

Report on Corporate
Governance and
Ownership Structure
for 2015



Values and Mission

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

Snam follows an ethical and socially responsible business model that is capable of generating value for both the Company and the community in which it operates, based on renowned professionalism and transparent dialogue with all stakeholders, while respecting the environment and the local area. A clear and sustainable development strategy based on one of the biggest industrial investment plans in the country allows the Company to attract capital from both Italy and abroad, thus promoting growth and job creation.

With over 6,000 employees, Snam is active in natural gas transportation, storage, regasification and urban distribution. In Italy, it manages a national transportation network covering over 32,000 km, nine storage sites, one regasifier and a local distribution network that covers a total of approximately 57,000 km.



Report on Corporate Governance and Ownership Structure for 2015

pursuant to Article 123-*bis* of Legislative Decree No. 58
of 24 February 1998

Issuer: Snam S.p.A.

Website: www.snam.it

Financial year to which the Report refers: 2015

Report approval date: 16 March 2016

Introduction

This report (the “**Report**”) provides information – for the 2015 financial year unless expressly indicated otherwise – on the corporate governance system and ownership structure of Snam S.p.A.¹.

The Report consists of four Sections, which aim to provide the following information:

- Section I - Presentation of the Company;
- Section II - Information on the ownership structure;
- Section III - Structure of the corporate governance system adopted by the Company;
- Section IV - Summary tables.

The Report is preceded by an Executive Summary that describes the key components of the corporate governance system.

The Report was drawn up in consideration of:

- the document “*Report on corporate governance of Italian listed companies 2015*” of Consob;
- the 2015 report “*Corporate Governance in Italy: Compliance, Remunerations and Quality of the Comply-or-Explain*” of Assonime;
- the Final Report 2015 of “*L'Osservatorio sull'Eccellenza dei Sistemi di Governo in Italia*” realized by The European House – Ambrosetti;
- the *format for the Report on Corporate Governance and Ownership Structure* set out by Borsa Italiana (5th edition of January 2015), which is available at: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/format2015.pdf>.

The Report is published on the section “Governance and Conduct” of the Company’s website.

¹ Pursuant to Article 123-bis, paragraphs 1, 2 and 3 of Legislative Decree No 58 of 24 February 1998.

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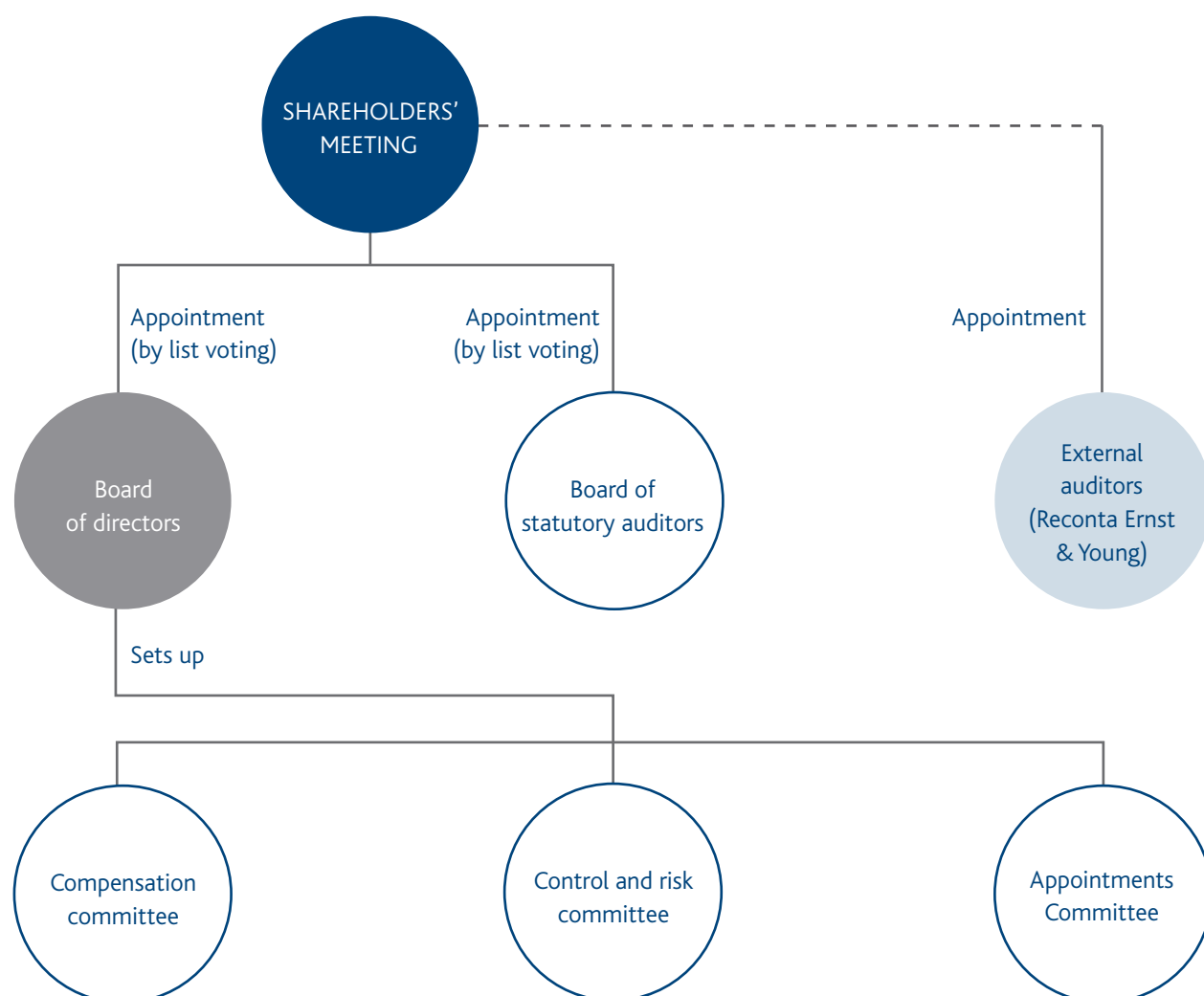
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Executive Summary

CORPORATE GOVERNANCE

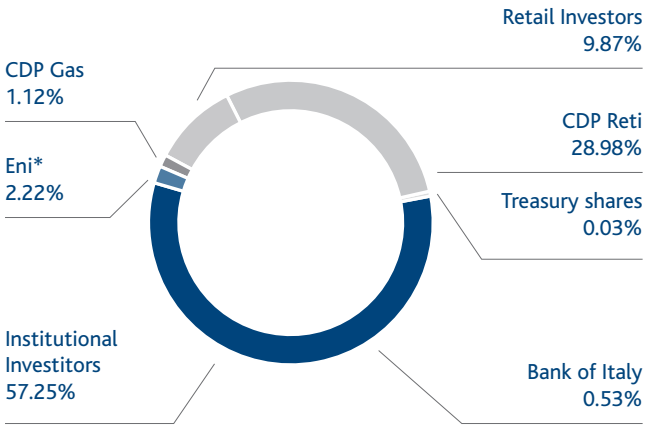


KEY COMPANY FIGURES

Figures in millions of euros	2014	2015	Variazione
Total revenue	3,882	3,970	2%
EBITDA	2,776	2,799	1%
Consolidated net profit	1,198	1,238	3%
Net debt	13,652	13,779	1%
Market capitalisation at 31/12	14,383	16,973	18%
Employees	6,072	6,303	4%
Sector	Utility		

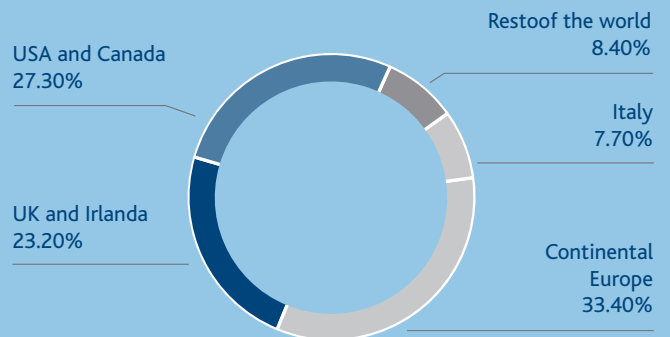
Shareholder structure and representation at 31 December 2015

COMPOSITION OF SHAREHOLDER*

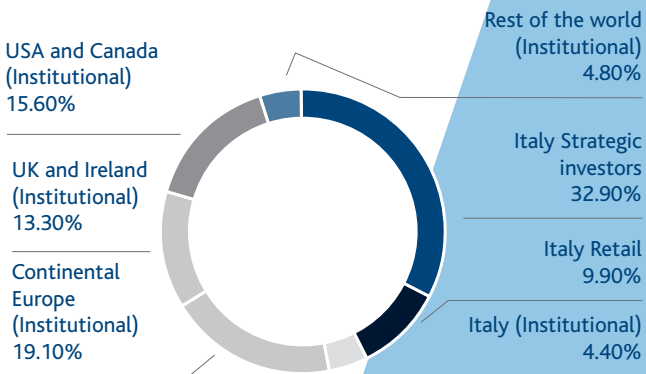


* Eni's equity investment as at 18 January 2016 was subsequently reduced to 0.02%, following the conversion of bonds issued by Eni and convertible into ordinary shares of Snam

INSTITUTIONAL INVESTORS



SHAREHOLDER STRUCTURE BY GEOGRAPHICAL AREA*



* We have broken down the percentage for Italy further than in previous years (equal to 47.2% in total).

OTHER CHARACTERISTICS OF THE SHAREHOLDER STRUCTURE

	Yes/No	% of the share capital
Presence of a shareholder agreement	Yes*	28.98%
Equity held by senior management	Yes	0.006%
Equity threshold for the submission of lists	Yes	0.5%

* See Section II, Paragraph 8 of the Report.

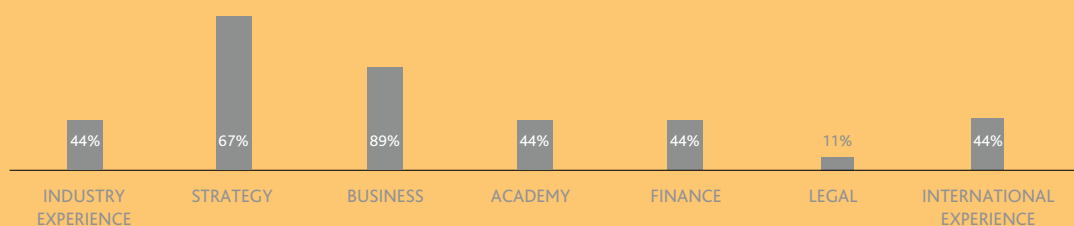
COMPOSITION OF THE BOARD OF DIRECTORS

STRUCTURE OF THE BOARD OF DIRECTORS

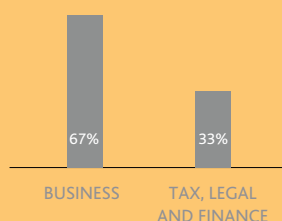
DIRECTOR	POST	ROLE	M/M	CRC	RC	AC	CRC IN THE FUNCTION OF RPC
Lorenzo Bini Smaghi	Chairman	Non-executive	M			x	
Carlo Malacarne	CEO	Executive	M				
Sabrina Bruno	Director	Independent (pursuant to TUF/Code)	m	x			x
Alberto Clò	Director	Independent (pursuant to TUF/Code)	M			C	
Francesco Gori	Director	Independent (pursuant to TUF/Code)	m	C			C
Yunpeng He	Director	Non-executive	M				
Andrea Novelli	Director	Non-executive	M	x	x		
Elisabetta Oliveri	Director	Independent (pursuant to TUF/Code)	m		C	x	
Pia Saraceno	Director	Independent (pursuant to TUF/Code)	M	x	x		x

CCR: Control and Risk Committee; RC: Remuneration Committee; AC: Appointments Committee; RPC: Related-Party Committee
M: Majority list; m: minority list; C: Chairman

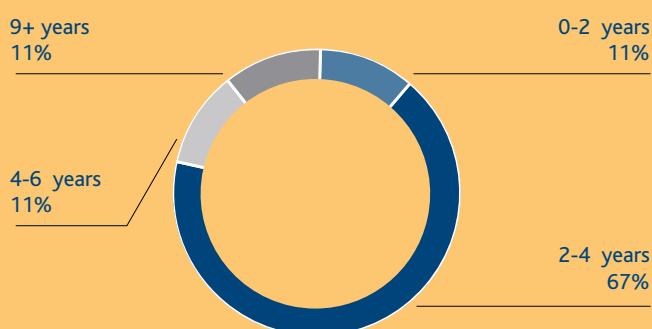
DIRECTOR'S EXPERTISE



% OF BUSINESS EXPERTISE COMPARED WITH TAX, LEGAL AND FINANCE EXPERTISE



SENIORITY OF DIRECTORS ON THE BOARD



CHANGE COMPARED WITH THE PREVIOUS TERM OF OFFICE

	Last term of office	Current term of office	FTSE MIB average*
Number of directors	9	9	12*
Directors elected by the minority	3 (33.3%)	3 (33.3%)	2 (15.6%)*
% of the least-represented gender on the Board of Directors	22%	33%	24.5%*
% of independent directors	56%	56%	56%*
Average age of directors	52	56	57.2*
Separation of the roles of Chairman and CEO	yes	yes	85.7%**
Existence of Lead Independent Director	no	no	34.3%***

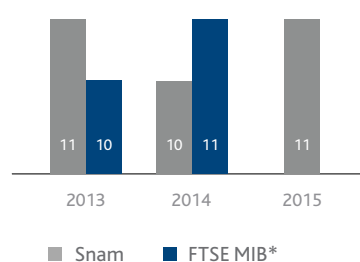
* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

** ASSONIME – *La Corporate Governance in Italia: autodisciplina, remunerazioni e comply-or-explain (2015)*. The 2015 survey includes 228 Italian companies, listed as at 31 December 2014, for which Reports were available at 15 July 2015. The figure refers to the average number of companies in the FTSE MIB in which the Chairman is not Chairman and CEO.

*** ASSONIME *op. cit.*, the figure refers to the average number of companies in the FTSE MIB that declare that they have appointed a Lead Independent Director.

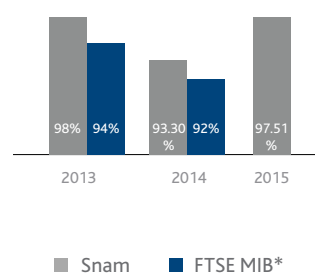
FUNCTIONING OF THE BOARD OF DIRECTORS

NUMBER OF MEETINGS



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

RATE OF ATTENDANCE AT BOARD MEETINGS



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

NUMBER OF COMMITTEE MEETINGS AND RATE OF ATTENDANCE BY DIRECTORS

Committee	Number of meetings	Rate of attendance
Compensation Committee	6	100%
Control and Risk Committee	10	95%
- Of which in the function of Related-Party Committee	3	100%
Appointments Committee	6	100%

DIRECTORS WHO HOLD POSITIONS AS DIRECTOR OR STATUTORY AUDITOR IN OTHER SIGNIFICANT COMPANIES PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

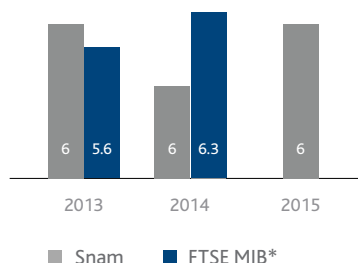
	Group companies	Other listed companies			Financial, banking and insurance companies and those of significant size		
		Non-executive director	Independent director	Statutory Auditor	Non-executive director	Independent director	Statutory Auditor
Lorenzo Bini Smaghi	-	-	1	-	-	1	-
Alberto Cló	-	-	3	-	-	-	-
Yunpeng He	-	1	-	-	1	-	-
Elisabetta Oliveri	-	-	2	-	-	1	-
Francesco Gori	-	1	-	-	-	-	-

ANNUAL BOARD EVALUATION PROCESS

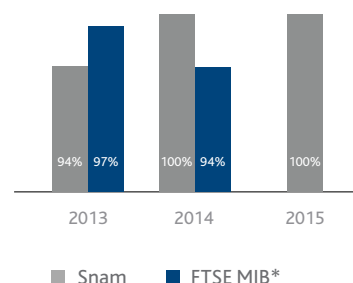
	Performance	Evaluator
Board evaluation	Yes	Self-assessment with the support of an advisor

REMUNERATION

NUMBER OF COMPENSATION COMMITTEE MEETINGS



RATE OF ATTENDANCE COMPENSATION COMMITTEE



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015

* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

REMUNERATION POLICY*

SHORT-TERM INCENTIVE SYSTEM

	No	Yes
Existence of a short-term incentive system		x

Short-term indicator parameters for the CEO	Weight
Free Cash Flow	30%
Investments	30%
Operating efficiency	30%
Employee and contractor accident frequency index	10%

LONG-TERM INCENTIVE SYSTEM

There are two medium- and long-term incentive systems (both cash)

Deferred monetary incentive

Parameter	Weight
EBITDA	100%

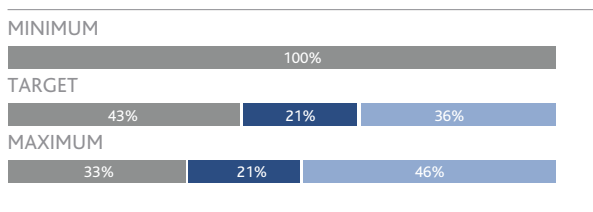
Long-term monetary incentive

Parameters	Peso
Adjusted net profit	60%
Total Shareholder Return	40%

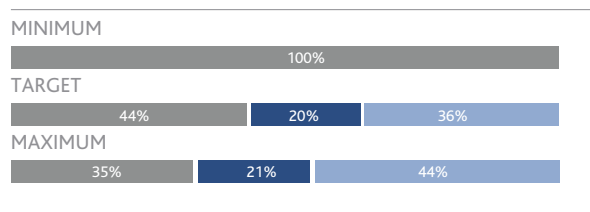
* The information on remuneration can be found in the 2016 Remuneration Report

THEORETICAL PAY MIX FOR THE CEO, GENERAL MANAGER AND EXECUTIVES WITH STRATEGIC RESPONSIBILITIES

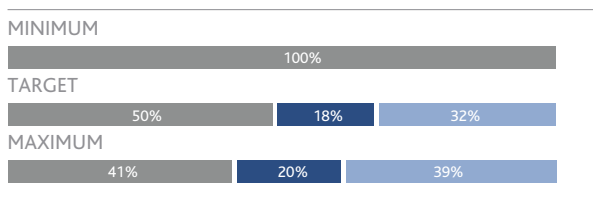
CHIEF EXECUTIVE OFFICER



GENERAL MANAGER



EXECUTIVES WITH STRATEGIC RESPONSIBILITY



- Fixed pay
- Short-term variable (annual monetary incentive)
- Long-term variable (deferred monetary incentive + long-term monetary incentive)

OTHER COMPONENTS OF THE PAY POLICY

	Yes/No
Does the company use a peer group?	Yes
Provision of a one-off bonus for the CEO and executives with strategic responsibilities	n.a.

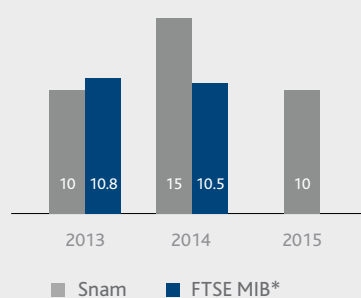
INDEMNIFICATION AND NON-COMPETE AGREEMENTS *

Severance pay	Yes
Non-compete agreements	Yes

* In accordance with the reference markets, an indemnification is provided for the CEO for the termination of the directorship and executive position. For more information, including on non-compete agreements, please see the Remuneration Report.

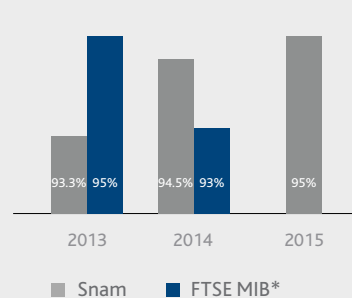
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

NUMBER OF CONTROL AND RISK COMMITTEE MEETING



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

RATE OF ATTENDANCE AT CONTROL AND RISK COMMITTEE MEETINGS



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2015 edition. The data refer to the 2014 financial year and are taken from public sources, such as the 2014 separate financial statements and the Report on Corporate Governance published in spring 2015.

Composition of the Control and Risk Committee	Independent	Executive/non-executive
Francesco Gori (Chairman)	x	Non-executive
Sabrina Bruno	x	Non-executive
Andrea Novelli		Non-executive
Pia Saraceno	x	Non-executive

BOARD OF STATUTORY AUDITORS

COMPOSITION OF THE BOARD OF STATUTORY AUDITORS

Statutory auditors	Post	Ind.**	M/m*	Other positions
Massimo Gatto	Chairman	x	m	4
Leo Amato	Standing	x	M	43
Stefania Chiaruttini	Standing	x	M	3
Maria Gimigliano	Alternate	x	M	n/a
Luigi Rinaldi	Alternate	x	m	n/a

* M: majority list; m: minority list

** Independent in accordance with the TUF and the Code of Corporate Governance

NUMBER OF MEETINGS OF THE BOARD OF STATUTORY AUDITORS AND RATE OF ATTENDANCE

Meetings

2013	15
2014	18
2015	17









Attendance

2013	71%
2014	94%
2015	94%

KEY ELEMENTS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

	Yes/No
Presence of a Risk Management department	Yes
Is there an Enterprise Risk Management plan?	Yes
If yes, is this plan discussed with the Committee?	Yes
Presence of succession plans (relating to management)	Yes
Preparation of specific compliance programmes (Antitrust, Anti-corruption, Whistleblowing, etc.)	Yes

MAIN RISKS

Main risks	Frequency	Impact	Mitigation measures
Regulatory change (regulatory, legal and non-compliance context)			Monitoring and discussion with the main institutions responsible. Regular review of the operational model in relation to health, safety and environmental. Update of Model 231 and the Code of Ethics. Analysis concerning the adaptation of the latest version (July 2015) of the Code of Corporate Governance approved by the Corporate Governance Committee and Corporate Governance best practice. Anti-corruption monitoring. Monitoring the updates on the Company policy.
Operating risk (damage, breakdown, etc.)			Ongoing checks and monitoring and communication initiatives aimed at providing information about the presence of infrastructure and the measures to be avoided/to be put into practice by third parties so as not to damage it.
Rating risk (downgrading)			Ongoing monitoring of ratings indicators and activation of new lines if necessary.
Credit risk			Centralised management to improve efficiency for all Group companies, with the exception of the specific sub-activity of debt collection, adoption of structured systems for assessing creditworthiness and systematic management of requests.



Rising scale



Glossary

AEEGSI

Electricity, Gas and Water System Authority.

Borsa Italiana

Borsa Italiana S.p.A.

CDP

Cassa Depositi e Prestiti S.p.A.

CDP RETI

CDP RETI S.p.A.

Code of Corporate Governance

the code of corporate governance for listed companies approved in July 2001 by the Corporate Governance Committee, as subsequently amended in July 2014. The text is available at: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014cleaneng.en.pdf>.

Consob

Commissione Nazionale per le Società e la Borsa (the Italian Securities and Exchange Commission).

Subsidiaries

The following subsidiaries of Snam:

- Gasrule Insurance Limited; GNL Italia S.p.A.; Snam Rete Gas S.p.A.; Società Italiana per il Gas per azioni - Italgas; and Stocaggi Gas Italia S.p.A. - Stogit, (known collectively as the “**Direct Subsidiaries**”);
- ACAM Gas S.p.A., Compagnia Napoletana di Illuminazione e Scaldamento col Gas S.p.A. – Napoletanagas.

Legislative Decree 231/2001

Legislative Decree No. 231 of 8 June 2001, “*Rules governing administrative responsibility of legal entities, companies and associations, including those without legal personality, pursuant to Article 11 of Law No. 300 of 29 September 2000*”.

Executive Responsible for preparing corporate accounting documents

Executive Responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF.

Issuer

Snam.

Eni

Eni S.p.A.

Anti-Corruption Laws

The provisions of the Italian Criminal Code on corruption, Law No. 190 of 6 November 2012, Law No. 69 of 27 May 2015, Legislative Decree 231/2001 and other measures in force, the FCPA, the UK Bribery Act, other public and commercial laws against corruption in force worldwide and international anti-corruption treaties, such as the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions and the United Nations Convention against Corruption.

MTA

Mercato Telematico Azionario (the electronic stock exchange organised and managed by Borsa Italiana S.p.A.).

Unbundling Regulation

European and national provisions on functional and/or ownership unbundling that apply to all operators in the electricity and natural gas sectors. In particular: Directive 2009/73/CE, Legislative Decree No. 93 of 1 June 2011 and Prime Ministerial Decree of 25 May 2012 concerning “*Criteria, terms and conditions for the adoption by Snam S.p.A. of the ownership unbundling model pursuant to Article 15 of Law No. 27 of 24 March 2012*”.

Watch Structure

supervisory body established pursuant to Legislative Decree 231/2001.

RAB

Regulatory Asset Base.

Issuer Regulations

Regulations issued by Consob by means of Resolution 11971 of 14 May 1999, as amended, on the subject of issuers.

Regulations on Related-Party Transactions

Regulations issued by Consob by means of Resolution No. 17221 of 22 March 2010, as amended, on the subject of related-party transactions.

Report

this report on corporate governance and ownership structure pursuant to Article 123-*bis* of the TUF.

The Company's website

www.snam.it

External Auditors

Reconta Ernst & Young S.p.A.

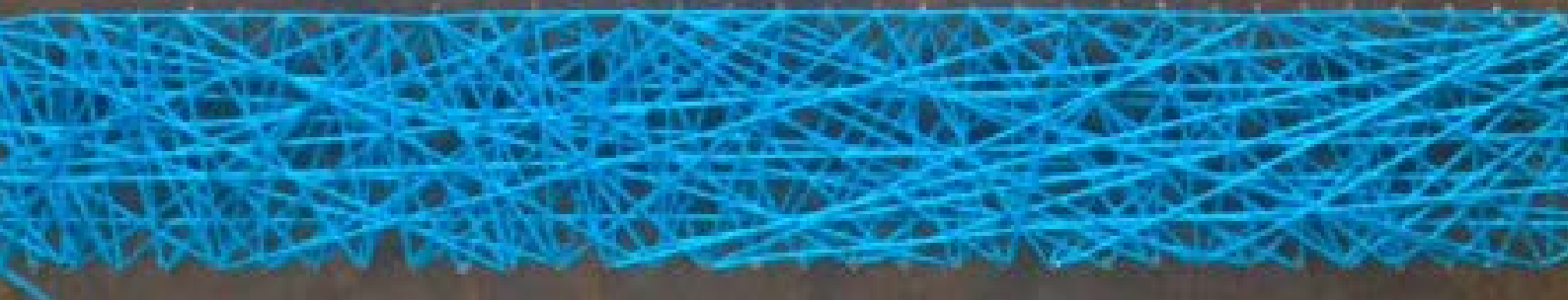
Snam (or the "Company")

Snam S.p.A.

Consolidated Finance Act (or TUF)

Legislative Decree No. 58 of 24 February 1998, as amended.





Section I - Presentation of the Company

1. MISSION

Snam is the parent company of an integrated group that is the largest operator in Europe in the management of infrastructure in the regulated gas sector, and is active in the regasification of liquefied natural gas and the transportation, dispatching, storage and distribution of natural gas. Snam owns the main gas infrastructure within Italy and is a key operator in Europe in terms of its regulatory asset base (estimated at approximately € 24.9 billion at the end of 2015).

Snam's primary objective is to create value that can meet the expectations of all stakeholders², as expressed in its Bylaws³, Code of Ethics⁴ and Sustainability Report⁵. This aim is achieved by providing services to its customers under conditions of the utmost safety and reliability and ensuring the development of infrastructure, new and more efficient technologies, and the flexibility of the gas system, in support of competitive growth and security in the supply system. Snam pursues a sustainable economic and business model that incorporates in its business activities, respect for its people, based on the belief that it is important to invest in and constantly enhance their expertise for the benefit of stakeholders, the environment and the entire community.

2. INTERNATIONAL GROWTH

At the European level, Snam promotes the integration of European networks through strategic partnerships with major operators in the sector. In line with the principles of the European Third Energy Package, which promotes the integrated development of infrastructure and the use of common rules for network access in different countries, Snam has increased its focus on the international scene in recent years. Its international strategy, which since 2012 has involved strategic partnerships and M&A operations, has led to the redefinition of Snam's role within the European infrastructure system. The Company has therefore transformed from its traditional role as an asset operator into a market

² Shareholders, investors, gas system operators, employees, suppliers, etc.

³ Article 2.2 of the Bylaws states that, in order to pursue the corporate objective, the Company will uphold the principles of equal treatment of users, transparency, impartiality and neutrality in transporting and dispatching, in compliance with the applicable regulations and provisions of the law. In particular, the Company, in accordance with the principles of cost effectiveness, profitability and maximisation of shareholders' investment, and without prejudice to the requirements of confidentiality of company data, carries out its corporate objective with the intention of promoting competition, efficiency and the appropriate levels of quality in providing services. To this end, it: (i) guarantees impartiality in the management of essential infrastructures for the development of a free energy market; (ii) prevents discrimination in the access to commercially sensitive information; and (iii) prevents the exchange of resources between segments of the supply chains.

⁴ The following are articles of the Code of Ethics that reflect this commitment. Article 1 of the Code of Ethics (General principles: sustainability and corporate responsibility) states that: "Systematic methods for involving Stakeholders are adopted, fostering dialogue on sustainability and corporate responsibility" and that: "Snam intends to play an active role in sustainable development processes and is committed to create competitive value for the business, its stakeholders and the regions in which it operates". Article 2 (Behaviour rules and relations with stakeholders) states that: "The corporate objectives, as well as the proposal and implementation of projects, investments and actions, all have to be aimed at improving the company's assets, management, technological and information level in the long term, and at creating value and well-being for all Stakeholders".

⁵ For further information, see Section I, Paragraph 3 of the Report.

facilitator, committed to developing the European gas market through the provision of new integrated services to its customers.

In particular, due to its larger size compared with other European players in terms of infrastructure, execution and management capacity (including through partnerships with international operators), and its integrated portfolio of assets in all the regulated segments in the sector (transportation, storage and regasification), including leadership in the distribution segment, Snam is aware of the challenge it faces and the opportunity to position itself as the benchmark operator for the development of the regulated gas market in Europe, and the role within the wider community that this would involve in terms of benefiting from access to new supply directives and integration with other European networks. In 2012, Snam signed a strategic agreement with Belgian firm Fluxys S.A. (formerly Fluxys G S.A.) for the development of joint gas infrastructure initiatives in Europe, which involved the incorporation of two Dutch-registered companies (Gasbridge 1 B.V. and Gasbridge 2 B.V.) that hold equity investments in European companies operating in the continent's gas infrastructure. This agreement was followed by the signing of a memorandum of understanding in March 2014 between Snam and Fluxys, with a view to further develop their strategic alliance to pursue growth opportunities through projects aimed at improving the flexibility and security of gas supplies in Europe.

Since 2013, Snam has held an indirect equity investment in Transport et Infrastructures Gaz France (TIGF), France's second-largest operator in the gas transportation and storage sector, which is strategically located in the country's south-west⁶.

In 2014, Snam acquired an equity investment of 84.47% in Trans Austria Gasleitung GmbH (TAG) from CDP GAS S.r.l., equivalent to 89.22% of economic rights in the company. TAG owns and manages the Austrian gas pipeline, a key piece of infrastructure for the supply of Russian gas to the Italian market. The TAG pipeline, partly in light of its potential use in reverse flow towards central European markets, is a strategic asset for the development of the East-West European energy corridor, in the context of a policy of ever deeper integration between the continent's networks.

In 2015, Snam signed a memorandum of understanding with Socar (a producer of oil and natural gas owned by the government of Azerbaijan) for the joint evaluation of initiatives aimed at developing the Southern Corridor as a new and important vessel for the flow of gas to Europe.

Also in 2015, Snam acquired the 20% stake held by Statoil (a Norwegian oil and gas producer) in Trans Adriatic Pipeline AG (TAP), the company responsible for developing the project, running from the Turkish-Greek border to Italy along the Southern Corridor, that will transport the gas produced at the Shah Deniz II deposit in Azerbaijan to European markets – thanks to multi-year ship-or-pay contracts – via the Snam Rete Gas pipeline system. This will consolidate the key role of Italian infrastructure in

⁶ Snam holds an equity investment of 40.5% in TIGF Holding, which, through TIGF Investissements, wholly owns TIGF.

improving gas supply security and facilitating greater competition between sources, to the benefit of the European gas sector.

3. GOVERNANCE AND SUSTAINABLE BUSINESS DEVELOPMENT

Social responsibility, corporate citizenship and sustainability are an integral part of Snam's governance and corporate culture, and represent the key components of its business development and value creation model, which incorporates respect for people, the environment and the entire community.

Therefore, within Snam's sustainable development model, its corporate governance serves to facilitate the creation of value for shareholders, while also accommodating the interests of the Company's various stakeholders. This takes place through the identification of activities covering guidelines for strategy and business coordination and for the management control system. These activities contribute in a specific way to determining the best conditions in which Snam can interact with its environment, ensuring oversight of issues of mutual interest and compliance with both external and internal rules. In this context, Snam promotes constructive dialogue, both within and outside of the Company, with its stakeholders, with the ultimate aim of orienting its actions towards the creation of shared value. Its corporate management processes are based on the principles set out by the UN Universal Declaration of Human Rights, the fundamental conventions of the ILO and the OECD Guidelines for Multinational Enterprises. Snam highlights its commitment to these issues through its adherence to the UN Global Compact, the most important international sustainability initiative in the world, which aims to promote and disseminate 10 ethical principles concerning human rights, the environment, workers' rights and anti-corruption. Finally, the commitment for a sustainable development is also reflected in environmental protection as part of the Company policies. Therefore, Snam intends let environmental and economic development coexist by protecting, in the same time, the territory.

In order to present the value created and the sustainability of its business transparently alongside its operating results, in 2015 Snam developed an integrated reporting model for financial and non-financial data and information, in accordance with the framework proposed by the International Integrated Reporting Council (IIRC). This model is described in the 'Report on Operations' section of the Financial Report.

The Financial Report is available on the Company's website
(http://www.snam.it/export/sites/snam/repository/ENG_file/investor_relations/reports/annual_reports/2015/Annual_Report_2015.pdf).

With regard to reporting, Snam continues to publish its Sustainability Report, drawn up in accordance with the GRI-G4 guidelines, since this is considered an important tool for managing the sustainability process and communicating with stakeholders. The Sustainability Report is approved by Snam's Board of Directors⁷.

The Sustainability Report is available on the Company's website

(http://www.snam.it/export/sites/snam/repository/ENG_file/investor_relations/reports/annual_reports/2015/2015_sustainability_report.pdf)

4. SNAM'S CORPORATE GOVERNANCE SYSTEM

Since it was first listed on the MTA segment of Borsa Italiana in 2001, Snam has complied with the principles set out in the various versions of the Code of Corporate Governance. Compliance with the Code of Corporate Governance is voluntary and issuers may choose to disregard its recommendations, either in full or in part. However, pursuant to the comply-or-explain mechanism provided for by Article 123-*bis* of the TUF, issuers must justify their reasons for failing to apply the recommendations in their corporate governance report.

For references to the information contained in the Report pursuant to Snam's application of the Code of Corporate Governance recommendations, please see Annex 3.

In July 2015, the Corporate Governance Committee amended the Code of Corporate Governance, inviting issuers to adopt the amendments by the end of the 2016 financial year, informing the market of this adoption through the report to be published during the 2017 financial year. However, with regard to the amendments made to Article 8, the Committee invited issuers to apply the update as of the first renewal of the Board of statutory auditors following the end of the 2015 financial year. For Snam, the update relating to Article 8 of the Code of Corporate Governance will be applied during 2016, upon the renewal of the Board of Statutory Auditors⁸.

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

- in compliance with the regulations to which the Company is subject as a listed issuer;

⁷ For more information, see Section II, Paragraph 2.1 (ii).

⁸ The amendments made to Article 8 of the Code of Corporate Governance in July 2015 provide for the Board of Directors to issue a press release and for the Board of Statutory Auditors to carry out a check following the appointment to ensure that the statutory auditors fulfil the independence requirements for directors. The Committee has also stipulated that the statutory auditors' remuneration must be commensurate with the commitment required, the importance of the role held and the scale and sector of the Company.

- in accordance with the Code of Corporate Governance; and
 - in line with the national and international best practices against which the Company compares itself.
- The corporate governance system also focuses on compliance with the Unbundling Regulation⁹, given the specific nature of the activities carried out by Snam and its Subsidiaries, which are subject to regulation by the AEEGSI.

This system is based on certain key principles, such as proper and transparent business management implemented through the identification of information flows between corporate bodies and an efficient definition of the internal control and risk management system, including through the adoption of an enterprise risk management (ERM) system. This consists of rules, procedures and organisational structures aimed at identifying, measuring, managing and monitoring the main risks that could affect the achievement of the Company's strategic objectives

Snam uses a traditional management and control system. The Bylaws set out the duties and activities of the following corporate bodies:

- Shareholders' Meeting;
- Board of Directors;
- Board of Statutory Auditors.

4.1 Shareholders' Meeting

The Shareholders' Meeting is a decision-making body through which shareholders appoint the Board of Directors and the Board of Statutory Auditors. Pursuant to Article 12 of the Bylaws, in addition to the matters irrevocably assigned by law, the Shareholders' Meeting is exclusively responsible for passing resolutions concerning the sale, transfer, lease, usufruct or any other act of disposition, including within the scope of joint ventures, or subjection to restrictions of the Company or of business units of strategic importance in relation to gas transportation and dispatching activities¹⁰.

4.2 Board of Directors

The Board is vested with the broadest powers for ordinary and extraordinary administration of the Company, and may execute any act deemed necessary for the achievement of the corporate objective. The Board of Directors appoints the Chairman, if the Shareholders' Meeting has not already done so, delegates its powers to one or more of its members and may set up Committees. Specifically, the Board of Directors has created the following Committees, in compliance with the Code of Corporate Governance and the Bylaws¹¹:

- Compensation Committee;

⁹ For more information, see Section II, Paragraph 4.1 of the Report.

¹⁰ For more information, see Section III, Paragraph 1 of the Report.

¹¹ For more information on the Board of Directors, see Section III, Paragraph 2 of this Report; for further information on the Committees, see Section III, Paragraph 3.

- Appointments Committee;
- Control and Risk Committee.

4.3 Board of Statutory Auditors

The Board of Statutory Auditors oversees compliance with the law and with the deed of incorporation, as well as respect for the principles of proper administration in the performance of company activities. It also evaluates the adequacy of the organisational, administrative and accounting structure adopted by the Company, and how it functions in practice. Pursuant to Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors also performs supervisory activities in its role as the "Internal Control and Audit Committee"¹².

5. BYLAWS

The Bylaws set out the Company's governance model and the main rules applicable to the functioning of the corporate bodies.

The Bylaws are available on the Company's website

(http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Bylaws/by_laws.pdf)

6. CODE OF ETHICS

The Code of Ethics defines a shared value system and expresses Snam's business ethics culture. It forms the basis for the Company's strategic line of thought and the conduct of its corporate activities¹³.

The Code of Ethics

- i. states the values which identify Snam, such as compliance with the law, transparency, honesty, correctness, good faith, full respect of the provisions which protect competition;
- ii. contains the behavioral standards in the relations with stakeholders (employees, clients, shareholders, commercial and financial partners, as well as the community in which the Company is present through its activities); and
- iii. forbids, without exemption, any form of bribery, illegitimate favors, collusive behaviors, requests, direct or through third parties, of personal or career advantages in favor of oneself or other people.

The Code of Ethics represents, *inter alia*, an irrevocable general principle of the Organisation,

¹² For more information, see Section III, Paragraph 4.1 of the Report.

¹³ The Code of Ethics was most recently approved by the Board of Directors on 30 July 2013.

Management and Control Model adopted by Snam pursuant to the Italian regulations on the *“liability of entities for regulatory offences connected to criminal acts”* set out in Legislative Decree 231/2001.

The Board of Directors has appointed the Watch Structure, set up pursuant to Legislative Decree 231/2001, to the role of Code of Ethics Supervisor, to which the following may be presented:

- requests for clarification and interpretation of the principles and content of the Code of Ethics;
- suggestions relating to the application of the Code of Ethics;
- reports of violations of the Code.

The Code of Ethics is available on the Company's website

(http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Code_Ethics/Code_of_Ethics_Snam.pdf)



Section II - Information on ownership structure

1. STRUCTURE OF SHARE CAPITAL AND CHANGES IN SHAREHOLDER STRUCTURE AND MARKET CAPITALISATION

The table below shows the structure of Snam's share capital, which, as at the Report approval date, amounted to € 3,696,851,994.00, divided into 3,500,638,294 ordinary registered shares, with no nominal value.

Share class	No. of shares	Proportion of share capital (%)	Listing market ¹⁴	Rights and obligations
Ordinary shares with no nominal value	3,500,638,294	100	MTA	The shares are indivisible, and each share entitles the holder to one vote. Shareholders may exercise corporate and ownership rights, subject to the limits set forth by the regulations in force and by the Bylaws.

As at the Report approval date, the Company holds 1,127,250 treasury shares, equal to 0.03% of the share capital. The floating capital is 67.1%.

The Company's market capitalisation rose from € 14,383 million as at 31 December 2014 to € 16,973 million as at 31 December 2015 (based on an official price of € 4.85 per share and a total number of shares in circulation of 3,499,511,044).

2. GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS

The table below shows the geographical breakdown of shareholders at the Report approval date (based on notices provided for by regulations and information available to the Company).

¹⁴ Snam shares are listed on the FTSE MIB index of Borsa Italiana and are present on the main international indices (STOXX Europe 600, STOXX Europe Utilities), as well as on the main sustainability indices (Dow Jones Sustainability, FTSE4Good, CDP Italy Climate Disclosure Leadership Index, Stoxx Global ESG Leaders, MSCI, United Nations Global Compact 100 and Vigeo-Ethibel).

Shareholders' area	Proportion of share capital (%)
Italy	47.2
Rest of continental Europe	19.1
USA and Canada	15.6
UK and Ireland	13.3
Rest of the world	4.8
Total	100,00

3. SIGNIFICANT SHAREHOLDINGS

The table below shows shareholders with equity investments of more than 2% in Snam as at the Report approval date (based on information available and notices received pursuant to the Issuer Regulations).

Declarant	Direct shareholder	Proportion of ordinary share capital (%)
CDP	CDP RETI S.p.A. ⁽¹⁾	28.98
	CDP GAS s.r.l. ⁽²⁾	1.12

(1) Company in which CDP holds 59.1% and State Grid Europe Limited holds 35%, with the remaining 5.9% held by Italian institutional investors.

(2) Wholly owned subsidiary of CDP.

4. RESTRICTIONS ON THE TRANSFER OF SHARES AND VOTING RIGHTS

The Bylaws do not provide for any restrictions on the transfer or ownership of shares. The provisions of law described below impose certain restrictions on the transfer and ownership of shares.

4.1 Unbundling regulations

The Prime Ministerial Decree of 25 May 2012 provided for the creation, by 25 September 2013, of an ownership unbundling system extended to all regulated natural gas transportation, distribution, storage and regasification activities, as well as for the sale by the then controlling shareholder, Eni, of its entire

equity investment in Snam, in view of its status as a producer and seller of energy.

In accordance with these provisions, on 15 October 2012, CDP Reti (then a wholly owned subsidiary of CDP) purchased from Eni 30% less one share of the share capital of Snam¹⁵. Eni subsequently reduced its equity investment, and currently holds 792,619 Snam ordinary shares, equivalent to around 0.02% of the share capital.

The Prime Ministerial Decree of 25 May 2012 also states that CDP should guarantee the independence of and full separation between Eni and Snam. To that end, Article 2 of the Prime Ministerial Decree of 25 May 2012 stipulates that:

- (i) even if Snam is included in CDP's "separate management" activities, all decisions relating to the management of equity investments in Snam shall be adopted by the Board of Directors of CDP as if the equity investment were part of its "ordinary management" operations, meaning the Ministry of Economy and Finance will have no power to guide such decisions and the members of the Board of Directors of CDP in charge of "separate management" activities will not be able to influence them;
- (ii) the members of the administration and control bodies and the executives of Eni and its subsidiaries may not be part of the corporate bodies of or hold executive offices at CDP or Snam and their subsidiaries, nor may they enter into any direct or indirect professional or financial relationship with said companies, and *vice versa*.

Pursuant to the Prime Ministerial Decree of 25 May 2012, the voting rights attached to shares acquired (including through deeds, transactions or agreements of any kind), as well as to shares already held, directly or indirectly, by gas and/or electricity producers or suppliers or by their parents, subsidiaries or associates pursuant to the Italian Civil Code, and any powers of appointment pertaining to them, shall

15 The sale by Eni to CDP RETI of 30% less one share of the voting capital of Snam was also carried out in compliance with Antitrust Authority Resolution C11695 of 8 August 2012 (the "Resolution"). Pursuant to Article 38 of the Resolution, CDP was to ensure that: (i) the Board of Directors of Snam would formalise, in the relevant internal documents of Snam and Italgas, the rule according to which the activities and processes of Italgas relating to the identification of tender processes for the allocation of natural gas distribution service concessions in which to participate and the preparation of the technical and financial bid for participation in the aforementioned tender processes must not be discussed or approved in advance by the Snam Board of Directors; (ii) the Bylaws of Italgas would be amended in order to set the number of members of the Italgas Board of Directors at five (two of whom must not hold the position of Chairman or CEO and must fulfil the independence requirements provided for by the Code of Corporate Governance for Listed Companies); and (iii) the Bylaws of Italgas would be amended in order to stipulate that resolutions to be passed by the Italgas Board (in its configuration of five members) relating to the identification of tender processes for the allocation of natural gas distribution service concessions in which to participate and the preparation of the relative technical and financial bids must be approved only with a favourable vote by four fifths of the directors in office. In accordance with this Resolution:

- the governance of Snam was amended so that the activities and processes carried out by Subsidiary Italgas in relation to identifying natural gas distribution tenders in which to participate, and in relation to preparing the technical and financial bids for these tenders, are not discussed or subject to prior approval by Snam's Board of Directors;
- on 21 June 2013, the Italgas Shareholders' Meeting amended its Bylaws, stipulating that: (a) the Board of Directors must be composed of five members, two of whom – who must not hold the position of Chairman or CEO and must not have managerial powers – fulfil the independence requirements provided for by the Code of Corporate Governance for Listed Companies; and (b) resolutions on the identification of tender processes for the allocation of natural gas distribution service concessions in which to participate and the preparation of the relative technical and financial bids must be approved with a favourable vote by four fifths of directors in office.

be restricted in compliance with the provisions of Article 19 of Legislative Decree 93/2011. Article 19 of Legislative Decree 93/2011 stipulates that the same party (whether a natural or legal person) may not:

- (i) exercise control, directly or indirectly, over an undertaking that produces or supplies natural gas or electricity and at the same time exercise control or rights, directly or indirectly, over a natural gas or electricity transmission system operator or over a natural gas or electricity transmission system;
- (ii) appoint members of the Watch Structure, the Board of Directors or the bodies that legally represent the Company within a transport system operator or a transport system and, simultaneously, directly or indirectly control or hold rights over natural gas production or supply operations¹⁶.

As a result of the legislative changes and the consequent loss of Eni's control over Snam, on 14 November 2013, following the issuance of the opinion of the European Commission, the AEEGSI adopted Resolution 515/2013/R/gas, implementing its decision to definitively certify Snam Rete Gas as a natural gas transportation system operator under the ownership unbundling regime¹⁷.

In accordance with the aforementioned provisions, shareholders that produce and sell gas and/or electricity are forbidden from exercising voting rights at Shareholders' Meetings, without prejudice to their ownership rights related to the Snam shares they hold.

5. SECURITIES THAT ENTITLE THE HOLDER TO SPECIAL RIGHTS

No securities that entitle the holder to special rights are issued. The Bylaws do not provide for the issuance of loyalty shares.

6. STATE'S SPECIAL POWERS

Decree-Law No. 21 of 15 March 2012, converted into law with Law No. 56 of 11 May 2012, contains rules concerning special powers on corporate ownership in the defence and national security sector, as well as for the activities of strategic importance in energy, transportation and communication sectors. The Decree-Law affects regulation of the so-called special powers, by re-writing conditions and modalities of exercise of the State's special powers for privatized companies, in order to adequate the national regulation to the rules provided by Treaty on the Functioning of the European Union.

¹⁶ Such rights include the power to exercise voting rights and to appoint members of the Watch Structure, Board of Directors or bodies that legally represent the company.

¹⁷ In the light of the sale of shares in CDP RETI by CDP, through Resolution 20/2015/R/COM of 29 January 2015, the procedure launched by the AEEGSI and aimed at confirming the continued fulfilment of the requirements used as a basis by the Authority for the adoption of the decision to proceed with certification, is still under way, with reference in particular to the shareholder structure and ownership chain of Snam Rete Gas.

In summary, with regard to energy sector, the Decree-Law confers to the Government: (i) a power of veto in relation to resolutions, actions or operations adopted by companies that own strategic assets in energy sector, which involve a loss of control or availability of the assets as well as the change of their destination; (ii) a power to impose certain duties or to oppose the acquisition by non-EU persons, of controlling interests in said companies.

Pursuant to Decree-Law 21/2012, Snam is required to issue notification in the event of changes to the ownership, control, availability or purpose of networks, plants, assets and relations of strategic importance to the national interest (Significant Assets)¹⁸. This notification must be made by the Company to the Prime Minister within 10 days, and in any case no later than the implementation of the resolution, deed or transaction that affects the Significant Assets. Resolutions passed by the Shareholders' Meeting or the management bodies concerning the transfer of Subsidiaries that hold the aforementioned Significant Assets must be reported within the same timeframe. Within 15 days of the notification, the Prime Minister may, by issuing a decree adopted pursuant to a resolution of the Council of Ministers:

- (i) declare a veto;
- (ii) impose specific provisions or conditions, if this is sufficient to ensure the protection of the public interest.

If 15 days have passed since the notification and the Prime Minister has not adopted any measures, the operation may be carried out.

In accordance with the same procedures and time frames, notification must also be made if the acquisition of equity investments in companies that hold Significant Assets (such as Snam) by non-EU entities results in a stable holding for the acquirer, due to its assumption of control of the Company. If the acquisition poses the threat of serious harm to the fundamental interests of the state, the Prime Minister may:

- (i) make the validity of the acquisition conditional on the acquirer's assumption of commitments intended to guarantee the protection of the aforementioned interests;
- (ii) oppose the acquisition, in exceptional cases involving risks to the protection of the aforementioned interests that cannot be eliminated through the assumption of specific commitments.

¹⁸ Article 2 of Decree-Law 21/2012 provides for the identification of assets considered significant to national interest in the energy, transport and communication sectors to take place through one or more regulations adopted by Presidential Decree. On 6 June 2014, the Official Gazette published the two decrees implementing Article 2, paragraph 9 of Decree-Law 21/2012, as approved by the Council of Ministers on 14 March 2014, which identify: (i) assets of strategic importance in the energy, transport and communication sectors (Presidential Decree No 85 of 25 March 2014) and (ii) procedures for implementing special powers in the energy, transport and communication sectors (Presidential Decree No 86 of 25 March 2014). Lastly, on 2 October 2014, the text of the Prime Ministerial Decree of 6 August 2014 was published, containing the "regulations on the coordination activities of the Prime Minister in preparation for the exercise of special powers over shareholder structures in the defence and national security sectors, and on assets of strategic importance in the energy, transport and telecommunication sectors".

The law also stipulates that such powers may be exercised “*exclusively on the basis of objective and non-discriminatory criteria*”.

7. MECHANISM FOR EXERCISING VOTING RIGHTS IN A POSSIBLE EMPLOYEE SHARE OWNERSHIP SYSTEM

There are no plans for an employee share ownership system.

8. SHAREHOLDER AGREEMENTS

The leading direct shareholder of Snam is CDP RETI, which is controlled by CDP (59.1%) and State Grid Europe Limited (SGEL) (35%), which in turn is wholly owned by State Grid International Development Limited.

CDP, SGEL and State Grid International Development Limited are parties to a Shareholder Agreement that also involves Snam. This agreement was drawn up when a 35% stake in CDP RETI was transferred to State Grid Europe Limited on 27 November 2014, and was amended on 23 December 2014 to take into account the changes relating to the equity investment in Snam held by CDP that took place following the transfer to Snam of the equity investment held by CDP, via CDP GAS S.r.l., in TAG. Specifically, the agreement – which has a three-year term from the date of signing and will be renewed automatically for subsequent three-year periods, unless one of the parties withdraws – grants SGEL governance rights to protect its investment in CDP RETI.

The rights and obligations of SGEL with regard to Snam, as set out in the Shareholder Agreement, include in particular the following:

- As long as SGEL holds an equity investment of at least 20% in CDP RETI, it shall be entitled to appoint a candidate to be included on the list of candidates for the position of director of Snam, which will be submitted by CDP RETI at the Shareholders’ Meeting called to appoint members of the Board of Directors.
- SGEL’s candidate must be included on the list in a position that would guarantee their appointment to the position of director of Snam if the CDP RETI list obtains a majority of votes at the Shareholders’ Meeting.
- SGEL has undertaken to ensure that the director appointed by it to Snam’s Board of Directors (if and to the extent that said director is not independent pursuant to Article 148 of the TUF) shall abstain, to the maximum extent permitted by law, from receiving information and/or documentation from Snam in relation to matters on which there is a conflict of interests for SGEL and/or any affiliated party, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or an affiliated party, on the other, have an interest and may be in competition. Furthermore, said director may not take part in the discussions of Snam’s Board of Directors concerning the aforementioned matters.

The essential information pertaining to the Shareholder Agreement is available on the Company's website
 (http://www.snam.it/en/Investor_Relations/Shareholders/Shareholders_agreements/index.html).

9. CHANGE-OF-CONTROL CLAUSES AND PROVISIONS ON TAKEOVER BIDS

Snam and its Subsidiaries are party to significant agreements that take effect, are altered or are terminated in the event that an entity or entities acting in concert, other than CDP, gain control of Snam.

This specifically concerns bank financing agreements that allow the other party to terminate the contract prematurely, either after an entity or entities acting in concert, other than CDP, gain control of Snam, or after Snam's credit rating is downgraded to below predetermined thresholds following said acquisition of control¹⁹.

The Bylaws do not provide for any exceptions to the passivity rule provisions of Article 104, paragraphs 1 and 2 of the TUF, and do not call for the application of the neutralisation rules set out by Article 104-*bis*, paragraphs 2 and 3 of the TUF.

10. POWERS TO INCREASE THE SHARE CAPITAL AND AUTHORISATIONS TO BUY TREASURY SHARES

The Board of Directors does not have the power to increase the share capital pursuant to Article 2443 of the Italian Civil Code. The Bylaws provide that the Company may issue shares, including special classes of shares, to be gratuitously allotted pursuant to Article 2349 of the Italian Civil Code. No treasury share buyback programmes pursuant to Articles 2357 *et seq.* of the Italian Civil Code are currently in place.

11. MANAGEMENT AND COORDINATION ACTIVITIES

No shareholders claim to exert control over Snam pursuant to Articles 2359 of the Italian Civil Code and 93 TUF. CDP S.p.A. has declared, in the annual Financial Report 2014, with effect from

¹⁹ Further information on financial agreements can be found in the 2015 Annual Financial Report, under Note 24, "*Guarantees, commitments and risks – Management of financial risks*", of the Notes to the consolidated financial statements.

the reporting date of the financial statements for the year ended 31 December 2014, the existence of a *de facto* controlling stake in Snam S.p.A. in accordance with IFRS 10 – Consolidated Financial Statements. Snam is not managed or coordinated by any other entity. Snam manages and coordinates its Subsidiaries.

Since 2013, Snam adopted the “*Regulations on exercising management and coordination activities for Snam and its Subsidiaries*”. This document lays down the principles of proper corporate and business management adopted by Snam when managing and coordinating its Subsidiaries, which include:

- the utmost compliance with general and industry regulations in force;
- standardised management of company businesses;
- maximisation of value for shareholders;
- attention to qualified stakeholders;
- control of corporate risks;
- market transparency and equal treatment for all shareholders.

These regulations also define a standard framework for governance structures, as well as organisational and managerial rules intended to enhance the role played by Snam as an entity that strategically performs management and coordination activities, while also taking adequate consideration of the legal autonomy and principles of proper corporate and business management that characterise the activities of its Subsidiaries. Partly for this reason, the regulations have also been adopted by the Boards of Directors of the Subsidiaries.

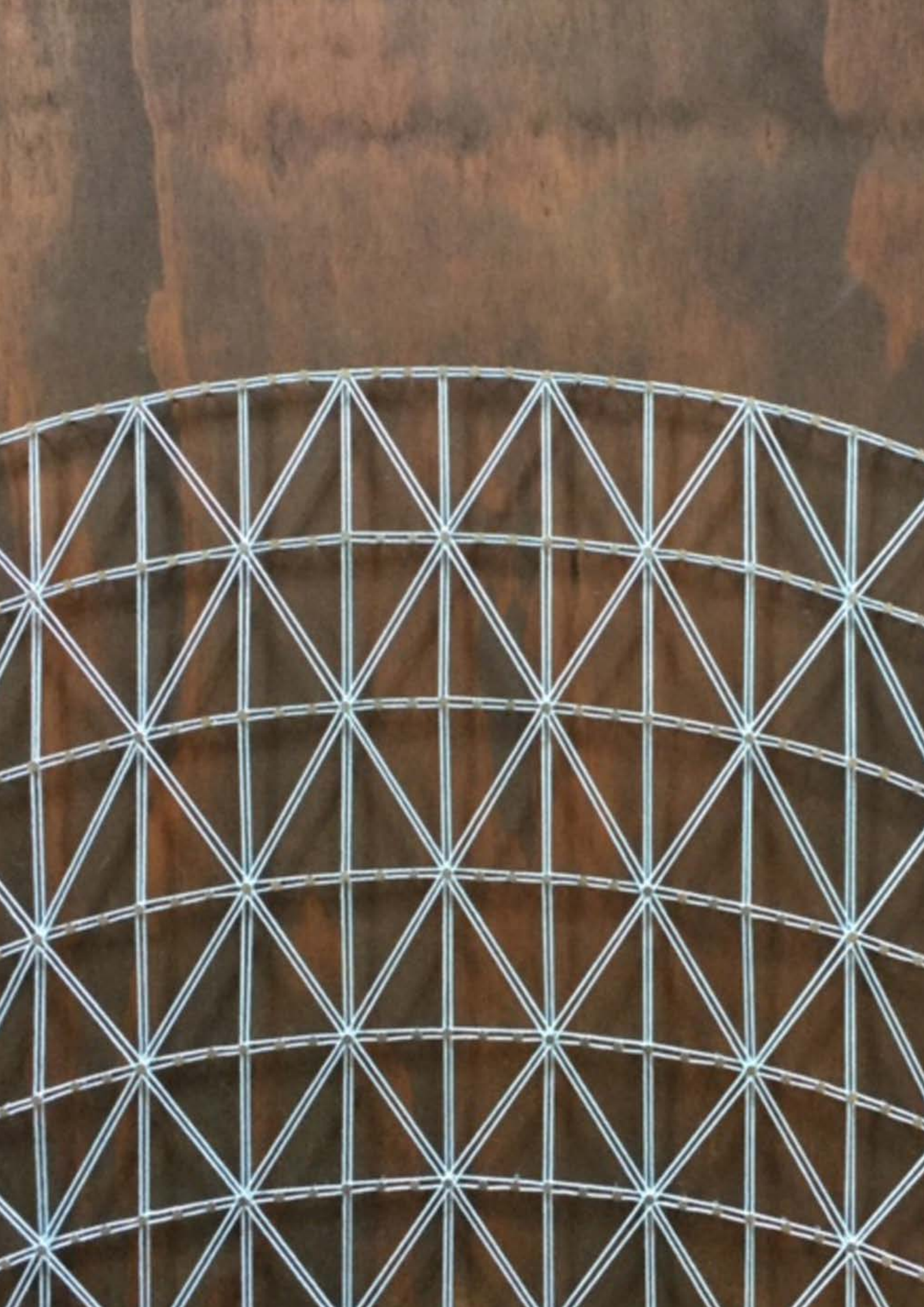
12. FURTHER INFORMATION - REFERENCES

The information required pursuant to Article 123-bis, paragraph 1, letter i) of the TUF (“*rules applying to the appointment and replacement of directors [...] and to amendments to the articles of association if different from those applied as a supplementary measure*”) can be found in the Remuneration Report that will be submitted by the Board of Directors to the Shareholders’ Meeting on 27 April 2016.

The Remuneration Report is available on the Company’s website

(http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Compensation/2016_Remuneration_Report.pdf).

The information required pursuant to Article 123-bis, paragraph 1, letter l) of the TUF (“*the rules applicable to the appointment and replacement of directors [...] and to the amendment of the Bylaws, if different from the legislative and regulatory provisions that are additionally applicable*”) can be found in the section of the Report dedicated to the Board of Directors (Section III, Paragraph 2).



Section III - Structure of the corporate governance system adopted by the company

1. SHAREHOLDERS' MEETING AND SHAREHOLDERS' RIGHTS

Shareholders' Meetings are privileged corporate meetings between the Company's management and its shareholders. The Shareholders' Meeting, with different quorums, may meet in an ordinary or extraordinary session, depending on the agenda items and issues to be approved. The Bylaws provide for a single call for both the Ordinary and Extraordinary Shareholders' Meetings.

Pursuant to the law and the Bylaws, the Ordinary Shareholders' Meeting:

- approves the financial statements;
- appoints and dismisses the directors; appoints the statutory auditors and the Chairman of the Board of Statutory Auditors, as well as the External Auditors, based on a reasoned proposal from the Board of Statutory Auditors;
- determines the remuneration of the directors and statutory auditors;
- resolves on the responsibility of the directors and statutory auditors;
- resolves on the other issues allocated by law to the Shareholders' Meeting;
- approves the regulations governing Shareholders' Meeting duties;
- authorises resolutions concerning the sale, transfer, leasing, usufruct and any other act of disposal, including in the context of joint ventures, subjection to business restrictions or strategically relevant business units, involving gas transportation or dispatching activities, notwithstanding the directors' responsibility for the acts carried out, pursuant to Article 2364, paragraph 1.5 of the Italian Civil Code. Resolutions in such matters are adopted by a favourable vote of shareholders representing at least three quarters of the capital present at the meeting.

Ordinary Shareholders' Meeting (single call)

Quorum to convene	Quorum to pass resolutions
Not applicable	Majority of those in attendance in person or by proxy ²⁰

Pursuant to the law, the Extraordinary Shareholders' Meeting resolves on:

- amendments to the Bylaws;
- extraordinary transactions other than those issues which, pursuant to the Bylaws, are the preserve of the Board of Directors.

Article 12 of the Bylaws stipulates that the Board of Directors is competent to resolve on specific matters.

²⁰ With the exception of specific matters that require a majority of three quarters of the share capital.

Extraordinary Shareholders' Meeting (single call)

Quorum to convene	Quorum to pass resolutions
At least one fifth of the share capital	At least three quarters of the share capital represented at the Shareholders' Meeting

In order to involve shareholders actively in the Company, Snam has introduced various measures aimed at encouraging shareholders' participation in decisions to be made at Shareholders' Meetings and facilitating the exercise of their rights.

In particular, in 2010 Snam amended its Bylaws as a result of the adoption in Italy, through Legislative Decree No. 27 of 27 January 2010, of Directive 2007/36/EC on the exercise of certain rights of shareholders in listed companies (the "Shareholder Rights Directive").

By introducing measures which the legislation leaves to companies' choice, Snam aimed to provide its shareholders with additional tools to encourage them to take part in Shareholders' Meetings and exercise their voting rights (e.g. appointment of the listed company's representative).

1.1 Shareholders' Meeting regulations

Snam introduced its Shareholders' Meeting Regulations²¹ in 2001. The Code of Corporate Governance provides for the Shareholders' Meeting to be governed by meeting regulations which require that Company Shareholders' Meetings be held in an orderly and functional manner and guarantee the right of each attending shareholder to state their opinion on the items under discussion.

The Shareholders' Meeting Regulations govern the procedures that entitle each shareholder to speak on the issues discussed. Specifically, at the beginning of the meeting, the Chairman of the Shareholders' Meeting lists the agenda items and sets a maximum duration for each speech. Requests to speak on individual items on the agenda may be presented to the Chairman's office from the beginning of the Meeting until the Chairman opens the discussion on the relevant item.

The Shareholders' Meeting Regulations are available on the Company's website
 (http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Regulation_meetings/regolamento_assemblee.pdf).

²¹ Regulations adopted by means of a resolution of the Ordinary Shareholders' Meeting of 27 July 2001, as amended, on 27 April 2004 and 13 April 2011.

1.2 Convocation, validity and right to speak at a Shareholders' Meeting

The Shareholders' Meeting is convened through a notice published on the Company's website at least 30 days prior to the Meeting date (or within another deadline specified by law for specific matters). In the case of a Shareholders' Meeting convened to elect members of the administration and control bodies using a list voting mechanism, the deadline for publishing the notice of meeting is 40 days before the date of the Shareholders' Meeting.

The notice of meeting sets out the applicable regulations and describes the procedure for speaking at a Shareholders' Meeting. The Shareholders' Meeting may be attended by those whose communication which declares that such a right is held, has been provided to the Company by an intermediary authorised pursuant to the applicable law, at the end of the working day on the seventh trading day before the date set for the Shareholders' Meeting convened in a single call (the "record date"). The notification must reach Snam by the end of the third trading day before the date set for the Meeting convened in a single call.

Those with voting rights may be represented by written proxy within the legal limits; notice of this proxy may be given by certified email. The related documents shall be kept by the Company. In order to facilitate shareholders' participation in the Shareholders' Meeting, the Company, pursuant to Article 135-*undecies* of the TUF, shall appoint a representative whom shareholders may nominate as their proxy free of charge, giving them voting instructions on some or all of the proposals relating to the agenda items.

To facilitate shareholder participation, the Bylaws indicate that the Company must provide shareholder associations which satisfy the pertinent regulatory requirements with space to communicate and gather proxies from employee shareholders of the Company and its Subsidiaries. The terms and procedures for gathering proxies are agreed from time to time with the legal representatives of said associations.

Shareholders may ask questions about agenda items both prior to and during the Meeting. The notice of meeting shall indicate the deadline within which any questions submitted prior to the Meeting must reach the Company²². Questions arriving before the Shareholders' Meeting will be answered during the Meeting, at the latest. The information is provided in observance of the rules for price-sensitive information.

²² Pursuant to Article 127-*ter* of the TUF, this deadline cannot be earlier than three days prior to the date of the first or single call of the Shareholders' Meeting, or five days prior if the notice of meeting requires the Company to provide a response to the questions received before the Meeting. In this case, the answers shall be provided at least two days before the Shareholders' Meeting, including through publication in a dedicated section of the Company website. No response is required, either before or during the Meeting, to questions posed in advance if the information requested is already available in question-and-answer format in the section of the Company website indicated in paragraph 1-*bis*, or if the answer has already been published pursuant to said paragraph.

Shareholders who, either individually or jointly, represent at least one fortieth of the share capital, may request, within 10 days of the publication of the notice of meeting (or within another deadline provided for by law for specific matters), additions to the list of matters to be discussed, indicating in their request what their proposed additional items are, or present draft resolutions on items already on the agenda.

1.3 Shareholders' Meetings held in 2015

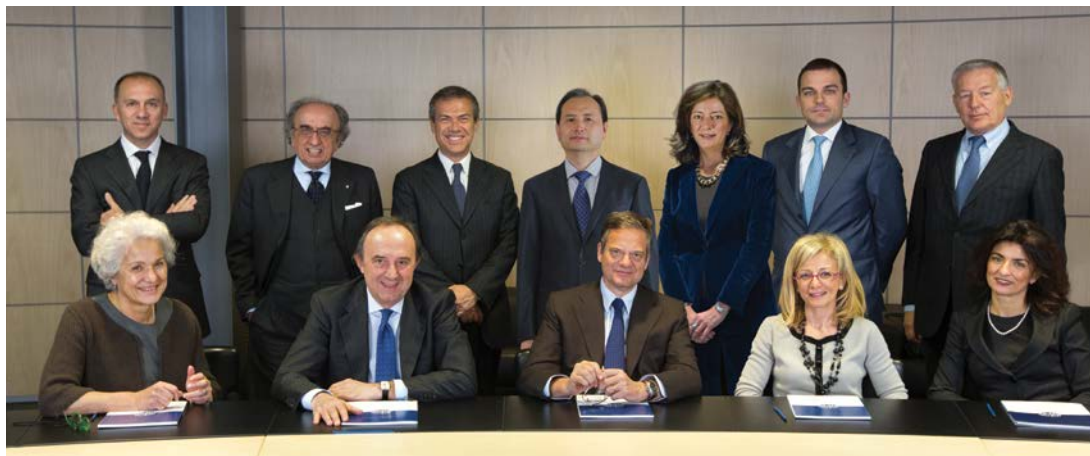
In 2015 one Shareholders' Meeting was held, in an ordinary session, on 29 April 2015. It resolved upon:

- approval of the 2014 financial statements;
- allocation of profits for the year and dividend distribution;
- approval of the 2015-2017 long-term monetary incentive plan;
- approval of the remuneration policy pursuant to Article 123-*ter* of the TUF;
- the appointment of a director pursuant to Article 2386 of the Italian Civil Code.

The Meeting was attended by all directors, and the Chairman of the Compensation Committee described the content of the Remuneration Report and, specifically, the remuneration policy guidelines followed by the Company.

The Board of Directors ensured that shareholders had adequate information for the Shareholders' Meeting, making reports on the draft resolutions available at the Company's registered office, at Borsa Italiana and on the Company website, in accordance with the law. These reports were also sent to those who had requested a copy and were provided at the entrance to the Shareholders' Meeting, along with other useful documentation.

2. BOARD OF DIRECTORS



2.1 Introduction

The Company is managed by a Board of Directors made up of no fewer than five and no more than nine members. The number of members and their term of office are decided by the Shareholders' Meeting at the time of appointment.

The Board of Directors is the central body within Snam's corporate governance system and is invested with the broadest powers for the ordinary and extraordinary administration of the Company. It is entitled to carry out any measures it deems necessary in order to implement and achieve the corporate objective, with the sole exception of measures that are reserved, by the law or by the Bylaws, for the Shareholders' Meeting.

Pursuant to Article 2381 of the Italian Civil Code, Snam's Board of Directors has assigned itself a series of powers, in addition to those which by law cannot be delegated and those set out in the Code of Corporate Governance.

A description of the powers that the Board has assigned itself pursuant to Article 2381 of the Italian Civil Code is available on the Company website

(http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/corporate-governance-system/attributions_board_of_directors.pdf)

The Shareholders' Meeting has not authorised, in general or as a preventive measure, any exemptions from the prohibition on competition pursuant to Article 2390 of the Italian Civil Code.

2.2 Meetings of the Board of Director

The Board of Directors has approved a set of Regulations aimed at governing the procedures for

- (i) convening meetings;
- (ii) performing Board duties; and
- (iii) drawing up meeting minutes²³.

Pursuant to the Bylaws and the Regulations, the Board of Directors is convened by the Chairman or, if they are absent or unable to do so, by the CEO, or, finally, if they are absent or unable to do so, by the eldest Board member.

²³ At its meeting on 26 January 2015, the Board of Directors amended its Regulations to enable compliance with the provisions of the Shareholder Agreement between CDP, SGEL and State Grid International Development Limited relating to potential positions of conflict of interest held by the director appointed by SGEL (see Section II, Paragraph 8).

The notice is usually sent at least five days before the meeting. A complete, comprehensive set of documents related to agenda items is made available to Directors and standing auditors by the Board Secretary at least five days prior to the date of the meeting, except in exceptional cases. This timetable has generally been respected.

At the beginning of each Board meeting, directors and statutory auditors are required to inform the Board of Directors and the Board of Statutory Auditors of any interest that they have, either on their own behalf or on behalf of third parties, in a given Company transaction.

Sufficient time is dedicated to each agenda item to hold a constructive debate, and the Chairman encourages all directors to make a proactive contribution.

At Board meetings, heads of the competent Company and Group departments may, at the request of the Chairman and with the consent of those present, participate in order to provide appropriate background information on agenda items (some department heads participated in this way in 2015).

The Board of Directors meets regularly, at least once every quarter, in accordance with the time limits set out by law.

In 2015:

- the Board of Directors met 11 times;
- the meetings were attended on average by 97.51% of directors;
- the attendance of independent directors was approximately 94.54% on average;
- the average duration of Board meetings was 160.5 minutes.

The Board of Directors approved the "*Calendar of Corporate Events for 2016*" (the Financial Calendar)²⁴, which contains the dates of:

- (i) the main Board meetings concerning financial reporting;
- (ii) the Shareholders' Meeting called to approve the financial statements as at 31 December 2015;
- (iii) presentations to analysts and conference calls;
- (iv) payment of the dividend, to be communicated to the market pursuant to the Regulations applicable to markets organised and managed by Borsa Italiana.

²⁴ The "*Calendar of Corporate Events for 2016*" states that the Board will meet four times in 2016. The Board of Directors may schedule the dates of any additional meetings. As at the date of this Report, four meetings of the Board of Directors have already been held (of which one according to the Financial Calendar).

The Calendar of Corporate Events for 2016 is available on the Company website
(http://www.snam.it/en/Investor_Relations/Financial-Calendar/2016/index.html)

(i) Examination and approval of strategic, business and financial plans

In accordance with the regulations on matters that cannot be delegated and powers that it has assigned itself, the Board of Directors defines, on the recommendation of the CEO, the strategies and objectives of the Company and of the Group, including the sustainability policies. In compliance with the Unbundling Regulation, it examines and approves the strategic, business and financial plans of the Company and the Group, monitoring their implementation on an annual basis, as well as the Company's strategic agreements and its annual and multi-year infrastructure plan.

The Board examines and approves the budget of the Company and of the Group; the half-year report and interim management statement of the Company and of the Group, as provided for by the regulations in force; the Sustainability Report and the Report on Corporate Governance and Ownership Structure, which must be brought to the attention of the Shareholders' Meeting.

The meeting of the Board of Directors, by July 2016, shall examine for approval the Snam Group's Strategic Plan for 2016-2019. The monitoring for 2016 will be carried out during meetings of the Board of Directors, which in 2016 will examine the first, second and third forecasts.

When defining the Strategic Plan, the Board of Directors, in view of the strategic risks defined under the ERM system, conducted sensitivity tests and analyses in order to take into consideration the potential impacts of such risks.

(ii) Definition of corporate governance and group structure

The Board of Directors defines the system and rules of corporate governance of the Company and of the Group. In particular, following consultation with the Control and Risk Committee, it adopts rules which ensure transparency and substantial and procedural correctness of transactions with related parties and of transactions in which a director or a statutory auditor has a personal interest or an interest on behalf of others; it also adopts a procedure for the management and communication of corporate information, with particular reference to privileged information. The Board is responsible for setting up its Internal Committees, with proposal and consultative functions, appointing their members, establishing their duties and approving their regulations. The Board also receives half-yearly reports from the Internal Committees. The Board may appoint and dismiss the General Managers and the Executive Responsible for preparing corporate accounting documents, and is required to ensure that a

head of the unit responsible for managing shareholder relations is identified.

The Board is also responsible for resolving upon:

- on the recommendation of the CEO, the exercise of voting rights at the Shareholders' Meetings of the Direct Subsidiaries; and
- on the proposal of the Appointments Committee, the appointments of the members of the corporate bodies of Subsidiaries included in the scope of consolidation and of strategic foreign investee companies.

(iii) Assessment of the adequacy of the organisational, administrative and accounting structure, particularly with regard to the internal control and risk management system

The Board of Directors assesses the organisational, administrative and accounting structure of the Company and its Subsidiaries. Specifically, the Board:

- defines the basic guidelines for the organisational, administrative and accounting structure of the Company and its Subsidiaries; evaluates annually the adequacy of the organisational, administrative and accounting structure of the Company and its Subsidiaries, with particular reference to the internal control and risk management system;
- having consulted the Control and Risk Committee, defines the guidelines for the internal control and risk management system to ensure the identification, measurement, management and monitoring of principal risks of the Company and its Subsidiaries, also determining the degree of compatibility of these risks with management of the Company and the Group that is consistent with its defined strategic objectives; evaluates annually the adequacy and effectiveness of the internal control and risk management system with regard to the characteristics of the Company and the Group and the risk profile adopted;
- having received an opinion from the Control and Risk Committee and consulted the Board of Statutory Auditors, evaluates the conclusions presented by the External Auditors in any letter of suggestions and in the report on key matters arising from the external audit;
- approves, at least once a year, the audit schedule prepared by the Internal Auditor, after hearing the opinion of the Control and Risk Committee and having consulted the Chairman of the Board of Directors, the director in charge of the internal control and risk management system and the Board of Statutory Auditors;
- on the recommendation of the CEO, with the agreement of the Chairman, having received a favourable opinion from the Control and Risk Committee and having consulted the Board of Statutory Auditors, appoints and dismisses the Internal Auditor and, following prior verification with the Compensation Committee, sets their remuneration in line with the Company's remuneration policy; ensures that they are given the appropriate resources to fulfil their responsibilities.

At its meeting on 16 March 2015, the Board of Directors, implementing the provisions of the Italian Civil Code and the Code of Corporate Governance, assessed the organisational, administrative and

accounting structure as commensurate with the size and type of activity engaged in by Snam and its Subsidiaries.

(iv) Assessment of general operational performance and relations with the delegated bodies

The Board continually assesses the general operational performance of the Company, including by analysing the information it receives from the delegated bodies and by periodically comparing the results achieved with forecasts. More specifically, the Board:

- assesses the general performance of operations, taking into consideration, specifically, the information received from the delegated bodies, paying particular attention to conflicts of interest and periodically comparing the results achieved, as stated in the financial statements and the interim accounts, with those of the budget;
- granting and revoking powers for the Chairman and the CEO, with the latter identified as the director in charge of the internal control and risk management system, setting a limit on such powers and deciding how they may be exercised, as well as establishing remuneration connected with these powers upon recommendation from the relevant committee and the Board of Statutory Auditors;
- may issue directives to the delegated bodies and take it upon itself to perform operations which are covered by the powers.

The Chairman and the CEO report at least once a quarter to the Board itself and to the Board of Statutory Auditors on how they have exercised their powers, on the transactions with the greatest impact on the financial statements carried out by the Company and its Subsidiaries, and on transactions with related parties. Information must be made available promptly when the directors have a direct interest in the transaction, when third parties are involved or when the transaction could be affected by any entity that carries out management and coordination activities. This information is generally expected to be provided at each Board meeting.

(v) Approval of significant transactions carried out by Snam and its Subsidiaries and criteria for identifying such transactions

On the recommendation of the CEO, the Board resolves upon the transactions of the Company and its Subsidiaries, in the context of exercising management and coordination activities that are of significant strategic, economic, capital or financial importance for the Company and the Group. This is without prejudice, in any case, to compliance with the confidentiality obligations relating to the commercial relations between the Company and the Subsidiaries and/or third parties.

The following transactions are considered to be of strategic importance or to have a significant impact on the financial statements:

- acquisitions, disposals, sales, closures, contributions of companies or business units (including rent and usufruct), real estate and/or investments worth more than € 100 million;
- contracts for the sale of goods and/or services relating to the commercial activities of the Company and its Subsidiaries, worth over € 1 billion and/or with a duration of over 15 years;
- contracts relating directly to the activities indicated in the corporate objective and/or relating to the day-to-day management of corporate activities worth over € 100 million and/or with a duration of over 15 years;
- the stipulation, modification and termination of credit contracts for sums exceeding € 2 billion and or with a duration of over 15 years;
- sureties and other forms of personal guarantee, as well as letters of patronage, in relation to commitments assumed or to be assumed by companies in which the Company directly or indirectly holds an equity investment, for amounts greater than €100 million and in any event if the amount is not proportional to the investment held therein;
- sureties guaranteeing obligations assumed or to be assumed by the Company with third parties, worth over € 100 million;
- the Company's brokerage contracts.

The activities and processes carried out by the Subsidiary Italgas in relation to identifying natural gas distribution tenders in which to participate, and in relation to preparing the technical and financial bids for these tenders, are not discussed or subject to prior approval by Snam's Board of Directors²⁵.

(vi) Assessment of the size, composition and functioning of the Board and its Committees

Since 2006, Snam has performed an annual check on the size, composition and functioning of its Board and its Committees, with the professional support of an external advisor, pursuant to Application Criterion 1.C.1, letter g) of the Code of Corporate Governance.

Snam's Board of Directors carried out an assessment of the Board and its Committees for the 2015 financial year, the third year of its term of office. Conducted ahead of the expiration of the Board's term of office, the assessment was carried out based on a process that conforms to the recommendations of Application Criterion 1.C.1 of the Code of Corporate Governance, letters g) and h), and is in line with the most recent international best practices²⁶.

²⁵ For more information, please see Paragraph 10, Section II above.

²⁶ Pursuant to Article 1.C.1, letters g) and h), the Board of Directors: "perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience, (including managerial experience) gender of its members and number of years as director. Where the Board of Directors avails of consultants for such a selfassessment, the Corporate Governance Report shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer", and "taking into account the outcome of the evaluation mentioned under the previous item g), report its view to shareholders on the professional profiles, deemed appropriate for the composition of the Board of Directors, prior to its nomination".

As in previous years, the Board decided to use the services of an external consultant and, with the help of the examination carried out by the Appointments Committee, confirmed the appointment of Crisci & Partners – Shareholders and Board Consulting, which was selected in the first year of the term of office of the current Board of Directors following a competitive process. Crisci & Partners was chosen because of its specialisation and professional focus on corporate governance, as well as its independence. Moreover, in the last three years, the firm has not had financial relations with the Snam Group, beyond those entered into directly with the Snam Board of Directors, including in relation to its performance of consultancy activities purely for directors and shareholders.

The confirmation of the consultancy firm's appointment made it possible to: carry out a differentiated Board Evaluation process, with separate focuses for the three years of the Board's term of office; and illustrate the cycle of development and growth of the Board of Directors over the course of its term of office and the emergence, during this latest assessment, of the suggestions developed by the directors over time and closely focused on the qualitative/quantitative composition of the corporate bodies, with a view to their renewal by the Shareholders' Meeting in 2016.

The self-assessment of the Board of Directors and its internal Committees was carried out by two senior experts by means of open-structured interviews conducted in November and December 2015. Prior to conducting the interviews, the experts involved carefully read the documentation and meeting minutes pertaining to the Board and the Committees, and met with the members of the Appointments Committee, the Chairman and the CEO and, as observers, the Chairman of the Board of Statutory Auditors and the Secretary of the Board of Directors. They also made contact with the Executive Responsible for preparing corporate accounting documents, the Risk Manager and the Internal Auditor.

The interviews with Snam's directors were highly personalised and focused on the various aspects pertaining to the composition (including in the light of the Board's renewal) and functioning of the Board and its Committees, as well as examining in more depth the results of the self-assessment carried out the previous year. Following the interviews, consultants from Crisci & Partners were invited to attend a Board meeting as observers.

The most significant issues and aspects of the evaluation discussed during the interviews included:

- analysis of the measures taken following the self-assessment relating to the previous financial year;
- considerations relating to the qualitative/quantitative composition of the Board and its Committees, and interpretations of their internal roles and relations;
- development of cohesion and team work in dealing with Board matters and in the interaction between the Board and its Committees;
- the quality of the reporting, debate and methods of evaluating individual skills;
- ongoing induction for directors, organisation of the duties of the Board and its Committees, and support from the Board Secretary;
- the Board's role in the strategic planning process, particularly with regard to internationalisation

- policies;
- perception of the Board's performance over the three years of its term of office, and of its contribution to the conception and implementation of governance best practices and to the strategy definition process;
- considerations on the optimal future qualitative/quantitative composition of the Board, in the light of the preliminary assessments of the Appointments Committee and of the formulation by the Board of guidelines for shareholders on the renewal of corporate bodies.

The Board of Directors has taken account of the results of the previous year's assessment, putting into action various concrete measures for further improvement in terms of the scheduling of Board and Committee meetings, the quality of reporting, the management of debates and the approval of the strategic plan.

During 2015, the process of defining, discussing and approving the 2016-2019 three-year plan was also further refined, with plans to present alternative scenarios over a long-term horizon and more discussion at Board meetings.

The Board was involved in the implementation of several important decisions concerning internationalisation, with a view to pursuing the strategic development of the Company's European presence. In terms of its composition, roles and processes, the Board appeared to be clearly defined and very active, as well as being aware of the dynamics of the business and suitably integrated – in terms of roles – with the management, which attributes to it the following contribution to the direction and management of the Company: in-depth examination and sharing of the management's proposals, support for expansion policies and in-depth analysis of key management decisions. The Board is perceived as sufficiently diversified in terms of its expertise and experience.

For more than one year, at the opening of Board meetings, the CEO – the head of the Company, who is recognised for his competence and experience – discusses key facts relating to the Company and reports on its operations, in line with best practices. The meetings and debate are carried out with a focus on team work and efficiency. The allocation of examination and consultative duties to the Committees is clear and balanced. The Committees have carried out their work with strong commitment and continuity, making an active contribution to the Board and receiving its full recognition.

The Board Secretary has carefully coordinated the information flows produced by the management, as adjusted and subsequently improved, and has played a key role in managing and responding to all matters within their remit.

On the whole, over the course of the three years, the Snam Board of Directors has consolidated its culture and Board governance practices, and has positively developed its functioning, representing

distinctive elements of its performance. It is to be hoped that these elements will continue to evolve and not be lost, through measured, careful and specific innovation by the corporate bodies, which is intrinsically necessary from one term of office to the next.

In its capacity as facilitator of the process and experience of the Board's self-assessment, Crisci & Partners shares the positive assessments and constructive beliefs put forward by the Directors on the functioning of the Board and its Committees, and on their possibilities for further development. It confirms that they comply with the provisions of Borsa Italiana's Code of Corporate Governance and with international best practices.

Separately, in a dedicated document for the Appointments Committee, it consolidated and reported the suggestions that arose during the self-assessment and were put forward by the Directors to shape the guidelines for Shareholders on the qualitative/quantitative composition of Snam's Board of Directors.

At its meeting of 24 February 2016, the Snam Board of Directors examined and discussed the results of the self-assessment, presented by the consultancy firm Crisci & Partners, and together confirmed its positive assessments.

Furthermore, at its meeting on 16 March 2016, the Board of Directors, having heard the opinion of the Appointments Committee and taken into account the results of the Board Evaluation, considered the future size and composition of the Board of Directors, to be submitted to shareholders of the Shareholders' Meeting to renew the corporate bodies on 27 April 2016:

Size of the Board of Directors

The Board of Directors deems the current number of nine directors, the maximum permitted by the Bylaws in force, to be adequate. In particular, the Board considers appropriate the ratio between Executive Directors (1), Non-Executive Non-Independent Directors (3) and the Independent Directors (5) in light of the complexity and specificity of the activities and management functions (Committees included) of both the Company and the Group.

Composition of the Board of Directors

The Chairman

- should be a person with leadership, business and professional preparation adequate to the role and complementary to the CEO's ones;
- should have previous experience at boards of directors of companies of a comparable size and international scope to Snam;
- should dedicate time, presence and energy to fulfilling the role he/she represents.

The CEO

- should have significant and successful experiences in executive roles at large companies of a comparable size and complexity to Snam;
- should have a good capacities for strategy and, preferably, experience and/or knowledge of the Snam's businesses or sectors which present similarities to these, particularly with regard to the relations, opportunities and risks of a governance/institutional nature also on an international scale, and of economic/financial assessments and assessments of operating control of large infrastructure assets.

The other seven directors

- should all be non-executive directors, of whom – also in relation to the composition of the Committees – at least five should be independent, based on the criteria set out by law and by the recommendations of the Code of Corporate Governance;
- should be able to demonstrate, in the light of their experience, also gained within boards of directors of listed companies, the ability of strategic guideline and to stimulate results, team work and the capacity to influence and resolve potential disagreements;
- should represent the following areas of expertise and experience:
 - management experience (also multinational ones), including in situations of strategic and corporate development;;
 - experience in or knowledge of the conduct of foreign institutions or political organisations, preferably in countries where Snam operates;
 - experience/expertise in the energy business, in particular in the sectors of specific interest of Snam; knowledge of the international geopolitical dynamics; knowledge of regulatory policies and practices in the sectors of specific interest of the Company and in the countries where operates;
 - expertise in economic/financial matters, financial statements and risk management, preferably specific to the infrastructure and/or energy business;
 - legal and corporate governance knowledge.

The composition of the Board of Directors should contain adequate gender diversity and complementary experiences and expertise. All candidates for the role of executive or non-executive director, when accepting their candidacy, must have carefully considered – and assured the shareholders proposing them on this matter – the time they would need to dedicate to the diligent performance of their duties.

Such position will be made available to the public at the Company's headquarters, on the Company and Borsa Italiana's websites and at the authorized storage mechanism in parallel to the presentation, by Board of Directors, of the Directors' Report to shareholders in view of the shareholders' meeting relating to the renewal of corporate bodies.

(vii) Remuneration policy

The Board of Directors defines the remuneration policy for directors, general managers and executives with strategic responsibility of the Company and its Subsidiaries, as well as the relevant compensation systems, upon recommendation from the Compensation Committee. Furthermore:

- it implements the compensation plans based on shares or financial instruments resolved upon by the Shareholders' Meeting;
- it approves the Remuneration Report to be presented to the Shareholders' Meeting;
- it assesses, following consultation with the Compensation Committee, the contents of the vote on the Remuneration Report carried out by the Shareholders' Meeting and the proposals of the Committee on the adequacy, overall coherence and application of the Remuneration Policy adopted for directors and managers with strategic responsibility.

(viii) Other duties of the Board of Directors

The Board is also responsible for:

- drawing up draft resolutions to be submitted to the Shareholders' Meeting;
- examining and resolving upon other particularly important and sensitive issues that the directors who hold powers wish to draw to the attention of the Board.

2.3 Chairman of the Board of Directors

The Shareholders' Meeting of 26 March 2013 confirmed Lorenzo Bini Smaghi in the role of Chairman of the Board²⁷.

The Chairman, who holds a non-executive role, mainly performs the following duties:

- chairing Shareholders' Meetings, performing the duties provided for by law and by the Shareholders' Meeting regulations;
- acting as the Company's legal representative;
- entering into relations of strategic importance with institutional bodies and international authorities, together with the CEO;
- calling and presiding over Board meetings and setting their agenda, together with the CEO. He guides, oversees and coordinates board activities, ensuring proper functioning and adequate disclosure by directors. He also ensures that Board resolutions are implemented;
- having consulted the Control and Risk Committee, assessing and contributing to the CEO's suggestions to the Board regarding the appointment, dismissal and remuneration of the Internal Auditor;

²⁷ The Board of Directors appointed Lorenzo Bini Smaghi as Chairman for the first time on 15 October 2012.

- assessing and contributing to the CEO's suggestions to the Board regarding the appointment of General Managers, the Executive Responsible for preparing corporate accounting documents and members of the Watch Structure.

2.4 CEO

At its meeting on 26 March 2013, the Board of Directors confirmed Carlo Malacarne in the role of CEO²⁸, assigning him the relevant duties and granting him all powers that are not reserved for the Board of Directors or the Chairman, as described in Paragraphs 2.1 and 2.2 of this Section, above.

The CEO represents the Company and performs the role of director in charge of the internal control and risk management system²⁹.

There is no interlocking directorate in place, as defined in criterion 2.C.5 of the Code of Corporate Governance, in relation to the CEO³⁰.

2.5 General Manager

With a view to identifying a key role that could integrate the necessary corporate functions and boost the Group's promotion and growth, while supporting Snam's strategic development, on 8 January 2016, the Board of Directors approved the creation of a General Management department and, upon the proposal of the CEO and in agreement with the Chairman, appointed Marco Alverà as General Manager, reporting to the CEO.

The Board of Directors has also verified that, in relation to the General Manager and based on the declaration made by the latter, there are no grounds for incompatibility pursuant to Article 16.2 of the Bylaws³¹ and he fulfils the integrity requirements set forth by the applicable regulations³².

28 The Board of Directors appointed Carlo Malacarne as CEO for the first time on 8 May 2006.

29 For more information on the director in charge of the internal control and risk management system, please see Section III, Paragraph 6.1.

30 Criterion 2.C.5 of the Code of Corporate Governance stipulates that "[t]he chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A)".

31 The grounds for incompatibility include the provisions of Article 2, paragraph 2, letter c) of the Prime Ministerial Decree of 25 May 2012, which stipulate that members of administrative or supervisory bodies, as well as those that carry out managerial functions, may not be members of the management or control bodies, or hold senior management positions, at Eni or its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

32 Article 147-*quinquies* of the TUF stipulates that "[p]ersons who perform an administrative or management role must satisfy the integrity requirements established for members of internal control bodies in the regulation issued by the Minister of Justice pursuant to Article 148, subsection 4" of the TUF. These requirements were set forth by Article 2 of Decree of the Ministry of Justice 162/2000 ("Regulations containing rules for setting the professionalism and integrity requirements for members of the board of statutory auditors of listed companies to be issued based on Article 148 of the TUF").

2.6 Appointment, composition and term of office

(i) Appointment

Article 13 of the Bylaws provides for a list voting mechanism for the appointment of the Board of Directors, which should be structured in such a way as to permit the presence of Directors appointed by minority shareholders on the Board of Directors, as well as compliance with the criteria of gender representation, in accordance with the provisions of Article 147-ter of the TUF. Furthermore, the Bylaws state, with greater strictness than is required by Article 147-ter, paragraph 4 of the TUF, that at least one director, if the Board is made up of no more than seven members, or at least three directors, if the Board is made up of more than seven members, must meet the independence criteria set out in the TUF³³.

The list voting mechanism applies only for the replacement of the entire Board of Directors. Even during its term of office, the Shareholders' Meeting may change the number of members on the Board of Directors, provided it is within the limit of a minimum of five and a maximum of nine, as set out in the Bylaws, and makes the relevant appointments. The term of office of directors thus elected shall expire with those in office. Candidates meeting the independence requirements must be identified specifically on the lists. All candidates must also meet the integrity requirements provided for by applicable legislation.

Lists may be presented by shareholders who, either alone or together with other shareholders, represent the minimum percentage calculated pursuant to the regulations in force (equivalent to 0.5% of the share capital, as provided for by Consob Resolution 19499 of 28 January 2016). Each shareholder may present or be involved in the presentation of only one list, and may vote for one list only.

Lists are filed at the registered office by the twenty-fifth (25th) day prior to the date of the Shareholders' Meeting called to resolve on the appointment of members of the Board of Directors and made available to the public by the methods provided for by law and by the Issuer Regulations at least twenty-one (21) days prior to the date of the Shareholders' Meeting. In addition to the lists, the following documents must also be submitted:

- a CV for each candidate;
- statements from the candidates in which they accept their candidacy and declare, assuming full responsibility, that there are no grounds for ineligibility or incompatibility, and that they satisfy all applicable integrity and independence requirements. Appointed directors must inform the Company if they cease to meet the independence and integrity requirements or if any grounds for ineligibility or incompatibility arise.

³³ Or, pursuant to Article 147-ter, paragraph 4 of the TUF, the independence criteria required for statutory auditors pursuant to Article 148, paragraph 3 of the TUF.

LIST VOTING MECHANISM FOR THE ELECTION OF DIRECTORS

Below is a description of the procedures for appointing members of the Board of Directors through the list voting mechanism pursuant to Article 13 of the Bylaws:

- a) seven tenths of the directors to be elected are taken from the list receiving the majority of the shareholders' votes in the consecutive order in which they appear on the list, rounding down to the nearest whole number if the number is a decimal;
- b) the remaining directors shall be taken from the other lists, which may not be associated in any way, even indirectly, with shareholders who have submitted or voted for the list which came in first in number of votes; for that purpose, the votes won by said lists shall be divided successively by one, two or three, depending on the consecutive number of directors to be elected. The quotients thus obtained shall be assigned progressively to candidates from each of these lists, according to the order shown therein. The quotients thus assigned to candidates from the different lists shall be arranged in a single decreasing gradation. Those obtaining the highest quotients shall be elected. If several candidates obtain the same quotient, the candidate from the list that has not yet elected any director or that has elected the smallest number of directors will be elected. If none of these lists has yet elected a director or if all have elected the same number of directors, the candidate from the list obtaining the greatest number of votes shall be elected. If the voting on lists is tied and the quotient is also tied, a new vote by the entire Shareholders' Meeting shall be held, and the candidate winning a simple majority of votes shall be elected;
- c) if the procedure described in letters a) and b) above does not allow for compliance with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise, the candidate shall be replaced by the person appointed in accordance with the procedure mentioned under e). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;
- d) if the procedure described in letters a) and b) above does not allow for compliance with the law on gender representation, the quotient of votes to be attributed to each candidate taken from the lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced, notwithstanding compliance with the minimum number of independent directors, by the candidate of the least represented gender (with the highest consecutive number) taken from the same list as the replaced candidate; otherwise,

the candidate shall be replaced by the person appointed in accordance with the procedure mentioned under e). If candidates from different lists have obtained the same lowest quotient, the candidate from the list from which the greater number of directors has been taken shall be replaced, or the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced;

- e) for the appointment of directors not appointed for any reason by the above procedures, the Shareholders' Meeting shall resolve by statutory majority to ensure that the composition of the Board of Directors is consistent both with the law and with the Bylaws.

Additional binding legal provisions, including regulatory rules, remain unchanged in any case.

(ii) Composition

The Shareholders' Meeting held on 26 March 2013 set the number of directors at nine and their term of office at three financial years, terminating on the date of the Shareholders' Meeting called to approve the financial statements as at 31 December 2015.

Two lists for the appointment of directors were submitted at the Shareholders' Meeting of 26 March 2013: one by CDP RETI (six candidates) and one submitted jointly by minority shareholders and institutional investors (three candidates). All the proposed candidates were appointed. The share capital represented at the Shareholders' Meeting, all holders of which voted on the appointment of directors, accounted for 50.68% of the Company's share capital. The list submitted by CDP RETI was voted for by 31.17% of the Shareholders present at the Meeting, while the list submitted jointly by minority shareholders received 19.13% of the votes.

The table below lists the current members of the Board of Directors, showing the lists from which they were elected and the directors who were expressly indicated on the list as meeting the independence requirements pursuant to the TUF and the Code of Corporate Governance³⁴.

³⁴ Further information on the lists of candidates is available on the Company website (<http://www.snam.it/it/etica-governance/assemblee-degli-azionisti/>). For details on the appointment and term-end dates of the directors, see the table annexed to Section IV (Annex 1).

Director	Position	List from which he/she was appointed
Lorenzo Bini Smaghi	Non-executive director and Chairman	CDP RETI List
Carlo Malacarne	Chief Executive Officer	CDP RETI List
Sabrina Bruno	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Alberto Clô	Non-executive director ⁽¹⁾	CDP RETI List
Francesco Gori	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Yunpeng He	Non-executive director	Appointed on the recommendation of CDP RETI ⁽²⁾
Andrea Novelli	Non-executive director	CDP RETI List
Elisabetta Oliveri	Non-executive director ⁽¹⁾	List presented jointly by minority shareholders
Pia Saraceno	Non-executive director ⁽¹⁾	CDP RETI List

(1) Independent director pursuant to the TUF and the Code of Corporate Governance.

(2) Co-opted, on the proposal of the Appointments Committee, by the Board of Directors on 26 January 2015 and confirmed by the Shareholders' Meeting of 29 April 2015.

Women are currently the least-represented gender on the Board of Directors. Women on the Board are three out of nine members (one third of the total). The presence of the female members is in line with the limits laid down by the applicable regulations on gender balance³⁵.

At its meeting on 26 March 2013, the Board of Directors confirmed Marco Reggiani, Snam's Director of Legal & Corporate Affairs and Compliance, in the role of Secretary of the Board.

(iii) Term of office, termination and forfeiture

Pursuant to Article 13.2 of the Bylaws, directors may be appointed for a period not exceeding three financial years, which term expires on the date of the Shareholders' Meeting called to approve the financial statements for the last financial year of their term of office. They may be re-elected.

Pursuant to Article 13.8 of the Bylaws, if, during the financial year, the office of one or more directors should be vacated, the provisions of law shall apply³⁶. If the majority of the directors should vacate their

³⁵ Law No. 120 of 12 July 2011 stipulates, for the first renewal following the entry into force of said law, the appointment of a Board in which at least one fifth of the members belong to the least-represented gender. However, for subsequent terms of office, the minimum requirement provided for by Article 147-ter, paragraph 1-ter of the TUF applies. Therefore it is necessary to appoint a number of directors belonging to the least-represented gender equal to at least one third of the total.

³⁶ Pursuant to Article 2386 of the Italian Civil Code, if, during the financial year, the office of one or more directors should be vacated, the other directors will replace the director(s) in question by means of a resolution to be approved by the Board of Statutory Auditors, on the condition that the majority of the directors have been appointed by the Shareholders' Meeting.

offices, the entire Board shall be understood to have resigned, and a Shareholders' Meeting must be called without delay by the Board of Directors in order to replace it.

Pursuant to Article 13.4 of the Bylaws, the Board shall evaluate, on an annual basis, the independence and integrity of the directors, as well as the lack of grounds for ineligibility and incompatibility³⁷. If one of the directors does not fulfil or no longer fulfils the established independence or integrity requirements imposed by law, or if there are grounds for ineligibility or incompatibility, the Board will dismiss the director and arrange for them to be replaced, or will ask that they either remove the grounds for incompatibility within an established period of time or forfeit the post.

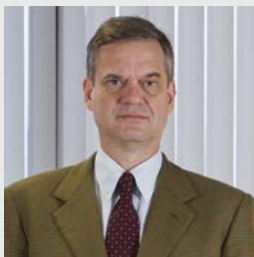
At its meeting of 24 February 2016, the Board of Directors certified:

- (i) that there are no grounds for ineligibility, forfeiture or incompatibility in relation to the directors in office, and that they fulfil the integrity requirements provided for by the applicable regulations; and
- (ii) that, in relation to the Executive Responsible for preparing corporate accounting documents and based on the declaration made by the latter, there are no grounds for incompatibility pursuant to Article 16.4 of the Bylaws and that he fulfils the integrity requirements laid down by the applicable regulations³⁸.

Curricula vitae

An overview of the curriculum vitae of each director is provided below.

Lorenzo Bini Smaghi



Born in Florence in 1956.

Lorenzo Bini Smaghi graduated from the Catholic University of Leuven with a degree in Economics in 1978, and two years later earned a Master of Arts in Economics from the University of Southern California and a degree in Political Sciences from the University of Bologna.

In 1988 he was awarded a PhD from the University of Chicago.

He has been Chairman of SACE S.p.A. and a member of the Board of Directors of the European Investment Bank, Finmeccanica and MTS S.p.A. Between June 2005 and November 2011 he was a member of the Executive Committee of the European Central Bank.

37 The grounds for incompatibility include the provisions of Article 2, paragraph 2, letter c) of the Prime Ministerial Decree of 25 May 2012, which stipulate that members of administrative or supervisory bodies, as well as those that carry out managerial functions, may not be members of the management or control bodies, or hold senior management positions, at Eni and its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

38 Article 147-quinquies of the TUF stipulates that "parties that perform management functions must meet the integrity requirements laid down for members of control bodies by the regulations issued by the Ministry of Justice pursuant to Article 148, paragraph 4" of the TUF. These requirements were laid down by Article 2 of Decree of the Ministry of Justice 162/2000 ("Regulations containing rules for setting the professionalism and integrity requirements for members of the board of statutory auditors of listed companies to be issued based on Article 148 of the TUF").

Between October 2013 and March 2014 he was a non-executive director of Morgan Stanley International.

Since May 2014 he has been an independent director of Société Générale, where he held the position of Vice-Chairman until 19 May 2015 and is now Chairman of the Board of Directors.

Since August 2014 he has been an independent director of Tages Holding.

He is a Visiting Scholar at the Harvard Weatherhead Center for International Affairs.

Lorenzo Bini Smaghi is also a member of the "A-List" (a group of commentators for the Financial Times) and is Chairman of the Palazzo Strozzi Foundation in Florence and the Italian Chapter of the Alumni of the University of Chicago.

He was Chairman of the Board of Directors of Snam Rete Gas S.p.A. between 1 January 2012 and 26 November 2012. Since 15 October 2012 he has been Chairman of Snam.

Carlo Malacarne



Born in Pavia in 1953.

Having obtained a degree in Electronic Engineering, after a brief period at Selecontrol, Carlo Malacarne began his Snam career in the gas transportation department. In 1990 he was appointed Area Operational Manager, with responsibility for the construction and operation of gas pipelines, as well as promoting commercial initiatives to support the sale of natural gas.

Subsequently, as Head of Telecoms and Process Systems, he helped to restructure Eni's telecoms systems, overseeing the transfer of the Snam business unit to Nuova Società di Telecomunicazioni, of which he was appointed CEO.

In March 1998, he was appointed Constructions Manager, tasked with ensuring that investments both in Italy and abroad were executed properly. Alongside this role, he also became a member of the construction committee of TENP, the pipeline that transports gas from the North Sea to Italy, and of TAG, the pipeline designed to carry Russian natural gas to Italy via Austria, actively participating in the implementation of two pieces of strategic infrastructure for the transportation of gas along Europe's main energy corridors. In July 1999, he was appointed Head of Operations for the Italian Network, overseeing the running of the gas transportation network in Italy and the Panigaglia LNG terminal. In July 2001 he was appointed General Manager of Operational Activities of Snam Rete Gas, ahead of the company's stock market flotation, and Chairman of the Board of Directors of GNL Italia, the company that runs the Panigaglia LNG terminal.

Between December 2005 and the beginning of May 2006, he was General Manager of Snam Rete Gas, overseeing commercial activities, planning, transportation network management and the dispatching service, in addition to his managerial duties.

Since 26 November 2012 he has also been Chairman of its subsidiary Snam Rete Gas. He is a member of the general council of Confindustria and of Assolombarda, as well as a member of several technical bodies, including the chairmanship committee of the Comitato Italiano Gas (CIG) and the steering committee of the Associazione Tecnica Italiana del Gas (ATIG). Between 1997 and 2000, he chaired the

transportation commission of the International Gas Union (IGU). He was Chairman of Confindustria Energia between November 2013 and October 2015. He has also been CEO of Mariconsult and a Board member of several international companies, including Transitgas, which operates the gas transportation system between the north and south of Switzerland, Sergaz and Scogat, the companies responsible for the construction and management of the Tunisian section of the Transmed gas pipeline.

Since 8 May 2006 he has been CEO of Snam.

Sabrina Bruno



Born in Cosenza in 1965.

Sabrina Bruno has been an Associate Professor of Commercial Law at the Faculty of Economics of the University of Calabria since 2002. She obtained a national qualification as a full professor of Commercial Law in 2016 and of Comparative Law in 2013.

She has worked as a contract lecturer in Business and Company Law at LUISS G. Carli in Rome since 2006. She was also a researcher in commercial law at the University of Calabria from 1993 to 2001. She has been registered as a lawyer in the special Register of the Rome Law Society since 1991. She was a Fulbright Visiting Scholar at Harvard Law School in 2010. She completed a research doctorate in Comparative Private Law and European Community Law at the University of Florence in 1995. Sabrina Bruno completed a three-year Master of Letters (M.Litt.) degree at Oxford University in 1994. She graduated with honours in Law at LUISS G. Carli in 1987. She was an independent non-executive director and Chairman of the Control and Risk Committee of Banca Profilo S.p.A. between 2012 and 2015, and was appointed a standing auditor of Telecom Italia S.p.A. in 2012.

She has been an Academic Member of the European Corporate Governance Institute since 2014 and a member of the Scientific Committee of the Bruno Visentini Foundation since 2010. She has also been a member of the Italian Linacre Society since 1995.

She is the author of two monographs and various articles and essays on corporate law and corporate governance. Since 26 March 2013 she has been Director of Snam.

Alberto Clò



Born in Bologna in 1947.

Alberto Clò is a former full professor of Applied Economics at the University of Bologna. He is Director in charge of Energia magazine and a member of scientific committees for national and international magazines. He was Minister for Industry and Foreign Trade in the Dini government and Chairman of the EU Council of Ministers of Industry and Energy in the first half of 1996. He is currently an independent director of Atlantia, De Longhi and Gruppo Editoriale L'Espresso. Since 26 March 2013 he has been Director of Snam.

Francesco Gori



Born in Florence in 1952. After earning a high-school diploma from a liceo classico in Italy, Francesco Gori graduated in Economics and Commerce with the highest grade and honours from the University of Florence.

He joined Pirelli in 1978, where, after gaining a range of experience in Italy and abroad, he was appointed General Manager of the Pneumatics division in 2001, CEO of Pirelli Tyre in 2006 and, in 2009, General Manager of Pirelli & C. From 2006 to 2011, for two consecutive terms, he was elected Chairman of ETRMA, the European Tyre & Rubber Manufacturers' Association. In 2012, he decided to leave the Pirelli group. Between 2013 and 2015 he was an Industrial Advisor at Malacalza Investimenti, the second-largest shareholder of Pirelli until the company was delisted from the Italian stock exchange. Since 2014, he has been an Industrial Advisor at the CCR fund of Idea Capital Funds SGR (Gruppo de Agostini), and since 2015 a non-executive director on the board of Apollo Tyres, India's leading tyre company. Since 2015 he has been a non-executive director of Car Affinity S.r.l., and he is also an independent director of Messaggerie Italiane S.p.A. He is also a director of the Italian branch of Plan International, one of the world's largest child sponsorship NGOs. Since 26 March 2013 he has been Director of Snam.

Yunpeng He



Born in Baotou (Inner Mongolia, China) in 1965. Yunpeng He obtained a Specialised Degree in Electrical Systems and Automation from the University of Tianjin and a Master's in Technology Management from the Rensselaer Polytechnic Institute (RPI). He is currently a director of CDP Reti S.p.A. and Terna S.p.A. He has also held the following key roles at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer (CTO) between December 2008 and September 2012; Director of the Economic and Legal

department between June 2011 and September 2012; Director of the Planning and Development department between October 2005 and December 2008; and Director of the Planning and Design department between January 2002 and October 2005. In addition to these roles, he was Head of the Tianjin Binhai Power Company between December 2008 and March 2010 and Chairman of the Tianjin Electric Power Design Institute between June 2000 and January 2002. Since 26 January 2015 he has been Director of Snam.

Andrea Novelli



Born in San Benedetto del Tronto (AP) in 1978. Andrea Novelli graduated with honours from the Bocconi University in Milan with a degree in Business Economics in 2002. He joined CDP in 2004, assuming responsibility for the Planning and Management Control department. Between 2009 and January 2014 he held the position of Head of Administration, Planning and Control; between January 2014 and September 2014 he was Head of Administration, Finance and Control; and between October 2014 and July 2015 he was

General Manager of Cassa Depositi e Prestiti S.p.A. Since 15 October 2012 he has been Director of Snam.

Elisabetta Oliveri



Born in Varazze (SV) in 1963. Elisabetta Oliveri graduated with honours from the University of Genoa with a degree in Electronic Engineering. She has held senior positions at a number of multinational companies. She was first General Manager and later CEO of Sirti S.p.A., and sat on the board of ATM – Azienda Trasporti Milanesi S.p.A. between 2011 and 2014.

She is currently CEO of Gruppo Fabbri Vignola S.p.A. and a member of the Board of Directors of Gruppo L'Espresso S.p.A., Eutelsat S.A. and Banca Farmafactoring S.p.A. She is also the Chairman and founder of the non-profit Furio Solinas Foundation. She is a Knight of the Italian Republic. Since 27 April 2010 she has been Director of Snam.

Pia Saraceno



Pia Saraceno was born in Morbegno (SO) in 1945.

She earned a degree in Economics from the Bocconi University before undertaking a Master's in Development Economics at Cambridge University. After a period spent working at Montedison, she joined IRS in 1976 and became a director in 1980, taking over as Chairman from 1998 to 2000. She was CEO of REF from 2000 to 2011 and now serves as Chairman of REF-E, following its establishment in 2012. She has also carried out

research on macroeconomic analysis and sponsored and advised on research into federalism and industry. In 1999 Saraceno set up Osservatorio Energia and began to promote further research into the liberalisation of the energy sector and environmental issues, which in recent years have become her major areas of interest. Saraceno also has an academic career: since 2011 she has taught Energy Economics and the Management of Environmental Assets on the Master's course in Economics & Management run by the Catholic University of Milan.

Since 26 March 2013 she has been Director of Snam.

The curriculum vitae of each director can be viewed on the Company's website

(<http://www.snam.it/en/governance-conduct/board-of-directors/index.html>)

2.7 Independent directors

Except for the CEO, the Board of Directors is made up of non-executive members, a number of whom are independent, to ensure by both number and authority that their opinion can have a bearing on Board decisions. Of the nine directors, five are independent. The presence of independent directors on both the Board of Directors and its Committees ensures that the interests of all shareholders are adequately protected.

The Board meeting of 24 February 2016 also confirmed that non-executive directors Sabrina Bruno, Alberto Clô, Francesco Gori, Elisabetta Oliveri and Pia Saraceno meet the independence requirements laid down by the TUF and the Code of Corporate Governance. During the appointment of the Board of Directors, the Board of Statutory Auditors, on 7 April 2015, in relation to the checks performed in 2015, verified that the criteria and procedures adopted by the Board of Directors to determine whether the directors met the independence requirements had been applied correctly. Most recently on 14 March 2016, the Board of Statutory Auditors performed an annual verification as to whether the criteria and procedures adopted by the Board of Directors in order to determine whether the directors met the independence requirements are applied correctly. In 2015, due to the commitments inherent in Italgas case no meetings exclusively for the independent directors were held³⁹. A meeting of the independent directors was held on 27 January 2016.

2.8 Maximum accumulation of offices held at other companies

At its meeting of 11 March 2015, the Board of Directors, based on proposals from the Appointments Committee, issued the following directives and expressed the following position on the accumulation of offices held by Directors:

- an executive director should not hold:
 - (i) the office of executive director at another listed Italian or foreign company, or in a financial, banking or insurance company or in a company with shareholders' equity in excess of € 1 billion; or
 - (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than three of the companies listed under (i). Furthermore, in the case of the CEO, they may not assume the office of director of another issuer not belonging to the same group whose CEO is a director of the Company;
- a non-executive director (including independent) should not, in addition to the position held at the Company, hold:
 - (i) the office of executive director at more than two listed Italian or foreign companies, or financial, banking or insurance companies or companies with shareholders' equity in excess of € 1 billion

³⁹ For more information on activities relating to the measure of judicial administration of Italgas, please see Section III Paragraph 3.3 (iii)

- and the office of non-executive director or statutory auditor (or member of another control body) at more than five of the aforementioned companies; or
- (ii) the office of non-executive director or statutory auditor (or member of another control body) at more than three of the companies listed under (i).

For the purposes of calculating the maximum number of offices, positions held within Snam and its Subsidiaries and on Snam's Committees are not relevant.

If the limits indicated are exceeded, the Directors must promptly inform the Board of Directors, which shall evaluate the situation in view of the Company's interest and ask the Director in question to comply with its decisions on the matter. Based on the declarations made by the directors, the following table lists the other important positions held by directors of the Company pursuant to the Code of Corporate Governance and the relevant recommendations issued by the Board of Directors.

Director	Other important positions held
Lorenzo Bini Smaghi	Independent Director and Chairman of Société Générale Independent Director of Tages Holding
Alberto Clò	Independent Director of De Longhi S.p.A. Independent Director of Atlantia S.p.A. Independent Director of Gruppo Editoriale L'Espresso
Francesco Gori	Non-executive Director of Apollo Tyres Ltd
Yunpeng He	Non-executive Director of CDP RETI and Terna ⁽¹⁾
Elisabetta Oliveri	Independent Director of Gruppo L'Espresso S.p.A. Independent Director of Eutelsat S.A. Independent Director of Banca Farmafactoring S.p.A.

(1) CDP Reti and Terna are subsidiaries of CDP.

At its meeting of 24 February 2016, the Board of Directors certified that:

- (i) with the exception of the CEO, the directors hold a non-executive role;
- (ii) the CEO does not hold any other roles outside of Snam and its Subsidiaries⁴⁰;
- (iii) the number of significant positions pursuant to the Code of Corporate Governance and the guidelines assumed by the Board of Directors regarding the maximum number of positions held by the same director are compatible with the effective performance of the role of Director of Snam.

⁴⁰ Pursuant to Application Criterion 1.C.2 of the Code of Corporate Governance.

2.9 Lead Independent Director

Snam has not appointed a lead independent director due to the absence of the prerequisites laid down in Application Criterion 2.C.3 of the Code of Corporate Governance and considering that the Chairman of the Board of Directors does not hold the office of CEO and does not hold a controlling stake in the Company. Furthermore, the appointment of a lead independent director was not requested by the independent directors.

2.10 Succession plans

The Appointments Committee has examined the methodology used to identify successors in senior managerial positions and those considered to be extremely critical to the Group's strategy (around 20 positions). These positions include all those that fall under the responsibility of the Appointments Committee (CEOs of Subsidiaries, Internal Auditor and Executive Responsible for preparing corporate accounting documents).

The process is based on a series of pragmatic steps that are rigorously implemented on an annual basis, involving the following phases:

- an analytical description of the content of each position, with reference in particular to its areas of responsibility, guidelines for the evolution of the role in the near future, and the experience and managerial skills needed to best fulfil the position in question;
- an assessment of the current holder of the position and of potential candidates to succeed them, based partly on contributions from leading companies in the sector;
- the definition of a succession chart containing the names of potential successors and the resulting development guidelines;
- an assessment of the overall risk associated with putting the potential successions into practice.

The Appointments Committee examined the results of applying the methodology to the managerial positions under the Committee's responsibility and the main outcomes, both at the general level and in terms of the individual position in question, and considered the structure of the succession plans implemented to be adequate both to guarantee organisational controls that are consistent with the strategies defined by the Company and to overcome any continuity issues.

In view of the nature of its shareholder structure, Snam does not set out specific succession plans for its executive directors.

2.11 Remuneration system for directors and managers with strategic responsibilities

The Board of Directors examines the Remuneration Report pursuant to Article 123-ter of the TUF, to be submitted to the Shareholders' Meeting as required by the aforementioned law. The Remuneration Report includes the compensation policy for the Chairman, the CEO, the General Manager and other managers with strategic responsibilities.

The Remuneration Report is available on the Company website
 (http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Compensation/2016_Remuneration_Report.pdf).

3. COMMITTEES ESTABLISHED BY THE BOARD OF DIRECTORS

The Board has established the following internal Committees with consultative and advisory duties, pursuant to the Code of Corporate Governance and to Article 16 of the Bylaws:

- Compensation Committee;
- Appointments Committee;
- Control and Risk Committee.

The Committee members were appointed by the Board of Directors. The Committees are all made up of three directors, with the exception of the Control and Risk Committee, which consists of four directors.

In the performance of their functions, the Committees may access information and company departments. They have sufficient financial resources and may use external consultants within the terms set by the Board of Directors⁴¹.

Individuals who are not members may participate in Committee meetings if asked to do so in relation to individual agenda items. The respective secretaries take minutes for the Committee meetings.

3.1 Compensation Committee



⁴¹ The composition, duties and functioning of the Committees are governed by the Board under special regulations, which can be consulted under the "Governance and Conduct" section of the Company's website (<http://www.snam.it/it/etica-governance/comitati/>), in accordance with the criteria set out by the Code.

(i) Duties

The Compensation Committee provides recommendations and advice, as described in the Regulations most recently approved by the Board of Directors on 30 October 2014, to the Board of Directors on Directors' remuneration. In particular:

- i. it submits the Remuneration Report and, in particular, the remuneration policy for Directors and managers with strategic responsibilities (managers of Snam who, during the financial year and together with the CEO, are permanent members of the Company's Executive Committee), to the Board of Directors, for its approval and presentation to the Shareholders' Meeting convened for the approval of the separate financial statements, under the terms provided for by law;
- ii. it reviews the vote on the Remuneration Report taken by the Shareholders' Meeting in the previous financial year and expresses an opinion to the Board of Directors;
- iii. it prepares proposals regarding the remuneration of the Chairman and the Chief Executive Officer, with regard to the various forms of compensation and economic treatment;
- iv. it makes proposals concerning the compensation of members of the Board Committees;
- v. it examines information reported by the Chief Executive Officer and proposes:
 - the general criteria for the remuneration of managers with strategic responsibilities;
 - annual and long-term incentive plans, including share-based plans;
 - general guidelines for the remuneration of other managers of Snam and its Subsidiaries;
- vi. it proposes the definition of performance targets, the aggregation of company results, the definition of clawback clauses related to the implementation of incentive plans and the determination of the variable remuneration of directors with powers;
- vii. it proposes the definition, in relation to directors with powers, of:
 - the indemnification to be paid in the event of termination of their employment;
 - non-compete agreements;
- viii. it monitors the application of decisions made by the Board;
- ix. it periodically evaluates the adequacy, overall consistency and practical application of the policy adopted, as described under i) above, by preparing proposals on this subject to the Board;
- x. it performs any duties that may be required by the procedure concerning related-party transactions carried out by the Company;
- xi. it reports to the Board on the activities carried out, at least every six months and before the deadline for approval of the financial statements and the half-yearly report, at the Board meeting indicated by the Chairman of the Board of Directors;
- xii. it reports on the exercising of its functions to the Shareholders' Meeting convened to approve the separate financial statements for the year, through the Chairman of the Committee or another member appointed by the latter.

In accordance with the Board's decision, the Compensation Committee annually reviews the

remuneration structure of the Internal Auditor and ensures that it is consistent with the general criteria approved by the Board for all managers, indicating the above to the Chairman of the Control and Risk Committee for the purposes of the opinion which he must express on this matter at the Board meeting. Please also see Section III, Paragraph 3.3.

(ii) Composition

The composition of the Compensation Committee is as follows:

Member	Position
Elisabetta Oliveri	Independent Non-Executive Director ⁽¹⁾ - Chairman
Andrea Novelli	Non-Executive Director
Pia Saraceno	Independent Non-Executive Director ⁽¹⁾

(1) Independent pursuant to the independence requirements laid down by the TUF and the Code of Corporate Governance

The Board of Directors has verified that at least one member has sufficient knowledge and experience of financial matters or remuneration policies.

The Committee meetings are deemed valid with the presence of at least the majority of the members in office; the Committee makes decisions by an absolute majority of the attendees. In the event of a tie, the Chairman of the Committee has the casting vote.

Committee meetings may be attended by the Chairman of the Board of Statutory Auditors or by a standing auditor designated by the latter. Meetings may also be attended by other parties, upon invitation by the Committee Chairman, in order to provide information and express an opinion on individual agenda items.

(iii) Activities

In 2015 the Compensation Committee met six times, with an average attendance of 100% of its members. The average duration of Committee meetings was 78.3 minutes.

Below is a brief description of the main issues dealt with by the Compensation Committee during the 2015 financial year:

- it examined the implementation of the policies defined in 2014 for the remuneration of the CEO and other managers with strategic responsibilities, deeming them to be consistent with the Company's governance model and adequate in terms of overall positioning and pay mix. It also examined the rationales and criteria used to define the draft policy guidelines for 2015 for non

executive directors, the CEO and other managers with strategic responsibilities, taking into account the outcomes of the assessment of the policies implemented in 2014;

- it checked the results achieved in relation to the corporate objectives set out in the 2014 performance plans approved by the Board of Directors on 27 February 2014 and examined the information relating to the corporate objectives set out in Snam's 2015 performance plans, for the purposes of annual monetary incentive plans. It also verified the EBITDA generated in 2014 and the targets for EBITDA in 2015, for the purposes of implementing the deferred monetary incentive plan, and for adjusted net profit for 2015, for the purposes of implementing the long-term monetary incentive plan;
- it checked and proposed to the Board of Directors the variable remuneration to be paid to the CEO in 2015, determined based on Snam's 2014 results;
- it examined the remuneration of the CEO in the light of national market benchmarks for similar positions at an equivalent level;
- it analysed the positioning of Non-Executive Directors' remuneration and the results of the vote of the Shareholders' Meeting on the 2015 Remuneration Report, and began an in-depth examination of the issues raised by shareholders and proxy advisors;
- it defined the document which regulates the activation of claw back clause introduced as of 2014 in the variable incentive tools in place.

The Committee reported to the Board of Directors, at the Board meetings of 28 July 2015 and 16 March 2016, on the activities it carried out in the first and second halves of 2015, respectively.

The Committee has scheduled six meetings for 2016. As at the Report approval date, three meetings have been held.

Pursuant to the Regulations, the directors refrain from attending Committee meetings during which proposals are prepared concerning their remuneration.

During 2015, the Chairman of the Board of Statutory Auditors regularly attended Committee meetings and, upon invitation by the Committee, other non-Committee members also attended in order to provide information and express an opinion on individual agenda items.

According to the Compensation Committee Regulations, the Board of Directors provides the Committee with the necessary resources to perform its duties, and the Committee may, through the Company's structures, make use of external consultants, provided their situation is not likely to compromise their independent judgement.

The Committee made use of external consultants, some of whom also carry out activities (which do not compromise their independent judgement) for the Human Resources, Organisation and Security department.

The Compensation Committee Regulations are available on the Company website
 (http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Social_bodies/Committees/Compensation_Committee_Regulation.pdf)

The table in Annex 1 of Section IV provides information about the attendance of each participant in Compensation Committee meetings.

3.2 Appointments Committee



(i) Duties

The Appointments Committee provides the following consultative and advisory functions to the Board of Directors:

- it proposes to the Board candidates for the position of director, should the office of one or more directors be vacated during the year (Article 2386, paragraph 1 of the Italian Civil Code), ensuring compliance with the requirements for the minimum number of independent directors and for the quota reserved for the least represented gender;
- at the proposal of the CEO and approval from the Chairman, it submits to the Board candidates for the corporate bodies of the Subsidiaries included in the scope of consolidation and of strategic foreign investee companies. Proposals made by the Committee are compulsory;
- it prepares and proposes:
 - (i) procedures for the annual self-assessment of the Board and its Committees;
 - (ii) directives concerning limitations and restrictions for the accumulation of positions by directors of Snam and its Subsidiaries;
 - (iii) criteria for assessing both the requirements of professionalism and independence of the Board members of Snam and its Subsidiaries and the competing activities performed;

- it reports to the Board on the activities carried out, at least every six months and no later than the deadline for approval of the annual and half-year financial reports.

(ii) Composition

The composition of the Appointments Committee is as follows:

Member	Position
Alberto Clò	Independent Non-Executive Director ⁽¹⁾ - Chairman
Lorenzo Bini Smaghi	Non-Executive Director
Elisabetta Oliveri	Independent Non-Executive Director ⁽¹⁾

(1) Independent pursuant to the independence requirements laid down by the TUF and the Code of Corporate Governance

The Chairman of the Company (who is currently also a Committee member), the CEO and, for matters relevant to him, the Chairman of the Board of Statutory Auditors, or a standing auditor designated by him, are usually invited to attend Committee meetings. Other non-Committee members may also attend, upon invitation by the Committee, in order to provide information and express an opinion on individual agenda items.

Meetings of the Committee are deemed to be valid if at least two members in office are present; the Committee makes decisions based on a vote in favour by at least two of the members in attendance.

(iii) Activities

In 2015 the Appointments Committee met six times, with 100% of members present. The average duration of Committee meetings was 42.5 minutes.

In 2015 the Appointments Committee focused its activities on the following issues:

- the appointment by co-optation of the candidate He Yunpeng pursuant to Article 2386, paragraph 1 of the Italian Civil Code, as a director of Snam S.p.A.;
- restrictions on and prohibition of Directors of Snam holding multiple offices;
- examination of the results of the Board Evaluation relating to 2014 by the advisor Crisci & Partners and the planning of similar activities for 2015;

In relation to the Subsidiaries included in the scope of consolidation:

- the appointment of members of the Board of Directors of AES Torino S.p.A. and Italgas S.p.A.;
- the co-optation of a director of GNL Italia S.p.A. and Napoletanagas S.p.A.;
- alternation of the Chairpersons and CEOs of the Subsidiaries included in the scope of consolidation, AES Torino and Napoletanagas.

In relation to strategic foreign investee companies: the appointment of a member of the Supervisory Board of TAG.

The Regulations governing the Appointments Committee were most recently approved by the Board of Directors on 27 February 2014.

The Appointments Committee Regulations are available on the Company's website
(http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Social_bodies/Committees/regulations_appointments_committee.pdf).

The Committee reported to the Board of Directors, at the Board meetings of 28 July 2015 and 16 March 2016, on the activities it carried out in the first and second halves of 2015 respectively.

The Committee has scheduled seven meetings for 2016. As at the Report approval date, four meetings have been held.

Pursuant to the Regulations governing the Appointments Committee, the Board of Directors gives the Committee the necessary resources to fulfil its duties, and the Committee may make use of external consultants, through Company structures, in accordance with the terms laid down by the Board.

Depending on the matters being discussed, Company executives, the Human Resources, Organisation and Security director and the Legal & Corporate Affairs and Compliance director may attend Committee meetings for the areas pertaining to them.

The table in Annex 1 of Section IV provides information about the attendance of each participant in Appointments Committee meetings.

3.3 Control and Risk Committee



(i) Duties

The Control and Risk Committee provides recommendations and advice to the Board by making suitable enquiries to support Board decisions and assessments concerning the internal control and risk management system, as well as those relating to the approval of financial reports.

Specifically, the Control and Risk Committee performs the following functions:

- it evaluates, together with the Executive Responsible for preparing corporate accounting documents and having consulted the External Auditors and the Board of Statutory Auditors, the proper use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- it issues opinions on specific aspects relating to the identification of the main risks faced by the Company; it performs the additional duties assigned to it by the Board of Directors in relation to transactions in which directors or statutory auditors have an interest and related-party transactions, in accordance with the terms and methods set out in the procedure annexed to the Committee Regulations⁴²;

⁴² The procedure entitled "*Transactions in which directors and statutory auditors have an interest and related-party transactions*", which was approved by the Board of Directors pursuant to and for the purposes of Article 2391-bis of the Italian Civil Code, and the "*Regulations governing related-party transactions*", following a unanimous favourable opinion from the Internal Control Committee (now the Control and Risk Committee) on 30 November 2010, as amended.

- it examines the periodic reports relating to the evaluation of the internal control and risk management system, as well as those of particular importance prepared by the Internal Auditor;
- it monitors the independence, suitability, effectiveness and efficiency of the Internal Auditor;
- it may ask the Internal Auditor to carry out inspections of specific operational areas, giving notice of this to the Chairman of the Board of Statutory Auditors, the Chairman of the Board of Directors and the director in charge of the internal control and risk management system;
- it reports to the Board, at least every six months, upon approval of the annual and half-year financial report, on the activity it carries out and the adequacy of the internal control and risk management system;
- it expresses its opinion on the proposals put forward by the Director in charge of the internal control and risk management system, in agreement with the Chairman, to the Board of Directors:
 - (i) relating to the appointment, dismissal and remuneration of the Internal Auditor, in line with the Company's remuneration policies; and
 - (ii) with a view to ensuring that the Internal Auditor has sufficient resources to fulfil their responsibilities.

The Committee expresses its opinion to the Board of Directors in order to:

- define the guidelines for the internal control and risk management system, so that the main risks facing the Company and its Subsidiaries can be identified correctly and measured adequately, managed and monitored, as well as determining to what extent these risks can be managed using a policy that is consistent with the strategic objectives identified
- periodically evaluate, at least annually, the adequacy and effectiveness of the internal control and risk management system with respect to the characteristics of the Company and the risk profile it has adopted;
- periodically approve, at least once a year, the audit schedule prepared by the Internal Auditor;
- describe, in the Report on Corporate Governance and Ownership Structure, the main features of the internal control and risk management system, as well as evaluate the adequacy of the system;
- evaluate the conclusions presented by the External Auditors in any suggestion letters and in the report on key matters arising from the external audit.

(ii) Composition

The Control and Risk Committee has four members, in order to ensure that it reflects the diversity of expertise represented on the Board of Directors⁴³. The composition of the Committee is as follows:

⁴³ In order to maximise the diversity of expertise, the alternative provided for by principle 7.P.4 of the Code of Corporate Governance was introduced, involving a committee composed of non-executive directors, the majority of whom are independent.

Member	Position
Francesco Gori	Independent Non-Executive Director ⁽¹⁾ - Chairman
Sabrina Bruno	Independent Non-Executive Director ⁽¹⁾
Andrea Novelli	Non-Executive Director
Pia Saraceno	Independent Non-Executive Director ⁽¹⁾

(1) Independent pursuant to the independence requirements laid down by the TUF and the Code of Corporate Governance

Snam's Board of Directors decided that more than one Committee member has adequate accounting, financial and risk management experience.

Pursuant to the Committee Regulations, Committee meetings held to carry out the duties assigned to the Committee by the Board of Directors pursuant to the procedure "*Transactions in which directors and statutory auditors have an interest and related-party transactions*" consist exclusively of independent directors⁴⁴.

The Chairman of the Company, the Director in charge of the internal control and risk management system and the statutory auditors are usually invited to attend Committee meetings. Other non-Committee members may also attend, upon invitation by the Committee Chairman, in order to provide information and express an opinion on individual agenda items.

The Committee meetings are deemed valid with the presence of the majority of the members in office; the Committee resolves by an absolute majority of the attendees. In the event of a tied vote, the Committee Chairman shall represent the position adopted by the majority of the independent directors to the Board of Directors, while also informing the Board of the position of the other Committee members.

(iii) Activities

In 2015 the Committee met 10 times, with 95.0% of members present on average. The average duration of Committee meetings was 170 minutes.

Below is a brief description of the main issues discussed during the 2015 financial year:

- matters pertaining to the internal control and risk management system connected with the Decree of the Court of Palermo, Preventive Measures Section, issued to Italgas on 11 July 2014, pursuant to Article

44 For more information on this procedure, please see Paragraph 7.4 of the Report.

34, paragraph 2 of Legislative Decree 159/2011. Taking into account the results of the verifications performed and Snam Group's effective cooperation, Court of Palermo, on 9 July 2015, by revoking the abovementioned decree, has ruled on the return of Italgas. The Committee in relation to the above:

- analysed the various aspects of the judicial administration measure; examined the Reports drawn up by the Judicial Administrators and the orders handed down by the Court of Palermo; and examined, with the External Auditors, the issue of the consolidation of Italgas in the Snam financial statements. Special attention was dedicated to the analysis of the merit and implications of the "Judicial Control" measure pursuant to Article 34, paragraph 8 of the Antimafia Code, providing simultaneously for the annulment by the Court of Palermo and the appointment of a new, autonomous and independent Watch Structure, with responsibility for verifying correct and full implementation of the intervention plan;
- monitored
 - (i) the multiple initiatives launched by Snam and Italgas to strengthen the internal control system, including through the implementation of a structured system to verify the reputation of the Group's suppliers and subcontractors;
 - (ii) the adjustments to the risk map by the ERM unit; and
 - (iii) the results of the audits carried out by the Internal Audit department at Italgas and subsidiaries;
 - (iv) examined the intervention plan defined by the Italgas in agreement with the Judicial Administrators and the progress made with said plan, and assessed its implications on the Snam half-year financial report with the External Auditors and the Italgas's management.

The Committee also received ongoing information on the matter's development and its implications during meetings of the Control and Risk Committee and of the Board of Directors, as well as during specific conference calls;

- the ERM system and management of the main risks faced by the Company, and in particular:
 - examination of the Risk Policy defined by Snam and of the quarterly reports relating to the identification and updating of the main risks faced by the Company within the ERM system;
 - periodic analysis, with the management of the Finance department, of the management of financial risks;
- oversight of the Internal Audit department, and, in particular:
 - examination of the periodic reports on the activities carried out in implementation of the audit schedule approved by the Board of Directors for 2015, the relevant follow-up activities and the audit's results;
 - analysis of the proposed 2016 audit schedule;
- issues relating to regulatory provisions concerning corporate reporting and control system, and, in particular:
 - examination of the report on the adequacy of the Corporate Reporting Control System and on the compliance of the administrative and accounting procedures and the annual report on the organisational, administrative and accounting structure of Snam and of its Subsidiaries of strategic importance;

- analysis of the activities carried out during 2015 as part of the project aimed at revising and updating the Snam Group's Corporate Reporting Control System;
- the activities of the firm appointed to audit the accounts, and, in particular:
 - analysis of issues relating to the half-year and annual financial report with the External Auditors, with regard to both the auditing and the checks performed in relation to the effectiveness of the Corporate Reporting Control System;
- issues relating to regulatory provisions pursuant to Legislative Decree 231/2001, the Code of Ethics and the Anti-Corruption Procedure, particularly:
 - meetings with the Watch Structure and examination of the activities carried out in implementation of the role assigned to it by Model 231;
 - updates received from the Head of Legal & Corporate Affairs and Compliance regarding the update of the Model 231 and in relation to the new regulations;
- issues relating to corporate governance and regulatory compliance, and, in particular:
 - examination, with the Head of Legal & Corporate Affairs and Compliance, of the 2014 Report on Corporate Governance and Ownership Structure and the 2014 Compliance Report, and analysis of issues relating to workplace safety.

In relation to its duties concerning "Transactions in which directors and statutory auditors have an interest and related-party transactions", the Committee performed the following activities:

- examination of transactions in place with related parties, particularly with regard to:
 - (i) transactions managed by Snam relating to the EMTN programme and the syndicated loan agreement, in relation to the role of Chairman of the Board of Directors of Société Générale S.A. assumed by the Chairman of Snam; and
 - (ii) the signing of ancillary agreements relating to the acquisition in 2014 by Snam Rete Gas of a portion of the Green Data Center owned by Eni S.p.A. and located in Ferrera Erbognone (Pavia);
- annual examination of the procedure "Transactions in which directors and statutory auditors have an interest and related-party transactions" (approved most recently by the Board of Directors on 17 December 2014) and annual assessment of the choices made by the Company, based on the relevant criteria set out by Consob, for the definition of the threshold for the purposes of distinguishing between transactions of lesser and greater significance, confirming their adequacy;
- analysis of the report drawn up by the Administration department on the related-party transactions carried out in the first half of 2015.

The Regulations governing the Control and Risk Committee were most recently approved by the Board of Directors on 12 December 2013.

The Control and Risk Committee Regulations are available on the Company's website
 (http://www.snam.it/export/sites/snam/repository/ENG_file/Governance/Social_bodies/Committees/regulations_control_and_risk_committee.pdf).

The Committee reported to the Board of Directors, at the Board meetings of 28 July 2015 and 16 March 2016, on the activities it carried out in the first and second halves of 2015 respectively.

The Committee has scheduled eight meetings for 2016. As at the Report approval date, three meetings had been held.

During 2015, several non-Committee members attended meetings of the Control and Risk Committee upon invitation by the Committee, in order to provide information and explanations. The Chairman of the Board of Statutory Auditors and/or other statutory auditors also usually attended.

The Committee Regulations state that the Committee may access any information necessary for the purposes of performing its duties and may make use of the relevant Company departments and external consultants, within the terms set by the Board of Directors. The Committee has the financial resources necessary to pay independent consultants or other experts, and to fulfil its duties.

The table in Annex 1 of Section IV lists information about the attendance of each participant in Control and Risk Committee meetings.

(iv) Relations with other bodies and departments

Il Collegio Sindacale e il Comitato Controllo e Rischi si scambiano tempestivamente le informazioni rilevanti per l'espletamento delle rispettive funzioni, ricevono e raccolgono con cadenza almeno semestrale dalle funzioni di controllo (*Internal Audit, Risk Management, Compliance*) e dalla Società di Revisione Legale le informazioni rilevanti sui controlli effettuati e sulle eventuali debolezze o criticità o anomalie riscontrate e si riuniscono con cadenza almeno semestrale al fine di valutare le risultanze emerse.

Inoltre il Comitato incontra l'Organismo di Vigilanza/Garante del Codice Etico, unitamente al Collegio Sindacale, in occasione dell'esame della relazione semestrale dell'Organismo di Vigilanza.

Tali attività si sono svolte regolarmente nel corso del 2015.

4. BOARD OF STATUTORY AUDITORS AND EXTERNAL AUDITORS

4.1 Board of Statutory Auditors

(i) Role and functions

Pursuant to Article 149, paragraph 1 of the TUF, the Board of Statutory Auditors oversees:

- compliance with the law and with the deed of incorporation;
- respect for the principles of proper administration;
- the adequacy of the Company's organisational structure in relation to its remit, the internal control system and the administrative and accounting systems, as well as the reliability of the latter in properly representing operational events;
- procedures for the implementation of the rules established by the Code of Corporate Governance;
- the adequacy of the Company's instructions to its Subsidiaries pursuant to Article 114, paragraph 2 of the TUF.

Pursuant to Article 19 of Legislative Decree No. 39 of 27 January 2010, the Board of Statutory Auditors also performs supervisory functions in its capacity as the Internal Control and Audit Committee, overseeing in particular:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and, if applicable, risk management systems;
- the independent audit of the annual financial statements and consolidated financial statements;
- the independence of the External Auditors, particularly with regard to the provision of non-audit services to the entity being audited.

Upon prior notice to the Chairman of the Board of Directors, the Board of Statutory Auditors may call Shareholders' Meetings and Board of Directors' meetings. The power to call Board of Directors' meetings may be exercised individually by each member of the Board of Statutory Auditors; the power to call Shareholders' Meetings must be exercised by at least two members of the Board.

The Board of Statutory Auditors is invited to attend the meetings of the Control and Risk Committee.

The Board of Statutory Auditors met 17 times in 2015, with an average attendance of 94.12% of its members (please see the table in Annex 2 to Section IV). The average duration of the meetings was 178 minutes. The Board of Statutory Auditors has scheduled four meetings for the first quarter of 2016. As at the Report approval date, three meetings had been held.

Pursuant to the procedure "*Transactions in which directors and statutory auditors have an interest and related-party transactions*", members of the Board of Statutory Auditors must declare any interest on their own behalf or that of third parties in specific transactions submitted to the Board of Directors.

No such declarations were required from the members of the Board of Statutory Auditors in 2015. Pursuant to applicable legislation, the Board of Statutory Auditors receives the information flows it needs to perform its duties.

A description of the ways in which the Board of Statutory Auditors interacts with the Control and Risk Committee and with the Internal Audit department can be found respectively in Paragraphs 3.3 and 6.4 of Section III of the Report.

(ii) Appointment and term of office

Pursuant to Article 20 of the Bylaws, Snam's Board of Statutory Auditors is made up of three standing auditors and two alternates appointed by the Shareholders' Meeting for three financial years. They may be re-elected at the end of their term of office.

Statutory auditors are chosen from among those who meet the professionalism and integrity requirements indicated in Decree of the Ministry of Justice No. 162 of 30 March 2000. For the purposes of this decree, the issues strictly related to the Company's activity are: commercial law, business economics and business finance. Likewise, the sector pertaining strictly to the Company's business is the engineering and geology sector.

Statutory auditors may not hold more than the maximum number of positions permitted by the applicable legislation. In any event, pursuant to Article 2, paragraph 2, letter c) of the Prime Ministerial Decree of 25 May 2012, the statutory auditors may not be members of the administrative or control bodies, or hold senior management positions, at Eni and its subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies.

As per the provisions laid down for the Board of Directors and in accordance with the applicable provisions, the Bylaws stipulate that the statutory auditors must be appointed by list voting, unless they are replaced during their term of office, in compliance with the applicable law on gender representation.

In the lists submitted by shareholders, the candidates must be listed by consecutive number and their number must not be greater than the number of members of the body to be elected. The rules for filing, presenting and publishing the lists are the same as for the election of directors (see Section III, Paragraph 2.6). Each shareholder may submit or be involved in submitting only one list and may vote on only one list, according to the terms laid down in the applicable legislative and regulatory provisions.

Only shareholders who, alone or together with other shareholders, represent at least 0.5% of the share capital (the percentage set by Consob Resolution 19499 of 28 January 2016) are entitled to submit

lists. Each candidate may feature on only one list; otherwise their candidacy is declared void.

Lists are broken into two sections: the first for candidates to the office of standing auditor, and the second for candidates to the office of alternate auditor. At least the first candidate in each section must be included in the Register of Auditors and must have a minimum of three years' experience as an external auditor.

In order to comply with the applicable law on gender representation, lists with candidates for both sections which contain three or more candidates presented for appointment of the majority of the Board of Statutory Auditors' members must contain candidates of each gender in the section for the appointment of standing auditors, in accordance with the notice of call of the Shareholders' Meeting. Where the list contains only two candidates, one must be male and the other female.

Lists for appointing statutory auditors, together with information on the candidates' details, as well as a mention of the identity of the shareholders submitting said lists and the percentage equity interest owned, must be made available to the public at the Company's headquarters and Borsa Italiana and posted on the Company's website in a timely manner, or within the time periods provided for by current regulations. Additional binding legal provisions, including regulatory rules, remain unchanged in any case.

LIST VOTING MECHANISM FOR THE ELECTION OF THE BOARD OF STATUTORY AUDITORS

Below is a description of the ways in which the Board of Statutory Auditors is appointed using a list voting mechanism, as provided for by Article 20 of the Bylaws.

Two standing auditors and one alternate auditor are taken from the list that wins the majority of the votes. The other standing auditor, who performs the role of Chairman, and the other alternate auditor are appointed according to the methods laid down in Article 13.5, letter b) of the Bylaws for the election of directors, which are to be applied separately to each of the sections into which the other lists are broken down.

Where following the above procedure fails to ensure compliance with the law on gender representation for the standing auditors, the quotient of votes to be attributed to each candidate taken from the standing auditor sections of the different lists shall be calculated by dividing the number of votes for each list by the order number of each of these candidates; the candidate of the most represented gender with the lowest quotient among the candidates taken from all the lists shall be replaced by the candidate of the least represented gender (with the highest consecutive number) from the same standing auditor section of the list of the replaced candidate, or, failing this, from the alternate auditor section of the same list as the replaced candidate (who, in this case, takes the place of the alternate auditor that they have just been replaced by). If this fails to ensure compliance with the law

on gender representation, the candidate is replaced by the person appointed by statutory majority at the Shareholders' Meeting, in such a way as to ensure that the composition of the Board of Statutory Auditors complies with the law and the Bylaws.

Where candidates from different lists have obtained the same quotient, the candidate from the list from which the greater number of Statutory Auditors has been taken shall be replaced, or, the candidate taken from the list with the fewest votes shall be replaced, or, if the number of votes is the same, the candidate who receives the fewest votes in a dedicated resolution by the Shareholders' Meeting shall be replaced.

In the event of the replacement of a statutory auditor from the list that wins the majority of the votes, they are replaced by the alternate auditor from the same list; in the event of replacement of a statutory auditor from other lists, they are succeeded by the alternate auditor from these lists.

(iii) Composition

The current Board of Statutory Auditors was appointed by the Shareholders' Meeting of 26 March 2013 for three financial years and in any event until the date of the Shareholders' Meeting called to approve the financial statements for 2015:

Member	Position
Massimo Gatto ⁽¹⁾	Standing Auditor and Chairman
Leo Amato ⁽²⁾	Standing Auditor
Stefania Chiaruttini ⁽²⁾	Standing Auditor
Maria Gimigliano ⁽²⁾	Alternate Auditor
Luigi Rinaldi ⁽¹⁾	Alternate Auditor

(1) elected from the list submitted by minority shareholders

(2) elected from the list submitted by CDP RETI

Two lists for the appointment of the Board of Statutory Auditors were submitted at the Shareholders' Meeting of 26 March 2013: one by CDP RETI (two candidates for standing auditor and one candidate for alternate auditor) and one submitted jointly by minority shareholders and institutional investors (one candidate for standing auditor and one candidate for alternate auditor). All the proposed candidates were appointed.

The Chairman of the Board of Statutory Auditors was taken from the list submitted by minority shareholders. The share capital represented at the Shareholders' Meeting, all holders of which voted

on the appointment of the Board of Statutory Auditors, accounted for 50.68% of the Company's share capital. The list submitted by CDP RETI was voted for by 30.31% of the shareholders present at the Meeting, while the list submitted jointly by minority shareholders received 20.07% of the votes.

On the basis of declarations provided by its members, and on the occasion of its appointment, on 19 March 2015, the Board of Statutory Auditors verified, in relation to the checks performed in 2015, that all its members met the independence requirements laid down in Article 148, paragraph 3 of the TUF, as well as those laid down in Article 3 of the Code of Corporate Governance pertaining to directors.

On 14 March 2016 the Board of Statutory Auditors performed its annual check that all its members met the independence requirements laid down in Article 148, paragraph 3 of the TUF, as well as those in Article 3 of the Code of Corporate Governance pertaining to directors⁴⁵.

Curricula vitae

An overview of the curriculum vitae of each statutory auditor is provided below.

Standing Auditors

Massimo Gatto



Born in Rome in 1963.

Massimo Gatto gained a degree in Economics and Business from the Sapienza University of Rome. He works as a chartered accountant, auditor and official receiver.

Currently, as well as being Chairman of Snam's Board of Statutory Auditors, he is a standing auditor at Fintecna S.p.A., RI.MA.TI. – Società Consortile a responsabilità limitata, METROB1 – Società Consortile a responsabilità

limitata and Collegamenti Integrati Veloci-C.I.V. S.p.A., and is an alternate auditor at Unicredit Factoring S.p.A. and Mediaset S.p.A.

He is also a director of Associazione Nazionale per l'Enciclopedia della Banca e della Borsa. Since 27 april 2010 he has been Standing Auditor of Snam.

⁴⁵ In July 2015, the Corporate Governance Committee updated the Code of Corporate Governance. The amendments made to Article 8 will be applied during the course of 2016 at the time of renewal of the Board of Statutory Auditors. In particular, such amendments provide for the distribution of a press release by the Board of Directors concerning the check performed by the Board of Statutory Auditors after the appointment with regard to the fulfilment by the Statutory Auditors of the independence criteria required for directors. The Committee also stated that the remuneration of Statutory Auditors should be commensurate with the duties required of them, the importance of the role held, and the dimensional and sectoral characteristics of the business.

Leo Amato



Born in Turin in 1961. Leo Amato graduated with honours in Economics and Business from Turin University. He is enrolled on the Register of Auditors and the Register of Court-Appointed Experts, and is a member of the Arbitration Chamber of Piedmont. He holds administration and audit positions in a number of Italian companies. He has worked as a contract lecturer in Business Contract Law, Non-profit Organisation Law and Trust and Fiduciary Transaction Law at the Faculty of Economics of the University of Eastern Piedmont. He is the Chairman of Iusefor, the Training Centre of the University Institute of European Studies of Turin. Since 26 march 2013 he has been Standing Auditor of Snam.

Stefania Chiaruttini



Born in Este in 1962.

Stefania Chiaruttini graduated from the Luigi Bocconi University of Business, Milan, in Economics and Business. She is registered on the Register of Auditors. She has held and currently holds the post of statutory auditor, director and liquidator at various companies, including companies listed on Borsa Italiana. Since 26 march 2013 she has been Standing Auditor of Snam.

Alternate auditors

Maria Gimigliano

Born in Naples in 1976. Maria Gimigliano graduated from Bocconi University, Milan, in Business Economics. She is standing auditor at Nonino Distillatori S.p.A., Ennefin S.p.A. and Nonino S.p.A. She is registered on the Register of Auditors. Since 26 march 2013 she has been Alternate Auditor of Snam.

Luigi Rinaldi

Born in Pavia in 1959. Luigi Rinaldi graduated with a degree in Economics and Business from the University of Pavia and earned a research doctorate from Milan's Bocconi University. He is a Full Professor at the University of Pavia's Economics Faculty, as well as being a chartered accountant and auditor. He is a corporate and business consultant and a technical consultant to the magistrate. He is Chairman of the Board of Statutory Auditors at Napoletanagas S.p.A. and GNL Italia S.p.A. He is a standing auditor at Stogit. He has been Standing Auditor of the board of Statutory Auditors of Snam from 15 November 2000 to 15 february 2002. Since 15 November 2000 he has been Alternate Auditor of Snam.

The curriculum vitae of each statutory auditor can be viewed on the Company's website
 (<http://www.snam.it/en/governance-conduct/board-of-statutory-auditors/>).

4.2 External Auditors

As required by law, auditing activities are assigned to an independent auditing firm included in the relevant register and appointed by the Shareholders' Meeting based on a reasoned proposal from the Board of Statutory Auditors.

On 27 April 2010, the Shareholders' Meeting appointed Reconta Ernst & Young S.p.A. to audit the Company for the 2010-2018 period.

In May 2015, following approval by the Board of Directors and the favourable opinion of the Board of Statutory Auditors, Snam issued the procedure entitled "Allocation and management of appointments to the External Auditors", which defines the roles, responsibilities and duties pertaining to relations with the External Auditors, based on the applicable regulatory provisions and, in particular, the document "Principles of auditor independence", issued by the National Council of Accountants and Accounting Experts and recommended by Consob.

In order to prevent the emergence of conditions that could be considered relevant for the purposes of maintaining auditor independence, Snam applies prudential criteria, assigning to the External Auditors only those auditing duties that are defined in the Document, i.e. auditing services and certification studies (indicated in a specific annex to the procedure), completely excluding all other services from the auditing.

The procedure also governs contractual aspects, those relating to the management of relations with the External Auditors and information flows to the Internal Audit department, which is allocated an "independent actor" role, particularly with regard to activities relating to the allocation of appointments, the role of manager of the Framework Agreement, the monitoring of the maintenance of the independence of the auditor and the services offered by the latter, and the relevant reporting to the Board of Statutory Auditors.

5. BOARD INDUCTION SESSIONS FOR DIRECTORS AND STATUTORY AUDITORS

Following the appointment of the Board of Directors and the Board of Statutory Auditors, board induction sessions were held, which were attended by the members of both Boards.

In accordance with the Code of Corporate Governance, the board induction sessions aim to provide directors and standing auditors with adequate knowledge of the sector in which the Company operates, as well as focusing on company dynamics and changes in the ownership structure. The sessions covered:

- (i) the structure and rules of the governance system;

- (ii) the internal control and risk management system;
- (iii) the strategies of Snam and its Subsidiaries;
- (iv) the operating and market context;
- (v) the relevant regulatory framework.

The sessions were designed and led by the directors and/or heads of the relevant units and focused on:

- the corporate governance of Snam and the Group, with a view to illustrating:
 - the evolution of Snam's corporate governance model, in light of the Unbundling Regulation and the ownership unbundling by Eni;
 - Snam's current corporate governance structure;
 - the main compliance and governance procedures adopted by Snam;
- the regulatory system, with a view to illustrating:
 - the regulatory system in which Snam operates;
 - the regulations governing infrastructure;
 - the tariff regulatory framework; and
 - the operating and market context;
- introduction to the Group: this aimed to give a financial overview of the Snam Group;
- the governance rules of Snam and its Subsidiaries, with a view to illustrating:
 - the principles that form the basis of the management and coordination activities carried out by Snam;
 - the Code of Ethics, Model 231 and the anti-corruption procedure;
 - the Health, Safety, Environment and Quality system and the Privacy Code;
 - the internal control and risk management system;
- strategic plan: this aimed to illustrate the strategies of Snam and its Subsidiaries. This session was conducted by the CEO.

In February 2015, a board induction session was held for director Yunpeng He, who was co-opted to the Board on 26 January 2015. In May 2015, an off-site induction session was held for directors and statutory auditors with a view to ensuring that they acquired significant information about the various activities of the Group, including through interaction with the management of the Subsidiaries.

6. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

6.1 Internal control and risk management system

Snam adopts and undertakes to promote and maintain an adequate internal control and risk management system, to be understood as a set of rules, procedures and organisational structures aimed

at permitting the identification, measurement, management and monitoring of the main risks faced.

The internal control and risk management system involves:

- the Board of Directors, which performs a guiding role and (having heard the opinion of the Control and Risk Committee) evaluates, at least once a year, the adequacy and effectiveness of the internal control and risk management system with regard to the characteristics of the Company and the Group and the risk profile adopted. To that end, the Board has named one of its members as the director in charge of the internal control and risk management system;
- the CEO of the Company in his capacity as Director in charge of the internal control and risk management system, who is required to establish and maintain an effective internal control and risk management system, in accordance with the corporate and procedural objectives, and is also responsible for ensuring that the risk management procedures correspond to the containment plans defined;
- the Control and Risk Committee, which is responsible for making suitable enquiries to support assessments and decisions made by the Board of Directors concerning the internal control and risk management system, as well as those relating to the approval of financial reports;
- the Internal Auditor, who is tasked with verifying that the internal control and risk management system is functional and adequate⁴⁶;
- the other corporate functions and roles with specific duties regarding internal control and risk management, structured according to the size, complexity and risk profile of the Company;
- in its capacity as the Internal Control and Audit Committee pursuant to Legislative Decree 39/2010, the Board of Statutory Auditors, which oversees the effectiveness of the internal control and risk management system.

In accordance with the Code of Corporate Governance, and on the basis of preliminary work by the Control and Risk Committee, on 16 March 2016 the Board of Directors evaluated the adequacy and effectiveness of the internal control and risk management system in relation to the characteristics and risk profile of Snam and its Subsidiaries.

The Director in charge of the internal control and risk management system notifies the Control and Risk Committee in good time of any issues and problems arising during the performance of his duties or brought to his attention. During 2015, the Director in charge of the internal control and risk management system provided timely information, including via his units, to the Control and Risk Committee in relation to events and problems that emerged.

⁴⁶ For more information on the Internal Auditor, please see Paragraph 6.4 of the Report below.

(i) General principles and guidelines of the internal control and risk management system

The Code of Ethics defines the guiding principles on which the entire internal control and risk management system is based, including:

- the separation of activities between persons responsible for authorisation, executive 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 powers of authorisation; and
- 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 over time, to ensure that it is always appropriate and to oversee the main areas of corporate risk. In this context, and also to execute the provisions of the Code of Corporate Governance, Snam has adopted an ERM system⁴⁷.

At its meeting on 29 October 2013, the Board of Directors approved the "*Board guidelines on internal audit activities*" (the "*Guidelines*"), which define the internal control and risk management system as all the rules, procedures and organisational structures for identifying, measuring, managing and monitoring the main risks faced. An effective internal control and risk management system helps a company to conduct its business in line with the objectives it has set, facilitating informed decision-making.

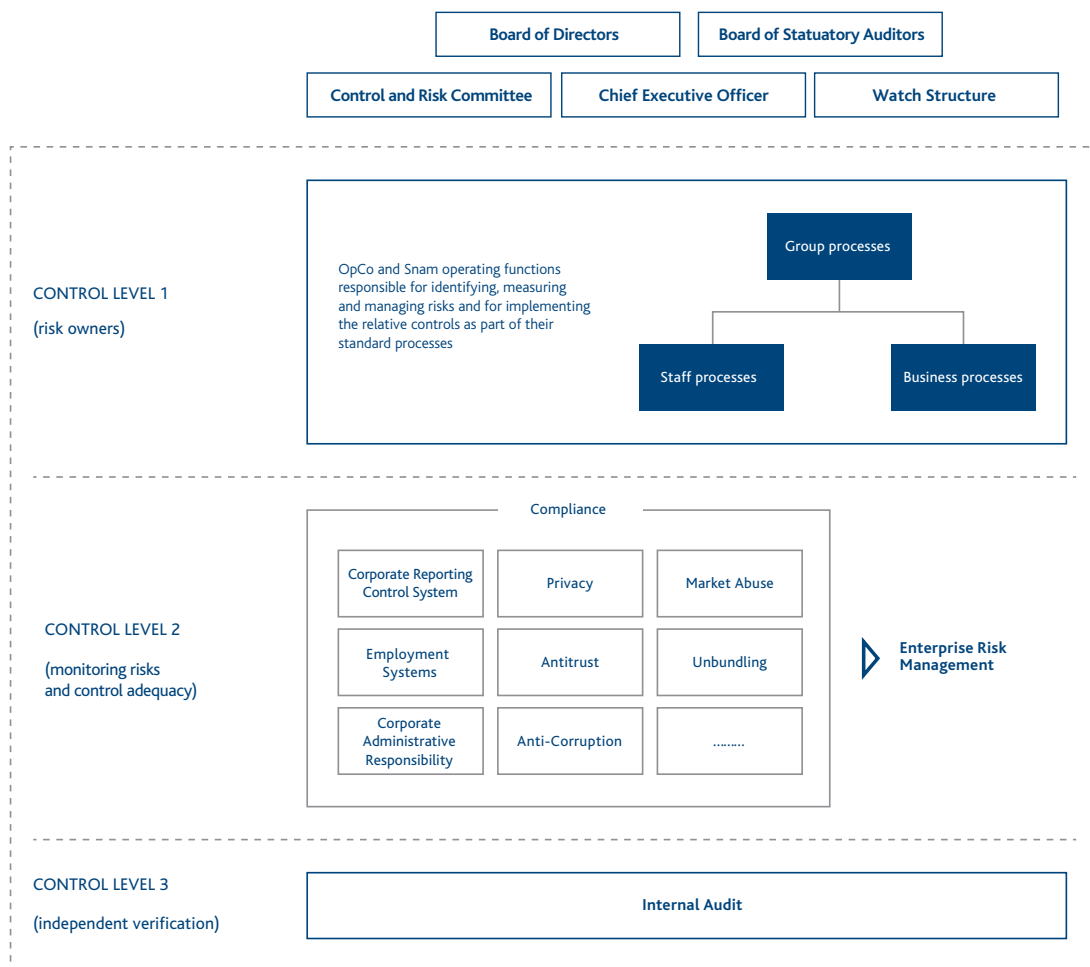
(ii) The structure of the internal control and risk management system

The document entitled "*Corporate System Framework*" adopted by the Board of Directors presents the structure of the internal control and risk management system, which is organised in such a way that the main risks facing the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored, in line with the strategic objectives identified.

Snam's internal control and risk management system is based on an integrated model of controls, with the duties of each body and department involved, and concrete procedures for coordination between these, clearly identified. Management is primarily responsible for applying the internal control and risk management system, since control activities are an integral part of managerial processes. Management must therefore foster an atmosphere that is actively orientated towards control and, in particular, oversee "line controls", which are all the control activities that the individual operating units or companies carry out on their processes. There are various operating units involved in the internal control

⁴⁷ For more information on the ERM system, please see Paragraph 6.2 of the Report.

and risk management system, based on specific allocations of responsibility. These units are at three different levels of the corporate structure, and they interact as shown in the diagram below.



Specifically, Snam’s risk management system comprises the following three levels of internal control:

Level One: identification, evaluation and monitoring of risks inherent to the individual Group processes.

The Snam Group departments that bear the individual risks, and are responsible for identifying, measuring and managing them as well as for implementing the necessary controls, are located at this level.

Level Two: monitoring of the main risks to ensure that they are effectively and efficiently managed and processed, and monitoring of the adequacy and functioning of the controls put in place to protect against these risks; support for Level One in defining and implementing adequate management systems for the main risks and related controls.

This level contains Group personnel charged with coordinating and managing the main control systems (e.g. Corporate Administrative Responsibility, Disclosure, Anti-corruption, Competition, etc.).

Level Three: independent and objective verification of the operating effectiveness and adequacy of Levels One and Two, and in general of the overall risk management methods.

This is carried out by the Internal Audit department, the activities of which are shaped by the Guidelines.

6.2 Snam's enterprise risk management system

Partly in order to execute the provisions of the Code of Corporate Governance, Snam has adopted an enterprise risk management (ERM) system comprising organisational structures, procedures and rules for identifying, measuring, managing and monitoring the main risks that could affect whether or not it achieves its strategic objectives.

In 2013, the ERM system provided Snam and its Subsidiaries with a common and structured method for identifying, evaluating, managing and controlling risk in line with existing international best practices and benchmark models (COSO Framework and ISO 31000). The ERM system therefore involves an integrated, cross-functional and dynamic risk assessment that makes the most of existing management systems in individual corporate processes, and is updated to ensure that it always acts as an effective risk management model.

The results in relation to the main risks and the related plans for managing said risks are submitted to the Control and Risk Committee, which assesses the effectiveness of the internal control and risk management system in relation to the specific features of Snam and its risk profile.

Snam has an ERM department, the duties of which include:

- defining and updating Snam's ERM model and providing specialist methodological support in identifying and evaluating Group risks;

- coordinating the overall ERM process, ensuring that the risks to Snam and its Subsidiaries are properly consolidated and prioritised;
- identifying enterprise risks and scoring them where appropriate;
- working with the competent corporate departments to consolidate strategies for managing the identified risks;
- coordinating the risk monitoring and control activities;
- supervising periodic reporting and the management and updating of defined risk indicators.

The objective of the identification stage is to pinpoint elements of risk both within and outside the corporate processes of Snam and its Subsidiaries that might affect their attainment of corporate objectives. Risk is measured in an integrated and cross-functional manner using different scales of probability and impact, both in terms of quantitative (e.g. economic and financial) and more qualitative and intangible (e.g. reputational, health-related, safety-related and environmental) aspects.

Each event is given an enterprise score. For each risk, this score summarises the different evaluations performed by the risk owners and by the centralised units with specialist areas of expertise. Risks are prioritised according to a combination of impact and probability scores.

Management strategies are identified for all risks, as well as any specific interventions and a time frame for their implementation.

Risk mapping is dynamic and thus needs to be reviewed periodically. The enterprise score dictates how often these reviews take place, but they happen at least once a year, even for low-priority risks. Periodic reporting ensures that the information on risk management and monitoring activities is available and represented across the different levels of the Company.

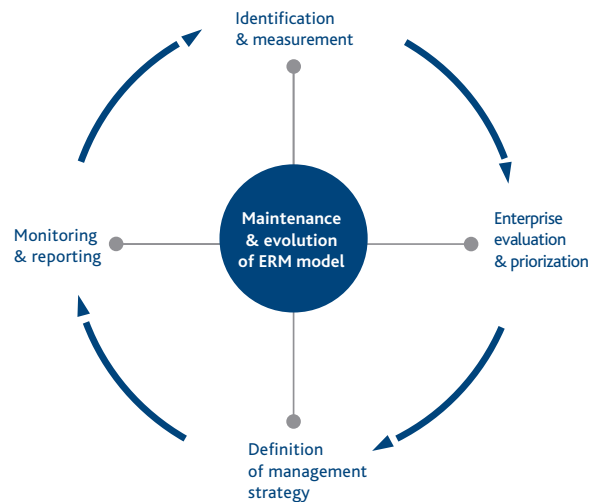
In 2015, the ERM department verified the risk mapping and related risk mitigation measures on a quarterly basis, submitting the results to the Control and Risk Committee.

The main corporate risks identified, monitored and, insofar as specified below, managed by Snam are as follows:

- regulatory, legal and non-compliance risk;
- operating risks;
- market and competition risks;
- financial and liquidity risks.

For more detail, please see the *"Factors of uncertainty and risk management"* chapter of the 2015 Report on Operations.

The graphic below illustrates the various operational phases of the ERM system.



6.3 Executive Responsible for preparing corporate accounting documents

In accordance with Article 16 of the Bylaws⁴⁸, the Board of Directors appoints the Executive Responsible for preparing corporate accounting documents pursuant to Article 154-*bis* of the TUF on the recommendation of the CEO, in agreement with the Chairman and with the prior approval of the Board of Statutory Auditors.

The Executive Responsible for preparing corporate accounting documents may not be a member of the administrative or control bodies, or hold senior management positions, at Eni and its Subsidiaries, nor may they have any direct or indirect professional or financial relationship with said companies⁴⁹. As specified by Article 16 of the Bylaws, the Executive Responsible for preparing corporate accounting documents must have spent at least three years performing one of the following activities:

- a) director, control or management activity at a company listed on regulated markets in Italy, other States of the European Union or other countries belonging to the OECD with share capital of no less than € 2 million; or
- b) external audit activities at the companies mentioned under a);
- c) professional or university teaching in finance or accounting;
- d) managerial functions at public or private entities with financial, accounting or control responsibilities.

The Board of Directors must ensure that the Executive Responsible for preparing corporate accounting

⁴⁸ Article 154-*bis* of the TUF stipulates that the bylaws of listed issuers whose Member State of origin is Italy must lay down the professional requirements and the method of appointment of a CFO, following a compulsory opinion from the Watch Structure. More information on the duties of the CFO established by current legislation can be found in Article 154-*bis* of the TUF.

⁴⁹ In accordance with the Prime Ministerial Decree of 25 May 2012.

documents has the necessary powers and means to perform their duties and assures the compliance with administrative and accounting procedures.

The Board of Directors performs an annual check on the adequacy of the powers and means available to the Executive Responsible for preparing corporate accounting documents for the fulfilment of their duties, as well as a half-yearly check on compliance with existing administrative and accounting procedures.

In accordance with the procedures and requirements of the Bylaws, on 26 March 2013 the Board of Directors reappointed Antonio Paccioretti as Executive Responsible for preparing corporate accounting documents. Mr Paccioretti, who was first appointed to the post on 29 October 2007, is also Snam's CFO. The Board of Directors checks annually that, based on the declaration made by the Executive Responsible for preparing corporate accounting documents, there are no grounds for the latter's incompatibility pursuant to the Bylaws and that the Executive Responsible for preparing corporate accounting documents meets the integrity requirements provided for by the applicable regulations (see Paragraph 2.6 (i) and (ii) of Section III).

6.4 Internal Auditor

The role, duties and responsibilities of the Internal Auditor are defined and formalised by the Board of Directors within the "*Internal Audit Guidelines*".

Having received the approval of the Control and Risk Committee and the opinion of the Board of Statutory Auditors, upon the proposal of the director in charge of the internal control and risk management system and in agreement with the Chairman, the Board of Directors appoints the Internal Auditor⁵⁰. The Internal Auditor's appointment is open-ended and may be revoked by the Board of Directors. At least once during the term of office determined by the Shareholders' Meeting, the Board of Directors assesses whether the Internal Auditor should be confirmed in the role, based *inter alia* on rotation criteria.

The Board of Directors has appointed Silvio Bianchi as Internal Auditor.

As part of a team reporting to the CEO, the Internal Auditor performs fully independent audit activities in accordance with guidelines from the Board of Directors⁵¹; his activities are supervised by the Control and Risk Committee.

⁵⁰ In accordance with the Guidelines, the candidate's profile and the necessary requirements of integrity, professionalism, competence, autonomy and experience are assessed, as well as any grounds for incompatibility, including in terms of conflict of interests, with previous activities or positions held at the Company and/or its Subsidiaries. The Control and Risk Committee performs an annual check on whether these requirements are still being met.

⁵¹ Pursuant to Application Criterion 7.C.5, letter b) of the Code of Corporate Governance, the Board has used its exclusive power to issue guidelines to the Internal Auditor.

The Internal Auditor performs his activities while maintaining the necessary independence and due objectivity, competence and professional diligence, as laid down in the International Standards for the Professional Practice of Internal Auditing and in the Code of Ethics issued by the Institute of Internal Auditors⁵², and in compliance with the principles laid down in the Code of Ethics⁵³.

As part of the process of approving the audit schedule, once a year the Board of Directors approves the budget required for the Internal Audit department to fulfil its responsibilities. The Guidelines stipulate that the Internal Auditor shall have autonomous spending powers in order to scrutinise, analyse and assess the internal control and risk management system and/or perform related activities, and that the Internal Auditor, in exceptional and urgent situations that require the availability of funds exceeding the budget, may propose that the Board of Directors approve the extra budget of the Internal Audit department so that it may carry out the duties assigned to it.

The Internal Auditor:

- (i) verifies, both on a continual basis and in relation to specific requirements, in compliance with international standards, the functioning and suitability of the internal control and risk management system via an audit schedule, approved by the Board of Directors, based on a structured process of analysing and prioritising the main risks;
- (ii) is not responsible for any particular operational area, and has direct access to all information that is useful for carrying out his duties;
- (iii) prepares periodic reports containing appropriate information on his work, on how risks are managed and on compliance with the plans set up to limit them. These reports contain an evaluation of the suitability of the internal control and risk management system;
- (iv) promptly prepares reports on events of particular importance;
- (v) submits the reports to the Chairpersons of the Board of Statutory Auditors, the Control and Risk Committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;
- (vi) verifies, in the context of the audit schedule, the reliability of the IT systems used, including the accounting systems.

The director in charge of the internal control and risk management system may request that the Internal Auditor perform checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions, informing the Chairpersons of the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors of said request.

Furthermore, in accordance with the Guidelines, the Internal Auditor carries out other audit measures

52 The International Standards for the Professional Practice of Internal Auditing are available at: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF_Standards%20ENG.pdf.

53 See Paragraph 6.1 above.

not set out in the audit schedule, as permitted by the available resources provided for in the Internal Audit schedule approved by the Board of Directors, based also on requests from:

- the Board of Directors;
- the Control and Risk Committee and the Board of Statutory Auditors, with reciprocal communication;
- the Chairman of the Board of Directors and the director in charge of the internal control and risk management system, with communication to the Control and Risk Committee and the Board of Statutory Auditors;
- the Watch Structure.

In 2015, the Internal Audit department performed its scheduled activities as expected. Specifically, these were:

- (i) drawing up the draft audit schedule based on the identification and prioritisation of the main risks facing the Company, carried out by the ERM unit;
- (ii) executing the audit schedule approved by Snam's Board of Directors on 11 March 2015 following a favourable opinion from the Control and Risk Committee;
- (iii) performing the independent-monitoring programme drawn up with the Executive Responsible for preparing corporate accounting documents as part of Snam's Corporate Reporting Control System;
- (iv) managing the channels used to provide notification, anonymous or otherwise, of problems relating to the internal control and risk management system, to corporate administrative responsibility of the Company, to irregularities or to fraud (whistleblowing); and
- (v) activities pertaining to relations with the External Auditors, particularly with regard to the commitments involved in managing the Framework Agreement in force with Reconta Ernst & Young and the oversight of the procedure for the allocation of additional appointments by Snam Group companies, in accordance with the provisions of the corporate regulations on the allocation and management of appointments issued in May, in line with the applicable regulatory provisions.

The fixed and variable remuneration of the Internal Auditor is approved by the Board of Directors, at the proposal of the director in charge of the internal control and risk management system, in agreement with the Chairman of the Board of Directors, in line with corporate policies and following a favourable opinion from the Control and Risk Committee. The proposal is also subject to examination by the Compensation Committee.

6.5 Departments with specific control functions

With a view to continually improving the efficiency and effectiveness of the internal control and risk management system of Snam and its Subsidiaries, and to better integrating this system, in addition to the above-mentioned departments, the following organisational structures play an important role in identifying, measuring and monitoring operational risks, doing so in a coordinated manner and using constant information flows.

The Legal & Corporate Affairs and Compliance department, the duties of which include *inter alia*:

- ensuring the proper operation of management and coordination activities;
- overseeing the updating of corporate standards and principles and their compliance with applicable laws, regulations and provisions, as well as connecting, coordinating and controlling compliance activities;
- overseeing the definition of governance rules and systems;
- ensuring that the business units of Snam and its Subsidiaries have the necessary support and advice in terms of legal compliance, and that suitable solutions are put forward;
- performing the necessary activities and analysis to coordinate, monitor and control risk as part of the optimisation of operating processes.

Since 2010, the Legal & Corporate Affairs and Compliance department also contains an unit set up to cover Anti-corruption issues. The main functions of this unit are:

- (i) to adjust existing procedures as necessary and promote the adoption of the new regulations by the Subsidiaries;
- (ii) to ensure awareness-raising and training among staff, so that they can be aware of and comply with the anti-corruption regulations;
- (iii) to promote the adoption of legislative changes and periodically review the Anti-corruption Procedure to check that it is as effective as possible;
- (iv) to submit a half-yearly report on its monitoring activities to:
 - the Watch Structure;
 - al Collegio Sindacale;
 - the Board of Statutory Auditors;
 - the Control and Risk Committee;
 - the CFO.

The Planning, Administration, Finance and Control department, the duties of which include *inter alia*:

- overseeing activities pertaining to budgeting, treasury and insurance against financial and business risks, as well as relationships with banking, financial and insurance counterparties;
- defining strategies for the management of financial risks and drawing up the Group's insurance programme;
- insuring against financial risks through the purchase and sale of derivatives, in accordance with established risk limits and guidelines;
- helping to define the target financial structure in accordance with the Company's business and risk profile;
- identifying and analysing the main financial risks pertaining to the Group's business, defining methods and tools to measure, control and monitor the identified risks, and ensuring the consistency of these methods with those defined by the relevant Risk Management team;
- working with the relevant departments to suggest updates to risk evaluation and credit management methods.

Planning, Administration, Finance and Control includes the Corporate Reporting Control System

department, the duties of which include:

- drawing up rules and methodologies related to the establishment and maintenance of the Corporate Reporting Control System;
- managing the risk assessment process related to corporate reporting and the implementation of controls;
- managing information flows, control assessments, statements and reports on the state of the Corporate Reporting Control System and providing methodological and operational support to the departments involved in implementing it;
- performing activities related to the definition of scope, examination and assessment of the Corporate Reporting Control System, as well as drawing up reports on assessment results and preparing reports on the System for the Executive Responsible for preparing corporate accounting documents and the supervisory bodies.

6.6 Model 231, Watch Structure and Code of Ethics Supervisor

(i) Model 231

The Board of Directors has adopted its own organisation, management and control model pursuant to Legislative Decree 231/2001 (Model 231) to prevent crimes mentioned in the legislation on corporate administrative responsibility for crimes committed in the interest or to the advantage of the Company, and it has set up a Watch Structure equipped with autonomous powers of initiative and control, in compliance with the law.

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

Most recently on 30 July 2013, the Board of Directors approved the new Model 231, which was updated with regard to the new crimes of "*private corruption*", "*undue inducement to give or promise benefits*" and "*employment of third-country citizens whose stay is illegal*", and to the changes to Snam's organisational and ownership structure⁵⁴. Lastly, Model 231 was further updated in the light of the issuance of regulations that introduced additional offences, such as those mentioned under

⁵⁴ Specifically, the main changes involved: (i) aligning Model 231 with the Corporate System Framework that identifies Snam's corporate processes; (ii) using a process-specific logic to redefine the operational and methodological approach; (iii) increasing information flows to the Watch Structure and from the Watch Structure to senior management; (iv) revising the Code of Ethics and the anti-corruption system of rules and procedures, including in relation to the provisions of the Anti-Corruption Law and the UK Bribery Act (relating to Snam's investments overseas, particularly in the UK); and (v) implementing Snam's new organisational, shareholder and ownership structure.

Law 186/2014 concerning “Provisions on money laundering”, Law 68/2015 concerning “Provisions on crimes against the environment”, and Law 69/2015 concerning “Provisions on crimes against government authorities, involving criminal organisations and involving falsified financial statements”.

The analysis of corporate processes and the comparative analysis of the existing control environment and the oversight measures are carried out based on the COSO Framework, which is the international benchmark model for the establishment, updating, analysis and assessment of internal control systems (the “COSO Framework”, published most recently in May 2013⁵⁵).

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

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

(ii) Training and encouraging participation

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

Model 231 is available on the Company’s website

http://www.snam.it/export/sites/snam/repository/file/Governance/modello231/modello_231_Snam.pdf.

(iii) Watch Structure and Code of Ethics Supervisor

On 30 July 2013, the Board of Directors strengthened the Watch Structure by increasing the number of external members, partly to ensure sufficient separation of duties and partly to ensure the presence of members with specific areas of expertise, thereby enabling the body to perform its duties effectively. The Watch Structure comprises the Internal Auditor, the Head of Technical Administration and Watch

⁵⁵ The document “Internal Control – Integrated Framework”, published by the Committee of Sponsoring Organizations of the Treadway Commission (<http://www.coso.org>).

Structure Relations, and three external members, one of whom chairs the body, who are experts in legal and corporate affairs as well as in business organisation and economics. The table below shows the members of this body:

Member	Position
Mario Molteni	External member (Chairman)
Giovanni Maria Garegnani	External member
Ugo Lecis	External member
Silvio Bianchi	Internal Auditor
Bruno Clerico Titinet	Head of Technical Administration and Watch Structure Relations

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

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

If any problems emerge, the Watch Structure publishes the results of its activities.

The Watch Structure provides the following information flows:

- *ongoing*, with the CEO, who reports to the Board of Directors during his activity of reporting on the performance of his duties;
- *half-yearly* to the Control and Risk Committee and the Board of Statutory Auditors; to this end, a half-yearly report is prepared regarding the activity performed, noting the outcome of controls and any legislative developments relating to the administrative responsibility of entities. On this occasion, dedicated meetings are organised with the Control and Risk Committee and the Board of Statutory Auditors; the half-yearly report is also sent to the Chairman and the CEO, and the Board of Directors is informed about it;
- *immediate*, in the case of ascertained facts of special importance and significance, to the Control and Risk Committee and the Board of Statutory Auditors, after informing the Chairman and the CEO.

“Dedicated information channels” are established to facilitate the flow of communications and information.

In 2015, the Watch Structure met 11 times, with the attendance of 98.18% of its members.

6.7 Internal control and risk management system in relation to the financial reporting process

(i) Introduction

The internal control and risk management system in relation to the financial reporting process of Snam and its Subsidiaries is an element of the same system (the Corporate Reporting Control System), aimed at ensuring the dependability⁵⁶, accuracy⁵⁷, reliability⁵⁸ and timeliness of the Company’s financial reporting and the capacity of the main relevant corporate processes to produce such reporting in accordance with the accounting standards.

The reporting in question consists of all data and information contained in the periodic accounting documents required by law – the separate and consolidated annual financial report, half-year financial report and interim report on operations – as well as in any other accounting document or external communication – such as press releases and prospectuses prepared for specific transactions – covered by the statements provided for by Article 154-*bis* of the TUF.

This reporting includes both financial and non-financial data and information, where the latter aims to describe significant aspects of the business, comment on the financial results for the year and/or describe future prospects.

Snam has adopted a body of rules that defines the regulations, methodologies, roles and responsibilities for designing, establishing, maintaining and assessing the effectiveness of the Group’s Corporate Reporting Control System, which applies to Snam and its Subsidiaries, taking into account their significance.

The corporate reporting internal control and risk management model adopted by Snam and its Subsidiaries was defined in accordance with the provisions of the aforementioned Article 154-*bis* of the TUF, with which Snam is required to comply, and is based, in terms of methodology, on the “COSO Framework” (“Internal Control – Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission), which is the international benchmark model for the

56 Dependability (of the reporting): reporting that is correct, complies with generally accepted accounting standards and fulfils the requirements of the applicable laws and regulations.

57 Accuracy (of the reporting): reporting that does not contain any errors.

58 Reliability (of the reporting): reporting that is clear and complete, thereby allowing investors to make informed decisions.

establishment, updating, analysis and assessment of internal control systems, an update to which was published in May 2013.

The Snam Group's Corporate Reporting Control System is governed by internal regulations that aim to define:

- i) the system's principles, functioning logic and methodologies;
- ii) roles and responsibilities relating to the establishment, updating and evaluation of its ongoing effectiveness;
- iii) the activities that need to be put in place to ensure it continues to function well.

The regulations on the Corporate Reporting Control System provide for a procedure on the "Snam Group Corporate Reporting Control System", and a series of operating instructions.

The procedure describes the overall structure of the system, from its prerequisites, purposes and benchmark model to the characteristics of the individual components, monitoring, evaluation and reporting methods, and key responsibilities.

For each aspect covered, the operating instructions set out in detail the figures involved and the specific activities and operational procedures to be put in place. The areas they cover are: *"Scoping"*, *"Risk Assessment Process Level Controls"*, *"List of relevant applications"*, *"Gathering and management of information flows and results of controls and assessments on deficiencies"*, *"Samples in line monitoring"*, *"Company Entity Level Controls"*, *"Process Level Controls"*, *"Information Technology General Controls"* and *"Segregation of Duties"*.

(ii) Existing phases of the internal control and risk management system in relation to the financial reporting process

The design, establishment and maintenance of the Corporate Reporting Control System are ensured through scoping, identifying and assessing risks and controls (at corporate and process level, through risk assessment and monitoring activities), and the relevant information flows (reporting).

(iii) Identification and assessment of corporate reporting risks

Scoping and risk assessment for significant processes are carried out based on a top-down, risk-based approach. The scoping activities are intended to identify both Snam Group companies within the scope of the Corporate Reporting Control System, defining the components to be applied for each one, and financial statement information and items that are significant for that purpose, as well as the associated processes.

The risk assessment activities for significant processes aim to identify the specific activities likely to generate risks of unintentional error or fraud, which may have a significant impact on the financial statements.

The companies that fall within the scope of the Snam Group's Corporate Reporting Control System are identified based on the contribution of the different entities to specific amounts in the consolidated financial statements (total assets, total financial debt, net revenue, profit before taxes), in consideration of their relevance for specific procedures and risks. For companies deemed important, significant processes are subsequently identified based on an analysis of quantitative factors (processes that contribute to forming financial statement items in amounts equal to 2.5% of profit before taxes and 0.5% of shareholders' equity) and qualitative factors (significant estimates in defining the amount, complexity of accounting treatment, etc.).

For relevant procedures and activities, risks of error or fraud are identified, i.e. potential events which may compromise the achievement of the control objectives for corporate reporting. The risks are identified by assuming the absence of controls (inherent risk assessment).

(iv) Identification of controls for identified risks

For companies, processes and related risks considered significant, a control system has been defined based on two fundamental principles: disseminating controls to all levels of the organisational structure, in line with the operational responsibilities assigned, and sustaining the controls over time, so that they are integrated and compatible with operating requirements.

The control system structure provides for entity-level controls, which apply across the entire entity in question (group/individual company), and process-level controls.

Entity-level controls are organised based on the model adopted in the COSO Framework, according to five components (control environment, risk assessment, control activity, information systems and communication flows, and monitoring activity).

Process-level controls are broken down into:

- specific controls, understood as all manual or automated activities intended to prevent, identify and correct errors or irregularities which occur in carrying out operating activities (Process-level controls);
- pervasive controls, understood as structural elements of the control system intended to define a general environment that promotes the correct performance and control of operating activities. Pervasive controls include those related to the segregation of duties and IT general controls.

Specific process-level controls are identified in special procedures which define both the performance of corporate processes and the controls for which the absence or lack of implementation entails a significant risk of error/fraud on the financial statements, and which has no chance of being intercepted by other controls.

(v) Evaluation of controls for identified risks

Both entity-level and process-level controls are subject to regular evaluation (monitoring) in order to

verify over time the adequacy of their design and their operational effectiveness. To this end, ongoing monitoring activities have been entrusted to the management responsible for significant processes/activities, and separate evaluations have been entrusted to the Internal Auditor, who operates in accordance with a plan agreed with the Executive Responsible for preparing corporate accounting documents that aims to define the scope and objectives of their actions via agreed audit procedures.

The Snam's Board of Directors has also appointed Reconta Ernst & Young to examine the adequacy of the internal control system in relation to the preparation of financial reporting used to form the separate and consolidated financial statements of Snam S.p.A., through the performance of autonomous and independent checks on the functioning of the control system and the effectiveness of its design.

This appointment, which is allocated annually on a voluntary basis, reflects the need to constantly pay a great deal of attention to issues relating to the Corporate Reporting Control System, in accordance with the provisions of Article 154-*bis* of the TUF and with the best practices applied by leading companies.

The allocation of this appointment is provided for by the Group's regulations and, in particular, by:

- the procedure "Allocation and management of appointments to the External Auditors", which states that the appointment to carry out the "audit intended to verify the declaration of the CEO and the Executive Responsible for preparing corporate accounting documents on the Corporate Reporting Control System" should be able to be classified under those pertaining to verification, and therefore should be able to be assigned to the External Auditors;
- the Corporate Reporting Control System procedure, which provides, in line with international best practices, for the implementation of an additional component for evaluating the effectiveness of the design and operation of the Corporate Reporting Control System, represented by the outcome of the examination performed by an external party, to be independent of the organisation and identified within the External Auditors, which, based on the checks carried out, shall issue an annual report on the adequacy of the internal control system in relation to the preparation of the financial reporting for the creation of Snam's separate and consolidated financial statements;
- the control standards pertaining to Snam's Model 231 in relation to the Administration process, which provide for the External Auditors of Snam Group to perform checks on the adequacy of design and operation of the Corporate Reporting Control System.

The monitoring activities and the checks performed on controls and any other information or situation with a potential impact on corporate reporting are intended to identify any deficiencies in the Corporate Reporting Control System, which are classified separately depending on their significance and the identification of corrective measures to overcome them. The evaluation of the deficiencies considers them both individually and combined with financial statement items or significant information.

The results of the monitoring and checks on controls and the other information or situations significant

to the Corporate Reporting Control System are subject to periodic reporting on the state of the control system, which is also carried out through the use of IT tools aimed at ensuring the traceability of the information concerning the adequacy of the design and the functioning of the controls.

Based on this reporting, the Executive Responsible for preparing corporate accounting documents draws up half-year and annual reports on the adequacy and effective application of the Corporate Reporting Control System, which, having been shown to the CEO and after having been informed the Control and Risk Committee and the Board of Statutory Auditors, are submitted to the Board of Directors on the occasion of the approval of the draft separate and consolidated financial statements, as well as of the consolidated half-year financial report, in order to enable the performance of the oversight functions of the Board of Directors, as well as its assessments of the Corporate Reporting Control System, based partly on the results of the verification procedures performed by the External Auditors in relation to the adequacy of the control system for the preparation of the separate and consolidated financial statements.

(vi) Positions and departments involved

The Executive Responsible for preparing corporate accounting documents is supported within Snam and its Subsidiaries by various parties, whose duties and responsibilities are defined in the aforementioned rules on the Corporate Reporting Control System.

Specifically, the control activities and assessments involve all levels of the organisational structure of Snam and its Subsidiaries.

In this organisational context, particular importance is assumed by the risk owner, who performs line monitoring for process-level controls and IT general controls, assessing the design and functioning of the controls and supplying information for reporting on monitoring activities and on any deficiencies identified, with a view to promptly identify suitable corrective measures. A fundamental role is also assigned to the department head, who is responsible for risk assessment, definition of the controls and the assessment of the results of the control system for the relevant processes, which is also carried out based on the results of the monitoring performed by the risk owners. Lastly, the senior managers and CEOs of the individual Group companies over time are responsible for establishing, designing and maintaining the Company's control system; they receive the results of the checks performed on all the controls and draw up dedicated Company half-year and annual reports that they submit to their own Boards of Directors, having informed the Board of Statutory Auditors, and to the parent company.

7. SNAM'S REGULATORY SYSTEM

In accordance with the evolving process aimed at continually improving the effectiveness and efficiency of its internal control and risk management system, Snam has adopted its own regulatory system comprising the following levels: (i) Corporate System Framework (regulatory level 1); (ii) Procedures (regulatory level 2) and (iii) Operating Instructions (regulatory level 3).

Moreover, certified management system documents (in accordance with ISO standards) on Health, Safety, Environment and Quality (Policies, Manuals, Procedures and Operating Instructions) are also an integral part of the regulatory system. Lastly, regulatory circulars are required to govern specific issues (sometimes with temporary validity).

These regulatory instruments are part of the efforts made by Snam and its Subsidiaries to run their management and coordination activities efficiently, and they are periodically sent to the Subsidiaries' Boards of Directors. In order to sufficiently consider the legal autonomy and principles of proper corporate and business management that govern their activities, the Subsidiaries are required to assess the need to supplement the content of the regulatory instruments issued by Snam, issuing (within a period of time specified by Snam's regulations) a dedicated supplementary document of their own: (i) relating to their own specific features; (ii) referring exclusively to organisational aspects; and (iii) without prejudice to principles, rules and guidelines defined by Snam's regulations. If no supplementary document is issued within the allocated timeframe, Snam's regulations are applied.

Subsidiaries are required to formally adopt measures on certain specific subjects (e.g. relating to health, safety and the environment and/or pertaining to the Boards of Directors of Snam and its Subsidiaries) where they hold direct and specific responsibility, in accordance with applicable laws.

7.1 Procedure for notifications, anonymous or otherwise, received by Snam and its Subsidiaries

In accordance with best practices in this field ("whistleblowing"), since 2006 Snam has adopted a special procedure to establish a codified system for the collection, analysis, verification and reporting of notifications, anonymous or otherwise, received by Snam and its Subsidiaries (Notification Procedure). The Notification Procedure has subsequently been clarified and increased as the legislative framework has evolved, particularly with regard to the prevention of corruption, administrative liability of legal entities (pursuant to Legislative Decree 231/2001) and the protection of savings and regulation of financial markets (pursuant to Law 262/2005).

This procedure applies to Snam and its Subsidiaries as part of Snam's own management and coordination activities. The management of notifications and the related data processing is carried out by Snam, including in the interest of its Subsidiaries, in compliance with the principles of proper business management of the same Subsidiaries, while respecting their decision-making independence

and in compliance with the regulations in force and the internal privacy policy, thereby also fulfilling the confidentiality requirements underlying the performance of preliminary investigation activities.

The Notification Procedure establishes the criteria and procedures for establishing suitable information channels to ensure the receipt, analysis and processing of notifications made by employees (including senior managers), members of corporate bodies or third parties, including in confidential or anonymous form. More specifically:

- in order to facilitate the receipt of notifications, Snam has set up various communication channels that are maintained by the Internal Audit department;
- each notification is analysed by the Notifications Committee, the composition of which ensures the highest possible requirements of independence, confidentiality and competence, in order to properly supervise the necessary investigations and checks;
- once this analysis has been completed, the notifications received are classified according to issues relating to the internal control system, corporate information, administrative liability of the company, fraud, corrupt behaviour or other issues (breaches of the Code of Ethics, mobbing, thefts, security, etc.);
- it is the responsibility of the Internal Audit department to promptly inform the senior management of the company concerned and to forward notifications relating to administrative liability and/or the Code of Ethics to the company's Watch Structure for the relevant evaluations and actions;
- the investigations are carried out by the Internal Audit department or by the business units responsible for carrying out specialised checks (Security, Technical Audit, Legal, Personnel, etc.), while always ensuring that the necessary independence requirements are met;
- responsibility for assessing the merits or otherwise of the notifications falls, depending on the type of notification, to the Watch Structure or the Notifications Committee, as well as any decision to impose sanctions upon employees of Group companies or third parties in business relationships with those companies (suppliers, customers, consultants, partners, etc.), or to take other measures to strengthen the internal control system.

The Internal Audit department ensures the maintenance and updating of a specific computer archive, using appropriate tools and procedures to ensure the necessary levels of security and confidentiality, as well as the preparation of periodic reporting that includes information about the notifying party, the notified matter, the content and type of the notifications, the unit responsible for the conduct of investigations and their outcomes, the final assessment on the merits or otherwise of the notification, and any decisions taken.

The report on the notifications received is prepared quarterly and sent by the Internal Audit department to the following bodies and departments of the Company:

- Chairman;
- Chief Executive Officer;
- Board of Statutory Auditors;

- Control and Risk Committee;
- External Auditors;
- Legal: Anti-Corruption and Internal Control System;
- Watch Structure;
- CFO.

With reference to notifications relating to the Subsidiaries, the reports, insofar as they are relevant, are sent to the Chief Executive Officers of each Subsidiary concerned, as well as to the related Control and Supervisory Bodies.

The widest circulation of information about the Notification Procedure is ensured, both within the Group companies (through publication on the corporate intranet and postings on noticeboards, as well as in the context of internal training activities, particularly with regard to newly appointed employees) and externally.

The Notification Procedure is available on the Company's website

(http://www.snam.it/repository/file/Governance/procedure/procedure_segna1azioni/SRG-PRO-004_Segna1azioni_anonime.pdf).

The table below breaks down the activities carried out by the Internal Audit department in relation to notifications received during the last three years:

Activities carried out by Internal Audit	2013	2014	2015
Notifications received	16	20	17
- relating to the Internal Control System	7	2	2
- relating to accounting, auditing, fraud, etc..	-	-	-
- relating to administrative liability pursuant to Legislative Decree 231/2001	-	-	-
- relating to breaches of the anti-corruption law	-	-	1
- relating to other matters (Code of Ethics, mobbing, thefts, security, etc.)	9	18	14
Notifications archived due to lack of proof or because untrue (no)	10	13	8
Notifications resulting in corporate disciplinary or managerial action and/or referral to a legal authority	1	1	3
Notifications in the process of examination (no)	-	-	6

7.2 Anti-Corruption Procedure

Snam has adopted an Anti-Corruption Procedure, based on the principles of conduct set out in Snam's Code of Ethics, which aims to provide all personnel with rules to be followed in order to ensure compliance with the Anti-Corruption Laws.

In accordance with Snam's Code of Ethics, the Anti-Corruption Procedure prohibits corruption in any form in relation to any Italian or foreign public or private entity and is an integral part of a broader business ethics control system adopted by Snam that aims to ensure the Company's compliance with national and international anti-corruption laws, including the UK Bribery Act, and with the best international anti-corruption standards, helping to protect Snam's reputation.

The Anti-Corruption Procedure has also been adopted in accordance with Principle 10 of the Global Compact, a United Nations initiative launched in 2000 to promote 10 universal principles related to human rights, labour, the environment and anti-corruption. Snam's adherence to the Global Compact demonstrates and strengthens its status as a socially responsible business committed to supporting and actively participating in the work of Italy's Global Compact Network.

Adoption and implementation of the Anti-Corruption Procedure is mandatory for Snam and its Subsidiaries, which have transposed it by means of a resolution of the Board of Directors.

The Anti-Corruption Procedure is available on the Company's website
(http://www.snam.it/export/sites/snam/repository/file/Governance/procedure/anticorruzione/snam_anticorruzione_01.pdf).

Since January 2014, Snam has undertaken an activity of monitoring the Group's anti-corruption "compliance programme". The implementation of this initiative, which forms an integral part of the anti-corruption compliance programme, is based, with the support of an independent advisor, on direct and continuous verification of the implementation and enforcement of the anti-corruption procedures provided for by the compliance programme. The "anti-corruption compliance programme" monitoring activities carried out in 2015 were focused not only on an assessment of the suitability and effectiveness of this programme with respect to the criteria resulting from guidance and international best practices in this field, but were structured in a more dynamic manner through the distribution of self-assessment questionnaires addressed at Key Officers and their closest collaborators within Snam and its Subsidiaries, in order to collect and analyse information about:

- the dissemination of anti-corruption procedures;
- the awareness of corruption risks on the part of each person in their area of responsibility;
- improvement suggestions for ensuring that the "anti-corruption compliance programme" is always updated.

In June 2014, Transparency International Italy awarded Snam the maximum score for proactivity and

transparency in the management and communication of anti-corruption programmes and activities. This is the result of the assessment on Transparency in Reporting on Anti-Corruption (TRAC) promoted by the authoritative non-governmental organisation that fights corruption at a global level. The TRAC project was born out of the need to increase the transparency of corporate reporting and to demonstrate a concrete commitment by companies in the fight against corruption.

7.3 Antitrust Code of Conduct

The Company has adopted the “*Antitrust Code of Conduct*” (the “Antitrust Code”) procedure to ensure compliance by Snam and its Subsidiaries with the principles set out by the applicable antitrust legislation. The Antitrust Code applies to Snam and its Subsidiaries as part of Snam’s management and coordination activities, and is one of Snam’s initiatives aimed both at protecting competition as part of the business culture regarding market competition and at implementing suitable procedures and systems for minimising the risk of violations of antitrust laws, under the broader umbrella of compliance initiatives (Model 231, anti-corruption, business ethics, etc.).

In particular, bearing in mind that the main risks that a business may incur as a result of conduct in violation of the antitrust rules include *inter alia* the following:

- (i) administrative financial penalties;
- (ii) liability for compensation in respect of damages caused to third parties by antitrust offences;
- (iii) damage to the company’s image; and
- (iv) possible negative impact on the prices of shares traded on regulated markets; following an analysis of international antitrust best practices, an antitrust compliance programme was drawn up. This is implemented by means of:
 - the adoption of the Antitrust Code;
 - dedicated communication and training initiatives for all employees that aim to ensure familiarity with the Code, as well as its effectiveness and correct implementation;
 - the establishment, within Snam’s Legal & Corporate Affairs and Compliance department, of an Antitrust Supervisor who will provide the necessary support and assistance concerning application of the Antitrust Code;
 - a monitoring programme in order to verify the effectiveness of the rules set out in the Antitrust Code and the suitability of amending and updating it in order to ensure more effective implementation of its rules in the light of regulatory and business developments.

The Antitrust Code is implemented at Snam and its Subsidiaries, and is aimed in particular at all:

- members of corporate bodies;
- executives;
- employees;
- representatives of Snam and/or its Subsidiaries.

The Antitrust Code is available on the Company's website

(http://www.snam.it/export/sites/snam/repository/file/Governance/codice_antitrust/codice_di_condotta_antitrust.pdf).

7.4 Related-party transactions

The Board of Directors approved the procedure entitled "*Transactions in which directors and statutory auditors have an interest and Related-party Transactions*" pursuant to the Regulations on Related-Party Transactions (the "Related-Parties Procedure")⁵⁹. In accordance with the Regulations on Related-Party Transactions, the Related-Parties Procedure takes into account the peculiarities of the regulatory framework in which Snam and its Subsidiaries operate and the relevant assessments concerning the adoption of certain powers provided for by the Regulations on Related-Party Transactions and the identification of the "thresholds of significance" for individual transactions. Specifically, the Related-Parties Procedure was adopted in compliance with the Unbundling Regulation, taking into account the specific nature of the activities engaged in by Snam and its Subsidiaries, which are subject to oversight by the AEEGSI.

On 18 December 2015, the Board of Directors performed the annual check pursuant to Article 14 of the Related-Parties Procedure⁶⁰, and did not make any modifications to the Procedure.

The Related-Parties Procedure identifies the Control and Risk Committee, composed entirely of independent directors, as the Committee provided for by the Regulations on Related-Party Transactions. This Committee expressed a unanimous favourable advance opinion on the Related-Parties Procedure and its successive amendments.

The Related-Parties Procedure provides for a detailed examination process that (i) identifies the timeframe; and (ii) guarantees that information flows are formalised and tracked between the corporate department responsible for initially determining that the Procedure should be applied, the superior department, the body responsible for expressing an opinion on the transaction and, lastly, the party that approves the transaction.

⁵⁹ The "Transactions in which directors and statutory auditors have an interest and Related-party Transactions" Procedure defines a "Transaction" (or "Transactions") as the active or passive transfer of resources, services or assumption of obligations, regardless of whether a fee has been agreed, carried out by Snam or its Subsidiaries (including non-company parties whose management bodies are composed mainly of employees of Snam or its Subsidiaries) with Related Parties of Snam. These include: (i) mergers or demergers by incorporation or non-proportional demergers; (ii) any decision relating to the awarding of remuneration and financial benefits, in any form, to members of the administration and control bodies and to executives with strategic responsibilities.

⁶⁰ Article 14 stipulates that "*Snam's Board of Directors shall perform an annual check on whether to revise this Procedure by reflecting, inter alia, any changes to the ownership structure, as well as on the effectiveness of the procedure in its application, including with regard to the adequacy of the thresholds of significance for individual Transactions*".

The Procedure – which involves procedures for approving “*Small Transactions*” and “*Large Transactions*” – identifies the following Committees:

- the Control and Risk Committee, composed entirely of independent directors, as the entity responsible for issuing:
 - for “*Small Transactions*”⁶¹, a non-binding reasoned opinion that must address the Company’s interest in carrying out the transaction, as well as the expediency and substantial accuracy of its conditions. In the event of a negative opinion, the Company is required to inform the market, at the end of the quarter in question, of the reasons that led it to carry out the transactions despite that opinion;
 - for “*Large Transactions*”⁶², which are the exclusive preserve of the Board of Directors, a favourable reasoned opinion on the Company’s interest in carrying out the transaction, as well as the expediency and substantial accuracy of its conditions. Provision is also made for the Control and Risk Committee, or one or more of its members (as designated by the Committee), to be involved in the negotiation and examination stages, receiving comprehensive and timely information, with the power to request information and submit comments to the authorised bodies and persons tasked with carrying out the negotiations and examination.

In both cases, the Committee may be assisted, at the Company’s expense, by one or more independent experts;

- the Compensation Committee (composed of non-executive directors, most of whom are independent), as the entity responsible for issuing an opinion on Transactions concerning the remuneration of Snam’s directors, statutory auditors and executives with strategic responsibilities.

In order to ensure maximum market transparency, the Related-Parties Procedure has adopted a stricter parameter for identifying large related-party transactions than that provided for by the Regulations on Related-Party Transactions, providing for a single significance threshold of € 140 million⁶³ for all related-party transactions; this threshold was confirmed by the Board of Directors on 18 December 2015, during the annual check on the Related-Parties Procedure.

Moreover, again with a view to ensuring maximum market transparency, Snam has decided to apply the Related-Parties Procedure to all transactions carried out between Snam’s Subsidiaries and its related parties, providing for adequate and timely information flows between the management of the

61 Under the terms of the Procedure, “*Small Transactions*” are all transactions other than Large Transactions and Negligible Transactions (defined in Annex 2 of the Procedure).

62 “*Large Transactions*” are indicated in Annex 1 to the Procedure.

63 The Regulations on Related-Party Transactions have identified, as the relevant parameter for the identification of large transactions between related parties, the threshold of 5% of at least one or more parameters identified by the Regulations on Related-Party Transactions. The threshold is lowered to 2.5% for transactions entered into with a listed parent or with parties related to it which are in turn related to the Company.

Subsidiaries and of Snam, thereby voluntarily extending the scope of the framework provided for by the Regulations on Related-Party Transactions.

The Related-Parties Procedure is available on the Company's website
 (http://www.snam.it/export/sites/snam/repository/file/Governance/procedure/operazione_parti_correlate/procedura_parti_correlate.pdf).

7.5 Procedure on the processing of information (Market Abuse Procedure)

Snam's Board of Directors approved the "*Procedure on Market Abuse*"⁶⁴ (the "Market Abuse Procedure", which combines and coordinates into a single document the market abuse rules and principles with which the Company and its related parties must comply in order to:

- a) ensure appropriate processing of privileged information⁶⁵ relating to the Company and its Subsidiaries, directly and indirectly, in Italy and abroad, by those in possession of such information;
- b) regulate operations on the Company's financial instruments by persons who hold a senior position within the Company's ownership structure and/or corporate organisational structure ("internal dealing"); and
- c) define the operating methods and scope of application of the ban imposed on the Company against the conduct of transactions on listed financial instruments issued by it in predetermined periods.

The Market Abuse Procedure is divided into four sections:

Section I – Management of privileged information and register of persons with access to privileged information⁶⁶

This section sets out the rules for the management and processing of privileged information, as well as the procedures to be followed for communicating said information both within and outside of the Company, in order to prevent privileged information from being processed at the wrong time and/or in an incomplete manner, or to prevent said processing from resulting in information asymmetry.

This section of the Market Abuse Procedure also governs the creation, maintenance and updating of the register of persons with access to privileged information, in accordance with Article 115-*bis* of the TUF

⁶⁴ Previously, the market abuse provisions had been set out in three different corporate procedures.

⁶⁵ A definition of privileged information and a description of market disclosure obligations can be found in Articles 114 and 181 of the TUF and in Articles 66 *et seq.* of the Issuer Regulations.

⁶⁶ Article 115-*bis* of the TUF requires listed issuers, entities controlled by them and persons who act in their name or on their behalf to create and regularly update a register of persons with access to privileged information as a result of their professional activity or the duties they perform. The rules governing the creation and updating of the register can be found in Article 115-*bis* of the TUF and in the implementation provisions referred to in Articles 152-*bis et seq.* of the Issuer Regulations.

and with Articles 152-*bis et seq.* of the Issuer Regulations.

In accordance with Article 152-*bis*, paragraph 4 of the Issuer Regulations, the Subsidiaries have mandated the Company to create, manage and maintain the register in relation to key personnel at the Subsidiaries who have access to privileged information.

Section II – Rules governing Internal Dealing⁶⁷

This section governs operations on the Company's financial instruments by persons who hold a senior position within the Company's ownership structure and/or corporate organisational structure. Specifically, it lists (i) the criteria for identifying "Significant Persons" and "Significant Transactions", to which the regulations in question apply; (ii) the disclosure obligations for "Significant Persons" and the Company towards Consob and the public in relation to "Large Transactions"; and (iii) the regulations prohibiting the execution of "Large Transactions" during certain periods ("black-out periods"⁶⁸).

Section III – Prohibitions imposed on the Company

This section defines the scope of application of the prohibition on the Company performing transactions on listed financial instruments that it has issued during black-out periods and the related operating procedures.

Section IV – Penalty framework

This section provides a summary framework of the penalties for market abuse laid down in the TUF and in Legislative Decree 231/2001.

The Market Abuse Procedure has been transposed by the Boards of Directors of the Subsidiaries, without prejudice to the application of the said Procedure by foreign Subsidiaries in accordance with their local laws.

67 The rules governing internal dealing – i.e. transparency on transactions involving shares in listed companies and associated financial instruments carried out by the said companies' corporate officers and by persons closely related to them – are contained in Article 114, paragraph 7 of the TUF and in the related implementation provisions referred to in Articles 152-*sexies* to 152-*octies* of the Issuer Regulations.

68 Pursuant to the Market Abuse Procedure, "Significant Persons" (other than "Significant Shareholders") and "Closely Related Persons" are prohibited from carrying out – whether directly or through an intermediary – "Significant Transactions" until notification to the public and in the 15 (fifteen) days prior to the dates on which the mandatory interim reports were examined by Snam's Board of Directors, the proposed interim dividend, the preliminary financial statements and the proposed dividend for the full year to be put before the Shareholders' Meeting, if not disclosed at the same time as the preliminary data (the "black-out period"). The ban does not apply to the purchase of shares carried out via the exercise of options issued under stock option and stock grant plans, although the sale of these shares is forbidden during the indicated periods. Definitions of "Significant Persons", "Significant Shareholders" and "Closely Related Persons" can be found in section 5.2.2.3 of the Market Abuse Procedure; a definition of "Significant Transactions" can be found in section 5.2.2.4 of the Market Abuse Procedure.

The Market Abuse Procedure is available on the Company's website
(http://www.snam.it/export/sites/snam/repository/file/Governance/procedure/Market_Abuse/Procedura_Market_Abuse.pdf)

8. RELATIONS WITH SHAREHOLDERS AND INVESTORS

Snam has adopted a communication policy that aims to engage in constant dialogue with shareholders, institutional investors, socially responsible investors, analysts and all financial market operators, ensuring the systematic disclosure of timely and comprehensive information on its activities, limited only by the confidentiality requirements pertaining to certain types of information. It is for this reason that information is provided to investors, the market and news media through press releases, periodic meetings with institutional investors, the financial community and the press, and the ample documentation and numerous publications made available and continually updated on the Company's website.

Information regarding reports, significant events/transactions and procedures issued by Snam in relation to corporate governance is disclosed to the public in a timely manner and posted on the Company's website. Also available on the website are the Company's press releases, the documentation used in meetings with financial analysts, notices to shareholders, and information and documentation on agenda items for Shareholders' Meetings, including the respective minutes.

Relations with shareholders and all financial market operators are handled by the "Investor Relations" unit. Informations of interest to them are available on the Company's website and may be requested by e-mail at the following address: investor.relations@snam.it.

Relations with the news media are handled by the Institutional Relations and Communications department. Information of interest to these parties is available on the Company's website.

The new "Investors Publications" page, in the Investor Relations section of the Snam website, contains all the institutional products aimed at those who want to invest in Snam or obtain a better understanding of the Company's characteristics and the contexts in which it operates. The available publications are as follows:

- "Financial Markets Review", which offers a monthly analysis of the financial markets and stock-market trends in the utilities sector, Snam's shares and those of its competitors;
- "News&Facts", a quarterly publication aimed especially at individual investors;
- "The Snam Shareholder", also available in an interactive version, published every six months, which aims to provide a summary of useful information to allow all shareholders to actively enjoy their investment in Snam;
- "Il Metanino", an annual publication that provides an overview of the main aspects and developments of the European and international gas market.

The Company also publishes “*Sustainability. Building shared value*”, an annual publication that summarises the sustainability policies behind Snam’s choices and initiatives in its relations with stakeholders. Also available since December 2014 is the CSR Review, a half-yearly newsletter focusing on Corporate Social Responsibility.

Finally, in 2015 the first annual Fact Book, which provides useful facts, figures and results for a better understanding of the Company and its business has been published.

Snam believes that involving shareholders and establishing a relationship of trust with them are strategically important goals, which continued to be pursued during 2015. The Investor Relations office encourages the exercise of voting rights at Shareholders’ Meetings and believes that an active policy of engagement is an asset for the entire Group, since it ensures shareholder satisfaction, helps to strengthen relations between shareholders and the Company, and plays a part in involving and informing shareholders about their shares and their decisions, as well as helping the Company to understand their expectations with regard to the main governance issues.

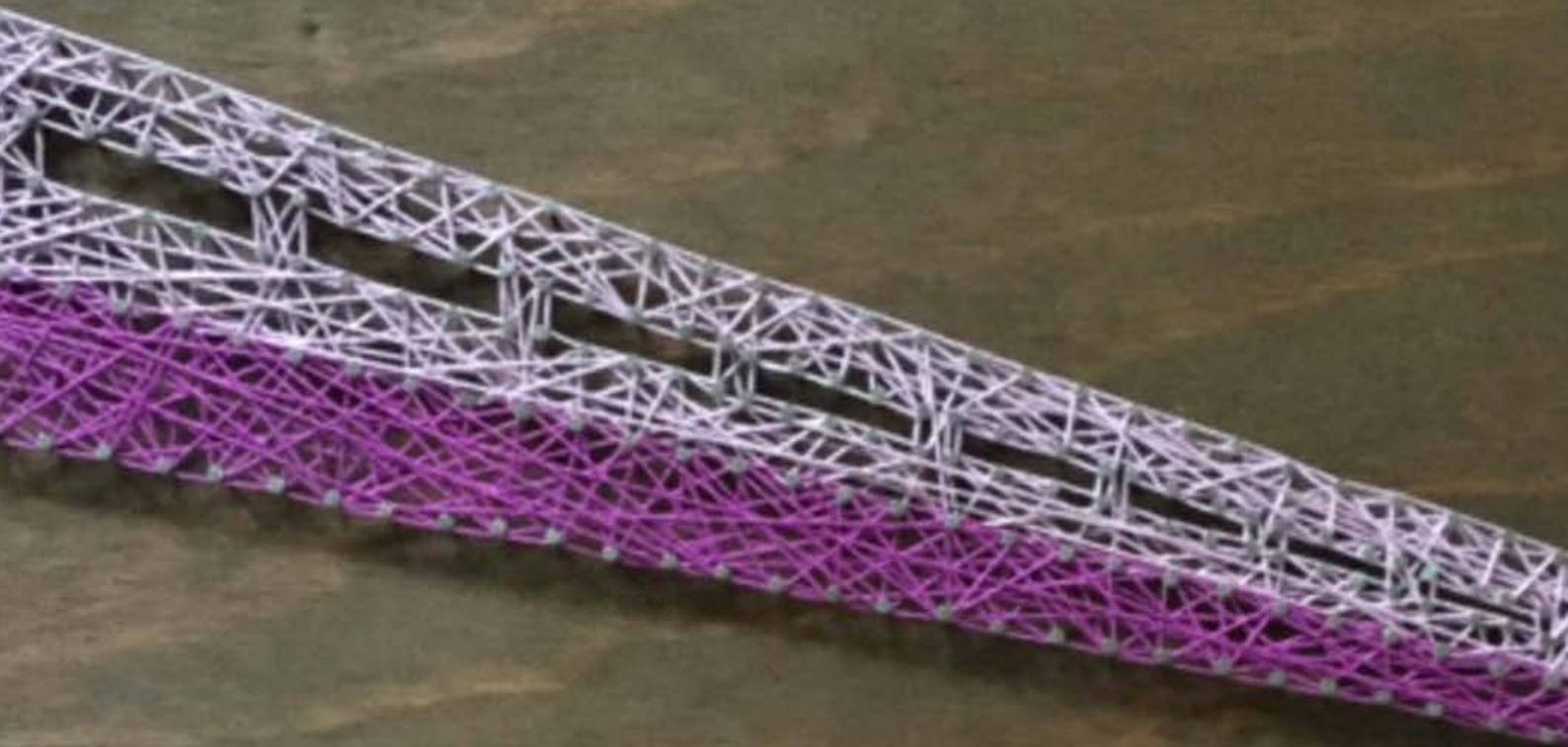
Snam also encourages initiatives inspired by EU guidelines on the drafting of stewardship codes, i.e. principles for managers, investors and advisers on transparent voting, monitoring investee companies and managing conflicts of interest.

9. POSSIBILE CHANGES TO THE CORPORATE GOVERNANCE STRUCTURE AFTER THE END OF THE FINANCIAL YEAR

On 8 January 2016, the Board of Directors approved the creation of a General Management and appointed, at the proposal of the CEO and with the agreement of the Chairman, Marco Alverà as General Manager.

No other significant changes occurred after the end of the financial year.





Sezione IV - Summary Table

ANNEX 1 - STRUCTURE OF SNAM'S BOARD OF DIRECTORS AND COMMITTEES

Board of Directors													Control and Risk Committee		Comp. Committee		App. Committee		Exec. Committee
Post	Members	Year of birth	Date of first app.*	Term start date	Term end date	List **	Exec.	Non exec.	Ind. Code	Ind. TUF	N° of other posts ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	n/a
Chairman	Lorenzo Bini Smaghi	1956	15.10.12	26.03.13	31.12.15	M		X			2	11/11					6/6	M	n/a
Chief Executive Officer (o) (t)	Carlo Malacarne	1953	27.04.06 ⁶⁹	26.03.13	31.12.15	M	X					11/11							n/a
Director	Sabrina Bruno	1965	26.03.13	26.03.13	31.12.15	m		X	X	X		11/11	10/10	M					n/a
Director	Alberto Clò	1947	26.03.13	26.03.13	31.12.15	M		X	X	X	3	09/11					6/6	C	n/a
Director	Francesco Gori	1952	26.03.13	26.03.13	31.12.15	m		X	X	X	1	11/11	10/10	C					n/a
Director	Yunpeng He	1965	26.01.15	29.04.15	31.12.15	M		X			2	10/10 ⁷⁰							n/a
Director	Andrea Novelli	1978	15.10.12	26.03.13	31.12.15	M		X				11/11	8/9 ⁷¹	M	6/6	M			n/a
Director	Elisabetta Oliveri	1963	27.04.10	26.03.13	31.12.15	m		X	X	X	3	11/11			6/6	C	6/6	M	n/a
Director	Pia Saraceno	1945	26.03.13	26.03.13	31.12.15	M		X	X	X		10/11	9/10	M	6/6	M			n/a
Directors whose term expired during the year																			
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
N. of meetings held during the year: 11							Control and Risk Committee: 10			Compensation Committee: 6			Appointments Committee: 6			Executive Committee: -			

Indicate the quorum required for the submission of lists by minority shareholders for the election of one or more members (pursuant to Article 147-ter of the TUF): 0.5% of the share capital

NOTES

The symbols indicated below must be inserted in the "Post" column:

- This symbol indicates the director responsible for the internal control and risk management system.
- This symbol indicates the person with chief responsibility for the management of the issuer (Chief Executive Officer or CEO).
- This symbol indicates the Lead Independent Director (LID).
- * The date of first appointment of each director means the date on which the director was unanimously appointed for the first time to the issuer's Board of Directors.
- ** This column indicates the list from which each director was drawn ("M": majority list; "m": minority list; "BoD": list submitted by the Board of Directors).
- *** This column shows the number of directorships and statutory auditor offices held by the person in question in other companies listed in Italy or in other regulated markets, in financial companies, banks, insurance firms or other large companies. Details of the offices concerned are given in the Report on Corporate Governance.
- (*) This column shows the directors' attendance at meetings of the Board of Directors and of Committees (indicate the number of meetings attended compared with the total number of meetings that could have been attended, e.g. 6/8, 8/8, etc.).
- (**) This column indicates the director's role on the committee concerned: "C": Chairman; "M": member

69 The date refers to the appointment of Carlo Malacarne as director by the Shareholders' Meeting. On 8 May 2006, the Board of Directors appointed Carlo Malacarne as CEO.

70 Yunpeng He, as director co-opted on 26 January 2015 (on the recommendation of the majority shareholder CDP RETI S.p.A.), did not take part as a director in the meeting that appointed him as director.

71 As a non-independent member of the Control and Risk Committee, Andrea Novelli does not take part in the meetings (or in individual resolutions on agenda items) of the Control and Risk Committee when he is acting as a member of the Related-Parties Committee.

ANNEX 2 – STRUCTURE OF SNAM'S BOARD OF STATUTORY AUDITORS

STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Post	Members	Year of birth	Date of first appointment *	Term start date	Term end date	List **	Ind. Code	Attendance at Board meetings ***	Attendance at meetings of the BoD	N° of other posts ****
Chairman	Massimo Gatto	1963	27.04.2010	26.03.2013	31.12.2015	m	X	17/17	11/11	4
Standing auditor	Leo Amato	1961	26.03.2013	26.03.2013	31.12.2015	M	X	17/17	10/11	43
Standing auditor	Stefania Chiaruttini	1962	26.03.2013	26.03.2013	31.12.2015	M	X	14/17	8/11	3
Alternate auditor	Maria Gimigliano	1976	26.03.2013	26.03.2013	31.12.2015	M	X	-	-	-
Alternate auditor	Luigi Rinaldi	1959	15.11.2000 ⁷²	26.03.2013	31.12.2015	m	X	-	-	-
Statutory auditors whose term expired during the year										
-	-	-	-	-	-	-	-	-	-	-
N. of meetings held during the year								17		

Indicate the quorum required for the submission of lists by minority shareholders for the election of one or more members (pursuant to Article 148 of the TUF): 0.5% of the share capital

NOTES

- * The date of first appointment of each statutory auditor means the date on which the statutory auditor was unanimously appointed for the first time to the issuer's Board of Statutory Auditors.
- ** This column indicates the list from which each statutory auditor was drawn ("M": majority list; "m": minority list).
- *** This column shows the statutory auditors' attendance at meetings of the Board of Statutory Auditors (indicate the number of meetings attended compared with the total number of meetings that could have been attended, e.g. 6/8, 8/8, etc.).
- **** This column shows the number of directorships and auditor posts held by the interested party pursuant to Article 148-bis of the TUF and its implementing provisions contained in the Consob Issuer Regulations. The complete list of posts is published by Consob on its own website pursuant to Article 144-*quinquiesdecies* of the Consob Issuer Regulations.

72 Standing auditor until 15 February 2002

ANNEX 3 – THE CODE OF CORPORATE GOVERNANCE (JULY 2014) AND THE REFERENCE TO THE INFORMATION CONTAINED IN THE REPORT REGARDING THE IMPLEMENTATION OF ITS RECOMMENDATIONS (“COMPLY OR EXPLAIN” PRINCIPLE)

This Annex contains the text of the principles and criteria of the Code of Corporate Governance⁷³ approved by the Corporate Governance Committee in July 2014⁷⁴, together with references to the sections of the Report that describe the procedures for the implementation of each of these principles and criteria (“comply or explain” principle).

CODE OF CORPORATE GOVERNANCE JULY 2014 Principles and Criteria (Borsa Italiana S.p.A.)

Article 1 – Role of the Board of Directors

Principles

1.P.1. Listed companies are governed by a Board of Directors that meets at regular intervals, adopts an organisation and a modus operandi which enable it to perform its functions in an effective manner.

1.P.2. The directors act and make decisions with full knowledge of the facts and autonomously pursuing and placing priority on the objective of creating value for the shareholders over a medium-long term period.

Criteria

1.C.1. The Board of Directors shall:

- a) examine and approve the strategic, operational and financial plans of both the issuer and the corporate group it heads, monitoring periodically the related implementation; it defines the issuer’s corporate governance and the relevant group structure;
- b) define the risk profile, both as to nature and level of risks, in a manner consistent with the issuer’s strategic objectives;
- c) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer as well as of its strategically significant subsidiaries in particular with regard to the internal control system and risk management;
- d) specify the frequency, in any case no less than once every

REFERENCES TO THE INFORMATION IN THE REPORT

With reference to Principles 1.P.1 and 1.P.2, please see Section III, paragraph 2.2 of the Report.

With reference to Application Criterion 1.C.1, letters a) to h), please see Section III, paragraph 2.2 of the Report.

⁷³ With the exception of Article 10, since this is not applicable to the Company.

⁷⁴ In July 2015, the Corporate Governance Committee updated the Code of Corporate Governance, requesting issuers to transpose the changes by the end of the 2016 financial year (issuers are obliged to provide information to the market about the receipt of new guidelines with the Report on Corporate Governance relating to financial year 2016). With exclusive reference to the amendments referred to in Article 8 (concerning Statutory Auditors), issuers are requested to apply the new version of the code from the first renewal of the auditing body following the end of the 2015 financial year. In relation to Snam, the update referred to in Article 8 of the Code of Corporate Governance will be applied during the course of 2016 at the time of renewal of the Board of Statutory Auditors. The amendments made to Article 8 of the Code of Corporate Governance in July 2015 provide for the distribution of a press release by the Board of Directors concerning the check performed by the Board of Statutory Auditors after the appointment with regard to the fulfilment by the Statutory Auditors of the independence criteria required for directors. The Committee also stated that the remuneration of Statutory Auditors should be commensurate with the duties required of them, the importance of the role held, and the dimensional and sectoral characteristics of the business.

- three months, with which the delegated bodies must report to the Board on the activities performed in the exercise of the powers delegated to them;
- e) evaluate the general performance of the company, paying particular attention to the information received from the delegated bodies and periodically comparing the results achieved with those planned;
 - f) resolve upon transactions to be carried out by the issuer or its controlled companies having a significant impact on the issuer's strategies, profitability, assets and liabilities or financial position; to this end, the Board shall establish general criteria for identifying the material transactions;
 - g) perform at least annually an evaluation of the performance of the Board of Directors and its committees, as well as their size and composition, taking into account the professional competence, experience, (including managerial experience) gender of its members and number of years as director. Where the Board of Directors avails of consultants for such a selfassessment, the Corporate Governance Report shall provide information on their identity and other services, if any, performed by such consultants to the issuer or to companies having a control relationship with the issuer;
 - h) taking into account the outcome of the evaluation mentioned under the previous item g) report its view to shareholders on the professional profiles deemed appropriate for the composition of the Board of Directors, prior to its nomination;
 - i) provide information in the Corporate Governance Report on 1) its composition, indicating for each member the qualification (executive, nonexecutive, independent), the relevant role held within the Board of Directors (including by way of example, chairman or chief executive officer, as defined by article 2), the main professional characteristics as well as the duration of his/her office since the first appointment; (2) the application of article 1 of this Code and, in particular, on the number and average duration of meetings of the Board and of the executive committee, if any, held during the fiscal year, as well as the related percentage of attendance of each director; (3) how the self assessment procedure as at previous item g) has developed;
 - j) in order to ensure the correct handling of corporate information, adopt, upon proposal of the managing director or the chairman of the Board of Directors, internal procedures for the internal handling and disclosure to third parties of information concerning the issuer, having special regard to price sensitive information.

1.C.2. The directors shall accept the directorship when they deem that they can devote the necessary time to the diligent performance of their duties, also taking into account the commitment relating to their own work and professional activity, the number of offices held as director or statutory

With reference to Application Criterion 1.C.1, letter i), please see Section III, paragraph 2.6 and Section IV – Table 1 Structure of Snam's Board of Directors and Committees of the Report

With reference to Application Criterion 1.C.1, letter j), please see Section III, paragraph 7.5 of the Report.

With reference to Application Criteria 1.C.2 and 1.C.3, please see Section III, paragraph 2.8 of the Report.

auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or companies of a considerably large size. The Board shall record, on the basis of the information received from the directors, on a yearly basis, the offices of director or statutory auditor held by the directors in the above-mentioned companies and include them in the Corporate Governance Report.

1.C.3. The Board shall issue guidelines regarding the maximum number of offices as director or statutory auditor for the types of companies referred to in the above paragraph that may be considered compatible with an effective performance of a director's duties, taking into account the attendance by the directors to the committees set up within the Board. To this end, the Board identifies the general criteria, differentiating them according to the commitment entailed by each role (executive, non-executive or independent director), as well as the nature and size of the companies in which the offices are performed, plus whether or not the companies are members of the issuer's group.

1.C.4. If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule prohibiting competition, as per Article 2390 of the Italian Civil Code, then the Board of Directors shall evaluate each such issue, reporting, at the next shareholders' meeting, the critical ones if any. To this end, each director shall inform the Board, upon accepting his/her appointment, of any activities exercised in competition with the issuer and of any effective modifications that ensue.

1.C.5. The chairman of the Board of Directors shall ensure that the documentation relating to the agenda of the Board is made available to directors and statutory auditors in a timely manner prior to the Board meeting. The Board of Directors shall provide information in the Corporate Governance Report on the promptness and completeness of the pre-meeting information, providing details, *inter alia*, on the prior notice usually deemed adequate for the supply of documents and specifying whether such prior notice has been usually observed.

1.C.6. The chairman of the Board of Directors, also upon request of one or more directors, may request to the managing directors that certain executives of the issuer or the companies belonging to its group, in charge of the pertinent management areas related to the Board agenda, attend the meetings of the Board, in order to provide appropriate supplemental information on the items on the agenda.

With reference to Application Criterion 1.C.4, note that the Shareholders' Meeting has not provided for any exemptions from the prohibition of competition pursuant to Article 2390 of the Italian Civil Code. Please see Section III, paragraph 2.1 of the Report.

With reference to Application Criteria 1.C.5 and 1.C.6, please see Section III, paragraph 2.2 of the Report.

Article 2 – Composition of the Board Of Directors

Principles

2.P.1. The Board of Directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.

2.P.2. Non-executive directors shall bring their specific expertise to Board discussions and contribute to the adoption of fully informed decisions paying particular care to the areas where conflicts of interest may exist.

2.P.3. The number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgement may have a significant impact on the taking of Board's decisions.

2.P.4. It is appropriate to avoid the concentration of corporate offices in one single individual.

2.P.5. Where the Board of Directors has delegated management powers to the chairman, it shall disclose adequate information in the Corporate Governance Report on the reasons for such organisational choice.

Criteria

2.C.1. The following are qualified executive directors for the issuer:

- the managing directors of the issuer or a subsidiary having strategic relevance, including the relevant chairmen when these are granted individual management powers or when they play a specific role in the definition of the business strategies
- the directors vested with management duties within the issuer or in one of its subsidiaries having strategic relevance, or in a controlling company when the office concerns also the issuer;
- the directors who are members of the executive committee of the issuer, when no managing director is appointed or when the participation in the executive committee, taking into account the frequency of the meetings and the scope of the relevant resolutions, entails, as a matter of fact, the systematic involvement of its members in the day-to-day management of the issuer.

The granting of deputy powers or powers in cases of urgency to directors, who are not provided with management powers is not enough, *per se*, to cause them to be identified as executive directors, provided however, that such powers are not actually exercised with considerable frequency.

2.C.2. The directors shall know the duties and responsibilities

With reference to Principles 2.P.1, 2.P.2, 2.P.3 and 2.P.4, please see Section III, paragraph 2.6 of the Report.

The Board of Directors has not delegated any management powers to the Chairman.

With reference to Application Criterion 2.C.2, please see

relating to their office. The chairman of the Board of Directors shall use his best efforts to allow the directors and the statutory auditors, after the election and during their mandate, to participate in initiatives aimed at providing them with an adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, as well as the relevant regulatory and self-regulatory framework.

2.C.3. The Board shall designate an independent director as lead independent director, in the following circumstances: (i) in the event that the chairman of the Board of Directors is the chief executive officer of the company; (ii) in the event that the office of chairman is held by the person controlling the issuer.

The Board of Directors of issuers belonging to FTSE-Mib index shall designate a lead independent director whether requested by the majority of independent directors, except in the case of a different and grounded assessment carried out by the Board to be reported in the Corporate Governance Report.

2.C.4. The lead independent director:

- (a) represents a reference and coordination point for the requests and contributions of non-executive directors and, in particular, those who are independent pursuant to Article 3 below;
- (b) cooperates with the Chairman of the Board of Directors in order to guarantee that directors receive timely and complete information.

2.C.5. The chief executive officer of issuer (A) shall not be appointed director of another issuer (B) not belonging to the same corporate group, in the event that the chief executive officer of issuer (B) is a director of issuer (A).

Article 3 – Independent directors

Principles

3.P.1. An adequate number of non-executive directors shall be independent, in the sense that they do not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked to the issuer, of such a significance as to influence their autonomous judgement

3.P.2. The directors' independence shall be assessed by the Board of Directors after the appointment and, subsequently, on a yearly basis. The results of the assessments of the Board shall be communicated to the market.

Section III, paragraph 5 of the Report.

With reference to Application Criterion 2.C.3, a lead independent director was not appointed as it was not required. Please see Section III, paragraph 2.9 of the Report.

With reference to Application Criterion 2.C.5, please see Section III, paragraphs 2.4 and 2.8 of the Report

With reference to Principles 3.P.1 and 3.P.2, please see Section III, paragraph 2.7 of the Report.

Criteria

3.C.1. The Board of Directors shall evaluate the independence of its non-executive members having regard more to the substance than to the form and keeping in mind that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or third parties, or is able to exercise a dominant influence over the issuer, or participates in a shareholders' agreement through which one or more persons can exercise a control or dominant influence over the issuer;
- b) if he/she is, or has been in the preceding three fiscal years, a significant representative of the issuer, of a subsidiary having strategic relevance or of a company under common control with the issuer, or of a company or entity controlling the issuer or able to exercise over the same a considerable influence, also jointly with others through a shareholders' agreement;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
 - with the issuer, one of its subsidiaries, or any of its significant representatives;
 - with a subject who, also jointly with others through a shareholders' agreement, controls the issuer, or – in case of a company or an entity – with the relevant significant representatives;
 or is, or has been in the preceding three fiscal years, an employee of the above-mentioned subjects;
- d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared to the "fixed" remuneration of non-executive director of the issuer and to remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked to the company's performance, including stock option plans;
- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or quotaholder or director of a legal entity belonging to the same network as the company appointed for the auditing of the issuer;
- h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

With reference to Application Criteria 3.C.1, 3.C.3, 3.C.4, 3.C.5 and 3.C.6, please see Section III, paragraph 2.7 of the Report.

3.C.2. For the purpose of the above, the chairman of the entity, the chairman of the Board of Directors, the executive directors and key management personnel of the relevant company or entity, must be considered as "significant representatives".

3.C.3. The number and competences of independent directors shall be adequate in relation to the size of the Board and the activity performed by the issuer; moreover, they must be such as to enable the constitution of committees within the Board, according to the indications set out in the Code.

As for issuers belonging to FTSE-Mib index, at least one third of the Board of Directors members shall be made up of independent directors. If such a number is not an integer, it shall be rounded down.

Anyway, independent directors shall not be less than two.

3.C.4. After the appointment of a director who qualifies himself/herself as independent, and subsequently, upon the occurrence of circumstances affecting the independence requirement and in any case at least once a year, the Board of Directors shall evaluate, on the basis of the information provided by the same director or available to the issuer, those relations which could be or appear to be such as to jeopardize the autonomy of judgement of such director.

The Board of Directors shall notify the result of its evaluations, after the appointment, through a press release to the market and, subsequently, within the Corporate Governance Report. In the documents mentioned above, the Board of Directors shall:

- disclose whether they adopted criteria for assessing the independence which are different from the ones recommended by the Code, also with reference to individual directors, and if so, specifying the reasons;
- describe quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.

3.C.5. The Board of statutory auditors shall ascertain, in the framework of the duties attributed to it by the law, the correct application of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The result of such controls is notified to the market in the Corporate Governance Report or in the report of the Board of statutory auditors to the shareholders' meeting.

3.C.6. The independent directors shall meet at least once a year without the presence of the other directors.

Article 4 – Internal committees of the Board of Directors

Principles

4.P.1. The Board of Directors shall establish among its members one or more committees with proposing and consultative functions according to what set out in the articles below.

Criteria

4.C.1. The establishment and functioning of the committees governed by the Code shall meet the following criteria:

- a) committees shall be made up of at least three members. However, in those issuers whose Board of Directors is made up of no more than eight members, committees may be made up of two directors only, provided, however, that they are both independent. The committees' activities shall be coordinated by a chairman;
- b) the duties of individual committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;
- c) the functions that the Code attributes to different committees may be distributed in a different manner or demanded from a number of committees lower than the envisaged one, provided that for their composition the rules are complied with those indicated from time to time by the Code and is ensured the achievement of the underlying objectives;
- d) minutes shall be drafted of the meetings of each committee;
- e) in the performance of their duties, the committees have the right to access the necessary company's information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers. The issuer shall make available to the committees adequate financial resources for the performance of their duties, within the limits of the budget approved by the Board;
- f) persons who are not members of the committee, including other Board members or persons belonging to issuer's structure, may participate in the meetings of each committee upon invitation of the same, with reference to individual items on the agenda;
- g) the issuer shall provide adequate information, in the Corporate Governance Report, on the establishment and composition of committees, the contents of the mandate entrusted to them, as well as, on the basis of the indications provided for by each committee, the activity actually performed during the fiscal year, the number of meetings held, their average duration and the relevant percentage of participation of each member.

4.C.2. The establishment of one or more committees may

With reference to Principle 4.P.1 and the related Application Criteria, please see Section III, paragraph 3 of the Report.

be avoided and the relevant duties may be assigned to the Board of Directors, under the coordination of the Chairman and provided that: (i) independent directors are at least half of the Board of Directors members; if the number of the Board members is odd, a rounding down to the lower unit shall be carried out; (ii) adequate time is dedicated during the Board meetings to actions that the Code requires the Committees to carry out, and this circumstance is disclosed in the Corporate Governance Report; (iii) as far as the control and risk committee is concerned, the issuer is neither controlled by another listed company nor it is subject to direction and coordination.

The Board of Directors describes in detail in the Corporate Governance Report the reasons underlying the choice not to establish one or more committees; in particular, it provides adequate grounds for the choice not to establish the risks and control committee in consideration of the complexity level of the issuer and the sector in which it operates. In addition, the Board shall periodically reassess the choice made.

Article 5 – Appointment of directors

Principle

5.P.1. The Board of Directors shall establish among its members a committee to propose candidates for appointment to the position of director, made up, for the majority, of independent directors.

Criteria

5.C.1. The committee to propose candidates for appointment to the position of director shall be vested with the following functions:

- a) to express opinions to the Board of Directors regarding its size and composition and express recommendations with regard to the professional skills necessary within the Board as well with regard to the topics indicated by articles 1.C.3. and 1.C.4.;
- b) to submit the Board of Directors candidates for directors offices in case of co-optation, should the replacement of independent directors be necessary.

5.C.2. The Board of Directors shall evaluate whether to adopt a plan for the succession of executive directors. In the event of adoption of such a plan, the issuer shall disclose it in the Corporate Governance Report. The review on the preparation of the above mentioned plan shall be carried out by the nomination committee or by another committee established within the Board of Directors in charge of this task.

With reference to Principle 5.P.1 and Application Criterion 5.C.1, please see Section III, paragraph 3.2 of the Report.

With reference to Application Criterion 5.C.2., the Company has not provided for succession plans for executive directors in view of the nature of the Company's shareholder structure. The Company has however defined a management succession planning process. Please see Section III, paragraph 2.10 of the Report

Article 6 – Remuneration of directors

Principles

6.P.1. The remuneration of directors and key management personnel shall be established in a sufficient amount to attract, retain and motivate people with the professional skills necessary to successfully manage the issuer.

6.P.2 The remuneration of executive directors and key management personnel shall be defined in such a way as to align their interests with pursuing the priority objective of the creation of value for the shareholders in a medium-long term timeframe. With regard to directors with managerial powers or performing, also de-facto, functions related to business management, as well as with regard to key management personnel, a significant part of the remuneration shall be linked to achieving specific performance objectives, possibly including noneconomic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.P.4.

The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.

6.P.3. The Board of Directors shall establish among its members a Compensation Committee, made up of independent directors. Alternatively, the committee may be made up of non executive directors, the majority of which to be independent; in this case, the chairman of the committee is selected among the independent directors. At least one committee member shall have an adequate knowledge and experience in finance or remuneration policies, to be assessed by the Board of Directors at the time of his/her appointment.

6.P.4. The Board of Directors shall, upon proposal of the Compensation Committee, establish a policy for the remuneration of directors and key management personnel.

6.P.5. In case of the end of office and/or the termination of the employment relationship with an executive director or a general manager, the issuer discloses, through a press release, detailed information, following the internal process leading to the assignment or recognition of indemnities and/or other benefits.

Criteria

6.C.1. The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues and consistently with

With reference to Principles 6.P.1, 6.P.2, 6.P.3, 6.P.4 and 6.P.5, please see Section III, paragraph 3.1 of the Report and the 2016 Remuneration Report.

The events referred to in Principle 6.P.5 did not take place.

With reference to Application Criteria 6.C.1, 6.C.2, 6.C.3 and 6.C.4, Section III, paragraph 2.11 of the Report refers to the 2016 Remuneration Report.

the criteria detailed below:

- a) the non-variable component and the variable component are properly balanced according to issuer's strategic objectives and risk management policy, taking into account the business sector in which it operates and the nature of the business carried out;
- b) upper limits for variable components shall be established;
- c) the non-variable component shall be sufficient to reward the director when the variable component was not delivered because of the failure to achieve the performance objectives specified by the Board of Directors;
- d) the performance objectives – i.e. the economic performance and any other specific objectives to which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be predetermined, measurable and linked to the creation of value for the shareholders in the medium-long term;
- e) the payment of a significant portion of the variable component of the remuneration shall be deferred for an appropriate period of time; the amount of that portion and the length of that deferral shall be consistent with the characteristics of the issuer's business and associated risk profile;
- f) contractual arrangements shall be provided in order to permit the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to hold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;
- g) indemnities eventually set out by the issuer in case of termination of directors shall not exceed a fixed amount or fixed number of years of annual remuneration. Termination payments shall not be paid if the termination is due to inadequate performance.

6.C.2. In preparing plans for share-based remuneration, the Board of Directors shall ensure that:

- a) shares, options and all other rights granted to directors to buy shares or to be remunerated on the basis of share price movements shall have an average vesting period of at least three years;
- b) the vesting referred to in paragraph a) shall be subject to predetermined and measurable performance criteria;
- c) directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to in paragraph a), until the end of their mandate.

6.C.3. The criteria 6.C.1 and 6.C.2 shall apply, *mutatis mutandis*, also to the definition – by the bodies entrusted with that task – of the remuneration of key management personnel.

Any incentive plan for the person in charge of internal audit and for the person responsible for the preparation of the corporate financial documents shall be consistent with their role.

6.C.4. The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked to the economic results achieved by the issuer. Non-executive directors shall not be beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.

6.C.5. The Compensation Committee shall:

- periodically evaluate the adequacy, overall consistency and actual application of the policy for the remuneration of directors and key management personnel, also on the basis of the information provided by the managing directors; it shall formulate proposals to the Board of Directors in that regard;
- submit proposals or issues opinions to the Board of Directors for the remuneration of executive directors and other directors who cover particular offices as well as for the identification of performance objectives related to the variable component of that remuneration; it shall monitor the implementation of decisions adopted by the Board of Directors and verify, in particular, the actual achievement of performance objectives.

6.C.6. No director shall participate in meetings of the Compensation Committee in which proposals are formulated to the Board of Directors relating to his/her remuneration.

6.C.7. When using the services of an external consultant in order to obtain information on market standards for remuneration policies, the Compensation Committee shall previously verify that the consultant concerned is not in a position which might compromise its independence.

6.C.8. According to principle 6.P.5., the press release should provide:

- a) adequate information on the indemnity and/or other benefits, including their amount, timing of disbursement – distinguishing both between the component immediately paid out and the one subject to deferral mechanisms and between the component received as director from the other one related to an employment relationship, if any – and "claw-back" clauses, if any, in particular with reference to:
 - indemnities for the end of office or termination of the employment relationship, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement);
 - maintenance of rights related to any incentive plans,

With reference to Application Criteria 6.C.5, 6.C.6 and 6.C.7, please see Section III, paragraph 3.1 of the Report.

The events referred to in Principle 6.P.5 did not take place.

- monetary or financial instruments based;
- benefits (monetary and non monetary ones) subsequent to the end of office;
- non-competition commitments, describing their main contents;
- any other payment assigned for any reason and in any form;
- b) information about the compliance or non-compliance of the indemnity and/or other benefits with the remuneration policy and, in case of even a partial non-compliance with the remuneration policy, information about internal procedures applied according to Consob related party transactions' regulation;
- c) information about the application, or non-application, of any mechanism that provides restrictions or corrections to the indemnity in case of termination due to the achievement of objectively inadequate results, as well as whether requests have been formulated for the reclaim of remuneration already paid out;
- d) information as whether the replacement of the ceased executive director or general manager is governed by any succession plan adopted by the company and, in any case, information about procedures that have been or will be applied for the replacement of the director or manager.

Article 7 – Internal control and risk management system

Principles

7.P.1. Each issuer shall adopt an internal control and risk management system consisting of policies, procedures and organizational structures aimed at identifying, measuring, managing and monitoring the main risks. Such a system shall be integral to the organizational and corporate governance framework adopted by the issuer and shall take into consideration the reference model and the best practices that are applied both at national and international level.

7.P.2. An effective internal control and risk management system contributes to the management of the company in a manner consistent with the objectives defined by the Board of Directors, promoting an informed decision-making process. It contributes to ensuring the safeguarding of corporate assets, the efficiency and effectiveness of management procedures, the reliability of financial information and the compliance with laws and regulations, including the by-laws and internal procedures.

7.P.3 The internal control and risk management system involves each of the following corporate bodies depending on their related responsibilities:

- a) the Board of Directors, that shall provide strategic guidance

With reference to Principles 7.P.1, 7.P.2, 7.P.3 and 7.P.4, please see Section III, paragraphs 6 and 3.3 of the Report.

and evaluation on the overall adequacy of the system, identifying within the Board:

- (i) one or more directors to be charged with the task of establishing and maintaining an effective internal control and risk management system (hereinafter, the "director in charge of the internal control and risk management system"), and
 - (ii) a control and risk committee in line with the requirements set forth by principle 7.P.4., to be charged with the task of supporting, on the basis of an adequate control process, the evaluations and decisions to be made by the Board of Directors in relation to the internal control and risk management system, as well as to the approval of the periodical financial reports;
- b) the person in charge of internal audit, entrusted with the task to verify the functioning and adequacy of the internal control and risk management system;
 - c) the other roles and business functions having specific tasks with regard to internal control and risk management, organised depending on the company's size, complexity and risk profile;
 - d) the Board of statutory auditors, also as "audit committee", which is responsible for oversight of the internal control and risk management system.

Each issuer shall provide for coordination methods between the above mentioned bodies in order to enhance the efficiency of the internal control and risk management system and reduce activities overlapping.

7.P.4. The control and risk committee is made up of independent directors. Alternatively, the committee can be made up of non executive directors, the majority of which being independent ones; in this case, the chairman of the committee is selected among the independent directors. If the issuer is controlled by another listed company or is subject to the direction and coordination activity of another company, the committee shall be made up exclusively of independent directors. At least one member of the committee is required to have an adequate experience in the area of accounting and finance or risk management, to be assessed by the Board of Directors at the time of appointment.

Criteria

7.C.1. The Board of Directors, with the opinion of the control and risk committee, shall:

- a) define the guidelines of the internal control and risk management system, so that the main risks concerning the issuer and its subsidiaries are correctly identified and adequately measured, managed and monitored, determining, moreover, the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives;

With reference to Application Criteria 7.C.1 and 7.C.4, please see Section III, paragraphs 2.2, 2.4 and 6.1 of the Report.

- b) evaluate, at least on an annual basis, the adequacy of the internal control and risk management system taking into account the characteristics of the company and its risk profile, as well as its effectiveness;
- c) approves, at least on an annual basis, the plan drafted by the person in charge of internal audit, after hearing the Board of statutory auditors and the director in charge of the internal control system;
- d) describe, in the Corporate Governance Report, the main features of the internal control and risk management system, expressing the evaluation on its adequacy;
- e) after hearing the Board of statutory auditors, it assesses the findings reported by the external auditor in the suggestions letter, if any, and in the report on the main issues resulting from the auditing.

The Board of Directors shall, upon proposal of the director in charge of the internal control and risk management system, subject to the favourable opinion of the control and risk committee, as well as after hearing the Board of statutory auditors:

- appoint and revoke the person in charge of the internal audit function;
- ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities;
- define the relevant remuneration consistently with company's policies

7.C.2. The control and risk committee, when assisting the Board of Directors shall:

- a) evaluate together with the person responsible for the preparation of the corporate financial documents, after hearing the external auditors and the Board of statutory auditors, the correct application of the accounting principles, as well as their consistency for the purpose of the preparation of the consolidated financial statements, in any;
- b) express opinions on specific aspects relating to the identification of the main risks for the company;
- c) review the periodic reports of the internal audit function concerning the assessment of the internal control and risk management system, as well as the other reports of the internal audit function that are particularly significant;
- d) monitor the independence, adequacy, efficiency and effectiveness of the internal audit function;
- e) request the internal audit function to carry out reviews of specific operational areas, giving simultaneous notice to the chairman of the Board of statutory auditors;
- f) report to the Board of Directors, at least every six months, on the occasion of the approval of the annual and half year financial report, on the activity carried out, as well as on the adequacy of the internal control and risk management system.

7.C.3. The chairman of the Board of statutory auditors or

With reference to Application Criteria 7.C.2 and 7.C.3, please see Section III, paragraph 3.3 of the Report.

another statutory auditor designated by this chairman shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.

7.C.4. The director in charge of the internal control and risk management system, shall:

- a) identify the main business risks, taking into account the characteristics of the activities carried out by the issuer and its subsidiaries, and submit them periodically to the review of the Board of Directors;
- b) implement the guidelines defined by the Board of Directors, taking care of the planning, realization and management of the internal control and risk system, constantly monitoring its adequacy and effectiveness;
- c) adjust such system to the dynamics of the operating conditions and the legislative and regulatory framework;
- d) request to internal audit function to carry out reviews of specific operational areas and on the compliance of business operation with rules and internal procedures, giving simultaneous notice to the chairman of the Board of Directors, the chairman of control and risk committee and the chairman of the Board of statutory auditors;
- e) promptly report to the control and risk committee (or to the Board of Directors) issues and problems that resulted from his/her activity or of which he/she became aware in order for the committee (or the Board) to take the appropriate actions.

7.C.5. The person in charge of internal audit shall:

- a) verify, both on a continuous basis and in relation to special needs, in conformity with international professional standards, the adequacy and effective functioning of the internal control and risk management system, through an audit plan, to be approved by the Board of Directors. Such a plan shall be based on a structured analysis and ranking of the main risks;
- b) not be responsible for any operational area and be subordinated to the Board of Directors;
- c) have direct access to all useful information for the performance of its duties;
- d) draft periodic reports containing adequate information on its own activity, and on the company's risk management process, as well as about the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation on the adequacy of the internal control and risk management system;
- e) prepare timely reports on particularly significant events;
- f) submit the reports indicated under items d) and e) above to the chairman of the Board of statutory auditors, the control and risk committee and the Board of Directors, as well as to the director in charge of the internal control and risk management system;

With reference to Application Criterion 7.C.5, please see Section III, paragraph 6.4 of the Report.

g) verify, according to the audit plan, the reliability of information systems, including the accounting one.

7.C.6. The internal audit function may be entrusted, as a whole or by business segments, to a person external to the issuer, provided, however, that it is endowed with adequate professionalism, independence and organization. The adoption of such organizational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and the market in the Corporate Governance Report.

Article 8 – Statutory auditors

Principles

8.P.1. The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders, which elected them.

8.P.2 The issuer shall adopt suitable measures to ensure an effective performance of the duties typical of the Board of statutory auditors.

Criteria

8.C.1. The statutory auditors shall be chosen among people who may be qualified as independent also on the basis of the criteria provided by this Code with reference to the directors. The Board of statutory auditors shall check the compliance with said criteria after the appointment and subsequently on an annual basis, including the result of such verification in its Corporate Governance Report, according to manners complying with the ones provided with reference to directors.

8.C.2. The statutory auditors shall accept the appointment when they believe that they can devote the necessary time to the diligent performance of their duties.

8.C.3. A statutory auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the issuer, shall timely and exhaustively inform the other statutory auditors and the chairman of the Board about the nature, the terms, origin and extent of his/her interest.

8.C.4. In the framework of their activities, the statutory auditors may demand from the internal audit function to make assessments on specific operating areas or transactions of the company.

8.C.5. The Board of statutory auditors and the control and risk committee shall exchange material information on a timely basis for the performance of their respective duties.

With reference to Principles 8.P.1 and 8.P.2, please see Section III, paragraph 4.1 of the Report.

With reference to Application Criteria 8.C.1, 8.C.2 and 8.C.3, please see Section III, paragraph 4.1 of the Report.

With reference to Application Criterion 8.C.4, please see Section III, paragraph 6.4 of the Report.

With reference to Application Criterion 8.C.5, please see Section III, paragraph 3.3 of the Report.

Article 9 – Relations with the Shareholders

Principles

9.P.1. The Board of Directors shall take initiatives aimed at promoting the broadest participation possible of the shareholders in the shareholders' meetings and making easier the exercise of the shareholders' rights.

9.P.2. The Board of Directors shall endeavour to develop a continuing dialogue with the shareholders based on the understanding of their reciprocal roles.

Criteria

9.C.1. The Board of Directors shall ensure that a person is identified as responsible for handling the relationships with the shareholders and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.

9.C.2. All the directors usually participate in the shareholders' meetings. The shareholders' meetings are also an opportunity for disclosing to the shareholders information concerning the issuer, in compliance with the rules governing price-sensitive information. In particular, the Board of Directors shall report to the shareholders' meeting the activity performed and planned and shall use its best efforts for ensuring that the shareholders receive adequate information about the necessary elements for them to adopt in an informed manner the resolutions that are the competence of the shareholders' meeting.

9.C.3. The Board of Directors should propose to the approval of the shareholders' meeting rules laying down the procedures to be followed in order to permit an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right of each shareholder to express his or her opinion on the matters under discussion.

9.C.4. In the event of significant changes in the market capitalization of the company's shares or in the composition of its shareholders, the Board of Directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the by-laws in respect to the majorities required for exercising actions and rights provided for the protection of minority interests.

With reference to Principles 9.P.1 and 9.P.2, please see Section III, paragraphs 8 and 1 of the Report.

With reference to Application Criterion 9.C.1, please see Section III, paragraphs 2.2 and 8 of the Report.

With reference to Application Criterion 9.C.2, please see Section III, paragraphs 1 and 8 of the Report.

With reference to Application Criterion 9.C.3, please see Section III, paragraph 1 of the Report.

There were no significant changes in the market capitalisation of the issuer's shares or in the composition of its ownership structure.





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