date (i.e. exit price).

The fair value of an asset or liability is determined by adopting the valuations that market operators would use to determine the price of the asset or liability. A fair value measurement also assumes that the asset or liability would be traded on the main market or, failing that, on the most advantageous market to which the Company has access.

The fair value of a non-financial asset is determined by considering the capacity of market operators to generate economic benefits by putting the asset to its maximum and best use or by selling it to another market participant capable of using it in such a way as to maximise its value. The maximum and best use of an asset is determined from the perspective of market operators, also hypothesising that the company intends to put it to a different use; the current use by the company of a non-financial asset is assumed to be the maximum and best use of this asset, unless the market or other factors suggest that a different use by market operators would maximise its value.

The fair-value measurement of a financial or non-financial liability, or of an equity instrument, takes into account the quoted price for the transfer of an identical or similar liability or equity instrument; if this quoted price is not available, the valuation of a corresponding asset held by a market operator as at the valuation date is taken into account. The fair value of financial instruments considers the credit risk of the counterparty for financial assets (through a "Credit Valuation Adjustment" - CVA) and the entity's own risk of default for financial liabilities (through a "Debit Valuation Adjustment" - DVA).

When determining fair value, a hierarchy is set out consisting of criteria based on the origin, type and quality of the information

used in the calculation. This classification aims to establish a hierarchy in terms of the reliability of the fair value, giving precedence to the use of parameters that can be observed on the market and that reflect the assumptions that market participants would use when valuing the asset/liability. The fair value hierarchy includes the following levels:

- level 1: listed prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;
- level 2: inputs, other than the quoted prices included in Level 1, that can be directly or indirectly observed for the assets or liabilities to be valued;
- level 3: inputs for assets or liabilities that are not based on observable market data.

In the absence of available market quotations, the fair value is determined by using valuation techniques suitable for each individual case that maximise the use of significant observable inputs, whilst minimising the use of non-observable inputs.

5.9 Provision for risks and charges, contingent liabilities and contingent assets

Provisions for risks and charges concern costs and charges of a certain nature which are certain or likely to be incurred, but for which the amount or date of occurrence cannot be determined at the end of the year.

The provisions are recognised when: (i) the existence of a current legal or implied obligation arising from a past event is probable; (ii) it is probable that the fulfilment of the obligation will involve a cost; and (iii) the amount of the obligation can be reliably determined. Provisions are recorded at the value representing the best estimate of the amount that the Company would reasonably pay to fulfil the obligation or to transfer it to third parties at the end of the reporting period. Provisions related to contracts with valuable consideration are recorded at the lower of the cost necessary to fulfil the obligation, less the expected economic benefits arising from the contract, and the cost of terminating the contract.

When the financial impact of time is significant, and the payment dates of the obligations can be reliably estimated, the provision is calculated by discounting the anticipated cash flows in consideration of the risks associated with the obligation at the Company's average debt rate; the increase in the provision due to the passing of time is posted to the income statement under "Financial income (expense)".

When the liability is related to items of property, plant and equipment (e.g. site dismantlement and restoration), the provision is recognised as a counter-entry to the related asset, and posting to the income statement is accomplished through amortisation.

The costs that the Company expects to incur to initiate restructuring programmes are recorded in the period in which the programme is formally defined, and the parties concerned have a valid expectation that the restructuring will take place.

Provisions are periodically updated to reflect changes in cost estimates, selling periods and the discount rate; revisions in provision estimates are allocated to the same item of the income statement where the provision was previously reported or, when the liability is related to property, plant and equipment (e.g. site dismantling and restoration), as a contra-entry to the related asset, up to the book value; any surplus is posted to the income statement.

The notes to the financial statements describe contingent liabilities represented by: (i) possible (but not probable) obligations resulting from past events, the existence of which will be confirmed only if one or more future uncertain events occur which are partially or fully outside the Company's control; and (ii) current obligations resulting from past events, the amount of which cannot be reliably estimated, or the fulfilment of which is not likely to involve costs.

Contingent assets, or possible assets that result from past events and whose existence will only be confirmed when one or more uncertain future events, not totally under the control of the business, occur or do not

occur, are not recognised unless obtaining the related benefits is virtually certain. If obtaining the benefits is probable, the contingent assets are illustrated in the notes to the financial statements.

5.10 Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups consisting of assets and liabilities are classified as held for sale if their book value will be recovered mainly by their sale rather than through continued use. This condition is regarded as fulfilled when the sale is highly probable and the asset or discontinued operations are available for immediate sale in their current condition. In the case of a programme for the sale of a subsidiary that results in loss of control, all assets and liabilities of that subsidiary are classified as held for sale, regardless of whether a non-controlling investment is maintained following the sale. Verification of compliance with the terms and conditions provided for classification of an item as held for sale requires management to make subjective valuations formulating reasonable and realistic assumptions based on the information available to it.

Immediately prior to classification as held for sale, the assets and liabilities included in a disposal group are measured in accordance with the accounting standards applicable to them. Subsequently, non-current assets held for sale are not amortised or depreciated and are measured at the lower of book value and related fair value, less any sales costs (see paragraph 5.8 "Fair-value measurements" above).

The classification of investments accounted for using the equity method as held for sale implies the suspension of the application of this valuation criterion. Any negative difference between the book value of the non-current assets and their fair value less selling costs is posted to the income statement as an impairment loss; any subsequent recoveries in value are recognised up to the amount of the

previously recognised impairment losses, including those recognised prior to the asset being classified as held for sale.

Non-current assets and disposal group-related assets and liabilities held for sale are recognised in the statement of financial position separately from the group's other assets and liabilities.

Non-current assets and disposal groups, classified as held for sale, constitute a discontinued operation if, alternatively:

- (i) they represent a significant autonomous business unit or a significant geographical area of operations;
- (ii) they are part of a plan to dispose of a significant autonomous business unit or a significant geographical area of operations; or
- (iii) they relate to a subsidiary acquired exclusively to be sold.

The economic results of discontinued operations, as well as any capital gains/losses realised on the disposal, are recorded separately in the income statement under a special item, net of related tax effects, including for the comparative periods.

When events occur that no longer permit non-current assets or disposal groups to be classified as held for sale, they are reclassified to the respective items in the statement of financial position and recognised at the lower of the following: (i) the book value at the date of classification as held for sale; and (ii) the recoverable amount at the reclassification date.

5.11 Revenue

The recognition of revenue from contracts with customers is based on the following five steps: (i) identification of the contract with the customer; (ii) identification of the performance obligation, represented by the contractual commitment to transfer goods and/or services to a customer; (iii) calculating of the transaction's price; (iv) allocating of the transaction price to the performance obligations identified based on the stand alone sales price of each of the goods or services; (v) measuring the revenue when the performance obligation is met, i.e. at

the time of the transfer to the customer of the goods or services promised; the transfer is considered to be completed when the customer obtains control of the goods or service, which can take place over time or at a point in time.

Revenues are measured for the amount equal to the fair value of the consideration which the business believes it has the right to in exchange for the goods and/or services promised to the customer, with the exception of amounts collected on behalf of third-parties. If there is a variable consideration, the business estimates the amount of the consideration it shall have the right to in exchange for the transfer of goods and/or services promised to the customer; specifically, the amount of the consideration can vary in the presence of discounts, incentives, concessions on the price, performance bonuses, penalties or if the actual price depends on certain future events taking place or not.

Revenues from the Snam Group's ordinary operations mainly consist of services relating to the transportation, dispatching and storage of natural gas and the regasification of liquefied natural gas, which are recognised in the financial statements over the period in which the service is provided, whether the services are "regulated" or "non-regulated".

The recognition of revenues for regulated services is conditioned and influenced by the regulatory framework defined by ARERA (Autorità di Regolazione per Energia Reti e Ambiente – Regulatory Authority for Energy Networks and the Environment). Therefore, the economic conditions of the services provided are defined through regulatory schemes and not on a negotiated basis. The revenue recognised in the income statement coincides with that recognised by the regulator (so-called "revenue cap").

As regards the transportation business segment, the difference between the revenue recognised by the regulator (so-called "revenue cap") and that actually accrued is recorded, if positive, in the item of the statement of financial position "Trade and other receivables" and, if negative, in the item "Trade and other

payables”, if negative, as it will be subject to cash settlement with the Cassa per i Servizi Energetici e Ambientali (CSEA).

In the Regasification and Storage segments, however, any difference between the revenue recognised by the regulator and the accrued revenue is recognised in the balance sheet item “Trade and other receivables”, if positive, and in the item “Trade payables and other payables”, if negative, inasmuch as it will be subject to cash settlement with the Energy and Environmental Services Fund (CSEA).

Non-regulated revenues mainly involve: (i) considerations for the construction of biogas and biomethane plants; (ii) technical-specialist services to unconsolidated foreign companies; (iii) the provision of services relating to energy efficiency projects; (iv) income from the rental and maintenance of fibre optic telecommunication cables; (v) the sale of CNG compressors for motor transport. The recognition of these revenues takes place over the service provision period.

By virtue of the principle of neutrality defined by applicable regulations, transactions carried out on the balancing market generate neither costs nor revenue, as they are mere pass-through items. Any (positive or negative) differences from the usage of different prices for the transactions above will be neutralized by recognizing an asset or liability for CSEA, given that these differences are equalized by the latter.

5.12 Employee benefits

Short-term benefits for employees

Short-term benefits for employee are recognised as a cost at the time when the service is rendered. The Group recognises a liability, classified under “Trade payables and other payables” for the amount due to be paid when it has a current legal or constructive obligation to make such payments.

Post-employment benefits

Post-employment benefits are defined according to programmes, including non-formalised programmes, which, depending on their characteristics, are classed as “defined-benefit” or “defined-contribution” plans.

- **Defined-benefit plans**

The liability associated with defined-benefit plans is determined by estimating the present value of the future benefits accrued by the employees during the current year and in previous years, and by calculating the fair value of any assets servicing the plan. The present value of the obligations is determined based on actuarial assumptions and is recognised on an accruals basis consistent with the employment period necessary to obtain the benefits.

Actuarial gains and losses relating to defined-benefit plans arising from changes in actuarial assumptions or experience adjustments are recognised in the comprehensive income statement in the period in which they occurred, and are not subsequently recognised in the income statement. When a plan changed, reduced or extinguished, the relative effects are recognised in the income statement.

Net financial expense represents the change that the net liability undergoes during the year due to the passing of time. Net interest is determined by applying the discount rate to the liabilities, net of any assets servicing the plan. The net financial expense of defined-benefit plans is recognised in “Finance expense (income)”.

- **Defined-contribution plans**

In defined-contribution plans, the Company’s obligation is calculated, limited to the payment of state contributions or to equity or a legally separate entity (fund), based on contributions due.

The costs associated with defined-benefit contributions are recognised in the income statement as and when they are incurred.

Other long-term benefits

Obligations relating to other long-term benefits are calculated using actuarial assumptions; the effects arising from the amendments to the actuarial assumptions or the characteristics of the benefits are recognised entirely in the income statement.

Benefits payable on termination of employment

The benefits payable to employees for termination of employment are recognised as an expense when the Company is committed to offering the benefits and has no option to withdraw them, or, if earlier, when the company recorded restructuring costs.

Share-based payments (Share-based incentive plan)

Employee benefits, consistent with the essential nature of the remuneration that they comprise, include the cost of share-based incentive plans. The incentive cost is calculated with reference to the fair value of the instruments allocated and the forecast of the number of share that will effectively be allocated; the share pertaining to the financial year is calculated pro-rata temporis throughout the vesting period, or the period between the grant date and the allocation date. The fair value of the shares underlying the incentive plan is calculated at the grant date taking into account the forecasts with regard to reaching the performance parameters associated with market conditions and is not adjusted in future financial years; when obtaining the benefit is also connected to conditions other than market conditions, the estimate relating to these conditions is reflected by adjusting the number of shares during the vesting period that are expected to effectively be allocated.

5.13 Accounting for environmental certificates - Emission trading systems

The European Emission Trading System, established to manage and trade emission allowances, sets an upper limit for greenhouse gas emissions produced over

the course of a year, for which a certain number of emission allowances are issued free of charge by the competent national authorities. Depending on the actual greenhouse gas emissions produced during the year, each company is entitled to sell or is obliged to buy emission allowances on the market.

Allowances purchased for a consideration to offset emissions released into the atmosphere during the year are recognised in the income statement; any allowances purchased beyond what is necessary are recognised in "Other current assets". Any allowances allocated free of charge and not used in the year of allocation are not recognised in the financial statements as they are used for the following year's requirements.

If there is a deficit for emission allowances that have not been purchased on the market at the balance sheet date, the cost and corresponding liability are recognised at market value at the end of the financial year.

5.14 Foreign currency transactions

The criteria adopted by Snam to convert transactions in currencies other than the functional currency (the Euro) are summarised below:

- revenue and costs relating to transactions in currencies other than the functional currency are recognised at the exchange rate in effect on the day when the transaction was carried out;
- monetary assets and liabilities in currencies other than the functional currency are converted into Euro by applying the exchange rate in effect on the reporting date, allocating the effect to the income statement;
- non-monetary assets and liabilities in currencies other than the functional currency which are valued at cost are recognised at the initially recorded exchange rate; when the measurement is made at fair value or recoverable or realisable value, the exchange rate used is the one in effect on the valuation date.

5.15 Income taxes

Current income taxes are calculated by estimating the taxable income. Tax payables and receivables for current taxes are recognised at the value of the current tax liability

that are expected to be paid/recovered to/from the tax authorities by applying the tax rates and regulations in force or substantially approved at the end of the financial year. Regarding corporation tax (IRES), Snam has exercised the option to join the national tax consolidation scheme, to which all the consolidated companies have officially signed up, except for Miecì S.p.A., Evolve S.p.A. and T-lux S.r.l. The projected payable is recognised under "Current tax liabilities".

The regulations governing Snam Group companies' participation in the national tax consolidation scheme stipulates that:

- subsidiaries with positive taxable income pay the amount due to Snam. The taxable income of the subsidiary, used to determine the tax, is adjusted to account for the recovery of negative components that would have been non-deductible without the consolidation scheme (e.g. interest expense), the so-called ACE (help for economic growth) effect and any negative taxable income relating to the subsidiary's equity investments in consolidated companies;
- subsidiaries with negative taxable income, if and insofar as they have prospective profitability which, without the national tax consolidation scheme, would have enabled them to recognise deferred tax assets related to the negative taxable income on the separate balance sheet, receive from their shareholders – in the event that these are companies with a positive taxable income or a negative taxable income with prospective profitability – or from Snam in other cases, compensation amounting to the lower of the tax saving realised by the Group and the aforementioned deferred tax assets.

Regional production tax (IRAP) is recognised under the item "Current tax liabilities"/"Current tax assets".

Deferred taxes are calculated on the timing differences between the values of the assets and liabilities entered in the balance sheet and the corresponding values recognised for tax purposes, based on the prevailing tax regulations and rates applicable in financial years in which the temporary difference will be cancelled, approved or essentially approved at the end closing date of the reference year of the financial statements. Deferred tax assets are recognised when their recovery is considered probable; specifically, the recoverability of deferred tax assets is considered probable when taxable income is expected to be available in the period in which the temporary difference is cancelled, allowing the activation of the tax deduction. Similarly, unused tax receivables and prepaid taxes on tax losses are recognised up to the limit of recoverability; with reference to deferred tax assets, their recoverability is verified at least annually.

If there are uncertainties over the application of tax regulations: (i) in cases where it is deemed probable that the tax authorities will accept the uncertain tax treatment, the income taxes (current and/or deferred) to be recognised in the financial statements according to the tax treatment applied or which it is expected to apply during the tax return are calculated; (ii) in cases where it is not deemed probable that the tax authorities will accept the uncertain tax treatment, this uncertainty is reflected in calculating the (current and/or deferred) income taxes to be recognised in the financial statements.

Deferred tax assets and deferred tax liabilities are classified under non-current assets and liabilities and are offset at individual company level if they refer to taxes which can be offset and/or at the level of the consolidating company in the presence of the taxation regime set out in the national consolidation scheme. The balance of the offsetting, if it results in an asset, is recognised under the item "Deferred tax assets"; if it results in a liability, it is recognised under the item "Deferred tax liabilities". When the results of transactions are recognised directly in equity, current and deferred taxes are also posted to equity.

5.16 Segment reporting (operating segments)

Disclosure on business segments has been prepared pursuant to IFRS 8 – “Operating Segments”: consequently, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by the Company’s management to allocate resources to the different segments and to analyse the respective performances.

An operating segment is defined by IFRS 8 as the component of an entity that: (i) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to transactions with other components of the same entity); (ii) for which the operating results are regularly reviewed by the entity’s most senior decision-makers for the purpose of making decisions about resources to be allocated to the segment and assessing its performance; and (iii) for which separate financial information is available.

Specifically, the reportable business segments are as follows: (i) natural gas transportation (the “Transportation segment”); (ii) Liquefied Natural Gas regasification (the “Regasification segment”); (iii) natural gas storage (the “Storage segment”) and relate to the activities carried out predominantly by Snam Rete Gas and ITG, GNL Italia and Stogit, respectively.

The new companies of the Energy Transition, are included within the “Corporate and other activities” segment, which is not operational in accordance with IFRS 8.

6 ASSUMPTIONS AND UNCERTAINTIES IN ESTIMATES

The application of generally accepted accounting principles for the preparation of financial statements involves management making accounting estimates based on complex and/or subjective judgements, estimates based on past experience and

assumptions regarded as reasonable and realistic on the basis of the information known at the time of the estimate. The use of these accounting estimates has an influence on the book value of the assets and liabilities and on the information about potential assets and liabilities at the reporting date, as well as the amount of revenue and costs in the reference period. The actual results may differ from the estimated results owing to the uncertainty that characterises the assumptions and the conditions on which the estimates are based.

Details are given below about the critical accounting estimates involved in the process of preparing the financial statements and interim reports, since they involve a high degree of recourse to subjective judgements, assumptions and estimates regarding matters that are by nature uncertain. Any change in the conditions forming the basis of the judgements, assumptions and estimates used could have a significant impact on subsequent results.

6.1 Impairment of non-financial assets

Non-financial assets are impaired when events or changes in circumstances give cause to believe that the book value is not recoverable. The events that can lead to an impairment of assets include

changes in business plans, changes in market prices or reduced use of plants. The decision on whether to apply an impairment and the quantification of any such impairment depend on the Company’s management assessment of complex and highly uncertain factors, such as future price trends, the impact of inflation and technological improvements on production costs, production profiles and conditions of supply and demand.

The impairment is determined by comparing the book value with the related recoverable value, represented by the greater of the fair value, net of disposal costs, and the usage value, determined by discounting the expected cash flows deriving from the use of the asset, or represented by the RAB in the regulated business segments. The expected cash flows are quantified in the light of the information available at the time of the estimate, on the basis of subjective judgements regarding future trends in variables – such as prices, costs, the rate of growth of demand and production profiles – and are discounted using a rate that takes account of the risk inherent to the asset concerned.

The rationale behind the impairment testing used by management in relation to property plant and machinery, intangible assets, goodwill and investments accounted for using the equity method are illustrated respectively in note 8 “Property, plant and equipment”, note 9 “Intangible assets and goodwill” and note 10 “Investments accounted for using the equity method”.

6.2 Provision for risks and charges

Provision for decommissioning and site restoration

The Snam Group incurs significant liabilities associated with obligations to remove and dismantle plants or parts of plants. Estimating future dismantling and restoration costs is a complex process and requires the assessment and judgement of the Company’s management in placing a value on the liabilities that will be incurred many years in the future for compliance with dismantling and restoration obligations, which often cannot be fully defined by laws, administrative regulations or contractual clauses. In addition, these obligations are affected by constant changes in technology and in dismantling and restoration costs, as well as the constant growth of political and public awareness regarding matters of health and protection of the environment.

The criticality of estimates of dismantlement and restoration costs also depends on the accounting method used for these costs, for which the current value is initially capitalised together with the cost of the asset to which they relate, offset against the provision for risks and charges. Thereafter, the value of the provision for risks is updated to reflect the passing of time and any changes in the estimate as a result of changes in expected cash flows, the timing of their realisation and the discount rates applied.

The calculation of the discount rate to be used both in the initial valuation of the cost and in subsequent valuations is the result of a complex process which involves subjective judgements on the part of the Company’s management.

Environmental liabilities

The Snam Group is subject, in relation to its activities, to numerous laws and regulations on environmental protection at European, national, regional and local level, including the laws which implement international conventions and protocols relating to the activities carried out. With reference to this legislation, when it is probable that the existence and amount of a large liability can be reliably estimated, provisions are made for the associated costs.

The group does not currently believe that the financial statements will suffer particularly significant adverse effects due to non-compliance with environmental regulations, also considering actions already undertaken, but it cannot be ruled out with certainty that Snam may incur further, possibly significant, costs or liabilities, since current knowledge says it is impossible to predict the effects of future developments, taking into account also the following aspects: (i) the possible emergence of contamination; (ii) the outcome of the refurbishment in progress and to be followed and the other possible effects arising from

the application of the laws in force; (iii) the possible effects of new laws and regulations for environmental protection; (iv) the effects of any technological innovations for environmental reclamation; (v) the possibility of disputes and the difficulty of determining the possible consequences, also in relation to the liability of other parties and to possible compensation payments.

Provisions for legal and tax disputes

The estimation of the group's provisions for these purposes is the result of a complex process involving subjective judgements by Company management.

6.3 Investments and business combinations

Verification of the existence of control, joint control, considerable influence over another entity as well as, in the case of joint operations, verification of the existence of enforceable rights and obligations requires Corporate Management to exercise professional judgement taking into consideration the characteristics of the corporate structure and agreements between the parties as well as other facts and circumstances that are relevant for the purpose of this check. Similar considerations also apply in cases of a planned change in status following a loss of control, joint control or connection with the possible need to activate the classification as "assets held for sale/discontinued operation".

The reporting of business combination transactions involves the allocation to the assets and liabilities of the acquired company of the difference between the acquisition cost and the net book value. For the majority of assets and liabilities, the attribution of the difference is carried out by recognising the assets and liabilities at their fair value. The unallocated portion, if positive, is recognised as goodwill; if negative, it is allocated to the income statement. In the allocation process, the Snam Group draws on the available information and, for the most significant business combinations, on external valuations.

6.4 Employee benefits

Defined-benefit plans are valued on the basis of uncertain events and actuarial assumptions which include, inter alia, the discount rates, the expected returns on the assets servicing the plans (where they exist), the level of future remuneration, mortality rates, the retirement age and future trends in the healthcare expenses covered.

The main assumptions used to quantify defined-benefit plans are determined as follows: (i) the discount and inflation rates representing the base rates at which the obligation to employees might actually be fulfilled are based on the rates which mature on high-quality bonds and on inflation expectations; (ii) the level of future remuneration is determined on the basis of elements such as inflation expectations, productivity, career advancement and seniority; (iii) the future cost of healthcare services is determined on the basis of elements such as present and past trends in healthcare costs, including assumptions regarding the inflationary growth of costs, and changes in the health of the participating employees; and (iv) the demographic assumptions reflect the best estimates of trends in variables such as mortality, turnover, invalidity and others in relation to the population of the participating employees.

Differences in the value of net liabilities (assets) in employee benefit plans, arising due to changes in the actuarial assumptions used and the difference between the actuarial assumptions previously adopted and actual events, occur routinely and are called actuarial gains and losses. Actuarial gains and losses relating to defined-benefit plans are recognised in the comprehensive income statement. Actuarial assumptions are also used to

determine obligations relating to other long-term benefits; to this end, the effects arising from changes to the actuarial assumptions or the characteristics of the benefit are fully recognised in the income statement.

6.5 Fair value

Calculating the fair value of financial and non-financial instruments is a structured process featuring the use of complex evaluation methodologies and techniques that involve collecting up to date information from the reference markets and/or using internal input data.

Similar to other estimates, calculating the fair value, albeit based on the best information available and on the adoption on adequate evaluation methodologies and techniques, it intrinsically features random elements and the exercising of professional judgement and could create forecasts with different values from those that will effectively be realised.

6.6 Classification and measurement of investments made for development and maintenance of proprietary infrastructures

The Snam Group makes significant investments for development and maintenance of its own infrastructures. Assessing the recoverability of the investments currently underway and the distinction of the costs as improvements, upgrades and transformations that increase the infrastructure and the expenses for ordinary maintenance and repairs which restore but do not increase the performance of the assets, includes valuation elements. These assessments are formulated on the basis of objective criteria that the Group has developed to facilitate an application consistent with its accounting policies.

7 ACCOUNTING STANDARDS PUBLISHED BY THE IASB BUT NOT YET ENTERED INTO FORCE

New accounting standards or amendments to existing accounting standards issued by the IASB with an effective date after 31 December 2021 are set out below. The list of new features has been divided between documents that have been approved and those that have not yet been approved by the European Commission. Looking at the Group's current operations and transactions, Snam deems it reasonable to assume that the first-time application of these innovations will not have a material impact on the financial statements.

7.1 Accounting standards published by the IASB and approved by the European Commission but not yet entered into force

IFRS 17 Insurance Contracts

Regulation no. 2021/2036 issued by the European Commission on 19 November 2021 endorsed the regulatory provisions contained in IFRS 17 "Insurance Contracts", issued by the IASB on 18 May 2017. The document applies to all insurance contracts and defines the principles of recognition, measurement, presentation and disclosure, replacing IFRS 4. The provisions of IFRS 17 will take effect from financial years starting on or after 01 January 2023. The new standard requires a "Building Block Approach" (BBA) based on expected cash flow and the specification of a "risk adjustment" and of a Contractual Service Margin (CSM) which represents expected profit from insurance contract. This margin is reported in the income statement in the period in which the insurance cover is provided. Moreover, there are two alternative approaches in addition to the BBA which are the "Variable Fee Approach" (VFA) and the Premium Allocation Approach (PAA), applicable in specific cases. The standard also provides for a new method of presentation in the income statement, which presents

the following separately: (i) “insurance revenues”, (ii) “insurance service expenses” and (iii) “insurance finance income or expenses”.

The directors are evaluating the possible effects of the introduction of IFRS 17; at the moment it is reasonable to believe that the first application of these changes will not have a significant impact on the financial statements, also in light of the policy choices and exemptions allowed by the standard with reference to ‘Insurance contracts issued to subsidiaries, associates and joint ventures’.

Changes to Standards already in force

By Regulation no. 2021/1080, issued by the European Commission on 28 June 2021, the regulatory provisions contained in the following documents were approved:

- **Improvements to IFRSs (2018-2020 cycle):** (i) amendments to IFRS 1 “First-time Adoption of International Financial Reporting Standards”, in relation to the measurement of cumulative translation differences; (ii) amendments to IFRS 9 “Financial Instruments” clarifying which fees are included when performing the “10 per cent” test required by paragraph B3.3.6 of IFRS 9, specifying that only commissions paid or received between the entity and the lender should be included; (iii) deletion of Illustrative Example 13 accompanying IFRS 16 “Leases” relating to the reimbursement of leasehold improvements by the lessor, in order to remove any doubt about the treatment of leasing incentives; (iv) amendments to IAS 41; the amendment eliminates the requirement pursuant to paragraph 22 of IAS 41, according to which the entities, in performing the fair value of a biological asset using techniques to determine the current value, needed to exclude tax cash flows from the valuation. This will ensure consistency with the requirements of IFRS 13.
- **Amendments (i) to IFRS 3 Business Combinations; (ii) to IAS 16 Property, Plant and Equipment; (iii) to IAS 37 Provisions, Contingent Liabilities and Contingent Assets:** (i) Amendments to IFRS 3: the document “Amendments to IFRS 3 Business Combinations: Reference to the Conceptual Framework” is intended to update the reference in IFRS 3 to the Conceptual Framework in its revised version, without resulting in any changes to the requirements of IFRS 3. (ii) Amendments to IAS 16: the document “Amendments to IAS 16 Property, Plant and Equipment: Proceeds before intended use” introduced some clarifications, specifying that it is not allowed to deduct from the cost of the fixed asset the amount received from the sale of goods produced before the asset was ready for use, as intended by management. These sales revenues and related costs shall therefore be recognised in the income statement. (iii) Amendments to IAS 37: the document “Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets: Onerous contracts - Cost of fulfilling a contract” clarified which cost items are to be considered in determining whether or not a contract will be loss-making.

Entrambi i documenti sono stati emessi dallo IASB in data 14 maggio 2020 e le loro rispettive disposizioni sono efficaci a partire dagli esercizi che hanno inizio il, o dopo il, 1 gennaio 2022.

Snam sta analizzando i principi e le interpretazioni indicate, ove applicabili, al fine di valutare gli effetti derivanti dalla loro applicazione sul bilancio; tuttavia, gli amministratori non si attendono un effetto significativo nel bilancio consolidato del Gruppo derivanti dalla loro adozione.

7.2 Accounting standards and interpretations published by the IASB and not yet approved by the European Commission

At the date of this document, the competent bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the amendments and principles described below.

- On 23 January 2020, the IASB published an amendment called “**Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**”. The document aims to clarify how to classify debts and other short-term or long-term liabilities. The amendments enter into force on 1 January 2023; however, earlier application is permitted. At present, the directors are assessing the possible effects of introducing this amendment.
- On 12 February 2021, the IASB published two amendments entitled “**Disclosure of Accounting Policies-Amendments to IAS 1 and IFRS Practice Statement 2**” and ‘Definition of Accounting Estimates-Amendments to IAS 8’. The amendments are intended to improve the disclosure of accounting policies so as to provide more useful information to investors and other primary users of financial statements and to help companies distinguish changes in accounting estimates from changes in accounting policies. The amendments will apply from 1 January 2023, but earlier application is permitted. At present, the directors are assessing the possible effects of introducing this amendment.
- On 7 May 2021, the IASB published an amendment entitled “**Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**”. The document clarifies how deferred taxes should be accounted for on certain transactions that may generate assets and liabilities of equal amounts, such as leases and decommissioning obligations. At present, the directors are assessing the possible effects of introducing this amendment.
- On 9 December 2021, the IASB published an amendment entitled “**Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information**”. The amendment is a transition option relating to comparative information about financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus to improve the usefulness of comparative information for readers of financial statements. The amendments will apply from 1 January 2023, together with the application of IFRS 17. At present, the directors are assessing the possible effects of introducing this amendment.

8 PROPERTY, PLANT AND EQUIPMENT

(million euros)	31.12.2020						Total
	Land	Buildings	Plant and equipment	Industrial and Commercial Equipment	Other assets	Fixed assets in progress and advances	
Cost at 31.12.2019	176	504	23,933	128	287	940	25,968
<i>- of which rights of use for leased assets</i>	3	22			2		27
Investments			16	12	1	995	1,024
Disposals		(3)	(24)	(6)	(10)	(4)	(47)
Change in the scope of consolidation					2		2
Other changes		15	792	5	28	(789)	51
Changes in rights of use for leased assets	2	2			2		6
Cost at 31.12.2020	178	518	24,717	139	310	1,142	27,004
Provisions for amortisation and depreciation at 31.12.2019	(1)	(131)	(9,035)	(67)	(195)		(9,429)
<i>- of which rights of use for leased assets</i>	(1)	(4)			(1)		(6)
Total amortisation and depreciation	(1)	(11)	(622)	(13)	(28)		(675)
Disposals		1	15	7	10		33
Other changes		(2)	(2)				(4)
Depreciation rights of use for leased assets	(1)	(5)					(6)
Provisions for amortisation and depreciation at 31.12.2020	(3)	(148)	(9,644)	(73)	(213)		(10,081)
Provision for impairment losses at 31.12.2019	(1)	(4)	(29)			(66)	(100)
Impairment losses			(7)			(4)	(11)
Other changes		1	2				3
Provision for impairment losses at 31.12.2020	(1)	(3)	(34)			(70)	(108)
NET BOOK VALUE AT 31.12.2019	174	369	14,869	61	92	874	16,439
NET BOOK VALUE AT 31.12.2020	174	367	15,039	66	97	1,072	16,815

(million euros)	31.12.2021						
	Land	Buildings	Plant and equipment	Industrial and Commercial Equipment	Other assets	Fixed assets in progress and advances	Total
Cost at 31.12.2020	178	518	24,717	139	310	1,142	27,004
<i>- of which rights of use for leased assets</i>	5	24			4		33
Investments	1		5	10	1	1,105	1,122
Disposals		(1)	(60)	(6)	(139)	(6)	(212)
Other changes	1	33	767	7	83	(901)	(10)
Changes in rights of use for leased assets		5			1		6
Cost at 31.12.2021	180	555	25,429	150	256	1,340	27,910
Provisions for amortisation and depreciation at 31.12.2020	(3)	(148)	(9,644)	(73)	(213)		(10,081)
<i>- of which rights of use for leased assets</i>	(2)	(9)			(1)		(12)
Total amortisation and depreciation		(12)	(642)	(14)	(33)		(701)
Disposals		1	50	6	139		196
Other changes	1	3					4
Depreciation rights of use for leased assets		(6)					(6)
Provisions for amortisation and depreciation at 31.12.2021	(2)	(162)	(10,236)	(81)	(107)		(10,588)
Provision for impairment losses at 31.12.2020	(1)	(3)	(34)			(70)	(108)
Impairment losses			(3)			(10)	(13)
Disposals			3				3
Provision for impairment losses at 31.12.2021	(1)	(3)	(34)			(80)	(118)
NET BOOK VALUE AT 31.12.2020	174	367	15,039	66	97	1,072	16,815
NET BOOK VALUE AT 31.12.2021	177	390	15,159	69	149	1,260	17,204

Property, plant and equipment (17,204 million euros) primarily relates to transportation (13,964 million euros) and storage infrastructure (2,926 million euros).

Investments⁸ (1,122 million euros) refer mainly to the transportation (888 million euros) segment.

⁸ Investments by business segment are shown in the "Business segment operating performance" section of the Directors' Report.

During the year, Snam capitalised 20 million euros of financial expenses (12 million euros in 2020).

Depreciation (707 million euros), included rights-of-use on leased assets, refers to economic and technical depreciation determined on the basis of the useful life of the assets or their remaining possible use by the Company, and, with reference to leased assets, on the basis of the contractual duration if the exercise of any purchase options is not probable.

Capital contributions recorded against the value of property, plant and equipment stood at 423 million euros (404 million euros at 31 December 2020).

Disposals (13 million euros, net of the related provisions for depreciation, amortisation and impairment losses) mainly relate to transportation segment (10 million euros) assets, specifically relating to sections of methane pipeline, components of compression stations and electronic equipment .

Write-downs and reversals (13 million euros) mainly relate to assets in the transport segment (10 million euros) and mainly concern assets not yet available for use and sections of pipelines that are no longer usable..

The value of plant and equipment includes the estimated (discounted) costs to be incurred for the removal of facilities and the restoration of sites (331 million euros, net of the provision for amortisation/depreciation) mainly relating to the natural gas storage (185 million euros) and transportation (144 million euros) segments.

Other changes mainly concern: (i) the upward revision of dismantling estimated costs and restoration of sites, basically relating to the storage segment, against the reduction in the expected discount rates (20 million euros in all); (ii) contributions on works for interference with third parties (so-called recharges, -29 million euros).

In the absence of impairment indicators recorded during the year, there is no need to verify the recoverability of the carrying amount of property, plant and equipment. Nevertheless, as indicated in Note 9 "Intangible assets and goodwill", to which reference should be made for further details, an impairment test was carried out on all the main CGUs of the group.

Contractual commitments to purchase property, plant and equipment, and to provide services related to the construction thereof, are reported in Note 24 "Guarantees and commitments".

There are no real guarantees on property, plant and equipment.

8.1 Tangible assets by business segment

Property, plant and equipment by business segment break down as follows:

(million euros)	31.12.2020	31.12.2021
Historical cost	27,004	27,910
Transportation	22,477	23,193
Storage	4,167	4,269
Regasification	192	223
Corporate and other activities	168	225
Provisions for depreciation, amortisation and impairment losses	(10,189)	(10,706)
Transportation	(8,791)	(9,229)
Storage	(1,274)	(1,343)
Regasification	(82)	(88)
Corporate and other activities	(42)	(46)
NET BOOK VALUE	16,815	17,204
Transportation	13,686	13,964
Storage	2,893	2,926
Regasification	110	135
Corporate and other activities	126	179

9 INTANGIBLE ASSETS AND GOODWILL

(million euros)	31.12.2020					
	With a finite useful life				With an indefinite useful life	
	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets in progress and advances	Goodwill	Total
Cost at 31.12.2019	854	803	70	47	51	1,825
Investments				165		165
Disposals	(1)		(44)			(45)
Change in the scope of consolidation			42		12	54
Other changes	101	16	3	(119)	(3)	(2)
Cost at 31.12.2020	954	819	71	93	60	1,997
Provisions for amortisation and depreciation at 31.12.2019	(685)	(105)	(45)			(835)
Total amortisation and depreciation	(72)	(4)	(5)			(81)
Disposals	1		43			44
Provisions for amortisation and depreciation at 31.12.2020	(756)	(109)	(7)			(872)
<i>Provision for impairment losses at 31.12.2019</i>						
<i>Provision for impairment losses at 31.12.2020</i>						
NET BOOK VALUE AT 31.12.2019	169	698	25	47	51	990
NET BOOK VALUE AT 31.12.2020	198	710	64	93	60	1,125

(million euros)	31.12.2021					
	With a finite useful life				With an indefinite useful life	
	Industrial patent rights and intellectual property rights	Concessions, licences, trademarks and similar rights	Other intangible fixed assets	Fixed assets in progress and advances	Goodwill	Total
Cost at 31.12.2020	954	819	71	93	60	1,997
Investments	1		2	145		148
Disposals	(118)					(118)
Other changes	153	5	11	(163)		6
Cost at 31.12.2021	990	824	84	75	60	2,033
Provisions for amortisation and depreciation at 31.12.2020	(756)	(109)	(7)			(872)
Total amortisation and depreciation	(87)	(8)	(5)			(100)
Disposals	118					118
Other changes	2	(1)	(13)			(12)
Provisions for amortisation and depreciation at 31.12.2021	(723)	(118)	(25)			(866)
Provision for impairment losses at 31.12.2020						
Provision for impairment losses at 31.12.2021						
NET BOOK VALUE AT 31.12.2020	198	710	64	93	60	1,125
NET BOOK VALUE AT 31.12.2021	267	706	59	75	60	1,167

Industrial patent and intellectual property rights (267 million euros) mainly concern information systems and applications in support of operating activities.

Concessions, licences, trademarks and similar rights (706 million euros) refer basically to concessions for natural gas storage activities (663 million euros) and to the concessions of Settala (230 million euros), Sergnano (127 million euros) and Fiume Treste (91 million euros). The value of the storage concessions is represented by the reserves of natural gas in the fields ("Cushion Gas"⁹).

Other intangible fixed assets (59 million euros) include the fair value attributed during the Purchase Price Allocation (PPA) of Miecì and Evolve, as regulated by the accounting standard IFRS3 "Business Combinations", relating to the book order (approximately 40 million euros). Amortisation is based on the average duration of the contracts.

9 Cushion gas is not depreciated.

Investments (148 million euros), mainly in the natural gas transmission segment (116 million euros)¹⁰, refer mainly to projects for the development of information systems.

Amortisation (100 million euros) refers to economic and technical amortisation determined on the basis of the definite useful life of the intangible assets or their remaining possible use by the Company.

Contractual commitments to purchase intangible assets, and to provide services related to the development thereof, are reported in Note 24 - "Guarantees and commitments".

9.1 Intangible assets by business segment

Intangible assets by business segment break down as follows:

(million euros)	31.12.2020	31.12.2021
Historical cost	1,997	2,035
Transportation	907	917
Storage	848	861
Regasification	10	11
Corporate and other activities	232	246
Provisions for depreciation, amortisation and impairment losses	(872)	(868)
Transportation	(631)	(599)
Storage	(155)	(161)
Regasification	(5)	(6)
Corporate and other activities	(81)	(102)
NET BOOK VALUE	1,125	1,167
Transportation	276	318
Storage	693	700
Regasification	5	5
Corporate and other activities	151	144

9.2 Impairment test

As required by accounting principle (IAS 36), the impairment test is carried out at least once a year for all CGUs (or groups of CGUs) to which goodwill, recorded in the consolidated financial statements, has been allocated and for CGUs (or groups of CGUs) that include intangible fixed assets with an indefinite useful life and intangible fixed assets not yet available for use. For all the remaining CGUs (or groups of CGUs), the impairment test is carried out only when there are impairment indicators. In 2021, the test was performed for all the main CGUs and groups of CGUs, regardless of the presence of impairment indicators. In particular:

- for regulated activities of r the transportation, regasification and storage of natural gas by the CGUs Snam Rete Gas, ITG, LNG and Stogit; goodwill amounting to 27 million euros was

¹⁰ Investments by business segment are illustrated in the section "Operating performance in business segments" of the Directors' Report.

- allocated to ITG only;
- the sustainable mobility businesses, composed of refuelling stations, micro liquefaction plants and compressors, of the group of Mobility CGUs comprising Snam 4 Mobility and Cubogas, allocated a goodwill of 7 million euros;
- for the biogas/biomethane business, by the CGU IES Biogas and the CGU Renerwaste¹¹, to which a total of 10 million euros in goodwill is allocated. The companies of the Renerwaste group represent a single CGU (Renerwaste CGU) since the method of managing waste treatment plants is unitary and centralised. Moreover, in view of the characteristics of such plants, management is not bound by the corporate structure when making decisions on the allocation of resources and investments;
- for the energy efficiency business, by the Energy Efficiency CGU grouping, consisting of the TEP Energy Solutions, Miei and Evolve CGUs as well as the Renovit sub-holding, to which goodwill totalling 17 million euros has been allocated, due to the strong vertical integration between the companies in the management of know-how and technologies, which enables the creation of significant synergies in the presentation of a unified offer to the market.

During 2021, the construction of the Enersi plant was completed, and at the same time the collection and treatment of OFMSW for the production of biomethane started. In order to allow the management of Renerwaste a complete unified management of the resources and strategic decisions of all the plants aimed at the production of Biomethane from OFMSW, a reorganisation operation¹² was carried out in 2021 that brought Enersi itself to be directly controlled by Renerwaste S.r.l..

Consistently with the above approach and conclusions and in consideration of the plant's own characteristics, Enersi has become part of the Renerwaste CGU as of 2021, in the same way as all plants operating for the production of biomethane from OFMSW.

With reference to the energy efficiency business, following the acquisitions of Miei and Evolve, carried out in the fourth quarter of 2020, the monitoring procedures at group level were redefined, as well as the strategic and decision-making responsibilities relating to this business. These changes, together with the above considerations regarding resource management and strong vertical integration, have led to the conclusion that the model adopted by the group is focused on the unitary management of the energy efficiency business. Consistent with these management methods, the goodwill arising from the acquisitions of Miei, Evolve and TEP is allocated to the Energy Efficiency CGU grouping, and tested at that level for the purposes of the consolidated financial statements.

Overall, except for the amendments mentioned above, the impairment test was carried out on the basis of a similar CGU set-up to last year.

The recoverable amount of the Mobility CGU grouping was determined, as value in use, based on the cash flows of the corporate plans using the Discounted Cash Flow (DCF) Method. Taking into consideration the start up stage of the business, the cash flows were calculated taking into consideration a longer horizon compared with the forecast 2022-2025 Plan data, in order to be able to consider all the effects that could have a significant impact on these cash flows. The Weighted Cost of Capital Average - WACC method was used to discount cash flows. The Terminal Value was calculated using the perpetuity method, applying a growth rate essentially in line with market evidence for the expected long-term inflation rate for the reference area, based on the values indicated by the International Monetary Fund.

11 The Renerwaste CGU consists of five acquired companies, namely Renerwaste S.r.l., Renerwaste Lodi, Ecoprogetto Milano and Ecoprogetto Tortona and Enersi, engaged in the business of biomethane from OFMSW (Organic Fraction of Municipal Solid Waste).

12 On 25/06/2021, the shareholders' meeting of Snam4Environment resolved to contribute the entire shareholding of Enersi to Renerwaste S.r.l. with effect from 01/07/2021.

With reference to the biogas/biomethane business, the recoverable value of the two CGUs identified consisting of IES Biogas and Renerwaste was determined as the usage value, on the basis of the Discounted Cash Flow (DCF) Method, using the 2022-2025 Plan approved by the Board. For the Renerwaste CGU only, cash flows were calculated taking into consideration a longer time horizon compared to the forecast 2022-2025 Plan data approved by the Board, so as to consider all the effects that could have a significant impact on cash flows. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows. The Terminal Value was calculated using the perpetuity method, applying, for IES Biogas only, a growth rate in line with market evidence for the expected long-term inflation rate, based on the values indicated by the International Monetary Fund (IMF).

With reference to the energy efficiency business, the recoverable value of the Energy Solutions CGU grouping was determined as the usage value, on the basis of the Discounted Cash Flow (DCF) Method. Cash flows were calculated taking into consideration a longer time horizon compared to the forecast 2022-2025 Plan data approved by the Board, so as to consider all the effects that could have a significant impact on cash flows. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows. The Terminal Value was calculated using the perpetuity method, applying a growth rate in line with market evidence for the expected long-term inflation rate, based on the values indicated by the International Monetary Fund (IMF).

With reference to the Transportation (Snam Rete Gas), Regasification (LNG) and Storage (Stogit) CGUs, the recoverable value was defined as corresponding to the estimated value of the Net Invested Capital recognised to these assets for tariff purposes (RAB - Regulatory Asset Base) by the Regulatory Authority for Energy, Networks and the Environment (ARERA), net of the flat-rate components¹³, of the Employee Severance Indemnity (TFR) and of the contributions received.

With reference to the ITG CGU, the recoverable value of the CGU was calculated as the usage value, based on the Discounted Cash Flow (DCF) Method, using the 2022-2025 Plan approved by the Board. The Weighted Average Cost of Capital - WAAC method was used to discount cash flows.

For CGUs where the value in use is determined using the Discounted Cash Flow method, the reference discount rate is the WACC (Weighted Average Cost of Capital - WACC), corresponding to the weighted average cost of capital, determined, consistently with the reference doctrine and prevailing methodological practices, based on the following main assumptions:

- Risk Free Rate: the 10-year sovereign bond, issued by the country of reference, in which the CGU (or group of CGUs) operates is used to determine the risk-free rate;
- The Equity Risk Premium: the equity risk premium is determined by Snam on the basis of the main and authoritative external sources in the sector;
- Beta Unlevered: calculated as the average figure recorded by the panel of comparable companies identified and specifically selected for each CGU;
- D/E: the debt-to-equity ratio is determined as an average parameter measured by the panel of comparable companies referring to each CGU;
- Beta Levered: it is calculated starting from the Beta Unlevered using the Hamada formula, which takes into account the tax effect, and the average D/E of the panel of comparable companies considered;
- Reference Rate for the cost of debt: calculated as the average of the Swap Rate of ten-year instruments denominated in Euro;

¹³ The RAB is the reference basis for the determination of the service tariffs and, therefore, of the cash flows generated by the activities. The value of the RAB is defined through the historical cost method revalued as regards the Fixed capital, and on a flat rate basis for the working capital, the employee severance indemnity and, with reference to the storage segment, the provision for decommissioning and site restoration.

- Credit Spread: determined as an average parameter measured by the panel of comparable companies specifically selected for each CGU.

The application of additional risks (Specific Risk Premium) is also envisaged aimed at reflecting, where applicable, within each discount rate, specific considerations referring to the aspects characterising a CGU (or group of CGUs) such as, for example, risks of business or risks associated with the stage of development of the activities performed.

The Snam methodology requires these values to be updated annually when the impairment test is performed.

For all CGUs and CGU groupings, the recoverable value as represented above, was higher than their net book value, including the relevant goodwill.

As required by the accounting principle IAS 36, the CGUs subject to impairment testing, whose recoverable value was determined by discounting the expected cash flows deriving from the use of the asset and from its sale at the end of its useful life, were subjected to sensitivity analyses of the recoverable value, in the worst case scenario formulated which includes a 0.5% increase in the discount rate applied to cash flows. This stress test did not highlight any loss in value of the CGUs.

10 EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

(million euros)	31.12.2020	31.12.2021
Trans Austria Gasleitung GmbH	521	556
Teréga Holding S.A.S.	338	361
AS Gasinfrastruktur Beteiligung GmbH	125	122
Iniziative Biometano S.p.A.	15	13
OLT - Offshore LNG Toscana S.p.A.	8	11
Total equity investments in joint ventures	1,007	1,063
Industrie De Nora S.p.A.		463
Trans Adriatic Pipeline A.G.	278	310
Italgas S.p.A.	235	255
Galaxy Pipeline Assets HoldCo Limited.	207	216
Senfluga Energy Infrastructure Holding S.A.	138	139
Interconnector Limited	58	61
East Mediterranean Gas Company (S.A.E.)		41
dCarbonX Ltd		3
Total equity investments in associates	916	1,488
Snam Middle East BV Business Services Co.		3
Snam North America LLC		2
Snam International (UK) Ltd		2
Snam Gas & Energy Services (Beijing) Co., Ltd.		2
Total equity investments in subsidiaries		9
TOTAL EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	1,923	2,560

Changes during the year are detailed in the following table.

(million euros)	Equity investments in joint ventures	Equity investments in associates	Equity investments in subsidiaries (*)	Total
Balance at 01.01.2020	1,127	660		1,787
Acquisitions and subscriptions	18	236		254
Assignments and reimbursements	(81)			(81)
Dividends received	(198)	(59)		(257)
<i>Effect of equity-accounting method</i>				
- Portion recognised in income statement	132	115		247
- Portion recognised in the comprehensive income statement	1	(38)		(37)
Other changes	8	2		10
Balance at 31.12.2020	1,007	916		1,923
Acquisitions and subscriptions		520	8	528
Assignments and reimbursements	(1)	(65)		(66)
Dividends received	(60)	(122)		(182)
<i>Effect of equity-accounting method</i>				
- Portion recognised in income statement	112	182		294
- Portion recognised in the comprehensive income statement	1	58		59
Other changes	4	(1)	1	4
Balance at 31.12.2021	1,063	1,488	9	2,560

(*) The investments relate to non-consolidated subsidiaries valued using the equity method.

Acquisitions and subscriptions (528 million euros) mainly relate to the acquisition of 37.47%¹⁴ of Industrie De Nora S.p.A. on 8 January 2021 (476 million euros).

Disposals and reimbursements (66 million euros) mainly relate to: (i) the reduction in the cost of the TAP investment (47 million euros), following share capital repayment. On 15 June 2021, Snam S.p.A. completed the contribution of its 20% stake in TAP to its subsidiary Snam International B.V.; (ii) the reduction in the booked cost of the equity investment in Industrie De Nora S.p.A. (18 million euros) following the exercise by shareholders, in accordance with the provisions of the SHA, of call options with the acquisition, from Asset Company 10, of 1.38%.

The dividends received (182 million euros) mainly refer to the jointly controlled companies TAG (31 million euros) and Teréga (20 million euros) and the associate companies Galaxy (40 million euros), Italgas (30 million euros), Senfluga (23 million euros) and Industrie De Nora (22 million euros).

¹⁴ At 31 December 2021, the stake in Industrie De Nora was 35.63% as a result of: (i) the subscription of a share capital increase, with the exclusion of pre-emptive rights, in the context of a share incentive plan and (ii) the exercise by shareholders, pursuant to the provisions of the SHA, of call options with the acquisition, from Asset Company 10, of 1.38%.

The effect of the equity-accounting method refers to: (i) the portion recognised in the income statement (294 million euros), mainly attributable to the share of the results of the jointly controlled companies TAG (66 million euros) and Teréga (39 million euros) and of the associated companies TAP (58 million euros), Italgas (49 million euros) and Galaxy Pipeline Assets HoldCo Limited (25 million euros), Senfluga (22 million euros), De Nora (21 million euros) (ii) the portion recognised in the statement of comprehensive income (59 million euros), mainly attributable to the change in fair value of hedging derivatives of the associate TAP (21 million euros) and Galaxy Pipeline Assets HoldCo Limited (8 million euros) and to exchange rate differences (EUR/USD) of the associate Galaxy Pipeline Assets HoldCo Limited (17 million euros).

With the exception of the shareholding in TAP¹⁵, no collateral is provided.

Consolidated companies, joint ventures, associates and other significant equity investments are indicated separately in the Annex to the Notes to the Consolidated financial statements “Equity investments of Snam S.p.A. at 31 December 2021”, which is an integral part of these Notes.

In accordance with the provisions of IFRS 12 - “Disclosure of interests in other entities”, the economic and financial data for joint ventures and associates for the financial years ended 31 December 2020 and 31 December 2021 are provided below.

At 31 December 2021, despite the absence of impairment indicators, Snam subjected its CGUs represented by the equity investments held in jointly controlled companies and associated companies to an impairment test, verifying their recoverability by comparing the book value and the value recoverable of the same, represented by the greater of the fair value and the value in use. In particular, for carrying out the impairment test, the recoverable value of the equity investments was determined in the configuration of value in use on the basis of the Dividend Discount Model (DDM) or Discounted Cash Flow (DCF) method, with the exception of the equity investment in Italgas SpA, an associated company, for which the fair value was considered, determined on the basis of the market prices at the closing date of the financial year.

15 For further information, please refer to Note no. 24.1.1 “Guarantee provided on behalf of subsidiary Snam International B.V. in relation to the TAP project.”

10.1 Equity investments in joint ventures

The economic and financial data relating to each investment in jointly controlled companies deemed significant, referring to the financial statement values prepared according to IFRS standards of the associate companies¹⁶, are reported below:

(million euros)	31.12.2020		
	Teréga Holding S.A.S.	Trans Austria Gasleitung GmbH	AS Gasinfrastruktur Beteiligung GmbH
Current assets	568	44	2
- of which cash and cash equivalents	494	7	1
Non-current Assets	2,959	1,075	598
Total assets	3,527	1,119	600
Current liabilities	(612)	(103)	(3)
- of which current financial liabilities	(524)	(32)	(3)
Non-current liabilities	(2,080)	(432)	(284)
- of which non-current financial liabilities	(1,792)	(301)	(40)
Total liabilities	(2,692)	(535)	(287)
TOTAL ASSETS	835	584	313
<i>Equity investments held by the Snam Group % (*)</i>	<i>40.50%</i>	<i>89.22%</i>	<i>40.00%</i>
Total net assets attributable to the Snam Group	338	521	125
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	338	521	125
Operating revenues and income	433	322	
Operating costs and expenses	(157)	(124)	
Depreciation, amortisation and impairment losses	(107)	(61)	
Operating profit/loss	169	137	
Financial income			2
Financial expense	(42)	(10)	(7)
Share of profit or loss of investments accounted for using the equity method			28
Income taxes	(40)	(33)	
PROFIT FOR THE YEAR	87	94	23
Other components of the comprehensive income statement	4		(1)
TOTAL COMPREHENSIVE INCOME	91	94	22
<i>Equity investments held by the Snam Group % (*)</i>	<i>40.50%</i>	<i>89.22%</i>	<i>40.00%</i>
Total comprehensive income statement held by Snam	37	84	9

(*) The equity investment in Trans Austria Gasleitung GmbH is valued on the basis of the percentage of economic rights held.

¹⁶ Unless otherwise indicated, the financial statement figures for joint ventures, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method. The aforementioned amounts relate to the preliminary and/or approved reporting packages.

(million euros)	31.12.2021		
	Teréga Holding S.A.S.	Trans Austria Gasleitung GmbH	AS Gasinfrastruktur Beteiligung GmbH
Current assets	106	130	2
- of which cash and cash equivalents	20	81	2
Non-current Assets	2,989	1,140	589
Total assets	3,095	1,270	591
Current liabilities	(114)	(218)	(3)
- of which current financial liabilities	(19)	(132)	(3)
Non-current liabilities	(2,090)	(429)	(283)
- of which non-current financial liabilities	(1,793)	(280)	(40)
Total liabilities	(2,204)	(647)	(286)
TOTAL ASSETS	891	623	305
<i>Equity investments held by the Snam Group % (*)</i>	<i>40.50%</i>	<i>89.22%</i>	<i>40.00%</i>
Total net assets attributable to the Snam Group	361	556	122
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	361	556	122
Operating revenues and income	440	290	
Operating costs and expenses	(152)	(125)	
Depreciation, amortisation and impairment losses	(109)	(62)	
Operating profit/loss	179	103	
Financial income			1
Financial expense	(39)	(4)	(6)
Share of profit or loss of investments accounted for using the equity method	(5)		20
Income taxes	(38)	(25)	
PROFIT FOR THE YEAR	97	74	15
Other components of the comprehensive income statement	(1)		2
TOTAL COMPREHENSIVE INCOME	96	74	17
<i>Equity investments held by the Snam Group % (*)</i>	<i>40.50%</i>	<i>89.22%</i>	<i>40.00%</i>
Total comprehensive income statement held by Snam	39	66	7

(*) The equity investment in Trans Austria Gasleitung GmbH is valued on the basis of the percentage of economic rights held.

Individually non-significant minor equity investments in joint ventures

In addition to the investments in joint ventures discussed above, the following are the carrying amounts of the individually minor equity investments in two joint ventures, accounted for using the shareholders' equity method:

(million euros)	2021
Aggregate value of individually minor equity investments in joint ventures	24
Snam Group's share of profit/(loss) for the year	1
TOTAL SHARE OF COMPREHENSIVE INCOME ATTRIBUTABLE TO THE SNAM GROUP	1

Teréga Holding S.A.S.

Teréga Holding S.A.S. is a company operating under French law which controls Teréga S.A. and Teréga Solution, through Teréga S.A.S., wholly-owned by Teréga Holding S.A.S.

Teréga S.A. (Transport et Infrastructures Gaz France) operates in the transportation and storage of natural gas in south-west France. Natural gas transportation and storage activities in France are subject to regulation.

Teréga Solution is a company operating in non-regulated activities. The objective of Teréga, through its subsidiary Teréga Solution, is to develop solutions oriented towards the energy transition: biomethane, hydrogen, multi-energy and digital.

As of 31 December 2021, Teréga Holding S.A.S. was an associate company of Snam S.p.A. (40.5%), Singapore sovereign wealth fund GIC (31.5%), EDF (18%, through a fund dedicated to liabilities arising from the disposal of nuclear assets) and Crédit Agricole Assurances (10%, through Prévoyance Dialogue du Crédit Agricole).

Teréga Holding S.A.S.'s consolidated financial statements include Teréga Holding S.A.S., Teréga S.A.S, Teréga S.A. and Teréga Solution.

Corporate governance rules provide that decisions on certain matters of particular interest to the company must be taken with the favourable vote of Snam and GIC shareholders.

The interest payment to shareholders on the nominal amount of the 470 million euros convertible bond loan (of which Snam has subscribed 190 million euros) may be deferred at the discretion of the issuer Teréga S.A.S.

Trans Austria Gasleitung GmbH (TAG)

Trans Austria Gasleitung GmbH (TAG) is a company operating under Austrian law that is active in the natural gas transportation segment. It owns the gas pipeline that links the Slovakian-Austrian border to the Tarvisio entry point.

Natural gas transportation in Austria is a regulated activity.

As at 31 December 2021, Snam S.p.A. holds 84.47% of the share capital, entitling it to 89.22% of the economic rights. The remainder of the share capital is held by Gas Connect Austria GmbH (GCA).

The contractual agreements drawn up between Snam, TAG and (GCA) also stipulate that if TAG is not capable of self-financing, the other companies must finance it according to the equity investment held by each shareholder.

Corporate governance rules provide that decisions on certain relevant activities must be taken with the unanimous consent of all members of the Supervisory Board, composed of Snam and GCA representatives, as well as employee representatives as required by Austrian law.

AS Gasinfrastruktur Beteiligung GmbH

AS Gasinfrastruktur Beteiligung GmbH is an Austrian company jointly controlled by Snam S.p.A. and the Allianz group, with holdings of 40% and 60% respectively.

The company holds 100% of the Austrian company AS Gasinfrastruktur GmbH, which in turn holds 49% of the share capital of Gas Connect Austria GmbH, which is controlled by Verbund.

Corporate governance rules of AS Gasinfrastruktur Beteiligung GmbH stipulate that decisions at management level must be taken by simple majority with the favourable vote of a Managing Director of Snam and one of Allianz.

10.2 Investments in associates

The economic and financial data relating to investments in associates considered significant, referring to the financial statement values prepared according to IFRS standards of the investee companies¹⁷, are reported below:

(million euros)	31.12.2020				
	Trans Adriatic Pipeline A.G. (TAP)	Italgas S.p.A.	Senfluga Energy Infrastructure Holding S.A.	Interconnector Limited	Galaxy Pipeline Assets HoldCo Limited
Current assets	277	1.494	240	34	152
Non-current Assets	4,606	7,635	821	650	8,128
Total assets	4,883	9,129	1,061	684	8,280
Current liabilities	(323)	(1,511)	(110)	(27)	(152)
Non-current liabilities	(3,626)	(5,637)	(427)	(184)	(6,488)
Total liabilities	(3,949)	(7,148)	(537)	(211)	(6,640)
TOTAL ASSETS	934	1,981	524	473	1,640
- attributable to third parties		240	268		
- attributable to shareholders of the associate company	934	1,741	256	473	1,640
Equity investments held by the Snam Group %	20%	13.5%	54%	23.68%	12.327%
Total net assets attributable to the Snam Group	187	235	138	112	202
Goodwill	91				5
Reductions/increases in value				(54)	
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	278	235	138	58	207
Revenue	167	2,127	243	30	219
Operating profit/loss	101	603	127	7	217
NET RESULT	76	403	77	5	159
Other components of the comprehensive income statement	(81)	(11)	(3)	(12)	(134)
TOTAL COMPREHENSIVE INCOME	(5)	392	74	(7)	25
- attributable to third parties		20	26		
- attributable to shareholders of the associate company	(5)	372	48	(7)	25
TOTAL GROUP COMPREHENSIVE INCOME STATEMENT	(5)	392	74	(7)	25
Equity investments held by the Snam Group %	20%	13.5%	54%	23.68%	12.327%
Total comprehensive income statement attributable to the Snam Group	(1)	50	26	(2)	3

¹⁷ The financial statement figures for associates, reported in full, have been updated to include adjustments made by the Parent Company pursuant to the equity-accounting method. The aforementioned amounts relate to the preliminary and/or approved reporting packages.

(million euros)	31.12.2021					
	Trans Adriatic Pipeline A.G. (TAP)	Italgas S.p.A.	Senfluga Energy Infrastructure Holding S.A.	Interconnector Limited	Galaxy Pipeline Assets HoldCo Limited.	Industrie De Nora S.p.A.
Current assets	533	2.177	201	69	196	519
Non-current Assets	4,439	7,951	816	625	8,419	467
Total assets	4,972	10,128	1,017	694	8,615	986
Current liabilities	(407)	(1,347)	(130)	(47)	(97)	(469)
Non-current liabilities	(3,472)	(6,638)	(376)	(141)	(6,801)	(64)
Total liabilities	(3,879)	(7,985)	(506)	(188)	(6,898)	(533)
TOTAL ASSETS	1,093	2,143	511	506	1,717	453
- attributable to third parties		251	254	1		
- attributable to shareholders of the associate company	1,093	1,892	257	505	1,717	453
Equity investments held by the Snam Group %	20%	13.5%	54%	23.68%	12.327%	35.63%
Total net assets attributable to the Snam Group	219	255	139	120	212	161
Goodwill	91				5	319
Reductions/increases in value				(59)		(17)
EQUITY INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	310	255	139	61	217	463
Revenue	767	1.371	215	58		655
Operating profit/loss	456	583	92	35	(4)	88
NET RESULT	289	381	62	28	204	67
Other components of the comprehensive income statement	108	13	5		202	16
TOTAL COMPREHENSIVE INCOME	397	394	67	28	406	83
- attributable to third parties		12	21			24
- attributable to shareholders of the associate company	397	382	46	28	406	59
TOTAL GROUP COMPREHENSIVE INCOME STATEMENT	397	394	67	28	406	83
Equity investments held by the Snam Group %	20%	13.5%	54%	23.68%	12.327%	35.63%
Total comprehensive income statement attributable to the Snam Group	79	52	25	7	50	21

Trans Adriatic Pipeline A.G. (TAP)

Trans Adriatic Pipeline A.G. (TAP) is a Swiss company established to design, develop, build and operate the new gas pipeline extending from the Greek-Turkish border to Italy (at the new entry point in San Foca-Melendugno), crossing Greece and Albania. Construction of the pipeline has been completed and the asset has been commercially operational as of 15 November 2020.

As at 31 December 2021, TAP is an associate company of Snam International B.V. (20%), Socar (20% through AzTAP GmbH), BP (20% through BP Gas Marketing Ltd), Fluxys (19% through Fluxys Europe B.V.), Enagas (16% through Enagás Internacional S.L.U.) and Axpo (5% through Axpo Trading AG).

Under current corporate governance rules, none of TAP's shareholders is able to exercise control over the company, including in a joint capacity.

Italgas S.p.A.

Italgas S.p.A. is an Italian company that controls 100% of Italgas Reti S.p.A., Seaside S.r.l., Bludigit S.p.A., Italgas Newco S.r.l. and Italgas Acqua S.p.A., companies operating in the natural gas distribution sector in Italy, energy efficiency, IT services and the management of the water service in five municipalities in Campania.

At 31 December 2021, Italgas S.p.A. is an associate company of Snam (13.5%) and C.D.P. Reti S.r.l. (26.05%), with the remainder held by third-party shareholders.

On 7 November 2016, the unbundling of the natural gas distribution business from Snam S.p.A., the shareholders' agreement signed on 20 October 2016 between the Company, CDP Reti S.p.A. and CDP Gas

S.r.l. concerning all shares held by each of them in Italgas S.p.A. became effective.

The shareholders' agreement constitutes a voting and block syndicate, with the right for Snam to withdraw early in the event that, in the event of Snam's dissenting vote on the syndicated shares on certain reserved matters of an extraordinary nature, Snam does not sell its shareholding in Italgas within the following 12 months ("Accelerated Exit"). Transfers of Snam's equity investment in Italgas S.p.A. (including in the event of an Accelerated Exit) are subject not only to advance approval by CDP Reti, but also to the subrogation of a third party. In addition, Snam may not increase its equity investment. The agreement has a three-year term that is renewable barring notice of termination; in the event that Snam does not renew, CDP Reti shall have an option to purchase at fair market value Snam's equity investment in Italgas.

Senfluga Energy Infrastructure Holding

Senfluga Energy Infrastructure Holdings S.A. is a company through which the European consortium composed of Snam (54%), Enagás (18%), Fluxys (18%) and DAMCO Energy S.A. (10%) owns a 66% stake of DESFA, the Greek national operator involved in the natural gas infrastructure sector.

DESFA owns and manages a regulated system for a high pressure transportation network covering around 1,500 km, as well as a regasification terminal at Revithoussa. Greece, an important crossroads for the diversification of procurement and the opening of new natural gas routes in Europe, has further development potential as a south-east European hub.

Under current corporate governance rules, none of Senfluga's shareholders is able to exercise control over the company, including in a joint capacity.

Galaxy Pipeline Assets Holdco Limited

Galaxy Pipeline Assets Holdco Limited (“Holdco”) holds a 49% stake in ADNOC Gas Pipeline Assets LLC (“Assetco”) through an international consortium, consisting of GIP, Brookfield, Ontario Teachers’ Pension Plan, GIC, NH Investments & Securities and Snam, which in turn holds a 12.327% stake in the consortium.

Assetco, a subsidiary of ADNOC (Abu Dhabi National Oil Company), holds a twenty-year lease on ADNOC’s strategic assets relating to gas and LNG transportation in the United Arab Emirates; the management and use of these assets are held by ADNOC for the same twenty-year term.

Snam is the only industrial operator in the consortium, representing an important investment opportunity in a strategic infrastructure in the Gulf area.

The rules of governance provide that decisions on certain matters of particular interest to the company must be taken by a reinforced majority vote or unanimously with respect to indirect equity investments in Assetco.

Interconnector Limited

Interconnector Limited is a company under British law that owns the two-way pipeline that joins the United Kingdom to Belgium and the rest of Europe.

As at 31 December 2021, Interconnector Limited is an associate company of Snam International B.V. (23.68%) and Fluxys UK Ltd (76.32%).

Interconnector Limited directly owns 48% of the Dutch company Interconnector Zeebrugge Terminal BV and 1% indirectly through Interconnector Leasing company Ltd.

The governance of Interconnector Limited is structured in such a way as to ensure certain veto rights in favour of Snam International B.V., aimed at protecting the investment and supervising certain decisions of particular importance to Snam International B.V.

Industrie De Nora S.p.A.

Industrie De Nora, an Italian company founded in 1923, is a global supplier of innovative technologies and solutions for water treatment. The Company has significant growth prospects due to its exposure to two mega-trends in the energy transition, namely green hydrogen production and water treatment.

At 31 December 2021, Snam S.p.A. held 35.63% of the share capital of Industrie De Nora through Asset Company 10 S.r.l.

11 OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS I

(million euros)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Long-term financial receivables	1	306	307	1	301	302
Minority investments accounted at FVTOCI		112	112		94	94
Short-term financial receivables						
- short-term over 90 days	5		5	5		5
Other	1	2	3		2	2
TOTAL OTHER CURRENT AND NON-CURRENT FINANCIAL ASSETS	7	420	427	6	397	403

Long-term financial receivables amount to 302 million euros and mainly concern a shareholder loan to OLT (286 million euros).

Minority investment accounted at FVTOCI essentially relates to the valuation of the shares held by Snam in the capital of Terminale GNL Adriatico S.r.l. (7.3% stake) and in the capital of ITM Power PLC (2.318% stake), amounting to 34 million euros and 59 million euros respectively.

Movements during the year in respect of investments valued at FVTOCI are analysed as follows:

(million euros)	
Value as at 31.12.2020	112
Acquisitions and subscriptions	3
Change in fair value through other comprehensive income	(16)
Assignments and reimbursements	(5)
Value as at 31.12.2021	94

12 CURRENT AND NON-CURRENT INVENTORIES

(million euros)	31.12.2020			31.12.2021		
	Gross value	for Impairment losses	Net value	Gross value	for Impairment losses	Net value
Raw materials, consumables and finished goods	93	(13)	80	102	(13)	89
Finished products and goods	50	(32)	18	64	(32)	32
Total current inventories	143	(45)	98	166	(45)	121
Total non-current inventories - Compulsory inventories	363		363	363		363
TOTAL INVENTORIES CURRENT AND NON-CURRENT	506	(45)	461	529	(45)	484

Current inventories of raw materials, consumables and finished goods, net of the provision for impairment losses, primarily include stock materials relating to the pipeline network (42 million euros) to storage plants (14 million euros), and natural gas used for transportation activities (9 million euros).

Inventories of finished products and merchandise mainly refer to the natural gas present in the storage system (619 million euros standard cubic metres, unchanged from 31 December 2020).

The provision for impairment losses essentially relates to the write-down (30 million euros), made in 2014, of 0.4 billion cubic metres of natural gas used in storage activities against strategic gas unduly withdrawn by some service users during 2010 and 2011¹⁸.

Non-current inventories include minimum quantities of natural gas that the storage companies are obliged to hold pursuant to Presidential Decree no. 22 of 31 January 2001 (so-called Compulsory inventories).

The quantities of gas in storage, corresponding to approximately 4.5 billion standard cubic metres of natural gas, are determined annually by the Ministry of Economic Development¹⁹.

Inventories are not pledged to guarantee. Inventories do not secure liabilities, nor inventories recognised at net realisation value.

12.1 Third-party natural gas in storage

Risks for third-party assets in storage, amounting to 3,653 million euros (1,458 million euros at 31 December 2020), relate to approximately 7 billion cubic metres of natural gas deposited in storage facilities by customers benefiting from the service. The amount was determined by valuing the quantities of gas stored at the assumed unit repurchase cost²⁰, which is approximately 0.54 euros per standard cubic metre (0.18 euros per standard cubic metre at 31 December 2020). The increase is mainly due to the progressive increase in the cost of gas on the market.

18 For more information regarding the progress of the lawsuits under way, see Note 25.3.2 "Recovering receivables from users of the storage system".

19 On 12 February 2021, the Ministry confirmed the total volume of strategic storage for the contractual year 2021-2022 (1 April 2021 - 31 March 2022) at 4.62 billion cubic metres or approximately 48,846 gigawatt hours GWh, unchanged compared with the thermal year 2020-2021 (1 April 2020-31 March 2021). The Stogit share was unchanged at 4.5 billion cubic metres.

20 Value calculated on the basis of the CCI Tariff, or the wholesale price established by the ARERA every quarter.

13 OTHER CURRENT AND NON-CURRENT ASSETS

(million euros)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
VAT credits	46		46	201		201
Prepaid expenses	7	13	20	9	14	23
Assets arising from contracts with customers	20		20	34		34
Regulatory activities	1	18	19	17	40	57
Security deposits		14	14		13	13
Ecobonus/Sismabonus credits (*)	14		14	12	21	33
Other tax credits	4		4			
Other	21	3	24		1	1
TOTAL OTHER CURRENT AND NON-CURRENT ASSETS	113	48	161	273	89	362

(*) This item was reclassified from Current income tax assets to Other current assets.

Prepaid expenses (23 million euros) refer to upfront fees and the substitute tax on revolving credit lines (15 million euros) and to insurance premiums (8 million euros);

Security deposits (13 million euros) provided to support operating activities, mainly in connection with the natural gas transmission operations.

Assets from contracts with customers (33 million euros) refer to contract work in progress on biogas plants.

14 CASH AND CASH EQUIVALENTS

Cash and cash equivalents of 1,337 million euros (3,044 million euros at 31 December 2020) consist mainly of current accounts and bank deposits in euros with financial institutions (1,278 million euros), which represent the use of cash held for the Group's financial needs, and cash and cash equivalents from subsidiaries (in total 59 million euros).

The average yield on cash investments is approximately 0.09% and there are no restrictions on their use.

A comprehensive analysis of the financial situation and major cash commitments during the year can be found in the cash flow statement.

15 TRADE RECEIVABLES AND OTHER RECEIVABLES

(million euros)	31.12.2020	31.12.2021
Trade receivables, gross of provision for impairment losses	1,653	2,814
Provision for bad debt	(102)	(85)
Total trade receivables	1,551	2,729
Other receivables		
- Other receivables from the Energy and Environmental Services Fund (CSEA)	79	552
- Advances to suppliers	6	24
- Receivables for private contributions	7	11
- IRES receivables for domestic tax consolidation to former parent company	9	10
- Receivables from joint ventures and associates for dividends	17	
- Other	7	5
Total other receivables	125	602
TOTAL TRADE RECEIVABLES AND OTHER RECEIVABLES	1,676	3,331

Trade receivables, net of the provision for bad debt, mainly pertain to the natural gas transportation (2,108 million euros) and storage (155 million euros) segments.

Trade receivables relating to the storage segment include VAT receivable invoiced to users in previous years for the use of strategic gas collected and not replenished (77 million euros, unchanged from 31 December 2020)²¹.

Trade receivables include receivables from customers related to energy efficiency projects (299 million euros) pending conversion into tax credits for superecbonus.

The provision for bad debt (85 million euros) mainly relates to write-downs made in previous years on receivables arising from the balancing service with which the Authority ordered the partial recognition, to the balancing manager (Snam Rete Gas), of uncollected receivables relating to the period from 1 December 2011 to 23 October 2012 (70 million euros, including related interest)²².

Receivables from the CSEA (552 million euros) mainly relate to the transmission sector and are mainly attributable to receivables for balancing neutrality (493 million euros) and for the interruptibility service (25 million euros).

21 For more details, please refer to note no. 25.3.2 "Recovery of claims against storage system users".

22 Pursuant to the provisions of Resolution 608/2015/R/gas, Snam Rete Gas made a provision for bad debt for a value of approximately 125 million euros, which, following the Council of State's ruling of 5 March 2020, was released at a value of approximately 35 million euros. As at 31 December 2021, the value of the provision for bad debt amounted to 70 million euros (90 million at 31 December 2020) and related to the balancing receivables due to the Company from certain customers with whom bankruptcy proceedings are in progress. The change during the year is due to the conclusion of bankruptcy proceedings concerning a user, which led to the release of part of the provision for bad debt. For more information, refer to Note 25.3.1 "Recovering receivables from certain users of the transportation and balancing system".

Receivables for private contributions (11 million euros) were recognised in respect of third-party interference works involving the transportation segment (so-called compensation).

IRES receivables for the national tax consolidation regime (10 million euros) mainly related to receivables from the former parent company, Eni, relating to the IRES refund request resulting from the partial IRAP deduction relating to tax years 2007 to 2011 (pursuant to Decree-Law 201/2011).

All receivables are in euros.

Receivables from related parties are described in Note 35 "Transactions with related parties".

Specific information on credit risk can be found in Note 25.3 "Financial risk management - Credit risk".

16 CURRENT AND NON-CURRENT INCOME TAX ASSETS/LIABILITIES

(million euros)	31.12.2020	31.12.2021
- Receivables from tax authorities for IRES	17	11
- Receivables from tax authorities for IRAP	1	
- Other tax assets	2	
TOTAL CURRENT INCOME TAX ASSETS	20	11
- Payables to tax authorities for IRES	(1)	(36)
- Payables to tax authorities for IRAP	(1)	(1)
- Other tax liabilities		(13)
TOTAL CURRENT LIABILITIES FOR INCOME TAXES	(2)	(50)

The higher payables to tax authorities for IRES are due to lower payables for the National Tax Consolidation.

Other tax liabilities (13 million euros) refer to income tax liabilities towards the tax authorities.

Taxes for the year under review are shown in Note 32 "Income taxes".

17 CURRENT AND NON-CURRENT FINANCIAL LIABILITIES

(million euros)	31.12.2020						31.12.2021					
	Current financial liabilities			Non-current financial liabilities			Current financial liabilities			Non-current financial liabilities		
	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Total long-term portion	Total debt	Short-term liabilities	Short-term portion	Long-term portion maturing within 5 years	Long-term portion maturing in more than 5 years	Totale quota a lungo termine	Total debt
Bond loans		308	4,012	3,820	7,832	8,140	1,172	4,638	3,328	7,966	9,138	
Bank loans	1,501	1,287	1,384	1,101	2,485	5,273	610	688	1,417	980	2,397	3,695
Euro Commercial Paper - ECP	2,503					2,503	2,503					2,503
Other lenders							2					2
Financial payables for leased assets		6	13	2	15	21		6	12	2	14	20
TOTAL CURRENT AND NON-CURRENT FINANCIAL LIABILITIES	4,004	1,601	5,409	4,923	10,332	15,937	3,115	1,866	6,067	4,310	10,377	15,358

17.1 Short-term financial liabilities

Short-term financial liabilities, amounting to 3,115 million euros, mainly include to the use of floating rate uncommitted bank credit lines (610 million euros) and the issuing of unsecured short-term bonds (Euro Commercial Papers) issued by the money market and placed with institutional investors (2,503 million euros)²³. The 889 million euro decrease compared to 31 December 2020 is mainly due to lower net drawdowns on uncommitted credit lines (890 million euros).

The weighted average interest rate on short-term financial liabilities was -0.36% (-0.15% for 2020).

There are no short-term financial liabilities denominated in currencies other than the euro.

²³ At the date of this document, the Euro Commercial Paper programme had been used for the entire amount of 2.5 billion.

17.2 Long-term financial liabilities and short-term portions of long-term financial liabilities

Long-term financial liabilities, including the short-term portion of long-term liabilities, amounted to a total of 12,243 million euros relate to bond loans (9,138 million euros), bank loans (3,085 million euros) and financial payables for leased assets (20 million euros).

The breakdown of bond loans, indicating the issuing company, the year of issue, the currency, the average interest rate and the maturity, is provided in the following table.

(million euros)	Nominal value e 31.12.2020	Nominal value 31.12.2021	Rate (%)	Issued (year)	Maturity (year)	Balance at 31.12.2020	Balance at 31.12.2021
Euro Medium Term Notes (EMTN)							
Bond 5.25	582	582	5.25	2012	2022	588	590
Bond 3.375 (a)	259		3.375	2013	2021	267	
Bond 3.25	385	385	3.25	2014	2024	395	395
Bond 1.50 (b)	190	190	1.50	2014	2023	193	193
Bond 1.375	167	167	1.375	2015	2023	156	160
Bond 0.875	1,250	1,250	0.875	2016	2026	1,246	1,247
Bond 1.250%	339	339	1.250	2017	2025	342	342
Floating Bond	151	151	0.6+eur3m	2017	2022	151	151
Floating Bond	106	106	0.836	2017	2024	106	106
Bond 1.375%	650	650	1.375	2017	2027	648	649
Bond 1.000% (c)	522	522	1.000	2018	2023	520	520
Bond 1.250% (Climate Action bond)	500	500	1.250	2019	2025	499	500
Bond 1.625%	250	250	1.625	2019	2030	252	252
Bond 0%	700	700	0	2019	2024	696	697
Bond 1%	600	600	1	2019	2034	590	591
Bond 0.75% (Transition bond)	500	500	0.75	2020	2030	500	500
Bond 0% (Transition bond)	600	600	0	2020	2028	596	597
Bond 0% (Transition bond)		500	0	2021	2025		500
Bond 0.75% (Transition bond) - TAP		250	0.75	2021	2030		258
Bond 0.625% (Transition bond)		500	0.625	2021	2031		494
Total Euro Medium Term Notes (EMTN)	7,751	8,742				7,745	8,742
Convertible bonds							
Convertible Bond	400	397	0	2017	2022	395	396
TOTAL BOND LOANS	8,151	9,139				8,140	9,138

(a) Bond expired on 29/01/2021.

(b) Bond loan tapped in January 2015 for an incremental amount of 250 million euros, with the same interest rate and maturity as the original placement.

(c) Bond loan tapped in November 2018 for an incremental amount of 300 million euros, with the same interest rate and maturity as the original placement.

Bonds (9,138 million euros) increased by 998 million euros compared to 31 December 2020 mainly as a result of the issue: (i) of a fixed rate Transition Bond, for a nominal amount of 250 million euros, maturing on 17 June 2030; (ii) of a fixed rate Transition Bond, for a nominal amount of 500 million euros, maturing on 15 August 2025; (iii) of a fixed rate Transition Bond, for a nominal amount of 500 million euros, maturing on 30 June 2031. These changes were partly offset by the repayment of a fixed rate bond maturing on 29 January 2021, with a nominal amount of 259 million euros.

Payables for bank loans (3,085 million euros) mainly relate to maturing loans (term loans), of which 1,538 million euros concern European Investment Bank (EIB) funding.

There are no other long-term bank loans denominated in currencies other than the euro.

The weighted average interest rate on bank loans used (excluding loan contracts with the EIB) was 0.2%²⁴ (0.4% for FY 2020).

There were no breaches of loan agreements as at the reporting date.

Snam also has unused committed credit lines totalling 3.35 billion.

Financial covenants and negative pledge commitments

At 31 December 2021, Snam has bilateral and syndicated loan agreements in place with banks and other lenders that are not secured by collateral.

Some of these agreements include, inter alia, compliance with typical international practice commitments, some of which are subject to specific materiality thresholds, such as, for example: (i) negative pledge commitments pursuant to which Snam and its subsidiaries are subject to limitations concerning the pledging of real property rights or other restrictions on all or part of the respective assets, shares or merchandise; (ii) pari passu and change-of-control clauses; (iii) limitations on certain extraordinary transactions that the Company and its subsidiaries may carry out; and (iv) limits on the debt of subsidiaries.

Failure to comply with these covenants, and the occurrence of other events such as cross-default events could result in Snam's failure to comply and, possibly, trigger the early repayment of the related loan. Exclusively for the EIB loans, the lender has the option to request additional guarantees if Snam's credit rating is lower than BBB (Standard & Poor's/Fitch Ratings Limited) or Baa2 (Moody's) for at least two of the three ratings agencies.

The occurrence of one or more of the aforementioned scenarios could have negative effects on Snam Group's operations, results, balance sheet and cash flow, resulting in additional costs and/or liquidity issues.

At 31 December 2021, the financial debt subject to these restrictive clauses amounted to approximately 3.1 billion.

²⁴ It excludes the depreciation of the upfront fees.

Bond loans issued by Snam as at 31 December 2021, with a nominal value of approximately 9.1 billion, mainly referred to securities issued under the Euro Medium Term Notes programme. The covenants established for the programme's securities are typical of international market practice and consist of, inter alia, negative pledge and pari passu clauses. Specifically, under the negative pledge clause, Snam and its material subsidiaries are subject to limitations to pledging or maintaining encumbrances on all or part of their assets or proceeds to guarantee present or future debt, unless this is explicitly permitted.

17.3 Breakdown of net financial debt

The breakdown of net financial debt, showing transactions with related parties, is provided in the following table:

(million euros)	31.12.2020	31.12.2021
A. + B. Cash and cash equivalents	3,044	1,337
C. Other current financial assets	1	
D. Liquidity (A + B + C)	3,045	1,337
E. Current financial debt (including debt instruments, but excluding the current portion of non-current financial debt)	4,004	3,115
F. Current portion of non-current financial debt (*)	1,601	1,866
G. Current financial debt (E + F)	5,605	4,981
<i>of which with related parties</i>		2
H. Net current financial debt (G - D)	2,560	3,644
I. Non-current financial debt (excluding current portion and debt instruments) (*)	2,500	2,411
J. Debt instruments	7,832	7,966
K. Trade payables and other non-current payables		
L. Non-current financial debt (I + J + K)	10,332	10,377
<i>of which with related parties</i>		
M. Total financial debt (H + L) (**)	12,892	14,021

(*) They include financial liabilities for leased assets recognised in accordance with IFRS 16 "Leases", of which 14 million euros are long-term and 6 million euros are short-term portions of long-term financial liabilities.

(**) Determined in compliance with Consob Communication no. DEM/6064293 of 2006, as amended on 5 May 2021 in implementation of the new ESMA recommendations 32-232-1138 of 4 March 2021 on the subject of net financial position. Consistently, the relative value at 31 December 2020 was restated, generating an increase in net debt of 5 million euros following the exclusion of short-term financial receivables.

17.4 Reconciliation of net financial debt

In compliance with the provisions of IAS 7 “Statement of Cash Flows”, we provide below the cash and non-cash changes to liabilities arising from financing activities and to assets included in net financial debt.

(million euros)	31.12.2020	Changes in cash flow	Changes without impact on cash flow			31.12.2021
			Impact of IFRS 16	Change in scope of consolidation	Other changes	
Cash and cash equivalents	3,044	(1,706)		(1)		1,337
Securities available for sale and held to maturity	1	(1)				
Liquidity and financial receivables	3,045	(1,707)		(1)		1,337
Short-term financial liabilities (*)	4,004	(889)				3,115
Long-term financial payables (*)	11,912	305			6	12,223
Financial payables for leased assets	21	(7)	6			20
Gross financial debt	15,937	(591)	6		6	15,358
Net financial debt	12,892	1,116	6	1	6	14,021

(*) Including cash and cash equivalents resulting from changes in the scope of consolidation.

(**) Includes the current portion of long term financial payables.

18 PROVISIONS FOR RISKS AND CHARGES

(million euros)	31.12.2020						
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Other changes	Final balance
				Against charges	for excess		
Provision for decommissioning and site restoration	647		6	(15)	(1)	73	710
Provision for litigation	18	1		(1)	(3)		15
Provision for tax litigation	6			(1)	(1)		4
Other provisions	42	40		(13)			69
TOTAL PROVISIONS FOR RISKS AND CHARGES	713	41	6	(30)	(5)	73	798

(million euros)	31.12.2021						
	Opening balance	Provisions	Increases due to passing of time	Utilisations		Other changes	Final balance
				Against charges	for excess		
Provision for decommissioning and site restoration	710		4	(21)		20	713
Provision for litigation	15	4			(3)		16
Provision for tax litigation	4	1			(1)		4
Other provisions	69	15		(28)	(7)		49
TOTAL PROVISIONS FOR RISKS AND CHARGES	798	20	4	(49)	(11)	20	782

The provision for decommissioning and site restoration includes the discounted estimate of costs expected to be incurred for the removal of facilities and the restoration essentially of sites in the natural gas storage (Euro 532 million) and transportation²⁵ (Euro 175 million) business operating segments. The discounting for the provision for decommissioning and site restoration was carried out using the corresponding to the euro area Corporate Bond returns with an "AA" rating. The rate thus determined was between 0.33% and 1.02%.

The last deadline in chronological order for disbursements related to the dismantling and restoration storage sites refers to the Bordolano concession, in 2041.

²⁵ The costs refer to the estimated expenses for the removal of the connection works to the Livorno LNG regasification terminal - OLT Offshore LNG Toscana.

The other changes refer to the effects of the reduction in expected discounting rates and the upward revision of the estimated dismantling and restoration site costs that mainly refer to the storage segment.

The provision for litigation includes costs which the Company has estimated it will incur for existing lawsuits.

The provision for litigation includes costs which the Company has estimated it will incur for existing lawsuits.

Other provisions for risks and charges mainly concern: (i) charges that the Group's insurance company Gasrule Insurance DAC expects to incur for insured claims (21 million euros); (ii) the provision for voluntary redundancies (10 million euros); (iii) the provision relating to the estimate of probable charges of a fiscal and financial nature (9 million euros).

The sensitivity²⁶ of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate, without any change in the other assumptions.

(million euros)	Change in discount rate	
	10% reduction	10% increase
Effect on the net obligation at 31.12.2020		
Change in the provision for decommissioning and site restoration at 31.12.2021	14	(14)

19 DEFERRED TAX LIABILITIES/ASSETS

(million euros)	31.12.2020	31.12.2021
Deferred tax liabilities, before offsetting	568	230
Offsetting with deferred tax assets	(455)	(195)
DEFERRED TAX LIABILITIES	113	35
Deferred tax assets, before offsetting	(478)	(497)
Deferred tax liabilities which can be offset	455	195
DEFERRED TAX ASSETS	(23)	(302)

26 For the purposes of sensitivity, only provisions for risks and charges showing a significant accretion discount were taken into account.

Deferred tax liabilities and assets, before offsetting, are analysed below, based on the nature of the most significant temporary differences:

(million euros)	31.12.2020							
	Opening balance	Changes recognised in income statement	Impact recognised in shareholders' equity	Other changes	Change in scope of consolidation	Final balance	of which: IRES	of which: IRAP
Depreciation, amortisation and impairment carried out for tax purposes only	408	(14)				394	394	
Site dismantling and restoration	94			20		114	98	16
Revaluations of tangible assets	21	(1)			11	31	28	3
Capitalisation financial expense	7	(1)				6	5	1
Write-down of excess receivables	3	0				3	3	
Other temporary differences	15	4		1		20	18	2
Deferred tax liabilities, before offsetting	548	(12)		21	11	568	546	22
Site dismantling and restoration	(182)	3		(20)		(199)	(170)	(29)
Non-deductible depreciation and amortisation	(151)	(21)				(172)	(170)	(2)
Provisions for risks and charges and other non-deductible provisions	(51)	(1)				(52)	(45)	(7)
Grants and contractual contributions	(20)	1				(19)	(16)	(3)
Employee benefits	(10)	4				(6)	(6)	
Other temporary differences	(28)	1	(1)	(2)		(30)	(29)	(1)
Deferred tax assets, before offsetting	(442)	(13)	(1)	(22)		(478)	(436)	(42)

(million euros)	31.12.2021							
	Opening balance	Changes recognised in income statement	Impact recognised in shareholders' equity	Other changes	Change in scope of consolidation	Final balance	of which: IRES	of which: IRAP
Depreciation, amortisation and impairment carried out for tax purposes only	394	(336)				58	58	
Site dismantling and restoration	114			5		119	102	17
Revaluations of tangible assets	31	3				34	32	2
Capitalisation financial expense	6					6	5	1
Write-down of excess receivables	3					3	3	
Other temporary differences	20	(9)		(1)		10	8	2
Deferred tax liabilities, before offsetting	568	(342)		(4)		230	208	22
Site dismantling and restoration	(199)	4		(5)		(200)	(171)	(29)
Non-deductible depreciation and amortisation	(172)	(31)				(203)	(201)	(2)
Provisions for risks and charges and other non-deductible provisions	(52)	7	4			(41)	(37)	(4)
Grants and contractual contributions	(19)	1				(18)	(15)	(3)
Employee benefits	(6)	1	(1)			(6)	(6)	
Other temporary differences	(30)	1				(29)	(26)	(3)
Deferred tax assets, before offsetting	(478)	(17)	3	(5)		(497)	(456)	(41)

The changes noted on the income statement refer mainly to the utilisation of deferred tax liabilities (336 million euros) essentially related to the effects of the tax realignment pursuant to Decree-Law 14 August 2020 no. 104. For further details, reference is made to note 32 "Income taxes".

20 LIABILITIES FOR EMPLOYEE BENEFITS

(million euros)	31.12.2020	31.12.2021
Employee severance indemnity (TFR)	25	26
Supplementary Health Insurance for Managers of Eni companies (FISDE)	6	7
Isopension Fund	6	
Other liabilities - employee benefits related to seniority bonuses	3	3
TOTAL LIABILITIES FOR EMPLOYEE BENEFITS	40	36

The provision for employee severance pay (TFR), governed by Article 2120 of the Italian Civil Code, represents the estimated liability determined on the basis of actuarial procedures for the amount to be paid to employees at the time that the employment is terminated. The principal amount of the benefit is equal to the sum of portions of the allocation calculated on compensation items paid during the employment and revalued until the time that such relationship is terminated. Due to the legislative changes introduced from 1 January 2007 for companies with more than 50 employees, a significant part of severance pay to be accrued is classified as a defined-contribution plan since the company's only obligation is to pay the contributions to the pension funds or to INPS. Liabilities related to severance pay pre-dating 1 January 2007 remain a defined-benefit plan to be valued using actuarial methods.

The FISDE includes the estimated actuarially determined charges for the contributions to be paid to serving²⁷ and retired managers.

FISDE provides financial supplementary healthcare benefits to Eni Group²⁸ executives and retired executives whose most recent contract of employment was as an executive with the Eni Group. FISDE is funded through the payment of: (i) contributions by member companies; (ii) contributions paid by Shareholders for themselves and their immediate family; and (iii) ad hoc contributions for specific benefits. The amount of the liability and the healthcare cost are determined on the basis, as an approximation of the estimated healthcare expenses paid by the fund, of the contributions paid by the company in favour of pensioners.

The early retirement fund refers to expenses incumbent upon the employer from application of the implementation agreement, relating to the early retirement instrument for employees regulated pursuant to Article 4 paragraphs 1 - 7 of Law 92/2012 (the "Fornero Law").

Deferred monetary incentive plans are allocated to executives who have met the goals set out in the year preceding the allocation year, and allocate a basic incentive that is disbursed after three years and varies according to the performance achieved by the Company during the course of the three-year period following the time of the allocation. The benefit is provisioned when Snam's commitment to the employee arises. The estimate is subject to revision in future periods, based on the final accounting and updates to profit forecasts (above or below target).

²⁷ For executives in service, contributions are calculated from the year in which the employee retires and refer to the years of service provided.

²⁸ The fund provides the same benefits to the managers of the Snam Group.

The long-term monetary incentive plans, involve the granting and payment, of a variable monetary bonus tied to a measure of company performance. Obtaining the benefit depends on the achievement of certain future performance levels and is conditional on the beneficiary remaining with the Company for the three-year period following the allocation (the “vesting period”). This benefit is allocated pro rata over the three-year period depending on the final performance parameters. From 2017, the new share-based variable long-term incentive plan (equity ILT) was introduced instead of the long-term monetary incentive plans (IMD and ILT)²⁹.

Seniority bonuses are benefits paid upon reaching a minimum service period at the company and are paid in kind in the form of goods and/or services.

The composition and changes in liabilities for employee benefits, determined by applying actuarial methods, are as follows:

(million euros)	31.12.2020					31.12.2021				
	TFR	FISDE	Isopension Fund	Other liabilities	Total	TFR	FISDE	Isopension Fund	Other liabilities	Total
OPENING LIABILITIES FOR EMPLOYEE BENEFITS	25	4	12	5	46	25	6	6	3	40
Costs related to current services (recognised in "personnel costs")		1			1	1		(4)		(3)
Actuarial (gains)/losses resulting from experience adjustments (recognised in other comprehensive income)		1			1	1				1
Actuarial (gains)/losses resulting from changes in financial assumptions						1	1			2
Benefits paid	(2)		(6)	(2)	(10)	(2)		(2)		(4)
Change in the scope of consolidation	2				2					
CLOSING LIABILITIES FOR EMPLOYEE BENEFITS	25	6	6	3	40	26	7	0	3	36

29 For more information on the characteristics of this plan, refer to the “Other information” paragraph of the Directors’ Report.

The main actuarial assumptions used to determine liabilities at the end of the year and to calculate the cost for the following year are indicated in the table below.

(million euros)	31.12.2020			31.12.2021		
	TFR	FISDE	Other liabilities	TFR	FISDE	Other liabilities
Discount rate (%)	0.6	0.6	0.6	0.9	0.9	0.9
Inflation rate (%) (*)	0.7	0.7	0.7	1.9	1.9	1.9

The discount rate adopted was determined by considering the yields on bonds issued by Eurozone companies with AA ratings.

The employee benefit plans recognised by Snam are subject, in particular, to interest rate risk, as a change in the discount rate could result in a significant change in the liability.

The table below illustrates the effects of a reasonably possible change in the discount rate at the end of the year. It should also be noted that any changes relating to mortality do not have a significant effect on liability. The sensitivity of the discount rate represents the change in the value of the actuarial liability obtained using the end-of-year valuation data, changing the discount rate by a certain number of basis points, without any change in the other assumptions.

(million euros)	Variazional tasso di attualizzazione	
	Reduction of 0.5%	Increase of 0.5%
Effect on net obligation at 31.12.2021		
Change in TFR liabilities at 31.12.2021	(2)	(4)
Change in FISDE liabilities at 31.12.2021	(1)	(2)

The maturity profile of the obligations for employee benefit plans is shown in the following table:

(million euros)	31.12.2020					31.12.2021				
	TFR	FISDE	Isopension Fund	Other liabilities	Total	TFR	FISDE	Isopension Fund	Other liabilities	Total
Within the next financial year	2		5		7	2				2
Within five years	6		1	1	8	4				4
Over five and up to ten years	9	1		1	11	9	1		1	11
More than ten years	8	5		1	14	11	6		2	19
TOTAL LIABILITIES FOR EMPLOYEE BENEFITS	25	6	6	3	40	26	7		3	36

The weighted average maturity of obligations for employee benefit plans is shown below:

(million euros)	31.12.2020			31.12.2021		
	TFR	FISDE	Other liabilities	TFR	FISDE	Other liabilities
Weighted average duration (years)	9	23	11	9	24	11

21 OTHER CURRENT AND NON-CURRENT LIABILITIES

(million euros)	31.12.2020			31.12.2021		
	Current	Non-current	Total	Current	Non-current	Total
Regulatory liabilities	48	82	130	19	42	61
Market value of derivative cash flow hedges						
- Fair value interest rate hedging derivatives	3	34	37	2	1	3
- Accrued expenses on derivatives	1		1			
IRPEF withholdings for employees	7		7	7		7
Other taxes	1		1	5	14	19
Security deposits		92	92		641	641
Liabilities for advances from third parties	5	2	7			
Liabilities for connection contributions		4	4		3	3
Other	5		5	20	17	37
TOTAL OTHER CURRENT AND NON-CURRENT LIABILITIES	70	214	284	53	718	771

Regulatory liabilities essentially refer to the transportation segment (60 million euros) mainly made up of penalties charged to users that exceeded the capacity committed, to be repaid to the system through tariff adjustments. The current and non-current portions amount to 19 and 41 million euros respectively (49 and 52 million euros respectively at 31 December 2020). The reduction in regulatory liabilities relating to the storage segment (28 million euros) is due to the regularisation of regulatory items relating to past years for balancing and reinstatement fees.

Liabilities arising from the valuation at market value of cash flow hedge derivatives (3 million euros in total) refer to two interest rate swap derivative contracts. Interest Rate Swaps are used to hedge the risk of interest rate fluctuations on a bond loan, with a nominal amount of 106 million euros, and a variable rate bank loan, with a nominal amount of 150 million euros. Through derivatives, floating rate liabilities are converted into an equivalent fixed rate liabilities.

The main characteristics of the derivatives in question are summarised in the tables below:

INTEREST RATE SWAP - FORWARD START

(million euros)

Type of derivative contract	Contract start date	Contract expiry date	Early extinguishment date	Remaining duration (years)	Snam pays	Snam receives	Nominal value 31.12.2020	Nominal value 31.12.2021	Market value 31.12.2020	Market value 31.12.2021
IRS - Forward start (*)	15 April 2021	15 April 2028	15 July 2021	6.3	1.3130%	Euribor 6 m	250		30	

(*) Derivative closed on 08 February 2021.

INTEREST RATE SWAP

(million euros)

Type of derivative contract	Contract effective date	Maturity date	Residual term (years)	Snam pays	Snam receives	Nominal value 31.12.2020	VNominal value 31.12.2021	Market value 31.12.2020	Market value 31.12.2021
Interest Rate Swap	02 August 2017	02 August 2024	2.6	0.4360%	3 month Euribor	106	106	4	2
Interest Rate Swap	31 July 2018	31 July 2022	0.6	0.1250%	3 month Euribor	150	150	2	1
Interest Rate Swap	30 July 2018	31 October 2021	-0.2	0.0570%	3 month Euribor	250		1	
Interest Rate Swap (**)	31 October 2018	31 October 2021	-0.2	-0.0440%	3 month Euribor	250		1	
TOTALE INTEREST RATE SWAP						756	256	8	3

(**) Derivative closed on 30 July 2021.

The fair value hedging derivatives and their classification as a current or non-current asset/liability have been determined using generally accepted financial measurement models and market parameters at the end of the year.

Information on the risks hedged by the derivatives and on policies adopted by the Company to hedge against these risks is provided in Note 25 - Financial risk management".

The security deposits are paid as a guarantee by the users of the balancing service, pursuant to Resolution ARG/gas 45/11. For further details, please refer to the "Comments on the economic-financial results" of the Directors' Report.

Liabilities for advances from third parties mainly relate to the advance fee for the concession of the use of fibre optic cables to a telecommunications operator.

22 TRADE PAYABLES AND OTHER PAYABLES

(million euros)	31.12.2020	31.12.2021
Trade payables for the purchase of goods and services	639	1,348
Total trade payables	639	1,348
Other payables		
- Payables to the Energy and Environmental Services Fund (CSEA)	575	677
- Payables for investment activities	394	412
- Interim dividend	326	343
- Payables to employees	38	42
- Payables to pension and social security institutions	21	22
- Other	36	45
Total other payables	1,390	1,541
TOTAL TRADE PAYABLES AND OTHER PAYABLES	2,029	2,889

Trade payables for the purchase of goods and services mainly relate to the transport segment (1,132 million euros, of which 1,011 million euros from balancing activities).

Trade payables for investments mainly relate to the natural gas transportation (296 million euros) and storage (60 million euros) segments.

Payables to the CSEA mainly relate to accessory tariff components applied to transportation service users.

The interim dividend (343 million euros) refers to payable to shareholders following the 2021 interim dividend of 0.1048 euros per share, approved on 03 November 2021. The advance payment was made as of 26 January 2022.

Note 35 "Transactions with related parties" contains information about payables due to related parties.

23 SHAREHOLDERS' EQUITY

(million euros)	31.12.2020	31.12.2021
Share capital	2,736	2,736
Treasury shares	(361)	(354)
Share premium reserve	611	611
Legal reserve	547	547
Cash flow hedge reserve	(67)	(54)
Reserve for defined-benefit plans for employees	(9)	(11)
Fair value reserve for equity investments	48	32
Reserve for business combinations under common control	(674)	(674)
Other reserves	39	100
Total reserves	(116)	(60)
Retained earnings	2,824	3,117
Interim dividend	(326)	(343)
Profit for the year	1,101	1,496
Total retained earnings	3,599	4,270
<i>Equity attributable to parent company shareholders</i>	<i>6,469</i>	<i>7,203</i>
<i>Minority interests</i>	<i>3</i>	<i>37</i>
TOTAL EQUITY	6,472	7,240

23.1 Share capital

At 31 December 2021, the share capital consisted of 3,360,857,809 shares without nominal value (at 31 December 2020), against a total value of 2,735,670,475.56 euros (at 31 December 2020).

23.2 Treasury shares

Negative reserve holds a purchase cost of no. 88,556,228 treasury shares as at 31 December 2021 (90,642,115 as at 31 December 2020), as a total amount of 354 million euros (361 million euros at 31 December 2020). The decrease of 7 million euros compared to 21 December 2020 was primarily due to: (i) the allocation of shares to Snam managers under the 2018 Stock Incentive Plan (2,441,742 shares), whose vesting period expired in July 2021; (ii) the conversion of the Convertible Bond into shares (667,779 shares), which expires on 20 March 2020.

Detailed information on treasury shares and long-term share-based incentive plans are shown in the "Other information" section of Directors' Report, to which reference should be made.

23.3 Share premium reserve

The share premium reserve at 31 December 2021 amounted to 611 million euros (the same at 31 December 2020).

23.4 Reserves

Legal reserve

The legal reserve amounted to 547 million euros at 31 December 2021 (unchanged at 31 December 2020) and has already reached one-fifth of the share capital as required by Article 2430 of the Italian Civil Code.

Cash flow hedge reserve

Cash flow hedge reserve (-54 million euros, -67 million euros at 31 December 2020) includes the fair value measurement of derivative instruments, net of related tax effects, on 2 interest rate swap (IRS) contracts, which are described in Note 21 "Other current and non-current liabilities".

The changes in the reserve during the course of the year are shown below:

(million euros)	Gross reserve	Tax effect	Net reserve
BALANCE AT 01.01.2020	(81)	19	(62)
Changes in 2020	(6)	1	(5)
BALANCE AT 31.12.2020	(87)	20	(67)
Changes in 2021	17	(4)	13
BALANCE AT 31.12.2021	(70)	16	(54)

Reserve for defined-benefit plans for employees

At 31 December 2021, Reserve for defined-benefit plans for employees -11 million euros (-9 million euros at 31 December 2020) included actuarial losses, net of the relative tax effect, recognised under other components of the comprehensive income statement pursuant to IAS 19.

Fair value reserve for equity investments

The fair value reserve as at 31 December 2021 (32 million euros; 48 million euros as at 31 December 2020) includes the change in fair value, net of tax effects of minority interests that were designated as accounted for FVTOCI upon initial recognition ("fair value recognized through other comprehensive income"). See Note 11 "Other current and non-current financial assets" for further details.

Reserve for business combinations under common control

Reserve for business combinations under common control (-674 million euros; unchanged from 31 December 2020) recognised in 2009, relates to the value arising from the difference between the purchase cost of the Stogit investment and the related shareholders' equity attributable to the group at the date of completion of the transaction, as part of a business combination under common control (BCUCC) transaction carried out in 2009 with the former parent company Eni.

Other reserves

Other reserves of 100 million euros (39 million euros as at 31 December 2020) mainly refer to the portion of the other elements of the comprehensive income statement of equity investments accounted for using the equity method.

23.5 Retained earnings

Retained earnings include:

- profits relating to previous years, which amounted to 3,117 million euros (2,824 million euros at 31 December 2020); the increase of 293 million euros is due to the allocation of the residual profit for FY 2020 (285 million euros) after the distribution of dividends;
- the interim dividend of 343 million euros, equal to 0.1048 euros per share, was approved on 3 November 2021 by the Board of Directors pursuant to Article 2433-bis, paragraph 5 of the Italian Civil Code. The interim dividend was paid out as of 26 January 2022, with an ex-coupon date of 24 January 2022 and a record date of 25 January 2022;
- profit for the 2021 financial year of 1,496 million euros.

23.6 Dividends declared and distributed and dividends to be distributed

On 28 April 2021, the Snam S.p.A. Shareholders' Meeting approved the distribution of the ordinary dividend of 0.2495 euros per share, including 0.0998 euros per share for an amount of 326 million euros already distributed by way of an interim dividend. The final dividend of 0.1497 euros per share, amounting to 490 million euros, was paid from 23 June 2021 with an ex-dividend date of 21 June 2021 and a record date of 22 June 2021.

In its meeting of 16 March 2022, the Board of Directors proposed to the Shareholders' Meeting convened for 27 April 2022 the distribution of an ordinary dividend of 0.2620 euros per share, of which 0.1048 euros per share, for an amount of 343 million euros, was already distributed as the interim dividend. The dividend of 0.1572 euros per share will be paid out from 22 June 2022, with an ex-coupon date of 20 June 2022 and a record date of 21 June 2022.

24 GUARANTEES AND COMMITMENTS

The Group's guarantees and commitments are outlined below:

(million euros)	31.12.2020	31.12.2021
Guarantees given, and to be given, to third parties on behalf of the associate company TAP	1,129	
Commitments with regards to associate company TAP	113	
GUARANTEES AND COMMITMENTS - ASSOCIATE COMPANY TAP	1,242	
GUARANTEES GIVEN TO THIRD PARTIES IN THE INTEREST OF SUBSIDIARIES	178	1,350
of which:		
- Guarantees given to third parties in the interest of the subsidiary Snam International B.V. in relation to the TAP project		129
GROUP COMMITMENTS FOR THE PURCHASE OF GOODS AND SERVICES (*)	1,168	1,021

(*) The value includes legally binding orders at the reference date.

24.1 Guarantees given in the interest of subsidiaries

Guarantees given in the interest of subsidiaries (1,350 million euros; 178 million euros as at 31 December 2020) mainly relate to:

- (i) guarantee given in favour of third parties in the interest of the subsidiary Snam International B.V. (1,129 million euros). For more details, see paragraph 24.1.1 below;
- (ii) guarantees provided in favour of the Italian Revenue Agency mainly on behalf of the subsidiaries Stogit, GNL, Snam4Mobility and Enura (114 million euros);
- (iii) indemnities issued in favour of third-parties to guarantee the execution of works (83 million euros);
- (iv) bank guarantees in favour of the INPS to guarantee fulfilment of the obligations undertaken under the scope of provisions connected with early retirement, regulated by Article 4, paragraphs 1-7 of Law 92/2012-Fornero Law (21 million euros).

24.1.1 Guarantee given in the interest of the subsidiary Snam International B.V. in relation to the TAP project

With the achievement of the Financial Completion Date on 31 March 2021, upon the verification of certain requirements agreed with the financing institutions, including, in particular, the completion of the verifications in relation to the commissioning of the plant, was the released on the same date, of the first-demand guarantee issued by the shareholders of TAP in favour of the financing institutions to support TAP financing during the construction of the project (the so-called "Debt Service Guarantee"; with a maximum pro-rata Snam amount of 1,129 million euros at 31 December 2020).

With reference to Snam commitments to finance the project as a shareholder, to the extent of the stake it holds (20%), it should also be noted that, following the Financial Completion Date and the completion of the disbursement of the last tranche of bank loans, it no longer has any commitments to finance the project (113 million euros at 31 December 2020).

At present, and until repayment of the loan, a mechanism is foreseen to support the repayment of the TAP outstanding financial debt (the so-called "Debt Payment Undertaking") which would be activated, unlike the guarantee on first demand, upon the occurrence of specific and determined conditions linked to exceptional events of an extraordinary nature. The maximum pro-rata Snam amount of the guarantee is 1,129 million euros.

The financial documentation signed under the scope of the Project Financing concluded for TAP foresees, moreover, some limitations for the shareholders typical for operations of this type, including: (i) a restriction on the possibility of TAP shares being freely available according to certain time frames; (ii) the pledging of the shares owned by Snam in TOP in favour of the lenders for the entire duration of the loan.

24.2 Group commitments for the purchase of goods and services

The commitments for the purchase of goods and services (1,021 million euros; 1,168 million as at 31 December 2020) mainly regard the commitments made with suppliers for the purchase of tangible fixed assets and the supply of services relative to the investments being made.

Commitments to the Clean H2 Infra Fund (HY24), equal to 33 million euros, refer to Snam S.p.A.'s residual commitment, as part of the investment programme that the fund proposes to carry out over a total of six years. These funds may be called, even partially and in several tranches, upon identification by the Fund of potential eligible investments pursuant to the fund rules.

24.3 Other unevaluated commitments and risks

Other unrecognised commitments and risks refer mainly to commitments undertaken at the time of the closing of equity purchase transactions, which will continue to apply after the date of execution of those transactions.

As of 31 December 2021, commitments related to the following agreements remain in place:

- the contract through which Eni acquired Stogit, for commitments related to the occurrence of future events, such as (i) the possible different valuation of the gas owned by Stogit, compared to the valuation recognised by ARERA (Autorità di Regolazione per Energia Reti e Ambiente - Energy, Networks and Environment Regulatory Authority) which may emerge in certain contractually defined circumstances; (ii) the possible transfer of the storage capacity which should be freely available on a negotiable basis rather than a regulated basis, or the transfer of concessions held by Stogit at the time of the share transfer that may become dedicated to mainly storage activities which are no longer regulated;
- Commitments arising from the contract through which Edison acquired Terminale GNL Adriatico S.r.l., for commitments related to the benefits that may result from the potential signing of new contracts to use the terminal's capacity;
- purchase contract of Renerwaste S.r.l. with Ladurner, Ladurner Ambiente and AB Invest, for commitments related to the fulfilment of certain conditions, by 2022, for the purchase of two SPVs to which authorisations will be granted for the construction of two further plants for the production of Biogas/Biomethane;
- the contract through which Iren acquired OLT Offshore LNG Toscana S.p.A. for commitments related to the occurrence of future events, including the exceeding of certain contractually defined parameters;
- the contract through which Femo Gas acquired Iniziativa Biometano S.p.A., for commitments connected with the occurrence of future events, including (i) the exceeding in the future of certain contractually defined parameters and, (ii) the obtaining of part of the benefits.

24.4 Greenhouse gas emission allowance system - Emission Trading System

1 January 2021 was the start of the fourth regulatory period (2021-2030) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Legislative Decree 47 of 09 June 2020, which abrogated Legislative Decree no. 30 of 13 March 2013 and transposed Directive 2018/410/EC.

There are 22 Snam Group plants subject to the Emissions Trading regulation, 13 of which are Snam Rete Gas compression plants, 8 Stogit storage facilities and the GNL Italia regasification plant.

In 2021, the free allocation for the Snam Group is expected to be 140,806 allowances, an increase of 17% compared to 2020, due to the new rules introduced by the aforementioned legislation for the fourth ETS period, but it has not yet been formally approved by the Competent Authority.

In FY 2021, dioxide carbon emissions of Snam Group facilities covered by the ETS were overall greater than the emission allowances allocated. Compared to approximately 0.731 million tonnes of carbon dioxide emitted into the atmosphere, a deficit has therefore been recorded of approximately 0.590 million tonnes. The deficit was offset by the quotas purchased by the various companies, with an approximately cost of 33.9 million euros recognised in "Other operating costs and expenses".

25 FINANCIAL RISK MANAGEMENT

25.1 Introduction

The main corporate financial risks identified, monitored and, where specified below, managed by Snam are as follows:

- risk arising from exposure to fluctuations on interest rates;
- credit risk arising from the possibility of counterparty default;
- liquidity risk arising from not having sufficient funds to meet short-term financial commitments.

With regard to the exposure to exchange rate risk, due to the situations currently in place, Snam group's exposure is currently limited with regard to transaction risk, while there is still exposure to translation risk with regard to certain foreign investees that prepare their financial statements in currencies other than the euro. At present, it has been decided not to adopt specific hedging policies for these exposures. For instance, it should be noted that the effects of exchange rate differences deriving from the difference in translation into currency presentation (euro) of the functional currencies of these companies are recognised in the comprehensive income statement.

With regard to the other risks that characterise operations, including those related to the COVID-19 pandemic, please refer to the information provided in the section of the Directors' Report entitled "Risk Management - Elements of risk and uncertainty".

Snam policies and principles for the management and control of financial risks are described below, in accordance with the approach set out in IFRS 7 - Financial Instruments: Disclosures.

25.2 Risk of changes in interest rates

The risk of changes in interest rates is associated with fluctuations in interest rates affecting the market value of the Company's financial assets and liabilities and its net financial expense.

Snam's objective is to optimize the interest rate risk while pursuing its financial objectives.

Snam Group has adopted a centralised organisational model. In accordance with this model, Snam's various departments access the financial markets and use funds to cover financial requirements, in compliance with approved objectives, ensuring that the risk profile stays within defined limits.

At 31 December 2021, the Snam Group used external financial resources in the form of bond loans and bilateral and syndicated loans with banks and other financial institutions, in the form of medium- to long-term loans and bank credit lines at interest rates indexed to the reference market rates, in particular the Europe Interbank Offered Rate (Euribor), and at fixed rates. The exposure to the risk of changes in interest rates at 31 December 2021, taking into account the hedging transactions put in place, was approximately 28% of the total exposure of the Group (33% at 31 December 2020). At 31 December 2021, Snam had interest rate swap (IRS) derivative contracts in place for a notional total of 256 million euros, relating to hedges on a 106 million euros floating-rate bond maturing in 2024 and on bilateral floating-rate loans of 150 million euros maturing in 2023. IRS derivative contracts are used to convert floating rate loans into fixed rate loans.

Though the Snam Group has an active risk management policy, the rise in interest rates relating to floating-rate debt not hedged against interest rate risk could have negative effects on Snam Group's operations, balance sheet and cash flow. Even considering the limited exposure to changes in interest rates, limited to 28% of the Group's total exposure and fully attributable to the Euribor rate, a possible change in the method of calculating the latter and the related fall-back clauses that may be formulated could result in the Snam Group having to adjust the financial contracts that may be affected by the aforementioned change and/or the management of prospective cash flows.

The effects on shareholders' equity and net profit at 31 December 2021 are shown below, assuming a hypothetical change in the interest rate basis points of +/-10% actually applied during the course of the year:

(million euros)	31.12.2021			
	Income statement result		Other components of the comprehensive income statement	
	Interest +10 bps	Interest -10 bps	Interest +10 bps	Interest -10 bps
Floating rate loans not subject to hedging				
Interest rate change effect	(5)	6		
Floating rate loans converted through IRS into fixed rate loans				
Effect of interest rate changes on the fair value of hedging derivatives pursuant to IAS 39 - effective portion of the hedge (*)				
Impacts gross of tax effect	(5)	6		
Tax effect	1	(1)		
IMPACTS NET OF TAX EFFECT	(4)	5		

(*) The change in the interest rate impacts on the change of fair value of derivative hedging instruments recognised, amongst other components, in the comprehensive income statement and, therefore, does not impact on the income statement result.

25.3 Credit risk

Credit risk is the Company's exposure to potential losses arising from counterparties failing to fulfil their obligations. Default or delayed payment of fees may have a negative impact on the economic results and Snam financial balance of. For the risk of non-compliance by the counterparty concerning contracts of a commercial nature, the credit management for credit recovery and any disputes are handled by the business units and the centralised Snam departments. Snam, as far as regulated activities are concerned, which currently represent almost all activities, provides its business services to 230 operators in the gas sector, with 10 operators representing approximately 67% of the entire market (Eni, Edison and Enel Global Trading hold the top three spots). The rules for customer access to the services offered are established by the Authorities and set out in the Network Codes. For each type of service, these documents explain the rules regulating the rights and obligations of the parties involved in selling and providing said services and contain contractual conditions, which significantly reduce the risk of customer default. The Codes contain guarantees to be provided to cover the obligations undertaken. In certain cases, if the customer has a credit rating issued by leading international organisation, the issuing of these guarantees can be mitigated.

The regulations also contain specific clauses which guarantee the neutrality of the entity in charge of balancing, an activity carried out from 1 December 2011 by Snam Rete Gas as the major transportation company. In particular, the current balancing rules require that Snam, on the basis of financial merit criteria, mainly operates in buying and selling on the GME balancing platform to guarantee the necessary resources for the safe and efficient movement of gas from the injection points to the withdrawal points in order to guarantee the constant equilibrium of the network.

As regards non-regulated activities, which will become increasingly important over the Plan time horizon, the company, through its centralised functions, performs a prior analysis of the financial soundness of counterparties in order to minimise this risk.

Snam's maximum exposure to credit risk as at 31 December 2021 is represented by the book value of the financial assets recorded in the financial statements, detailed in Note 15 "Trade and other receivables".

The following table shows a breakdown of trade and other receivables by maturity, indicating the gross value and the value net of the provision for impairment losses:

(million euros)	31.12.2020			31.12.2021		
	Trade receivables ^(*)	Other receivables	Total	Trade receivables ^(*)	Other receivables	Total
Crediti non scaduti e non svalutati	1,357	125	1,482	2,412	602	3,014
Crediti scaduti e non svalutati:	194		194	317		317
- da 0 a 3 mesi	23		23	116		116
- da 3 a 6 mesi	7		7	54		54
- da 6 a 12 mesi	14		14	8		8
- oltre 12 mesi	150		150	139		139
Totale crediti commerciali e altri crediti	1,551	125	1,676	2,729	602	3,331

(*) The exposure is net of overdue and impaired loans for 85 million euros (102 million at 31 December 2020).

The net book value of overdue and non-impaired trade receivables as at 31 December 2021, equal to 317 million euros, refer mainly to: (i) the transportation segment 143 million euros) and mainly relate to receivables from users for items related to the balancing and settlement service; (ii) the storage segment (77 million euros), in particular VAT³⁰ invoiced to users for the use of strategic gas unduly withdrawn and not reintegrated by them within the terms established by the Storage Code during 2010 and 2011.

Approximately 53% of trade receivables (34% as at 31 December 2020) were with extremely reliable clients, including Eni, which represents 9% of total trade receivables (11% as at 31 December 2020).

The following is a description of the credit recovery activities carried out against certain users of the transportation and balancing system and the storage system.

30 As provided for under the applicable legislation, notices of VAT changes may be issued at the end of bankruptcy proceedings or unsuccessful enforcement proceedings.

25.3.1 Recovering receivables from certain users of the transportation and balancing system

The balancing service ensures that the network is safe and that costs are correctly allocated between the market operators. Balancing has both a physical and a commercial purpose. The physical balancing of the system consists of the set of operations through which the Dispatching department of Snam Rete Gas controls flow parameters (capacity and pressure) in real time in order to ensure that gas can move safely and efficiently from injection points to withdrawal points at all times. Commercial balancing 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 into and withdraw from the network.

Pursuant to the current balancing regime, which was introduced by Resolution ARG/gas 45/11 and came into effect on 1 December 2011, in its role as Balancing Supervisor, Snam Rete Gas must ensure that it procures the quantities of gas required to balance the system and offered on the market by users through a dedicated platform of the Energy Market Operator, and, accordingly, it must financially settle the imbalances of individual users by buying and selling gas on the basis of a benchmark unit price (the “principle of economic merit”). The Company must also ensure that it recovers sums owed for the settlement of imbalances from any defaulting users.

Unpaid receivables relating to the period from 1 December 2011 to 23 October 2012

The initial regulation laid down by the Authority with Resolution ARG/gas 155/11 stated that users had to provide specific guarantees to cover their exposure and, where Snam Rete Gas had performed its duties diligently and had not been able to recover the costs related to provision of the service, these costs would have been recovered through a special fee determined by the Authority.

With a subsequent resolution 351/2012/R/gas³¹, the Authority provided for the application of the CVBL variable unit fee to cover uncollected receivables to commence on 1 October 2012, arranging for the charges to be recovered to be spread over a minimum of 36 months with a maximum monthly amount of 6 million euros.

The Authority subsequently launched a fact-finding investigation into the way in which the balancing service was provided for the period between 1 December 2011 and 23 October 2012³². The investigation was closed by Resolution 144/2013/E/gas of 5 April 2013. On the same date, the Authority: (i) opened proceedings to determine the share of costs arising from uncollected receivables owing to the gas balancing supervisor for the period 1 December 2011 - 23 October 2012; and (ii) opened six proceedings aimed at establishing whether there have been violations regarding the natural gas balancing service.

With regard to the preliminary investigation discussed in point (i) above, the proceedings were closed by means of Resolution 608/2015/R/gas, with which the Authority decided not to pay a share of the uncollected receivables in relation to specific cases analysed in the preliminary investigation, in any case subject to Snam Rete Gas’s right to withhold the receivables relating to the income statement entries on balancing, possibly already recuperated. The Company appealed Resolution 608/2015/R/gas, before the Regional Administrative Court of Milan, which partially admitted the appeal submitted by the Company with ruling 942/2017; this was in turn partially appealed by the Company and the Authority. The judgement was then confirmed by Council of State judgement no. 1630/2020, published on 5 March 2020. As a result of

31 The aforementioned resolution was annulled pursuant to the ruling 1587/2014 of the Regional Administrative Court of Milan insofar as the obligation of Users to pay the CVBL consideration of 0.001 €/Scm with effect from 1 October 2012. Moreover, with the subsequent Resolution 372/2014/R/gas the coefficient was redefined at the same amount of 0.001 €/Scm.

32 The time period set for the preliminary investigation which was initially limited to 1 December 2011-31 May 2012, was subsequently extended to 23 October 2012.

these rulings, the Company has obtained recognition, through CSEA, of an amount of approximately 40 million euros (including VAT).

During the above-mentioned investigation period, Snam Rete Gas, having terminated the transportation contracts of the six users involved in the aforementioned proceedings since they either defaulted on payments or failed to comply with the balancing obligations set forth in the industry regulations and the Network Code, initiated steps to recover the receivables relating to balancing and transport items.

The competent legal authorities have issued eleven provisionally enforceable injunction orders, six of which relate to receivables related to the balancing service and five to receivables for the transportation service³³, for which Snam Rete Gas has initiated enforcement procedures that have led to the recovery of negligible amounts with respect to the overall debt position of the Users, also in consideration of the bankruptcy procedures initiated in the meantime by all the Users in question.

In particular, at present:

- five Users were declared bankrupt. With regard to all five Users, Snam Rete Gas obtained measures for admission to the list of creditors for the receivable owed, plus interest. As part of these proceedings, a proposal for arrangement with creditors was submitted and approved by the majority of the creditors; the bankruptcy proceedings, following the final distribution, were closed with recognition of a minimal portion of the claim filed. In addition, a second procedure was recently closed in 2020, after approval and execution of the final distribution, which did not lead to the recognition of any amount in favour of the Company.

33 The users in question have appealed against some of these injunctions. Specifically, as well as requesting the suspension of the provisional enforceability and the revocation and/or declaration as null and void of the injunctions themselves, three users have submitted counterclaims requesting that Snam Rete Gas be ordered to compensate them for alleged damage suffered. The oppositions were declared null and void, with the resulting lapse of the demand and the passage into judgement of the injunction decrees.

- a User applied for admission to the arrangement procedure and the Judicial Authority issued the approval of the arrangement³⁴.

Unpaid receivables after 23 October 2012

In 2013, two further transportation contracts were terminated and Snam Rete Gas initiated injunction proceedings. It obtained three payment orders, of which two for receivables relating to the balancing service and one for the transportation service. Both Users appealed, with the relative rulings rejecting the claims and consolidating the securities acquired by Snam Rete Gas. The executive procedures that were initiated resulted in a negligible recovery of amounts when compared to the overall amounts due from the Users which were then declared bankrupt. Snam Rete Gas regularly submitted its claims in the respective arrangements with creditors. In addition, one of the bankruptcy proceedings was concluded in 2020 with the recovery of minimal amounts with respect to the bankrupted party's total debt.

In 2014, a further transport contract was terminated and Snam Rete Gas initiated provisional executive procedures for recovery of the receivables, one relating to balancing services and the other to transportation services. The User was declared bankrupt and Snam Rete Gas was admitted to the current list of creditors for the entire debt due, plus interest.

Finally, in 2015 a further transportation contract was terminated and Snam Rete Gas initiated debt recovery measures, securing two provisional executive injunctions against the User, one for the balancing service and the other for the transport service. Moreover, the User was recently declared bankrupt and Snam Rete Gas has regularly submitted its claims for the arrangements with creditors.

34 In respect of the approval provision, a claim was brought before the Court of Appeal of Turin, and – in respect to the confirmation procedure adopted by the same Court – the appeal was brought before the Court of Cassation.

Snam Rete Gas, as stated in the provisional executive injunctions issued by the Court, has engaged in proper conduct and complied with the provisions of the transportation contract, the Network Code and, more generally, the applicable legislation.

Lastly, we note that on 12 February 2016 the Public Prosecutor at the Court of Milan ordered the urgent preventive seizure of the moveable and fixed assets belonging to companies and attributable in various guises to the above-mentioned five Users. In May 2017, the investigation was concluded and the investigated parties were charged with the being involved in a criminal association and committing aggravated fraud against Snam Rete Gas. At the preliminary hearing set for 19 December 2018, the judge accepted SRG joining the proceedings as a civil party. The Court granted the investigation requests, declared the trial open, and adjourned the hearing for impending business until February 2022 for the hearing of the witnesses present in the witness list of the Public Prosecutor's Office and with regard to the investigations underlying the charges against the defendants.

These criminal proceedings resulted in the formal complaint report (and subsequent supplementary reports) filed by Snam Rete Gas, as offended party, in October 2012 for the crimes of falsehood and aggravated fraud.

25.3.2 Recovering receivables from users of the storage system

Withdrawals made from strategic storage by three users, invoiced by Stogit and not replenished by the user under the terms specified by the Storage Code

Following withdrawals from strategic storage made by a User in November and December 2010, Stogit asked for and obtained an injunction with regard to the sums due that the user failed to pay. The provisional enforceability was confirmed during the opposition launched by the opposing party. The appropriate executive actions were launched as a result.

Following the withdrawals and the failure to replenish the strategic gas in the initial months of 2011 as well, Stogit requested and obtained a second provisional executive injunction for the further sums accrued.

Urgent proceedings were also launched for the replenishment of all the gas unlawfully withdrawn, concluding with the conviction of the debtor, with the subsequent application for injunctive relief also being rejected.

In 2012 the above user together with another two users (who also defaulted with regard to Stogit) were added to the proceedings for an arrangement with creditors, in which Stogit formally transmitted and documented the amounts of its receivables with these users.

Moreover, following the sub-proceedings to dismiss the arrangement, the Court of Asti declared two of the above-mentioned users bankrupt. In both cases, Stogit promptly filed a proof of claim and its receivables were admitted in full.

However, the procedure for an arrangement with creditors is continuing with regard to the third user, which was appealed by one of the creditors. The Court of Appeal of Turin issued a ruling, confirming the approval of the arrangement with creditors.

Withdrawals made from strategic storage by a user, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, ascribable to the 2010-2011 and 2011-2012 thermal years

Stogit filed with the Civil Court of Milan for a payment injunction provisionally enforceable against one User pursuant to Article 186-ter.

At present, following the partial restitution of gas in the wake of legal action brought, Stogit is still owed approximately 23.6 million euros SCM.

Stogit has therefore taken the appropriate actions.

The Court of Rome then declared the User bankrupt and Stogit submitted its claim, which was accepted.

Withdrawals made from strategic storage by a User, invoiced by Stogit and not replenished by the User under the terms specified by the Storage Code, relating to October and November 2011

Stogit filed with the Civil Court of Milan for a provisionally enforceable payment injunction, brought because of improper withdrawals, in respect of which Stogit still was owed approximately 56.0 million euros SCM.

While the proceedings were ongoing, the Court of Rome declared the User bankrupt. Consequently, the Civil Court of Milan declared the case interrupted and Stogit submitted its claim, which was accepted, during which the final distribution of assets was made and, consequently, in 2020, the proceedings were closed, during which no amounts were paid to the Company.

25.4 Liquidity risk

Liquidity risk is the risk that new financial resources may not be available (funding liquidity risk) or that the Company may be unable to convert assets into cash on the market (asset liquidity risk), meaning that it cannot meet its payment commitments. This may affect profit or loss should the Company be obliged to incur extra costs to meet its commitments or, in extreme cases, lead to insolvency and threaten the Company's future as a going concern.

Under the financial plan, Snam's risk management system aims to establish a financial structure that, in line with the business objectives, ensures sufficient liquidity for the Group, minimising the relative opportunity cost and maintaining a balance in terms of the duration and composition of the debt.

The financial market is characterised by a continuous growth of sources of financing for companies able to improve the environmental impact of their investments. The interest of the investors is linked and subordinated to the ability of the companies themselves to achieve certain objectives in terms of environmental sustainability.

With a view to the correct management of liquidity risk, the diversification of funding sources also through the use of sustainable finance instruments is therefore crucial to guarantee companies wide access to financial markets at competitive costs, with consequent positive effects on the economic situation, equity and financial position of the companies themselves.

Similarly, for Snam, the failure to achieve certain KPIs in the ESG area, within the general objective of the Group to make its business more sustainable in the medium-long term, could lead to higher financing costs or to the lack of access to some sources of funding.

The mitigation of this risk passes through Snam's extreme attention to ESG topics, traditionally a relevant and structured part of the corporate strategy.

In line with this approach, in 2018, Snam finalised the transformation of the Euro 3.2 billion in syndicate credit facilities, into a sustainable loan, the third largest sustainable loan to ever have been stipulated worldwide and the largest by a gas utility company. This loan provides for bonus/malus mechanisms based on the achievement of certain KPIs in the ESG (Environment, Social, Governance) area. In addition, Snam issued i) in February 2019, its first 500 million euros Climate Action Bond (ii) in June 2020, its first Transition Bond, the second in Europe and the first by a gas transportation utility, for an additional 500 million euros (iii) in December 2020, a second Transition Bond for 600 million euros, the longest bond with a zero coupon issued by an Italian issuer, (iv) in February 2021, a dual-tranche Transition Bond for a total of 750 million euros and (v) in June 2021, the fourth Transition Bond for 500 million euros. These issues are aimed at financing investments in environmental sustainability and energy transition. Finally, in 2020, Snam renewed the Euro Commercial Paper programme, rising from 2 billion to 2.5 billion, linking it to environmental and social sustainability objectives in line with the Sustainable Loan and obtaining an EE ESG rating for the instrument from Standard Ethics, also confirmed in 2021. Finally, in 2021, Snam signed new ESG-linked term loans for a total amount of 600 million euros at a cost of approximately 0% per year and tied to the social and environmental sustainability objectives, in line with the sustainable loan. As shown in section 26.2 "Risk of changes in interest rates", the Company had access to a wide range of funding sources through the credit system and the capital markets (bilateral contracts, pool financing with major domestic and international banks, loan contracts with the European Investment Bank (EIB), bond loans and Commercial Papers).

Snam's objective is to maintain a debt structure that is balanced in composition between bond loans and bank credit, and the availability of usable committed bank credit lines, in line with its business profile and the regulatory environment in which Snam operates.

At 31 December 2021, Snam had unused committed long-term credit lines of approximately 3.35 billion euros, of which 150 million euros related to the framework loan signed with the EIB in June 2021. In addition, as at the same date, Snam has a Euro Medium Term Notes (EMTN) programme in place for a maximum total nominal value of 12 billion, used for approximately 8.7 billion euros and a Euro Commercial Paper Programme (ECP) for a maximum total nominal value of 2.5 billion, used in full as at 31 December 2021.

Snam's cash and cash equivalents mainly refer to current accounts and bank deposits readily collectable.

The Group's main long-term financial payables include covenants that are typical of international practice, such as negative pledge and pari passu clauses. Failure to meet these clauses, and the occurrence of other events, for example cross-default events, may result in Snam's failure to comply and could trigger the early repayment of the relative loan, resulting in additional costs and/or liquidity issues. There are no covenants among commitments that involve compliance with ratios of an economic and/or financial nature.

Among the factors that define the risk perceived by the market, creditworthiness, assigned to Snam by rating agencies, plays a decisive role because it influences their ability to access sources of financing and the related economic conditions. A worsening of this creditworthiness could therefore constitute a limitation on access to the capital market and/or an increase in the cost of sources of financing, with consequent negative effects on the Group's economic situation, equity and financial position.

Snam's long term rating is: (i) Baa2 with stable outlook, confirmed on 13 January 2022 by Moody's Investor Services; (ii) BBB+ with positive outlook, confirmed on 29 October 2021 by Standard & Poor's Global Rating ("S&P"); (iii) BBB+ with stable outlook, confirmed on 26 January 2022 by Fitch Ratings ("Fitch"). Snam's long-term rating by Moody's, Fitch and Standard & Poor's is a notch higher than that of Italian sovereign debt. Based on the methodology adopted by Moody's and S&P, the downgrade of one notch from the current rating of the Republic of Italy would lead to a corresponding reduction of Snam's current rating.

The company's short-term rating, used as part of Snam's Commercial Paper programme, is P-2 for Moody's, A-2 for S&P and F2 for Fitch.

Although the Snam Group has relations with diverse counterparties with a high credit standing, based on the management policy and ongoing monitoring of their credit risk, the default of a counterparty or the difficulty to liquidate assets on the market could have negative effects on the Snam Group's operations, results balance sheet and cash flow.

The table below shows the repayment plan contractually established in relation to the financial payables, including interest payments and other liabilities connected to derivative instruments:

(million euros)	Book value as at 31.12.2020	Contractual cash flows						
		Totale flussi	2021	2022	2023	2024	2025	Beyond
Bank loans	5,273	5,351	2,797	691	465	128	127	1,143
Bond loans (*)	8,140	8,570	358	1,223	939	1,240	876	3,934
Euro Commercial Paper - ECP	2,503	2,500	2,500					
Financial payables for leased assets	21	21	6	5	4	2	2	2
Trade payables and other payables	2,029	2,029	2,029					
Derivative instruments Forward start (**)	30	31	31					
TOTAL CONTRACTUAL FLOWS OF FINANCIAL LIABILITIES	17,996	18,502	7,721	1,919	1,408	1,370	1,005	5,079

(*) Future payments include the cash flow generated by hedging derivative contracts.

(**) Future payments are valued at the Mandatory Early Termination Date.

(million euros)	Book value as at 31.12.2021	Contractual cash flows						
		Totale flussi	2021	2022	2023	2024	2025	Beyond
Bank loans	3,695	3,695	1,297	457	719	121	120	981
Bond loans (*)	9,138	9,139	1,130	879	1,191	1,339	1,250	3,350
Euro Commercial Paper - ECP	2,503	2,500	2,500					
Financial payables for leased assets	20	20	6	4	3	3	2	2
Other lenders	2	2	2					
Trade payables and other payables	2,889	2,531	2,521	10				
TOTAL CONTRACTUAL FLOWS OF FINANCIAL LIABILITIES	18,247	17,887	7,456	1,350	1,913	1,463	1,372	4,333

(*) Future payments include the cash flow generated by hedging derivative contracts.

With reference to the payment terms for trade and other payables, please see Note 18 "Trade payables and other payables".

25.5 Fair value of financial instruments

It should be noted that, with the exception of the valuation of derivative agreements and minority investments, financial assets and liabilities, depending on the characteristics of the instrument and the business management adopted for their management, entirely come under the financial instruments valued through the amortised cost method.

The book value of financial instruments and their relative effects on results and on equity can be analysed as follows:

(million euros)	Book value	Fair Value			Book value	Fair Value		
	Balance at 31.12.2020	Level 1	Level 2	Level 3	Saldo al 31.12.2021	Level 1	Level 2	Level 3
Cash and cash equivalents	3,044	3,044			1,337	1,337		
Trade receivables and other receivables	1,676	1,676			3,331	3,331		
Long- and short-term financial receivables (a)	312	312			307	307		
Total financial assets measured at amortised cost	5,032	5,032			4,975	307	4,668	
Minority investment accounted at FVTOCI (b)	112	74		38	94	59		35
Total financial assets measured at fair value	112	74		38	94	59		35
Trade payables and other payables	2,029	2,029			2,889	2,889		
Current and non-current financial liabilities	15,937	8,659	2,522	5,319	15,358	9,394	2,427	3,806
Total financial liabilities measured at amortised cost	17,966	8,659	4,551	5,319	18,247	9,394	2,427	6,695
Derivative hedging instruments (c)	38	38			3	3		
Financial liabilities measured at fair value	38	38			3	3		

(a) The item is classified as "other current financial assets" and "other non-current financial assets". See Note 11 "Other current and non-current financial assets" for further details.

(b) This item includes the minority investment accounted at FVTOCI in ITM Power (59 million euros; 74 million euros at 31 December 2020) and Adriatic LNG and Istituto Treccani (a total of 35 million euros; 38 million euros at 31 December 2020). See Note 11 "Other current and non-current financial assets" for further details.

(c) The item is classified as 'other current liabilities' and 'other non-current liabilities'. See Note 21 "Other current and non-current liabilities" for further details.

Di seguito è indicata la classificazione delle attività e passività finanziarie, valutate al fair value nello schema della situazione patrimoniale-finanziaria secondo la gerarchia del fair value definita in funzione della significatività degli input utilizzati nel processo di valutazione. In particolare, a seconda delle caratteristiche degli input utilizzati per la valutazione, la gerarchia del fair value prevede i seguenti livelli:

- livello 1: prezzi quotati (e non oggetto di modifica) su mercati attivi per le stesse attività o passività finanziarie;
- livello 2: valutazioni effettuate sulla base di input, differenti dai prezzi quotati di cui al punto precedente, che, per le attività/passività oggetto di valutazione, sono osservabili direttamente (prezzi) o indirettamente (in quanto derivati dai prezzi);
- livello 3: input non basati su dati di mercato osservabili.

26 CRIMINAL AND TAX DISPUTES AND PROCEEDINGS WITH THE REGULATORY AUTHORITY ARERA

Snam is involved in civil, administrative and criminal cases and legal actions related to its normal business activities. According to the information currently available and considering the existing risks, Snam believes that these proceedings and actions will not have material adverse effects.

The following is a summary of the most significant proceedings; unless indicated otherwise, no allocation has been made for the litigation described below because the Company believes it improbable that these proceedings will have an unfavourable outcome or because the amount of the allocation cannot be reliably estimated.

At 31 December 2021, risks concerning compensation and disputes related to litigation that is ongoing but where the risk of losing the case is not considered probable amounted to 43 million euros (44 million euros at 31 December 2020).

26.1 Criminal litigation

Snam Rete Gas S.p.A. - Event Pineto

On 6 March 2015 in Mutignano landslide affected 10 metres of the San Benedetto Del Tronto-Chieti section of the Ravenna-Chieti pipeline, causing it to break with the consequent escape of gas, with a subsequent fire due an electricity pylon collapsing at the same time.

With regard to this event, the Public Prosecutor at the Court of Teramo immediately opened an investigation into negligence associated with the forest fire. Upon completion, the Prosecutor requested the Snam Rete Gas technicians and technical managers be brought to court. The committal to trial was ordered by the preliminary hearing judge for 3 October 2018. At the first main hearing on 10 January 2019, the presiding member of the bench asked the defence and the Public Prosecutor to comment on moving the proceedings to a single judge proficient in this issue. The parties referred to the decision of the Court, which after a short period in council chambers, passed the proceedings onto a competent single judge. The first main hearing was held on 17 September 2020, at which all parties presented their requests for evidence. In the past hearings, the examination and cross-examination of the witnesses of the Public Prosecutor's Office took place, and for the continuation of the activities, the Judge adjourned the hearing to April 2022 for the conclusion of the hearing of the technical consultants of the Public Prosecutor's Office and for the start of the witness examination of the technical consultants of the defence.

IES Biogas - Criminal Conviction Decree

On 2 November 2018 a criminal conviction decree was issued by the Court of Venice, with regard to an IES Biogas executive following the workplace accident that took place on 29 September 2016 involving a company employee, during the maintenance of a silo agitator. On 16 November 2018, a notice of opposition was filed against the criminal conviction decree, which requested the definition of the proceedings in the form of the simplified and shortened ruling. In 2020, the insurance process was completed and the injured party accepted the offer of compensation for damages provided by the insurance company. In June, a hearing was held before the judge who rejected the request to hear a witness in favour of the defence, as the content of the documents filed was already sufficient for the latter. During the discussion, the Public Prosecutor concluded by requesting the acquittal because the fact does not exist in favour of the defendant.

On 7 July 2021, the Judge pronounced a judgement acquitting the Director of IES Biogas with full formula because the fact does not exist; the reasons were filed on 30 August 2021.

26.2 Proceedings with the Autorità di Regolazione per Energia Reti e Ambiente - ARERA

Snam Rete Gas S.p.A. - Investigation into violations on the subject of natural gas metering with regard to Snam Rete Gas S.p.A and request for information

Through Resolution VIS 97/11, notified on 15 November 2011, the ARERA started proceedings to look into whether there were any violations with regard to natural gas metering, relating to alleged irregularities in gas metering with reference to 45 systems owned by the distributor; through Resolution 431/2012/S/Gas the proceedings were brought together with other proceedings involving said events contested by the company launched with regard to the distributor involved.

Snam Rete Gas S.p.A. has submitted proposals in relation to the alleged conduct. By means of Resolution 332/2015/S/gas, the ARERA declared the proposals to be inadmissible, on the grounds that they would not be adequate to restore the alignment of interests existing before the alleged violations or to eliminate any immediate and direct consequences of these violations.

Upon completion of the investigation on 20 October 2017, the ARERA notified the results to Snam Rete Gas, which confirmed the charges made when the proceedings were initiated. The company has requested time for it to formulate its own defence and, to this end, a hearing was called before the board of the Authority on 1 March 2018 during which the defence brief was submitted. After the proceedings, the Authority, although accepting some of the Company's arguments deemed relevant from the perspective of the quantification of the fine, imposed an administrative monetary fine on Snam Rete Gas, through resolution 206/2018/S/gas of 5 April 2018, of 880 thousand. Though it paid the pecuniary

fine, the Company has appealed Resolution 206/2018/S/gas before the Regional Administrative Court of Milan. The hearing date remains to be set.

Snam Rete Gas S.p.A. - Resolution 608/2015/R/gas - Proceedings to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor

Upon completion of the proceedings initiated with Resolution 145/2013/R/gas to determine the share of costs arising from outstanding receivables owing to the gas balancing supervisor, relating to the period 1 December 2011 - 23 October 2012, in relation to three cases which had previously been investigated, with Resolution 608/2015/R/gas, the ARERA closed the proceedings deciding not to pay the share of the outstanding receivables in relation to which the specific case was the object of the investigation, for the total sum of approximately 130 million euros (including VAT).

The Company, believing that the conditions existed for paying the share of expenses resulting from receivables not collected and subject to the proceedings in question, challenged Resolution 608/2015/R/gas before the Regional Administrative Court of Milan, which with its ruling No. 942/2017, published on 21 April 2017, partially upheld Snam Rete Gas's appeal, finding that, in relation to some of the cases covered by the preliminary investigation, there were grounds for recognising all or part of the charges deriving from the related uncollected receivables.

The decision of the Regional Administrative Court was recently confirmed by the Council of State in judgement no. 1630/2020, published on 5 March 2020³⁵. As a result of these rulings, the Company has obtained recognition of an amount of approximately 40 million euros (including VAT).

³⁵ For more information, refer to the next paragraphs "Recovering receivables from certain users of the transportation and balancing system".

An allocation had been made to the provision for bad debt in relation to the costs in question.

Snam Rete Gas S.p.A. - Resolution 9/2014/S/gas – “Launch of punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas”

With Resolution 9/2014/S/gas the ARERA launched punitive proceedings against Snam Rete Gas S.p.A. for non-compliance with Resolution 292/2013/R/gas. The proceedings aim to ascertain whether or not delays exist in provisions relating to the enactment of amendments to the Network Code established by Resolution 292/2013/R/gas, with regard to settlement. Upon conclusion of the proceedings, with its resolution 853/2017/S/gas, the Authority sentenced Snam Rete Gas to pay a pecuniary fine of 95 thousand since, although it accepted a part of the Company’s arguments which were significant insofar as determining the amount of the fine, it considered that the Company was late in complying with Resolution 292/2013/R/Gas.

Though it paid the pecuniary fine, the Company has appealed Resolution 853/2017/S/gas before the Regional Administrative Court of Milan. The hearing date remains to be set.

Snam Rete Gas S.p.A. - Resolution 250/2015/R/gas, published on 01 June 2015, concerning: “Adoption of measures on the odorising of gas for domestic use and similar for end users connected directly to the natural gas transportation networks”

Through Resolution 250/2015/R/gas, following the ruling of the Milan regional administrative court, the ARERA amended Article 5 of Resolution 602/2013/R/gas dealing with the obligation of transportation companies to odorise gas for end users connected directly to the transportation network, which, taking into account the categories of use indicated in the TISG, do not use the gas delivered for merely technological purposes. In this regard, the ARERA ordered that the

transportation companies shall complete the implementation of the adaptation plans by 31 January 2017, after carrying out a survey of the redelivery points involved (by 31 July 2015) and sending the ARERA the adaptation plan (by 30 November 2015), to be updated every six months, with the description of the technical solution identified. Snam Rete Gas has appealed against the above resolution believing that the deadline for implementing the plan can only be decided after the survey.

Having carried out the survey, when sending the plan and the subsequent updates Snam Rete Gas once again found that the deadline set by the ARERA with its Resolution 484/2016/E/gas was unreasonable. Consequently, in the appeal with which Snam Rete Gas challenged Resolution 250/2015/R/gas, it also included an appeal for further grounds against Resolution 484/2016/E/gas asking for the resolutions challenged to be suspended.

The request was accepted by the Council of State. Following the hearing that was held on 16 January 2019, through ruling no. 869 of 17 April 2019, the Milan Regional Administrative Court accepted the appeal submitted by Snam Rete Gas declaring the unlawfulness of the deadline set by the Authority because it was clearly unreasonable as it does not take into account the complexity of the activities to be carried out by the transportation company and the need to collaborate with end users on whom the burden of guaranteeing the use of gas in safe conditions for the workers involved weighs.

Note that through the Ministerial Decree of 18 May 2018 the Minister for Economic Development placed the responsibility of guaranteeing the use of gas in safe conditions on the end users directly connected to the natural gas transportation network, where there is domestic or similar use of gas, even only in part, if combined with technological uses. Following the functional activities to the implementation of the Decree, the end users demonstrated that they guaranteed the safe use of the gas in accordance with the methods laid down by said Decree.

As part of the Consultation Document (DCO 203/2019/R/Gas) as preparation for the revision of the regulation on the transportation service quality, ARERA demonstrated its intention to: (i) confirm the regulatory framework pursuant to the above Resolution 250/2015/R/Gas without setting a deadline by which the Plan has to be implemented; and (ii) promote a regulatory amendment aimed at coordinating the regulation with the aforementioned Ministerial Decree. Following on from what the DCO anticipates, through Resolution 554/2019/R/gas, the Authority confirmed the previous regulatory regime (the obligation of the transportation company to take responsibility for the odouring) thereby putting forward the issue of coordination with the obligations imposed by the Decree. Therefore, pending a possible regulatory change, Snam Rete Gas challenged Resolution 554/2019/R/gas

26.3 Tax disputes

TEP Energy Solution - Formal notice of assessment

On 14 December 2018, TEP Energy Solution S.r.l. received a notice of tax assessment limited to the 1 January 2013/31 December 2013 tax period. The notice of tax assessment was the result of a tax audit of the company that began on 27 September 2018 to verify its compliance with tax law requirements applicable to income tax, VAT and other duties. This investigation was spurred by a more extensive one launched by the Milan Public Prosecutor's Office into a system of tax fraud based on issuing and using invoices for objectively and subjectively non-existent transactions in connection with energy certificate trading. After completion of the tax audit, on 21 January 2019, TEP Energy Solution was served the Formal Report of Findings relative to the tax period 01 January 2014 and 31 December 2014 and TEP REALE ESTATE, the Formal Report of Findings relative to the years 2013 and 2014. It should be noted that on 27 December 2018, the Guardia di Finanza (financial police force) sent a notice of offence to the Rome Public Prosecutor's Office,

which started an investigation against the Company's legal representative for the offence of fraudulent declaration through the use of invoices or other documents for non-existent transactions (Article 2 of Legislative Decree no. 74/2000). Following notification of the tax assessments, the Company filed defence briefs with the Revenue Agency, requesting a hearing with the same tax office to clarify and explain the facts set out in the notices of tax assessment for a correct reconstruction of events. During the hearing with the tax authorities, the possibility of settling the notices of tax assessment arose, which would entail assessments with the taxpayer's acceptance and partial dismissal of the notices. Later, on 30 July 2019, the Revenue Agency and TEP signed separate deeds of acceptance to settle the aforementioned notices of tax assessment. Alongside the hearing with the Revenue Agency, discussions were initiated with the Public Prosecutor, who was informed that the case had been settled with the Revenue Office. The Public Prosecutor's Office, following the investigations, also thanks to the cooperation of the defence, which produced defence briefs and the payment of the large sum of money due to the Treasury, assessed the absence of the psychological element of the offence, and asked the investigating judge to dismiss the criminal proceedings. The investigating judge shared the arguments of the Public Prosecutor's Office and ordered that the case be dismissed by means of a special decree.

Snam Rete Gas S.p.A. - IMU/TASI - Municipalities in Northern Italy

The municipalities of northern Italy sent Snam Rete Gas 17 assessment notices for IMU/TASI for the years 2016, 2017 and 2018, which follow on from requests for information for land registry purposes pursuant to Article 1, paragraph 693 of Law 147/2013. The company has made a provision for risks and charges.

Stogit S.p.A. - IMU

The Municipality of Bordolano ascertained the IMU position in relation to the building areas owned by the Company in the territory of the same Municipality for the years 2012 to 2015. The amounts assessed by the Municipality with the notices of assessment relating to the tax years 2012, 2013 and 2014 - as redetermined by the Lombardy Regional Tax Commission - were paid by the Company during 2020, pending the related legal proceedings.

The assessment notice issued by the Municipality in 2015 is still sub iudice in first instance.

26.4 Other proceedings

Snam Rete Gas S.p.A. - Regulation criteria for natural gas transmission and dispatching tariffs for the period 2010-2013

By ruling No. 2888/2015, the Council of State rejected the appeal filed by ARERA asking it to overturn ruling No. 995/2013 by the Regional Administrative Court of Milan, which voided the provisions of resolutions ARG/gas/184/09, 192/09, 198/09 and 218/10 concerning natural gas transportation and dispatching rates for the 2010-2013 period, specifically with regard to the commodity/capacity allocation, the reform of the entry/exit model and gas for consumption by compression stations (self-consumption).

By way of Resolution 428/2015/C/gas, ARERA resolved to appeal for revocation on the grounds of an error of fact against the aforementioned ruling, an appeal which was subsequently withdrawn on 29 March 2018 due to the lack of interest in continuing the proceedings. At the same time, the Authority complied with the aforementioned rulings by way of Resolution 550/2016/R/gas whereby, having reformed the rules on self-consumption, it justified its confirmation of the remaining tariff criteria also in light of the consultations carried out.

Given the confirmatory nature of the aforementioned resolution, the original appellant contested for compliance with the aforementioned rulings and a declaration of the nullity of Resolution 550/2016/R/gas. By ruling no. 494/2017, the Milan Regional Administrative Court partially upheld the appeal with specific reference to the issue of the commodity/capacity allocation, finding that the contested Resolution complied inaccurately and partially with ruling No. 995/2013 and that, therefore, the Authority should carry out an additional assessment of the effects of the choices made.

Ruling No. 494/2017 was challenged by the appellant, as well as incidentally by ARERA. In judgement no. 1840/2018 of 23 March 2018, the Council of State, in partial acceptance of the Authority's cross-appeal, dismissed the action of nullity for breach of judgement filed by the appellant at first instance and ordered the conversion of the proceedings into an ordinary judgement of annulment. The appellant consequently resumed the proceedings before the Milan Regional Administrative Court.

It should also be noted that in its recent ruling no. 301/2021, the Milan Regional Administrative Court partially annulled, on partly similar grounds, ARERA Resolution no. 575/2017/R/gas relating to the 2018-2019 transitional regulatory period. In particular, the caesuras at the 90:10 ratio between the capacity/commodity components were confirmed. In addition, the Regional Administrative Court held that the aforementioned resolution should be annulled in so far as it provides for the determination of unit transport costs on the basis of calculations of gas flows (so-called flows and counter-flows). The judgement was appealed by the Authority.

Lastly, it should be noted that the judgements of the Milan Regional Administrative Court (TAR) no. 440/2020 and no. 33/2021 partially annulled the aforementioned Resolution no. 575/2017/R/gas, as well as Resolution no. 114/2019/R/gas (2020-2023 tariff criteria) insofar as they do not provide for a degressive tariff in favour of large gas consumers in implementation of specific

primary legislation. Both judgements have been appealed by the Authority; the discussion of the appeals before the Council of State is scheduled for April 2022.

In all the above cases, the disputed profiles do not affect the revenues recognised to the transport companies.

Stogit S.p.A. - Appeals Coordination Environmental Committee (Ricorsi Coordinamento Comitato Ambientalisti)

With the Presidential Decree of 16 September 2019, the binding opinion published by the Council of State on 27 June 2019, by which the appeals filed by the Appeals Coordination Environmental Committee plus others were accepted, was implemented. In that Presidential Decree it is stated that: (i) on account of the failure to file the documents relating to the environmental impact assessment in the municipalities of Azzanello and Verolavecchia, the EIA decree issued in 2009 for the construction of the new storage facility at Bordolano is annulled, without prejudice to the provisions contained therein, only in so far as it expresses a favourable opinion on environmental compatibility; (ii) the decree of the Ministry of Economic Development of 28 December 2011 (approval of the change in the work programme of the “Bordolano Storage” concession) is annulled, as well as (iii) the measures of the Ministry of the Environment (prot. no. 18804 of 8 August 2013 and prot. no.14583 of 16 May 2014), again on the subject of EIA, without prejudice to the continuing validity of the prescriptions contained therein, to protect public safety and security, which are in no way overturned by the annulment ruling. The Council of State also established the reopening of the EIA procedure and the Ministry of Environment promptly reopened the terms of the EIA (with note DVA U28389 of 29 October 2019) limited to the municipalities of Azzanello and Verolavecchia only; of these, only the municipality of Verolavecchia submitted comments, to which were added those of other parties. The proceedings are currently pending before the Technical Commission for Environmental Impact Assessment (Commissione Tecnica per la Valutazione

di Impatto Ambientale) and Stogit has provided all the technical clarifications in response to the comments submitted. It should be added that the MED y note U.0025890 of 22 November 2019, issued a measure pursuant to Article 29, paragraph 3 of Legislative Decree no. 152/2006, which allows the continuation of storage activities at the Bordolano plant pending the completion of the EIA.

Snam S.p.A. - Questionnaire Q00017/2020 on VAT

On 13 February 2020, the Inland Revenue served Snam (“Company”) a VAT questionnaire requesting the reasons for the tax amnesty made in 2016 with reference to the years 2012, 2013, 2014 and 2015. In particular, in 2016, the Company submitted supplementary declarations for the years 2012 to 2014 to acknowledge that, starting in 2012, it was carrying out a new activity of granting loans and that, in relation to this activity, the Company intended to avail itself of the optional separation of activities for VAT purposes pursuant to art. 36, paragraph 3 of Italian Presidential Decree no. 633/1972. As regards 2015, the relevant annual declaration was submitted within the ordinary time limits and an amicable settlement was made to remedy certain irregularities (also related to the keeping of separate accounts) that had affected the correct monthly settlements.

Following a preliminary investigation, on 21 December 2020, the Revenue Agency served an order to appear for the establishment of the cross-examination of the years 2012-2013-2014-2015, in order to better verify whether the Company actually behaved “ ex ante” in this sense.

The Company, in order to avoid a long and complex dispute, on 25 March 2021, following the acceptance of the assessment, paid the agreed amount.

Action brought by the Forum Ambientalista and Action brought by WWF Italia - Associazione Salviamo l'Orso Marsicano ODV against the integrated environmental authorisation for the new Sulmona power station

On 2 June 2021, the Environmental Forum - which claims to be an environmental protection association - lodged an appeal with the Regional Administrative Court of Lazio for the annulment of Decree no. 000086 of 11.03.2021 of the Ministry for Ecological Transition concerning the issue of the integrated environmental authorisation (AIA) for the operation of the gas compression station of the company Snam Rete Gas S.p.A. located in Sulmona (AQ) - (ID 7015/9997) as well as all the prior, consequential or in any case related deeds.

The applicant claims that its reasons are based on: i) the seismic risk to which the works of Snam Rete Gas are allegedly subject; ii) failure to conduct a preliminary investigation into emissions and failure to take account of their effects on animals and plants in the area concerned; iii) failure to carry out a strategic environmental assessment (SEA) as a precondition for the issue of the AIA; iv) shortcomings in the preliminary investigation procedure leading to the issue of the AIA. No application for a precautionary measure has been submitted, and therefore we are waiting for the Regional Administrative Court (TAR) to set a hearing to discuss the merits of the case.

In an appeal to the President of the Republic dated 6 August 2021, the Italian Association for the World Wide Fund of Nature (WWF Italia Onlus) and the association Salviamo l'orso Bruno Marsicano_ODV also applied for the annulment of Decree No 0000086 of 11.03.2021 of the Ministry of Ecological Transition, which constitutes the IEA for the new Sulmona power station. The reasons given are: (i) the ineffectiveness of the EIA, which would have been terminated in 2016; (ii) the excess of power in having ignored the observations of the Municipality of Sulmona and of the Maiella National Park, the Abruzzo National Park and the Monte Genzana Alto Gizio Regional Nature Reserve (iii) failure to take adequate account of the seismic risk; (iv) failure to take account of the public's comments; (v) infringement of the law and misuse of powers on account of failure to carry out preliminary investigations into atmospheric emissions and the impact on the climate; (vi) infringement of Directive 42/2001 EC by failing to carry out a strategic environmental assessment. Following an objection by Snam Rete Gas, the appeal was resumed before the Lazio Regional Administrative Court by the appellants on 3 November 2021.

A hearing on the merits of the case is also pending.

27 REVENUES AND OPERATING INCOME

(million euros)	2020	2021
Revenue	2,753	3,285
Other operating income	17	12
TOTAL OPERATING REVENUES AND INCOME	2,770	3,297

The group's other operating revenues and income are mainly generated in Italy. An analysis of revenue by business segment can be found in Note 34 - "Information by business segment".

Revenue from related parties is illustrated in Note 35 "Transactions with related parties".

27.1 Revenue

(million euros)	2020	2021
Natural gas transportation segment	2,025	2,329
Natural gas storage segment	499	523
Regasification of Liquefied Natural Gas (LNG) segment	21	19
Other segments	192	400
Other revenues not allocated to segments	16	14
TOTAL REVENUES	2,753	3,285

27.1.1 Revenues of the Natural Gas Transportation segment

Revenues are mainly related to fees for the service of natural gas transportation and mainly concern Eni S.p.A. (815 million euros; 812 million euros in 2020) and Enel Trade S.p.A. (313 million euros; 277 million euros in 2020).

Group revenues are reported net of tariff components, mainly referring to the transportation segment, additional to the tariff and intended to cover gas system general expenses (1,159 million euros, 1,133 million euros in 2020), the amounts of which are paid by Snam to the Energy and Environmental Services Fund (Cassa per i Servizi Energetici e Ambientali (CSEA)). The main components relate to:

- the additional GST and RET tariff components (for a total amount of 558 million euros in 2021; 619 million euros in 2020), introduced by the Authority's resolutions ARG/Com 93/10 and ARG/Gas 177/10 with effect from 1 January 2011, intended to finance, respectively, the "Account for the compensation of tariff concessions to gas sector customers in a state of hardship" (GS Account) and the "Fund for measures and interventions for energy saving and the development of renewable sources in the natural gas sector" (RE Account);
- the CRVOS variable fee, introduced in 2011 by Resolution ARG/gas 29/11 of the Authority, to cover the charges arising from the application of the revenue guarantee factor for the storage service and the charges incurred by the Gestore Servizi Energetici (GSE) for the provision of the measures referred to in Articles 9 and 10 of Legislative Decree no. 130/10 (totalling 376 million euros in 2021; 268 million euros in 2020).

Snam provided its transportation service to 230 users in 2021.

27.1.2 Revenues of the Natural Gas Storage segment

Revenues relate essentially to fees for modulation storage (409 million euros; 419 million euros in 2020) and strategic storage (79 million euros; 72 million euros in 2020).

Snam provided its natural gas storage service to 81 companies in 2021.

27.1.3 Liquefied Natural Gas (LNG) regasification

Revenues refer to the regasification service fees, which include the revenues coverage factor recognised by the Authority (10 million euros).

Revenues from transportation, storage and regasification include fees to cover energy costs, which amount to 311 million euros (60 million euros in 2020), up due to the significant increase in gas prices. On the basis of the provisions of the regulatory framework in force for the fifth regulatory period, from 1 January 2020, the energy costs relating to the costs for the purchase of fuel gas, previously subject to contribution in kind by the shippers, the charges for the purchase of CO₂ emission rights and electricity consumption, are covered in revenues through the variable fee.

27.1.4 Other segments

Revenues mainly concern: (i) the provision of services relating to energy efficiency projects (312 million euros); (ii) prices for the development and management of biogas and biomethane plants (58 million euros); (iii) the sale of compressors for vehicles - CNG (22 million euros).

27.1.5 Other revenues not allocated to segments

Revenues relate to income from the rental and maintenance of fibre optic telecommunications cables (14 million euros).

27.2 Other operating income

Other operating income of 12 million euros mainly relates to contributions for new connections to the transmission network.

28 OPERATING COSTS AND EXPENSES

(million euros)	2020	2021
Costs for purchase of raw materials, consumables and finished goods	172	568
Staff costs	188	216
Costs for services	146	179
Other operating costs and expenses	111	91
TOTAL OPERATING COSTS AND EXPENSES	617	1,054

Operating costs and expenses include costs incurred as a result of the state of emergency related to the COVID-19 pandemic for a total amount of 7 million euros, mainly related to donations of medical equipment (3 million euros) to the Italian healthcare system and the third sector, purchases of personal protective equipment for internal use and costs for services (4 million euros).

The group's operating costs and expenses are mainly generated in Italy.

The operating costs and expenses incurred with related parties are described in Note 35 "Transactions with related parties".

28.1 Costs for purchase of raw materials, consumables and finished goods

(million euros)	2020	2021
Costs for purchase of raw materials, consumables and finished goods	309	634
Changes in inventories of raw materials, consumables and finished goods	(6)	(14)
<i>Total costs incurred during the year</i>	303	620
Share of costs capitalised for internal work	(131)	(52)
TOTAL COSTS FOR PURCHASE OF RAW MATERIALS, CONSUMABLES AND FINISHED GOODS RECOGNISED IN THE INCOME STATEMENT	172	568

The increase in the purchase costs of raw materials, consumables and goods (+325 million euros) is mainly due to the increase in energy costs.

28.2 Costs for services

(million euros)	2020	2021
Technical, legal, administrative and professional services	57	96
IT Services (Information Technology)	73	91
Ordinary maintenance services	29	33
Construction, design and works supervision	33	23
Supply of electricity, heat, water, etc.	23	23
Personnel-related services	14	19
Telecommunication services	12	15
Material processing at third parties	17	11
Insurance	9	10
Advertising	3	6
Use of the provision for decommissioning and site restoration	(15)	(21)
Other services	55	45
Total costs incurred during the year	310	351
Share of costs capitalised for internal work	(164)	(172)
TOTAL COSTS FOR SERVICES RECOGNISED IN THE INCOME STATEMENT	146	179

28.3 Personnel costs

(million euros)	2020	2021
Wages and salaries	176	197
Social security contributions (pensions and healthcare assistance)	48	52
Employee benefits	1	(3)
Other expenses	29	32
Total personnel costs incurred during the year	254	278
Quota of capitalised costs	(66)	(62)
TOTAL PERSONNEL COSTS RECOGNISED IN THE INCOME STATEMENT	188	216

Other expenses (32 million euros) mainly includes the expenses for defined contribution plans (13 million euros), mainly related to severance pay to be accrued, to be paid to pension funds or INPS, and expenses for redundancy packages (7 million euros).

A description of employee benefits can be found in Note 20 "Liabilities for employee benefits".

28.3.1 Average number of employees

Il numero medio dei dipendenti a ruolo delle entità incluse nell'area di consolidamento, ripartito per qualifica professionale, è riportato nella tabella seguente:

Professional status	2020	2021
Senior Managers	129	146
Middle Managers	525	585
Office workers	1,715	1,842
Manual workers	752	806
AVERAGE NUMBER OF EMPLOYEES	3,121	3,379

The average number of employees is calculated on the basis of the monthly number of employees for each category.

The number of employees in service at 31 December 2021 was 3,430 (3,249 resources at 31 December 2020), an increase of 181 (+5.7%) over 31 December 2020. The increase is mainly due to new hires from the labour market, also for the enhancement of the new energy transition businesses, which more than absorbed the outgoings of the year.

28.3.2 Incentive plans for executives with Snam shares

On 11 April 2017, the Shareholders' Meeting approved the 2017-2019 long-term share-based incentive plan and, subsequently, on 18 June 2020, the same Shareholders' Meeting approved the 2020-2022 long-term share-based incentive plan, conferring to the Board of Directors, every necessary power for the implementation of the Plans.

The plans, intended for the Snam CEO and other beneficiaries, identified as those who hold positions with a greater impact on company results or with strategic importance for achieving Snam's multi-year targets, includes three cycles of the annual assignment of three-year targets (the so-called rolling plan) for the years 2017, 2018, 2019 and for the years 2020, 2021 and 2022. At the end of the three-year performance period, if the underlying conditions of the plan are met, the beneficiary shall have the right to receive Company shares free of charge.

A maximum number of 3,500,000 shares will service the Plans for each three-year cycle of the Plan. The Plans will terminate in 2022, upon expiration of the Vesting Period relating to the last 2019 allocation, and in 2025, upon expiration of the Vesting Period relating to the last 2022 allocation.

Under the 2017-2019 Plan, a total of 5,385,372 shares were granted, of which 1,368,397 shares valid for the 2017 allocation (allocated for 1,511,461 shares in July 2020, at the end of the vesting period), 2,324,413 shares valid for the 2018 allocation (allocated for 2,441,742 in July 2021, at the end of the vesting period) and 1,692,562 shares valid for the 2019 allocation. The unitary fair value of the share, determined by the stock market price of the Snam share on the grant dates, is equal to 3.8548 and 3.5463 and 4.3522 euros per share for the 2017, 2018 and 2019 grants, respectively.

Under the 2020-2022 Plan, a total of 2,523,850 shares were allocated for 2020 and 2021, of which 1,277,996 shares for the 2020 allocation and 1,245,854 shares for the 2021 allocation. The unitary fair value of the share, determined by the stock market price of the Snam share on the grant dates, is equal to 4.441 and 4.559 per share for the 2020 financial year and 5.104, 4.778 and 5.014 euros per share for the 2021 financial year.

The cost for the Long-Term Share-Based Incentive Plan, measured as the staff costs component, amounts to 8 million euros (7 million euros in 2020) with an opposing entry in shareholder equity reserves. Taking into consideration the non-market conditions to which receiving the benefit is connected, the cost reflects the adjustment, throughout the vesting period, of the number of shares that will effectively be granted.

For more information on the features of the Plan, see “Financial review and Other Information” in the Directors’ Report.

28.3.3 Remuneration due to Key Managers

Remuneration paid to persons with the power and responsibility for planning, management and control of the Company, i.e. executive and non-executive directors, general managers and Key Managers³⁶ (so-called “key management personnel”) in office during the year amounted (including contributions and accessory charges) to 12 million euros (11 million euros in 2020) and is composed as follows:

(million euros)	2020	2021
Wages and salaries	5	5
Indemnities for termination of employment	2	
Share-based payments	4	4
TOTAL REMUNERATION DUE TO KEY MANAGERS	11	9

28.3.4 Remuneration due to directors and statutory auditors

Directors’ remuneration amounts to 5.3 million euros and 5.1 million euros in FY 2021 and 2020 respectively. Statutory auditors’ fees amount to 0.2 million euros (also in 2020). This remuneration includes emoluments and any other amounts relating to pay, pensions and healthcare due for the performance of duties as a director or statutory auditor in Snam S.p.A. and in other companies included in the scope of consolidation, giving rise to a cost for Snam, even if not subject to personal income taxes.

36 This includes managers who have the power and the responsibility, both directly and indirectly, for the planning, direction and supervision of Snam activities. Snam’s Key Managers, other than directors and statutory auditors, were identified with reference to the following positions: (i) Chief Financial Officer and Chief International & Business Development Officer; (ii) Chief Industrial Assets Officer; (iii) Executive Vice President Human Resources, Organization & PFM.

28.4 Other operating costs and expenses

(million euros)	2020	2021
CO ₂ emission rights	10	34
Indirect taxes and duties	13	21
Software licences, short-term leasing costs and leasing of moderate amount assets	22	16
Capital losses from the disposal of property, plant and equipment and intangible assets	14	14
Allocations (uses) to the provision for bad debt	2	3
Net accrual to (utilisation of) provisions for risks and charges	12	2
Other expenses	38	1
TOTAL OTHER OPERATING COSTS AND EXPENSES	111	91

For more details about the change in provisions for risks and charges, please see Notes 18 "Provisions for risks and charges" and 15 "Trade receivables and other receivables".

29 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES ON PROPERTY, PLANT, EQUIPMENT AND INTANGIBLE ASSETS

(million euros)	2020	2021
Depreciation of property, plant and equipment	681	709
Amortisation of intangible assets	81	100
Total amortisation/depreciation	762	809
Impairment losses on property, plant and equipment	11	11
Total impairment losses	11	11
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES	773	820

For more details about amortisation, depreciation and impairment losses, please see Note 8 "Property, plant and equipment", and Note 9 "Intangible assets and goodwill".

An analysis of amortisation, depreciation and impairment losses by business segment can be found in Note 34 "Information by business segment".

30 NET FINANCIAL EXPENSES

(million euros)	2020	2021
- Interest income and other financial income on short-term financial assets	(11)	(15)
- Interest income on long-term financial receivables	(13)	(14)
- Other financial income	(2)	(3)
TOTAL FINANCIAL INCOME RECOGNISED IN THE INCOME STATEMENT	(26)	(32)
- Interest expense and other financial expenses on bond loans	160	127
- Fees on loans and bank credit lines	7	12
- Interest expense on credit facilities and loans due to banks and other lenders	11	7
Charges related to gross financial debt	178	146
- Financial charges related to derivative instruments	10	
- Accretion discount (*)	6	5
- Other financial expense	2	3
Total financial expenses incurred during the year	196	154
- Share of capitalised financial expenses	(12)	(20)
TOTAL FINANCIAL EXPENSES RECOGNISED IN THE INCOME STATEMENT	184	134
TOTAL NET FINANCIAL EXPENSES	158	102

(*) The item reflects the increase in the provisions for risks and charges and the liabilities for employee benefits, which are shown at their present value in Note 18 "Provisions for risks and charges" and Note 20 "Liabilities for employee benefits".

Interest income on long-term financial receivables is mainly related to the pro-rata contribution from the OLT Shareholder Loan (14 million euros).

Expense related to gross financial debt (146 million euros) include the following: (i) interest expense and other charges on bonds (Euro 127 million), related to interest on 19 bond issues; (ii) interest paid to banks on revolving credit lines and maturing loans for a total of 12 million euros; (iii) the portion attributable to the year of Up-Front Fee commissions on revolving credit facilities (4 million euros) and commissions on non-utilisation of credit facilities (3 million euros).

Financial expenses related to the passage of time mainly relate to the provisions for decommissioning and site restoration of the storage and transport segments.

Financial expense capitalised related to the portion of financial expense capitalised pursuant to investment activities.

31 INCOME FROM NET INVESTMENTS

(million euros)	2020	2021
Income from investments accounted for using the equity method	247	296
Expenses from investments accounted for using the equity method		(2)
Portion of profit or losses of investments accounted for using the equity method	247	294
Dividends from minority investments accounted for at FVTOCI	2	
Other income (expense) from equity investments	2	
TOTAL INCOME FROM NET INVESTMENTS	249	294

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) and regional production tax (IRAP) rates in force in Italy) with the actual tax charge for the year can be broken down as follows:

32 INCOME TAXES

32.1 Income taxes in the income statement

(million euros)	2020			2021		
	IRES	IRAP	Totale	IRES	IRAP	Totale
Current taxes for the year	337	62	399	416	63	479
Adjustments for current taxes relating to previous years	(3)		(3)	(4)		(4)
Tax credits				(1)		(1)
Total current taxes	334	62	396	411	63	474
Total deferred taxes	(25)	(1)	(26)	(360)	1	(359)
TOTAL INCOME TAXES IN THE INCOME STATEMENT	309	61	370	51	64	115

The reconciliation of the theoretical tax charge (calculated by applying the corporation tax (IRES) and regional production tax (IRAP) rates in force in Italy) with the actual tax charge for the year can be broken down as follows:

(million euros)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
Profit before taxes		1,471		1,615
IRES taxes for the period calculated on the basis of the theoretical tax rate	24,0%	353	24,0%	388
<i>Variations from the theoretical rate:</i>				
- Net Income from equity investments	(3.5%)	(52)	(3.8%)	(61)
- Dividend tax	1.2%	18	1.0%	16
- Other permanent differences	(0.7%)	(10)	(18.1%)	(292)
IRES TAXES FOR THE YEAR RECOGNISED IN THE INCOME STATEMENT	21.0%	309	3.1%	51

(million euros)	2020		2021	
	Tax rate	Balance	Tax rate	Balance
Difference between value and cost of production		1,397		1,449
IRAP taxes for the period calculated on the basis of the theoretical tax rate	3.9%	54	3.9%	57
<i>Variations from the theoretical rate</i>				
Delta regional IRAP rates	0.3%	4	0.2%	3
Other permanent differences	0.2%	3	0.3%	4
IRAP TAXES FOR THE YEAR RECOGNISED IN THE INCOME STATEMENT	4.4%	61	4.4%	64

An analysis of deferred and prepaid taxes based on the nature of the significant temporary differences that generated them can be found in Note 19 "Deferred tax liabilities/assets".

32.2 Taxes related to components of the comprehensive income statement

(million euros)	2020			2021		
	Pre-tax value	Fiscal impact	Net tax value	Pre-tax value	Fiscal impact	Net tax value
Reassessment of liabilities for defined benefits plans for employees	(1)		(1)	(3)	1	(2)
Investments accounted for using the equity method - portion of other components of the comprehensive income statement	(37)		(37)	59		59
Equity investments accounted for at FVTOCI ("fair value through other comprehensive income")	43		43	(16)		(16)
Cash flow hedge – effective portion of fair value change	(6)	1	(5)	17	(4)	13
<i>Other components of the comprehensive income statement</i>	<i>(1)</i>	<i>1</i>		<i>(57)</i>	<i>(3)</i>	<i>54</i>
CURRENT AND DEFERRED INCOME TAXES RECOGNISED IN OTHER COMPREHENSIVE INCOME		1			(3)	(3)

32.3 Tax realignment pursuant to Decree-Law no. 104 of 14 August 2020

Article 110, paragraph 8 of Decree-Law no. 104 of 14 August 2020 (so-called "August Decree") reintroduced the option for entities that prepare their financial statements in accordance with IAS/IFRS to realign the civil and fiscal values of tangible and intangible assets (excluding those for the production or exchange of which the business activity is directed), as well as of investments constituting financial assets, resulting from the financial statements of the year in progress at 31.12.2019:

- with the payment of a 3% substitute tax applied to the realigned values, to be paid in a maximum of three equal annual instalments starting from 30 June 2021;
- and the obligation to pledge a tax-suspension reserve for tax purposes if it is not released by paying a 10% substitute tax on income tax, IRAP and any additional tax.

The Snam group has decided to avail itself of this option and to realign the civil and tax values of certain tangible and intangible assets belonging to the subsidiaries Snam Rete Gas, Stogit, GNL Italia and Renerwaste S.r.l., represented, respectively, primarily by pipelines, regasification plants, wells and treatment plants and by goodwill.

As a result of this realignment, the following economic and financial effects have been recognised at 31 December 2021:

- registration of the substitute tax, for a total charge of 42 million euros and payment, on 30 June 2021, of the first of three instalments for a total amount of 14 million euros;
- release to the income statement of deferred tax liabilities accrued in previous years for a total amount of 334 million euros, as a result of a simultaneous reduction of the related provision recorded as a liability in the statement of financial position.

As a result of the Company's decision not to opt for the release of restricted reserves through the payment of a 10% substitute tax, the respective Boards of Directors of the subsidiaries Snam Rete Gas, Stogit, GNL and Renerwaste convened their respective Shareholders' Meetings in order to restrict the reserves in suspension of taxation for tax purposes.

The incidence of taxes for the period on the pre-tax result (tax rate) is affected by the effects of the tax realignment pursuant to DL Decree-Law 104 of 14 August 2020, which resulted in lower taxes totalling 292 million euros in the 2021 financial statements. Net of this effect, the tax rate was 24.7% (25.2% at 31 December 2020), compared to a theoretical rate of 27.6% (27.7% at 31 December 2020) resulting from applying the Italian tax rates of 24.0% (IRES) to profit before taxes and 3.9% (IRAP) to net production value.

The reduction in the tax rate compared to the theoretical rate is mainly due to the valuation of investments using the equity method and the reintroduction of the ACE (Aid to Economic Growth) benefit, the effects of which were partially offset by the tax on dividends and the taxes associated with the recognition, for tax purposes only, of the gains associated with the contribution of the investment held by Snam S.p.A. in TAP to Snam International B.V.

33 EARNINGS PER SHARE

Basic earnings per share, at 0.459 euros per share (0.336 euros per share in 2020), are calculated by dividing the profit for the year pertaining to the shareholders of the parent company Snam (1,500 million euros; 1,101 million euros in 2020) by the weighted average number of Snam shares outstanding during the year, excluding treasury shares (3,270,833,636 shares; 3,272,020,890 shares in 2020).

Diluted earnings per share are calculated by dividing the profit for the year pertaining to the shareholders of the parent company Snam, after deducting interest recognised during the year on the convertible bond loan, net of the tax effect, by the weighted average number of shares outstanding in the period, excluding treasury shares, and those potentially deriving from the long-term share-based incentive plans (2019, 2020 and 2021 allocations) as well as from the conversion of the convertible bond.

The weighted average number of outstanding shares used to calculate diluted earnings per share is 3,357,002,275 and 3,358,022,355 for 2021 and 2020, respectively.

33.1 Reconciliation of basic and diluted earnings per share

The reconciliation of the weighted average number of outstanding shares used to determine basic and diluted earnings per share is set out below:

	2020	2021
<i>Weighted average number of outstanding shares used to calculate basic earnings per share</i>	<i>3,272,020,890</i>	<i>3,270,833,636</i>
Number of potential shares for long-term incentive plans	3,447,237	3,363,965
Number of potential shares for the convertible bond loans issue	82,554,228	82,804,674
<i>Weighted average number of outstanding shares used to calculate diluted earnings per share</i>	<i>3,358,022,355</i>	<i>3,357,002,275</i>
Group profit for the year (million euros) (a)	1,101	1,500
Dilution effect of the convertible bond loan	3	3
<i>Diluted profit for the year due to parent company shareholders (million euros) (a)</i>	<i>1,104</i>	<i>1,503</i>
BASIC EARNINGS PER SHARE (AMOUNTS IN € PER SHARE)	0.336	0.459
DILUTED EARNINGS PER SHARE (AMOUNTS IN € PER SHARE)	0.329	0.448

(a) Entirely attributable to the Parent company shareholders.

34 INFORMATION BY BUSINESS SEGMENT

The information about business segments has been prepared in accordance with the provisions of IFRS 8 “Operating segments”, which requires the information to be presented in a manner consistent with the procedures adopted by the Company’s management when taking operational decisions. Therefore, the identification of the operating segments and the information presented are defined on the basis of the internal reporting used by the Company Management for the purposes of allocating resources to the various segments and for the analysis of the related performance.

At 31 December 2021, the reportable segments, which correspond to those in place at 31 December 2020, are as follows:

- Transportation segment, attributable to the legal entities that carry out, at Group level, the transportation and dispatching of natural gas in Italy (Snam Rete Gas, ITG and Enura);
- Storage segment, attributable to the legal entity that provides natural gas storage services in Italy (Stogit);
- Regasification segment, related to the legal entity that provides liquefied natural gas (LNG) regasification service, which is subject to separate disclosure as it is a business subject to specific regulation, although it does not meet the materiality thresholds set out in IFRS 8;
- Other segments: including the companies active in the Energy Transition business (sustainable mobility, energy efficiency and biogas/biomethane) as well as the activities of Snam Global Solutions, which are not subject to disclosure. These segments are not reported separately as they do not currently meet the materiality thresholds set out in IFRS 8, either individually or in aggregate.

Other unallocated amounts relate to head office activities of Snam corporate and insurance captives.

In order to assess the performance of the operating segments, Snam management mainly analyses adjusted EBITDA (net of any non-recurring costs or revenues, or costs or revenues resulting from events or transactions that are not representative of normal business activity) and adjusted EBIT, for which a reconciliation with the related reported values is provided.

In addition to the above measures, the Executive Board regularly analyses revenues and investments for each business.

In order to allow for a better reconciliation with what is represented for management purposes, the representation of revenues has been modified, distinguishing “Regulated revenues”, relating to services subject to regulation by the ARERA authority, from “Other revenues” and “Other income” not subject to such regulation, instead of the distinction between “Revenues from ordinary operations” and “Other revenues and income”. The corresponding figures as at 31 December 2020 have been restated.

(million euros)	Reporting segments				Amounts not allocated to segment	Reconciliation of adjusted values with reported values	Total
	Transport segment	Storage segment	Regasification segment	Other segment			
FY 2020							
Regulated revenues	2,028	499	21				2,548
Other non-regulated revenues	48			192	13		253
to deduct: inter-segment revenues	(48)						(48)
Total revenues from third parties	2,028	499	21	192	13		2,753
Other operating income	17	5	2		3		27
<i>to be deducted: other inter-segment operating income</i>	(4)	(4)	(2)				(10)
Total revenues and other operating income from third parties	2,041	500	21	192	16		2,770
EBITDA	1,776	426	7	12	(24)	(44)	2,153
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(634)	(112)	(7)	(12)	(8)		(773)
EBIT	1,142	314	0	0	(32)	(44)	1,380
Investments in Property, plant and equipment and intangible assets	981	134	21	42	11		1,189
FY 2021							
Regulated revenues	2,327	523	19				2,869
Other non-regulated revenues	38	1		400	14		453
to deduct: inter-segment revenues	(36)	(1)					(37)
Total revenues from third parties	2,329	523	19	400	14		3,285
Other operating income	14	6	1		2		23
<i>to be deducted: other inter-segment operating income</i>	(6)	(4)	(1)				(11)
Total revenues and other operating income from third parties	2,337	525	19	400	16		3,297
EBITDA	1,804	455	8	0	(17)	(7)	2,243
Depreciation, amortisation and impairment losses on property, plant, equipment and intangible assets	(669)	(117)	(8)	(17)	(9)		(820)
EBIT	1,135	338	0	(17)	(26)	(7)	1,423
Investments in Property, plant and equipment and intangible assets	1,004	160	33	63	10		1,270

Revenue is generated by applying regulated tariffs or market conditions. The revenue was mainly generated in Italy; costs were incurred almost entirely in Italy.

35 TRANSACTIONS WITH RELATED PARTIES

From 1 August 2019, CDP S.p.A. reclassified its equity investment in Snam, already classified as de facto control pursuant to international accounting standard IFRS 10 – Consolidated financial statements from 2014, as de facto control pursuant to Article 2359, paragraph 1 of the Italian Civil Code and Article 93 of the TUF.

Given the existence of de facto control by CDP S.p.A. over Snam S.p.A., Snam related parties, based on the current group ownership structure, are represented not only by Snam subsidiaries, associates and joint ventures, but also by the parent company CDP S.p.A. and its subsidiaries, including joint ventures, and associates, as well as by the subsidiaries, including joint ventures, and associates of the Ministry for the Economy and Finance (MEF) and in any case any other related parties in accordance with IAS 24, as in force over time. Members of the Board of Directors, Statutory Auditors and Key Managers, and their relatives and entities they control, including jointly with Snam, CDP and CDP Reti, are also regarded as related parties.

As explained in detail below, related-party transactions mainly concern the exchange of goods and the provision of regulated services in the gas sector. Transactions between Snam and related parties are part of ordinary business operations and are generally settled under market conditions, i.e. the conditions that would be applied between two independent parties. All the transactions carried out were in the interest of the companies of the Snam Group.

Pursuant to the provisions of the relevant legislation, the Company has adopted internal guidelines to ensure that transactions carried out by Snam or its subsidiaries with related parties are transparent and correct in their substance and procedure.

Directors and statutory auditors declare potential interests that they have in relation to the Company and the Group every six months, and/or when changes in said interests occur; they also inform the Chief Executive Officer (or the Chairman, in the case of the Chief Executive Officer's interests), who in turn informs the other directors and the Board of Statutory Auditors, of individual transactions that the Company intends to carry out and in which they have an interest.

Snam is not subject to any direction or coordination activities. Snam carries out management and coordination activities with respect to its subsidiaries pursuant to Article 2497 et seq. of the Italian Civil Code, with the exception of Renerwaste S.r.l., Renerwaste Lodi S.r.l., Ecoprogetto Milano S.r.l. and Ecoprogetto Tortona S.r.l.

In the context of transactions with related parties, pursuant to the disclosure requirements set forth in Consob Regulation no. 17221 of 12 March 2010, we report the following:

- the stipulation between Snam Rete Gas S.p.A. and Eni S.p.A. of the natural gas transportation contract for the Thermal Year 2020-2021. On 8 February 2021, the value of the transportation contract exceeded the materiality threshold of 140 million euros identified in the Snam Guideline "Transactions with interests of directors and statutory auditors and transactions with related parties". The aforementioned contract is defined in accordance with the procedures provided for in the Network Code of Snam Rete Gas S.p.A., approved by the Regulatory Authority for Energy, Networks and Environment with Resolution no. 75/2003 and its subsequent updates;
- This contract can be classified as an ordinary transaction concluded under market-equivalent or standard terms and conditions, since, according to paragraph 2 of the Guideline (published on www.snam.it): (i) they come under ordinary operations and related financial operations; (ii) the conditions applied are based on regulatory tariffs;
- the approval by the Snam Board of Directors, on 11 May 2021, of the signing of a loan agreement for up to a total of 150 million euros with the subsidiary TEP Energy Solutions S.r.l. (TEP), subsequently signed on 15 June 2021, which took place in the context of a loan granted by the European Investment Bank ("EIB") to support the TEP programme of

investments in energy efficiency activities. The above-mentioned loan was subscribed, as is customary, directly by Snam as borrower and then made available to TEP through the signing of the Intercompany Loan contract, under economic terms and conditions in line with those granted by the EIB. From this point of view, the transaction appears to be covered by the rationale of the exclusion for transactions at market or standard conditions as per Art. 3.2, no. 8 of the RPT Guidelines and Art. 13, paragraph 3, letter c) of the Consob RPT Rules, as it is the execution of agreements entered into with unrelated parties;

- the agreement signed between Eni S.p.A. and Snam S.p.A. on 27 November 2021 for the sale to Snam by Eni of 49.9% of the equity interests held (directly and indirectly) by the latter in the companies that operate the two groups of international gas pipelines connecting Algeria to Italy, in particular the onshore pipelines that extend from the Algerian-Tunisian border to the Tunisian coast (the TTPC pipeline) and the offshore pipelines connecting the Tunisian coast to Italy (the TMPC pipeline). The transaction provides for the contribution of these investments by Eni to a newly established Italian company (NewCo), of which Eni will continue to hold 50.1%, while the remaining 49.9% will be sold to Snam for 385 million euros. Subject to the fulfilment (or, as the case may be, the waiver) of the conditions precedent provided for in the contract, the transaction is expected to be completed by the third quarter of 2022. The transaction is carried out between related parties pursuant to Article 3 of the aforementioned regulation adopted by Consob with resolution no. 17221 of 12 March 2010, as subsequently amended and supplemented (the “Consob RPT Regulation”). The transaction qualifies as a “more significant” transaction between related parties for Snam pursuant to Article 8, paragraph 1 of the Consob RPT Regulation and Article 4 of the Guidelines, in that the materiality index relating to the value of the transaction as set out in Annex 3 to the Consob RPT Regulation and Annex 1 to the Snam Guidelines is greater than the threshold of 2.5% identified in the Snam Guidelines. Snam published, within the terms set out in the Consob RPT Regulation and in the Snam Guidelines, the information document concerning the transaction relating to more significant transactions with related parties, prepared pursuant to Article 5 and in accordance with the format set out in Annex 4 of the Consob RPT Regulation, as well as pursuant to Article 4 of the Snam Guidelines.

The aforementioned transactions were processed pursuant to the “Guideline on Transactions with Interests of Directors and Statutory Auditors and Related-Party Transactions” which, as of 1 July 2021, the Company adapted to the provisions of the Consob Regulation on related-party transactions, as amended by resolution no. 21624/2020.

With reference, in particular, to relations with the Eni Group and the Enel Group, it should be noted that almost all transactions refer to gas transport contracts based on tariffs set by the Regulatory Authority - ARERA, on which the company and the counterparties have no discretionary power. Therefore, they fall within the cases of exclusion of Snam’s “Guideline on Transactions with Interests of Directors and Statutory Auditors and Related Party Transactions”.

The amounts involved in commercial, financial and other transactions with the above-mentioned related parties are shown below for the current year and the previous one for comparison purposes. The nature of the most significant transactions is also stated.

35.1 Commercial and other transactions

Commercial and other transactions can be broken down as follows:

(million euros)	31.12.2020				2020				
	Receivables	Other assets	Payables	Other liabilities	Revenues (b)		Costs (a)		
					Services	Other	Goods	Services	Other
- Interconnector Limited					2				
- Albanian Gas Services	1								1
- Senfluga									
- TAG GmbH	2		2		1			1	
- Teréga S.A.S.	1								
- Trans Adriatic Pipeline A.G. (TAP)	5			1	26				
- Galaxy Pipeline Assets Holdco	17								
Total companies under joint control and associates	26	0	2	1	29		0	1	1
Snam Foundation	1							1	
- Cassa Depositi e Prestiti			110						
Totale impresa controllante			110						
- Italgas Group	2		2			1			
Total companies controlled by the parent company Cassa Depositi e Prestiti	2		2			1			
- Saipem Group			20					26	
- Valvitalia Finanziaria S.p.A.			1				3		
Total companies jointly controlled by the parent company Cassa Depositi e Prestiti			21				3	26	
Companies owned or controlled by the State									
- Gestore dei mercati energetici S.p.A.	26		25						
- Anas group	1	2	2						3
- Enel Group (c)	65		19		338				
- Eni Group (c)	179		26		895	1		19	1
- Ferrovie dello Stato group	1		2						3
- Finmeccanica group								1	
Total companies owned or controlled by the State	272	2	74		1,233	1		20	7
TRADE BALANCES WITH RELATED PARTIES	301	2	209	1	1,262	2	3	48	8

(a) These include costs for goods and services used for investment purposes.

(b) Before tariff components that are offset in costs.

(c) Including balance sheet figures relating to balancing activities.

(million euros)	31.12.2021				2021						
	Receivables	Other assets	Payables	Other liabilities	Revenues (b)			Costs (a)			
					Goods	Services	Other	Goods	Services	Other	
- Snam Middle East BV			4								
- Snam International (UK) Ltd			2								
- Snam North America LLC			1								
- Snam Gas & Energy Services	1									2	
Total subsidiaries valued at equity	1		7							2	
- Senfluga	1						1				
- TAG GmbH	1		1				2				
- Teréga S.A.S.	1										
- Trans Adriatic Pipeline AG (TAP)	2						5				
Total companies under joint control and associates	5		1				8				
Snam Foundation	1						1				1
- Cassa Depositi e Prestiti			111								
Total parent company			111								
- Italgas Group	1			1				1		1	2
- Sace Group			3								
Total companies controlled by the parent company Cassa Depositi e Prestiti	1		3	1				1		1	2
- Saipem Group			23							34	
- Valvitalia Finanziaria S.p.A.			1					4		2	
Total companies jointly controlled by the parent company Cassa Depositi e Prestiti			24					4		36	
- Gestore dei mercati energetici S.p.A.	101		205		1						
- Anas group	1	1	2								
- Enel Group (c)	179		19				343			1	
- Eni Group (c)	262		68		1		849			23	
- Ferrovie dello Stato group	5		1								
Total companies owned or controlled by the State	548	1	295		2		1,192			24	
TRADE BALANCES WITH RELATED PARTIES	556	1	441	1	2		1,201	1	4	63	3

(a) These include costs for goods and services used for investment purposes.

(b) Before tariff components that are offset in costs.

(c) Including balance sheet figures relating to balancing activities.

35.1.1 Companies under joint control and associates

The most significant commercial relations with companies under joint control and associates include:

- the provision to TAP of services for the construction of transportation infrastructures governed by the Engineering and Project Management (EPMS) Agreement;
- the provision to TAG of services for the realisation of the transportation infrastructures governed by the Engineering, Procurement and Construction Management (EPCM) Agreement.

35.1.2 Companies jointly controlled by the parent company Cassa Depositi e Prestiti

The most significant commercial relations with companies under the joint control of Cassa Depositi e Prestiti include the purchase by Saipem of design and works supervision services for the realisation of natural gas transportation and storage infrastructures, regulated by agreements signed at normal market conditions.

35.1.3 Companies owned or controlled by the Italian State

The most significant commercial relations with companies controlled or owned by the State involve:

- the provision to the Eni Group and the Enel Group of natural gas transportation, regasification and storage services, regulated by tariffs established by the Authority;
- the purchase by the Eni Group of electricity used for carrying out activities.

Additionally, as at 31 December 2021, there were assets posted in reference to transactions arising from the national tax consolidation scheme in force until 31 July 2012.

35.1.4 Parent company

The most significant transactions with the parent company Cassa Depositi e Prestiti include the payable for an interim dividend of 111 million euros, approved on 3 November 2021 by the Board of Directors and payable from 26 January 2022, with ex-coupon date on 24 January 2022 and record date on 25 January 2022.

35.2 Financial transactions

(million euros)	31.12.2020		
	Receivables	Guarantees and commitments	Income
- Trans Adriatic Pipeline A.G. (TAP)		1,242	
- EBS società agricola a R.L.	5		
- OLT Offshore Toscana	303		12
Total companies under joint control and associates	308	1,242	12
BALANCES OF FINANCIAL TRANSACTIONS WITH RELATED PARTIES	308	1,242	12

(million euros)	31.12.2021			Income
	Receivables	Payables	Guarantees and commitments	
- Trans Adriatic Pipeline A.G. (TAP)			1,129	
- East Mediterranean Gas Company	8			
-EBS società agricola a R.L.	5			
- OLT Offshore Toscana	286			14
Total companies under joint control and associates	299		1,129	14
- Arbolia S.p.A. Benefit Company		1		
Total non-consolidated subsidiaries		1		
BALANCES OF FINANCIAL TRANSACTIONS WITH RELATED PARTIES	299	1	1,129	14

35.2.1 Companies under joint control and associates

Financial relations with companies under joint control and associates include:

- the so-called “Debt Payment Undertaking” guarantee provided on behalf of Snam International in connection with the TAP project ;
- the long-term financial receivable in favour of OLT.

35.3 Impact of related-party transactions or positions on the balance sheet, income statement and statement of cash flows

The impact of related-party transactions or positions on the balance sheet and income statement is summarised in the following table:

(million euros)	31.12.2020			31.12.2021		
	Total	Related Entities	% Share	Total	Related Entities	% Share
Statement of financial position						
Other current and non-current financial assets	427	308	72.1	403	299	74.2
Trade receivables and other current receivables	1,676	301	18.0	3,331	556	16.7
Other current and non-current assets	161	2	1.2	361	2	0.6
Other non-current liabilities	214			718	1	0.1
Current financial liabilities	5,605			4,981	1	
Trade payables and other payables	2,029	209	10.3	2,889	441	15.3
Other current liabilities	70	1	1.4	53		

The impact of related-party transactions on the income statement is summarised in the following table:

(million euros)	2020			2021		
	Total	Related Entities	% Share	Total	Related Entities	% Share
Income Statement						
Revenue	2,753	1,262	45.8	3,285	1,203	36.6
Other operating income	17	2	11.8	12	1	8.3
Costs for purchase of raw materials, consumables and finished goods	172	2	1.2	568	2	0.4
Costs for services	146	20	13.7	179	28	15.6
Staff costs	188	(2.0)	(1.1)	216	(2)	(0.9)
Other operating costs and expenses	111			91	3	3.3
Financial income	26	12	46.2	32	14	43.8

Related-party transactions are generally governed on the basis of market conditions, i.e. the conditions that would be applied between two independent parties.

The principal cash flows with related parties are shown in the following table.

(million euros)	2020	2021
Operating revenues and income	1,264	1,204
Operating costs and expenses	(22)	(31)
Change in trade receivables and other current receivables	(10)	(254)
Change in trade payables and other current payables	12	221
Interest on loans	10	
Change in other current and non-current assets	(1)	
Change in other current and non-current liabilities	(21)	
Interest collected (paid)	11	10
<i>Cash inflow from operating activities</i>	<i>1,243</i>	<i>1,150</i>
Investments:		
- Tangible and intangible assets	(37)	(38)
- Current financial assets	(5)	
- Long-term financial receivables	(332)	(8)
- Change in payables and receivables relating to investments	3	10
Divestments:		
- Financial receivables (repayments)	33	20
<i>Cash flows from investment activities</i>	<i>(338)</i>	<i>(16)</i>
Increase (decrease) in short-term financial debt		1
<i>Cash flows from financing activities</i>		<i>1</i>
TOTAL CASH FLOWS TO RELATED ENTITIES	905	1,135

The incidence of cash flows with related parties is shown in the table below:

(million euros)	2020			2021		
	Total	Related entities	% Share	Total	Related entities	% Share
Cash inflow from operating activities	1,597	1,233	77	1,339	1,150	86
Cash flows from investment activities	(1,637)	(333)	20	(1,679)	(17)	1
Cash flows from financing activities	233			(1,367)	1	

36 PUBLIC GRANTS - DISCLOSURE PURSUANT TO ARTICLE 1, PARAGRAPHS 125-129, LAW NO. 124/2017

Pursuant to Article 1, paragraph 125 of Law no. 124/2017, as amended, the following information is provided on disbursements received from Italian public entities and entities, in favour of Snam S.p.A. and its fully consolidated subsidiaries. The consolidated disclosures take into account disbursements received from Italian public entities/state bodies. In particular, the following are not subject to presentation: (i) the forms of incentive/subsidy received in application of a general aid scheme to all those entitled; (ii) payments relating to the provision of works/services, including sponsorships; (iii) reimbursements and allowances paid to persons engaged in training and guidance courses; (iv) contributions received for continuous training from interprofessional funds established in the legal form of associations; (v) membership fees for membership in trade and territorial associations, as well as in favour of foundations or equivalent organisations, functional to activities connected with the company's business. Disbursements are identified on a cash basis.

The disclosure obligations regarding the transparency of public disbursements granted, provided for in Article 1, paragraph 126 of Law no. 124 of 2017, are not applicable to the Snam Group.

During 2021, there are no disbursements of more than 10 thousand euros made by the same person, even through several acts. Pursuant to the provisions of Article 3-quater of DL 135/2018, converted with amendments by Law no. 12 of 11 February 2019, for any disbursements received, please refer to the indications contained in the National Register of State Aid referred to in Article 52 of Law no. 234 of 24 December 2012.

37 SIGNIFICANT NON-RECURRING EVENTS AND TRANSACTIONS

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, it should be noted that there were no significant non-recurring events or transactions during the year.

38 POSITIONS OR TRANSACTIONS ARISING FROM ATYPICAL AND/OR UNUSUAL OPERATIONS

Pursuant to Consob Communication No. DEM/6064293 of 28 July 2006, it should be noted that there were no atypical and/or unusual positions or transactions during the year.

39 SIGNIFICANT EVENTS AFTER THE END OF THE YEAR

With regard to significant events after the end of the financial year, the Russian-Ukrainian conflict escalated, culminating in the declaration of war and the launch of an armed attack on Ukraine by Russia on 24 February.

Snam stands by the people affected by the war and was quick to offer its support to humanitarian efforts on behalf of Ukrainian civilians. In particular, on 7 March, the company launched a fund-raising campaign among its employees, who were given the opportunity to donate the economic equivalent of working hours to two solidarity initiatives of Unicef Italy and the Italian Red Cross in favour of children and Ukrainian refugees respectively. Unicef is assisting children by creating 20 'blue dots' along transit corridors in six neighbouring countries, while the Italian Red Cross is working with the Ukrainian Red Cross to support the civilian population affected by the conflict and to manage displaced people by providing food, medicines and blankets. The amounts collected will be doubled by the Snam Foundation.

Italy and Europe import from Russia a significant part of their requirement of gas and, to a lesser extent, oil. In Italy, gas from Russia amounts to about 30 billion standard cubic metres a year, or about 38% of the national requirement. Although flows from Russia are currently continuing unabated, uncertainty and fears of possible supply implications have triggered a significant increase in oil and gas prices.

A significant and prolonged interruption of imports from Russia would result in the country having to draw on other sources of supply, in addition to stockpiles and, where not sufficient, the activation of emergency measures.

Snam is not active in the Russian market and does not hold any investments, even in joint ventures with Russian companies.

Snam's core business is based on the recognition of regulated revenues (transportation, regasification and storage) anchored to capacity contracts, with negligible sensitivity to volumes. Commercial counterparties to access the provision of the related services provided by Snam must present suitable financial guarantees or, alternatively, hold credit ratings issued by the main rating agencies at least equal to BBB-.

With regard to the operational management of recurring activities and the implementation of the 2022 investment program, there are currently no critical issues attributable to the ongoing war events.

TAG and GCA (jointly controlled company) are the foreign subsidiaries with the largest exposure to Russian gas supplies through multi-year contracts for transportation. To date, there are no changes to the regular flows. Companies remain central to the role they play. However, any prolonged interruption of imports and/or the cancellation of existing long-term contracts (partly covered by bank guarantees) could be reflected in a temporary reduction of economic contribution of the investee companies to the Group or impact the valuation of the investments themselves.

With reference to the tensions on the financial markets, Snam reports that it is marginally exposed to exchange rate risk and in any case, only with respect to the US dollar currency.

With respect to the availability of sources of financing and the related costs, it should be noted that as at 31 December 2021: (i) over 70% of Snam's financial debt is at a fixed rate; (ii) the Snam Group has liquidity deposited with leading credit institutions for an amount of 1,337 million euros and long-term committed lines not drawn, also considering the EIB loan stipulated in July 2021 relating to energy efficiency projects for a total of 3,350 million euros.

It should be noted that in January 2022, Snam successfully issued a dual tranche Sustainability-Linked bond for a total of 1,500 million euros in conjunction with a Liability Management exercise that led to the repurchase of 350 million euros to proactively manage future maturities of debt.

Considering the cash and the committed lines not drawn at 31 December 2021, together with the proceeds deriving from the bond issue net of the repurchase of the notes for the Liability management exercise, Snam is able to cover the maturities of the short and medium, and long-term debt, banking and bond, until the end of 2023.

Since 24 February, Snam has been constantly monitoring the evolution of the situation and has offered its support to national institutions in the development of possible energy scenarios. The company has been proactively collaborating with the Regulatory Authority (ARERA) and national and European institutions, leveraging its transportation and storage infrastructure to strengthen security and improve the diversification of procurement

sources. Snam is available to institutions to evaluate infrastructure initiatives that can allow the country to further expand its capacity for receiving and diversifying supplies.

On 8 March 2022, the European Commission presented its new policy document (RePower EU) updating and complementing the “Toolbox” to address the 13 October 2021 energy price increase and anticipates, in light of the situation between Russia and Ukraine, further efforts to diversify gas supplies to the European market via pipeline and LNG and further promote renewables, biomethane and hydrogen with the political objective of achieving independence from Russian gas by 2030.

With regard to gas storage in particular, the Commission has confirmed its intention to bring into EU legislation by April, with a further and rapid revision of the Regulation on security of gas supply, minimum obligations at national level in order to reach 90% filling at EU level by 1 October each year. The intention to move forward with common purchasing mechanisms, along the lines of what was proposed in December in the gas market reform, was also confirmed.

These indications support the strategic vision of Snam, which has long positioned itself as an enabler of the energy transition thanks to investments to make its infrastructure hydrogen-ready, placing at the centre of its strategic plan energy transport and storage and the development of new businesses such as hydrogen, biomethane, sustainable mobility and energy efficiency.

The expected acceleration of the development of biomethane and hydrogen, also using imports from North Africa, confirms Snam’s long-term strategic importance of infrastructure.

40 PUBLICATION OF THE FINANCIAL STATEMENTS

The financial statements were authorised for publication, to be carried out within the terms of the law, by the Snam Board of Directors in its meeting of 16 March 2022.

MANAGEMENT'S CERTIFICATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

1. The undersigned Marco Alverà and Luca Oglialoro, in their respective capacities as Chief Executive Officer and Manager responsible for preparing the Company's financial reports of Snam S.p.A., hereby certify, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of 24 February 1998:
 - the adequacy in relation to the characteristics of the company and
 - the effective application of the administrative and accounting procedures for the preparation of the consolidated financial statements during FY 2021.

2. The administrative and accounting procedures for the preparation of the consolidated financial statements at 31 December 2021 have been defined and the assessment of their adequacy has been carried out on the basis of the standards and methods defined in accordance with the Internal Control - Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission, which represents a reference framework for the internal control system generally accepted at international level.

3. It is also certified that:
 - 3.1 The consolidated financial statements as at 31 December 2021:
 - a) have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Community pursuant to Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
 - b) correspond to the information contained in the accounting ledgers and records;
 - c) provide a true and fair representation of the equity, economic and financial situation of the Issuer and the whole of the companies included in the scope of consolidation.
 - 3.2 The Directors' Report includes a fair review of the development and performance of operations and of the position of the issuer and of the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties to which it is exposed.

16 March 2022

/Signature/ Marco Alverà
Marco Alverà
Chief Executive Officer

/Signature/Luca Oglialoro
Luca Oglialoro
Manager responsible for preparing
the Company's financial reports

INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

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**INDEPENDENT AUDITOR'S REPORT
PURSUANT TO ARTICLE 14 OF LEGISLATIVE DECREE No. 39 OF JANUARY 27, 2010
AND ARTICLE 10 OF THE EU REGULATION 537/2014**

**To the Shareholders of
Snam S.p.A.**

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Snam S.p.A. and its subsidiaries ("Snam Group" or "Group"), which comprise the statement of financial position as at December 31, 2021, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity and the cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of Snam S.p.A. (the "Company") in accordance with the ethical requirements applicable under Italian law to the audit of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Ancona Bari Bergamo Bologna Brescia Cagliari Firenze Genova Milano Napoli Padova Parma Roma Torino Treviso Udine Verona

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Investments in regulated businesses of the natural gas transportation, storage and regasification and related impairment test
Description of the key audit matter

As at 31 December 2021, the Group accounts for the item "Property, plant and equipment" for a total amount of euro 17.204 million and for the item "Intangible assets and goodwill", for a total amount of euro 1.167 million, mainly related to the regulated business segments and, in particular, for a total amount of euro 14.282 million referred to natural gas transportation business segment, for a total amount of euro 3.626 million referred to natural gas storage business segment and for a total amount of euro 140 million referred to natural gas regasification business segment. Investments made in the financial year relating to these sectors totalled euro 1.197 million.

The natural gas transportation, storage and regasification business segments are regulated by the Italian Regulatory Authority for Energy, Networks and Environment (Autorità di Regolazione per Energia Reti e Ambiente, "ARERA"), which defines, among the others, the rules for the remuneration of the related services. In particular, the regulated revenues for the natural gas transportation, storage and regasification services provided by the Group are determined by ARERA and provide for recognition of a predefined return on the regulatory net invested capital recognized for tariff purposes (RAB – Regulatory Asset Base), of the relative depreciation and of some operating expenses – the so-called "revenue cap". The RAB value is determined by ARERA mainly through the "revalued historical cost" method.

At the end of the financial year, the Group's management, despite the absence of impairment indicators, assessed the recoverability of non-financial fixed assets referring to the aforementioned business segments.

The recoverability of these fixed assets was tested by comparing the carrying amount, represented by the net invested capital of each of the cash-generating units of the natural gas transportation, storage and regasification business segments, with their recoverable amount represented by the higher of fair value and value in use.

In performing the impairment test, the recoverable amount of the assets was estimated primarily based on the RAB. No impairment loss resulted from the test.

We believe that investments in the natural gas transportation, storage and regasification business segments and the related impairment test represent a key audit matter for the Group's consolidated financial statements as at 31 December 2021 due to: (i) the relevance of the tangible and intangible assets related to natural gas transportation, storage and regasification services, compared to the Group's total assets, (ii) the relevance of the investments made during the year, (iii) their impact in determining the revenue cap for the remuneration of services related to such sectors and (iv) the estimation component in determining the recoverable amount of the assets.

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Explanatory notes "5) Significant accounting standards - Impairment of non-financial assets", "6) Assumptions and uncertainties in estimates", "8) Property, plant and equipment" and "9) Intangible assets and Goodwill" of the consolidated financial statements include the disclosure on the investments in regulated businesses of the natural gas transportation, storage and regasification and the related impairment test.

Audit procedures performed

With reference to the investments in regulated businesses related to the natural gas transportation, storage and regasification and the related impairment test, our audit procedures included, among the others, the following, also with the support of Deloitte network's experts with reference to the impairment test:

- understand the processes for recognition of such investments in the financial statements and for performing impairment test;
- understand the relevant controls implemented by the Group in relation to these processes and assessment of their operating effectiveness;
- critical analysis of the composition of the tangible and intangible assets captions, including the analysis of any unusual item;
- test the accurate start of depreciation when the asset is available for use, for a sample of projects included in tangible and intangible assets with depreciation starting date in the year, and analysis of the aging of projects included in the assets in progress;
- with reference to investments and disposals occurred during the period, selection of a sample of transactions and test of the compliance with the capitalization and disposal criteria provided by accounting standards;
- assessment of the consistency between the useful life used for the depreciation of the assets and their regulatory useful life and reperforming of the period depreciation;
- obtain the impairment test calculation and discussion meetings with the Group's management in order to understand the impairment test methodology;
- assessment of compliance of impairment test methodology, adopted by management, with the related applicable accounting standards;
- assessment of the recoverable amount estimated by the Group and of the underlying assumptions to the impairment test.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Impairment test of equity investments accounted for using the equity method

Description of the key audit matter

As at 31 December 2021, the Group accounts for the item "Equity investments accounted for using the equity method" for a total amount of euro 2.560 million, related to the Italian and foreign investments, in equity investments in joint ventures for an amount of euro 1.063 million and in equity investments in associates for an amount of euro 1.488 million.

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At the end of the financial year, the Group's management, despite the absence of impairment indicators, performed the impairment test of such equity investments, assessing their recoverability comparing the carrying amount with the recoverable amount represented by the higher of fair value and value in use.

In particular, for the purpose of the impairment test, the recoverable amount of the equity investments was determined as the value in use on the basis of the Dividend Discount Model (DDM) method or of the Discounted Cash Flows (DCF) method, with the exception of the equity investment in Italgas S.p.A., associated company, for which the fair value was determined on the basis of market prices at the end of the year.

No impairment loss resulted from the test.

In consideration of: (i) the relevance of such equity investments' amount, and (ii) the estimation component referred to the impairment models' key variables used in determining the recoverable amount, we believe that impairment test of equity investments accounted for using the equity method represents a key audit matter for the Group's consolidated financial statements as at 31 December 2021.

Explanatory notes "5) Significant accounting standards - Reduction in value of the investments", "6) Assumptions and uncertainties in estimates", "10) Equity investments accounted for using the equity method" of the consolidated financial statements include the disclosure on the equity investments accounted for using the equity method and the relative impairment test.

Audit procedures performed

With reference to our activities we performed, among the others, the following audit procedures, also with the support of Deloitte network's experts:

- understand the processes for performing the impairment test;
- understand the relevant controls implemented by the Group in relation to these processes and assessment of their operating effectiveness;
- obtain the impairment test calculation and discussion meetings with the Group's management in order to understand the impairment test methodology;
- assessment of compliance of impairment test methodology, adopted by management, with the related applicable accounting standards;
- reasonableness analysis of main assumptions adopted for the estimated expected dividends and expected cash flows, by obtaining information from management;

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- analysis of actual figures with respect to the original plans in order to assess the nature of the variations and the plans preparation process' reliability, also by examining the results of the work performed by equity investments' auditors involved in the audit of the Group consolidated financial statements;
- reasonableness' assessment of the discount rate (K_e in the DDM method and WACC in the DCF method) and of the long-term growth rate (g -rate) used;
- mathematical accuracy's test of the recoverable amount estimated by the Group's management and of the comparison between the recoverable amount and the carrying amount of the investment;
- test of sensitivity analysis prepared by management;
- accuracy's test of the market prices used to determine the fair value of Italgas.

Finally, we assessed the adequacy of the disclosure provided in the notes to the consolidated financial statements and its compliance with the accounting standards.

Responsibilities of the Directors and the Board of Statutory Auditors for the Consolidated Financial Statements

The Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of national regulations issued pursuant to art. 9 of Italian Legislative Decree no. 38/05, and, within the terms established by law, for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have identified the existence of the conditions for the liquidation of the Company or the termination of the business or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with International Standards on Auditing (ISA Italia), we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence applicable in Italy, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report.

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Other information communicated pursuant to art. 10 of the EU Regulation 537/2014

The Shareholders' Meeting of Snam S.p.A. has appointed us on October 23, 2019 as auditors of the Company for the years from December 31, 2020 to December 31, 2028.

We declare that we have not provided prohibited non-audit services referred to in art. 5 (1) of EU Regulation 537/2014 and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements expressed in this report is consistent with the additional report to the Board of Statutory Auditors, in its role of Audit Committee, referred to in art. 11 of the said Regulation.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**Opinion on the compliance with the provisions of the Delegated Regulation (EU) 2019/815**

The Directors of Snam S.p.A. are responsible for the application of the provisions of the European Commission Delegated Regulation (EU) 2019/815 with regard to the regulatory technical standards on the specification of the single electronic reporting format (ESEF – European Single Electronic Format) (hereinafter referred to as the "Delegated Regulation") to the consolidated financial statements, to be included in the annual financial report.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 700B in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in XHTML format and have been marked up, in all material respects, in accordance with the provisions of the Delegated Regulation.

Opinion pursuant to art. 14 paragraph 2 (e) of Legislative Decree 39/10 and art. 123-bis, paragraph 4, of Legislative Decree 58/98

The Directors of Snam S.p.A. are responsible for the preparation of the report on operations and the report on corporate governance and the ownership structure of Snam Group as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the law.

We have carried out the procedures set forth in the Auditing Standard (SA Italia) no. 720B in order to express an opinion on the consistency of the report on operations and some specific information contained in the report on corporate governance and the ownership structure set forth in art. 123-bis, no. 4 of Legislative Decree 58/98, with the consolidated financial statements of Snam Group as at December 31, 2021 and on their compliance with the law, as well as to make a statement about any material misstatement.

In our opinion, the above-mentioned report on operations and some specific information contained in the report on corporate governance and the ownership structure are consistent with the consolidated financial statements of Snam Group as at December 31, 2021 and are prepared in accordance with the law.

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With reference to the statement referred to in art. 14, paragraph 2 (e), of Legislative Decree 39/10, made on the basis of the knowledge and understanding of the entity and of the related context acquired during the audit, we have nothing to report.

Statement pursuant to art. 4 of the Consob Regulation for the Implementation of Legislative Decree 30 December 2016, no. 254

The Directors of Snam S.p.A. are responsible for the preparation of the non-financial statement pursuant to Legislative Decree 30 December 2016, no. 254.

We verified the approval by the Directors of the non-financial statement.

Pursuant to art. 3, paragraph 10 of Legislative Decree 30 December 2016, no. 254, this statement is subject of a separate attestation issued by us.

DELOITTE & TOUCHE S.p.A.

Signed by
Paola Mariateresa Rolli
Partner

Milan, Italy
April 5, 2022

As disclosed by the Directors on page 3 of the Annual Report 2021, the accompanying consolidated financial statements of Snam S.p.A. constitute an English language translation of the official Italian version and is not compliant with the provisions of the Commission Delegated Regulation (EU) 2019/815. This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.



By
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ACC & Partners

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