

Report on
Corporate Governance
and Ownership Structure
2017



Company profile

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

First in Europe by transport network size (over 32,500 km in Italy, about 40,000 with international subsidiaries) and natural gas storage capacity (16.7 billion cubic meters in Italy, about 20 billion with international subsidiaries), Snam manages the first liquefied natural gas (LNG) plant built in Italy and is a shareholder of the country's main terminal.

Snam's business model is based on sustainable growth, transparency, nurturing talent, and development of local areas by dialoguing with communities. It fosters sustainable mobility, expands into energy efficiency, and invests in biomethane and innovative technologies to increase the use of renewable gas, a key resource of the green economy.

Report on Corporate Governance and Ownership Structure 2017

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 which the Report refers to: 2017

Date of approval of the Report: 13 March 2018

Introduction

The information on the corporate governance system and on the ownership structure of Snam S.p.A. contained in this report (the “**Report**”) refers, unless otherwise explicitly specified, to the financial year 2017 ¹.

The Report intends to be a journey towards the discovery of Snam and in its various Sections it mainly aims to do the following:

- to introduce the Company;
- to provide information on the ownership structure;
- to describe the structure of the corporate governance system adopted by the Company.

The Report ² is preceded by an Executive Summary specifying the main elements characterising the corporate governance system.

The Report was prepared taking the following into account:

- the “Report on corporate governance of Italian listed companies 2017” drawn up by Consob;
- the 2017 report entitled “*La corporate governance in Italia: autodisciplina, remunerazioni e comply-or-explain*” drawn up by Assonime;
- the “*Format per la relazione sul governo societario e gli assetti proprietari*” drawn up by Borsa Italiana (VII Edition of January 2018);
- the 5th Report on the application of the Corporate Governance Code of the Italian Corporate Governance Committee, Report 2017 on the evolution of corporate governance of listed companies.³

Since its listing on the *mercato telematico azionario* (electronic stock exchange) organised and managed by Borsa Italiana back in 2001, Snam has been compliant with the recommendations of the Corporate Governance Code in its various successive versions published over time.⁴ For any reference to the information contained in the Report on the implementation of the recommendations of the Corporate Governance Code by Snam please refer to Schedule 1 of Section VI – Summary Tables.

Contacts

Snam values the discussion with its investors and aims to establish a constructive dialogue ensuring a steady improvement in the Snam entity in multiple respects; therefore, Snam invites readers to use the contact details specified below to obtain any clarification or information they may need:

Legal and Corporate Affairs, Compliance and Enterprise Risk Management

Telephone: +39 02.3703.7435

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¹ Pursuant to article 123-*bis*, paragraphs 1, 2 and 3 of the Unified Financial Act.

² The Report is published in the Section “Etica e Governance” (Ethics and Governance) on the Company’s Website.

³ The form of Borsa Italiana is available at the following address: <http://www.borsaitaliana.it/comitato-corporate-governance/documenti/format.htm>.

⁴ The acceptance of the Corporate Governance Code is voluntary and issuers may disapply, whether in whole or in part, its recommendations. However, pursuant to the comply or explain mechanism provided for in article 123-*bis* of the Unified Financial Act, the reasons for a possible non-application are explained in the corporate governance report.

Glossary

Anti-Corruption Laws: the provisions of the Italian Criminal Code relating to corruption, Law no. 190 of 6 November 2012, Law no. 69 of 27 May 2015, Legislative Decree no. 231/2001, and the other applicable provisions, the FCPA, the UK Bribery Act, the other public law and commercial law laws against corruption that are in force around the world, and the international anti-corruption treaties, such as the OECD Convention on combating bribery of foreign public officials in international business transactions, and the UN Convention against corruption.

ARERA: Autorità di Regolazione per Energia Reti Ambiente (the Italian Regulatory Authority for Electricity, Gas and Water).

Auditing Firm: EY S.p.A.

Borsa Italiana: Borsa Italiana S.p.A.

Company's Website: www.snam.it.

Consob: the Italian National Commission for Corporations and the Stock Exchange.

Corporate Accounting Documents Officer: the Officer in charge of drawing up the corporate accounting documents pursuant to article 154-*bis* of the Unified Financial Act.

Corporate Governance Code: the Corporate Governance Code of listed companies approved by the Corporate Governance Committee in July 2001, as subsequently amended in July 2015. Its wording is available at the following address: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.pdf>.

Demerger: the partial and proportional demerger in favour of Italgas S.p.A. concerning the interest held by Snam in Italgas Reti S.p.A., which was performed on 7 November 2016.

Group or Snam Group: Snam and its Subsidiaries.

Issuer, Snam or the Company: Snam S.p.A..

Issuers' Regulation: the regulations on issuers issued by Consob by resolution no. 11971 of 14 May 1999, as subsequently amended and supplemented.

Legislative Decree 254/2016: Legislative Decree no. 254 of 30 December 2016, *"Implementation of Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014, containing the amendment to Directive 2013/34/EU concerning the disclosure of non-financial information and of information on diversity by certain businesses and by certain large groups"*.

Legislative Decree 231/2001: Legislative Decree no. 231 of 8 June 2001, *"Regulation of civil liability of legal persons, of corporations, and of associations, including unincorporated associations, pursuant to article 11 of Law no. 300 of 29 September 2000"*.

Non-Financial Disclosure: the consolidated non-financial disclosure, to the extent required to ensure the understanding of the business, of its performance, of its results and of its impact, covers environmental, social, and staff matters as well as matters relating to the respect for human rights, and the fight against active and passive corruption, which are relevant considering the activities and characteristics of the business.

Stakeholders: shareholders, investors, gas system operators, employees, suppliers, etc.

Subsidiaries: the following companies are controlled by Snam: Asset Company 2 S.r.l., Gasrule Insurance Limited; LNG Italia S.p.A.; Infrastrutture Trasporto Gas S.p.A.; Snam-4Mobility; Snam Rete Gas S.p.A.; Stocaggi Gas Italia S.p.A. – Stogit.

Supervisory Body: supervisory body established pursuant to Legislative Decree 231/2001.

RAB: Regulatory Asset Base, i.e. the value of the net capital invested, calculated according to the rules set forth for the transport and regasification companies of the ARERA to determine the reference revenues.

Regulation on Related-Party Transactions: the regulation issued by Consob by resolution no. 17221 of 22 March 2010, as subsequently amended and supplemented, on transactions with related parties.

Report: this report on corporate governance and ownership structure pursuant to article 123-*bis* of the Unified Financial Act.

Unbundling Legislation: European and Italian provisions on functional and/or ownership unbundling applicable to all operators engaged in the energy and natural gas industries. Specifically: Directive 2009/73/EC, Legislative Decree no. 93 of 1 June 2011, and Prime Ministerial Decree of 25 May 2012 containing *"Criteria, terms and conditions for the adoption of the ownership unbundling model of the company Snam S.p.A. pursuant to article 15 of Law no. 27 of 24 March 2012"*.

Unified Financial Act: Legislative Decree no. 58 of 24 February 1998, as subsequently amended and supplemented.

2017 Corporate Governance Recommendations: 2017 Corporate Governance Recommendations of the Chairman of the Corporate Governance Committee contained in the letter of 13 December 2017 and addressed to the Chairmen of the Boards of Directors of listed companies.

231 Model: the organisation, management and control model adopted by Snam pursuant to the Italian regulation of the "liability of entities for administrative offences relating to crimes" contained in Legislative Decree 231/2001.

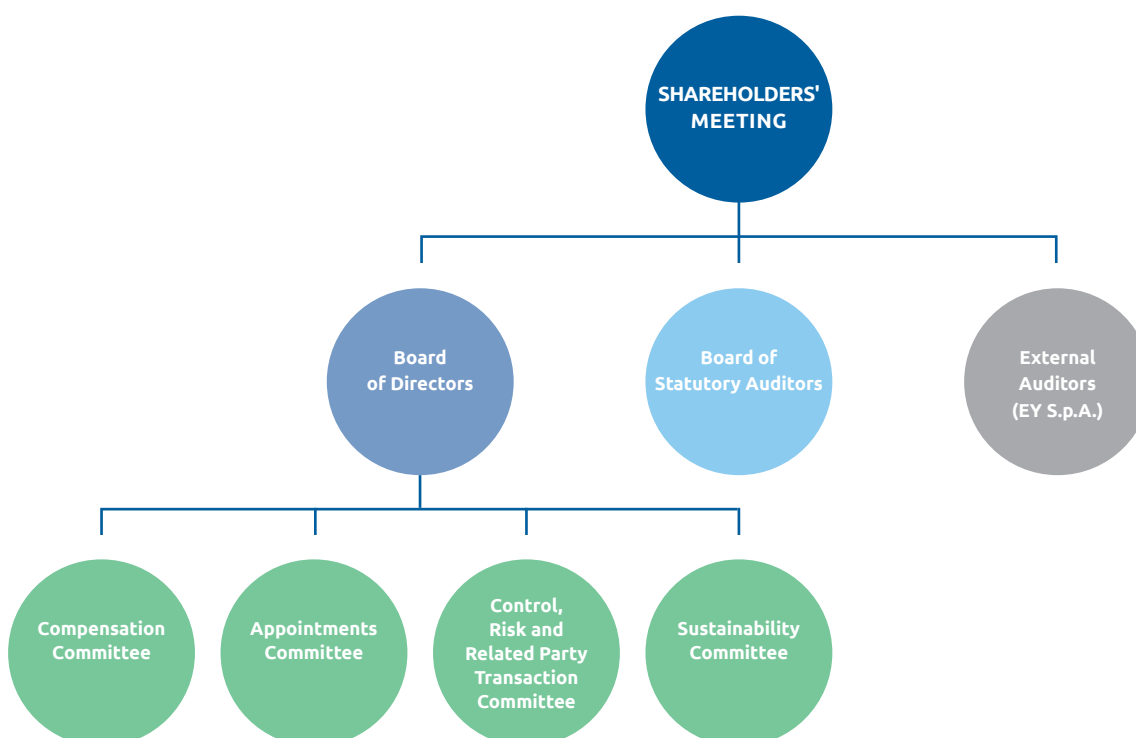
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Executive Summary

Corporate governance



MAIN HIGHLIGHTS OF THE COMPANY

Data in millions of Euros	2015	2016	2017	% variation 2016-2017
Total revenues (a)	2,554	2,501	2,533	1.3%
Operating profit (EBIT) (a)	1,427	1,293	1,348	4.3%
Net profit (a) (b)	796	591	897	51.8%
Group net profit (b)	1,238	861	897	4.2%
Net indebtedness	13,779	11,056	11,550	4.5%
Capitalisation as at 31/12 (c)	16,973	13,612	13,953	2.5%
Employees (d)	6,303	2,883	2,919	1.2%
Sector			Utility	

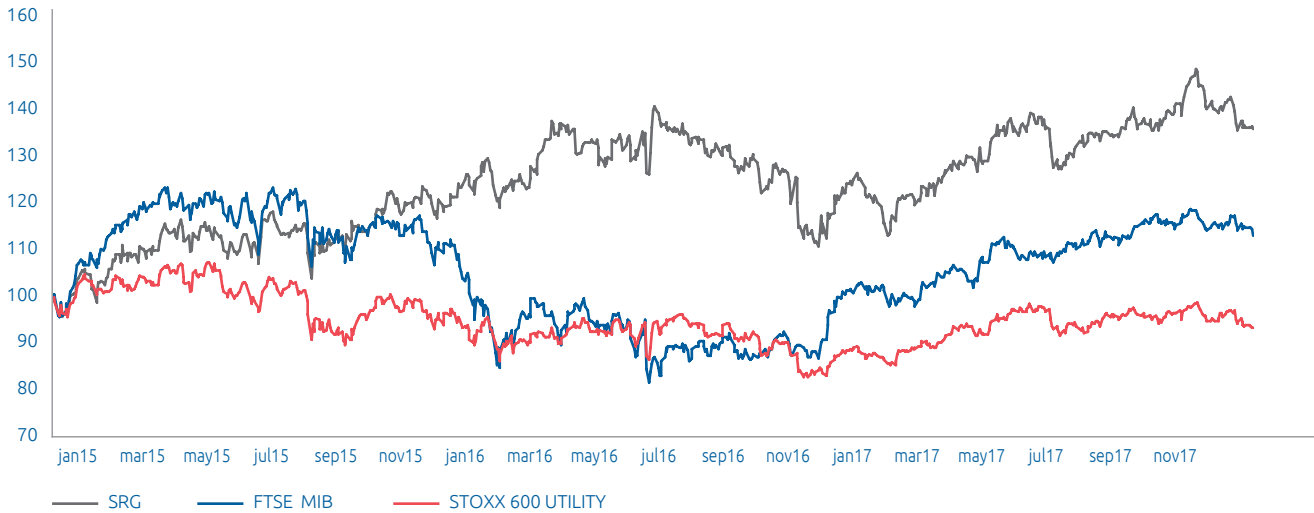
(a) The 2015 and 2016 values refer to continuing operations (transport, storage, and regasification of natural gas) to the extent of third-party relations.

(b) Fully pertaining to Snam's shareholders.

(c) The product of the number of outstanding shares (precise number) by the official price per share as at the year end. The value relating to the year 2015 was determined based on the historical official price recorded as at the end of the year (EUR 4.85) and does not take into account the price adjustment made following the demerger.

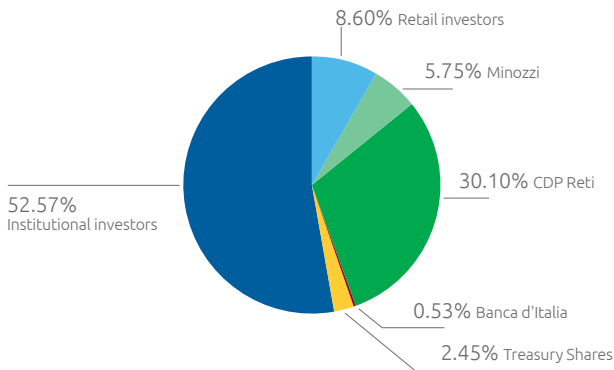
(d) The figures relating to the financial year 2015 include the employees transferred to the Italgas Group in 2016 (207 people) following the demerger.

SHARE PERFORMANCE, 2015-2017

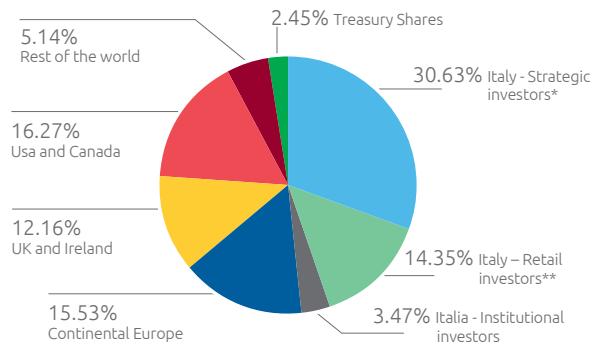


Shareholding Structure and Representation as at 31 December 2017

SHAREHOLDING STRUCTURE



TYPES OF INVESTORS

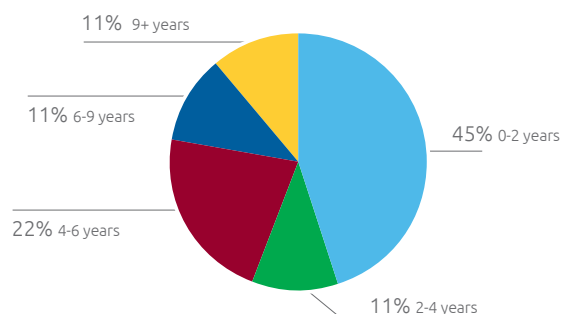


* The Italian strategic shareholders include Banca d'Italia, CDP Reti and CDP Gas.
 ** The Italian retail investors include the equity investment of Romano Minozzi (5.75%).

Other features of the shareholding structure

	Yes/No	% of the share capital
Presence of a Syndication Agreement	Yes	30.10%
Presence of Loyalty Shares	No	
Shareholding of the Top Management	Yes	0.016%
Shareholding threshold for the submittal of lists	Yes	1%
Shareholding of Italian institutional investors	Yes	34.1%
Shareholding of foreign institutional investors	Yes	49.10%

SENIORITY OF DIRECTORS ON THE B.O.D.



Evolution compared with the previous term of office

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

* The European House – Ambrosetti S.p.A., L'osservatorio sull'eccellenza dei sistemi di governo in Italia (2017 ed.). The data refer to the financial year 2016 and are excerpted from public sources such as Financial Statements for 2016 and Corporate Governance Reports published in the Spring of 2017.

** Assonime – La corporate governance in Italia: autodisciplina, remunerazioni e comply-or-explain (year 2017). The 2017 research covered the 221 Italian companies, listed as at 31 December 2016, the Reports of which were available as at 15 July 2017. The figure refers to the average of the FTSE MIB companies the President of which is not a President-CEO.

Composition of the Board of Directors

Structure of the Board of Directors

Director	Position	Role	M/m	CRRPTC	RC	AC	SC
Carlo Malacarne	Chairman	Non-executive	M				
Marco Alverà	Chief Executive Officer	Executive	M				
Sabrina Bruno	Director	Independent (pursuant to Unified Financial Act/Code)	m	✓			C
Monica de Virgiliis	Director	Independent (pursuant to Unified Financial Act/Code)	M		C	✓	
Francesco Gori	Director	Independent (pursuant to Unified Financial Act/Code)	m			C	
Yunpeng He	Director	Non-executive	M				✓
Lucia Morselli	Director	Independent (pursuant to Unified Financial Act/Code)	M	✓			✓
Elisabetta Oliveri	Director	Independent (pursuant to Unified Financial Act/Code)	m	C	✓		
Alessandro Tonetti	Director	Non-executive	M		✓	✓	

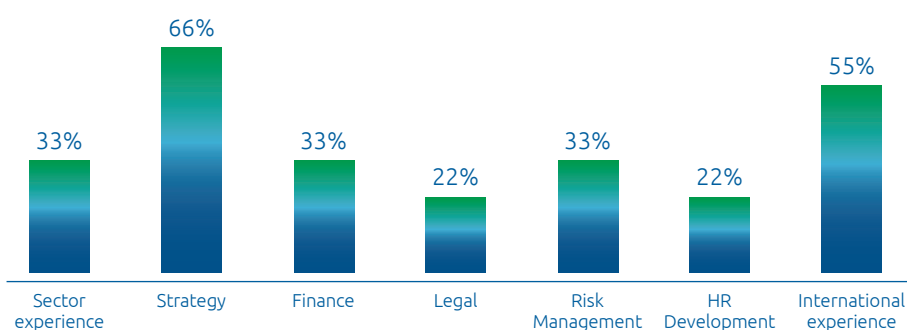
CRRPTC: Control and Risk and Related-Party Transaction Committee; RC: Remuneration Committee; AC: Appointments Committee, SC: Sustainability Committee

M: to be intended as the list from which the majority of the directors were drawn

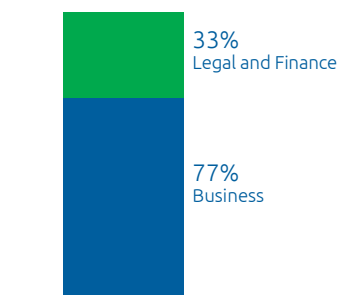
m: to be intended as the list from which the minority of the directors were drawn (please see p. 40)

C: Chairman

Directors' expertise

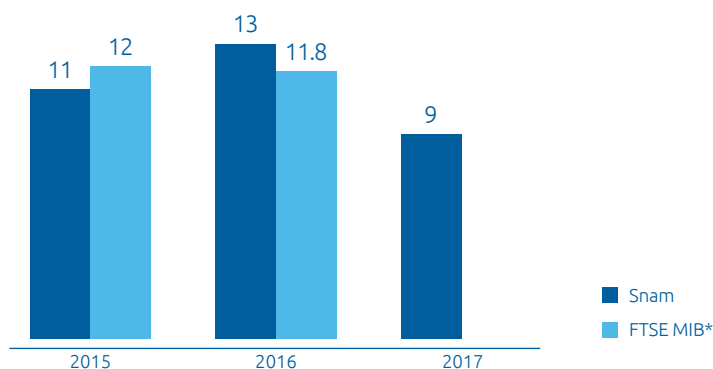


% of business expertise compared with legal and finance expertise

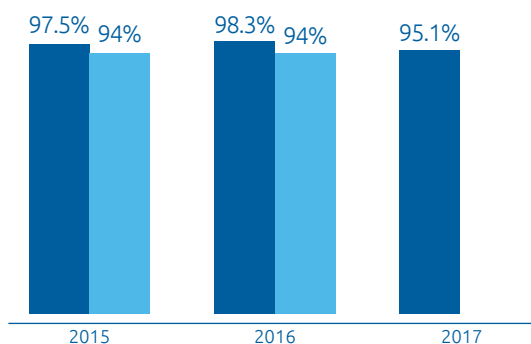


Functioning of the board of directors

Number of BoD meetings



Rate of attendance of BoD meetings



* THE EUROPEAN HOUSE – AMBROSETTI S.P.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2017. The data refer to the financial year 2016 and are excerpted from public sources such as the Financial Statements for 2016 and the Corporate Governance Reports published in the Spring of 2017.

Number of meetings of the Committees and rate of attendance by the directors

Committee	No. of meetings	Rate of attendance	Presence of independent members
Remuneration Committee	10	93%	100%
Control and Risk and Related-Party Committee	12	89%	89%
Appointments Committee	9	100%	100%
Sustainability Committee	4	94.45%	91.67%

Directors holding offices as Directors or Statutory Auditors in other relevant companies pursuant to the Corporate Governance Code

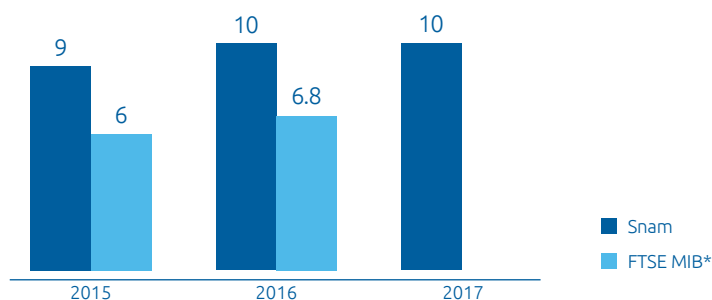
	Group Companies	Other listed companies			Financial and insurance companies, banks, and large companies			
		Non-Executive Director	Independent Director	Statutory Auditor	Non-Executive Director	Executive Director	Independent Director	Statutory Auditor
Alverà Marco	-	-	1	-	-	-	-	-
Sabrina Bruno	-	-	-	-	-	-	1	-
Monica de Virgiliis	-	-	1	-	-	-	-	-
Francesco Gori	-	2	-	-	-	-	-	-
Yunpeng He	-	3	-	-	1	-	-	-
Lucia Morselli	-	-	1	-	2	1	-	-
Elisabetta Oliveri	-	-	1	-	-	-	1	-

Annual Board Evaluation Process

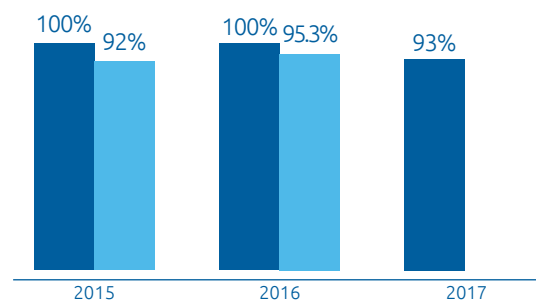
Implementation of the Board Evaluation process	Yes
Evaluating person	Self-evaluation with the support of an advisor
Self-evaluation procedure	Questionnaires / Group meetings / Peer-to-Peer review consisting in reviewing the individual contributions of each Director by its colleagues

Remuneration

Number of meetings of the Remuneration Committee



Rate of attendance of the Remuneration Committee



* The European House – Ambrosetti S.p.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2017 ed. The data refer to the financial year 2016 and are excerpted from public sources such as Financial Statement for the year 2016 and Corporate Governance Reports published in the Spring of 2017. The figures indicate the average rate of attendance of the meetings of the Remuneration Committee per segment (%) of 2016.

Short-term incentive system (STI)

	No	Yes
Existence of a short-term incentive system		✓
Existence of a bonus cap		✓

STI parametres for the CEO

	Weight
Free Cash Flow	30%
Investments	20%
Operating efficiency	30%
New activities	10%
Sustainability	10%

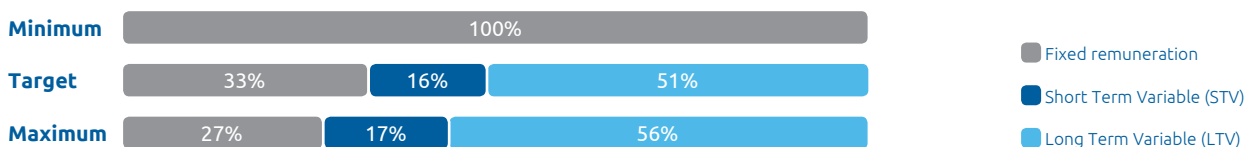
Long-term incentive system (LTI)

Existence of a long-term incentive system	
LTI Vehicles	
Cash	
Financial instruments	✓

LTI parametres for the CEO

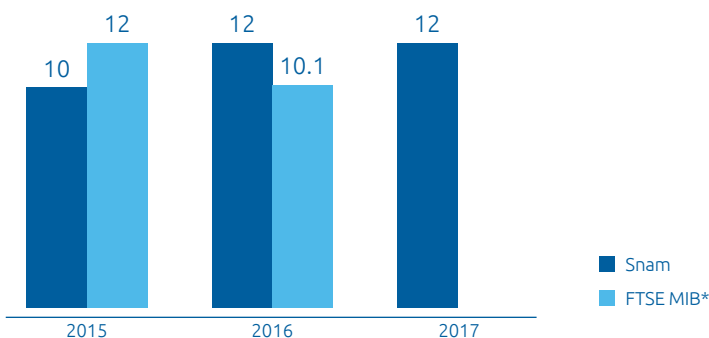
	Weight
Ebitda	60%
Adjusted net profit	30%
Sustainability	10%

Theoretical Pay mix for the CEO

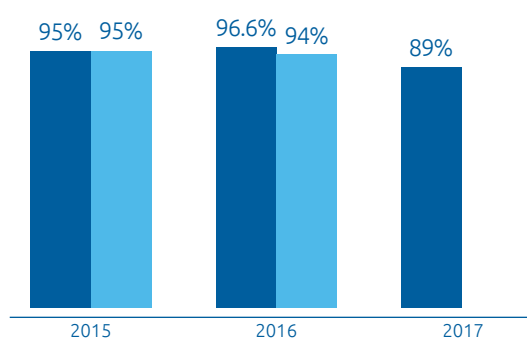


Internal control and risk management system

Number of meetings of Control and Risk Committee



Rate of attendance of Control and Risk Committee



* The European House – Ambrosetti S.p.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2017 ed. The data refer to the financial year 2016 and are excerpted from public sources such as Financial Statement for the year 2016 and Corporate Governance Reports published in the Spring of 2017. The figures indicate the average rate of attendance of the meetings of the Remuneration Committee per segment (%) of 2016.

Composition of the Control, Risk and Related-Party Transactions Committee

	Independent	Executive/non-executive
Elisabetta Oliveri (Chairman)	✓	Non-executive
Sabrina Bruno	✓	Not executive
Lucia Morselli	✓	Not executive

Board of Statutory Auditors

Composition of Board of Statutory Auditors

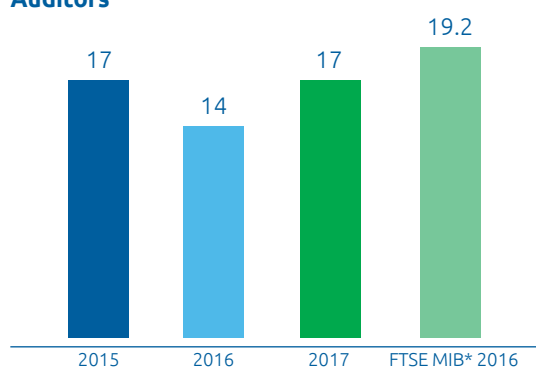
Statutory Auditors	Post	Ind.**	M/m*	Other positions
Leo Amato	Chairman	✓	M	45
Massimo Gatto	Standing	✓	m	2
Maria Luisa Mosconi	Standing	✓	M	5
Maria Gimigliano	Alternate	✓	M	n/a
Sonia Ferrero	Alternate	✓	m	n/a

* M: to be intended as the list from which the majority of the statutory auditors were drawn

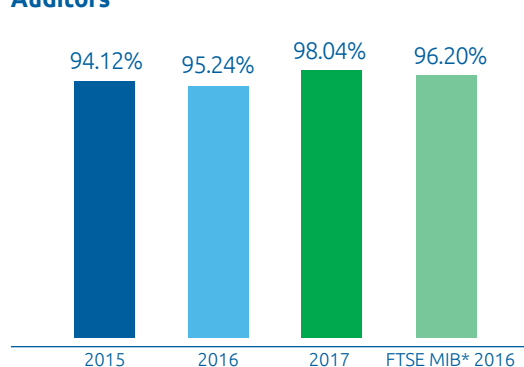
m: to be intended as the list from which the minority of the statutory auditors were drawn (please see p. 66)

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

Number of meetings of Board of Statutory Auditors



Rate of attendance of Board of Statutory Auditors



* The European House – Ambrosetti S.p.A., *L'osservatorio sull'eccellenza dei sistemi di governo in Italia*, 2017 ed. The data refer to the financial year 2016 and are excerpted from public sources such as Financial Statement for the year 2016 and Corporate Governance Reports published in the Spring of 2017.

Main elements of the Internal Control and Risk Management System

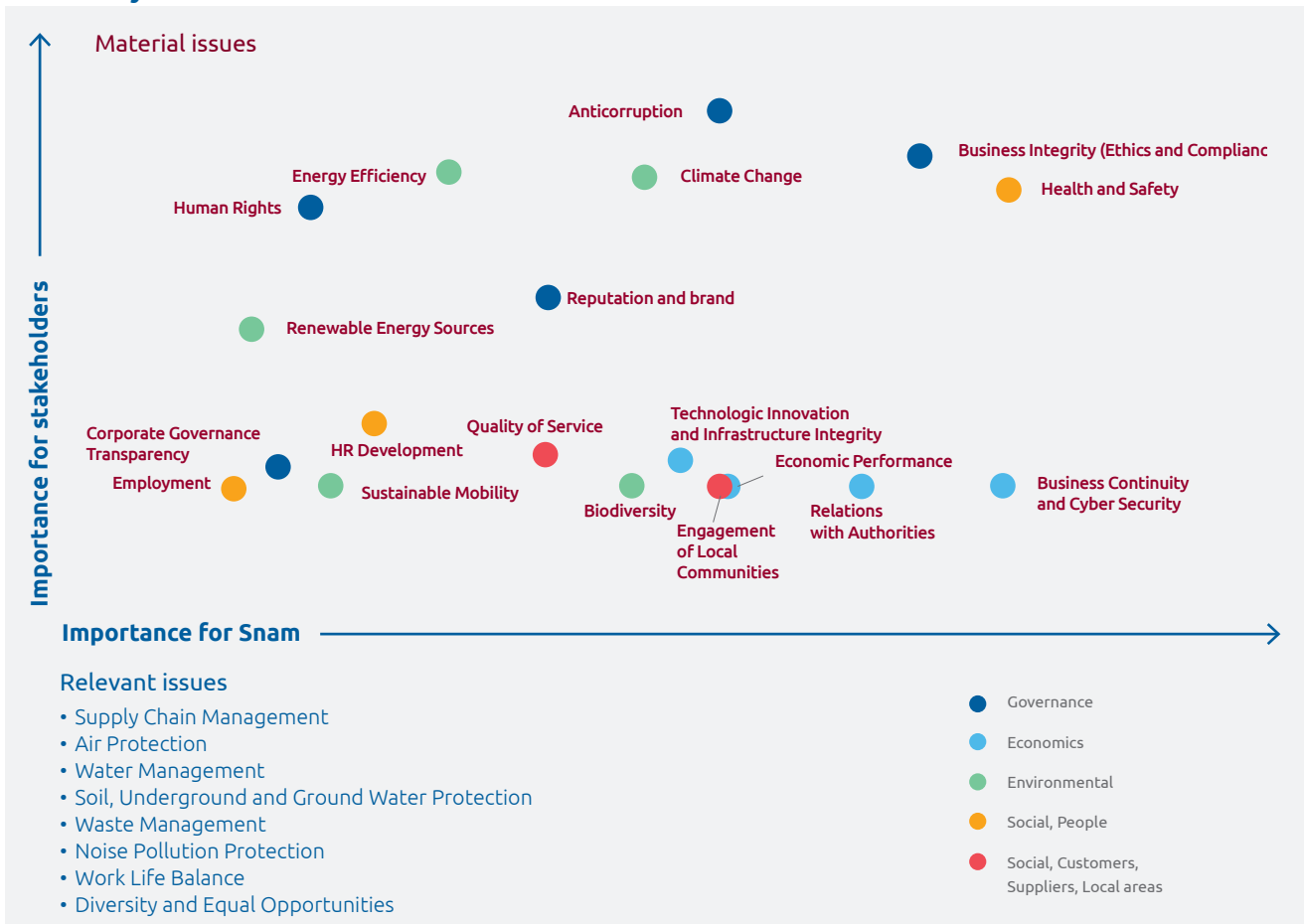
	Yes/No
Presence of the Risk Management Function	Yes
Is there an Enterprise Risk Management plan?	Yes
If so, is such a plan discussed with the Committee?	Yes
Presence of succession planning (in relation to the Management)	Yes
Preparation of specific Compliance plans (Antitrust, Anticorruption, Whistleblowing, etc.)	Yes

Main risks

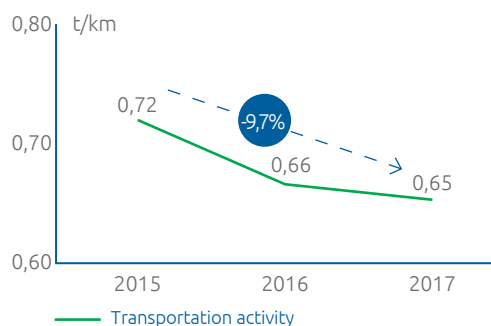
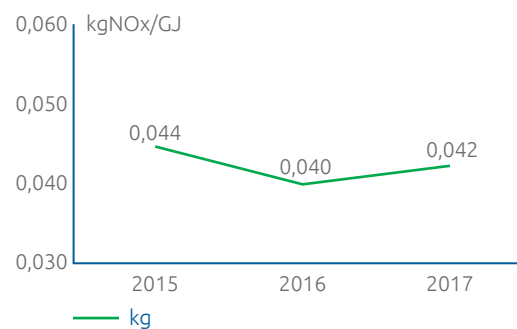
Main risks	Frequency	Impact	Mitigation actions
Legislative evolution (regulatory, legislative and non-compliance context)			Monitoring and comparison activity with the main institutional persons in charge. Periodic review of the model of powers of attorney in relation to health, safety and environment. Update of the 231 Model and of the Code of Ethics. Analysis of the adjustment to the latest version (July 2015) of the Corporate Governance Code of Borsa Italiana and to the Corporate Governance best practices. Anticorruption monitoring. Monitoring of the update of the corporate policies.
Operational risk (Interruptions, Disruptions)			Continued control and monitoring activities and communication initiatives aimed at informing on the presence of the infrastructures and on the behaviours to be avoided/to be implemented by third parties so as not to damage them.
Cybersecurity Risk			Action aimed at collecting, analysing and monitoring 24h/24 all the monitoring sources in a single command and control centre. Regular Risk assessment for the analysis of the Cyber Risk.

Sustainability

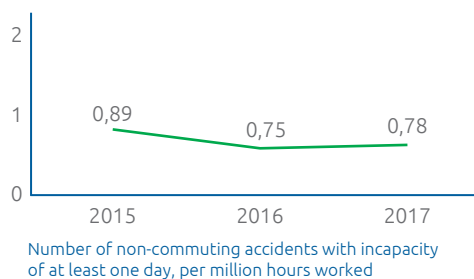
Materiality matrix



Methane emissions/Length of network

NO_x Emission/Energy consumption

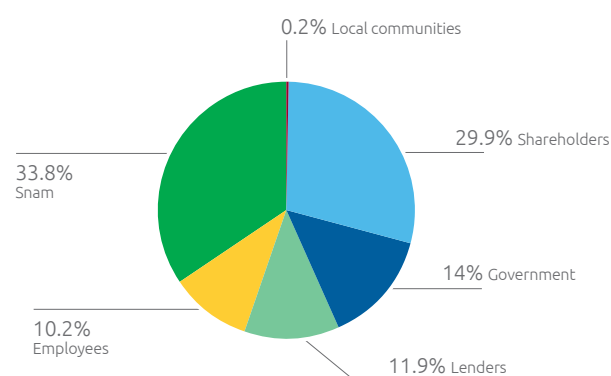
Employee and Contractor accidents at work - frequency index



Added value allocation*

(millions of euro)	2015	2016	2017
Added value generated (A)	2,429	2,518	2,447
Added value distributed (B)	1,831	1,913	1,621
Employees	238	260	249
Local community	2	2	5
Donations and sponsorships	1	1	
Environmental compensations pursuant to the legislation	1	1	5
Lenders (Bondholders and banks)	347	610	292
Shareholders	875	718	732
Public Administration	369	323	343
Direct taxes	357	308	329
Indirect taxes	12	15	14
Added value retained by the Company (A) - (B)	598	605	828

DISTRIBUTION OF VALUE ADDED* (%)



* The Added Value is the economic measure of the wealth generated by the business (the difference between proceeds and production costs), based on the figures excerpted from the Income Statement and allocated to the stakeholders according to the nature of the cost items referring to them. The residual value after the allocation to the main reference stakeholders is represented by retained earnings and is reinvested in the business.



Section I Snam introduces itself

- 18 1. Mission and international growth
- 19 2. The stages of a long journey
- 21 3. The presence of Snam in Italy and in Europe
- 23 4. Governance and sustainable development of the business
- 23 5. Snam's corporate governance
- 25 6. Code of Ethics

1. Mission and international growth

Snam is a leading company in Europe in the implementation and integrated management of natural gas infrastructure. It promotes the conditions for an equitable energy cost by an efficient management of the gas system, the development of infrastructure and the offer of integrated services for the market. It promotes the integration of European networks, including through strategic partnerships with the most prominent industry operators across the main continental energy corridors.

Snam follows an ethical and socially responsible model, which is able to generate value for the business and for the community in which it is active through recognised professionalism and a transparent dialogue with all the stakeholders, respecting the environment and the territory. It has a development strategy that is clear and sustainable over time and is based on one of the most significant investment plans on the Italian industrial scene. This allows the Company to attract Italian and foreign capital, encouraging growth and employment.

Snam is active in the transport, storage and regasification of natural gas. It manages a national transport network that is longer than 32,500 kilometres, 9 storage sites and 1 regasification plant.

Snam owns the main gas infrastructure on the national territory and is a very prominent operator in Europe in terms of capital invested for regulatory purposes (approximately EUR 20 billion of RAB estimated at the end of the year 2017)⁵.

The Company actively promotes the use of natural gas as a source of energy that is flexible and safe and has a low environmental impact. In the years to come Snam intends to start a number of projects aimed at promoting the use of compressed natural gas – CNG, of biomethane and liquefied natural gas (LNG) in the transport sector.

Snam has as its main purpose the creation of value capable of meeting the stakeholders' expectations - as also specified in the Company's Articles of Association, in the Code of Ethics, and in the Sustainability Report⁶ of the Company. This purpose is achieved by offering services to customers with the greatest safety and reliability and by encouraging the development of infrastructure, of new and more efficient technologies, and the flexibility of the gas system, to support competitive growth and the safety of the supply system. Snam pursues an economic and business model that is sustainable over time and includes in its business activities the respect for people in the belief that people's skills and their constant enhancement are a true investment to which to commit - for the stakeholders, the environment and the community as a whole.

Over the past few years Snam has increasingly focused its attention on the international scene. Indeed, Snam, through companies in which it holds an interest in Austria (TAG and GCA), France (TIGF), and the United Kingdom (Interconnector UK), manages a 40,000-kilometre network and approximately 19 billion cube metres of storage capacity through 11 sites. The Company is also a shareholder in the TAP project.

5 Source: Annual financial report for 2017.

6 For further information please refer to Section I, Paragraph 4, of the Report

2. The stages of a long journey

1941

Birth of Snam, an integrated operator in the supply, transport and sale of gas

1941-1999

Over the next 60 years Snam played the main role in the process of methanization of Italy. It built a capillary National Network, covering the whole Italian territory, while building pipelines for import from abroad allowing for a wide diversification of supply sources with gas coming from Russia, the Netherlands, Algeria, the North Sea, and Libya. In 1971 Snam built, in Panigaglia (La Spezia), the first LNG terminal in Italy

2000

In 2000, following the Letta Decree 164/2000⁷ promoting the liberalisation of the gas market, Snam Rete Gas was established. The activities of transport, despatch and regasification of LNG, regulated by the Authority, were contributed to this new entity

2001-2011

On 6 December 2001 Snam Rete Gas started its journey as a listed company; over the years it has built a successful story as a share and brand operating in the regulated transport activities.

In 2009 the scope of its operations extended: after the acquisition from eni of 100% of Stogit and of Italgas, the Company became an integrated operator of regulated activities, taking on a key position on the European scene

⁷ Legislative Decree no. 164 of 23 May 2000 ("Implementation of Directive 98/30/EC containing common rules for the internal market of natural gas, pursuant to article 41 of Law no. 144 of 17 May 1999").

2012

At the start of 2012 Snam Rete Gas modified its corporate structure and took on the name “Snam”. The gas transport business was contributed to a wholly-owned company named Snam Rete Gas. In the subsequent October its shareholding structure changed considerably too: after the acquisition from eni of 30% of the share capital of Snam, CDP became the new reference shareholder

2016

Unbundling of the activities relating to gas distribution in Italy – the area in which Italgas and its Subsidiaries and Affiliates are active – those relating to transport and despatch, LNG and storage in Italy and abroad.

Technically, it is a partial and proportional demerger of Snam, whereby a proportion equal to 86.5% of the shareholding held by Snam in Italgas S.p.A. was transferred, pro quota, to Snam’s current shareholders

Snam today

Over the past few years Snam has taken on a new profile, which classifies it as a true European operator, having gradually extended its activities at international level. Today the cooperation with Fluxys for the reverse flow and the acquisitions of shareholdings in TIGF, TAG UK, GCA and TAP have made it a group with a strategic presence along the North-South and East-West energy corridors actually capable of promoting the greater interconnection of infrastructures that is necessary to support the development of the patterns of gas imports

In 2017 Snam celebrated its first 75 years of activity, proving that the ability to put its commitment and skills to the service of the community and to keep a constant dialogue with the territories are and will be the key to its success. The acquisition from Edison of 100% of the share capital of Infrastrutture Trasporto Gas allowed Snam to strengthen its infrastructure in Italy and to develop further synergies in the integrated management of the whole gas system, connecting with the national transport network a strategic entry point for the Italian natural gas market

Concerning Snam’s commitment to sustainable development, in December 2017 Snam entered into the first executive contract for the development of methane supply stations in Italy starting the activities of Snam 4 Mobility S.p.A. (wholly owned by Snam)

3. The presence of Snam in Italy and in Europe

Snam's presence in Europe



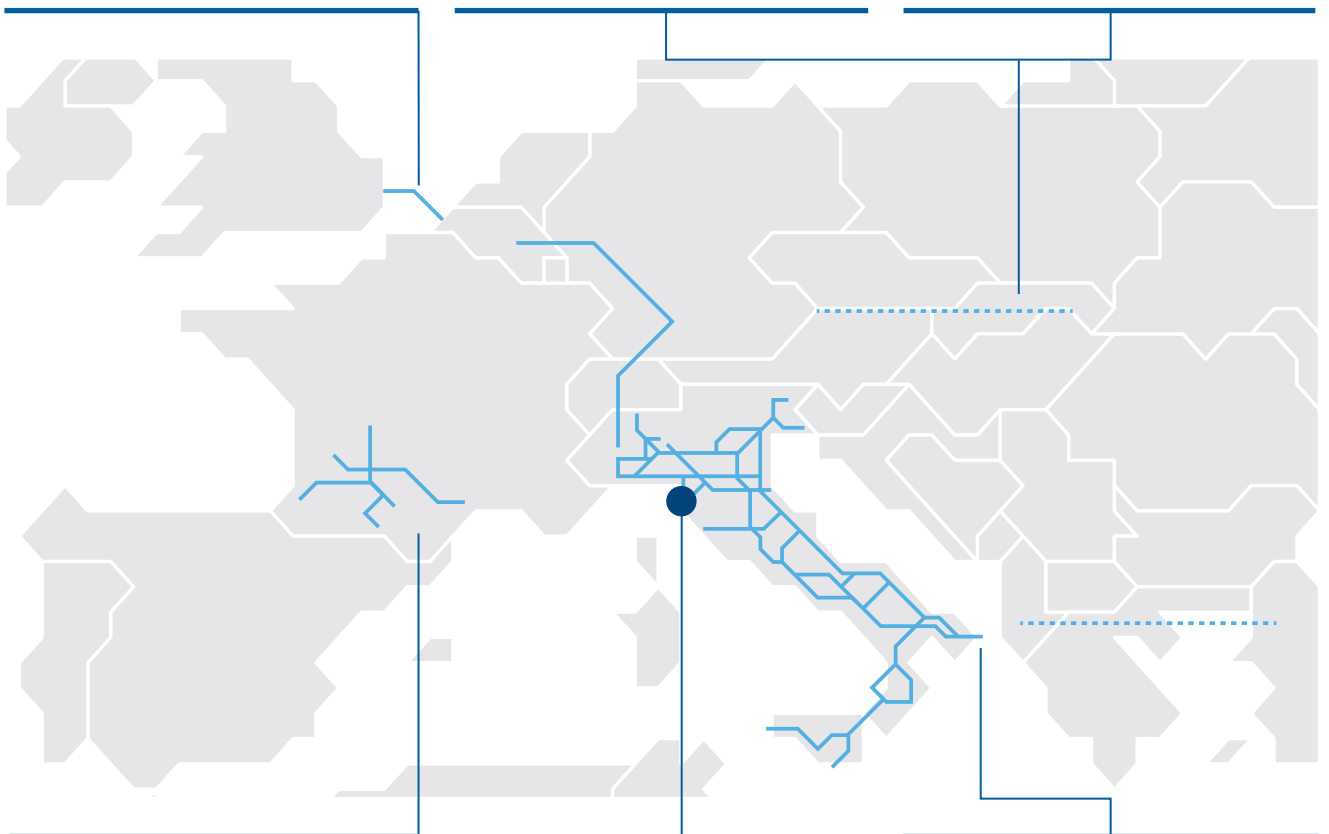
- 235 km undersea pipeline between Bacton (UK) and Zeebrugge (Belgium)
- 1 terminal and 1 compression station at Bacton
- 1 terminal and 1 compression station at Zeebrugge
- Employees in service: 62



- 3 parallel lines of pipelines of around 380 km each
- 5 compression stations
- Employees in service: 164



- 564 km of transportation network
- 322 km of distribution network
- 5 compression stations
- Employees in service: 278



- 5,090 km of network with 6 compression stations (108 MW), around 15% of the total volume of transported gas in France
- 5.8 billion m³ of storage capacity (2.8 bcm of working gas), or around 25% of national capacity
- Employees in service: 589



- Assets under development, part of the project to bring Azerbaijani gas to Europe. 878 km long, it passes through Greece, Albania and the Adriatic Sea, before reaching Italy (773 km on-shore and 105 km off-shore). Initial capacity of 10 billion m³/year, which can be increased to 20 billion m³/year. Expected to come into service in 2020.
- Employees in service: 173

Snam's presence in Italy



SNAM RETE GAS AND GAST TRANSPORTATION INFRASTRUCTURE

— National Transportation Network
32,508 km of gas pipelines network

● Compression stations
922.2 MW - installed power in the compression stations

▲ Entry points

▲ Entry points/Reverse Flow

8 network entry points for gas coming from abroad, located at connection points with the import pipelines (five entry points) and the LNG regasification terminals (three entry points)



GNL ITALIA

● Regasification terminal
17,500 m³ of LGN - maximum daily regasification capacity of the Panigaglia terminal



STOGIT

● Storage fields
16.7 billion m³ of total storage capacity (including strategic storage)
9 operational concessions

4. Governance and sustainable development of the business


Corporate governance is instrumental in the creation of value for the shareholders and in balancing the interests of the Company's stakeholders. The structure of the functions of strategic direction and of coordination of the business and of the management control system contribute to determining the conditions for a correct and adequate interaction between the business and its reference context, ensuring the protection of the matters of mutual interest and compliance with the rules. Snam promotes a constructive dialogue with its stakeholders with the ultimate aim of acting towards the creation of shared value.

Business management processes are based on the principles set forth in the UN Universal Declaration of Human Rights, in the ILO fundamental Conventions and in the OECD Guidelines for Multinationals. Furthermore, Snam participates in the Global Impact of the United Nations, the most important international initiative in the field of sustainable development, aimed at promoting and spreading the ten global ethical principles concerning human rights, environmental protection, workers' rights, and fight against corruption. Finally, the commitment towards sustainable development also translates into the protection of the environment as an integral part of the definition of corporate policies. Indeed, Snam intends to promote the co-existence of the environment and of economic development, while not neglecting the protection of land.

The Snam share is listed on the FTSE MIB of Borsa Italiana and is present on the main international indices (STOXX Europe 600, STOXX Europe Utilities) and on the main sustainability indices (Dow Jones Sustainability, FTSE4Good, CDP, Stoxx Global ESG Leaders, MSCI, United Nations Global Compact 100 and Vigeo and Ethibel).

To represent the value created and the sustainability of the business in a transparent way, since 2015 Snam has prepared in the Management Report - included in the annual Financial Report - an integrated accounting of financial and non-financial data and information, according to the guidelines of the framework suggested by the International Integrated Reporting Council ("IIRC").

As of 2017 the Management Report has contained information referred to in the Non-Financial Disclosure that Snam drew up as a separate section, in compliance with Legislative Decree 254/2016. The Non-Financial Disclosure includes,

where appropriate and necessary, also information contained in this Report, which can be identified and consulted by following the specific references: infographic 

The Financial Report is available on the Company's Website: http://www.snam.it/export/sites/snam-rp/repository/ENG_file/investor_relations/reports/annual_reports/2017/SNAM_2017_Annual_Report.pdf

As far as reporting is concerned, Snam continues to publish the Sustainability Report, drawn up according to the GRI (Global Reporting Initiative) standards, as it is deemed to be an important tool for the management of the process of sustainability and communication towards the stakeholders. The Sustainability Report is approved by Snam's Board of Directors⁸.

The Sustainability Report is available on the Company's Website: www.snam.it/repository/ENG_file/investor_relations/reports/annual_reports/2017/2017_sustainability_report.pdf

5. Snam's corporate governance

The **corporate governance** of a business consists of the rules and methods for the planning, management and control required for the functioning of the company.

The corporate governance system of Snam was outlined by the Board of Directors in compliance with the legislation applicable to the Company⁹.

This system is based on key principles, such as a fair and transparent management choice of the business, ensured through (i) the definition of information flows between the corporate bodies; (ii) an efficient definition of the internal control and risk management system, and (iii) the adoption of an Enterprise Risk Management system (the "**ERM System**") composed of organisational rules and structures aimed at identifying, measuring, managing and monitoring the main risks that may affect the achievement of the strategic targets.

⁸ For further information please refer to Section III of this Report.

⁹ Specifically, the legislation to which the Company is subject (i) as a listed issuer; (ii) as it accepted the Corporate Governance Code; and (iii) as it accepted the national and international best practices which the Company has to face. The corporate governance system also pays special attention to the compliance with the Unbundling Legislation, taking into account the specific features of the activities carried out by Snam and by its Subsidiaries, subject to the regulation of the ARERA.

The **Company's Articles of Association** set forth the governance model of the Company and the main rules of functioning of corporate bodies.

Snam's current corporate governance model is in compliance with the traditional management and control system. It is composed of two bodies appointed by the Shareholders' Meeting¹⁰, i.e. the decision-making body of the shareholders, the Board of Directors having the broadest powers for the ordinary and extraordinary management of the Company and the Board of Statutory Auditors, which supervises the administration and the compliance with the law and with the Articles of Association¹¹.

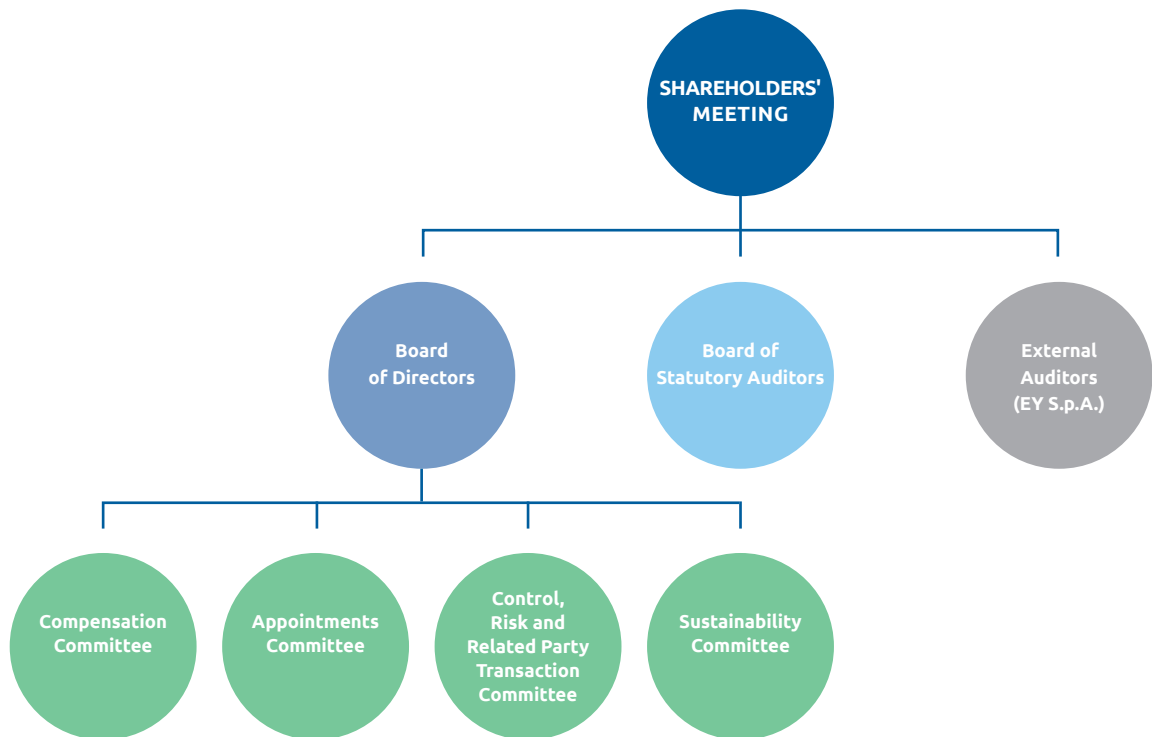
The audit of the accounts is carried out by an auditing firm appointed by the Shareholders' Meeting upon the proposal of the Board of Statutory Auditors, i.e. EY S.p.A.

The Board of Directors established the following four committees, in compliance with the Corporate Governance Code and with the Articles of Association¹²:

- Control and Risk and Related-Party Transaction Committee;
- Remuneration Committee;
- Appointments Committee;
- Sustainability Committee.

The Company's Articles of Association are available on the Company's Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Bylaws/Snamxs_By_Law_-_Novembre_2016_-_Clean.pdf

Below is a chart illustrating the corporate governance structure of the Company as at the date of this Report:



10 For further information please refer to Section III, Paragraph 1, of the Report.
 11 For further information please refer to Section III, Paragraph 4, of the Report.

12 For further information on the Board of Directors please refer to Section III, Paragraph 2; for further information on the Committees please refer to Section III, Paragraph 3, of this Report.

6. Code of Ethics

The Code of Ethics sets forth a shared system of values, expresses Snam's culture of business ethics and inspires the strategic thinking and the performance of business activities¹³. Specifically, the Code of Ethics:

- i. expresses the values in which Snam identifies, such as compliance with the law, transparency, honesty, fairness, good faith and full compliance with the rules on the protection of competition;
- ii. contains the behavioural rules for stakeholder relations (employees, customers, shareholders, commercial and financial partners, and the community where the Company is present with its activities);
- iii. prohibits, without exception, any form of corruption, illegal favours, collusive behaviours, solicitation, direct and/or through third parties, of personal and career benefits for oneself or for third parties.

The Code of Ethics represents, among other things, a mandatory general principle of the 231 Model. The Board of Directors assigned to the Supervisory Body¹⁴ the role of Guarantor of the Code of Ethics, to whom the following may be submitted:

- requests for clarification and interpretation of the principles contained in the Code of Ethics;
- suggestions concerning the application of the Code of Ethics;
- reporting of breaches of the Code of Ethics.

The Code of Ethics is available on the Company's Website: http://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Code_Ethics/Code_of_Ethics_Snam.pdf

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

¹⁴ The Supervisory Body was established pursuant to Legislative Decree 231/2001.



Section II Snam's ownership structure

- 
- 28 1. Share capital structure, variation of the corporate structure and market capitalisation
 - 28 2. Allocation of shareholders according to geographical areas
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 - 33 10. Powers of attorney to increase the share capital and authorisations to purchase treasury shares
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1. Share capital structure, variation of the corporate structure and market capitalisation

The share capital, fully subscribed and paid up, is EUR 2,735,670,475.56, composed of no. 3,500,638,294 registered ordinary shares, without any indication of their nominal value.

Category of shares	No. of shares	% of share capital	Listing market	Rights and obligations
Ordinary shares with no indication of nominal value	3,500,638,294	100	Screen-based equity market (Mercato Telematico Azionario) organised and managed by Borsa Italiana	The shares are not divisible, and each share carries one voting right. The holders of shares may exercise the corporate and property rights to the extent of the limits set forth by the legislation in force and by the Company's Articles of Association

The treasury shares in the portfolio as at 31 December 2017 were 85,915,616, equal to 2.45% of the share capital; the floating capital was equal to 66.9%.

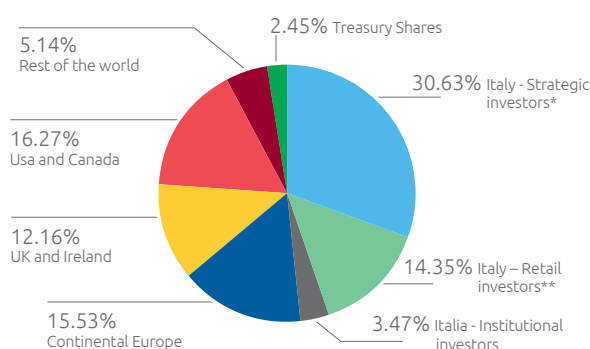
The market capitalisation of the Company passed from EUR 13,612 million as at 31 December 2016 to EUR 13,953 million as at 31 December 2017 (official price EUR 4.086 for no. 3,414,722,678 outstanding shares).

2. Allocation of shareholders according to geographical areas

The table below shows the allocation of shareholders according to geographical areas.¹⁵

Shareholders' Areas	Proportion of share capital (%)
Italy	50.9
Continental Europe	15.5
USA and Canada	16.3
UK and Ireland	12.2
Rest of the world	5.1
Total	100.00

TYPES OF INVESTORS



* The Italian strategic shareholders include Banca d'Italia, CDP Reti and CDP Gas.

** The Italian retail investors include the equity investment of Romano Minozzi (5.75%).

¹⁵ The table was prepared based on the information available to the Company as at the date of approval of the Report.

3. Significant shareholdings

The table below shows the shareholders holding shareholdings in excess of 3% in Snam’s share capital.¹⁶

Declarant	Direct Shareholder	Proportion of ordinary share capital (%)
CDP S.p.A.	CDP RETI S.p.A. ⁽¹⁾	30.10
		Total: 30.1
MINOZZI ROMANO	Minozzi Romano	2.88
	Iris Ceramica Group S.p.A.	2.16
	GranitiFiandre S.p.A.	0.45
	Finanziaria Ceramica Castellarano S.p.A.	0.26
		Total: 5.75
BLACKROCK INC.		4.878
		Total:
SNAM S.p.A.	SNAM S.p.A.	3.37

⁽¹⁾ A company the share capital of which is held to the extent of 59.1% by CDP S.p.A., to the extent of 35% by State Grid Europe Limited and to the extent of 5.9% by Italian institutional investors.

4. Restrictions on the transfer of shares and on the voting right

The Articles of Association do not provide for any restrictions on the transfer of ownership of the Company’s shares. However, the provisions of law described below do provide for a number of restrictions on the transfer and ownership of Snam’s shares:

4.1 Unbundling Legislation

Prime Ministerial Decree dated 25 May 2012 (the “**PMD**”) sets forth “*Criteria, conditions and procedures with which the company Snam S.p.A. complies to adopt the ownership unbundling model of management of the national gas transport and ensure the full neutrality of the company Snam S.p.A. vis-à-vis vertically integrated companies for the production and supply of natural gas and electricity.*”

Pursuant to the ownership unbundling system, on 15 October 2012, CDP RETI S.p.A. (at the time wholly owned by CDP S.p.A.) purchased from eni S.p.A. 30% minus one share of Snam’s share capital. eni S.p.A. subsequently reduced its shareholding and today it no longer owns any shareholding in the Company’s capital.

¹⁶ The table was prepared based on the information available to the Company as at the date of approval of the Report.

To ensure the full neutrality of Snam, the PMD¹⁷ further provided that:

- (i) even if Snam was included in the separate management of CDP S.p.A., all the decisions concerning the management of Snam's shareholdings would be adopted by the Board of Directors of CDP S.p.A., as if the shareholding was included in the ordinary management - thus excluding the power of guidance of the Ministry of Economy and Finance and without any influence over such decisions by the members supplementing the Board of Directors of CDP S.p.A. for the administration of the separate management;
- (ii) the members of the management and control bodies and the managers of eni S.p.A. and its subsidiaries may not be part of the corporate bodies or carry out any managerial functions in CDP S.p.A. or in Snam and their subsidiaries, or have any direct or indirect professional or financial relationship with such companies and vice versa.

The voting rights attributed to the shares acquired (including through acts, transactions or agreements in whatever form they were executed) and to any shares already owned, whether directly or indirectly, by gas and/or electricity producers or suppliers or by their parent companies, or by companies controlled by them or associated with them pursuant to the Italian Civil Code, or any appointment powers pertaining to them, shall be limited pursuant to the provisions of the applicable legislation¹⁸, which regulates the ownership unbundling model. This article provides that the same person (whether an individual or a legal person) may not:

- (i) exercise its control, whether directly or indirectly, over a business producing or supplying natural gas or electricity while at the same time exercising its control or rights, whether directly or indirectly, over the operator of a natural gas or electricity transport system or over a natural gas transport system or electricity transmission system;
- (ii) appoint any members of the supervisory board, of the board of directors, or of the bodies legally representing the business within an operator of transport systems or a transport system, while at the same time exercising, whether directly or indirectly, its control or rights over the natural gas production or supply activities¹⁹.

Pursuant to the above-mentioned rule the shareholders carrying out activities relating to the production and sale of gas and/or electricity may not exercise their voting rights at the Shareholders' Meetings of the Company; therefore, they only have the property rights attaching to the Snam shares they own.

As a result of the new legislation and of the consequent loss of control over Snam by eni S.p.A., on 14 November 2013 the ARERA adopted Resolution 515/2013/R/gas concerning the decision of final certification of Snam Rete Gas as the operator of the natural gas transport system under the ownership unbundling regime. The continued fulfilment of the ownership unbundling requirements provided for by the legislation in force was subsequently confirmed by the ARERA by Resolution 318/2016/R/GAS of 16 June 2016, which was adopted following the transfer of shareholdings of CDP RETI S.p.A. by CDP S.p.A. to the company State Grid Europe Limited.

5. Shares carrying special rights

The Articles of Association of the Company do not provide for the issue of multiple-voting or loyalty shares. The Company did not issue any shares carrying special rights.

6. Special powers of the Government

Law Decree no. 21 of 15 March 2012²⁰ regulates "special powers" by restating the terms and conditions for the exercise of special powers by the Government concerning core assets in the energy, transport and communications sectors so as to adjust national legislation to the provisions of the Treaty on the Functioning of the European Union. Such legislation grants powers of intervention to the Government to protect legitimate, strategic and essential interests of the Country.

¹⁷ In this respect please refer to article 2 of the PMD.

¹⁸ In this respect please refer to article 19 of Legislative Decree no. 93 of 1 June 2011, "Implementation of Directives 2009/72/EC, 2009/73/EC and 2008/92/EC relating to common rules for the internal market in electricity, natural gas, and an EC procedure on the transparency of prices for the industrial end consumer of gas and electricity, and the repeal of Directives 2003/54/EC and 2003/55/EC".

¹⁹ These rights include, in particular, the power to exercise voting rights, to appoint members of the supervisory board, of the board of directors or of the bodies legally representing the company.

²⁰ Law Decree no. 21 of 15 March 2012 was converted by Law no. 56 of 11 May 2012, and set forth rules concerning special powers over corporate assets in the defence and national security sectors, and also for core assets in the energy, transport and communications sectors.

Concerning the energy sector the Decree grants the Government: (i) the vetoing power in relation to resolutions, acts or transactions adopted by the companies holding core assets in the energy sectors, provided that such resolutions, acts or transactions determine the loss of control or of the availability of such assets or the change in their destination; (ii) the power to impose obligations or the power to oppose the acquisition of controlling shareholdings in the above-mentioned companies by non-EU persons.

As far as Snam is concerned, the following duties of notification are provided for:

- (i) in the event of changes to the ownership, control, availability or destination of the networks, plants, assets and relationships of strategic relevance for national interest (the “**Core Assets**”)²¹ it is necessary to notify in the same terms the resolutions of the meeting or of the management bodies concerning the transfer of Subsidiaries owning such Core Assets. If the President of the Council of Ministers does not notify the veto, if any, or does not impose any provisions or conditions aimed at protecting public interests within 15 days following the notice²², then the transaction may be carried out;
- (ii) where the purchase of shareholdings in a company holding Core Assets by non-EU persons is such as to determine the permanent establishment of the purchaser because of the acquisition of control of the company;
- (iii) where the purchase of shareholdings in a company holding Core Assets by non-EU persons is such as to determine a danger to security or public policy.²³

If the purchase involves a threat of serious injury to the core interests of the Government or a danger to security or public policy, the President of the Council of Ministers may:

- (i) make the effectiveness of the purchase subject to the assumption by the purchaser of undertakings aiming at ensuring the protection of such interests;
- (ii) object to the purchase, in exceptional cases where the protection of such interests is at risk, where the risk cannot be removed by the assumption of specific undertakings.

The law also provides that such powers may be exercised “*solely according to objective and non-discriminatory criteria*”.

7. Mechanism of exercise of voting rights in a possible employee share ownership scheme

No employee share ownership scheme is provided for.

²¹ Article 2 of Law Decree 21/2012 provides that the identification of the assets deemed to be relevant assets to national interest in the energy, transport and communications sectors shall take place by one or more regulations adopted by a Presidential Decree. On 6 June 2014 two decrees were published in the Italian Official Journal, which implemented article 2, paragraph 9, of Law Decree 21/2012, approved by the Council of Ministers on 14 March 2014, which identify the following: (i) the core assets in the energy, transport and communications sectors (Presidential Decree no. 85 of 25 March 2014) and (ii) the procedures for the activation of special powers in the energy, transport and communications sectors (Presidential Decree no. 86 of 25 March 2014). Finally, on 2 October 2014 the text of the PMD of 6 August 2014 was published, which contains the “*regulation of the coordination activities of the Presidency of the Council of Ministers preliminary to the exercise of the special powers over the ownership structures in the defence and national security sectors, and over the core assets in the energy, transport and telecommunications sectors*”. Specifically, Core Assets include the national natural gas transport network, the relevant compressor stations, the despatch centres, the gas storage plants, the onshore and offshore LNG regasification plants, and the management activities connected with the use of the above-mentioned networks and infrastructures.

²² The notice is given by the company to the Presidency of the Council of Ministers within 10 days of the adoption of the resolution, act or transaction affecting the Core Assets, and in any case before their implementation.

²³ Article 14 of Law Decree no. 148/2017, converted by Law no. 172 of 4 December 2017, partly amended the regulation of article 2 of Law Decree no. 21/2012. For this purpose it is provided that “*to determine whether a foreign investment may affect security or public policy the circumstance may be considered that the foreign investor is controlled by the Government of a non-EU third-party country, including through significant financing*”.

8. Shareholders' agreements

The main direct shareholder of Snam is CDP RETI S.p.A., the main shareholders of which are CDP S.p.A. (59.1%) and State Grid Europe Limited ("**SGEL**") (35%), a company wholly owned by State Grid International Development Limited. CDP S.p.A., SGEL and State Grid International Development Limited are parties to a shareholders' agreement executed 27 November 2014 (the "**Shareholders' Agreement**").

The Shareholders' Agreement was amended on 7 November 2016, following the perfection of the Demerger, so as (i) to reflect the new corporate structure of the group of CDP RETI S.p.A.; (ii) to extend the provisions of the Shareholders' Agreement to the new subsidiary Italgas; and (iii) to coordinate the contents of the Shareholders' Agreement and the provisions of the shareholders' agreement executed on 20 October 2016 by CDP RETI S.p.A., CDP Gas S.r.l. and Snam and concerning all the shares held by CDP RETI S.p.A., CDP Gas S.r.l. and Snam in Italgas²⁴. The Shareholders' Agreement was last updated on 23 May 2017 to acknowledge the transfer by CDP S.p.A. in favour of CDP RETI S.p.A. of the whole shareholdings held by CDP S.p.A. in Italgas S.p.A. and in Snam S.p.A.. Specifically, on 1 May 2017 the merger by incorporation of CDP GAS S.r.l. into CDP S.p.A. became effective and, therefore, on such date CDP S.p.A. took over the ownership of the Snam and Italgas shares owned by CDP GAS. Having said this, on 19 May 2017 CDP S.p.A. transferred to CDP RETI the whole shareholding in Italgas and the whole shareholding in Snam.

The Shareholders' Agreement – having a term of three years from the execution date and being automatically renewed for further three-year periods subject to withdrawal by any of the parties – regulates, among other things, a number of aspects relating to the corporate governance of Snam. Specifically:

- for as long as SGEL holds a shareholding at least equal to 20% of the capital of CDP RETI S.p.A., SGEL shall be entitled to designate a candidate to include in the list of candidates to the office of director of Snam, which shall be submitted by CDP RETI S.p.A. at the Shareholders' Meeting called for the appointment of the members of the Board of Directors;
- the candidate designated by SGEL shall be included in the list submitted by CDP RETI S.p.A. in a position such as to ensure its appointment as a director of Snam should the list of CDP RETI S.p.A. obtain the majority of votes at the Shareholders' Meeting;
- SGEL has undertaken to ensure that the Director designated by it at the meeting of the Snam's Board of Directors (if and to the extent that such director is not independent pursuant to article 148 of the Unified Financial Act) shall abstain, to the largest extent permitted by the law, from receiving information and/or documentation from Snam in relation to matters in respect of which it has a conflict of interests on behalf of SGEL and/or of any of its affiliates, in relation to business opportunities in which Snam, on the one hand, and SGEL and/or one of its affiliates, on the other hand, have an interest and there may be competition. Furthermore, such Director shall not be allowed to participate in the discussions of Snam's Board of Directors concerning such matters.

²⁴ The shareholders' agreement concerning the shareholdings held in Italgas by CDP RETI S.p.A., CDP Gas S.r.l. and Snam came into effect on 7 November 2016 and regulates, among other things, the exercise of the voting rights related to the syndicated shares, the establishment of a "Consultation Committee" to which the decisions are referred on the exercise of the voting rights related to the syndicated shares at the meeting of Italgas, the obligations and procedure for the formation and submission, through such Consultation Committee, of a joint list for the appointment of the members of the board of directors of Italgas, and a number of restrictions on the sale and purchase of Italgas shares.

With specific reference to the Consultation Committee, the Italgas shareholders' agreement provides that: (a) such committee shall be composed of 5 members, 4 of whom appointed by CDP RETI S.p.A. (namely 3 members, including the chairman of the committee, representing CDP S.p.A., and 1 member representing SGEL) and 1 member appointed by Snam. The voting rights attaching to the shares covered by the shareholders' agreement shall be exercised in compliance with the resolutions adopted by the Consultation Committee; as a result, the parties undertook to grant the chairman of the Committee a general power of attorney to vote for the syndicated shares at the relevant Italgas shareholders' meetings, in line with the resolutions adopted by the Consultation Committee.

The shareholders' agreement – which contains relevant provisions pursuant to article 122, paragraphs 1 and 5, letters (a) and (b), of the Unified Financial Act - was specifically published pursuant to the relevant legislation.

The key information on the Shareholders' Agreement are 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 tender offers

Snam and its Subsidiaries executed a number of loan agreements concerning the change of control of the Company.

Specifically, these are bank loan agreements providing for the right for the counterparty to terminate the agreement early either in the event of acquisition of control of Snam by one or more persons in agreement with one another, other than CDP S.p.A., or where this also involves a downgrade of Snam below certain thresholds.²⁵

The Company’s Articles of Association do not provide for any derogations from the provisions on the passivity rule referred to in article 104, paragraphs 1 and 2, of the Unified Financial Act.

Article 104, paragraph 1, of the Unified Financial Act:

“Unless approved by the ordinary or extraordinary shareholders’ meeting, depending on the attributed level of decision-making powers, Italian listed companies whose securities are involved in the offering shall abstain from actions or transactions that could counteract the achievement of the aims of the offering [...] Mere research into other offerings shall not constitute an act or transaction in conflict with the aims of the offering.”

The Articles of Association do not even contemplate the application of the neutralisation rules contained in article 104-bis, paragraphs 2 and 3, of the Unified Financial Act.

Article 104-bis paragraph 2, of the Unified Financial Act:

“In the takeover bid period limitations on the transfer of securities as envisaged in the articles of association shall have no effect on the bidder. Likewise, limitations on voting rights envisaged in the articles of association or shareholders’ agreement in cases where a shareholders’ meeting is called to resolve upon the actions and transactions pursuant to article 104 shall have no effect on the bidder [...]”.

²⁵ Further information on loan agreements is contained in the annual financial report for 2017, Note no. 24 “Guarantees, undertakings and risks – Management of financial risks” of the Notes to the Consolidated Financial Statements.

10. Powers of attorney to increase the share capital and authorisations to purchase treasury shares

The Board of Directors of the Company does not have any powers of attorney to increase the company’s share capital²⁶. The Company’s Articles of Association provide that the Company may issue shares, including special categories of shares, to be allocated free of charge²⁷.

On 11 April 2017 the Company’s ordinary Shareholders’ Meeting has decided to revoke the previous resolution, adopted by the Company’s ordinary Shareholders’ Meeting on 1 August 2016, authorizing the purchase of treasury shares for the part remaining unexecuted and authorised a plan for the purchase of treasury shares in the amount of EUR 195,799,688.85, and in any case up to a number of shares not exceeding 3.5% of Snam S.p.A.’s share capital, considering the treasury shares already owned by the Company - such purchase to be carried out, in tranches or otherwise, within eighteen months of the date of effectiveness of the board resolution: (i) to promote the liquidity and management of the volatility of the Company’s share price; (ii) in the context of actions related to future industrial and financial projects consistently with the strategic lines that the Company intends to pursue, for industrial projects or other extraordinary finance transactions involving the assignment or disposal of treasury shares; (iii) for the purpose of implementing any stock option plans of the Company. The Shareholders’ Meeting has resolved to allocate up to a maximum of no. 3.500.000 treasury shares to the service of the share incentive plan 2017-2019.²⁸

11. Direction and coordination activities

There are no shareholders declaring that they exercise their control over Snam pursuant to article 2359 of the Italian Civil Code and to article 93 of the Unified Financial Act. Snam is not subject to any direction or coordination activities.

Please note that the shareholder CDP S.p.A. stated in its annual financial report for 2014 - with effect from the balance sheet ended at 31 December 2014 - the existence of *de facto* control over Snam pursuant to the International accounting

²⁶ In this respect please refer to article 2443 of the Italian Civil Code.

²⁷ In this respect please refer to article 2349 of the Italian Civil Code.

²⁸ A transaction carried out pursuant to articles 2357 and 2357-ter of the Italian Civil Code and 132 of the Unified Financial Act.

standard IFRS 10 – Consolidated Balance Sheet. Specifically, by the notice dated 30 October 2013 CDP S.p.A. officially declared the following to the ARERA:

- (i) it did not carry out any direction or coordination activities vis-à-vis Snam or Snam's Subsidiaries;
- (ii) it exercised vis-à-vis Snam only the administrative and property rights pertaining to it as a shareholder, without exercising the power to influence or limit in any way the free management choices of the management body of Snam and of Snam's Subsidiaries, including in respect of investment, business plans and business strategies;
- (iii) it did not receive any privileged or commercially sensitive information on the activity of Snam and of Snam's Subsidiaries, save the information made available to all market operators equally and without discrimination²⁹.

Snam carries out direction and coordination activities vis-à-vis its Subsidiaries.

The Regulation on the carrying-out of the direction and coordination activity sets out a uniform framework for Government ownership structures and the organisational and management rules allowing to enhance the role played by Snam as the person carrying out the direction and coordination activity in a strategic way, and at the same time duly takes into account the legal autonomy and the principles of fair corporate and business management of the Subsidiaries.

Since 2013 Snam has adopted the *“Regulation on the carrying-out of the activity of direction and coordination of Snam and of the Subsidiaries”*. The regulation was implemented by the Boards of Directors of the Subsidiaries.

This document outlines the principles of fair corporate and business management adopted by Snam in the carrying-out of the activity of direction and coordination of its own Subsidiaries, including, among other things:

- the harmonisation in the running of the respective businesses;
- the maximisation of value for shareholders;
- the attention towards qualified stakeholders;
- the monitoring of business risks;
- the transparency vis-à-vis the market and the balance of the interests of all the shareholders.

12. Further information - Reference

The information³⁰ relating to the agreements between the Company and the directors providing for an indemnity in the event of resignation or dismissal without a just cause or of termination of their employment in the event of a tender offer is contained in the specific Remuneration Report for the year 2017 published pursuant to the law.

The information concerning³¹ the rules applicable to the appointment and replacement of directors and to the amendment to the Articles of Association, if different from the legislative and regulatory rules that may also apply, is illustrated in the Report Section devoted to the Board of Directors³².

The Remuneration Report is available on the Company's Website: http://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2018/Remuneration_Report_2018.pdf

²⁹ Please refer to ARERI resolution 515/2013/R/GAS of 14 November 2013.

³⁰ In this respect please refer to the information required by article 123-bis, paragraph 1(i) of the Unified Financial Act.

³¹ In this respect please refer to the information required by article 123-bis, paragraph 1(l), of the Unified Financial Act.

³² In this respect please refer to Section III, paragraph 2, of this Report.



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Section III Snam's corporate governance system

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1. The Shareholders' Meeting and the shareholders' rights

1.1 Overview and quorums

The Shareholders' Meeting is the shareholders' decision-making body. The following solely pertains to it³³, in addition to the mandatory matters provided for by the law: the resolutions on the transfer, contribution, lease and usufruct and any other right of disposal, including in the context of a joint venture, or of the placement of restrictions on the company or on going concerns having strategic relevance, relating to the transport and despatch of gas.

The Shareholders' Meeting is the privileged institutional place where the Management of the Company and the Company's shareholders meet. The Shareholders' Meeting may be convened, with different quorums, as an ordinary or an extraordinary meeting, according to the items and matters to be approved. The Company's Articles of Association provide that the ordinary or extraordinary Shareholders' Meeting shall be held on sole call.

Ordinary Meeting (on sole call)

Quorum for due constitution	Quorum for resolutions
Not required	Majority of attendees, whether personally or by proxy ³⁴

Extraordinary Meeting (on sole call)

Quorum for due constitution	Quorum for resolutions
At least 1/5 of the capital	At least 3/4 of the capital present at the meeting

1.2 Procedural regulations for Shareholders' Meetings

Snam has had Procedural Regulations for Shareholders' Meetings since 2001.

The Procedural Regulations for Shareholders' Meetings may be viewed on the Company's Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Regulation_meetings/regolamento_assemblee.pdf

1.3 Shareholders' Meetings held during the corporate year 2017

During the corporate year 2017 the Shareholders' Meeting was convened once, on 11 April 2017, as an ordinary meeting, and:

- resolved on the approval of the financial statements as at 31 December 2016, on profit allocation, and on dividend distribution;
- authorised the purchase and disposal of treasury shares;
- approved the long-term stock option plan for 2017-2019;
- approved the remuneration policy pursuant to article 123-ter of the Unified Financial Act.

8 Directors out of 9 attended the Shareholders' Meeting. The Chairman of the Remuneration Committee introduced the contents of the Remuneration Report and, in particular, the guidelines of the remuneration policy followed by the Company. He also reported on the activities carried out during the corporate year: specifically the finalisation of a proposed remuneration for the Chief Executive Officer and, in the context of the development of the incentive system, the drawing-up of a proposal for a new long-term stock option plan.

At the Shareholders' Meeting the Board of Directors guaranteed adequate information to the shareholders by providing reports on the draft resolutions available at the Company's registered office, at Borsa Italiana and by publishing them on the Company's Website, and in the other manners provided for by the applicable legislation within the time provided for by the law. These reports were also sent to those who requested them and delivered at the entrance to the meeting room, together with the further useful documentation for adequate information. The Board of Directors also reported on the activity carried out during the corporate year and the planned activity.

³³ In this respect please refer to article 12 of the Articles of Association.

³⁴ Subject to specific matters requiring a quorum of 3/4 of the share capital.

2. Snam’s Board of Directors



2.1 Snam’s Board of Directors

(i) Overview

The Company is managed by a Board of Directors composed of at least five and no more than nine members. The number of members and their term of office are determined by the Shareholders’ Meeting upon the appointment of the members.

The Board of Directors is the central body in Snam’s corporate governance system and has the broadest powers for the ordinary and extraordinary management of the Company. It is entitled to carry out any and all such actions as it may deem to be expedient for the implementation and achievement of the corporate purpose, with the only exclusion of the actions that the law or the Articles of Association reserve for the Shareholders’ Meeting. The Board of Directors appoints the Chairman if the Shareholders’ Meeting has not already done so, grants powers attributed to it to one or more of its members, and may establish Committees.

Pursuant to article 2381 of the Italian Civil Code Snam’s Board of Directors reserved a number of powers, which add to the ones that are mandatory by law and to the ones of the Corporate Governance Code.

http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/corporate-governance-system/attributions_board_of_directors.pdf

The Shareholders’ Meeting did not authorise, generally and by way of precaution, any derogation from the no-competition clause referred to in article 2390 of the Italian Civil Code.

For a description of the provisions of the Articles of Association regulating the procedure for the appointment of the Board of Directors, the term of office, cessation and forfeiture of office of the members please refer to Schedule 4 of this Report.

(ii) Composition of Snam's Board of Directors

Appointment	27 April 2016
Term of office	Three corporate years
Expiry date	Approval of the financial statements as at 31 December 2018
Members	9
Executive members	1
Independent members	5
Committees	<ul style="list-style-type: none"> • Control and Risk and Related-Party Transaction Committee • Appointments Committee • Remuneration Committee • Sustainability Committee

In 2014 Snam was acknowledged to be the best Italian company in terms of transparency and compliance in the process of appointment of directors.³⁵ This acknowledgement is the result of the constant adjustment by Snam to the most sophisticated international governance standards and testifies to the significance of the results achieved by the Company over the past few years in its relationship with institutional investors.

Upon the renewal of the Board of Directors by the Shareholders' Meeting of 27 April 2016 the following lists of candidates were submitted:

- (i) a list composed of 6 candidates, submitted by CDP RETI S.p.A.;
- (ii) a joint list composed of 3 candidates, submitted by a number of institutional investors; and
- (iii) a list composed of 2 candidates, submitted by Inarcassa.

The share capital represented at the Shareholders' Meeting and which fully voted in relation to the appointment of the directors by the slate voting system represented 69.37% of the share capital.

The list jointly submitted by the institutional investors was the most voted one (with 34.39% of the share capital represented), whereas the list submitted by CDP RETI S.p.A. was voted by 33.85% of the share capital represented, and the list submitted by Inarcassa obtained 0.55% of the votes.

Therefore, based on the provisions of the Articles of Association relating to the slate voting mechanism, the 3 directors selected from the majority list submitted by the institutional investors were appointed, as were the first 3 candidates selected from the list submitted by CDP RETI S.p.A. No director was selected from the list submitted by Inarcassa.

To supplement the slate voting, the 3 remaining directors were appointed by a majority vote upon the proposal of the shareholder CDP RETI S.p.A. The shares represented at the meeting and voted upon represented 31.99% of the share capital and the favourable votes were 30.82%.

³⁵ This is the result of a study carried out by the United Nations through the Principles for Responsible Investment Initiative (PRI), a network including the institutional investors paying the most attention to the principles of sustainability and of corporate responsibility in their investment choices.

The table below shows the main data on the composition of the current Board of Directors of the Company, including the lists from which the current members of the Board were selected as well as the directors meeting the independence requirements pursuant to the Unified Financial Act and to the Corporate Governance Code³⁶.

Director	Office and qualification	List submitted in which they were included	CRRPTC	AC	RC	SC
Carlo Malacarne	Non-executive Director and Chairman	List of CDP RETI S.p.A.				
Marco Alverà	Chief Executive Officer	List of CDP RETI S.p.A.				
Sabrina Bruno	Non-executive Director ⁽¹⁾	List jointly submitted by minority shareholders	✓			✓
Monica de Virgiliis	Non-executive Director ⁽¹⁾⁽²⁾	List of CDP RETI S.p.A.		✓	✓	
Francesco Gori	Non-executive Director ⁽¹⁾	List jointly submitted by minority shareholders		✓		
Yunpeng He	Non-executive Director ⁽²⁾	List of CDP RETI S.p.A.				✓
Lucia Morselli	Non-executive Director ⁽¹⁾⁽²⁾	List of CDP RETI S.p.A.	✓			✓
Elisabetta Oliveri	Non-executive Director ⁽¹⁾	List jointly submitted by minority shareholders	✓		✓	
Alessandro Tonetti	Non-executive Director	List of CDP RETI S.p.A.		✓	✓	

⁽¹⁾ Independent director pursuant to the Unified Financial Act and to the Corporate Governance Code

⁽²⁾ Director appointed according to the quorums provided for by the law upon the proposal made by CDP RETI S.p.A.

- CRRPTC: Control and Risk and Related-Party Transaction Committee
- AC: Appointments Committee
- RC: Remuneration Committee
- SC: Sustainability Committee

The female gender is currently represented on the Board of Directors by four members out of nine. The presence of the female component is higher than the minimum set forth by the legislation on gender balance (one third of the total number of members)³⁷. Furthermore, three Chairmen of the Committees out of four and the whole composition of the Control and Risk and Related-Party Transaction Committee belong to the female gender.

The Board of Directors convened on 25 July 2017 appointed Rozemaria Bala Head of the Governance and Corporate Affairs function, reporting directly to the General Counsel of the Board of Directors.

The Board of Directors convened on 13 February 2018 certified:

- a) that in respect of the Directors there were no reasons for ineligibility, forfeiture of office and incompatibility, and that they met the integrity requirements provided for by the applicable legislation; and
- b) that in respect of the Corporate Accounting Documents Officer, based on the statement issued by the latter, there were no reasons for incompatibility provided for in article 16.4 of the Articles of Association, and that the latter met the honourableness requirements provided for by the applicable legislation³⁸.

36 Further information on the lists of candidates may be viewed on the Company's Website (<http://www.snam.it/it/etica-governance/assemblee-of-the-shareholders/>). For details of the date of appointment and expiry of the directors please also refer to the table of Schedule 1 of Section VI.

37 Law No. 120 of 12 July 2011 requires, for the first renewal after the coming into force of the law itself, the appointment of a Board composed of a number of directors of the less represented gender representing at least one fifth of the total number of its members. Otherwise, for the subsequent terms of office the minimum requirement provided for by article 147-ter, paragraph 1-ter of the Unified Financial Act shall apply; therefore, it is necessary to appoint a number of directors belonging to the less represented gender equal to at least one third of the total number of members.

38 Article 147-quinquies of the Unified Financial Act provides that "the Persons 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, paragraph 4, of the Unified Financial Act". These requirements were set forth by article 2 of Decree no. 162 of the Minister of Justice of 2000, "Regulation containing rules for the determination of the professionalism and integrity requirements of the members of the board of statutory auditors of listed companies to be issued according to article 148 of the Unified Financial Act".

(iii) Our directors

Below is a summary of the professional CV of each Director of the Company currently in office.³⁹

**Carlo Malacarne**

Nationality: Italian

Professional Background:
Manager

Career

He was born in Pavia in 1953.

He has been Snam's President since 27 April 2016.

Since June 2017 he has been the President of the Snam Foundation.

Before then he was the Managing Director of the Company from 2006 to 2016.

He obtained a degree in Electronic Engineering. After working for a short while with Selecontrol he started his career at Snam in the Gas transport technical service department; in 1990 he was appointed Area operations manager and ensured the building and operation of gas pipelines and promoted commercial initiatives to support the sale of methane. Later on, as the Manager of telecommunications and process systems, he contributed to the reorganisation of the telecommunication systems of eni S.p.A., managing the contribution of the Snam going concern into the Nuova Società di Telecomunicazioni, of which he was appointed Managing Director.

In March 1998 he was appointed Snam's Manager of Constructions and entrusted with the task of ensuring the realisation of the investments in Italy and abroad. In parallel, he is a member of the construction committee of TENP, the pipeline transporting gas from the North Sea to Italy, and of TAG, the pipeline transporting Russian methane to the

Peninsula through Austria, taking an active part in the implementation of two key infrastructures for gas transport along the main continental energy corridors. In July 1999 he was the Manager of the Italian Network, with a duty to oversee the management of the Italian gas transport network and the LNG terminal of Panigaglia.

In July 2001 he was appointed General Manager of Operating Activities of Snam rete Gas in contemplation of the listing on the Stock Exchange, and Chairman of the Board of Directors of GNL Italia, the company operating the LNG terminal of Panigaglia.

From December 2005 to the beginning of May 2006 he was the General Manager of Snam Rete Gas with a duty to oversee the managerial functions and also commercial activities, planning, the management of the transport network and the despatch service.

From November 2012 to April 2016 he was the President of the subsidiary Snam Rete Gas, active in the transport and despatch of natural gas.

He is a member of the general board of Confindustria and Assolombarda, and of numerous technical bodies, including the presidential committee of the CIG (Italian Gas Committee) and the steering committee of ATIG (Italian Technical Gas Association). From 1997 to 2000 he chaired the transport commission of IGU (International Gas Union).

From November 2013 to October 2015 he was the president of Confindustria Energia. He was also the Managing Director of Mariconsult and a member of the Board of Directors of many international companies, including Transitgas, which manages the system of gas transport from the North to the South of Switzerland, and companies Sergaz and Scogat, in charge of building and operating the Tunisian part of the Transmed gas pipeline.

³⁹ For the full version of the professional CVs of each Director of the Company currently in office please refer to the following website: <http://www.snam.it/it/etica-governance/board-of-administration/>.



Marco Alverà

Nationality: Italian
Professional Background:
Manager

Career

He was born in New York in 1975.

He has been Snam’s Chief Executive Officer since 27 April 2016 and the General Manager since January 2016.

He has been the Deputy Chairman of the Snam Foundation since June 2017.

He has a twenty-year experience working with the most prominent Italian energy companies. After obtaining a Philosophy and Economics degree from the London School of Economics, he started his career at Goldman Sachs in London. From July 2017 to November 2017 he was the Managing Director of Snam Rete Gas.

In 2002 he joined Enel as the manager of the Corporate Stra-

tegy division and a member of the steering committee, significantly contributing to the development of the group’s strategy in the gas sector. In 2004 he became the Chief Financial Officer of Wind Telecom, and was in charge of the sale of the company to Orascom.

In 2005 he joined eni, where he worked for ten years occupying various management positions. His first position was the manager of Supply & Portfolio Development in the Gas & Power division, where he successfully managed the Russian-Ukrainian gas crisis in the Winter of 2006. In 2008 he moved to the Exploration and Production Division as the Executive Vice President for Russia, Northern Europe and South America. In 2010 he was appointed Chief Executive Officer of eni Trading and Shipping. In 2013 he became the manager of the Midstream business unit, which consolidates the results of the Gas & Power division and includes all the supply, logistics and trading activities relating to energy commodities. He was subsequently appointed Chief Retail Market Gas & Power Officer.

Mr Alverà is a Visiting fellow of the Oxford University. He is currently the president of GasNaturally, a non-executive director of S&P Global and a member of the General Board of the Giorgio Cini di Venezia Foundation.



Sabrina Bruno

Nationality: Italian
Professional Background:
University Professor
Board committees: Control and
Risk and Related-Party Transaction
Committee, Chairman of the
Sustainability Committee

Career

She was born in Cosenza in 1965.

Since 26 March 2013 she has been a Director at Snam.

She has been a Tenured Professor of Comparative Private Law in the Business and Legal Science Department of the University of Calabria since 2017 and a professor of Law and Economics (Business and Company Law) in the Economics and Finance Department of LUISS G. Carli of Rome since 2006.

She obtained the national authorisation to be a Tenured Professor of Commercial Law in 2016 and of Comparative Law in 2013.

She was an Associate Professor of Commercial Law (2002-2017) and a Researcher of Commercial Law (1993-2002) at the Faculty of Economics of the University of Calabria.

She is a lawyer, and has been enrolled with the Special register of the Rome Bar Association since 1991.

In 2010 she was a Fulbright Visiting Scholar at the Harvard Law School (MA, USA).

In 1995 she obtained a PhD of Comparative Private Law and of EU Law from the University of Florence.

In 1994 she obtained a 3-year Master of Letters (M.Litt.) from the Oxford University.

She was a non-executive and independent director of the Appointments Committee of Veneto Banca (2016-2017). She was a non-executive and independent director and chairman of the Control and Risk Committee of Banca Profilo S.p.A. (2012-2015). She was a standing statutory auditor of Telecom Italia S.p.A. (2012).

She has been a non-executive and independent director of Banca Apulia S.p.A. (Intesa San Paolo Group) since 2016, and a non-executive and independent director of Edizioni Master S.p.A. since 2013.

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

She is the author of two monographies and of a number of articles and essays on corporate law and corporate governance.



Monica de Virgiliis

Nationality: Italian
 Professional Background: Manager
 Board Committees: Appointments Committee, Chairman of the Remuneration Committee

Career

She was born in Turin in 1967. Since 27 April 2016 she has been a Director at Snam. She began her career in 1993 at Magneti Marelli as a Manufacturing Engineer in the Electronic Division headquartered in Pavia. In 1996 she joined the French Atomic Energy Commission (CEA) with the mission of developing cooperation agreements with Italian businesses. She joined STM in 2001 as the Business Development Manager for the Telecom Wireline Division, and in 2003 she became the Strategic Alliances Director for the group of Tecnologie Avanzate. In 2004 she became the Group Vice President of System and Business Development of the Wireless group.

In 2006 she became the General Manager of the Home Video Division and in 2007 the General Manager of the Wireless Multimedia Division, with a turnover in excess of one billion dollars, where she successfully carried out a transformation of product portfolio and business model. She played a key role in the acquisition of NXP-Wireless and in the establishment of the joint venture with Ericsson. In 2010 she left ST-Ericsson and went back to STM, contributing her business experience to Corporate programmes as the Group Vice President of Organizational Development and then of Corporate Strategy and Development. In 2015 she joined Infineon Technologies as the Vice President of Industrial Microcontrollers with its offices in Munich, where she carried out a turnaround of the product line of which she was in charge. She was a member of the Board of Directors of a number of start-up companies in the years 2010-2014. She has been on the Board of Directors of Prysmian S.p.A. since April 2015 and of the Stevanato Group since February 2016. She is currently the Chief Strategy Officer of the French CEA, where she heads, in particular, a mission focused on digital transition and energy transition.



Francesco Gori

Nationality: Italian
 Professional Background: Manager
 Board Committees: Chairman of the Appointments Committee

Career

He was born in Florence in 1952. Since 26 March 2013 he has been a Director at Snam. He obtained an Honours Degree in Economics from the University of Florence. He worked in Florence with a software company and then with a paper-making company.

In 1978 he joined Pirelli, and in 1984 he was promoted to the office of Executive. He was appointed general manager of the Tyre division in 2001, managing director of Pirelli Tyre in 2006, and, in 2009, also General Manager of Pirelli & C. From 2006 to 2011 and for two consecutive mandates he was elected chairman of ETRMA, the European tyre and rubber manufacturers' association. In 2012 he left the Pirelli group of his own accord. In 2015 he was appointed Non-executive director on the Supervisory and Managements boards of Apollo Tyres, a leading company in the industry and listed in India. In 2016 he became the chairman of Benetton Group S.r.l. and he has been its chief executive officer since 2017.



Yunpeng He

Nationality: Chinese
 Professional Background:
 Manager
 Board Committees:
 Sustainability Committee

Career

He was born in Baotou City (Inner Mongolia, China) in 1965. Since 26 January 2015 he has been a Director at Snam. He obtained a specialist degree of Electrical Systems and Automation from the University of Tianjin and a Master’s degree of technology management from the Rensselaer Polytechnic Institute (“RPI”).

He was the Vice General Manager of the European representative office of State Grid Corporation of China from January 2013 to December 2014.

He currently holds the office of Director of Administration of CDP Reti S.p.A., of Terna S.p.A. Italgas S.p.A. and of IPTO S.A. (TSO of the Greek Electricity transport network). He also held the following main offices at the State Grid Tianjin Electric Power Company: Vice Chief Technical Officer (“CTO”) from December 2008 to September 2012, Manager of the economic and legal department from June 2011 to September 2012, Director of the planning and development department from October 2005 to December 2008, and Director of the Planning and design department from January 2002 to October 2005.

He was also the Head of the Tianjin Binhai Power Company from December 2008 to March 2010 and the president of the Tianjin Electric Power Design Institute from June 2000 to January 2002.



Lucia Morselli

Nationality: Italian
 Professional Background:
 Manager
 Board Committees: Control
 and Risk and Related-Party
 Transaction Committee,
 Sustainability Committee

Career

She was born in Modena in 1956. Since 27 April 2016 she has been a Director at Snam. She obtained an honours degree of Mathematics from Università degli Studi of Pisa. In 1981 she obtained a PhD of Mathematical Physics from Università degli Studi of Rome and in 1982 a Master in Business Administration from the University of Turin. In 1998 she obtained a Master in European Public Administration from the University of Milan.

She initially held a number of offices with various companies: CFO of Olivetti S.p.A., Senior Manager of the Strategic and Manufacturing Service at the company Accenture; CFO of the Aircraft Division at Finmeccanica S.p.A.

She was the CEO of the Telepiù Group from 1995 to 1998, of News Corporate Europe and of Stream (Sky) S.p.A. from 1998 to 2003, of Tecnosistemi S.p.A. in 2004, of Mikado S.p.A. and of Compagnia Finanziaria S.p.A. in 2009, of Bioera S.p.A. from 2010 to 2011, of the Berco Group from 2013 to 2014, and of Acciai Speciali Terni from 2014 to 2016. She was also the Chairman of the Board of Directors and the Managing Director of Magiste International SA in 2006 and of Scorpio Shipping Group Ltd from 2011 to 2013.

She was also a member of the Board of Directors of NDS from 2004 to 2005 and of IPI S.p.A. from 2007 to 2008. In 2003 she founded the consultancy firm Studio di Consulenza Franco Tatò & Partner.



Elisabetta Oliveri
Nationality: Italian
Professional Background: Manager
Board Committees: Chairman of Control and Risk and Related-Party Transaction Committee, Remuneration Committee

Career

She was born in Varazze in 1963.
Since 27 April 2010 she has been a Director at Snam.

She obtained an honours degree in Electronic Engineering from the University of Genoa.
She held top positions in multinational businesses. She was first the General Manager and then the CEO of Sirti S.p.A. She was a Director of ATM – Azienda Trasporti Milanesi S.p.A. from 2011 to 2014 and of Eutelsat S.A. from 2012 to 2016.
She is currently the CEO of the Fabbri Vignola S.p.A.
She is a member of the Board of Gedi S.p.A., of Banca Farmafactoring S.p.A. and of SAGAT S.p.A.
She is the President and Founder of the “Furio Solinas Onlus” Foundation and she is a Cavaliere al merito of the Republic of Italy.



Alessandro Tonetti
Nationality: Italian
Professional Background: Academic and managerial activity
Board Committees: Appointments Committee, Remuneration Committee

Career

He was born in Ronciglione in 1977.
Since 27 April 2016 he has been a Director at Snam.
He obtained an Honours Law Degree, won two annual scholarships for further Administrative Sciences education, with special focus on Public Economic Law. He later obtained a PhD of Administrative Law and organisation and function-

ing of the public administration from Università degli Studi of Rome "La Sapienza" and the post-graduate Diploma in European Public Law from the Academy of European Public Law of the Capodistrian University of Athens, studying in depth competition and State aids. He was also authorised to practise as a lawyer.
He is the Chief Legal Officer of Cassa Depositi e Prestiti S.p.A.; the Vice head of the cabinet of the Ministry of Economy and Finance; a member of the Coordination group for the implementation of the regulation of special powers over ownership structures acting with the Presidency of the Council of Ministers. He was a director of Enav S.p.A. in the period 2014-2017 (during which the company was listed on the Stock Exchange).
He teaches the inter-university level II Master of Administrative Law at Università degli Studi of "Roma Tre".

2.2 Meetings of the Board of Directors

The Company’s Board of Directors is convened at regular intervals and is organised and acts to ensure an efficient and effective execution of its functions.

The Board of Directors approved its own Regulations aimed at regulating the procedure to call meetings, the running of the board works, and the drawing-up of minutes⁴⁰.

For a description of the procedure to call and run board meetings please refer to Schedule 4 of this Report.

During 2017:

- the Board of Directors was convened 9 times;
- meetings were attended by an average 95.1% of the directors;
- the presence of independent directors was an average of approximately 95.6%;
- the average duration of Board meetings was 154.4 minutes.

A total of nine meetings are expected to be held in 2018. As at the date of this Report two meetings of the Board of Directors were held concerning this year.

The notice of the meeting of the Board of Directors is usually sent at least five days before the day scheduled for the meeting. The complete and comprehensive documentation relating to the items on the agenda is made available to the Directors and to the standing Statutory Auditors by the Board Secretary at least five days before the date of the meeting, save in exceptional cases. This deadline has usually been abided by.

The governance of the Company provides that the members of the Board shall act and adopt resolutions with full knowledge of the facts and autonomy on the matters pertaining to them, pursuing the objective of creation of value for the Shareholders.

Upon the invitation of the Chairman and with the consent of those present, the managers of the competent corporate functions of the Company and of the Group may attend Board meetings so as to provide the necessary details relating to the items on the agenda and, therefore, encourage greater knowledge by the Directors of the structures and dynamics of the Company and of the group.

Specifically, in 2017 Board meetings were regularly attended by the following people, on the occasion of the discussion of the matters pertaining to them - respectively -, which are shown in the summary of 2017 activities below: the CFO, the General Counsel, the EVP of Human Resources & Organization, the EVP of Corporate Strategy & Investor Relations, the EVP of Institutional Relations, CSR and Communication, the Chief of the Italy Asset Business Unit, the Chief of the Commercial, Regulation and Development Business Unit, and the SVP of the Internal Audit.

Furthermore, pursuant to the Guideline *“Transactions involving the interests of the Directors and Statutory Auditors and Related-Party Transactions”* the directors have to declare their own interest or the interest of third parties in specific transactions submitted to the Board of Directors.

Digitalisation of the activities of the Board of Directors

To facilitate the activities of the Board of Directors, Snam has introduced an IT tool allowing to manage in an effective and safe way the activities of the Board of Directors and of the Committees through tablets, smart phones, and PCs.

This way the documents prepared for the Board or the committees are accessed in digital form, with no need for paper, and optimising times and costs. The digital Portal allows to do the following:

- speed up the times of board meetings allowing, among other things, for the sharing of documents or presentations in real time;
- ensure to users the possibility to view the status of a document or whether there are any unread messages or any documents requiring approval;
- view the documentation both online and off-line; and
- make any changes or notes to the files made available.

⁴⁰ At the meeting of 26 January 2015 the Board of Directors amended its regulation so as to allow for compliance with the provisions of the Shareholders’ Agreement executed by CDP S.p.A., SGEL and State Grid International Development Limited in relation to potential positions of conflict of interest of the director designated by SGEL.

Below is a summary of the main activities carried out by the Company's Board of Directors in 2017 and, finally, at the meetings of 13 February 2018 and of 13 March 2018.

MONTH	STRATEGY & FINANCE ⁴¹	GOVERNANCE	INTERNAL AUDIT AND RISK MANAGEMENT
February		<ul style="list-style-type: none"> – Resolution on the establishment of the Snam Foundation 	
March	<ul style="list-style-type: none"> – Approval of the Consolidated Financial Statements, of the Draft Budget for 2016 and of the Management Report – Approval of the Strategic Plan 2017-2021 – Review of the First Forecast 2017 – Equity-linked bond 	<ul style="list-style-type: none"> – Check of the compatibility of offices and check that the independence and integrity requirements are met by the Directors – Report on corporate governance and ownership structure for 2016 – Remuneration Report for 2017 – Social Responsibility Report for 2016 – Call of Shareholders' Meeting for 11 April 2017 and approval of the relevant Reports – Call of Bondholders' meeting to appoint a Common Representative – Positive assessment of the size, composition and running of the Board and of the Committees – Information Sheet on the Long-Term Stock Option Plan for 2017-2019 	<ul style="list-style-type: none"> – Assessment of the adequacy of the organisational, management and accounting structure of the Company and of the Subsidiaries – Assessment of the adequacy and effectiveness of the internal control and risk management system – Review of the Budget and Audit Plan of the Internal Audit function for the year 2017
May	<ul style="list-style-type: none"> – Interim Management Report as at 31 March 2017 		
June		<ul style="list-style-type: none"> – Implementation of the Long-Term Stock Option Plan for 2017-2019 (assignment 2017) 	
July	<ul style="list-style-type: none"> – Approval of the semi-annual Consolidated Financial Report as at 30 June 2017 and of the quarterly consolidated results as at 30 June 2017 – Review of the second Forecast 2017 	<ul style="list-style-type: none"> – Semi-annual review of sustainability – Final balance of Adjusted net profit and Total Shareholders Return relating to the Long-term Monetary Incentive Plan for 2014-2016 	<ul style="list-style-type: none"> – Report on the adequacy of the system of control over the corporate disclosure of the Group and the compliance with the administrative and accounting procedures for the first six months of 2017
October	<ul style="list-style-type: none"> – Renewal of EMTN programme 		
November	<ul style="list-style-type: none"> – Interim Management Report as at 30 September 2017 – Interim dividend 2017 – Review of the third Forecast 2017 – Progress report on development initiatives and new initiatives 	<ul style="list-style-type: none"> – Individual agreements relating to the severance pay for the cessation of the office of director and the cessation of the employment contract of the chief executive officer 	
December	<ul style="list-style-type: none"> – Review of the Strategic Plan (first reading) and of the Budget for 2018 	<ul style="list-style-type: none"> – Update of the Guideline "<i>Transactions involving the interests of the Directors and Statutory Auditors and Related-Party Transactions</i>" and relevant annual assessment 	<ul style="list-style-type: none"> – Review of the Guidelines of the Board of Directors concerning Internal Audit activities
13 February 2018	<ul style="list-style-type: none"> – Review of the Strategic Plan (Second reading) 	<ul style="list-style-type: none"> – Check of the compatibility of offices and check that the independence and integrity requirements are met by the Directors – Positive evaluation of the size, composition and functioning of the Board and of the Committees⁴² 	<ul style="list-style-type: none"> – Amendments to the Regulations of these Committees: (i) CRRPTC; (ii) Appointments; (ii) Sustainability

41 Furthermore, the Progress reports on development initiatives and new projects have been regularly submitted to the Board of Directors.

42 For further information please refer to Paragraph 2.4 of this Section.

MONTH	STRATEGY & FINANCE	GOVERNANCE	INTERNAL AUDIT AND RISK MANAGEMENT
13 March 2018	<ul style="list-style-type: none"> - Approval of the Consolidated Balance Sheet, of the Draft Budget for 2017 and of the Management Report - Approval of the Non-Financial Disclosure pursuant to Legislative Decree 254/2016 - Approval of the Strategic Plan of the Snam Group for 2017-2021, during the definition of which (in line with the strategic risks defined in the ERM System, also with a view to medium- and long-term sustainability) reviews and sensitivity reports were carried out to account for any potential impacts of such risks 	<ul style="list-style-type: none"> - Report on corporate governance and ownership structure for 2017 - Political approval concerning diversity and assessment of the recommendations made by the Chairman of the Corporate Governance Committee contained in the letter of 13 December 2017 - Remuneration Report for 2018 - Social Responsibility Report for 2017 - Information Document for the amendment of the Long-Term Stock Option Plan for 2017-2019 - Call of Shareholders’ Meeting for 24 April 2018 and approval of the relevant explanatory reports - Approval of the Guidelines on Market Abuse; Reporting, potentially also anonymous, received by Snam and its Subsidiaries; “Enterprise Risk Management” and “Health, Safety, Environment and Public Security” 	<ul style="list-style-type: none"> - Assessment of the organisational, administrative and accounting structure of the Company prepared by the Chief Executive Officer with the help of its structures and submitted to the Board of Directors for approval and also to the Board of Statutory Auditors and to the Control and Risk and Related-Party Transaction Committee. Opinion: adequate - Assessment of the organisational, administrative and accounting structure of the Subsidiaries, subject to the prior approval of it by the Board of Directors of each of the Subsidiaries and after consultation with the respective Boards of Statutory Auditors. Opinion: Adequate.* - Assessment of the adequacy and effectiveness of the internal control and risk management system - Review of the Budget and Audit Plan of the Internal Audit function for the year 2018

* The Board of Directors has not set forth any criteria for the identification of strategic subsidiaries as it assesses the organisational, management and accounting structure of all Subsidiaries

2.3 Role of the Board of Directors

The Board of Directors plays a key role in the corporate governance structure of the Company as it has the powers relating to the orientation in terms of strategy, organisation and control of the Company and of the Subsidiaries. Specifically, the Board of Directors is granted the functions shown in the table below⁴³.

Review and approval of the strategic, business and financial plans	<ul style="list-style-type: none"> • It sets forth the strategic lines and targets of the Company and of the Group, including the sustainability policies • It reviews and approves the strategic, business and financial plans of the Company and of the Group, and the strategic agreements of the Company and the annual and multi-annual infrastructure plan, and monitors their implementation on an annual basis • It reviews and approves the Company's budget and the consolidated budget, the semi-annual report, the interim Company management reports and the consolidated ones, the Sustainability Report and the Corporate Governance and Ownership Structure Report
Definition of the corporate governance and structure of Group	<ul style="list-style-type: none"> • It adopts rules ensuring the transparency and fairness of related-party transactions and of the transactions where the Directors and the Statutory Auditors are stakeholders, after consultation with the Control and Risk and Related-Party Transaction Committee • It adopts a procedure for the management and the disclosure of corporate information, with special reference to privileged information • It establishes the Internal committees with proposing and advisory functions, from which it receives a periodic semi-annual report • It appoints and removes general managers and the corporate accounting documents officer, and identifies the person in charge of shareholder relations • It resolves upon the exercise of the voting right at the shareholders' meetings of the Subsidiaries, upon the proposal of the Chief Executive Officer • It resolves upon the designation of the members of the bodies of the consolidated Subsidiaries and of the strategic foreign subsidiaries, upon the proposal of the Appointments Committee
Assessment of the adequacy of the organisational, management and accounting structure	<ul style="list-style-type: none"> • It sets forth the main lines of the organisational, management, and accounting structure of the Company and of the Subsidiaries, assessing their adequacy each year, with special reference to the internal control and risk management system • It sets forth, after consultation with the Control and Risk and Related-Party Transaction Committee, the guidelines of the internal control and risk management system to ensure the identification, measurement, management and monitoring of the main risks, also determining the degree of compatibility of such risks with a management of the Company and of the Group that is consistent with the individual strategic targets, assessing its adequacy and effectiveness each year • It assesses, after consultation with the Control and Risk and Related-Party Transaction Committee and with the Board of Statutory Auditors, the findings shown by the auditing firm in its letter of suggestions, if any, and in the report on the key issues emerged during the audit • It appoints and removes the Internal Audit Manager, setting its remuneration consistently with the remuneration policies of the Company, and ensures that the latter has adequate resources to perform its duties
Ongoing assessment of the general management performance and of the relationship with executive bodies	<ul style="list-style-type: none"> • It assesses the general management performance, considering the information received from the executive bodies and paying special attention to the situations of conflict of interest and periodically comparing the results obtained that emerged from the financial statements and from the interim accounting statements with the budget figures • It grants and withdraws powers of attorney to and from the members of the Board of Directors, setting forth their limits, mode of exercise and related remuneration; such members report at least quarterly to the Board of Directors and to the Board of Statutory Auditors on the exercise of the powers of attorney and on the most significant economic, financial and equity transactions carried out by the Company and by the Subsidiaries, and on the transactions with related parties⁴⁴ • It is entitled to issue guidelines to the executive bodies and to assume responsibility for transactions included in the powers of attorney granted.

⁴³ The functions are attributed to the Board of Directors pursuant to the Board of Directors resolution of 27 April 2016.

⁴⁴ The disclosure shall be timely in the event of transactions in which the Directors have a personal or third-party interest or which are affected by the person, if any, carrying out direction and coordination activities. This disclosure is usually provided for on the occasion of each board meeting.

<p>Approval of significant transactions of Snam and of the Subsidiaries</p>	<ul style="list-style-type: none"> • It resolves, upon the proposal of the Chief Executive Officer, on the transactions of the Company and of the Subsidiaries, in the performance of the direction and coordination activity, which are of strategic, economic, equity and financial relevance to the Company and to the Group. In any case, this is subject to compliance with the duty of confidentiality relating to the business relations existing between the Company and the Subsidiaries and/or third parties <p>The transactions of strategic, economic, equity and financial relevance are considered to be the ones concerning any of the following:</p> <ul style="list-style-type: none"> - acquisitions, disposals, sales, contributions of businesses or of going concerns (including lease and usufruct), real estate assets and/or shareholdings, having a value exceeding EUR 100 million - agreements concerning the sale of goods and/or services being the subject-matter of the business of the Company and of the Subsidiaries and their supply, having a value exceeding EUR 1 billion and/or having a term exceeding 15 years - agreements directly concerning the activities specified in the corporate purpose and/or relating to the ordinary management of corporate activities, having a value in excess of EUR 100 million and/or having a term exceeding 15 years - the execution of, amendment to, and termination of facility agreements in an amount exceeding EUR 2 billion and/or having a term exceeding 15 years - suretyships and other forms of personal guarantees, and letters of patronage, relating to obligations undertaken or to be undertaken by companies in the share capital of which the Company holds an interest, whether directly or indirectly, having a value in excess of EUR 100 million, or in any case, where the amount is not proportionate to the interest held - personal guarantees securing obligations undertaken or to be undertaken by the Company towards third parties in an amount exceeding EUR 100 million - intermediation contracts of the Company
<p>Assessment of the size, composition and functioning of the Board of Directors and of the Committees</p>	<ul style="list-style-type: none"> • It assesses every year the size, composition and functioning of the Board and of the Board Committees with the contribution of an external advisor. The aspects being the subject-matter of the assessment include the following: (i) the role of the Board of Directors in the strategic planning process, (ii) the interaction between the Board and the Committees, (iii) the quality of information and of board discussions, (iv) the qualitative and quantitative composition of the Board and of the Committees, with specific reference to the relationship between executive/non-executive/independent directors and the individual professional skills and experience
<p>Definition of the remuneration policy</p>	<ul style="list-style-type: none"> • It sets forth the policy concerning the remuneration of the directors, of the general manager, and of the key management personnel of the Company and of the Subsidiaries, and the compensation systems • It implements the remuneration plans based on actions and/or financial instruments resolved upon by the Shareholders’ Meeting • It approves the Remuneration Report

2.4 Board Evaluation

The Board, with the support of the Appointments Committee, decided to opt for a three-year innovative programme in terms of procedures and instruments selected, which is summarised below: this programme encompasses the three-year of the term of office, facilitated by the advisors to Spencer Stuart Italia S.r.l., a company that performed further staff selection professional services in favour of Snam and that has years of extensive experience of Board Evaluation.

Year	Type
2016	<p>Starting Board Review</p> <ul style="list-style-type: none"> • Review of the findings of the Board Review activity carried out in the previous board's term of office • Discussion with the Appointments Committee to determine expectations and to carry out any in-depth analysis and provide any explanations • Individual interview of Directors • Comparison with the best practices • Viewing of the minutes of the Board meetings and of the Committee for the corporate year • Liaising with the Chairman of the Board of Statutory Directors, the General Counsel, and the Secretary of the Board of Directors • Attendance of a Board meeting • Reporting, action plan for improvement • Presentation to the Appointments Committee and to the Board of Directors
2017	<p>Targeted Board Review (mid-stage)</p> <ul style="list-style-type: none"> • College meeting with the Directors • Check of the effectiveness of the actions carried out in the last year to follow up on the previous Board Review • Review of the prevailing culture of the Board • Review of other topics relating to the running, functioning and size of the Board of Directors • Summary and reporting, update of the action plan • Submittal of results to the Appointments Committee and to the Board of Directors • Peer-to-peer review
2018	<p>Final Board Review</p> <ul style="list-style-type: none"> • Individual interview or college meeting • End-of-term evaluation • Quantitative and qualitative composition of the Board (guidelines for the shareholders on the professionals whose presence on the Board is deemed to be expedient) for inclusion in the Corporate Governance Report and Ownership Structure for 2018 and in the Report of the Board of Directors to the Shareholders' Meeting

Concerning the activity in the year 2017 – the second year of the Board of Directors' term of office, a college meeting was scheduled.

During the meeting, which was held on 11 December 2017 and attended by all Directors, the following was carried out:

- (i) the verification of the effectiveness of the actions carried out over the last year, to follow up on the comments of the Directors made during the previous Board Evaluation;
- (ii) the presentation of the findings of the analysis of the prevailing culture of the Board and of the individual styles of the Directors; this analysis was carried out by using a framework relating to the culture of the board, which was provided by the advisor, through the use of an online form;
- (iii) the analysis of a number of other matters to be considered by the whole company in the context of the annual self-evaluation of the functioning, composition and size of the Board.

A guide was prepared to support the board discussion, which was reviewed with the Appointments Committee at the meeting of 6 November 2017.

Finally, in the context of the above-mentioned three-year programme the Appointments Committee decided to propose to the Board the implementation of the "Peer-to-Peer review", consisting of the analysis of the individual contributions made by each Director by colleagues, so as to provide information further to improve the contributions made by each person and, consequently, the overall functioning of the Management body. The Board decided that such activity should be carried out in the first months of 2018, with the guidance of the Chairman of the Board of Directors to supply the individual feedback to each Director.

The Directors confirmed their satisfaction with the functioning of the Board, which is making progress, dealing with complex matters, spending time studying in greater detail the proposals of the Management, characterised by significant changes in the strategy and organisation, and which need to be debated at length by the Board.

Furthermore, the Directors noticed that the suggestions emerged at the end of the previous self-evaluation and the actions that had been proposed had been considered by the Company and mostly implemented. The Chief Executive Officer systematically involved the Board to share development opportunities, by engaging in periodic formal and informal discussions to think together about the future.

The financial documentation was sent by the expected three-days’ notice; the agendas of the meetings were well structured, based on the priority of the topics, and left room for the business and for development operations.

From this review it emerged that at Snam the culture of the Board was characterised by a pragmatic style aimed at achieving the effectiveness and efficiency of the collegial work; the work is well planned, the information flow allows for an adequate preparation of meetings; the objectives of college meetings are clear and precise.

Some further actions were also identified. Specifically, the opportunity arose to:

- a) continue to promote the strengthening of knowledge of the business and of the Company, as well as of interpersonal relations and of the cohesion between the Directors, through the organisation of informal meetings, induction sessions and update on key matters, and by the visit to plants;
- (b) continue to organise Strategy Days;
- (c) continue the systematic update of the Board, at each meeting and/or at informal meetings, on the progress of development initiatives;

- (d) ensure that the Chairman of each Committee draws its colleagues’ attention to critical issues during the periodic and systematic reporting to the Board;
- (e) consider the opportunity to invite, as listeners, any colleagues interested in attending the meetings of the Committees, but not being part of them, whenever the agenda includes the in-depth study of matters of great significance and of general interest; alternatively, ask the Chairman to include the topic in the agenda of a future meeting;
- (f) enhance, in the long term, for instance in the event of co-optation of Directors during their term of office, the knowledge of the business and the international experience currently present on the Board.

The Board shared the actions proposed by the advisor, which will be the starting point for the Board Evaluation of the next corporate year.

The self-assessment of the size, composition and running of the Board and of the Committees was successfully finalised at the meeting of the Board of Directors held on 13 February 2018.

Finally, for the sake of completeness, the Opinion expressed by the Board of Directors in 2016 on the future size and composition of the Board of Directors, on the occasion of the last renewal of the Board of Directors occurred at the Shareholders’ Meeting of 27 April 2016, is attached hereto as Schedule 3.

2.5 Description of Snam’s diversity policy

DNF This section describes the diversity policy⁴⁵ adopted, upon the proposal of the Appointments Committee, by the resolution of the Board of Directors dated 13 March 2018 on the composition of administration, management and control bodies in relation to age, gender composition and education and career.

⁴⁵ The description of the diversity policy is provided for by article 123-bis, letter *d-bis* of the Unified Financial Act.

The Company believes that diversity is a value and makes a positive contribution to the effectiveness of the actions of corporate bodies. In the composition of the administration, management, and control bodies it pursues a target of integration of professionals having different profiles, thus acknowledging the importance, for the good functioning of corporate bodies, of complementary experience and skills, to be combined with the diversity of gender and of age groups of the body members. Snam adopts all the measures required to ensure diversity in the above-mentioned respects.

Below is a brief description of the main methods adopted by Snam in terms of diversity, and of the results obtained over the years.

a. Gender diversity

Snam's main targets for the three-year period 2016-2019 include the perfection of the procedure for the enhancement of diversity, especially in terms of gender.⁴⁶

The Articles of Association expressly provide for the compliance with the regulation in force on gender balance in the process of appointment of the Board of Directors and of the Board of Statutory Auditors.

The following data show that the presence of the gender less represented in the Company, i.e. the female gender, is growing in Snam: 44 % of the members of the Board of Directors are woman, which is one of the highest values existent among listed companies (the FTSE MIB average is of 31,8 %).

In the light of the data shown below it is believed that in the composition of its corporate bodies Snam ensures an adequate gender diversity:

- three Chairmen of the Committees out of four and the whole composition of the Control and Risk and Related-Party Transaction Committee belong to the feminine gender;
- the presence of the feminine gender is higher (4 out of 9) than the minimum provided for by the legislation on gender balance (i.e. one third of the total number of members);
- the Board of Statutory Auditors is composed of three Standing Statutory Auditors (one of whom is a female) and of two female Alternate Statutory Auditors. Overall, the presence of the female gender in the controlling body is higher than 50% (3 out of 5).

Snam's commitment to gender diversity is also apparent in the composition of its employees. Specifically:

- comparing 2016 with 2017, Snam adopted a recruitment policy, especially concerning executive and manager roles, such as to reach a better balance of male and female presence (recruitment proportions in 2017: 45% women, 55% men);
- the proportion of remuneration differentiation has improved, overall, compared with the 2016 financial year. In particular, the women / men differential pay in executives is about 103% and for managers it is 96%. In particular, the *women/men differential pay* for executive roles is approximately equal to 103% and for managers it is equal to 96%.

b. Education and career

The Company carefully analyses the wealth of expertise of the members of the administrative and control bodies and commits to the continued enhancement of the various skills present within the various bodies, so as to establish administration, management, and control bodies having expertise in relevant sectors for Snam. The Company ensures an ongoing monitoring of the situation as concerns the diversity and the essential complementary nature of professional profiles.

The members of the Board of Directors and of the Board of Statutory Auditors have different backgrounds, acquired not through different previous training and professional experience. These skills allow for a more efficient functioning of the bodies and allow them to adapt immediately to any changes. By regular checks Snam ensures that the members of the Board of Statutory Auditors and of the Board of Directors meet the professionalism, honourableness and integrity requirements provided for by the applicable legislation and by the Corporate Governance Code.

Over the years the Company has adopted instruments and initiatives aimed at ensuring diversity, particularly through the position expressed by the Board of Directors to the shareholders on the future size and composition of the Board of Directors⁴⁷ and the resolutions of the Board of Directors on co-optation. The recommendations to the shareholders during meetings take into account the matter of necessary diversity of professionals within Snam's corporate bodies. Board evaluations and board inductions are considered in the expression of such recommendations.

⁴⁶ Data available in the Sustainable Responsibility Report for 2015 and 2016, which may be viewed on Snam's website.

⁴⁷ For further information on the contents of the position expressed by the Board of Directors please refer to Schedule 3 of this Report.

A method used by Snam to increase the wealth of skills and expertise of the members of the administrative and control bodies is that of board inductions, through which the members of the Board of Directors and the members of the Board of Statutory Auditors acquire specific industry know-how.

c. Age

The Articles of Association of Snam do not provide for any specific age limits for the members of the corporate bodies. No statutory limits are deemed to be necessary as age diversification is already such as to ensure adequate diversity. This is clearly proven by the following data:

- the age of Snam’s directors varies between 41 and 66 years, with an average age of 54;
- the directors’ average age has decreased compared with the previous appointments;
- the age of Snam’s statutory auditors of Snam varies between 42 and 57 years, with an average age of 51.

Snam wishes to continue to support the diversity of the administration, management and control bodies in terms of age and seniority. To bring to the shareholders’ attention the topic of diversity the Company includes an explicit reference to the aspect of age in the opinion expressed by the Board of Directors to the shareholders on the future size and composition of the Board of Directors.

The methodologies adopted to implement diversity policies include the board evaluations carried out with the contribution of an external adviser as better specified in Section 2.4 of the Report. Snam carried out an evaluation of the functioning of the Board of Directors and of its Committees and of their size and composition, also considering elements such as the professional characteristics, the experience - including managerial experience - and the gender of its members and their seniority.

The Sustainability Committee carries out a review of gender diversity.

Snam is a member of “Valore D”, the association of undertakings promoting diversity and female talent and leadership for the growth of companies and of the country, by promoting seminars, workshops and mentoring activities. Furthermore, the Company signed the “Female employment manifesto”, which identifies in practice the instruments for the enhancement of female talents.

Concerning the Board of Statutory Auditors, at the moment Snam does not deem it necessary to adopt any specific diversity policies for the controlling body as it believes that its current composition is adequately structured in terms of age, gender, and training and professional experience. In any case Snam considers the legal and statutory requirements and the independence requirements referred to in the Corporate Governance Code.

Snam takes into consideration the diversity policy when carrying out direction and coordination activities and ensures compliance with the above described policy also among its Subsidiaries.

2.6 Chairman of the Board of Directors

The Shareholders’ Meeting of 27 April 2016 appointed Carlo Malacarne Chairman of the Board of Directors⁴⁸.

The Chairman, who does not have an executive role, carries out duties provided for by the law, by the Articles of Association, or by a Board of Directors’ resolution, specified in Schedule 5 of this Report.

The Chairman is not the main person responsible for the management of the Company (Chief Executive Officer), nor is he the controlling shareholder.

⁴⁸ Carlo Malacarne was the Chief Executive Officer of Snam from 8 May 2006 to 27 April 2016.

2.7 Chief Executive Officer

At the meeting of 27 April 2016 the Board of Directors appointed Marco Alverà managing director, also confirming the appointment as General Manager which had taken place on 15 January 2016. The Board of Directors attributed to the Managing Director the functions of Chief Executive Officer and granted the latter all the attributions and powers not reserved for the Board of Directors or the Chairman, referred to at Paragraphs 2.3 and 2.6 above, respectively, and in Schedule 5 of the present Report.

The Chief Executive Officer has the power to represent the Company and carries out the role of the director in charge of the internal control and risk management system (the “**Director in Charge**”)⁴⁹.

In respect of the Chief Executive Officer there is no situation of interlocking directorate, as defined in criterion 2.C.5 of the Corporate Governance Code⁵⁰.

2.8 Other executive directors

Save the Chief Executive Officer, the other members of the current Board of Directors are non-executive directors as (i) they are not managing directors or chief executive officers of any strategic Subsidiaries, and (ii) do not hold any managerial offices in the Issuer or in any strategic Subsidiaries.

2.9 Independent directors

The Board of Directors is composed of a number of independent members such as to ensure, by their number and authority, that their opinion may materially affect board resolutions. Indeed, five of the nine Directors qualify as independent directors. The presence of independent Directors on the Board of Directors and on the Committees established within it is an element suitable for ensuring adequate protection of the interests of all the shareholders.

The Board of Directors ascertained that the independence requirements set forth by the Unified Financial Act and by the Corporate Governance Code were met by Non-Execu-

tive Directors Sabrina Bruno, Monica de Virgiliis, Francesco Gori, Lucia Morselli and Elisabetta Oliveri on 27 April 2016, at the first meeting after their appointment, and published the outcome of such assessment in a press release. Furthermore, the Board last considered the continued fulfilment of the independence requirements by each of such Directors during the meeting of 13 February 2018.⁵¹

On 20 March 2017 the Board of Statutory Auditors ascertained the correct application of the criteria and procedures adopted by the Board of Directors to identify the independence requirements.

On 2 February 2017 and on 12 December 2017 a meetings of the Independent Directors was held, during which the need was expressed for in-depth studies of specific matters, as well as the need for a semi-annual planning of the meetings of independent directors. Furthermore, on 12 December 2017 a further meeting of the Independent Directors was held. These meetings are meant to be separate and different from the meetings of board committees.⁵²

2.10 Maximum accumulation of offices held in other companies

At the meeting of 13 February 2018 the Board of Directors, upon the proposal of the Appointments Committee, issued the following guidelines and expressed the following opinion on the accumulation of the offices held by Directors:

- (i) an **Executive Director** should not hold:
 - the office of executive director at another Italian or foreign listed company, or at a financial institution, bank, or insurance company or a company having a net worth or a consolidated annual turnover in excess of EUR 500 million or equivalent amount in the case of a company adopting a different currency;
 - the office of non-executive director or statutory auditor (or member of another controlling body) at more than three companies referred to at point (i) above. Furthermore, a CEO may not hold the office of director of another issuer not belonging to the same group of which another director of the Company is the CEO;

49 For further information on the Director in Charge please refer to Section IV, Paragraph 1.2(ii).

50 Criterion 2.C.5 of the Corporate Governance Code provides that “*the chief executive officer of issuer (A) does not hold the office of director of issuer (B) not belonging to the same group, of which a director of issuer (A) is the chief executive officer*”.

51 When carrying out such analyses the Board of Directors used the assessment parameters specified in the Unified Financial Act and in the Corporate Governance Code.

52 In this respect please refer to the provision of Criterion 3.C.6 of the Corporate Governance Code.

(ii) a **Non-Executive Director** (who may also be independent), should not hold the following, in addition to the office held within the Company:

- the office of executive director at more than two Italian or foreign listed companies or financial institutions, banks, or insurance companies or companies having a net worth or a consolidated annual turnover in excess of EUR 500 million or equivalent amount in the case of a company adopting a different currency, and the office of non-executive director or statutory auditor (or member of another controlling body) at more than three companies specified above; or
- the office of non-executive director or statutory auditor (or member of another controlling body) at more than six companies referred to at point (ii) above.

For the purpose of the calculation of the maximum number of offices, the offices held within Snam and the Subsidiaries and the offices held on the Committees of Snam shall not be taken into account.

The Board may, when assessing each individual position, to be carried out in the interests of the Company, consider the concrete circumstances and the professional commitments (not limited to the holding of offices) of each director, so as to allow for a possible derogation from the limits of offices and also to provide for a possible reduction in the number of offices that may be held. The Board of Directors shall, to the extent necessary, invite the director to adopt the consequent decisions.

The following table shows, based on the statements made by the Directors, the other offices held by the Directors of the Company that are relevant pursuant to the Corporate Governance Code and the opinion of the Board of Directors on the maximum accumulation of offices.

Director	Other significant offices held
Marco Alverà	Independent Director of S&P Global
Sabrina Bruno	Independent Director of Banca Apulia
Monica de Virgiliis	Independent Director of PRYSMIAN S.p.A.
Francesco Gori	Non-Executive Director of Supervisory and Management Boards of Apollo Tyres Ltd
	Non-Executive Director of Sisal Group S.p.A.
Lucia Morselli	Non-Executive Director of Sisal S.p.A.
	Deputy CEO of ITAL BROKERS S.p.A
	Non-Executive Director of Essilor Luxottica
Yunpeng He	Non-Executive Director of CDP RETI S.p.A., Terna S.p.A, Italgas S.p.A., and IPTO S.A.
	Non-Executive Director of GEDI S.p.A.
Elisabetta Oliveri	Non-Executive Director of Banca Farmafactoring S.p.A.

At the meeting of 13 February 2018 the Board of Directors ascertained the following:

- (i) save the Chief Executive Officer, the directors are non-executive directors;
- (ii) the number of offices that is relevant pursuant to the Corporate Governance Code and to the opinion of the Board of Directors on the maximum accumulation of offices held by the same directors is compatible with the effective performance of the function of director at Snam.

2.11 Lead Independent Director

Snam did not appoint any lead independent director in view of the absence of the conditions provided for by the Corporate Governance Code⁵³. Indeed, the Chairman of the Board of Directors does not hold the office of chief executive officer and does not appear to have a controlling shareholding in the Company. Furthermore, the establishment of the lead independent director was not requested by the independent directors.

2.12 Succession planning

Succession planning aims to: (i) encourage generational replacement in companies; (ii) improve the management of the cessation from office of executive directors and of the top management; and (iii) mitigate the negative effects of any management discontinuity.

Snam is very careful to define the evaluation process on which the selection of candidates must be based. The candidates must be active, proactive and driven in helping to shape the future of the Group - these are characteristics shared by those who decide to commit to Snam. Snam's success is also due to the special attention paid to the selection of the key functions of the top offices.

For this purpose the Succession Planning considers Snam's key management personnel, that is, Chief Financial Officer, General Counsel, EVP Human Resources & Organization, Chief Industrial Assets Officer, Chief Commercial, Regulation & Development Officer, Chief International Assets Officer, and Chief Global Solutions Officer⁵⁴.

The method adopted provides for the following:

- (i) the running of evaluation interviews of the current holders of key offices and their potential successors;
- (ii) the identification, for each key position, of the relevant requirements: scope of responsibility, expertise, required skills, strategic targets;
- (iii) the assessment and weighing of the risk associated with each key position;

53 Criterion 2.C.3 states that "the Board of Directors designates an independent director as the lead independent director in the following cases: (i) if the chairman of the Board of Directors is the chief executive officer; (ii) if the office of chairman is held by the person controlling the issuer. The Board of Directors of the issuers belonging to the FTSEMib index designates a lead independent director if so requested by the majority of the independent directors, subject to a different assessment of the board, to be mentioned in the corporate governance report."

54 The Succession Planning takes into account not only Snam's key management personnel, but also the Corporate Accounting Documents Officer and the SVP of the Internal Audit.

- (iv) the identification and analysis of the succession line of each position so as to check that it corresponds in terms of skills, experience, and readiness;
- (v) the management of the plans of action: individual career plans for internal candidates/selection from the outside or mapping, if necessary;
- (vi) a contingency plan for crisis situations.

The activity is carried out with the support of an external advisor. The Appointments Committee and the Board of Directors examined and agreed on the methodology definition of the Succession Planning⁵⁵.

In view of the nature of the shareholders, Snam does not provide for any specific succession planning for executive directors. On March 13, 2018, the Board of Directors, upon proposal of the Appointments Committee, approved a "Contingency Plan", in the event of early termination of the Chief Executive Officer or of permanent impediment to the performance of his duties, which provides as follows:

- In the event of early termination of the office of the Chief Executive Officer or of permanent impediment to the performance of his duties, the Chairman of the Board of Directors calls urgently (within 24 hours) the Board of Directors. In the absence of the Chairman of the Board of Directors, the Board of Directors is convened by the oldest Board member in accordance with the provisions of art. 15.1 of the Snam Bylaws.
- The Board of Directors meets and, if possible, proceeds to co-opt a Director and appoints him Chief Executive Officer and granting the relative powers, or promptly launching the process for the identification of a Chief Executive Officer, with the support of the Appointments Committee, conferring the powers for the ordinary management of the Company to a Director.
- The Appointments Committee, also availing itself of a consultancy firm specialized in the sector, makes proposals to the Board of Directors regarding the identification of the person deemed most suitable to hold the role of Chief Executive Officer.
- The Board of Directors, upon proposal of the Appointments Committee, proceeds to co-opt a Director and identifies the new Chief Executive Officer, granting him the relative powers.

55 Respectively, on 6 November 2017 and 9 March 2018 the Appointments Committee, and on 13 March 2018 the Board of Directors.

2.13 Remuneration system concerning directors and key management personnel

The Board of Directors reviews the Remuneration Report provided for by article 123-ter of the Unified Financial Act, the first section of which - devoted to the remuneration policy for directors and offices with strategic responsibilities adopted by the Company - is submitted to the Shareholders’ Meeting for an advisory vote.

Snam’s key management personnel are identified as follows: Chief Financial Officer, General Counsel, EVP Human Resources & Organization, Chief Industrial Assets Officer, Chief Commercial, Regulation & Development Officer, Chief International Assets Officer, and Chief Global Solutions Officer.

For a description of the remuneration policy adopted by Snam please refer to the Remuneration Report, which shall be submitted to the Company’s Shareholders’ Meeting for review on 24 April 2018 and made available on the Company’s Website.

The Remuneration Report is available on the Company’s Website: http://www.snam.it/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Shareholders_meeting/Minutes_documents/2018/Remuneration_Report_2018.pdf

3. Snam’s Committees

The Board established the following Committees within its members having proposing and advisory functions, pursuant to the Corporate Governance Code and to article 16 of the Company’s Articles of Association:

- Remuneration Committee;
- Appointments Committee;
- Control and Risk and Related-Party Transaction Committee;
- Sustainability Committee.

In the performance of their functions the Committees may access corporate information and functions, have adequate financial resources, and may use external advisors in the terms set forth by the Board of Directors⁵⁶.

The meetings of the Committees may also be attended, by invitation and with reference to individual items on the agenda,

⁵⁶ The composition, duties and functioning of the Committees are regulated by the Board through specific regulations (which may be viewed under the section “Etica e Governance” (Ethics and Governance) of the Company’s Website (<http://www.snam.it/it/etica-governance/committees/>), in compliance with the criteria set by the Code.

by persons who are not members of them. The meetings of the Committees are evidenced by minutes drawn up by the respective Secretaries.

The Regulations of the Committees provide that after each meeting the Chairman of each Committee shall update the Board of Directors by a notice, at the next following meeting, on the items discussed and on the remarks, recommendations, and opinions made and given during such meeting.⁵⁷

3.1 Comitato per la Remunerazione

(i) Composition

The Remuneration Committee is composed as follows:

Member	Qualification
Monica de Virgiliis	Non-Executive and Independent Director ⁽¹⁾ - Chairman
Elisabetta Oliveri	Non-Executive and Independent Director ⁽¹⁾
Alessandro Tonetti	Non-Executive Director

⁽¹⁾ Independent pursuant to the independence requirements set forth by the Unified Financial Act and by the Corporate Governance Code

The Board of Directors identified the Chairman (Monica de Virgiliis) among the members having adequate knowledge and experience of finance and of remuneration policies.

The Remuneration Committee is validly convened in the presence of at least the majority of the members in office, and adopts resolutions by the absolute majority of those present. In the event of a tie the vote of the Chairman of the Committee shall prevail.

The meetings of the Committee may be attended by the Chairman of the Board of Statutory Auditors or by a Standing Statutory Auditor designated by the latter; furthermore, meetings may be attended by other persons to provide, at the request of the Chairman, the relevant information and evaluations within the scope of their competence with reference to individual items on the agenda.

(ii) Duties

The Remuneration Committee makes proposals and provides advice⁵⁸, as described in the Regulation last approved by the Board of Directors on 11 May 2016, to the Board of Directors on the remuneration of directors.

⁵⁷ In this respect please refer to the provision of Criterion 4.C.1(d) of the Corporate Governance Code.

⁵⁸ For a more detailed description of the attributions of the Remuneration Committee please refer to Schedule 5 of this Report.

Consistently with the provisions of the Board of Directors, the Remuneration Committee reviews each year the remuneration structure of the Internal Audit Manager, checking that it is consistent with the general criteria approved by the Board for all officers and informing of the above the Chairman of the Control and Risk and Related-Party Transaction Committee according to the opinion that it is asked to express on the Board concerning such matter⁵⁹.

(iii) Activities

In 2017 the Remuneration Committee was convened ten times and its meetings were attended by an average of 93% of its members. The average duration of these meetings was of 117.2 minutes.

Below is a brief description of the main items discussed by the Remuneration Committee in the corporate year 2017.

Activities

- Review of the implementation of the policies set forth in 2016 for the remuneration of the Chief Executive Officer and of the other Key management personnel
- Review of the criteria for the definition of the proposed policy guidelines for 2017 for non-executive directors, the Chief Executive Officer, and the other Key management personnel, considering the outcome of the assessment of the policies implemented in 2016
- Verification of the results achieved in relation to the corporate targets of Snam's performance plans for 2016 approved by the Board of Directors of 24 February 2016
- Review of the guidelines concerning the corporate targets of Snam's performance plans for 2017 for annual monetary incentive purposes
- Definition of the proposal for a new long-term variable stock option plan
- Verification of the EBITDA results for 2016 and of the EBITDA targets for 2017 and of Adjusted Net Profit results for 2016 and TSR for 2016 and Adjusted Net Profit target for 2017 and definition of the sustainability target for the purpose of the implementation of the long-term stock option plan, of the deferred monetary incentive plan, and of the long-term incentive and monetary plan
- Verification and proposal to the Board of Directors of the variable remuneration to be granted to the Chief Executive Officer in 2017, determined according to Snam's results in 2016
- Review of the results of the meeting voting process concerning the Remuneration Report for 2017, and start of a more in-depth study of the matters considered by the shareholders and by the proxy advisor
- Drawing-up of a proposal for the remuneration of the role of Senior Vice President Internal Audit
- Drawing-up of a proposal for a way-out arrangement for the Chief Executive Officer

At the meetings of 25 July 2017 and of 13 March 2018 the Committee reported to the Board of Directors on the activity carried out during the first six-month period and the second six-month period of 2017, respectively. Furthermore, in compliance with Criterion 4.C.1(d) of the Corporate Governance Code, it reported to the next following Board meeting on each meeting previously held. For 2018 the Committee scheduled seven meetings. As at the date of approval of the Report four meetings have been held. Pursuant to the Regulation the directors abstain from attending the meetings of the Committee where proposals are made to the Board concerning their remuneration.

In 2017 the Chairman of the Board of Statutory Auditors, or a Statutory Auditor designated by the latter, duly attended the meetings of the Committee and, at the request of the Committee, non-members of the Committee also attended them to provide information and detailed material on a number of items on the agenda.

The Regulation of the Remuneration Committee provides that the Committee shall be granted by the Board of Directors the resources required for the performance of its duties; specifically, it may - in the terms set forth by the Board of Directors from time to time - use external advisors, through the Company's structures, provided that they are not in such situations as to compromise their independence of judgement.

The Committee used external advisors, some of whom also carry out activities for the Human Resources & Organization Area - which do not compromise their independence of judgement.

The Regulation of the Remuneration Committee is available on the Company's Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Committees/Regolamento_Comitato_per_la_Remunerazione_di_Snam_EN_REVOK.pdf

Table 1 of Section VI shows the information on the participation of each member in the meetings of the Remuneration Committee.

⁵⁹ In this respect please also refer to Section III, Paragraph 3.3.

3.2 Appointments Committee

(i) Composition

The Appointments Committee is composed as follows:

Member	Qualification
Francesco Gori	Non-Executive and Independent Director ⁽¹⁾ - Chairman
Monica de Virgiliis	Non-Executive and Independent Director ⁽¹⁾
Alessandro Tonetti	Non-Executive Director

⁽¹⁾ Independent pursuant to the independence requirements set forth by the Unified Financial Act and by the Corporate Governance Code

The following persons are usually invited to attend the meetings of the Committee - which usually happened in 2017 -: the President of the Company, the Chief Executive Officer and, for the matters pertaining to them, the Chairman of the Board of Statutory Auditors or a Standing Statutory Auditor designated by the latter; it is understood that meetings may also be attended by persons who are not members of the Committee, if invited by the Committee, to provide information and to express evaluations within the scope of their competence with reference to the individual items on the agenda.

The Committee is validly convened in the presence of at two members in office, and adopts resolutions by the favourable votes of at least two members present.

(ii) Duties

The Appointments Committee makes proposals and provides advice to the Board of Directors on the matters specified in Schedule 6 of this Report.

(iii) Activities

In 2017 the Appointments Committee was convened five times, and 100% of its members attended its meetings. The average duration of these meetings was of 71 minutes.

Below is a brief description of the main activities carried out by the Appointments Committee in 2017.

Activities
• Review and proposal to the Board of Directors of the Final Board Evaluation Report for 2016 by the appointed advisor Spencer Stuart
• Review and proposal to the Board of Directors of the Board Evaluation activity for 2017 by the appointed advisor Spencer Stuart
• Review and proposal to the Board of Directors concerning the limits and prohibitions for Snam’s Directors to accumulate offices
• Concerning the consolidated Subsidiaries, drawing-up of the proposals addressed to the Board of Directors, concerning (i) the appointment of the members of the corporate bodies of Snam Rete Gas S.p.A. and of the Board of Directors of GNL Italia S.p.A., and (ii) the change of the members of the Board of Directors of the company directly controlled named Snam Rete Gas S.p.A.
• Concerning foreign strategic subsidiaries, drawing-up of the proposals addressed to the Board of Directors on: (i) the appointment of the members of the Supervisory Board of TAG; (ii) on the change of a member of the Supervisory Board of TAG
• Review of the method and process for the finalisation of the succession planning for Snam’s Management

The Regulation of the Appointments Committee was last approved by the Board of Directors on 13 February 2018 to attribute the Committee the power to make proposals on the diversity policy.

The Regulation of the Appointments Committee is available on the Company’s Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Committees/Regolamento_Comitato_Nomine_di_Snam_EN_REVOK.pdf

At the meetings of 25 July 2017 and of 13 March 2018 the Committee reported to the Board of Directors on the activity carried out during the first six-month period and the second six-month period of 2017, respectively. Furthermore, in compliance with Criterion 4.C.1(d) of the Corporate Governance Code, the Committee reported to the next following Board meeting on each meeting previously held.

For 2018 the Committee scheduled four meetings. As at the date of approval of the Report two meetings have been held.

The Regulation of the Appointments Committee provides that the Committee shall be granted by the Board of Directors the resources required for the performance of its duties; specifically, it may - in the terms set forth by the Board of Directors from time to time - use external advisors, through the Company's structures, provided that they are not in such situations as to compromise their independence of judgement.

In compliance with the Regulation of the Appointments Committee, in 2017 the meetings of the Committee - because of their agenda - were attended by the EVP Human Resources & Organization and by the General Counsel.

Table 1 of Section VI shows the information on the participation of each member in the meetings of the Appointments Committee.

3.3 Control and Risk and Related-Party Transaction Committee

(i) Composition

The Control and Risk and Related-Party Transaction Committee is composed as follows:

Member	Qualification
Elisabetta Oliveri	Non-Executive and Independent Director ⁽¹⁾ - Chairman
Sabrina Bruno	Non-Executive and Independent Director ⁽¹⁾
Lucia Morselli	Non-Executive and Independent Director ⁽¹⁾

⁽¹⁾ Independent pursuant to the independence requirements set forth by the Unified Financial Act and by the Corporate Governance Code

Snam's Board of Directors identified the Chairman (Elisabetta Oliveri) among the members having adequate knowledge and experience of accountancy, finance, and risk management.

The following persons are usually invited to attend the meetings of the Committee: the President of the Company and the members of the Board of Statutory Auditors; the meetings of the Committee may be attended, invited by the Committee, by the Director in Charge and by other persons who are not members of the Committee, to provide information and to express evaluations within the scope of their competence with reference to the individual items on the agenda.

The Committee is validly convened in the presence of the majority of the members in office, and adopts resolutions by the absolute majority of those present. In the event of a tie the vote of the Chairman of the Committee shall prevail.

(ii) Duties

The Committee makes proposals and provides advice⁶⁰ to the Board of Directors to support by an adequate investigation activity the evaluations and decisions of the Board concerning the internal control and risk management system, and the decisions relating to the approval of the periodic financial reports.

⁶⁰ For a more detailed description of the attributions of the Control and Risk and Related-Party Transaction Committee please refer to Schedule 6 of this Report.

(iii) Activities

In 2017 the Committee was convened twelve times and its meetings were attended by an average of 89% of its members. The average duration of these meetings was of 166 minutes.

Below is a brief description of the main items discussed and of the main activities carried out by the Control and Risk and Related-Party Transaction Committee in the corporate year 2017.

Area	Activities
Non-recurrent activities	
Internal control and risk management system	<ul style="list-style-type: none"> • Analysis, with the support of the Senior Vice President of Planning and Control and of the Head of Budget and ABF BU Estero e Commerciale, of the method used by Snam to carry out the impairment test, and of the preliminary results of the analyses carried out • Meeting with the new Internal Audit Manager for the analysis of (i) the programme of implementation of the actions emerged following the Quality Assurance Review of 2016 and of (ii) the development of the structure of the function in 2017 • Analysis of the proposal for the review of the Guidelines of Snam’s Board of Directors on Internal Audit activities • Analysis, together with the General Counsel, of the benchmark of the organisational collation of the ERM unit • Analysis, together with the Chief of the Business Unit Asset Italia, of the Integra project, whereby the assets of Operational and Maintenance, Plants, Despatch and Procurement were transferred by Stogit to Snam Rete Gas by a transfer of a going concern • Analysis of Snam’s new regulatory system and monitoring of the progress of the Lean Simplify project, with the support of the Human Resources function • Analysis of Snam’s new unregulated business initiatives, specifically of the CNG project aiming to build and maintain the plants for the provision of the service of natural gas compression and instrumental in the supply as fuel for motor vehicles
Recurrent activities	
ERM system and management of the main enterprise risks	<ul style="list-style-type: none"> • Review of the quarterly reports concerning the identification and update of the main enterprise risks in the context of the ERM system, with an in-depth study of the risks associated with the corporate restructuring following the demerger of the distribution sector in November 2016 • Periodic analysis, together with the management, of the Finance function for the management of financial risks
Overseeing of the Internal Audit function	<ul style="list-style-type: none"> • Review of the periodic reports on the activities carried out to implement the Audit Plan for the year 2017, of the relevant follow-up activities and of the findings of audits • In-depth study of the internal audit relations emerged in 2017 • Analysis of the quarterly reports on the reports received from Snam and the Subsidiaries • Analysis of the proposed Audit Plan for the year 2018
Corporate information control system	<ul style="list-style-type: none"> • Review of the report on the adequacy of the corporate information control system and on the compliance with the administrative and accounting procedures and of the annual Report on the organisational, administrative and accounting structure of Snam and of the Subsidiaries • Analysis of the activities carried out in 2017 for the continuous update and improvement of the corporate information control system of the Snam Group
Audit of accounts	<ul style="list-style-type: none"> • Analysis of the matters concerning the semi-annual and the annual financial reports, with reference to the audit activity and to the verifications carried out in relation to the effectiveness of the corporate information control system
Legislative Decree 231/2001, Code of Ethics and Anticorruption Policy	<ul style="list-style-type: none"> • Meetings with the Supervisory Body and review of the activities carried out by the latter • Disclosure received from the General Counsel on the update of the special part of the 231 Model in relation to the legal changes occurred
Corporate governance and compliance with the legislation	<ul style="list-style-type: none"> • Review, together with the General Counsel, of the Corporate governance and ownership structure report for the year 2016 and of the Compliance Report for 2016 and analysis of the matters relating to the development of EU legislation on market abuse • Review of the novelties introduced by Legislative Decree no. 254/2016 on the Non-Financial Disclosure
Transactions involving the interests of directors and statutory auditors and related-party transactions	<ul style="list-style-type: none"> • Annual review of the choices made by the Company for the determination of the threshold to distinguish between minor transactions and major transactions, and expression of a positive opinion on the adoption of the “Guidelines on transactions involving interests of directors and statutory auditors and related-party transactions” to replace the procedure • Analysis of the report prepared by the Administration function on the relations established with related parties in 2017

The Regulation of the Control and Risk and Related-Party Transaction Committee was last approved by the Board of Directors on 13 February 2018 to implement the novelties introduced by Legislative Decree no. 254/2016.

The Regulation of the Control and Risk and Related-Party Transaction Committee is available on the Company's Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Committees/Regolamento_Comitato_Controllo_e_Rischi_di_Snam_EN_REVOK.pdf

At the meetings of 25 July 2017 and 13 March 2018 the Committee reported to the Board of Directors on the activity carried out during the first six-month period and the second six-month period of 2017, respectively. Furthermore, in compliance with Criterion 4.C.1(d) of the Corporate Governance Code, it reported to the next following Board meeting on each meeting previously held.

For 2018 the Committee scheduled nine meetings. As at the date of approval of the Report three meetings have been held.

By invitation of the Control and Risk and Related-Party Transaction Committee, in 2017 the meetings of the Committee were also attended by non-members to provide information and detailed studies, as well as, usually, by the Chairman of the Board of Statutory Auditors and/or by other Statutory Auditors.

The Regulation of the Committee provides that in the performance of its functions the Committee shall be entitled to access the corporate information and functions required for the execution of its duties.

The Committee is granted by the Board of Directors the resources required for the performance of its duties; specifically, it may - in the terms set forth by the Board of Directors from time to time - use external advisors, through the Company's structures, provided that they are not in such situations as to compromise their independence of judgement.

Table 1 of Section VI shows the information on the participation of each member in the meetings of the Control and Risk and Related-Party Transaction Committee.

3.4 Sustainability Committee

(i) Composition

The Sustainability Committee is composed as follows:

Member	Qualification
Sabrina Bruno	Non-Executive and Independent Director ⁽¹⁾ - Chairman
Yunpeng He	Non-Executive Director
Lucia Morselli	Non-Executive and Independent Director ⁽¹⁾

⁽¹⁾ Independent pursuant to the independence requirements set forth by the Unified Financial Act and by the Corporate Governance Code

The following persons are usually invited to attend the meetings of the Committee: the President of the Company, the Chief Executive Officer and the Chairman of the Board of Statutory Auditors, or a Standing Statutory Auditor designated by the latter, and the Executive Vice President of Institutional Relations, CSR and Communication; it is understood that meetings may also be attended by persons who are not members of the Committee, if invited by the Committee, to provide information and to express evaluations within the scope of their competence with reference to the individual items on the agenda.

The meetings were usually attended by the members of the Board of Statutory Auditors and regularly by the Executive Vice President of Institutional Relations, CSR and Communications. Meetings were also attended by persons who are not members of the Committee, invited by the Committee, to provide information and to express evaluations within the scope of their competence with reference to the individual items on the agenda.

The Committee is validly convened in the presence of the majority of the members in office, and adopts resolutions by the absolute majority of those present.

(ii) Duties

The Committee makes proposals and provides advice to the Board of Directors on Sustainability matters, including in respect of Stakeholder relations, as specified in Schedule 6 of this Report.

(iii) Activities

In 2017 the Sustainability Committee was convened six times and its meetings were attended by an average of 94.45% of its members. The average duration of these meetings was of 116.7 minutes.

In 2017 the Sustainability Committee focused its activities on the matters specified in the table shown below.

Activities
• Follow-up on the review of the non-financial information contained in the Financial Report for 2016
• Review of the Sustainability Report for 2016
• Review of the Stakeholders Engagement initiatives, including in relation to the TAP Project
• Six-monthly review of sustainability
• Review of engagement activities vis-à-vis Social Responsible Investors (SRI)
• Climate Change and engagement initiatives vis-à-vis the stakeholders. Focus on the biomethane project
• Review of the company’s process of accounting of non-financial information and of the non-financial disclosure to be submitted to the Board of Directors
• Review of the materiality analysis process for the formation of the Non-Financial Disclosure and of the Document submitted to the Board
• Review of the positioning of the Company in sustainability indices
• Analysis of the Carbon Disclosure Project (CDP) assessment project
• Review of gender equality initiatives
• On 29-31 March 2017 the Committee visited the State Grid Corporation of China to strengthen relations and share with such a prominent energy entity experiences and ideas on sustainability matters, of interest to the committee, such as climate change, CSR Management and Reporting, and the initiatives aiming to educate and inform the staff

The Regulation of the Sustainability Committee was finally approved by the Board of Directors on 13 February 2018 to implement the novelties introduced by Legislative Decree no. 254/2016.

The Regulation of the Sustainability Committee is available on the Company’s Website: http://www.snam.it/opencms/handle404?exporturi=/export/sites/snam-rp/repository/ENG_file/Governance/Social_bodies/Committees/Regolamento_Comitato_Sostenibilitx_di_Snam_EN_REVOK.pdf

At the meetings of 25 July 2017 and 13 March 2018 the Committee reported to the Board of Directors on the activity carried out during the first six-month period and the second six-month period of 2017, respectively. Furthermore, in compliance with Criterion 4.C.1(d) of the Corporate Governance Code, it reported to the next following Board meeting on each meeting previously held.

For 2018 the Committee scheduled seven meetings. As at the date of approval of the Report four meetings have been held.

The Regulation of the Sustainability Committee provides that the Committee shall be granted by the Board of Directors the resources required for the performance of its duties; specifically, it may - in the terms set forth by the Board of Directors from time to time, use external advisors, through the Company’s structures, provided that they are not in such situations as to compromise their independence of judgement.

Table 1 of Section VI shows the information on the participation of each member in the meetings of the Sustainability Committee.

4. Snam's Board of Statutory Auditors and Auditing Firm

4.1 Snam's Board of Statutory Auditors

The Board of Statutory Auditors oversees the compliance with the law, with the memorandum of association, and with the principles of correct management in the performance of corporate activities; it also controls the adequacy of the organisational, management, and accounting structure adopted by the Company and its actual functioning. Pursuant to Legislative Decree no. 39 of 27 January 2010 the Board of Statutory Auditors also carries out supervisory activities as the "Internal control and audit committee".

(i) Composition

The current Board of Statutory Auditors of the Company was appointed by the Shareholders' Meeting on 27 April 2016 for a term of three corporate years and in any case until the date of the Shareholders' Meeting called for the approval of the financial statements for the year 2018. Below is a table containing some information on the current members of the Board:

Member	Qualification	List submitted in which they were included
Leo Amato	Standing Statutory Auditor and Chairman	List of CDP RETI S.p.A.
Massimo Gatto	Standing Statutory Auditor	List jointly submitted by minority shareholders
Maria Luisa Mosconi ⁽¹⁾	Standing Statutory Auditor	List of CDP RETI S.p.A.
Maria Gimigliano	Alternate Statutory Auditor	List of CDP RETI S.p.A.
Sonia Ferrero	Alternate Statutory Auditor	List jointly submitted by minority shareholders

⁽¹⁾ Appointed according to the quorums provided for by the law upon the proposal made by CDP RETI S.p.A.

At the Shareholders' Meeting of 27 April 2016 two lists were submitted for the appointment of the Board of Statutory Auditors:

- (i) a list submitted by CDP RETI S.p.A. (two candidates to the office of Standing Statutory Auditor and one candidate to the office of Alternate Statutory Auditor), and
- (ii) a joint list submitted by a number of institutional investors (one candidate to the office of Standing Statutory Auditor and one candidate to the office of Alternate Statutory Auditor).

The share capital represented at the Shareholders' Meeting in relation to the appointment of the Statutory Auditors by the slate voting mechanism was equal to 69.37% of the share capital, and 69.25% of the share capital expressed their vote. The list submitted by CDP RETI S.p.A. was voted by 33.79% of the share capital, whereas the list jointly submitted by institutional investors was voted by 34.47% (therefore being the list receiving the highest number of votes).

Therefore, by applying the provisions of the articles of association relating to the slate voting mechanism, 2 Standing Statutory Auditors were appointed (1 selected from the list of CDP RETI S.p.A. and 1 selected from the list of institutional investors) and 2 Alternate Statutory Auditors were also appointed (1 selected from the list of CDP RETI S.p.A. and 1 selected from the list of institutional investors). To supplement the slate voting mechanism one of the remaining Standing Statutory Auditors was appointed by a majority vote on the proposal of the shareholder CDP RETI S.p.A. The other Standing Statutory Auditor was selected from the list submitted by CDP RETI S.p.A. At the time of the voting the shares represented at the Shareholders' Meeting were equal to 31.91% of the share capital. The vote was expressed by 31.80% of the share capital and the favourable votes represented 30.76% of the share capital.

On 27 April 2016, upon the appointment, the Board of Statutory Auditors of the Company carried out the verification that all the members of the Board still met the independence requirements provided for by article 148, paragraph 3, of the Unified Financial Act, as well as the ones specified for directors by article 3 of the Corporate Governance Code. In relation to the outcome of such verifications the Board of Directors published a press release⁶¹.

⁶¹ In July 2015 the Corporate Governance Committee updated the Corporate Governance Code. The amendments to article 8 applied to the Company in 2016 at the time of the renewal of the Board of Statutory Auditors. Specifically, these amendments provide for the publication of a press release by the Board of Directors on the verification carried out by the Board of Statutory Auditors after its appointment concerning the fulfilment by the Statutory Auditors of the director independence requirements. The Committee also provided that the remuneration of the Statutory Auditors should be proportionate to the commitment required, to the importance of the role carried out, and to the size and sectors.

On 20 March 2017 the Board of Statutory Auditors, based on the statements provided by the Statutory Auditors themselves, carried out the periodic check and ascertained that all the members of the Board still met the independence requirements provided for by article 148, paragraph 3, of the Unified Financial Act, and the ones specified for directors by article 3 of the Corporate Governance Code. The personal and professional characteristics of each statutory auditor are outlined in the CVs below.⁶²



Leo Amato
Chairman

Nationality: Italian
Professional Background:
University Professor -
Chartered Accountant
and Auditor

Career

He was born in Turin in 1961.

Since 27 April 2016 he has been the Chairman of Snam’s Board of Statutory Auditors.

From 26 March 2013 to 27 April 2016 he was a Standing Statutory Auditor at Snam.

He obtained an honours degree in Economics from the University of Turin.

Leo Amato is enrolled with the Register of Auditors and the Register of Court-appointed Technical Experts; he has great experience of arbitration and dispute resolution.

He is the president of Iusefor, the training agency of the University Institute for European Studies of Turin.



Massimo Gatto
Standing Statutory Auditor

Nationality: Italian
Professional Background:
Chartered Accountant
and Auditor

Career

He was born in Rome in 1963.

Since 27 April 2016 he has been a Standing Statutory Auditor at Snam. From 27 April 2010 to 27 April 2016 he was the Chairman of Snam’s Board of Statutory Auditors.

He obtained a degree in Economics from the University “La Sapienza” of Rome.

Massimo Gatto is a chartered accountant, auditor and receiver. He is the Chairman of Board of Statutory Auditors of MARR S.p.A. He is a standing statutory auditor of Collegamenti Integrati Veloci – C.I.V. S.p.A.

He is an Alternate Statutory Auditor at UNIPOL Gruppo Finanziario S.p.A., Unicredit Factoring S.p.A. and ARCA HOLDING S.p.A.



Maria Luisa Mosconi
Standing Statutory Auditor

Nationality: Italian
Professional Background:
University Professor -
Chartered Accountant
and Auditor

Career

She was born in Varese in 1962.

Since 27 April 2016 she has been a Standing Statutory Auditor at Snam.

Maria Luisa Mosconi appears to be enrolled with the Register of Court-appointed Technical Experts of the Court of Milan, with specific reference to business evaluations and Extraordinary Finance transactions.

She is a Chartered Accountant and Auditor and has been enrolled with the Register of Chartered Accountants of Milan since 1992. She carried out the activities and roles as the Chairman or a Member of the Board of Statutory Auditors/Audit Committee, of the Board of Directors, of the Supervisory Board and Legal Liquidator of listed and unlisted companies. Maria Luisa Mosconi accrued experience working with a number of listed companies, including in regulated sectors, in the banking, insurance, financial intermediaries and asset management companies sectors.

She is a Teaching Assistant at Università Commerciale L. Bocconi for Prof. Mario Massari in the subjects of Corporate Finance-Introduction to Evaluations and Corporate Finance-Financial Management (advanced topics). She is also a member of the National Commission for the issue of the “Behavioural rules for the Board of Statutory Auditors of listed companies” within the National Board of Chartered Accountants.

⁶² For a full version of the professional CVs of each Statutory Auditor currently in office please refer to the following internet address: <http://www.snam.it/it/etica-governance/collegio-sindacale/>.

Maria Gimigliano**Alternate Statutory Auditor**

Nationality: Italian

Professional Background:

Chartered Accountant and Auditor

Career

She was born in Naples in 1976.

Since 26 March 2013 she has been an Alternate Statutory Auditor at Snam.

She obtained a degree in Business Economics from Università Bocconi of Milan.

She is enrolled with the Register of Auditors.

She is a standing statutory auditor and a member of the Supervisory Body of Banca Progetto S.p.A..

She is a standing statutory auditor of Infrastrutture Trasporto Gas S.p.A., Surfaces Technological Abrasives S.p.A, ADI S.r.l., Ennefin S.p.A., and RBM Italia S.r.l.

Sonia Ferrero**Alternate Statutory Auditor**

Nationality: Italian

Professional Background:

Chartered Accountant and Auditor

Career

È nata a Torino nel 1971.

She was born in Turin in 1971.

Since 27 April 2016 she has been an Alternate Statutory Auditor at Snam.

She obtained a degree in Economics from Università degli Studi of Turin.

Since May 2013 she has been a member of the Board of Statutory Auditors of MBDA Italia S.p.A. and of Iniziativa Gestione Investimenti (IGI) SGR S.p.A.; since April 2016 she has been the Chairman of the Board of Statutory Auditors at Geox S.p.A. Since April 2015 she has been a member of the Board of Statutory Auditors of Banca Profilo S.p.A.

Since 2015 she has been working with Studio Vaspolli & Associati.

She is a Chartered Accountant enrolled with the Register of Chartered Accountants of Turin since 2001.

For a description of the main functions carried out by the Board of Statutory Auditors pursuant to the law and to the statutory provisions regulating the mode of appointment and the term of office of such board please refer to Schedule 7 of this Report.

The remuneration of the Board of Statutory Auditors was determined by the Shareholders' Meeting considering the commitment required, the importance of the role carried out, and Snam's size and sectors.

(ii) Meetings of the Board of Statutory Auditors

In 2017 the Board of Statutory Auditors met seventeen times; the meetings were attended by an average of 98.04% of the Statutory Auditors (see table 2 of Section VI). The average duration of the meetings Board of Statutory Auditors was of 178 minutes.

For 2018 the Board of Statutory Auditors scheduled thirteen meetings. As at the date of approval of the Report four meetings have been held.

Pursuant to the Guideline *"Transactions involving the interests of directors and Statutory Auditors and Related-Party Transactions"* the members of the Board of Statutory Auditors have to declare their interest or any third-party interest in specific transactions submitted to the Board of Directors. In 2017 no situations occurred in respect of which the members of the Board of Statutory Auditors had to make any such statements.

The Board of Statutory Auditors receives the information flow required for the performance of its duties. At the meeting of 12 January 2017 Snam's Board of Statutory Auditors adopted a "Master Resolution between the Boards of Statutory Auditors of the Snam Group" to formalise the information flows between them. The wording of the Resolution was sent to the Boards of Statutory Auditors of the Subsidiaries for implementation.

For a description of the mode of coordination between the Board of Statutory Auditors and the Control and Risk and Related-Party Transaction Committee and the Internal Audit function please refer to Paragraph 1.3 of Section IV of the Report.

4.2 Auditing Firm

The audit of the accounts is entrusted, pursuant to the law, to an auditing firm enrolled with a specific register and appointed by the Shareholders' Meeting upon the reasoned proposal of the Board of Statutory Auditors. On 27 April 2010 the Shareholders' Meeting entrusted the audit of the accounts for the corporate years 2010-2018 to EY S.p.A.

On 16 March 2017 the controlling shareholder CDP S.p.A. officially requested that Snam carry out "autonomous determinations" on the opportunity to have a single group auditing firm (PricewaterhouseCoopers S.p.A. - PWC).

The reasons underlying this request are as follows: (i) the opportunity to have a single auditing firm in all Snam’s consolidated companies; (ii) ensuring complete, accurate and timely information for all Stakeholders and increased effectiveness and efficiency of the audit process, also thanks to the more in-depth and direct knowledge of the group’s companies, an increased fluidity and a better coordination of information flows, and a more effective and efficient controlling activity by the Board of Statutory Auditors of the Parent Company.

EY S.p.A. confirmed to the Company its willingness to make a consensual termination of the appointment to audit the accounts.

Snam’s Board of Directors met on 13 March 2018 and resolved to submit to the Company’s Shareholders’ Meeting held on 24 April 2018 the reasoned proposal of the Board of Statutory Auditors, concerning the new appointment of PWC for the corporate years 2018-2026, prior termination of the assignment of the office of auditing firm entrusted to EY S.p.A..

5. Induction Programme for directors and statutory auditors

Snam adopts a pro-active approach aimed at achieving an increasingly efficient functioning of the Company by involving Directors and Statutory Auditors during board induction sessions, opportunities for discussion such as the Strategy Days, and off-site visits.

Board Induction and off-site visits

After the appointment of the Board of Directors and of the Board of Statutory Auditors a number of board induction sessions took place, which were attended by the members of both boards.

These sessions, in compliance with the provisions of the Corporate Governance Code, were aimed at providing directors and statutory auditors with adequate knowledge of the business areas in which the Company is active, also in view of corporate dynamics and of the development of the corporate structure. The sessions concerned the following: (i) the business and regulatory context of the Snam Group; (ii) the governance matters; (iii) the economic/financial data; (iv) the Strategic Plan.

These sessions were prepared and run by the managers of the relevant structures, whereas the session on the Strategic Plan was held by the Chief Executive Officer.

In 2017 further Board Induction sessions were held to study specific business matters in greater detail. Specifically, on 2 February 2017 the matters relating to the storage of gas were studied in detail, with the relevant visit to the plant of Bordolano, and on 24 July 2017 the issues relating to “Energy Efficiency” were reviewed – a sector of interest to Snam. Finally, on 5 December 2017 a meeting was held devoted to technological innovation concerning the building and management of plants and network of transport, with a visit to the building site of the Cervignano-Mortara natural gas pipeline.

On 13 February 2018 the first Board Induction session of the year took place, which related to climate change and future gas scenarios, with the involvement of experts of the Sustainable Gas Institute of the Imperial College of London.

Strategy Days

These are opportunities for discussion between the corporate bodies and the Management concerning matters or projects of strategic relevance to the Group.

The Strategy Day is a time for everybody’s reflection on the future, and a time for socialising that ensures greater cohesion and uniformity of targets.

On 2 March 2017 a meeting was held specifically on the matters relating to the Strategic Plan for 2017-2021 and the strategies of Snam’s foreign Subsidiaries.

On 11 December 2017 a meeting was held where the scenarios of the Strategic Plan were outlined.

6. Shareholder and investor relations

Snam has established an ongoing dialogue with shareholders, institutional investors, socially responsible investors, analysts, and all financial market operators, ensuring the systematic disclosure of comprehensive and timely information on its activity, subject to the confidentiality requirements in relation to certain information. In this context the disclosure to investors, to the market, and to the media is ensured by press releases, by regular meetings with institutional investors, with the financial community and with the press, and by the rich documentation and numerous publications made available and constantly updated on the Company’s Website.

The information on financial statements, on events/material transactions and on the procedures issued by Snam on corporate governance is timely disclosed to the public, including by publication on the Company’s Website. The

press releases of the Company, the documentation used at meetings with financial analysts, the notices to shareholders, and the disclosure and documentation on the agenda of the shareholders' meetings, including the relevant minutes, may also be viewed on the Company's Website.

In 2017 the Investor Relations office also undertook an engagement activity with the main proxy advisors, which was aimed at establishing a productive and ongoing dialogue over the years concerning corporate governance matters.

The relations with the shareholders and with all the financial market operators are kept by the Corporate Strategy and Investor Relations function. The information of interest to them is available on the Company's Website and may also be requested by sending an email to this address: investor.relations@snam.it.

The page entitled "*Pubblicazioni per gli investitori*" (Publications for Investors), in the Investor Relations section of the Company's Website, contains all the institutional products for those who wish to invest in Snam or gain a better understanding of the Company's characteristics and the environments in which it is active.

Snam believes that the involvement of the shareholders and the establishment of a relationship of trust with them are strategic elements, which were pursued in 2017 too. The Corporate Strategy and Investor Relations function encourages the exercise of the voting right at meetings and believes that a political engagement activity is a valuable resource for the whole Group as it ensures satisfaction among the shareholders, contributes to strengthening the relationship between the latter and the Company, and contributes to involving and informing the shareholders in contemplation of their actions and decisions, and to understanding their expectations.

Snam is also in favour of the initiatives inspired to the European trends for the development of principles addressed to managers, investors and relevant advisors on the transparency of voting policies, on the monitoring of subsidiaries, and on the management of conflicts of interest (the "*stewardship code*").

7. Considerations on the 2017 Recommendations of the Corporate Governance Committee

The Corporate Governance Committee identified a number of areas in respect of which it urges listed companies to comply better with the regulation of the Corporate Governance Code (the "**2017 Corporate Governance Recommendations**"). Specifically, the Corporate Governance Committee believes that listed companies should:

- a) ensure full transparency in relation to the timeliness, completeness and availability of the information preceding board meetings, providing specific information on the actual compliance with the time limits identified as being suitable for the sending of the documentation;
- b) give greater importance, in the remuneration policies, to long-term variable components, introduce claw-back clauses, and determine criteria and procedures for the allocation of any severance pays;
- c) establish the appointments committee;
- d) provide for succession planning for executive directors to ensure management continuity and stability;
- e) strengthen the valuations of the independence of non-executive directors; and
- f) provide for more structured board review procedures.

The 2017 Corporate Governance Recommendations are undoubtedly a useful tool to adjust the corporate governance structure of companies to national and international best practices. Snam submitted such recommendations to the attention of the Board of Directors at the meeting held on 13 March 2018.

Snam believes that it has already acted a long time ago on the Recommendations expressed by the Corporate Governance Committee, as detailed below. Specifically, the Company:

- a) adopts the necessary measures to ensure the actual compliance with the pre-meeting information, the timeliness, completeness and availability of which are acknowledged in the findings of the Board Evaluation and in this Report⁶³;

63 In this respect please also refer to Section III, Paragraph 2.2 of this Report, which refers to the pre-meeting information.

- b) It provides for claw-back clauses on long term variable elements of the remuneration. The long term incentivisation affects more significantly the overall pay-mix. Furthermore, it sets forth severance payments for the Chief Executive Officer, specifying criteria and procedures for the assignment of such indemnity in the Remuneration Report for 2018.
- c) As early as in 2011 it established the Appointments Committee as a separate body from the Remuneration Committee. The Appointments Committee is entrusted with specific functions, consistent with the ones provided for in Article 5 of the Corporate Governance Code⁶⁴.
- d) As early as in 2014 it submitted to the Appointments Committee the methods for the succession planning for strategic executives of the Company. Such methods were updated in March 2018. Furthermore, the Board of Directors approved instruments such as the Regulation for the functioning of the Board of Directors and the Regulation of the Appointments Committee, which provide for the following, respectively:
- the call of the Board meeting, in case of necessity or emergency, at least 12 hours before the meeting;
 - the mechanism of co-optation of directors upon the proposal of the Appointments Committee, which identifies the candidates for the office of director.
- Furthermore, on 13 March 2018 the Board of Directors, upon proposal of the Appointments Committee, approved a "Contingency Plan" for the Chief Executive Officer.
- e) It verifies each year the fulfilment of the independence requirement by the directors representing the majority of the board Directors. Snam's Independent Directors, indeed, meet the independence requirements provided for by the Unified Financial Act and by the Corporate Governance Code with which Snam complies – as described in this Report⁶⁵.
- f) It enhances the moments of discussion within the Board of Directors, which carries out a well-structured Board Review activity throughout its term of office. This activity has led to an easy identification of the strengths and of the areas for improvement in Snam's corporate governance structure.

Snam, although it believes that it has already acted in the areas pointed out by the Corporate Governance Committee, does not rule out the future adoption of further measures, if they are deemed to be necessary for the improvement of the Company's corporate governance structure.

64 In this respect please refer to application criterion 5.C.1 of the Corporate Governance Code.

65 In this respect please refer to Section III, Paragraph 2.9, of this Report.



Section IV Snam's internal control and risk management system

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1. The structure of the internal control and risk management system and the parties involved

1.1 Background

The Internal Control and Risk Management System consists of the rules, procedures and organisational structures aimed at allowing for the identification, measurement, management and monitoring of the main risks.

Snam adopted and undertakes to promote and maintain an adequate Internal Control and Risk Management System (the “ICRMS”).

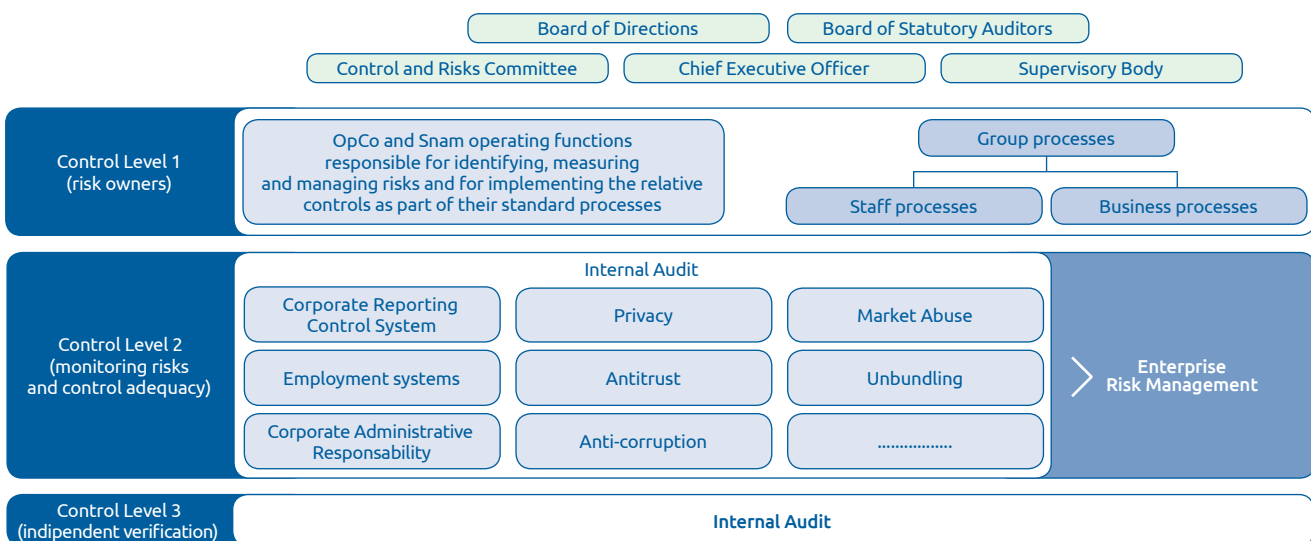
This system is integrated into the organisational, management and accounting structure and, in general, into the corporate governance of Snam and is based on the Corporate Governance Code which Snam complies with, taking as references the national and international models and best practices.

The Code of Ethics⁶⁶ sets forth the guidelines on which the ICRMS is based, such as:

- the segregation of the activities of the persons in charge of the authorisation, execution, or control procedures;
- the existence of suitable corporate provisions for providing the general reference principles for the regulation of corporate processes and activities;
- the existence of formalised rules for the exercise of signatory powers and of internal authorisation powers; and
- traceability (which is ensured by the adoption of suitable IT systems for the identification and reconstruction of the sources, of the information elements and of the controls carried out that support the making and the implementation of the Company’s decisions and the mode of management of financial resources).

The ICRMS is made subject to verification and update over time, so as to ensure that it is always suitable for monitoring the main risk areas of the business. In this context, and also to implement fully the provisions of the Corporate Governance Code, Snam adopted the ERM Model⁶⁷.

(i) Structure of control levels



66 For further information on the Code of Ethics please refer to Section I, Paragraph 6, of this Report.

67 For further information on the ERM System please refer to Section IV, Paragraph 1.1, of this Report.

First Level:	<p>Identification, assessment and monitoring of the relevant risks within the individual Group processes.</p> <p>This level includes the functions of the Snam Group owners of the individual risks, responsible for their identification, measurement and management, and for the implementation of the necessary controls in the processes pertaining to them.</p>
Second Level:	<p>Monitoring of the main risks to ensure the effectiveness and the efficiency of the management and treatment of such risks, and of the adequacy and operation of the controls to protect against the main risks; support to the first level in the definition and implementation of adequate systems for the management of the main risks and of the relevant controls.</p> <p>This level includes the functions of the group staff in charge of the coordination and management of the main control systems (e.g. Corporate Administrative Liability, Corporate Reporting, Anticorruption, Antitrust).</p>
Third Level:	<p>Independent and objective assurance of the adequacy and actual operation of the first and second control levels and in general of the overall risk management procedures. The Internal Audit acts based on the Guidelines.</p>

1.2 The corporate bodies, structures and functions involved

The ICRMS is an integrated system involving the whole organisational structure: both corporate bodies and corporate structures are to contribute, in a coordinated way, to its functioning, according to the chart shown below, so as to ensure that the main risks concerning the Company and its Subsidiaries are correctly identified and adequately measured, managed and monitored, also consistently with the strategic targets identified.

(i) The Board of Directors

Functions carried out within the ICRMS	<ul style="list-style-type: none"> In the preparation of the Strategic Plan of the Snam Group it defines the nature and risk level compatible with Snam’s strategic targets - based on the mapping of risks executed within the ERM System - including in its assessments all the risks that may be relevant with a view to medium-long sustainability of Snam’s activities
	<ul style="list-style-type: none"> It defines the guidelines of the ICRMS in the preparation of the Strategic Plan for the Snam Group It assesses at least once a year (subject to the prior opinion of the Control and Risk and Related-Party Transaction Committee) the adequacy of the ICRMS to the characteristics of the Company and of the Group and to the risk profile undertaken <p>Concerning 2017, on 6 March 2017 the Board of Directors assessed, also based on the investigation activity of the Control and Risk and Related-Party Transaction Committee, the adequacy and the effectiveness of the ICRMS</p> <p>Concerning 2018, on 13 March 2018 the Board of Directors assessed, also based on the investigation activity of the Control and Risk and Related-Party Transaction Committee, the adequacy and the effectiveness of the ICRMS</p>
	<ul style="list-style-type: none"> It approves, at least once a year, the Audit Plan prepared by the Internal Audit manager, subject to the prior opinion of the Control and Risk and Related-Party Transaction Committee and after consultation with the Chairman of the Board of Directors, with the Director in Charge and with the Board of Statutory Auditors <p>Concerning 2017, on 6 March 2017 the Board of Directors approved the Audit Plan. Concerning the corporate year 2018, the Audit plan was approved at the meeting held on 13 March 2018</p>
	<ul style="list-style-type: none"> It assesses the adequacy of the ICRMS to the characteristics of the business and the risk profile undertaken, as well as its effectiveness <p>Concerning 2017, on 6 March 2017 and, concerning 2018, on 13 March 2018, the Board of Directors considered the organisational, management and accounting structure as being adequate to the current size and types of activities carried out by Snam and by the Subsidiaries, which was prepared by the management and organisational structures directed by the Chief Executive Officer, after submittal to the Control and Risk and Related-Party Transaction Committee and to the Board of Statutory Auditors</p>

For further details on the decision-making powers of the Board of Directors please refer to Section III, Paragraph 2.3 of this Report.

(ii) The Director in Charge

Pursuant to the governance rules of the Company, Snam's Chief Executive Officer acts as the Director in Charge.

Functions carried out within the ICRMS	
Functions carried out within the ICRMS	• He identified the main enterprise risks, in view of the characteristics of the activities carried out by Snam and by the Subsidiaries, considering them in the definition and update of the Strategic Plan for 2017-2021 approved by the Board of Directors
	• He designed, implemented, and managed the ICRMS and constantly checked its adequacy and effectiveness
	• He adjusted the ICRMS to the dynamics of operating conditions and to the legislative and regulatory framework
	• He is entitled to request that the Internal Audit Manager carry out verifications of specific operating areas and of the compliance with the internal rules in the performance of corporate activities, simultaneously reporting on them to the Chairman of the Board of Directors, to the Chairman of the Control and Risk and Related-Party Transaction Committee and to the Chairman of the Board of Statutory Auditors
	• He provides a timely disclosure, also through its own structures, to the Control and Risk and Related-Party Transaction Committee on problems and issues emerged in the performance of his activities or of which they became aware

(iii) Control and Risk and Related-Party Transaction Committee

The Control and Risk and Related-Party Transaction Committee is in charge of supporting, by an adequate investigation activity, the assessments and decisions of the Board of Directors on the internal control and risk management system and on the approval of the periodic financial reports.

For a more detailed description of the attributions of the Control and Risk and Related-Party Transaction Committee please refer to Schedule 6 of this Report.

(iv) Board of Statutory Auditors

The Board of Statutory Auditors, also as the "internal control and audit committee" pursuant to Legislative Decree 39/2010, monitors the effectiveness of the ICRMS.

For further information on the main functions carried out by the Board of Statutory Auditors please refer to Schedule 7 of this Report.

(v) Corporate Accounting Documents Officer

The Corporate Accounting Documents Officer prepares appropriate administrative and accounting procedures for the drawing-up of the financial statements and, where so provided for, of the consolidated financial statements, and of any other financial notice.

On 27 September 2016 the Board of Directors, upon the proposal of the Chief Executive Officer, in agreement with the Chairman and subject to the prior favourable opinion of the Board of Statutory Auditors, appointed Mr Franco Peruzzi – Senior Vice President of the Administration, Budget and Tax Department - Corporate Accounting Documents Officer.

The Corporate Accounting Documents Officer was selected from among persons not holding any office within the management or control body, nor any managerial offices at eni S.p.A. and its subsidiaries, and not having any professional or financial relationship with such companies⁶⁸. Pursuant to article 16 of the Company's Articles of Association the Corporate Accounting Documents Officer must be selected from among persons having carried out any of the following activities for at least three years:

- (a) administrative, or management, or control activities at companies listed on regulated markets in Italy or in other EU countries or in other OECD countries having a share capital of at least EUR 2 million;
- (b) audit of accounts at the companies specified at point (a) above;
- (c) professional activities or university teaching in the financial or accounting fields;
- (d) managerial functions at public or private entities with competence in the financial, accounting, or control sectors.

⁶⁸ In compliance with the provisions of the PMD of 25 May 2012.

The Board of Directors checks every year that in respect of the Corporate Accounting Documents Officer, based on the latter's declaration, there are no incompatibility reasons provided for by the Articles of Association and that the latter meets the integrity requirements provided for by the applicable legislation.

The Board of Directors checks every year the adequacy of the powers and means available to the Corporate Accounting Documents Officer pursuant to the law for the performance of its duties, and every six months it checks the compliance with the existing administrative and accounting procedures.

These checks were carried out on 6 March 2017 for the year 2017 and on 13 February 2018 and 13 March 2018 for the year 2018.

(vi) Internal Audit Manager

The Internal Audit function is centred on Snam and acts within Snam and its Subsidiaries pursuant to article 93 of the Unified Financial Act as well as the joint venture/shareholdings held jointly with the other partners in agreement with the express provisions contained in the agreements between the parties.

The role, duties and responsibilities of the Internal Audit are set forth and formalised by the Board of Directors in the Guidelines on internal audit activities (the "**Guidelines**").

Snam's Board of Directors, upon the proposal of the Director in Charge and in agreement with the Chairman of Snam's Board of Directors, subject to the prior favourable opinion of the Control and Risk and Related-Party Transaction Committee, and after consultation with the Board of Statutory Auditors, appoints for an indefinite period of time, and may remove from office at any time, the Internal Audit Manager⁶⁹.

The Board of Directors, at least once during the mandate granted by the Shareholders' Meeting, assesses the confirmation of the Internal Audit Manager, also according to rotation criteria and, if necessary, proposes its removal from office after consultation with the Board of Statutory Auditors.

The Internal Audit Manager, who is part of the organisational structure reporting to the Chief Executive Officer, carries out audit activities with complete independence, according to the instructions of the Board of Directors; the Control and Risk and Related-Party Transaction Committee oversees the Internal Audit activities.

The Internal Audit activities are carried out by ensuring that the conditions of complete independence and autonomy are preserved, as well as the due professional diligence, objectivity, and competence, as provided for by the Mission of the Internal Audit and by the Mandatory Guidance of the Institute of Internal Auditors⁷⁰ and by the principles contained in the Code of Ethics⁷¹.

The Board of Directors approves each year, in the process of approval of the Audit Plan, the budget of the resources required to perform the duties attributed to the Internal Audit function. The Guidelines provide that the Internal Audit Manager shall have autonomous expenditure powers for the performance of the activities of assessment, analysis and evaluation of the internal control and risk management system and/or of the activities related thereto. In exceptional and urgent situations requiring available funds in excess of the budget the Internal Audit Manager may submit to the Board of Directors the extra budget of the Internal Audit for approval, for the performance of the tasks assigned to it, subject to the prior favourable opinion of the Control and Risk and Related-Party Transaction Committee.

⁶⁹ Pursuant to application criterion 7.C.5(b) of the Corporate Governance Code the exclusive power to issue instructions to the Internal Audit Manager, which is reserved by the Board, was enhanced.

⁷⁰ The international standards for the professional practice of the Internal Audit are available at the following address: http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/IOS/temp/IPPF_Standards%20ENG.pdf.

⁷¹ In this respect please refer to Section IV, Paragraph 1, of this Report.

The Director in Charge may request that the Internal Audit Manager carry out checks of specific operating areas and of the compliance with the internal rules in the performance of corporate transactions, simultaneously reporting on them to the Chairman of the Board of Directors, to the Chairman of the Control and Risk and Related-Party Transaction Committee, and to the Chairman of the Board of Statutory Auditors.

The (fixed and variable) remuneration of the Internal Audit Manager is approved by the Board of Directors, upon the proposal of the Director in Charge, in agreement with the Chairman of the Board of Directors, consistently with the corporate policies and subject to the prior favourable opinion of the Control and Risk and Related-Party Transaction Committee, and after consultation with the Board of Statutory Auditors. The proposal is also subject to review by the Remuneration Committee.

At the meeting of 14 December 2016 Snam’s Board of Directors, subject to the prior favourable opinion of the Control

and Risk and Related-Party Transaction Committee and after consultation with the Board of Statutory Auditors, upon the proposal of the Director in Charge, and in agreement with the Chairman of the Board of Directors⁷², appointed Lorenzo Alzati new Internal Audit Manager.

Specifically, to ensure the independence and transparency of the process for the selection of the Internal Audit Manager, Snam appointed a specialised company to seek a shortlist of candidates on the market having the suitable personal and professional characteristics for holding such position. The candidates were reviewed jointly by the Control and Risk and Related-Party Transaction Committee and by Snam’s Board of Statutory Auditors, together with the Chairman of the Board of Directors and the Executive Vice President of Human Resources & Organization.

The appointment of Lorenzo Alzati as the Internal Audit Manager is for an indefinite period of time and is subject to termination by the Board of Directors.

Functions carried out within the ICRMS	<ul style="list-style-type: none"> • He verifies, both on an ongoing basis and in relation to specific needs and in compliance with international standards, the operations and suitability of the ICRMS through an Audit Plan approved by the Board of Directors, based on a structured process of analysis and prioritisation of the main risks
	<ul style="list-style-type: none"> • He is not responsible for and he has no authority over the processes being the subject-matter of control, and he has direct access to all the information that is useful for the performance of his appointment
	<ul style="list-style-type: none"> • He prepares periodic reports containing adequate information on his activity, on the way in which risk management is carried out, and on the compliance with the plans defined to mitigate risks, which contain an assessment of the suitability of the ICRMS, and he sends them to the Chairmen of the Board of Statutory Auditors, of the Control and Risk and Related-Party Transaction Committee and of the Board of Directors, and to the Director in Charge
	<ul style="list-style-type: none"> • He timely prepares reports on particularly significant events and sends them to the Director in Charge, to the Chairmen of the Board of Directors, of the Control and Risk and Related-Party Transaction Committee and of the Board of Statutory Auditors
	<ul style="list-style-type: none"> • He verifies, in the Audit Plan, the reliability of the IT systems, including the accounting reporting systems
	<ul style="list-style-type: none"> • He activates other audit actions not provided for in the Audit Plan (“audit spots”), based on requests which may also be made by: (i) the Board of Directors; (ii) the Control and Risk and Related-Party Transaction Committee, and the Board of Statutory Auditors, giving notice appropriately; (iii) the Chairman of the Board of Directors and Director in Charge, ensuring that they are notified to the Control and Risk and Related-Party Transaction Committee and to the Board of Statutory Auditors; (iv) the Supervisory Body. The Internal Audit Manager also considers the activation of audit actions following reports received, including anonymous ones, in compliance with the instrument

72 According to the Guidelines the assessment concerns the profile of the candidate and the characteristics of integrity, professionalism, competence, autonomy and experience required, and any incompatibility, also in terms of conflict of interest, with previous activities or functions performed at the Company and/or at Subsidiaries. The Control and Risk and Related-Party Transaction Committee assesses each year whether such characteristics are maintained.

Main activities carried out in 2017

In 2017 the Internal Audit function duly performed the planned activities, which concerned, specifically:

- (i) the drawing-up of the proposal for the Audit Plan based on the identification and prioritisation of the main enterprise risks carried out by the ERM unit;
- (ii) the implementation of the Audit Plan approved by Snam’s Board of Directors on 6 March 2017, subject to the prior favourable opinion of the Control and Risks and of the Related-Party Transaction Committee;
- (iii) the performance of the independent monitoring programme defined together with the Corporate Accounting Documents Officer within Snam’s Corporate Reporting Control System (CRCS);
- (iv) the management of the channels of reporting (including anonymous reporting) of issues relating to the internal control and risk management system, to the Company’s administrative liability and to whistleblowing;
- (v) the performance of a further audit activity not provided for in the plan (the “audit spot”);
- (vi) the activities relating to the relationship with the Auditing Firm and the ones relating to the monitoring of the process for the grant of the additional appointments by the companies of the Snam Group and the grant and management of the offices and the relevant legislative and regulatory provisions; and
- (vii) implementation of the actions on the improvement areas emerged from the Quality Assurance Review carried out in 2016 the final summary judgement of which is a judgement of overall compliance (maximum positive evaluation provided for) of Snam’s Internal Audit structure and activities with the Standards and the Code of Ethics of the Institute of Internal Audit. Specifically, of special relevance is the update of the “Guidelines of Snam’s Board of Directors on internal audit activities” following the adjustments to international standards by the Institute of Internal Auditors and to the Corporate Governance Code of Borsa Italiana issued in July 2015.

(vii) The Enterprise Risk Management Model

The Enterprise Risk Management Model (the “**ERM Model**” or the “**ERM System**”) provides for suitable instruments for the identification, measurement, management and monitoring of the main risks that might affect the achievement of strategic targets.

Snam’s ERM Model, in line with the existing international reference models and best practices (COSO Framework and ISO 31000), provides for an integrated and dynamic cross risk assessment enhancing the management systems already existing in the individual corporate processes, and which is subject to updates, if any, so as to provide an effective risk management model on an ongoing basis. At the second control level the ERM function has, among other things, the following tasks:

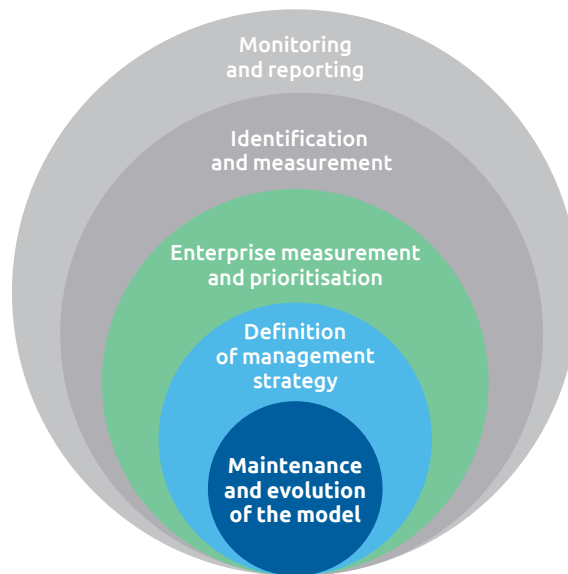
- defining and updating Snam’s enterprise risk management model, providing specialised methodological support in the risk identification and assessment;
- coordinating the enterprise risk management overall process, procuring the correct consolidation and prioritisation of the risks of Snam;
- consolidating the strategies for the management of the risks identified by the competent corporate functions, identifying and measuring the enterprise risks;
- periodical drafting of the reports and managing and updating the risk indicators defined, ensuring the coordination of the risk monitoring and control activities.

The objective of the risk identification phase is the identification of risky events relating to the corporate and outside processes which might affect the achievement of the corporate purposes. The risk measurement is carried out in an integrated and cross-sectional way through pre-determined classification scales based on likelihood and impact, which concern both quantitative aspects (e.g. economic and financial impacts) and more qualitative and intangible aspects (such as impact on reputation, health, safety, and environment).

An enterprise measurement is assigned to each event, which summarises for each risk the various assessments carried out by the Risk Owners and by the centralised units with specialist skills. Risk prioritisation is defined by the combination of the impact and likelihood measurements.

Management strategies and any specific actions, together with the relevant implementation, are identified for all risks.

The mapping of the risks must be regularly re-verified according to the enterprise evaluation and in any case it is at least annual, including for low-priority risks. The periodic reporting activity ensures, at the various corporate levels, the availability and representation of the information on the activities concerning the management and monitoring of the relevant risks. Below is a graph representing the various operating stages of the ERM system.



In 2017 (i) the ERM function verified the mapping of the risks and any related mitigating actions, submitting its findings to the Control and Risk and Related-Party Transaction Committee; (ii) the Lean Simplify Project was formalised, which has the purpose, among other things, of setting forth and implementing a risk assessment integrated model integrating the information flows of second-level controls through a single IT instrument and a single data bank, with a synergic approach aimed at maximum overall rationalisation and efficiency.

As at the end of 2017 approximately 137 enterprise risks appeared to be mapped, distributed across all corporate processes. The main enterprise risks identified and monitored were classified according to the following categories: strategic risks; legal and non-compliance risk; operational risks; financial risks.

For further details please refer to the chapter “Factors of uncertainty and risk management” of the Management Report for 2017.

Finally, on 13 March 2018 the Board of Directors approved the ERM Guidelines, which defined a taxonomy of risks, updated the metrics of the impacts evaluated, and in relation to the new organisational structure and the new unregulated businesses, and, in line with the update of the COSO Framework of June 2017, the ERM processes and the strategic planning processes were further integrated.

(viii) 231 Model, Supervisory Body and Guarantor of the Code of Ethics

A. 231 Model

The 231 Model consists of a comprehensive set of principles, rules, and provisions concerning, among other things, the management and the control of each corporate process, the aim of which is to protect the company from any behaviours that may entail administrative liability pursuant to Legislative Decree 231/2001, in relation to offences committed or attempted in the interests or for the benefit of the company by persons holding top positions within the structure or by persons supervising and controlling them.

The Board of Directors adopted the 231 Model to prevent the offences referred to in the legislation on corporate administrative liability for the offences committed in the interests or for the benefit of the company, and appointed a Supervisory Body having autonomous initiative and control powers, in compliance with the laws and regulations.

The analysis of corporate processes and the comparative analysis of the existing control environment and of the control systems are carried out according to the COSO Framework, which is the international reference model for the establishment, update, analysis and assessment of the internal control system (the “**COSO Framework**”, last published in May 2013⁷³).

The Subsidiaries also adopted their own 231 Model adapted to their peculiarities, and appointed their own Supervisory Body to monitor the implementation of the 231 Model and its effective application.

In January 2018 the Risk Assessment and Gap Analysis activities were completed for the update of the Special Parts of the 231 Model of Snam and its Subsidiaries, in light of the following:

- the legislative novelties, which modified and extended the number of offences related to crimes (reati presupposto) referred to in Legislative Decree 231/2001 and of the evolution of the relevant case law, namely:
 - the new formulation of the corruption offences between individuals (article 2635 of the Italian Civil Code);
 - the “caporalato” offence (labour exploitation by taking advantage of workers’ weak position) introduced in article 25-*sexies* of Legislative Decree 231/2001;
 - the offence of “racism and xenophobia”, introduced by the new article 25-*terdecies* of Legislative Decree 231/2001;
- the organisational developments that affected Snam.

The update of the Special Part document of the 231 Models of the companies is currently being finalised.

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

The 231 Model may be viewed on the Company’s Website: http://www.snam.it/export/sites/snam/repository/file/Governance/modello231/modello_231_Snam.pdf

B. Supervisory Body and Guarantor of the Code of Ethics

On 26 July 2016 the Board of Directors modified the composition of the Supervisory Body by providing for the sole presence of members from outside the Company and the Group, also with a view to ensuring an adequate segregation of the functions and also ensuring that it shall include persons having specific know-how to be able to perform the duties assigned to it in an effective way.

⁷³ Document “Internal Control – Integrated Framework” published by the Committee of Sponsoring Organizations of the Treadway Commission (<http://www.coso.org>).

The Supervisory Body is currently composed of three external members - one of whom acts as the Chairman - expert in the legal, corporate, business economics and corporate organisation fields. The following table shows the members of this body:

Member	Qualification
Gianluigi Tosato	External member (Chairman)
Giovanni Maria Garegnani	External member
Ugo Lecis	External member

The Supervisory Body oversees, among other things, the effectiveness of the 231 Model and the monitoring of the activities of implementation and update of such model. It assesses the adequacy of the 231 Model in the prevention of illegal behaviours and deals with the relevant information flows exchanged with the various corporate functions and with the supervisory bodies of the Subsidiaries. The Supervisory Body acts as the Guarantor of the Code of Ethics.

The Supervisory Body has unrestricted access to corporate information for the investigation, analysis and control activities. All corporate functions, employees and/or members of corporate bodies have a duty of disclosure in the event of any requests of the Supervisory Body, or upon the occurrence of material events or circumstances, for the purposes of the performance of the activities pertaining to the Supervisory Body.

Should any critical issues emerge, the Supervisory Body shall notify the outcome of the activities carried out in the performance of its duties.

In 2017 the Supervisory Body was convened eleven times, with the participation of 96.7% of its members.

(ix) Functions with specific control duties

The ICRMS ensures adequate segregation of the functions by clearly placing them under one of the so called three internal control levels.

Consistently with a development process aimed at achieving a constant improvement in the effectiveness and efficiency of the ICRMS and its increasing integration, in addition to the functions described above the following organisational structures play an important role in the identification, measurement and monitoring of the risks associated with the management of the business, in the context of its operating responsibilities, in a coordinated way and through continued information flows.

Specifically:

- the Compliance Function, among other things, (i) promotes the culture of compliance and the streamlining / rationalisation of compliance models and of the system of external and internal related rules, quantifying the actual risk in the specific areas, and monitoring their application; (ii) adjustment of the structure of corporate principles and rules to and their compliance with the laws, regulations and provisions in force and with the best practices, ensuring the linking, coordination and control of compliance activities; (iii) updates the internal control and risk management system, the 231 Model, the model for the compliance with privacy and data protection, and the compliance programme for the prevention of unlawful acts; furthermore, in the Legal and Corporate Affairs, Compliance and Enterprise Risk Management Function a unit is established for the control of anticorruption matters;
- the Planning, Administration, Finance and Control Function controls strategic and financial risks. Furthermore, inside this function there is the Corporate Reporting Control System Function supporting the Corporate Accounting Documents Officer, who, among other things, is in charge of (i) defining the CRCS, the relevant methodologies, operating procedures and instruments, (ii) guaranteeing the risk assessment activities, (iii) ensuring the management of information flows, of the assessments of controls and reporting, and the drawing-up of the reports and disclosures on the status of the system for the Chief Executive Officer, the Corporate Accounting Documents Officer, the control bodies, the Internal Audit and the Auditing Firm, (iv) providing methodological and operating support to the functions involved in the implementation of the CRCS.

1.3 Coordination between the parties involved in the ICRMS

The rules adopted by Snam in the ICRMS and in the CRCS ensure adequate coordination between all the parties involved.

Specifically, the information flows ensuring the coordination between the persons of the ICRMS and the Board of Directors are structured around the following:

- (i) the review by the Board of Directors of the opinions and reports prepared by the parties involved in the ICRMS;
- (ii) the disclosures to the Board of Directors and to the Board of Statutory Auditors sent by the Chairman of the Control and Risk and Related-Party Transaction Committee and the presence of the Board of Statutory Auditors at the meetings of the Board of Directors; and

(iii) the participation of the managers of the control functions and of the Corporate Accounting Documents Officer in the meetings of the Board of Directors and of the Control and Risk and Related-Party Transaction Committee dealing with the matters pertaining to them.

The Control and Risk and Related-Party Transaction Committee and Snam’s Board of Statutory Auditors:

- receive information flows from the Internal Audit, from the other control functions of the Company (i.e. Enterprise Risk Management and Compliance), from the Supervisory Body and from the Auditing Firm. After receiving such information, they meet to review the resulting findings;
- receive from the Corporate Accounting Documents Officer a semi-annual report and an annual report on the evaluation of the CRCS and on the compliance with the administrative and accounting procedures and an annual report on the organisational, administrative, and accounting structure of the Snam Group.

Furthermore, Snam’s Board of Statutory Auditors - as the “Internal Control and Audit Committee” pursuant to Legislative Decree 39/2010 - oversees the financial reporting process and, therefore, receives from the Auditing Firm a report on the fundamental matters emerged during the audit.

The Chief Executive Officer, as the Director in Charge:

- receives periodic information flows from the Corporate Accounting Documents Officer on the most significant aspects of the CRCS and on the results of the monitoring activity, and shares with the latter the semi-annual report and the annual report on the CRCS and the annual report on the organisational, administrative, and accounting structure of the Snam Group, to be submitted to Snam’s Board of Directors;
- receives from the Internal Audit Manager: (i) the periodic reports and the reports on particularly significant events prepared by the Internal Audit Manager, also with reference to the audit activities carried out at the Subsidiaries; (ii) the reports on Snam and on the Subsidiaries, collected by the Internal Audit Manager in a quarterly report; (iii) the requests for the performance of audit activities not provided for in the Audit Plan; (iv) and information on the audit activities relating to areas being investigated by Public Authorities;
- reports timely to the Control and Risk and Related-Party Transaction Committee and/or to the Board of Directors, at the very first meeting held, on the critical issues and problems concerning the ICRMS.

It is provided that the following types of information flows shall be sent by the Supervisory Body to the top management:

- **ongoing**, to the Chief Executive Officer, who informs the Board of Directors in the context of the disclosure on the exercise of the powers of attorneys granted;
- **semi-annual**, to the Control and Risk and Related-Party Transaction Committee and to the Board of Statutory Auditors; in this respect a semi-annual report is provided for concerning the activity performed, which specifies the outcome of the verifications and the legislative innovations on the administrative liability of entities; on such occasion dedicated meetings are organised with the Control and Risk and Related-Party Transaction Committee and the Board of Statutory Auditors; the semi-annual report is also sent to the President and to the Chief Executive Officer and is notified to the Board of Directors;
- **immediate**, if any significant or material facts are ascertained, to the Control and Risk and Related-Party Transaction Committee and to the Board of Statutory Auditors, after notice to the President and to the Chief Executive Officer.

It is also provided that information flows shall be sent to the Supervisory Body by the management.

The Corporate Accounting Documents Officer, after consultation with the Auditing Firm and the Board of Statutory Auditors, assesses together with the Control and Risk and Related-Party Transaction Committee the correct application of the accounting standards and their consistency for the purposes of the Consolidated Financial Statements. In view of the specific responsibilities assigned to the Corporate Accounting Documents Officer within the CRCS, the Corporate Accounting Documents Officer receives information flows from other persons, bodies and functions of the Company and of the Subsidiaries⁷⁴.

The Internal Audit Function receives and provides information relating to the ICRMS, as provided for by the Guidelines. Specifically:

- it acquires information and evaluations of the Boards of Directors, of the Boards of Statutory Auditors and of the Supervisory Bodies of Snam and of the Subsidiaries for the purposes of drawing up the proposal for the Audit Plan to be subsequently approved by the Board of Directors;
- it sends the Internal Audit reports relating to each audit activity performed to the Chairman of the Board of Directors, to the Director in Charge, to the top management of the structures subject to audit, to the Control and Risk

⁷⁴ As provided for by the procedure concerning the “Corporate Information Control System of the Snam Group”.

and Related-Party Transaction Committee, to the Board of Statutory Auditors, and, to the extent pertaining to them, to the Supervisory Body and to the Corporate Accounting Documents Officer. Concerning the audit activities relating to the Subsidiaries, the reports are also sent to the Chairman of the Board of Directors, to the Chief Executive Officer and to the Board of Statutory Auditors and to the Supervisory Body of the companies concerned, save any exceptions for Internal Audit activities performed in joint ventures with other partners or similar agreements, which shall be considered from time to time;

- if the outcome shows alleged unlawful behaviours by the staff of Snam or of other third parties, including, among others, the suppliers, the Internal Audit Manager shall also send an audit report to the EVP of Human Resources & Organization and to the General Counsel, to the extent pertaining to them;
- it ensures a quarterly information flow in favour of the Supervisory Body of Snam and of the Subsidiaries concerning the summary evaluations of the audit activities carried out and the state of implementation of the corrective actions;
- with specific reference to the CRCS, it notifies to the function managers involved the outcome of the independent monitoring activities carried out;
- it performs the information obligations provided for by the "Guidelines on Anonymous Reporting" and, in particular, it prepares a quarterly report on the reporting, which is shared by the Ombudsman and is sent by the Internal Audit Manager to the Supervisory Body, with copy to the Chairman of the Board of Directors, to the Director in Charge, to the Board of Statutory Auditors, to the Control and Risk and Related-Party Transaction Committee, to the Auditing Firm, to the General Counsel, to the Legal Advisor of the Ethics & Antibribery function, to the CFO and to the Corporate Accounting Documents Officer, and, finally, to the Executive Vice President HRO.

Finally:

- The ERM function is in charge of the following information flows concerning the results of the evaluations: (i) quarterly reports to the Risk Owners, the Category Risk manager and the functional area Managers in relation to

the mapped risks in their respective areas; (ii) quarterly and semi-annual reporting on the update of critical and high risks, respectively, to Snam's Chief Executive Officer, to the CFO, to the Corporate Accounting Documents Officer, to the General Counsel and to the SVP of the Internal Audit; (iii) annual reporting on the update of all the corporate risks to Snam's Board of Directors, to Snam's Chief Executive Officer, to the CFO, to the Corporate Accounting Documents Officer, to the General Counsel, and to the SVP of the Internal Audit.

- On a quarterly basis the ERM function outlines and submits the performance of the activities carried out, the results emerged and the relevant management plans to the Control and Risk and Related-Party Transaction Committee, to the Board of Statutory Auditors, and to the Supervisory Body so as to allow for the respective assessments on the effectiveness of the internal control and risk management system.
- The Legal Function regularly reports to the Control and Risk and Related-Party Transaction Committee, to the Board of Statutory Auditors and to the Supervisory Body, specifically to review compliance matters, with reference, among other things, to any critical issues and/or possible actions for improvement, and the progress of the litigation of the Company; in this context a report is also sent on the verification, training, assessment and monitoring activities provided for by the anticorruption policies.

1.4 Main characteristics of the internal control and risk management system in relation to corporate reporting

(i) Background

The internal control and risk management system in relation to the corporate reporting process is an element of the same System (Corporate Reporting Control System), aimed at ensuring the credibility⁷⁵, the accuracy⁷⁶, the reliability⁷⁷ and the timeliness of corporate financial reporting and the capacity of corporate processes relevant in this respect for the purposes of producing such reporting according with the accounting principles.

⁷⁵ Dependability (of reporting): reporting that is fair and compliant with the generally accepted accounting standards and meets the requirements imposed by the applicable laws and regulations.

⁷⁶ Accuracy (of reporting): error-free reporting.

⁷⁷ Reliability (of reporting): reporting that is so clear and complete as to lead to informed investment decisions by investors.

The reporting in question consists of all financial and non-financial data and information contained in the periodic accounting documents required by law as well as in any other accounting document or external communication covered by the statements provided for by article 154-*bis* of the Unified Financial Act⁷⁸. Non-financial data and information have the purpose of describing the significant aspects of the business, of commenting on the economic and financial results for the year, and/or of describing future prospects.

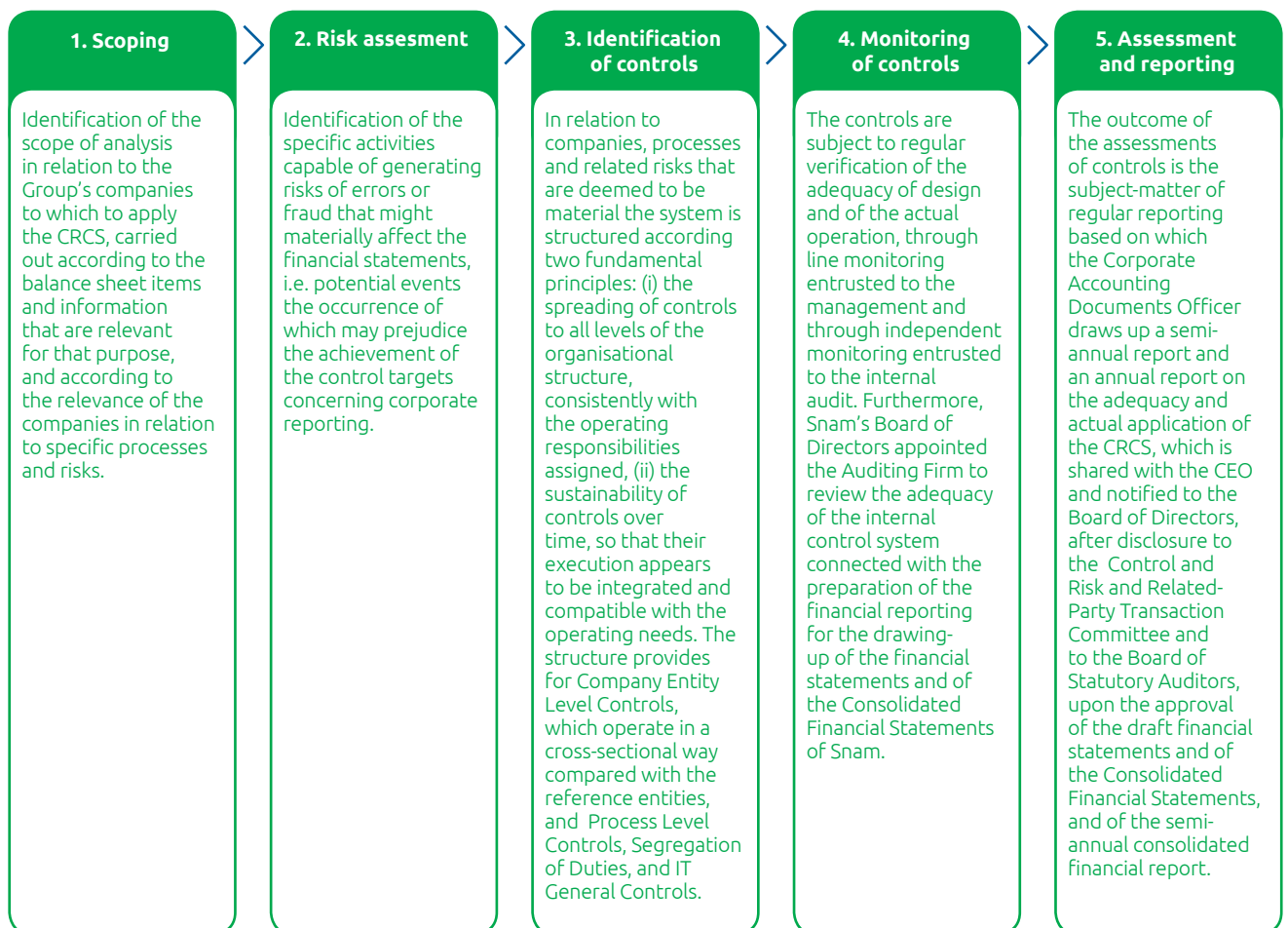
The CRCS model adopted by Snam and by the Subsidiaries was defined consistently with the provisions of article 154-*bis* of the Unified Financial Act and is based, in terms of methodology, on the “COSO Framework” (“Internal Control – Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission), which is the in-

ternational benchmark model for the establishment, updating, analysis and assessment of internal control systems, an update of which was published in May 2013.

The Corporate Reporting Control System of the Snam Group is regulated by a set of rules and by a number of operating instructions relating to the “Corporate Reporting Control System of the Snam Group”, which define the methodologies, roles, responsibilities, activities to perform and the reporting flows for the planning, establishment and keeping over time, the functioning, and the evaluation of effectiveness of the Group’s CRCS, taking into account their significance.

(ii) CRCS phases

The planning, establishment and keeping of the CRCS are ensured by the following activities:



⁷⁸ Snam has acquired a set of rules defining the rules, methodologies, roles and responsibilities for the planning, establishment, keeping over time and assessment of the effectiveness of the SCIS of the Group - which is applied to Snam and to the Subsidiaries, taking into account their significance.

(iii) Roles and functions involved

The Corporate Accounting Documents Officer is supported in the activities of identification of controls, monitoring and evaluation by a number of persons (e.g. Risk Owners, Function Manager) at various levels of the organisational structure of Snam and of the Subsidiaries.

Furthermore, the top administrative positions and the managing directors of the individual companies of the Group are responsible for the establishment, design and keeping over time of the control system of the companies, receive the results of the verifications of all the controls and draw up specific semi-annual and annual reports of companies that they submit to their Board of Directors, after informing the Board of Statutory Auditors, and to the parent company.

(iv) Update of the Model

The Corporate Reporting Control System is subject to a constant update to reflect the changes to activities and responsibilities, so as to keep the controls always adequate.

The training relating to the CRCS has continued in the form of e-learning for Snam's staff to inform on the requirements, purposes and characteristics of the model, so that everyone can be aware of their roles and responsibilities and may adequately contribute to its correct functioning.

2. Snam's legal framework

2.1 Overview

Snam started a process of simplification and rationalisation of its Legal Framework.

The new Legal Framework has the form of a pyramid divided into three hierarchical levels with different types of regulatory instruments as described below:



- (i) Code of Ethics (1st regulatory level): it sets forth the values, behavioural principles and guidelines on which the whole internal control and risk management system is based, which Snam acknowledges, accepts, shares and assumes internally and vis-à-vis third parties.
- (ii) Guidelines (2nd regulatory level): they set forth the set of principles and behaviours that each employee of Snam is required to follow. They also set forth the procedures and instruments of the internal control and risk management system.
- (iii) Rules (3rd regulatory level): they define the process flow, the structure of responsibilities, the task list and the structure of controls at process level.

Furthermore, the documents relating to the certified management systems are an integral part of the regulatory system (in compliance with the ISO international regulations) as concerns Health, Safety, Environment, and Quality (Policies, Manuals, Procedures, and Operating Instructions). Finally, there are the regulatory circulars aimed at regulating specific matters (sometimes occasional ones).

Snam's Legal Framework aims to:

- (i) pursue and support the efficiency of the internal control and risk management system; and
- (ii) regulate a number of aspects of the direction and coordination activities carried out by Snam over the Subsidiaries, the Boards of Directors of which regularly receive - for information purposes - the regulatory instruments adopted by Snam.

Concerning certain specific matters (such as those relating to health, safety and the environment and/or pertaining to the Boards of Directors of Snam and of the Subsidiaries) providing for a specific direct liability for the Subsidiaries, it is provided that such Subsidiaries shall formally adopt such regulatory instruments prepared by Snam.

2.2 Compliance programmes

(i) Anticorruption Compliance Programme

In establishing and maintaining an Anticorruption Compliance Programme Snam not only adopts the 231 Model (aiming to prevent offences from which administrative liability for offences by the company arises, including corruption offences) but, consistently with the provisions of international guidelines and best practices, has also implemented the following instruments:

- the top level commitment, i.e. the commitment by the top management to fight corruption;
- the adoption of specific anticorruption policies;
- the establishment of an Anticorruption Legal Function (Ethics & Antibribery);
- the anticorruption due diligence concerning the contractual/business counterparties;
- the monitoring by an external and independent adviser to verify the actual knowledge and implementation of the above-mentioned procedures;
- the awareness of staff through training and information activities;
- disciplinary measures in the event of breach of the anticorruption rules.



The cooperation with Transparency International and other initiatives

- In September 2016 Snam and Transparency International executed an agreement to develop a partnership in the context of the Global Corporate Supporters Forum promoted by the ONG. By this agreement Snam was the first Italian business to become an international partner of the Forum, which was established to group the undertakings standing out for their integrity in the management of the business, in compliance with the standards of good governance, transparency and responsibility promoted by Transparency International in the context of the global commitment to fight corruption and in favour of an ethical corporate behaviour.
- The partnership formalises the principles of cooperation of Transparency International with Snam in the management of the anticorruption programmes and of the policy of fight against fraud and irregularities, conflict of interest whistleblowing, among the other measures aimed at strengthening the highest anticorruption standards acknowledged by Transparency International.
- In 2017 Snam participated in initiatives promoted by the OECD and the Ministry of Foreign Affairs, taking part in the Global Forum on Responsible Business Conduct of the OECD held in Paris on 30 June: it was the first private company in the world to be part of the panel devoted to the discussion of the approaches to due diligence in the context of the fight against corruption and the protection of human rights. Since 2017 Snam has also been a member of the Business and Industry Advisory Committee (BIAC) - the first Italian private company to do so.

Highlights of the Anticorruption Procedure

- Prohibition of corruption without exception vis-à-vis any public or private person
- Specific rules and controls concerning the activities identified as being potentially at risk and the activities concerning the actual implementation of anticorruption compliance
- Clear distinction between permitted and prohibited behaviours
- Special attention to the relations with Public Officials and with suppliers and business partners
- Establishment of the Ethics & Antibribery dedicated function
- Monitoring activities involving the management; training started in 2016 for over 1,370 persons in 2016 and completed in 2017 for 112 new employees
- Preparation of the "Anticorruption Guidelines" as an easily understandable and accessible supporting tool aimed at spreading and growing the anticorruption culture among Snam's persons
- Example of "absolute excellence" by Transparency International Italia following its Assessment on Transparency in Reporting on Anti-Corruption
- 1,810 reputational checks carried out in respect of counterparties (suppliers and subcontractors)

The Anticorruption Policy is an integral part of a broader corporate ethics control system, aimed at ensuring the compliance by Snam with national and international Anticorruption Laws and with the best international standards in the fight against corruption, also to protect Snam's reputation. Among other things, the Anticorruption Procedure focuses on the selection of suppliers and business partners, on the management of the relations with them and on the relevant contractual protection clauses.

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

The Anticorruption Policy may be viewed on the Company’s Website: http://www.snam.it/export/sites/snam/repository/file/Governance/procedure/anticorruzione/snam_anticorruzione_01.pdf

(ii) Whistleblowing

Since 2006 Snam has adopted specific rules aimed at establishing a codified system for the collection, analysis, verification and reporting of reports, including anonymous reports, received by Snam and by the Subsidiaries (the “**Reporting Guidelines**”) and set forth the criteria and procedures to establish suitable information systems.

Highlights sul Whistleblowing

- Management of the communication channels entrusted to an external and independent person (the Ombudsman), identified as a professional having a high level of legal training on criminal law, who ensures the receipt and review of any report by applying criteria of strict confidentiality suitable, among other things, for protecting the integrity of the reported persons and the effectiveness of the assessments
- Investigation concerning the reports, carried out in an integrated and coordinated way by involving the Internal Audit Function and after consultation, to the extent pertaining to it, of the Legal and Corporate Affairs, Compliance and ERM Function. Quarterly sharing of a report on the reports received, sent by the Internal Audit Function, with the following corporate functions:
 - Snam’s President;
 - Chief Executive Officer;
 - Snam’s Board of Statutory Auditors;
 - Control and Risk and Related-Party Transaction Committee;
 - Supervisory Body;
 - Auditing Firm;
 - General Counsel;
 - CFO and Corporate Accounting Documents Officer;
 - EVP of Human Resources & Organization;

In the event of reports concerning the Subsidiaries the report is sent to the Chief Executive Officer of each Subsidiary concerned and to the relevant Controlling and Supervisory Bodies, to the extent pertaining to them, respectively.

The Reporting Guideline was also reviewed to reflect the novelties introduced by Law no. 179 of 30 November 2017 (“*Provisions for the protection of the authors of reports of offences or irregularities of which they became aware in the context of a public or private work relationship*”) which, with reference to the private sector, provided, through amendments to article 6 of Legislative Decree 231/2001 for the protection of the employee reporting illegal behaviours or breaches of the model of organisation and management of the entity, and the preparation (i) of one or more channels allowing for the transmission of the reports, at least one of which must be suitable for ensuring electronically the confidentiality of the identity of the reporting person in the activity of management of the reporting, and (ii) of disciplinary measures against those who breach the measures for the protection of the reporting person.

The Reporting Guidelines may be viewed on the Company’s Website: http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/procedure_segnaizoni/snam_segnaizoni_anche_anonime_eng.pdf

Below is a table showing details of the activities carried out by the Internal Audit concerning the reports received in the last three years by the Companies of the Snam Group:

	2015	2016	2017
Total number of audits performed	64	42	44
Reports received	17	5	5
- of which concerning the Internal Control System	2	1	-
- of which concerning accountancy, audit, fraud, etc.	-	-	-
- of which concerning administrative liability pursuant to Legislative Decree 231/2001	-	1	-
- of which concerning breaches of anticorruption law	1	1	1
- of which concerning other matters (Code of Ethics, mobbing, theft, security, etc.)	14	-	4
Reports archived for lack of elements or because untrue	9	2	1
Reports ended by disciplinary or managerial measures and/or submitted to the Judicial Authority	2	-	3
Reports under review	6	3	3

(iii) Antitrust Compliance Programme

The Company identified the breach of antitrust rules as one of the main corporate risks and developed a detailed antitrust compliance programme.

Highlights of the Antitrust Compliance Programme

The programme develops through the following:

- The adoption of the Antitrust Code of Conduct
- Specific communication and training initiatives addressed to all employees to ensure the knowledge, effectiveness and correct implementation of the Antitrust Code of Conduct
- The establishment, within Snam's Legal and Corporate Affairs, Compliance and ERM Function, of an Antitrust Control, which shall provide the necessary support and assistance for the implementation of the Antitrust Code of Conduct
- A monitoring programme aimed at verifying the effectiveness of the setting-up and implementation of the rules contained in the Antitrust Code of Conduct and at allowing the making of amendments and updates to the latter
- The drawing-up of the "Practical Guide on competition protection", as a support to explain to Snam's persons the potential anti-competition situations (antitrust behaviours) and which standards of conduct to adopt

The Antitrust Code of Conduct may be viewed on the Com's Website: http://www.snam.it/export/sites/snam/repository/file/Governance/codice_antitrust/codice_di_condotta_antitrust.pdf

2.3 Related Party Guidelines

The Board of Directors approved the Guidelines “Transactions Involving the Interests of Directors and Statutory Auditors and Third-Party Transactions” pursuant to the Regulation on Related-Party Transactions (“**Related Party Guidelines**”)⁷⁹. The Related Party Guidelines were adopted in compliance with the Unbundling Legislation, taking into account the specific characteristics of the activities carried out by Snam and by the Subsidiaries, subject to the ARERA’s supervision.

Highlights of the Related Party Guidelines

- Involvement of the Control and Risk and Related-Party Transaction Committee or of the Committee Remuneration, as the case may be (for the decisions concerning the remuneration of Snam’s Directors, Statutory Auditors and Key management personnel)
- Introduction of a fixed EUR 140 million materiality threshold
- Extension of the scope of application of the Guidelines to all transactions executed by the Subsidiaries with Snam’s related parties
- Introduction of the review of a specific procedure for the approval of transactions involving interests of Snam’s Directors or Statutory Auditors

The Guidelines distinguish between Major Transactions and Minor Transactions based on a materiality threshold. Specifically, to encourage maximum transparency vis-à-vis the market, the Related Party Guidelines adopted a stricter parameter for the identification of Major Transactions than the one provided for by the Regulation on Related-Party Transactions by providing for a fixed EUR 140 million materiality threshold.

The Guidelines require that the competent Committee shall issue the following:

- for “**Minor Transactions**”⁸⁰ a non-binding reasoned opinion on the interest of the Company in the execution of the transaction and on the cost-effectiveness and material fairness of its conditions. In the event of a negative opinion the Company shall inform the market of the reasons that led to execute such transaction despite such opinion;
- for “**Major Transactions**”⁸¹, solely pertaining to the Board of Directors, a binding reasoned opinion on the interest of the Company in the execution of the transaction and on the cost-effectiveness and material fairness of its conditions. The Committee is also involved in the negotiation and investigation stages by receiving a complete and timely information flow, and is entitled to request information of and make remarks vis-à-vis the executive bodies and the persons in charge of conducting the negotiations and the investigation.

In both cases the Committee may, at the Company’s cost, request the assistance of one or more independent experts.

Finally, the Guidelines provide for a specific approval procedure - which requires, among other things, in the case of a transaction pertaining to the board, the issue of a non-binding opinion by the Control and Risk and Related-Party Transaction Committee on the convenience of the transaction for the Company - in the event of transactions other than related-party transactions, where there are interests - for their own account or on behalf of third parties - of Snam’s Directors or Statutory Auditors.

⁷⁹ The Guidelines “Transactions Involving the Interests of Directors and Statutory Auditors and Related-Party Transactions” define as “Transaction” (or “Transactions”) any active or passive transfer of resources, services, or undertaking of obligations, irrespectively of whether a consideration was agreed, carried out by Snam or by the Subsidiaries with Snam’s Related Parties. The following is deemed to be included in any case: (i) mergers, demergers by incorporation or strictly speaking non-proportional demergers; (ii) any decisions relating to the assignment of remuneration and economic benefits, in any form, to the members of the management and control bodies and to the key management personnel.

⁸⁰ Pursuant to the Guidelines “*Minor Transactions*” are all the transactions other than Major Transactions and transactions of Minor Value (as defined in Schedule 2 of the Procedure).

⁸¹ “*Major Transactions*” are specified in Schedule 1 of the Guidelines.

The Related Party Guidelines may be viewed on the Company's Website: http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/operazione_parti_correlate/Linea_Guida_operazioni_interessi_amministratori_e_sindaci_e_operazioni_parti_correlate.pdf

2.4 Guidelines on Market Abuse

Snam's Guidelines on Market Abuse collect and coordinate in a single systematic document the principles and rules on market abuse that have to be complied with by the Company and its related persons for the purpose of:

- protect investors to prevent any situations of information asymmetry and ensure that no persons may use information that is not in the public domain to carry out speculative transactions on the markets; and
- protect the Company from any liability that it may incur following behaviours shown by persons related to it.

Highlights of the Guidelines on Market Abuse

- Snam's Guidelines take into account the "Market Abuse Regulation" referred to in EU Regulation 596/2014 (and related implementing regulations), which came into effect on 3 July 2016 and was last updated in March 2018 to implement, among other things, the legislative changes introduced to the Issuers' Regulation by Consob Resolution no. 19925 of 22 March 2017 and to reflect the Guidelines on the "Management of privileged Information" issued by Consob on 13 October 2017
- A single text - comprehensive, systematic and updated, adjusted to the new European regulation - grouping all the measures on market abuse. Provisions on the management of price-sensitive information, material information, internal dealing, the black-out period and the insider register
- Introduction of a specific procedure for the delay in the disclosure of privileged information
- Identification of a detailed information flow within the corporate organisation and with the Subsidiaries
- Training programme to make Snam's persons aware of the matters relating to the regulation of market abuse

The Guidelines on Market Abuse is divided into three Sections:

Section I – Management of Privileged Information

This section regulates the following:

- (a) the identification and management of material information and of privileged information
- (b) the procedures to be followed for the communication of such information within and outside the Company
- (c) the procedure to be followed if the Company deems it necessary to delay the disclosure of privileged information to the public
- (d) the setting-up, keeping and update of the register of the persons having access the material information and of the register of the persons having access to privileged information

Section II – Internal Dealing

This section regulates the disclosure and behavioural obligations relating to: (a) the execution of transactions on shares or debt instruments issued by the Company or on derivatives or other related instruments, and, as applicable, on quota-shares of issues, products being the subject-matter of auctions based on them or of related derivatives, by those who carry out administration or control functions or by persons closely related to them; and (b) the transactions concerning Company shares or other related financial instruments, which are executed, through an intermediary or otherwise, by anyone holding shares in the Company to the extent of 10% of the share capital, and by any other person controlling the Company.

Specifically, the following is specified:

- (a) the criteria for the identification of “Relevant Persons”, of “Relevant Shareholders”, and of “Material Transactions”, to whom the legislation in question applies;
- b) the duties of disclosure of the “Relevant Persons”, of “Relevant Shareholders”, and of the Company to Consob and to the public in relation to “Material Transactions”; and
- c) the regulation of the prohibition for “Relevant Persons” to carry out “Material Transactions” in certain periods (the “black-out period⁸²”).

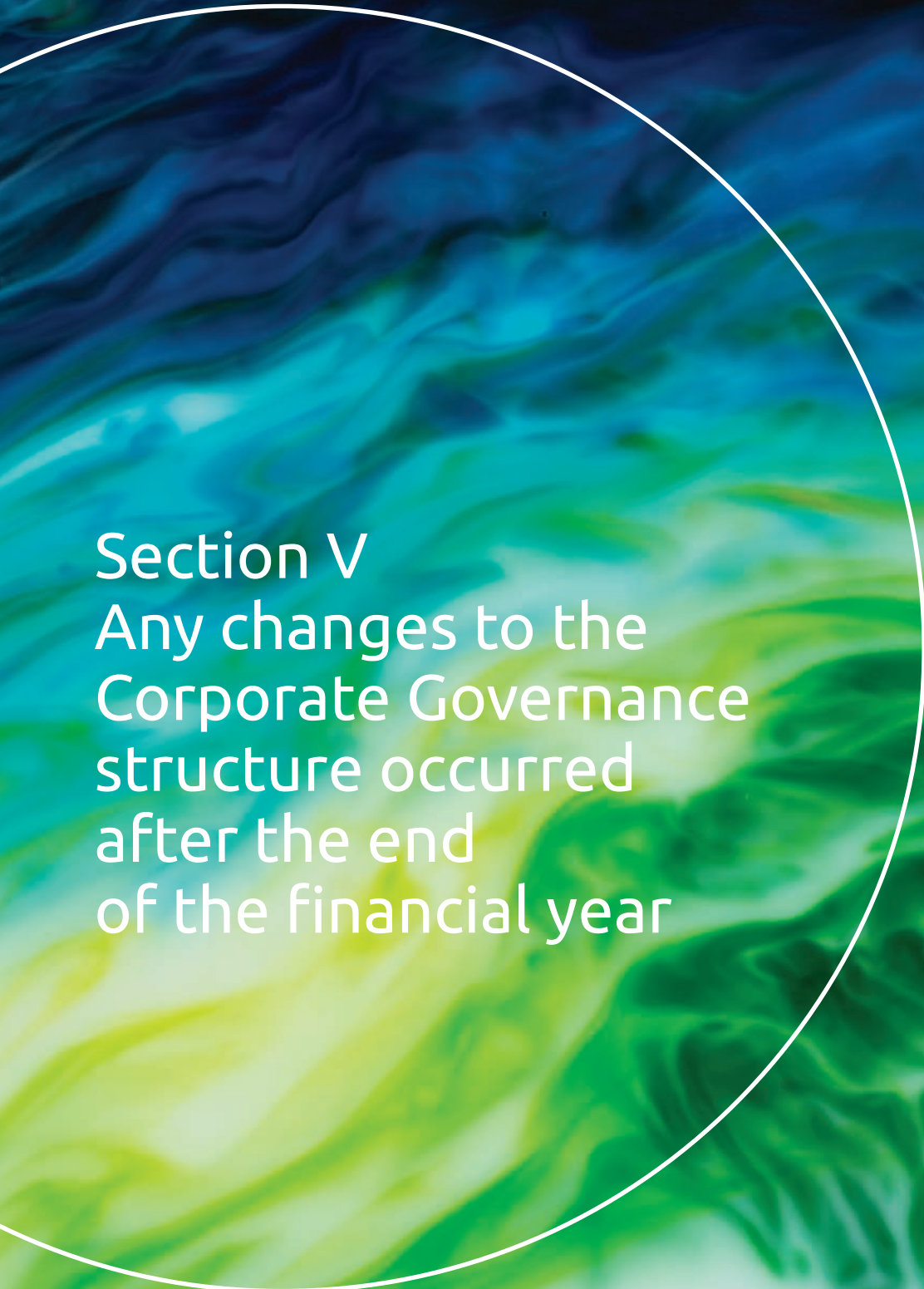
Section III – Final Provisions

This section regulates the provisions concerning: (a) market surveys; (b) the update of the Guidelines, and final provisions.

The Guidelines on Market Abuse may be viewed on the Company’s Website: http://www.snam.it/export/sites/snam-rp/repository/file/Governance/procedure/Market_Abuse/Guideline_Market_Abuse_2018.pdf

82 Pursuant to the Guidelines on Market Abuse “Relevant Persons” and “Closely Related Persos” may not - whether directly or through an intermediary - carry out “Material Transactions” in the thirty calendar days preceding the disclosure by the Company of the data contained in the annual financial report, in the semi-annual financial report, and in further periodic financial reports the publication of which is mandatory by law.

For the definition of “Relevant Persons”, “Closely Related Persons” and of “Material Transactions” please refer to the Guidelines on Market Abuse. The Guidelines on Market Abuse also regulate a number of prohibitions for Snam to execute specific transactions on its own securities. This restriction on operations by the issuer on its own securities is not provided for by the Market Abuse Regulation.



Section V

Any changes to the
Corporate Governance
structure occurred
after the end
of the financial year

No further material changes occurred after the end of the financial year.



Section VI Summary tables

IV	Schedule 1
XVI	Schedule 2
XVII	Schedule 3
XVIII	Schedule 4
XX	Schedule 5
XXI	Schedule 6
XXIII	Schedule 7

TABLE 1 - Structure of Snam's Board of Directors and Committees

Board of Directors													Control and Risk and Related-Party Transaction Committee			Remun. Committee		Appointm. Committee		Sustainab. Committee		Executive Committee, if any
Office	Members	Year of birth	Date of first appoint.*	In office since	In office until	List **	Exec.	Non-Exec.	Indip. Code	Indip. Italian Fin. Serv. Act	No. other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)		
Chairman	Malacarne Carlo	1953	27/04/06 ⁸³	27/04/16	Balance sheet 31/12/18	M		✓			0	9/9									Non existent	
Chief Executive Officer (•) (◊)	Marco Alverà	1975	27/04/16 ⁸⁴	27/04/16	Balance sheet 31/12/18	M	✓				1	9/9									Non existent	
Director	Bruno Sabrina	1965	26/03/13	27/04/16	Balance sheet 31/12/18	m		✓	✓	✓	1	9/9	10/12	M					6/6	C	Non existent	
Director	de Virgiliis Monica	1967	27/04/16	27/04/16	Balance sheet 31/12/18	M		✓	✓	✓	1	8/9			10/10	P	5/5	M			Non existent	
Director	Gori Francesco	1952	26/03/13	27/04/16	Balance sheet 31/12/18	m		✓	✓	✓	2	9/9					5/5	C			Non existent	
Director	Lucia Morselli	1956	27/04/16	27/04/16	Balance sheet 31/12/18	M		✓	✓	✓	4	8/9	10/12	M					5/6	M	Non existent	
Director	He Yunpeng	1965	26/01/15	27/04/16	Balance sheet 31/12/18	M		✓			4	9/9							6/6	M	Non existent	
Director	Elisabetta Oliveri	1963	27/04/10	27/04/16	Balance sheet 31/12/18	m		✓	✓	✓	2	9/9	10/12	C	10/10	M					Non existent	
Director	Alessandro Tonetti	1977	27/04/16	27/04/16	Balance sheet 31/12/18	M		✓			0	7/9			8/10	M	5/5	M			Non existent	

DIRECTORS WHO CEASED TO HOLD OFFICE DURING THE REFERENCE FINANCIAL YEAR

No. of meetings held during the reference financial year: 9	Control and Risk and Related-Party Transaction Committee: 12	Remuneration Committee: 10	Appointments Committee: 5	Sustainability Committee: 6
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Specify the quorum required for the submittal of the minority lists for the appointment of one or more members (pursuant to article 147-ter of the Unified Financial Act): 1% of the share capital

NOTES

The symbols specified below need to be included in the column "Office":

• This symbol indicates the Director in Charge of the internal control and risk management system.

◊ This symbol indicates the head of the Management of the issuer (Chief Executive Officer or CEO).

◦ This symbol indicates the Lead Independent Director (LID).

* "Date of first appointment of each director" means the date on which the director was appointed for the first time ever to the Board of Directors of the issuer.

** This column contains the list from which each director was selected. M: to be intended as the list from which the majority of the directors were drawn m: to be intended as the list from which the minority of the directors were drawn (please see p. 40) "BoD": list submitted by the BoD).

*** This column specifies the number of director or statutory auditor offices held by the person concerned in other companies listed on regulated markets, including foreign ones, in financial, insurance companies, banks, or large companies. In the Corporate governance report the offices are shown in full.

(*) This column specifies the participation of the directors in the meetings of the BoD and in the meetings of the committees (specify the number of meetings attended compared with the total number of the meetings which could have been attended; e.g. 6/8, 8/8, etc.).

(**) This column specifies the qualification of the director within the Committee: "C": chairman; "M": member.

83 The date refers to the appointment of Carlo Malacarne as Director by the Shareholders' Meeting. From 8 May 2006 to 27 April 2016 Carlo Malacarne held the office of Chief Executive Officer.

84 Marco Alverà has held the office of General Manager since 15 January 2016, and he is still holding this office even after his appointment to the office of Chief Executive Officer.

TABLE 2 - Structure of the Board of Statutory Auditors Snam

Office	Members	Year of birth	Date of first appointment *	In office since	In office until	List**	Indip. Code	Attendance of Board meetings***	Attendance of BoD meetings	No. of other offices****
Chairman	Amato Leo	1961	26/03/2013	27/04/2016	Balance sheet 31/12/2018	M	✓	17/17	9/9	45
Standing Statutory Auditor	Gatto Massimo	1963	27/04/2010	27/04/2016	Balance sheet 31/12/18	m	✓	16/17	9/9	2
Standing Statutory Auditor	Mosconi Maria Luisa	1962	27/04/2016	27/04/2016	Balance sheet 31/12/2018	M	✓	17/17	9/9	5
Standing Statutory Auditor	Gimigliano Maria	1976	26/03/2013	27/04/2016	Balance sheet 31/12/2018	M	✓	=	=	=
Standing Statutory Auditor	Ferrero Sonia	1971	27/04/2016	27/04/2016	Balance sheet 31/12/2018	m	✓	=	=	=

STATUTORY AUDITORS WHO CEASED TO HOLD OFFICE DURING THE REFERENCE FINANCIAL YEAR

No. of meetings held during the reference financial year: 17

Specify the quorum required for the submittal of the minority lists for the appointment of one or more members (pursuant to article 148 of the Unified Financial Act): 1% of the share capital

NOTES

- * Date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time ever to the Board of Statutory Auditors of the issuer.
- ** This column contains the list from which each statutory auditor was selected. M: to be intended as the list from which the majority of the statutory auditors were drawn m: to be intended as the list from which the minority of the statutory auditors were drawn (please see p. 66)
- *** This column specifies the participation of the statutory auditors in the meetings of the Board of Statutory Auditors (specify the number of meetings attended compared with the total number of the meetings which could have been attended; e.g. 6/8, 8/8, etc.).
- **** This column specifies the number of director or statutory auditor offices held by the person concerned pursuant to article 148-bis of the Unified Financial Act and relevant implementing provisions contained in the Consob Issuers' Regulation. The full list of the offices is published by Consob on its own website pursuant to article 144-*quinquies*-*decies* of the Consob Issuers' Regulation.

SCHEDULE 1**The Corporate Governance Code (July 2015) and reference to the information contained in the Report on the application of its recommendations (principle of comply or explain).**

This schedule contains the wording of the principles and criteria of the Corporate Governance Code approved by the Corporate Governance Committee in July 2015, together with a referral to the Report sections describing the procedures for the implementation of each of such principles and criteria (principle of comply or explain).

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
1.P.1	Article 1 - Role of the Board of Directors The issuer is 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.	✓			pages 39, 47-53 Schedule 4
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.	✓			page 47
1.C.1	The board of directors shall: (a) review 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 nature and the degree of risk, consistently with the issuer's strategic objectives, taking into account any risk that may affect the sustainability of the issuer's business in a medium-long term perspective; (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 and risk management system; (d) specify the frequency, in any case no less than once every three months, with which the executive bodies must report to the board on the activities performed in the exercise of the powers delegated to them; (e) review the general performance of the management, paying particular attention to the information received from the executive bodies and periodically comparing the results achieved with those planned; (f) resolve upon transactions to be carried out by the issuer or its subsidiaries 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 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 a director. Where the board of directors avails itself of consultants for such a self-assessment, 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 to the shareholders its view on the managerial and professional profiles deemed appropriate for the composition of the board of directors, prior to its nomination;	✓			From letter (a) to letter (h) pages 33-36

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
	(i) provide information in the corporate governance report on (1) its composition, indicating for each member the qualification (executive, non-executive, independent), the relevant role held within the board of directors (including, without limitation, 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 financial 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;				pages 40-46 and Table 1
	(j) 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.				page 50
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 auditor in other companies listed on regulated markets (including foreign markets) in financial companies, banks, insurance companies or large companies. 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.	✓			page 57
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 at 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 of 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.	✓			pages 56-57
1.C.4	If the shareholders' meeting, when dealing with organisational needs, authorises, on a general, preventive basis, derogations from the rule 8 prohibiting competition, as per article 2390 of the Italian Civil Code, then the board of directors shall evaluate each such issue, reporting the critical ones, if any, at the next shareholders' meeting. 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.			✓	page 39
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, among other things, on the prior notice usually deemed to be adequate for the supply of documents and specifying whether such prior notice has usually been observed.	✓			page 47
1.C.6	The chairman of the board of directors, also upon request of one or more directors, may request of 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. The corporate governance report provides information on the effective attendance of the board meetings.	✓			page 47

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
	Article 2 – Composition of the board of directors				
2.P.1	The board of directors shall be made up of executive and non-executive directors, who should be adequately competent and professional.	✓			pages 40-46
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 attention to the areas where conflicts of interest may exist.	✓			Schedule 3
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 making of board's decisions.	✓			Schedule 3
2.P.4	It is expedient to avoid the concentration of corporate offices on one single individual.	✓			pages 55-56
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.			✓	page 55 Schedule 5
2.C.1	The following persons qualify as executive directors of the issuer: <ul style="list-style-type: none"> - 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. <p>The grant 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.</p>	✓			page 56
2.C.2	The directors shall know the duties and responsibilities relating to their office. <p>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 the ways deemed appropriate, in initiatives aimed at providing them with adequate knowledge of the business sector where the issuer operates, of the corporate dynamics and the relevant evolutions, of the principles of proper risk-management as well as the relevant regulatory and self-regulatory framework.</p> <p>The issuer shall describe in the corporate governance report the type and organizational procedures of the activities that took place during the reference financial year.</p>	✓			page 69
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. <p>The board of directors of issuers belonging to the FTSE-MIB index shall designate a lead independent director if so requested by the majority of the independent directors, save in case of a different and grounded assessment carried out by the board to be reported in the corporate governance report.</p>			✓	page 58

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
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 to guarantee that directors receive timely and complete information.			✓	page 58
2.C.5	The chief executive officer of issuer (a) shall not be appointed director of 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).	✓			page 56
Article 3 – Independent directors					
3.P.1	An adequate number of non-executive directors shall be independent, in the sense that they shall not maintain, directly or indirectly or on behalf of third parties, nor have recently maintained any business relationships with the issuer or persons linked with the issuer, of such a significance as to influence their autonomous judgement.	✓			page 56
3.P.2	The independence of the directors 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.	✓			page 56
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 bearing in mind that a director usually does not appear independent in the following events, without limitation: (a) if such director controls the issuer, whether directly or indirectly, 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 such director is, or was in the preceding three financial 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 such director has, or had in the preceding financial 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: <ul style="list-style-type: none"> • With the issuer, one of its subsidiaries, or any of its significant representatives; • With a person 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 financial years, an employee of the above-mentioned persons; (d) if such director receives, or received in the preceding three financial years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration (compared with the "fixed" remuneration of non-executive director of the issuer and with the remuneration of the membership in the committees that are recommended by the Code) also in the form of participation in incentive plans linked with the company's performance, including stock option plans; (e) if such director was a director of the issuer for more than nine years in the last twelve years; (f) if such director 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 such director is a 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 such director is a close relative of a person who is in any of the positions listed at the above paragraphs.	✓			page 56 Schedule 3

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
3.C.2	For the above purposes 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 being "significant representatives".	✓			pages 55, 56
3.C.3	The number and expertise of the independent directors are adequate to the size of the board and to the activity carried out by the issuer, and they are such as to allow for the establishment of committees within the board as specified in the Code. As for issuers belonging to the FTSA-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. In any case the independent directors are at least two.	✓			page 56
3.C.4	After the appointment of a director who qualifies himself/herself as being 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 these documents 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 the quantitative and/or qualitative criteria used, if any, in assessing the relevance of relationships under evaluation.	✓			page 56
3.C.5	The board of statutory auditors shall, in the context of the duties attributed to it by the law, ascertain 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.	✓			pages 55-56
3.C.6	The independent directors shall meet at least once a year without the presence of the other directors.	✓			page 56
	Article 4 – Establishment and functioning of the internal committees of the board of directors				
4.P.1	The board of directors shall establish one or more committees, by selecting them from among its members, with proposing and consultative functions according to what is set out in the articles below.	✓			page 59
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 for 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 of a number of committees lower than the envisaged one, provided that for their composition the rules are complied with that are indicated from time to time by the Code and the achievement of the underlying objectives is ensured;	✓			pages 59-65

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
	<p>(d) the meetings of each committee shall be evidenced by minutes, and the chairman of the committee shall inform the board of directors thereof during the first available meeting;</p> <p>(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;</p> <p>(f) persons who are not members of the committee, including other board members or persons belonging to the issuer's structure may participate in the meetings of each committee if invited by such committee, with reference to individual items on the agenda;</p> <p>(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 financial year, the number of meetings held, their average duration and the relevant percentage of participation of each member.</p>				
4.C.2	<p>The establishment of one or more committees may 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 next lower unit shall be carried out; (ii) adequate time is devoted 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 subject to direction and coordination.</p> <p>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.</p>			✓	
	Article 5 – Appointment of directors				
5.P.1	The board of directors shall establish a committee, by selecting it from among its members, to propose candidates to the position of director, composed of a majority of independent directors.	✓			pages 61, 62
5.C.1	<p>The committee to propose candidates to the position of director shall be vested with the following functions:</p> <p>(a) expressing opinions to the board of directors regarding its size and composition and expressing 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;</p> <p>(b) submitting the board of directors candidates to director offices in case of co-optation, should the replacement of independent directors be necessary.</p>	✓			Schedule 6
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 preliminary review concerning the preparation of the above-mentioned plan shall be carried out by the appointments committee or by another committee established within the board of directors and being in charge of this task.	✓			page 58
	Article 6 – Remuneration of directors				
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.	✓			page 59 Remuneration Report

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
6.P.2	<p>The remuneration of executive directors and key management personnel shall be defined in such a way as to align their interests with the pursuit of the priority objective of the creation of value for the shareholders in a medium-long term. 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 with the achievement of specific performance objectives, possibly including non-economic objectives, identified in advance and determined consistently with the guidelines contained in the policy described in principle 6.p.4.</p> <p>The remuneration of non-executive directors shall be proportionate to the commitment required of each of them, also taking into account their possible participation in one or more committees.</p>	✓			Remuneration Report
6.P.3	The board of directors shall establish among its members a remuneration committee made up of independent directors. Alternatively, the committee may be composed of non-executive directors, the majority of which to be independent; in this case, the chairman of the committee shall be selected from among the independent directors. At least one committee member shall have adequate knowledge and experience of finance or remuneration policies, to be assessed by the board of directors at the time of his/her appointment.	✓			Remuneration Report pages 59-60
6.P.4	The board of directors shall, upon the proposal of the remuneration committee, establish a policy for the remuneration of directors and key management personnel.	✓			Remuneration Report pages 51,60 Schedule 6
6.P.5	In case of cessation from office and/or termination of the employment relationship with an executive director or a general manager the issuer shall, following the internal process leading to the assignment or recognition of indemnities and/or other benefits, disclose detailed information through a press release to the market.	✓			Remuneration Report
6.C.1	<p>The policy for the remuneration of executive directors and other directors covering particular offices shall define guidelines on the issues, consistently with the criteria detailed below:</p> <p>(a) the non-variable component and the variable component shall be 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;</p> <p>(b) upper limits for variable components shall be established;</p> <p>(c) the non-variable component shall be sufficient to reward the director where the variable component is not delivered because of the failure to achieve the performance objectives specified by the board of directors;</p> <p>(d) the performance objectives – i.e. The economic performance and any other specific objectives with which the payment of variable components (including the objectives for the share-based compensation plans) is linked – shall be pre-determined, measurable and linked with the creation of value for the shareholders in the medium-long term;</p> <p>(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;</p> <p>(f) contractual arrangements shall be provided to enable the company to reclaim, in whole or in part, the variable components of remuneration that were awarded (or to withhold deferred payments), as defined on the basis of data which subsequently proved to be manifestly misstated;</p> <p>(g) any indemnity set out by the issuer in the event 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.</p>	✓			Remuneration Report

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
6.C.2	In preparing stock-option plans 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 at paragraph (a) shall be subject to pre-determined and measurable performance criteria; (c) the directors shall retain a certain number of shares granted or purchased through the exercise of the rights referred to at paragraph (a), until the end of their mandate.	✓			Remuneration Report
6.C.3	Criteria 6.c.1 and 6.c.2 shall also apply, all necessary changes being made, to the definition – by the bodies entrusted with that task – of the remuneration of key management personnel. Any incentive plan for the manager of the internal audit function and for the corporate financial documents officer shall be consistent with their role.	✓			Remuneration Report Remuneration Report (namely for Internal Audit)
6.C.4	The remuneration of non-executive directors shall not be – other than for an insignificant portion – linked with the economic results achieved by the issuer. Non-executive directors shall not be the beneficiaries of share-based compensation plans, unless it is so decided by the annual shareholders' meeting, which shall also give the relevant reasons.	✓			Remuneration Report
6.C.5	The remuneration 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 issue 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.	✓			page 60, Schedule 6 Remuneration Report
6.C.6	No director shall participate in meetings of the remuneration committee in which proposals are formulated to the board of directors relating to his/her remuneration.	✓			page 60
6.C.7	When using the services of an external consultant in order to obtain information on market standards for remuneration policies, the remuneration committee shall previously verify that the consultant concerned is not in a position which might compromise its independence of judgement.	✓			page 60
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: - Severance indemnities or severance pay, specifying the circumstances of its accrual (for example, expiry, revocation or settlement agreement); - Keeping of the rights related to any incentive plans, monetary or financial instruments based; - Benefits (monetary and non-monetary ones) subsequent to the cessation from office; - Non-competition undertakings, describing their main contents; - Any other payment assigned for any reason and in any form;	✓			Remuneration Report

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
7.P.4	The control and risk committee is composed of independent directors. Alternatively, the committee can be composed 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 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.	✓			page 62
7.C.1	The board of directors, after hearing the opinion of the control and risk committee, shall: <ul style="list-style-type: none"> (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, also determining the level of compatibility of such risks with the management of the company in a manner consistent with its strategic objectives; (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) approve, at least once a year, the plan drafted by the internal audit manager, after hearing the board of statutory auditors and the manager of the internal control and risk management system; (d) describe in the corporate governance report the main features of the internal control and risk management system and how the different persons involved therein are coordinated, expressing the evaluation on its adequacy; (e) after hearing the board of statutory auditors, assess the findings reported by the external auditor in the letter of suggestions, if any, and in the report on the main issues resulting from the auditing. 	✓			pages 50, 74-75, 84
7.C.2	The board of directors, upon the proposal of the director in charge of the internal control and risk management system and subject to the prior favourable opinion of the control and risk committee, and after consultation with the board of statutory auditors, shall: <ul style="list-style-type: none"> • Appoint and revoke the internal audit manager; • Ensure that such a person is provided with the adequate resources for the fulfilment of his/her responsibilities; • Define the relevant remuneration consistently with the company's policies. The control and risk committee shall, when assisting the board of directors: <ul style="list-style-type: none"> (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, if 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) be entitled to request that the internal audit function 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; (g) support, with adequate preliminary activities, the board of directors assessments and resolutions on the management of risks arising from detrimental facts that the board may have become aware of. 	✓			pages 59, 63, Schedule 6

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
7.C.3	The chairman of the board of statutory auditors or another statutory auditor designated by the chairman of such board shall participate in the works of the control and risk committee; the remaining statutory auditors are also allowed to participate.	✓			page 62
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) be entitled to request that the internal audit function 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) any 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.	✓			page 76
7.C.5	The internal audit manager shall: (a) Verify, both on an ongoing basis and in relation to special needs, in compliance with the 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 report 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 on the compliance with the management plans defined for risk mitigation. Such periodic reports contain an evaluation of 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; (g) verify, according to the audit plan, the reliability of information systems, including the accounting one.	✓			pages 78-79
7.C.6	The internal audit function may be entrusted, whether as a whole or by business segments, to a person external to the issuer, provided, however, that the latter meets adequate professionalism, independence and organisational requirements. The adoption of such organisational choices, with a satisfactory explanation of the relevant reasons, shall be disclosed to the shareholders and to the market in the corporate governance report.			✓	
8.P.1	Article 8 – Statutory auditors The statutory auditors shall act with autonomy and independence also vis-à-vis the shareholders who elected them.	✓			pages 66-68
8.P.2	The issuer shall adopt suitable measures to ensure the effective performance of the duties pertaining to the board of statutory auditors.	✓			page 68 Schedule 7

CORPORATE GOVERNANCE CODE - JULY 2015 Principles and Implementation Criteria (Borsa Italiana)		Applied	Not applied	Not applicable	Reference page
8.C.1	The statutory auditors shall be selected from 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 such criteria after the appointment and subsequently on an annual basis, submitting the result of such verification to the board of directors that discloses it, after the appointment, through a press release to the market and, subsequently, in its corporate governance report, according to procedures complying with the ones provided for with reference to directors.	✓			page 66; Schedule 7
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.	✓			Table 2
8.C.3	The remuneration of statutory auditors shall be proportionate to the commitment required of each of them, to the importance of their roles as well as to the size and business sector of the company.	✓			Remuneration Report
8.C.4	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.	✓			page 68
8.C.5	In the context of their activities statutory auditors may demand from the internal audit function to make assessments on specific operating areas or transactions of the company.	✓			pages 78, 83-84
8.C.6	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.	✓			pages 82-83
Article 9 – Shareholder relations					
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 at facilitating the exercise of the shareholders' rights.	✓			Schedule 2
9.P.2	The board of directors shall endeavour to establish an ongoing dialogue with the shareholders based on the understanding of their reciprocal roles.	✓			pages 69-70
9.C.1	The board of directors shall ensure that a person is identified as being responsible for handling shareholder relations and shall evaluate from time to time whether it would be advisable to establish a business structure responsible for such function.	✓			pages 69-70
9.C.2	All 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 to ensure that the shareholders receive adequate information on the necessary elements for them to adopt in an informed manner the resolutions pertaining to the shareholders' meeting.	✓			page 38
9.C.3	The board of directors should submit to the shareholders' meeting, for approval, rules laying down the procedures to be followed to allow for an orderly and effective conduct of the shareholders' meetings of the issuer, without prejudice, at the same time, to the right for each shareholder to express his or her opinion on the matters under discussion.	✓			page 38
9.C.4	In the event of any significant changes in the market capitalization of the issuer's shares or in the composition of its corporate structure, the board of directors shall assess whether any proposals should be submitted to the shareholders' meeting to amend the articles of association in relation to the quorums required for exercising actions and rights provided for the protection of minority interests.			✓	

SCHEDULE 2

SHAREHOLDERS' MEETING: ROLE AND FUNCTIONING

1. Role and functions of the Shareholders' Meeting

Pursuant to the law and to the Articles of Association the Ordinary Shareholders' Meeting shall:

- approve the financial statements;
- appoint and revoke the directors; appoint the statutory auditors and the chairman of the Board of Statutory Auditors and the person in charge of carrying out the audit of the accounts upon the reasoned proposal of the Board of Statutory Auditors;
- determine the remuneration of the directors and of the statutory auditors;
- resolve upon the liability of the directors and of the statutory auditors;
- resolve upon the other matters pertaining to the meeting by law;
- approve the running of the meeting's works;
- authorise the resolutions concerning the transfer, contribution, lease, usufruct and any other act of disposal, including in the context of a joint venture, or of the placement of restrictions on the business or on going concerns having strategic relevance, concerning the transport and despatch of gas, subject, pursuant to article 2364, paragraph 1, no. 5 of the Italian Civil Code, to the liability of the directors for their actions. The resolutions concerning such matters shall be adopted by the favourable votes of a number of shareholders representing at least three quarters of the capital present at the Shareholders' Meeting.

Pursuant to the law the Extraordinary Shareholders' Meeting shall resolve upon the following:

- the amendments to the Articles of Association;
- extraordinary transactions, save the matters referred to the Board of Directors by the Articles of Association.

Article 12 of the company's Articles of Association provides that the Board of Directors shall resolve upon specific matters.

2. Call, legitimacy of, and right to participate in the Shareholders' Meeting

The Shareholders' Meeting shall be convened by a notice published on the Company's Website within the thirtieth day preceding the date scheduled for the meeting (or the different period provided for by the law for specific matters). Specifically, in the case of a meeting called to elect by the slate voting system the members of the management and control bodies, the deadline for the publication of the notice of the meeting shall be advanced to the fortieth day preceding the date of the meeting. The notice of the meeting shall refer to the applicable legislation and describe the procedure for the participation in the meeting. The meeting may be attended by those in whose respect the intermediary authorised pursuant to the applicable legislation sent the Company the notice certifying the entitlement to attend by the end of the accounting day of the seventh market trading day preceding the date scheduled for the meeting on sole call (the "record date"). The notice is required to be received by the company by the end of the third market trading day preceding the date scheduled for the meeting on sole call.

Those entitled to the voting right may be represented by written proxy to the extent permitted by the law. Such proxy may be notified by certified email. The relevant documents shall be kept with the Company's records. To facilitate the participation of the shareholders in the meeting the Company shall, pursuant to article 135-undecies of the Unified Financial Act, designate a representative whom the shareholders may grant a power of attorney free of charge, giving voting instructions in respect of all or some of the proposals concerning the items on the agenda.

To facilitate the participation of shareholders the Articles of Association provide that the Company shall provide the associations of shareholders meeting the requirements provided for by the legislation in force with space required for the communication and the performance of the collection of proxies of shareholders who are employees of the Company and of its Subsidiaries. The procedure and terms of such collection shall be agreed from time to time with the legal representatives of such associations.

The shareholders may ask questions on the items on the agenda even before the meeting. The notice of the meeting shall specify the deadline by which the questions asked before the meeting must be received by the company⁸⁵. A reply shall be given to the questions received before the meeting at the latest during the meeting itself. The information shall be provided in compliance with the regulation of price-sensitive information.

The shareholders who, whether jointly or severally, represent at least one fortieth of the share capital may, within ten days of the publication of the notice of the meeting (or within the different period provided for by the law for specific matters) request the extension of the items on the agenda, specifying in their request the further items to be added to the agenda, or submit any proposed resolutions on matters already on the agenda.

⁸⁵ Pursuant to article 127-ter of the Unified Financial Act such deadline may not fall more than three days before the date of the meeting on first or sole call, or five days if the notice of the meeting provides that the company shall reply, before the meeting, to the questions received. In this case the replies shall be made at least two days before the meeting, even by publication in a specific section of the Company's Website. No reply is due, whether at the meeting or otherwise, to the questions asked before the meeting if the information requested is already available in Q&A format in the section of the Company's Website specified at paragraph 1/2 or if the reply was published pursuant to the same paragraph.

SCHEDULE 3

OPINION EXPRESSED BY THE BOARD OF DIRECTORS ON THE FUTURE SIZE AND COMPOSITION OF THE BOARD OF DIRECTORS

Upon the last renewal of the Board of Directors occurred at the Shareholders' Meeting of 27 April 2016 the Board of Directors, after hearing the Appointments Committee and considering the outcome of the Board Evaluation activity, made and expressed to the Shareholders the following considerations on the future size and composition of the Board of Directors:

Size of the Board of Directors

The Board of Directors considers that the current number of nine Directors, the maximum number provided for by the Articles of Association currently in force, is appropriate, and, specifically, it believes that the current relationship between Executive directors (1), Non-executive and Non-independent Directors, and (3) Independent directors (5) is correct, in the light of the complex and specific nature of the governance activities and functions (including the Board Committees) of the Company and of its corporate Group.

Composition of the Board of Directors

The Chairman

- should be a person having leadership qualities and adequate professional and business background for its office, which complete the one of the Chief Executive Officer;
- should have accrued experience on the boards of directors of companies of comparable size and international relevance to those of Snam;
- should devote time, presence, and commitment to the full performance of its functions.

The Chief Executive Officer

- should have accrued significance and successful experience holding executive offices at prominent companies of comparable size and complexity to those of Snam;
- should have the capacity to provide strategic orientation and, preferably, have experience and/or knowledge of Snam's businesses or of similar sectors, with special reference to national and international government and institutional relations, opportunities and risks, and to economic and financial assessments and assessments of the operating control of large infrastructures.

The other seven Directors

- should all be Non-executive directors, at least five of whom - also considering the composition of the Committees - should be Independent directors, based on the criteria set forth by the law and by the recommendations of the Corporate Governance Code;
- should be able to express, in the light of experience accrued on the boards of directors of listed companies, a capacity to provide strategic orientation, a stimulation to obtain results, cooperation, and the ability to influence and solve any potential conflicts;
- should represent the following areas of competence and experience:
 - national and multi-national experience of management, including in situation of strategic and business development;
 - experience or knowledge of foreign political organisations or institutions, preferably in countries in which Snam is active;

- experience and knowledge of energy businesses, particularly in the sectors of specific interest to Snam;
- knowledge of international geopolitical dynamics;
- knowledge of regulatory policies and practices in the sectors of interest to the Company and in the countries in which it is active;
- expertise of economic and financial, budgetary and risk management matters, preferably specific to the infrastructure and/or energy businesses;
- legal expertise, especially corporate law.

The composition of the Board of Directors should show adequate diversity of types of experience and expertise, of a complementary nature.⁸⁶ When accepting their appointment all Directors, including Non-executive Directors, shall have carefully considered and guaranteed to the Shareholders proposing them the time availability required for the full and diligent performance of the responsibilities and duties assigned to them.

At the next Board Evaluation relating to the last year of the Board's term of office the Board of Directors shall express an opinion on the future size and composition of the Board of Directors.

⁸⁶ For further details please refer to Section III, Paragraph 2.5, of this Report.

SCHEDULE 4

BOARD OF DIRECTORS: APPOINTMENT, TERM OF OFFICE, AND FUNCTIONING

1. Appointment of the Board of Directors

(i) Overview

Article 13 of the company's Articles of Association provides, in respect of the appointment of the Board of Directors, for a slate voting mechanism structured so as to allow for the presence on the Board of Directors of Directors designated by the minority shareholders and the compliance with the criteria of gender balance in compliance with the provisions of article 147/3 of the Unified Financial Act. Furthermore, the company's Articles of Association provide, in a stricter way compared with the provisions of article 147-ter, paragraph 4, of the Unified Financial Act, that at least one director, if the Board is composed of a number of members up to seven, or at least three directors, if the Board is composed of a number of members in excess of seven, need to meet the independence requirement set forth in the Unified Financial Act⁸⁷. The slate voting procedure shall only apply in the case of renewal of the whole Board of Directors. The Shareholders' Meeting may, even during the term of office, vary the number of the members of the Board of Directors, always to the extent of a minimum of five and a maximum of nine as provided for by the Articles of Association, and procure the relevant appointments. The directors so appointed shall cease to hold office together with the ones in office at the time.

The lists explicitly identify the candidates meeting the independence requirement. All candidates shall also meet the integrity requirement provided for by the legislation in force.

The shareholders who, whether alone or together with others, represent the minimum proportion calculated pursuant to the legislation in force (1% of the share capital, as provided for by Consob Resolution no. 20273 of 24 January 2018) shall be entitled to submit lists. Each shareholder may submit or contribute to the submital and voting of a single list.

The lists shall be filed at the company's registered office within the twenty-fifth day preceding the date of the meeting for the resolution upon the appointment of the members the Board of Directors, and they shall be made available to the public, in the manner provided for by the law and by the Issuers' Regulation, at least twenty-one days before the date of the meeting. The following needs to be filed together with the lists:

- the CV of each candidate;
- the statements whereby the candidates accept their candidature and certify, under their own responsibility, that there are no reasons for ineligibility or incompatibility, and that they meet the integrity and, if any, independence requirements. Should the directors at any time fail to meet such requirements or should any reasons for ineligibility or incompatibility materialise, the appointed directors shall immediately notify the Company accordingly.

(ii) The slate voting mechanism

Below is a description of the procedure for the appointment of the administrative body through the slate voting mechanism, as provided for by article 13 of the Company's Articles of Association:

- seven tenths of the directors to be appointed shall be selected from the list obtaining the majority of the votes cast by the shareholders, in the progressive order in which they appear on the list; in case of a decimal number, of a fraction smaller than one, the number shall be rounded down to the previous integer;
- the remaining directors shall all be selected from the other lists not related in any way, whether directly or indirectly, to the shareholders who submitted or voted for the list that obtained the highest number of votes; for this purpose the votes obtained by the lists shall subsequently be divided by one, two, or three according to the progressive number of the directors to be appointed. The quotients so obtained shall be assigned progressively to the candidates of each of such lists, in the order provided for by them, respectively. The results so attributed to the candidates of the various lists shall be placed in decreasing order. The candidates appointed shall be the ones who obtain the highest quotients. If several candidates obtain the same quotient, the candidate of the list that has not appointed any director yet or that appointed the lowest number of directors shall be appointed. If none of such lists has appointed a director yet or if all lists appointed the same number of directors, the candidate appointed shall be the one of the list that obtained the highest number of votes. In the event of any equal number of list votes and an equal quotient, the whole Shareholders' Meeting shall vote again, and the candidate who obtains the simple majority of the votes shall be appointed;
- if, following the above-mentioned procedure, the minimum number of independent directors required by the Articles of Association are not appointed, the quotient is calculated of the votes to be attributed to each candidate selected from the lists, dividing the number of votes obtained from each list by the progressive number of each of such candidates; the candidates who do not meet the independence requirement and have the lower quotients out of the candidates selected from all the lists shall be replaced, starting from the last one, by any independent candidates specified on the same list of the replaced candidate (following the order in which they are specified, otherwise by persons meeting the independence requirement, appointed according to the procedure referred to at letter (e)). If the candidates of various lists obtained the same quotient, the candidate to be replaced shall be the one of the list from which the highest number of candidates are selected or, in the alternative, the candidate selected from the list that obtained the lowest number of votes or, in the event of equal number of votes, the candidate obtaining the lowest number of votes by the Shareholders' Meeting at the outcome of a specific voting process;

⁸⁷ That is, pursuant to article 147-ter, paragraph 4, of the Unified Financial Act, the independence requirements set forth in respect of statutory auditors by article 148, paragraph 3, of the Unified Financial Act.

- (d) if the application of the procedure referred to at paragraphs (a) and (b) does not allow for the compliance with the legislation on gender balance, the quotient of votes shall be calculated to be attributed to each candidate selected from the lists by dividing the number of votes obtained from each list by the progressive number of each of such candidates; the candidate of the more represented gender with the lowest quotient out of the candidates selected from all the lists shall be replaced, subject to the compliance with the minimum number of independent directors, by the candidate belonging to the less represented gender that may be indicated (by the subsequent highest progressive number) on the list of the replaced candidate, otherwise by the person appointed according to the procedure referred to at paragraph (e). If candidates of different lists obtain the same minimum quotient, the candidate to be replaced shall be the one of the list from which the highest number of directors is selected or, alternatively, the candidate selected from the list that obtained the lowest number of votes or, in the case of parity of votes, the candidate who obtains the lowest number of votes from the Shareholders' Meeting at the outcome of a specific voting process;
- (e) concerning the appointment of directors not appointed, for any reason, pursuant to the procedure referred to above, the Shareholders' Meeting shall adopt its resolution with the majority votes provided for by the law, so as to ensure in any case that the composition of the Board of Directors is in compliance with the law and with the Articles of Association.

In any case, the foregoing provisions are subject to further mandatory provisions of law of the legislation and regulations in force.

2. Term of office, cessation and termination

Pursuant to article 13.2 of the Articles of Association the Directors may be appointed for a period of up to three corporate years, and shall cease to hold office on the date of the meeting called to approve the financial statements for the last financial year of their office, and they may be reappointed. Pursuant to article 13.8 of the Articles of Association if, during the financial year, one or more directors cease to hold office, then the measures provided for by the law shall be adopted⁸⁸. Should the majority of directors cease to hold office, the whole Board shall be deemed to cease to hold office, and the Shareholders' Meeting shall be convened by the Board of Directors without delay to reconstitute it.

Pursuant to article 13.4 of the Articles of Association the Board shall assess every year the fulfilment of the independence and integrity requirements by the directors and the absence of any reasons for ineligibility or incompatibility⁸⁹. If a director does not or cease to meet

the independence or integrity requirements declared and provided for by the law or there are any reasons for ineligibility or incompatibility, the Board shall declare the termination from office of the director and shall replace the latter, or shall invite such director to procure the cessation of the reasons for incompatibility within a pre-determined time, under penalty of termination from office.

3. Meetings of the Board of Directors

Pursuant to the Articles of Association and to the Regulation the Board of Directors shall be convened by the Chairman or, should the latter be absent or have an impediment, by the Chief Executive Officer or, should the latter be absent or have an impediment, by the eldest director.

At the start of each Board meeting the directors and statutory auditors shall be required to inform the Board and the board of Statutory Auditors of any interest that they may have, for their own account or on behalf of third parties, in a specific transaction of the Company.

The necessary time shall be devoted to the items on the agenda to reach a constructive discussion and, also on the Chairman's initiative, the pro-active contribution of all the Directors shall be encouraged.

The Board of Directors shall be convened at regular intervals, at least quarterly, in compliance with the deadlines provided for by the law.

⁸⁸ Pursuant to article 2386 of the Italian Civil Code if during the financial year one or more directors cease to hold office, the others shall replace them by a resolution approved by the Board of Statutory Auditors, provided that the majority is always made of Directors appointed by the Shareholders' Meeting.

⁸⁹ The reasons for incompatibility include the following: pursuant to article 2, paragraph 2(c), of the Prime Ministerial Decree of 25 May 2012, the members of the administrative or control body and any executive directors may not hold any office within the administrative or control body, or any executive functions, at eni or its subsidiaries, or have any direct or indirect professional or financial relationship with them.

SCHEDULE 5

CHAIRMAN OF THE BOARD OF DIRECTORS: ROLE

Below are the attributions of the Chairman of the Board of Directors:

- pursuant to article 2381, paragraph 1, of the Italian Civil Code the Chairman shall convene the Board of Directors, determine its agenda, coordinate its works and ensure that adequate information on the items of the agenda is provided to the directors;
- pursuant to article 19 of the Company's Articles of Association the Chairman shall have the power to represent the Company before any judicial or administrative authority and before third parties, and the company signatory power;
- pursuant to article 14.1 of the Company's Articles of Association the Chairman shall: (i) chair the Shareholders' Meeting, carrying out the functions provided for by the law and by the meeting's regulations; (ii) convene and chair the meetings of the Board of Directors, determine their agenda, and coordinate the board works; (iii) ensure that adequate information on the items of the agenda is provided to the directors;
- pursuant to article 16.1, paragraph 2, of the Company's Articles of Association the Board, upon the proposal of the Chairman, in agreement with the Chief Executive Officer, may grant powers of attorney for individual actions or categories of actions also to other members of the Board of Directors. The powers of the Chairman and of the Chief Executive Officer, to the extent of the expertise attributed to them, shall include the grant of powers of attorney and powers to represent the Company for individual actions or categories of actions to employees of the Company and also to third parties;
- pursuant to article 16.2 of the Company's Articles of Association the Board of Directors, upon the proposal of the Chief Executive Officer, in agreement with the Chairman, may appoint one or more general managers and determine their powers, after ascertaining that they meet the integrity requirements provided for by the law;
- pursuant to article 16.4, paragraph 1, of the Company's Articles of Association the Board of Directors, upon the proposal of the Chief Executive Officer, in agreement with the Chairman, subject to the prior favourable opinion of the Board of Statutory Auditors, shall appoint the Corporate Accounting Documents Officer;
- the Board of Directors shall appoint and revoke the Internal Audit Manager, upon the proposal of the Chief Executive Officer, in agreement with the Chairman and subject to the prior favourable opinion of the Control and Risk Committee and after consultation with the Board of Statutory Auditors, and, subject to the prior brief verification of the Remuneration Committee, determine its remuneration consistently with the remuneration policy of the Company; the board shall also ensure that the latter has adequate resources for the performance of its duties;
- the Appointments Committee, as provided for by its Regulation, upon the proposal of the Chief Executive Officer, in agreement with the Chairman, shall submit to the Board of Directors the candidates for the corporate bodies of the consolidated Subsidiaries and of the strategic foreign subsidiaries;
- pursuant to article 3.1.2. of the 231 Model of the Company the composition of, the amendments and the supplements to the Supervisory Body shall be approved by a resolution of the Board of Directors, after hearing the opinion of the Control and Risk Committee and of the Board of Statutory Auditors, upon the proposal of the Chief Executive Officer, in agreement with the Chairman;
- the Chairman shall also carry out the further tasks provided for by the provisions of the Corporate Governance Code approved by the Corporate Governance Committee in relation to the role of Chairman of the Board of Directors.

SCHEDULE 6 BOARD COMMITTEES: ATTRIBUTIONS

Remuneration Committee

The Remuneration Committee shall:

- (a) submit the Remuneration Report to the Board of Directors for approval, specifically the policy concerning the remuneration of Directors and Key management personnel to be submitted to the Shareholders' Meeting concerned for the approval of the financial statements for the financial year, within the period provided for by the law;
- (b) review the contents of the votes on the Remuneration Report expressed by the Shareholders' Meeting in the previous financial year, and provide an opinion to the Board of Directors;
- (c) make the proposals on the remuneration of the Chairman and of the Chief Executive Officer, with respect to the various forms of remuneration and economic treatment;
- (d) make the proposals on the remuneration of the members of the Director committees established by the Board;
- (e) review the guidelines of the Chief Executive Officer and propose:
 - (i) the general criteria for the remuneration of Key management personnel, (ii) the annual and long-term incentive plans, including stock option plans, and (iii) the general guidelines on the remuneration of the other Officers of Snam and of the Subsidiaries;
- (f) propose the determination of the performance targets and the accounting of corporate results and the definition of the claw-back clauses, related to the implementation of the incentive plans and the determination of the variable remuneration of Executive Directors;
- (g) propose the definition, in relation to Executive Directors: (i) of the indemnities to be disbursed in the event of cessation of the employment relationship, and (i) of the non-competition agreements;
- (h) monitor the implementation of the decisions adopted by the Board;
- (i) regularly assess the adequacy, the overall consistency, and the correct implementation of the Policy adopted, as described at paragraph (e) above, making proposals to the Board in this respect;
- (j) carry out any duties required by the procedure on related-party transactions adopted by the Company;
- (k) report to the Board on the activity carried out at least every six months and not later than by the deadline for the approval of the financial statements and of the semi-annual report, at the board meeting specified by the Chairman of the Board of Directors; furthermore, after each of its meetings the Committee shall update the Board of Directors by a notice, at the next following meeting, on the topics discussed and on the remarks, recommendations, and opinions given on any such occasion.

Appointments Committee

The Appointments Committee shall carry out the following proposing and consultative functions vis-à-vis the Board of Directors:

- (a) submit to the Board the candidates to the office of director if one or more directors cease to hold office (article 2386, paragraph 1, of the Italian Civil Code), ensuring compliance with the provisions on the minimum number of independent directors and on the quotas reserved for the less represented gender;
- (b) upon the proposal of the Chief Executive Officer, in agreement with the Chairman, submit to the Board of Directors the candidates to the office of director of the consolidated Subsidiaries

and of foreign strategic subsidiaries. The proposal made by the Committee is necessary;

- (c) develop and put forward: (i) procedures for the annual self-evaluation of the Board and of its Committees, (ii) guidelines on the limits and prohibition to accumulate offices by Directors of Snam and of the Subsidiaries, and (iii) criteria for the assessment of the professionalism and independence requirements of the Directors of Snam and of the Subsidiaries, and of the activities carried out in competition; (iv) diversity policies in relation to the duties referred to at paragraphs (a) and (b) concerning aspects such as age, gender composition, and training and career;
- (d) report to the Board, at least once a month, not later than on the deadline for the approval of the annual and semi-annual financial report, on the activity carried out.

Control and Risk and Related-Party Transaction Committee

The Control and Risk and Related-Party Transaction Committee shall carry out the following functions:

- (a) assess, together with the Corporate Accounting Documents Officer and after consultation with the Auditing Firm and the Board of Statutory Auditors, the correct use of the accounting standards and their uniformity for the purposes of the drawing-up of the Consolidated Financial Statements;
- (b) express opinions on specific aspects concerning the identification of the main corporate risks, execute the further tasks assigned to it by the Board of Directors concerning transactions involving the interests of Directors and Statutory Auditors and related-party transactions, in the terms and manner specified in the procedure attached to the Regulations of the Committee;
- (c) review the periodic reports concerning the assessment of the internal control and risk management system, and the reports of particular significance drawn up by the Internal Audit Manager;
- (d) monitor the autonomy, adequacy, effectiveness and efficiency of the Internal Audit function;
- (e) be entitled to request that the Internal Audit Manager carry out the verifications relating to specific operational areas, simultaneously informing the Chairman of the Board of Statutory Auditors and the Chairman of the Board of Directors and the Director in Charge accordingly;
- (f) report to the Board, at least every six months, upon the approval of the annual and semi-annual financial report, on the activity carried out and on the adequacy of the internal control and risk management system. In any case, after each of its meetings the Committee shall update by a notice the Board of Directors at the next following meeting on the topics discussed and on the remarks, recommendations, and opinions given on any such occasion;
- (g) express its opinion on the proposals made by the Director in Charge, in agreement with the Chairman, to the Board of Directors: (i) on the appointment, revocation and remuneration of the Internal Audit Manager, consistently with the remuneration policy of the Company, (ii) aimed at ensuring that it has the resources required for the performance of its duties; it shall also support by an adequate investigation activity the assessments and decisions of the Board of Directors on the management of risks arising from prejudicial facts of which the Board became aware or which the Committee reported to the Board.

The Committee shall also give the Board of Directors its opinion for the following purposes:

- (a) the definition of the guidelines on the internal control and risk management system also in the medium and long term, including, in coordination with the Sustainability Committee, the risks that may be relevant with a view to sustainability, including for the purpose of drawing up the non-financial report - so that the main risks concerning the Company and its Subsidiaries appear to be correctly identified and adequately measured, managed and monitored, and of determining the degree of compatibility of such risks with a management that is consistent with the strategic targets identified;
- (b) the regular assessment, at least once a year, of the adequacy of the internal control and risk management system in view of the characteristics of the Company and the risk profile undertaken, and its effectiveness;
- (c) the periodic approval, at least once a year, of the Audit Plan prepared by the Internal Audit Manager;
- (d) the description in the Corporate Governance and Ownership Structure Report of the main characteristics of the internal control and risk management system as well as the assessment of the adequacy of the system;
- (e) the assessment of the results shown by the auditing firm in any letter of suggestions and in the report on the key issues emerged during the audit of the accounts.

Sustainability Committee

The Sustainability Committee shall carry out the following proposing and consultative functions vis-à-vis the Board of Directors:

- (a) review and assess: (i) the sustainability policies aimed at ensuring the creation of value over time for all shareholders and for all the other stakeholders in the medium-long term, in compliance with the principles of sustainable development; (ii) the sustainability guidelines, targets and consequent processes and the sustainability accounting submitted to the Board of Directors every year; (iii) based on the information provided based on the information supplied by the following Functions: (a) Administration, Budget, and Tax, (b) Institutional Relations, CSR and Communication, (c) Legal and Corporate Affairs, Compliance and ERM, and by the Auditing Firm, the correct use of the standards adopted to draw up the non-financial report and the document to be submitted to the Board of Directors for approval, including, and in coordination with the Control and Risk and Related-Party Transaction Committee, the reporting of the risks that may be relevant with a view to sustainability, also in the medium-long term;
- (b) monitor the positioning of the Company in the financial markets in terms of sustainability matters, with special reference to the positioning of the Company in the ethics sustainability indices;
- (c) monitor international sustainability initiatives and the participation in them by the Company, aimed at consolidating the international reputation of the Company;
- (d) review any sustainability initiatives provided for in the agreements pertaining to the Board of Directors, including in relation to individual projects and to climate change;
- (e) review the profit and non-profit strategy of the Company and the Company's gas advocacy initiatives;
- (f) at the request of the Board, express opinions on other sustainability matters.

SCHEDULE 7

BOARD OF STATUTORY AUDITORS: APPOINTMENT AND FUNCTIONS

1. Appointment of the Board of Statutory Auditors

Overview

Pursuant to article 20 of the Articles of Association Snam's Board of Statutory Auditors is composed of three standing statutory auditors and two alternate statutory auditors, which are appointed by the Shareholders' Meeting for three corporate years and may be re-appointed at the end of their term of office.

The Statutory Auditors shall be selected from among those who meet the professionalism and integrity requirements specified in the Decree of the Ministry of Justice no. 162 of 30 March 2000. For the purposes of this decree the matters closely connected with the Company's activity are: commercial law, business economics, and corporate finance. For the same purposes the industry closely relating to the Company's activity is the engineering and geological industry.

The Statutory Auditors may not exceed the limit of the number of offices set forth by the legislation in force. In any case, pursuant to article 2, paragraph 2(c), of the Prime Ministerial Decree of 25 May 2012 the Statutory Auditors may not hold any office within the administrative or control bodies, or any executive functions at eni and its subsidiaries, and may not have any direct or indirect professional or financial relationship with them.

Similarly to what is provided for in respect of the Board of Directors and in compliance with the applicable provisions, the Articles of Association provide that the Statutory Auditors shall be appointed by the slate voting system, save in the event of replacement during the term of office, in compliance with the gender balance legislation in force.

The lists submitted by the shareholders shall list the candidates by progressive numbers; the number of candidates shall not exceed the number of the members of the body to be appointed. The filing, submittal, and publication of the lists shall be regulated as specified for the appointment of directors (see Section III, Paragraph 2.6). Each shareholder may submit or contribute to the submittal of only one list and vote for only one list, in the manner provided for by the legal and regulatory provisions.

Only the shareholders who, whether alone or together with other shareholders, represent at least 1% of the share capital (as provided for by Consob Resolution no. 20273 of 24 January 2018) may submit lists. Each candidate may appear on only one list, under penalty of ineligibility.

The lists shall be divided into two sections: the first one concerns the candidates to the office of Standing Statutory Auditor, whereas the second one concerns the candidates to the office of Alternate Statutory Auditor. At least the first candidate of each section is required to be enrolled with the register of auditing firms and to have carried out the audit activity for a period of at least three years.

The lists that, considering both sections, have a number of candidates equal to or higher than three and compete for the appointment of the majority of the members of the Board of Statutory Auditors shall include, in the section of standing statutory auditors,

candidates of different gender, as specified in the notice of the meeting, to comply with the gender balance legislation in force. If the list indicates two candidates, these must be of different genders.

The lists for the appointment of the statutory auditors, complete with the information on the characteristics of the candidates and the identity of the shareholders who submitted such lists and the shareholdings held, shall, timely and in any case within the time provided for by the legislation in force, be made available to the public at the Company's registration office, at the offices of Borsa Italiana, and shall be published on the Company's Website. The foregoing is subject in any case to further mandatory legal and regulatory provisions in force.

Slate voting mechanism

Below is the description of the procedure for the appointment of the Board of Statutory Auditors by the slate voting mechanism, as provided for in article 20 of the Company's Articles of Association.

Two Standing Statutory Auditors and one Alternate Statutory Auditor shall be selected from the list that obtains the majority of the votes. The other Standing Statutory Auditor, to act as the Chairman, and the other Alternate Statutory Auditor shall be appointed in the manner specified in article 13.5(b) of the Articles of Association for the appointment of directors, to be applied separately to each of the sections of which the other lists are composed.

If the application of the above procedure does not allow for the compliance with the gender balance legislation in the case of the standing statutory auditors, the quotient shall be calculated of the votes to be assigned to each candidate selected from the sections of the standing statutory auditors of the various lists by dividing the number of votes obtained from each list by the progressive number of each of such candidates; the candidate of the more represented gender with the lowest quotient out of the candidates selected from all the lists shall be replaced by the candidate belonging to the less represented gender that may be specified, with the next highest progressive number, in the same section as the one of the standing statutory auditors of the list of the replaced candidate, or, alternatively, in the section of alternate statutory auditors of the list of the replaced candidate (who in this case shall take over the position of the alternate candidate replaced); alternatively, if this does not allow for the compliance with the gender balance legislation, such candidate shall be replaced by the person appointed by the Shareholders' Meeting by the quorums provided for by the law, so as to ensure a composition of the Board of Statutory Auditors that is in compliance with the law and with the Articles of Association.

If candidates of different lists obtain the same quotient, the candidate to be replaced shall be the one of the list from which the highest number of statutory auditors are selected, or, alternatively, the candidate selected from the list that obtained the lowest number of votes or, in the event of a tie, the candidate obtaining the lowest number of votes from the Shareholders' Meeting at the outcome of a specific voting process.

In the event of replacement of a statutory auditor selected from the list that obtained the majority of the votes, the Alternate Statutory Auditor selected from the same list shall replace such candidate;

in the event of replacement of a statutory auditor selected from the other lists, the Alternate Statutory Auditor selected from these other lists shall replace the latter.

2. Functions

Pursuant to article 149, paragraph 1, of the Unified Financial Act the Board of Statutory Auditors shall oversee the following:

- compliance with the law and with the Articles of Association;
- compliance with the principles of correct administration;
- the adequacy of the company's organisational structure for matters within the scope of the board's authority, the adequacy of the internal control system and the administrative and accounting system and the reliability of the latter in correctly representing the company's transactions;
- the arrangements for implementing the corporate governance rules provided for in the Corporate Governance Code;
- the adequacy of the instructions imparted by the Company to its Subsidiaries pursuant to paragraph 2 of the Unified Financial Act.

Pursuant to article 19 of Legislative Decree no. 39 of 27 January 2010, as amended by Legislative Decree no. 135 of 17 July 2016, the Board of Statutory Auditors shall also carry out the supervisory functions as the "Internal Control and Audit Committee"; specifically, it shall monitor the following:

- the financial reporting process;
- the effectiveness of the internal control, audit - as applicable - and risk management systems;
- the audit of the annual and of the consolidated accounts;
- the independence of the auditing firm, specifically as concerns the performance of non-audit services for the entity made subject to audit.

The Board of Statutory Auditors may, after notifying the Chairman of the Board of Directors, convene the Shareholders' Meeting and the Board of Directors. The power to convene the Board of Directors may be exercised individually by each member of the Board of Statutory Auditors; the power to convene the Shareholders' Meeting shall be exercised by at least two members of the Board of Statutory Auditors.

The Board of Statutory Auditors shall be invited to attend the meetings of the Control and Risk and Related-Party Transaction Committee.



by
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Concept & Design
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