
Corporate
responsibility
and social innovation
2017
Sustainability
Report
snam

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.

Snam, Snam group or Group

Corporate responsibility and social innovation

2017 Sustainability Report

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Message from the Chief Executive Officer

Marco Alverà
Chief Executive Officer

Dear Stakeholders,

Snam is currently the largest gas infrastructure operator in Europe, with experience and know-how unparalleled in its sector. In the year just ended, we celebrated our Company's 75th birthday; its innovative and pioneering spirit first led it to deliver methane throughout all of Italy and then to become the crossroads of the great international gas routes, and to represent today a pillar of the European energy market.

The Snam of the future intends to capitalise on the expertise and experience it consolidated over these 75 years, acting as a key player moving towards a low-carbon world, where gas will have been confirmed as a safe, sustainable and flexible source, and looking forward again, still one of the supporting pillars of the national and European energy system. We are committed to ensuring a long-term future for gas, leveraging research, development and innovation, and encouraging alternative uses of gas that contribute to the decarbonisation processes.

FY 2017 witnessed a resumption of gas consumption (+6% compared to 2016) and Snam achieving very positive economic results in line with expectations, with a net adjusted profit of around €940 mln (+11.2% compared to 2016) and a cash flow of €1,864 mln, enough to fully finance net investments (€1,441 mln) and generate a free cash flow of €424 mln.

To ensure a long-term future for natural gas, Snam is continuing along its path of cultural, technological and organisational change, to become smarter and more innovative. Above all else, it will continue to invest, to improve competitiveness and the security of supply, and to develop alternative uses for gas in the transportation of people and goods. This is the mission of Snam4Mobility, a new sustainable transportation company launched in 2017. In May, the first framework agreement for the

development of methane filling stations in Italy was signed with Eni, with the goal of constructing new plants on the road and highway network that will add to the approximately 1,200 currently existing stations, better balancing the territorial distribution in the different regions of the country. This past June, the first plant running on biomethane, a renewable and natural resource, representing a great opportunity and an essential tool to decarbonise the agricultural industry, was connected to the network. Finally, with the acquisition of TEP, one of the leading Italian ESCOs, Snam will help its customers use energy in a more rational manner, taking a leadership position to promote a more sustainable energy system.

Snam accompanied its development of more strategic projects with the continuity of its responsible commitment which has always set the company apart in matters of safety and environmental protection, thanks to its operational model based on the adoption of standards of excellence. During the year, the operations it carried out allowed Snam to avoid emitting more than 82,500 tonnes of CO_{2eq} and, regarding the goal of reducing natural gas emissions by 10% by 2021 compared with 2016, the first positive result was achieved with a reduction of 3.2%.

Its commitment to the battle against climate change was acknowledged by Snam's inclusion in the Carbon Disclosure Project's exclusive "A list", an important index guiding investors towards those companies having greater awareness on climate-change issues and in which Snam has been listed since 2012. In September 2017, Snam shares were also validated by RobecoSAM in the Dow Jones Sustainability World Index, the leading stock-index that rates social responsibility, for the ninth consecutive year: a goal attained also thanks to the application of Global Compact principles, which have always been an inspiration for us and which we will continue to support with great conviction.

The first part of this new edition of the Sustainability Report is dedicated to the history of Snam which, urged on by the UN's Sustainable Development Goals, intends to also be a protagonist on the social front, based on its renewed ability to interpret community needs and, together with institutional and local stakeholders, find the most effective solutions. This is why it created the Snam Foundation, which had already begun work to promote and develop capacities for facilitating social cohesion, growing and building networks, and supporting youth entrepreneurship. Young people are the focus of what is one of the most challenging SDGs: allowing everybody to receive quality education, develop skills and be masters of their own future. Young Energy, a three-year training project Snam has promoted so that students can acquire more marketable skills in view of their entry into the labour market, thus supporting employment prospects in the most difficult areas of Southern Italy, is dedicated to these young people. Snam intends to engage its own people, who are an important lever for dialogue by the Company with the communities and territories in which it operates, in all of these projects. Through the activities of Snam Institute, a centre of excellence for training, now in its second year, the company intends to promote skills not only within the company but also outside of it, to affirm a new corporate citizenship.

The ambition to become the leading gas company on a global level is sustained by becoming more global, more innovative in creating and managing new businesses, more efficient, stronger in our areas of competence, closer to people and the territory, and becoming increasingly greener and renewable. We strive to achieve these goals every day, spreading that widely-felt spirit of entrepreneurship which will enable us to take advantage of opportunities and transform them into results for our shareholders and into significant positive impacts for the society.

PART ONE

Corporate Responsibility and Social Innovation

Social Innovation from now into the future

In carrying out its industrial mission, Snam entwined its history with that of Italy. The spread of natural gas was a fundamental innovation in the country's economic and social development. The Company currently stretches beyond its national boundaries, with the same commitment and same responsibility with which it developed forward-thinking strategies, skills, know-how over the course of more than 75 years, always with consideration for its community and stakeholders.

Business activity is inseparably related to the social and territorial setting in which it is performed, and acting responsibly results in the sharing of value which is the basis of our freedom to operate. Snam, tasked with continuing to guarantee access to efficient and sustainable energy sources, recognises this great responsibility and looks forward to maintaining it also in the future, facing the new challenges that await it.

Over the next few years, businesses will have a fundamental role in promoting sustainable development. Agenda 2030 indicates this same focus, published by the United Nations in 2015 and signed by 193 countries around the world. With its 17 Sustainability Goals, it seeks "to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress can occur in harmony with nature". Everyone is asked to help achieve these ambitious goals: governments, businesses, civil organisations, even individual citizens.

In this backdrop, Snam has a well-known tradition of corporate citizenship, demonstrated with projects and initiatives that positively impact the territories and communities, associated with fostering legality, culture and education, and promoting social inclusion and environment. The Snam Foundation, formed during the year, represents the evolution of this commitment and a further means to attain closer relations with the territory and to meeting, with innovative methods and solutions, the needs of the communities hosting its infrastructures, always with the aim of contributing to civil, cultural and economic development in priority areas of public interest.

The development of the Country and the spread of natural gas in Italy

1941-1949	Gas becomes the fundamental energy source for Italy, especially with the discovery of the Caviaga (1944) and Cortemaggiore (1949) fields.	Snam was founded for the purpose of delivering methane to Po Valley businesses. Within a few years, Snam's pipeline network exceeds 250 km.
1950-1960	Italy's economic miracle begins and the country resuscitates in the post-war period. Gas is delivered to Italian homes and businesses: new professions, trades and skills develop.	Methane pipelines quickly expand and the Snam network grows to 4600 km in 1960.
1960-1990	Energy market expansion continues: gas consumption in Italy quadrupled.	Construction begins on the Transmed pipeline, one of the first and longest in the world to carry gas from Algeria to Italy.
1990-2000	Italy, thanks to large capital expenditures in strategic infrastructure, becomes one of the gas market's most important crossroads.	Snam network extends to Northern Europe, allowing gas from the North Sea wells to arrive in Italy.
2001-2011	In 2000, the Letta Decree allows deregulation in the market, separating transmission and dispatching activities from other supply chain activities.	In 2001 Snam is listed in the Italian Stock Market. It gradually also integrates all other regulated gas activities (storage and distribution) internally. The Snam Group is composed of four operating (Snam Rete Gas, GNL Italia, Italgas, Stogit).
2012-2017	Methane becomes the leading source of energy for the country, exceeding a third of all national energy consumption.	In 2012 Snam separates from Eni and becomes independent. A strategy of strong international growth commences where Snam buys large shares of European gas transportation companies. In 2016 Snam separates from gas distribution activities.
Today	Italy is the most interconnected European country in natural gas sector with 8 points of entry for imports. Gas satisfies approximately 36% of energy demand in Italy, paying an important role in the decarbonising process. Italy's strategic position makes it a potential energy hub for the Mediterranean.	Snam is the largest gas infrastructure operator in Europe with over 32,500 km of gas pipelines in Italy. To ensure energy security for the country, Snam upgraded its sources of supply and strengthened the Italian and European infrastructure network. In addition to national production, the Italian system receives gas from five sources of import via pipeline and three regasification terminals. Snam is also working to ensure that from 2020 Italy can have a new gas procurement source from the Caspian area through the construction of the Trans Adriatic Pipeline. With the capital expenditures planned in coming years, Snam undertakes to develop and promote the use of gas in its various forms to help fight climate change and air pollution. From the use of liquefied natural gas and compressed natural gas for maritime and ground transport, to biomethane, a renewable and sustainable energy source, to new technologies for exploiting energy from renewable sources.

Meeting the needs of a changing society

Many believe that social innovation can be the most effective answer to emerging needs and to the urgent pressures characterising society at the start of this century. It is a view supported by numerous examples of practices starting to permeate the world that surrounds us, in settings very different from each other, having a positive impact on people's lives. Examples include social housing and co-working, i.e., new forms of living and work places where spaces and services are shared. Sustainable-mobility services, such as car and bike sharing are now well-established in our cities, combining economic savings with environmental benefits. Even a sector apparently more conservative, like finance, is not immune to forms of social innovation: social-lending platforms collect financial resources to support ideas and projects that would otherwise be excluded from conventional funding circuits. What do these practices have in common and therefore what are the distinctive characteristics of social innovation?

The purpose of social innovation is to satisfy a widespread need, hence to generate as much impact as possible. Solutions produced through social innovation are also economically sustainable, not evolved forms of welfarism and above all else, they are the fruit of cooperation and engagement of various players in society. In summary, their ultimate purpose is to create social and economic value for whomever promotes them.

Social innovation is a great opportunity to give concrete and pragmatic answers to the solutions to problems, developing new products and services that are also created thanks to new types of relationships and collaborations. Putting ideas, knowledge and resources on-line in fact permeates all aspects of social innovation from design to funding methods.

These few considerations are enough for one to appreciate the power of this new perspective, which proposes to use a fresh pair of eyes to examine the changes on the horizon in situations and with needs of increasing importance and pervasiveness. It should be of no surprise therefore, if social innovation becomes the foundation on which the future society infrastructure will be built.

The impact of an innovative practice increases as the process of involving stakeholders who benefit from it becomes more inclusive.

Today we are witnessing some evident social and demographic changes such as: increasing social and economic inequality, social exclusion, increasingly frenetic and unhealthy lifestyles, ageing of the population, school drop-outs, limited access to education and training for youths and workers.

A SNAPSHOT OF SOCIAL INNOVATION PROJECTS IN ITALY

To get a picture of social innovation in Italy, the report "L'innovazione delle imprese leader per creare valore sociale" [Innovation by leading businesses to create social value] of the International Center for Research on Social Innovation (CeRIIS), which conducted a study on a sample of 578 social-innovation projects in the country, can be helpful. It was a survey that sought out different types of situations and experiences able to innovatively meet social and/or the environmental needs. The study brought to light numerous results.

Innovation projects are characterised by a variety of implementation frameworks, further demonstrating how these initiatives meet the needs of the territory concerned. Social integration, social assistance, training and environmental improvement are the areas on which approximately one-half of the projects in progress are focused.

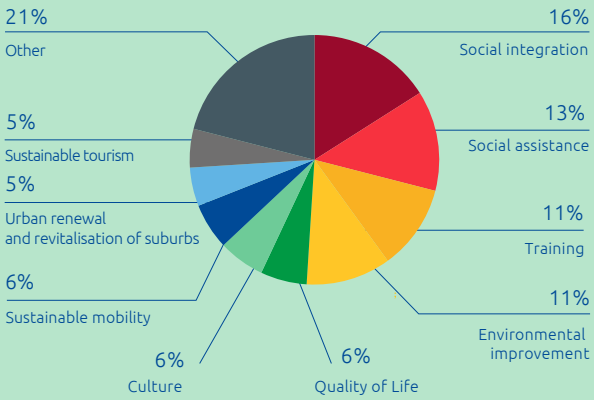
An aspect that was revealed by the foregoing logic, and further corroborated by the survey results, is the type of innovation. In only one project out of five, in fact, is innovation *only* technological, instead it is relational innovation that plays a predominant role. What is even more interesting is the fact that nearly 40% of the innovation in this area is carried out by the private sector. We thus confirm the evolution in the relationship between a company and its stakeholders, whether internal or external, which more than anything else is driven towards socially responsible behaviour.

Another interesting aspect concerns modus operandi, how the actual situations lead to social innovation. Once again, the CeRIIS report answers the question: more than half of the social innovation projects (54%) trace back to the *sharing economy*, a new business model promoting better informed forms of consumption increasingly oriented not to possession, but to *use (car sharing, for example)*.

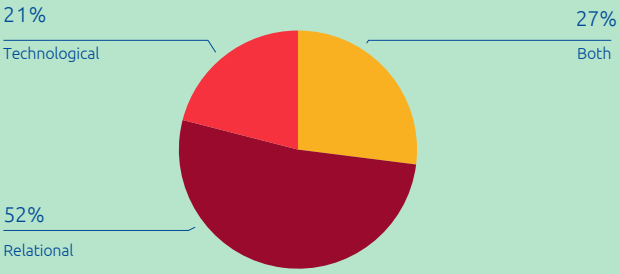
The relational value can be seen in this case also: if it is true that sharing is the basis of many social relationships, only in this historical period has this method attained such a vast scale. It is a model able to expand, thanks to its ability to effectively merge social and economic aspects, guaranteeing long-term economic-financial sustainability.

And this implies the two aspects that probably more than any others have drawn businesses toward social innovation: the relational aspect and proximity to the territories as a means to strengthen their reputation and liberty to operate responsibly on one hand, and on the other the ability to translate the social "results" into economic results, which remains the key factor for corporate sustainability in the long term.

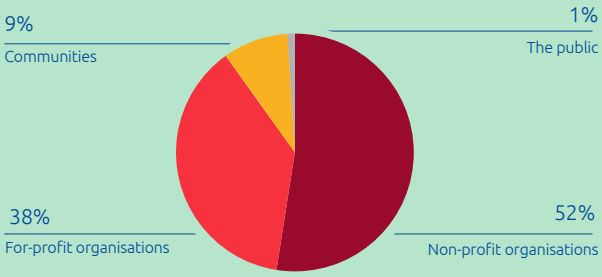
Implementation frameworks



Type of innovation



Actuators of relational-innovation projects



Welfare and Business

In our time, social innovation encounters problems that are not completely new, but amplified in scope by the effects of globalisation and the crisis of the welfare systems, having difficulty coping especially with poverty and exclusion that affect large brackets of the population. For many countries in the western world, it is becoming increasingly difficult to guarantee services such as health, education, infrastructure, and assistance, at acceptable costs and with the financial coverage backed by tax revenue.

And if, faced with an increase in the complexity and significance of the needs, the resources allocated for social expenses are not sufficient, the welfare system itself has to reinvent itself, finding innovative solutions to maintain an adequate level of social security. The subsidiary role of the non-profit sector in providing goods and services that had previously been guaranteed by the public sector has grown over the years. But also due to the economic crisis and the size and organisational limits of non-profit organisations and institutions, they are only part of the answer.

Snam's company welfare system is currently a mix of innovation and well-established practices. The innovations include the "Premio Welfare" [Welfare Bonus], and the Smart Working project designed to best meet the needs for balancing life and work.

THE INNOVATION BEHINDS SNAM'S COMPANY WELFARE SYSTEM

Company welfare is the set of operations - both monetary and in the form of services - that increase the level of social protection and the purchasing power of employees and that can indirectly generate a positive impact on the corporate climate.

Creating a mutually-accepted, functional, and effective company welfare system can be an example of social innovation in a corporate framework. In order for a company welfare system to be effective, it must be built around people, and Snam's system was at the time created precisely with the goal of meeting the emerging needs and necessities of the various brackets of the company population.

Snam's company welfare system is currently a mix of innovation and well-established practices. Besides services for health and wellness, school aid and vocational guidance for the children of employees, the support for parenting, home-work mobility and the granting of micro-loans, it offers a package of new proposals, originating subsequent to agreements with the Trade-Union Organisations. These include the "Premio Welfare" [Welfare Bonus], and the Smart Working project designed to best meet the needs for balancing life and work

With "Premio di Welfare", it will be possible, as an alternative to the total payment of the individual amount of the Participation Bonus, to voluntarily choose whether to convert a percentage of the Bonus into a welfare credit which they can use to purchase services for themselves or their family members.

The Snam Company welfare system

Areas		2017 Activity
Family 	**Nursery school**	Reimbursement for employees who use it
	School	Facilities to purchase school textbooks Scholarships and loans for school expenses
	Summer and study periods stays	Stays for children of employees in certain locations of Italy
	S.O.S. family	Professionally managed family assistance consulting centre
	Maternity, adoptions and foster care	Guide for parenting
Health and Wellness 	**Accidents**	Insurance coverage for non-work-related accidents
	Supplementary healthcare	Insurance coverage that guarantees a portion for the reimbursement of expenses incurred for medical and hospital services at public and private healthcare facilities
	Cancer prevention	Prevention protocols
	Sports centres	Arrangements for physical activity under favourable conditions
	Diet	High-quality company restaurant and takeaway service for private use
	Workplace Health Programme	Membership in the health programme launched by the Region of Lombardy
	Specialised medical services and check-ups	Arrangement with Monzino Cardiology Centre for visits intended for employees and their family members
Tempo per Te [Time for you] 	**Facilitations**	Flexible working hours Smart Working
Savings and relations 	**Supplementary pension schemes**	Supplementary pension funds, also funded by employer contributions
	Microcredit	Low-interest loans
	Assistance	Tax and legal assistance
	Mobility	Subsidised purchase of public transportation passes; shuttle service to San Donate Milanese
	Arrangements	Insurance policies, bank credit cards, car hire, purchase of name-brand products, holiday bookings

New relation models for social innovation

Generating value and impact, meeting needs with effective solutions and limited resources, requires the involvement of many players who can contribute ideas and resources, including financial resources, and the development of new forms of dialogue and collaboration, also for guiding social policies.

Businesses can play a key role in these dynamics, facilitating the creation of networks and partnerships where knowledge and skills can grow and spread. Developing these new capacities will be the foundation for the evolution in the way the company's contribution to sustainable development will be assessed. This will even entail the innovation of the concept of performance; it must be consistently expanded to include the measure of the impact generated.

SNAM STAKEHOLDER ENGAGEMENT IN THE TERRITORIES

Snam has always kept stakeholder engagement at the heart of its corporate citizenship model, with methods and goals which evolved over time.

Snam currently pursues pre-emptive, ongoing, strategic and integrated engagement of its stakeholders with a view to building a sustainable business for the territories and creating value for current and future generations.

Its most recent stakeholder-engagement experiences regarded territories affected by particularly important infrastructure projects where the following actions were performed:

- analysis of the territory and analytical qualitative mapping of stakeholders, local associations, economic agents, trade associations, institutions, media;
- understanding the positions and needs of the various stakeholders;
- starting a multi-stakeholder roundtable, engaging all stakeholders of interest involved in the realisation of the infrastructure in various capacities;
- maintaining quality dialogue with all parties;
- identifying value-based projects for the territory affected by the infrastructure.

A recent application of this model was the case of infrastructure that will be built in Apulia to interconnect the TAP (Trans Adriatic Pipeline - the pipeline which, commencing in 2020, will allow Italy to import gas originating from Azerbaijan) with the national network, thus bolstering the diversification of supply sources and the security of the Italian and European gas system. The work was planned taking into account the results from an in-depth analysis of the socio-economic and environmental situation and with the utmost compliance with safety standards and environmental constraints, also contemplating appropriate restoration works for the territory.

Working throughout the Italian territory, Snam seeks an open dialogue with them to expand its knowledge and its relationship with the communities where it operates, to evaluate the peculiar aspects, needs and demands of all stakeholders.

Within the purview of the project, in 2017 Snam set up a work table, lasting approximately 9 months, which involved the area's main production associations, including agricultural, tourism, and artisan industry associations and universities, for a total of approximately 15 entities. Upon completing the work, the work table proposed 2 different projects to be carried out throughout the territory: GreenWay, a "virtual" bike-pedestrian route connecting the territory's excellent enterprises such as its free-time facilities, hospitality centres, artisan and agricultural enterprises including with the use of new technologies (web, apps, etc.), to enhance the territory and the local tourist activity; a school of higher education, i.e., an educational path capable of satisfying the new needs to enhance professionalism in the tourism and hospitality sectors.

These experiences demonstrate how Snam's ability to listen and engage has evolved to lay the foundations for understanding the demand for social innovation that could arise in the territories. Working with others in the project, listening to what the territory has to say, and answering requests to mould a constructive dialogue is a principle that will always guide Snam's business, now and in the future.

Sustainable development and social innovation in Italy

The Sustainable Development Goals (SDGs) for 2030 commit the international community to identify a global and commonly agreed upon pathway based on the guiding principles of integration, universality, transformation and inclusion and especially, collaboration and sharing among the parties. A fundamental role in this process was entrusted to businesses, identified as the driving force for the new dynamics of sustainable development: all businesses, regardless of size, sector and geographical location, are called to act, constructing responsible business models, based on relaunching investments, more innovation and technology and, especially, collaboration with institutions, communities and civil society. And Italy? What "level" of sustainable development has it attained?

According to the 2017 report published by Alleanza Italiana per lo Sviluppo Sostenibile (ASviS) [The Italian Alliance for Sustainable Development], our country shows some progress on important issues but also confirms the systematic weaknesses which the Strategia Nazionale per lo Sviluppo Sostenibile (SNSvS) [National Strategy for Sustainable Development], approved in 2017 by the Interministerial Committee for Economic Planning (CIPE), intends to remedy by setting specific targets to be reached in coming years with a joint commitment on the part of the entire economic and political apparatus. This renewed commitment is even demonstrated in the most recent Economy and Finance Document which, for the first time in Europe and among the G7 countries, included in its economic planning - in addition to the Gross Domestic Product (GDP) - 12 Equitable and Sustainable Well-being indicators (BESs). This is an important step in reasserting the conviction that the gross domestic product is only a portion of overall well-being and that, in reality, it is not exemplary of the country's overall living conditions.

WELLNESS THAT GOES BEYOND GDP: THE BES INDEX PORTION OF THE ECONOMY AND FINANCE DOCUMENT

Starting from 2013, ISTAT [the Italian National Statistics Institute] every year proposes a detailed analysis of a series of indicators that measure societal progress not only from the economic point of view, but also from a social and environmental perspective, with the goal of making the country more aware of its strengths and weaknesses relating to its citizens' quality of life.

A unique case in Europe, starting in 2019 the Italian government will be the first to assess performance of its most significant BES indicators in conjunction with the budget law. In the budget law, in fact, governments are also called to observe any improvements or worsening of the indicators, putting them in relation to what has been done in the budget law.

BES indicators include:

1. per capita average adjusted disposable income;
2. inequality of disposable income index;
3. absolute poverty index;
4. healthy life expectancy from birth;
5. excess weight;
6. drop-out rates from the education and training system;
7. employment non-participation rate, broken down by gender;
8. ratio between the employment rate of women aged 25-49 with preschool children and women without children;
9. predatory crime rate;
10. civil justice efficiency index;
11. emissions of CO_2 and other climate altering gases;
12. illegal construction index.

SDGs in the National Strategy for Sustainable Development

The goals of the National Strategy for Sustainable Development are closely related to the Agenda 2030 goals and elaborated to guide political activities in the direction of sustainable development.
There are some which the private sector can effectively contribute to also.
With respect thereto, Snam is committed to making its own contribution.

SDGs	Some goals of the National Strategy for Sustainable Development	Snam's commitment
	To combat poverty and social exclusion by eliminating territorial differences	In 2017 Snam took an important step in transforming its social commitment by promoting the establishment of its own company Foundation. The Foundation will be in contact with the territory, ready to intercept pathways to social innovation by implementing projects and initiatives and responding to social needs.
	To promote healthy lifestyles and strengthen prevention systems	Snam is a member of "Workplace Health Promotion", an initiative promoted by the Lombardy Region composed of a pathway to best practices aimed at improving peoples' lives. Snam is promoting the adoption of virtuous behaviour in the company involving proper diet, personal and social well-being, physical activity, road safety, sustainable mobility, combating the consumption of tobacco, alcohol and other addictive substances.
	Promoting good health and well-being	Snam has always been committed to promoting occupational health, achieving important results, with the reduction, over the years, of workplace accidents. Reducing accidents not only helps to create a better working environment it also helps towards avoiding social costs for the community. Snam also promotes the health and well-being of employees through its own welfare system.
	Guaranteeing accessibility, quality and continuity in training	In Snam, training plays a fundamental role in supporting the development of management and the company population. Snam launched a School-Work Alternation project to bring young people closer to the working world providing them with skills and know-how. Through the activities of the Snam Institute, a centre of excellence for training, the Company intends to develop skills, not only in the company but also outside of it, to strengthen corporate citizenship.
	To guarantee gender equality	Diversity is considered an important aspect for the development of the company, specifically gender equality. Snam implements policies to support maternity and parenthood, with men and women benefitting equally. Snam is a contributing member of Valore D, a leading association of businesses which promote diversity, talent and female leadership.

SDGs	Some goals of the National Strategy for Sustainable Development	Snam's commitment
	To implement integrated water resource management in all levels of planning	Snam uses fresh water main for sanitary, fire safety and green-area irrigation purposes. Quantities are limited and managed rationally to avoid waste.
	To increase energy efficiency and energy generation from renewable sources, thus avoiding or reducing the impact on cultural heritage and landscape	Snam is engaged in investments and actions to improve the energy efficiency of its plants. In February 2018 it acquired Tep Energy Solution (Tep) one of the leading Italian companies operating in the energy efficiency sector. In 2017 the 35% of the electricity consumed by Snam was produced from renewable sources. Snam is also active in the development of the use of renewable Biomethane fuel.
	To increase sustainable and quality employment	Snam is a company that generates "good employment", it carries out qualified and specialised activities throughout Italy offering stable and continuous working relationships. The school–work alternation project aims to guide young people and to strenghten relationships with the territories where the recruitment process is often more difficult.
	To innovate processes and products and promote technology transfer	Snam creates quality, reliable, sustainable and resilient infrastructures built through always adopting the best technologies available. The Company recently launched Snam Global Solutions, which offers design, consulting and project management activities for the gas market. The aim is to globally develop the experience, distinctive skills and know-how of Snam, gained in its 75 years of operation and management of the entire gas infrastructure supply chain in Italy and Europe.
	To combat all discrimination and promote respect for diversity	Snam respects everyone's dignity and offers equal opportunities in every phase and every aspect of the employment relationship, avoiding all forms of discrimination based on sex, age, health, nationality, political opinion or religious views. Diversity is considered an asset to the Company and for its growth.
	To regenerate cities, guaranteeing accessibility and ensuring sustainability of connections	Snam formed the Snam4Mobility company dedicated to the development of a sustainable mobility system through the construction, management and maintenance of CNG plants. In coming years Snam will invest to promote the development of compressed gas filling stations in Italy with the aim of creating over 250 distributors. The company's commitment is also made explicit in the development of partnerships with car manufacturers to expand the range of natural gas vehicles.

SDGs	Some goals of the National Strategy for Sustainable Development	Snam's commitment
	To dematerialise the economy by improving the efficiency of resource use and by promoting circular-economy mechanisms	Snam is committed to fostering the use of biomethane, making an important contribution to promoting an economic model based on sustainability and the circular use of resources.
	To decarbonise the economy	Natural gas is a fundamental resource in the strategy to decarbonised the economy. Snam is committed to promoting the use of natural gas in the place of other fossil fuels with a high carbon content. Specifically, it promotes the use of alternative forms such as liquefied natural gas and compressed natural gas in maritime and land sectors and the use of biomethane.
	To maintain the vitality of the seas and prevent impact on the marine and coastal environment	Snam uses sea water for cooling some plants in the Panigaglia (SP) regasification terminal. The water used is then returned to the sea untreated.
	To safeguard and improve the conservation status of species and habitats for terrestrial and aquatic ecosystems	Snam adopts the best practices in the construction of infrastructures designed to safeguard the territory and protect biodiversity and ecosystems. Specifically, following in-depth research and monitoring, recovery operations are carried out in the territories to maintain the natural balance and avoid any impact on the vegetation, water and existing ecosystems.
	To ensure legality and justice	Snam maintains and continuously reinforces it corporate governance system, aligning it with national and international best practices. The company also has an anti-corruption policy that takes its inspiration from the Code of Ethics. The collaboration with Transparency International represents a significant step along the path that the company has for some time been taking in the prevention and combating of any form of corruption and unlawfulness. Through an "ethics and integrity agreement" Snam extends its fundamental business ethics principles to all economic operators which aspire to directly or indirectly receiving the support of the company.
	To strengthen partnerships within the various sectors: Governance and transparency, Education, Health, Agriculture, Safeguarding the heritage, Private Sector	Snam collaborates locally and nationally with the authorities, participating in numerous associations and committees by providing its skills and know-how to be able to participate in social innovation and sustainable development processes. In 2017, as part of Partner's Day, Snam held a meeting of partners and stakeholders taking an in-depth look at the future scenarios of the world of energy.

"YOUNG ENERGY", HOW TO BRING YOUNG PEOPLE CLOSER TO THE WORKING WORLD

Young people are the focus of one of the most challenging SDGs: enabling everyone to receive a quality education and to be masters of their own future.
Snam is also committed to contributing to this goal with a school–work alternation project that was the subject matter of a memorandum of understanding with the Ministry of Education, Universities and Research. Young Energy aims to guide secondary school students into the working world by the development of new skills and knowledge, and it also satisfies two other important societal objectives: taking action to strengthen relationships with the territory and to change the generational mix. Through a stronger relationship with the players in the territory, new opportunities for integration and recruitment will arise, especially in Southern Italy, where the company is making significant capital expenditures and where the recruitment process is often more difficult. The opportunity seized is within the purview of Italian Law 107/2015 - part of the "Good School" legislation - which introduced the school–work alternation programmes.
Snam has worked in close collaboration with schools in each of six different regions, developing a three-year project, directed to third, fourth and fifth-level classes of the second educational cycle, with a new teaching method focused on enabling students to acquire tools and skills that are more marketable in view of their entry into the labour market.

2017/2018 figures are approximately:

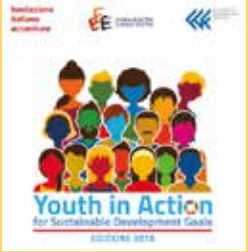
- 600 students involved
- 9 secondary schools involved
- 60 traineeships activated
- 90 hours per trainee
- 50 Snam personnel involved in the project

The training programme, the content and methods of which are shared with those same institutions, was organised based on the educational and professional profile of the students, to provide them with a valid and useful learning experience. Senior mentors, who accompanied the students along all phases of the project, were identified in the training course and company managers, who contributed with culture, skill and know-how, were involved.

Young Energy provides:

- opportunities to get to know and approach businesses via meetings at the schools;
- classroom training, focused on acquiring soft skills and guidance tools for the working world;
- classroom work projects regarding business-related issues;
- company visits to Snam's territorial facilities;
- traineeship periods in the various local operational venues for certain students.

SNAM FOR "YOUTH IN ACTION FOR SUSTAINABLE DEVELOPMENT"



Snam is partner of Youth in Action for Sustainable Development Goals, a competition promoted by Fondazione Italiana Accenture, Fondazione Eni Enrico Mattei and Fondazione Giangiacomo Feltrinelli, intended for "under 30s" to promote the most innovative ideas capable of facilitating the attainment of SDGs in Italy. Proposals must demonstrate solutions having high social impact and which feature a technological component. Snam is also ready to accommodate one of the winners from among those who have distinguished themselves in terms of innovativeness and positive impact of the project, for a paid traineeship near their facilities.

Evaluating businesses with regard to social innovation

"Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the support of key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth. [...] Companies must ask themselves: What role do we play in the community? How are we managing our impact on the environment? Are we working to create a diverse workforce? Are we adapting to technological change [...]".

This is an excerpt of the letter that BlackRock, an international asset management colossus, recently sent to the CEOs of its associated companies: words that set out new responsibilities for the businesses, driving them unequivocally to consider their frame of reference from a different perspective and to do more for the common good.

A business which therefore also transforms itself into a social actor, whose role extends beyond producing goods and providing services. In this sense, opening the business to the ecosystem in which it operates becomes a fundamental key, strengthening new relationships, collaborations, partnerships capable of effectively and convincingly meeting the community's latent, emerging or widespread needs. On one hand, this relationship allows businesses to understand the most significant domains and measures to bolster their level of sustainability; on the other hand, its allows them to build on the ingenuity surrounding them, both within and outside of the company.

In the light of what has been said, is it possible to put a human face on those businesses that offer themselves as social innovators?

A growing number of social innovations originate from those who have a strong desire to find an alternative pathway to build their future in a more just society and in a healthier environment. Many organisations are beginning to innovate through the open exchange of skill with their system of reference, opening up to the outside and developing relationships and dialogues with the various types of stakeholders involved in the "Open Innovation" processes. Although businesses, until now, have developed new ideas internally, tomorrow it will be the innovation produced outside the company that will seek out businesses that can drastically augment their potential, thus giving life to new forms of participation, capable of accommodating demands originating from communities and the territories.

An increasing number of companies are turning to start-ups and social enterprises for innovation initiatives. The percentage of start-ups that deal with social topics is on the rise: it currently amounts to about 3-4%, but in certain countries such as the USA, they reach up to 10%.

Source: Global Entrepreneurship Monitor

fondazione

THE ROLE OF BUSINESS FOUNDATIONS

Intercepting the most promising ideas, mobilising financial and human resources, and building relationships to increase the ability to design and execute them, are practices too often limited by company management philosophies: these are the tasks entrusted to business foundations, an instrument that can play a key role in supporting social innovation. Business foundations act in various domains, attempting to provide effective and diversified answers depending on their mission. Although at the end of the 90s, during the first survey of Italian foundations[1], the concept of a business foundations was non-existent, or almost so, with very few exceptions[2], business foundations are now taking on increasing importance. The macro-objectives which compel an undertaking to form a foundation include ethical objectives, pursuing its philanthropic and personal goals, personal objectives, driven by the momentum of key personnel within the company, and strategic objectives, able to create a competitive advantage for the company itself.

In 2017, Snam also formed its own corporate Foundation, created to offer access to its expertise and ability to achieve, which, over the course of the Company's history, had contributed to the innovation, progress and social development of the Country. In particular, the Snam Foundation has the intention to encourage the civil, cultural and economic development in priority areas of public interest, through the development, adoption, promotion and dissemination of innovative, effective and solidary practices. In particular, consistent with Snam's presence across the territory, the Foundation pursues and promotes the restoration of vulnerable areas, also by protecting and taking care of the panoramic heritage and environment, as well as supporting and developing every variety of cultural activity.

The Foundation will therefore promote broad-based partnerships with all players of the various communities and territories where it will operate, favouring in its interventions those partnerships with social enterprises and private entities which are engaged, in a stable and primary way, in a business activity of general interest.

Social enterprises, which by their nature, stably and primarily conduct economic activities of social utility, are in fact subjects capable of ensuring the effectiveness and sustainability and their engagement in the Foundation Snam projects can guarantee continuity of results and the ability to implement broad-based programmes. The Snam Foundation initiatives will therefore have the following characteristics: alignment with the strategy and the territories in which Snam operates, focus on vulnerable areas and subjects, innovation, partnerships and the generation of new business.

Commitment to the growth of the territories and communities

To facilitate the amalgamation between the social world and Snam, the Foundation launched the "Treasures - Solidary Lands in Inclusive Networks" initiative. In continuity with the Orti nella Rete [Gardens in the Network] project, certain lands adjacent to Snam installations are placed at the disposal of local communities, with an eye towards making valuable use of the company's assets, experience and local skill and strengthening its relations with the territory.

In this backdrop, at the start of December 2017, the Snam Foundation and Confagricoltura signed a partnership protocol to promote, develop, and implement social-agriculture projects. The agreement originated from a common desire to encourage the dissemination of innovative and solidary practices in the agricultural field, in vulnerable areas or areas of public interest, observing and enhancing the territory and environment.

Between 2011 and 2014, Corporate Foundations allocated approximately €45 mln to guarantee support for projects focused on supporting young Italians looking for work, often acting as a network among them to pursue common objectives.

Source: "Fondazioni di impresa per i giovani: come far crescere il vivaio", 2015.

1 Survey conducted by the Agnelli Foundation.
2 The Olivetti Foundation and the Agnelli Foundation, for example.

More than 155 projects from all over Italy with innovative ideas to respond to the most diverse social needs.

There were four winners who implemented projects regarding:

- **Artificial Intelligence**
- **The marketing of local and organic produce/products**
- **Barrier-free travel**
- **Orientation tools for the non-profit world**

The agreement calls for organising one or more competitions addressed to social workers, mainly in the agricultural sector, focused on awarding projects capable of connecting aspects of inclusion, social impact on local communities, and sustainability, with innovation and experimentation. In this way Snam's land, made accessible, will become platforms to promote innovation and the dissemination of the circular economy principles, the re-use and exploitation of waste, the study of increasingly efficient and environmentally friendly production and consumption models.
The winners will be awarded the concession, under a free loan, to the unused land owned by Snam for a period of ten years, and economic support to carry out projects.
The Snam Foundation will also fund participation in the on-line Master's in Social Agriculture, organised by Tor Vergata University, for the representatives of the winning projects.

In 2017, the Snam Foundation, together with other important Italian Foundations, promoted "Welfare che impresa!", a contest that seeks to favour the outpouring of project ideas of young people under the age of 35 on issues of social welfare for communities, which are capable of fostering social cohesion, development and to act as a network.
Through this initiative, the Snam Foundation intends to stimulate entrepreneurship start-ups that are committed to finding innovative and sustainable solutions to society's complex challenges, and proposes itself as a social innovator and catalyst of ideas and projects focused on people and the territories.

Of the 155 projects submitted in this second edition of "Welfare che impresa!", a figure that demonstrates the growing interest in new services able to help improve the Country's social fabric, the 14 finalists participated in a two-day training workshop, promoted by the foundations, during which participants could acquire useful skills and information to augment their design abilities.

Among the four winning project ideas, Foundation Snam gave an award to "Tripmetoo", a Salerno start-up operating in the tourist sector. It is a web-based reservation platform allowing travellers to customise their travel experience based on their various needs and allows industry operators to enhance their offer, placing it in the Tripmetoo network. The jury also decided to award a special prize to the "AGRIshelter" project: a temporary home for emergency situations, built with local resources and natural materials; its building and innovative technology guarantees environmental, economic and social sustainability.

The Snam Foundation's participation in "Welfare, che impresa!" was an important step towards the affirmation of a company growing increasingly closer to the territory, capable of being a driving force for development of the community and the Country and of facilitating the growth and the culture of entrepreneurship when confronting social challenges.

The "open innovation" follows indirect paths to capitalise on the collective intelligence both inside and outside the company. This is influencing the actual business conditions, where opportunities to build relationships, to interact, and to share among those working every day in the organisation are in increasing demand. For this reason, the companies propose more and more opportunities to meet, as well as more "open" and informal working spaces.

INNOVATION, PEOPLE AND CORPORATE CULTURE

In the transformation processes that enterprises are implementing to prepare themselves for future challenges, employees are increasingly demanded to play an active role in promoting change.

A pathway which Snam also followed during the year; with the slogan "The future is in our hands" it called upon employees to propose new ideas regarding certain key issues for Snam's managerial evolution.
In particular:

- Snam's role in energy transition
- Employer Branding & Attraction
- Corporate Values
- Leadership and careers
- New ways of working

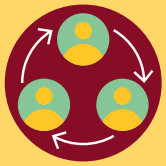
The ambitious *All Lean* project also establishes the goal of minimising all waste to free up time for higher value-added activities. A key point of the change process has been the active engagement of everyone in the company, called upon to propose ideas and identify the aspects of inefficiency, freely expressing their opinions and customising their working environment.

This interaction with people resulted in an extremely innovative approach, capable of breaking existing paradigms and envisioning a corporate reality open to all. The initiatives implemented within the purview of the All Lean programme include: the passage from 175 procedures to 30 simple rules, halving selection times of ideal candidates and reducing accreditation times for private sector vendors by 75%.

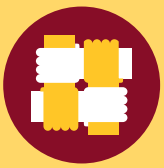
Lean programme's goals

Identify wastes throughout the Company

Make the processes more effective

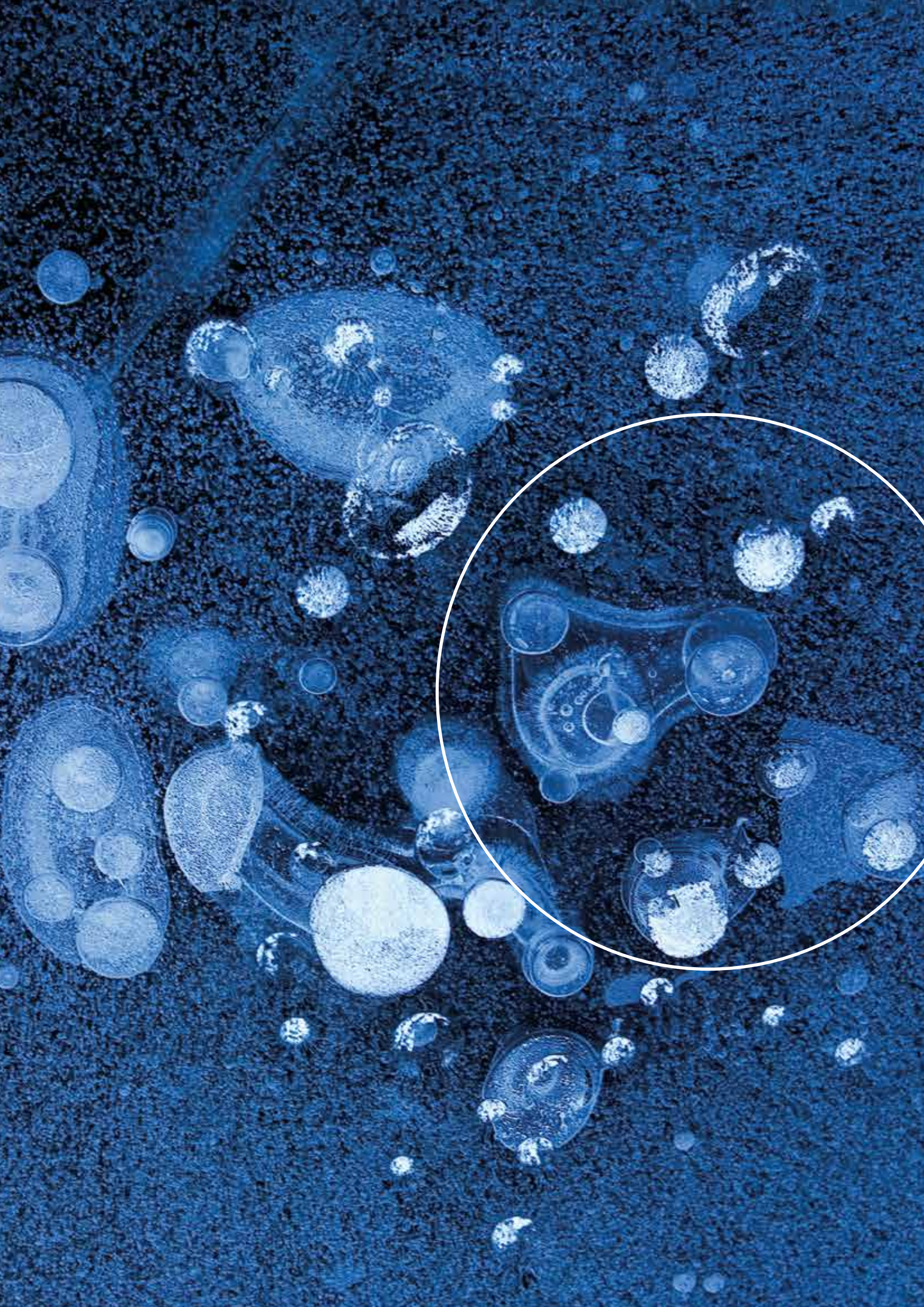


Involve people

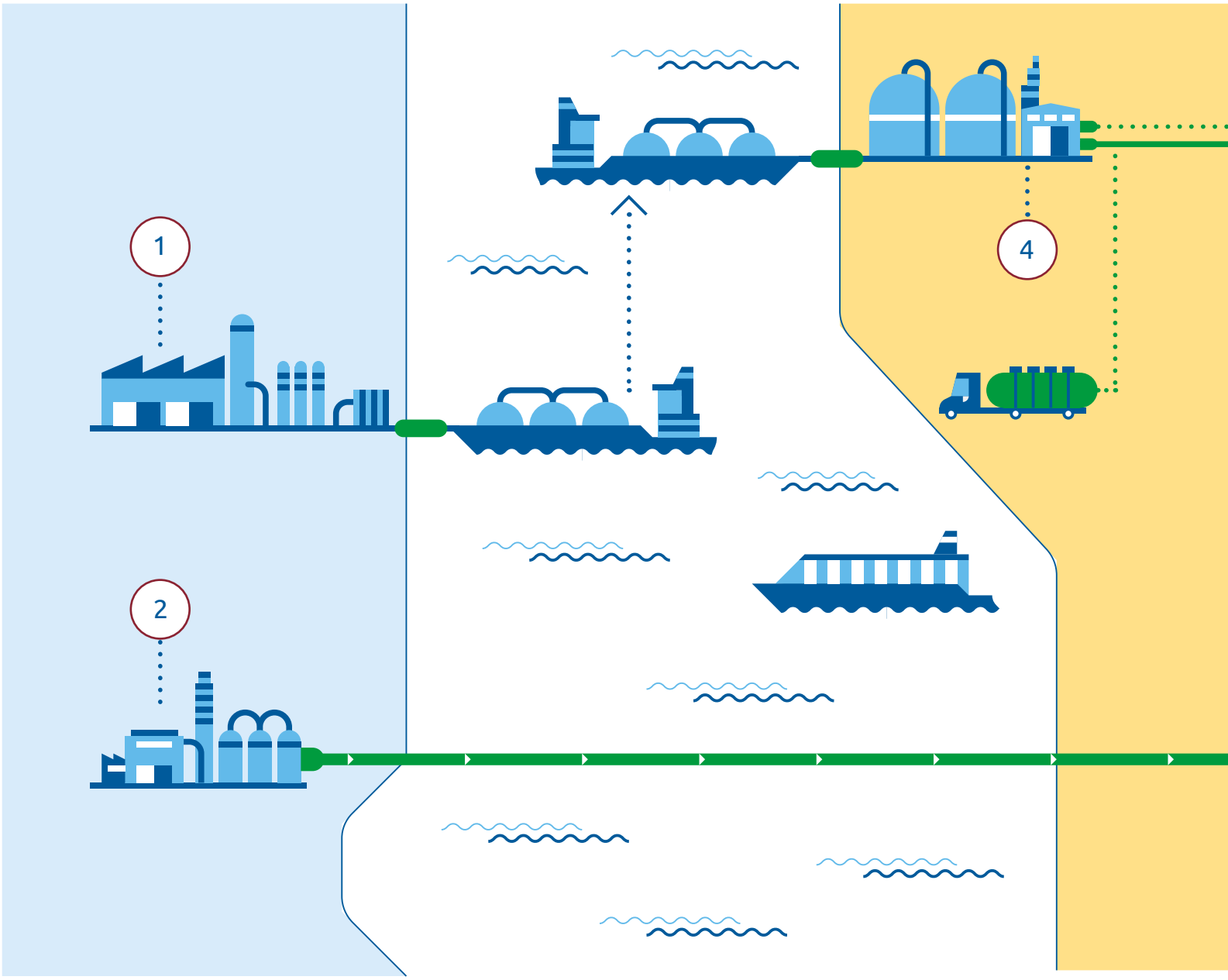


Create a collaborative environment

Promote the continuous improvement culture

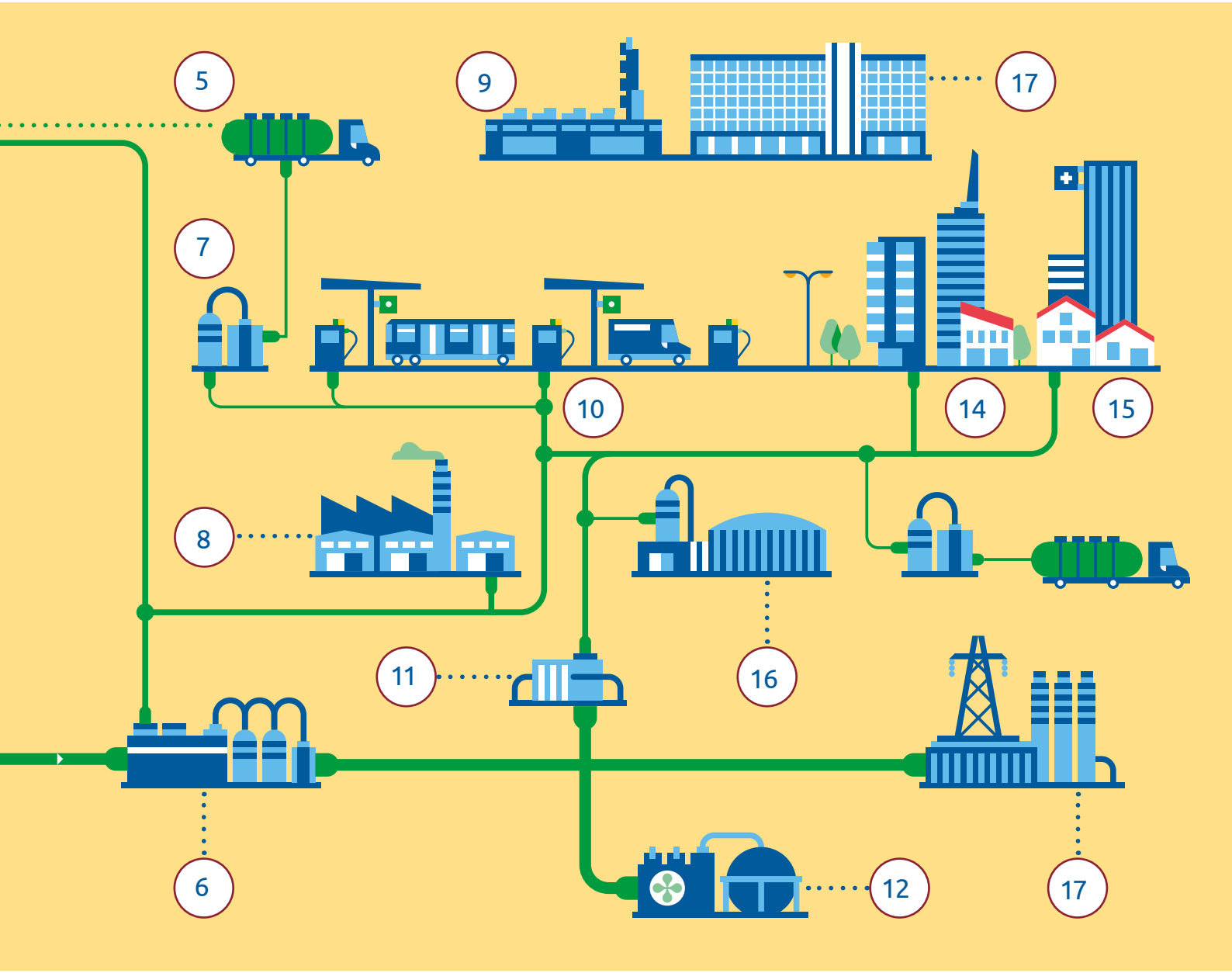


A World running on Gas



1 LNG liquefaction plant
2 LNG liquefaction plant
3 LNG carriers
4 LNG regasification plant
5 LNG cryo tanker transport
6 Compression plant
7 LNG service station
8 Industrial use
9 Snam Dispatching Centre
10 CNG service station
11 Reduction cabin
12 Storage stations
13 Snam Headquarters
14 Urban utilities
15 Service sector use
16 Biogas plant
17 Thermoelectric Power plant

Gas pipelines



Natural gas
Natural gas is produced from the anaerobic decomposition of organic material. It is found in nature in its fossil state on its own or together with oil and other hydrocarbons. The main component of natural gas is methane (CH_4). During combustion, most of the methane gas is converted into water vapour and carbon dioxide (CO_2).

Liquefied natural gas
Liquefied Natural Gas is obtained by subjecting natural gas to a cooling (-160 C°) and condensation process which reduces its specific volume by around 600 times compared with normal atmospheric pressure.

Compressed natural gas
Compressed Natural Gas is obtained by compressing natural gas to less than 1% of the volume it occupies at normal atmospheric pressure.
It is conserved in tanks at a pressure of 200-248 bar.

PART TWO

CSR and performance

2017 highlights

Snam4Mobility was formed to promote infrastructures and technologies supporting the use of methane in transportation and sustainable mobility

€1,621 mln of Value Added distributed to stakeholders

For the ninth year in a row, Snam's stock was listed in **DJSI World** and included among the major international SRI stock

Approximately **800 procurement contracts** concluded for a total of €844 mln

Conducted 1,810 reputational checks on suppliers, subcontractors and participants in calls to tender

Conducted monitoring and environmental reclamation of **388 km** and **203 km of gas pipelines**, respectively

Provided more than **85,300 hours of training**

Adhered to the School-Work Alternation project involving approximately **600 students from 9 schools**

Snam is a **Supporting Member of Valore D**, the first business association to promote diversity, talent and female leadership

Snam wins 1st **place in Webranking** Italy and 1st place in the Lundquist **CSR Online Awards**

Reduced natural gas emissions by 3.2%

More than **82,500 tonnes** of CO_{2eq} avoided thanks to specific of CO_2 saving operations

Connected the **first biomethane production** plant to the network. Concluded an additional 13 connection agreements

Published EU Call for Tenders for the renewal of the automobile fleet and powers most of its **1,500 vehicles with methane**

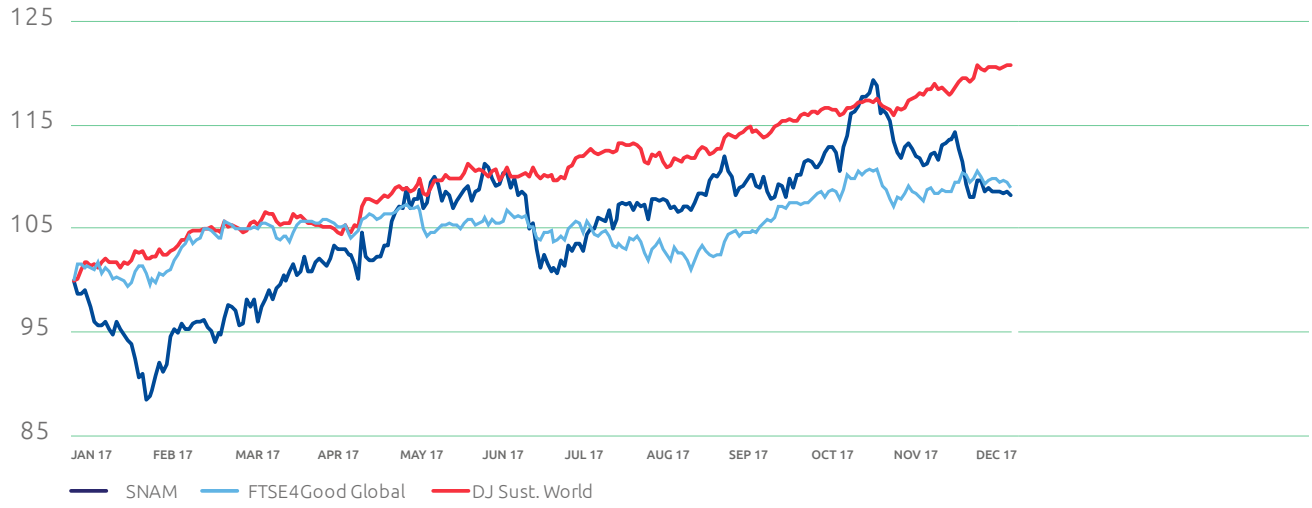
Conducted **customer-satisfaction survey** in the three areas of activity: transportation, storage and regasification

Snam in Sustainability Indexes

Having and maintaining a presence in sustainability indexes is of fundamental importance for businesses given that increasing numbers of investors orient their decisions toward sustainable businesses, which therefore have a lower risk profile and positive long-term performance.

Once again, in 2017, Snam's stock was listed in the major international SRI stock indices. This result helps improve the company's visibility vis-à-vis socially responsible investors, as well as the entire financial market.

The overall share of Snam's institutional investors as at 31.12.2017 that include Corporate Social Responsibility criteria in their investment decisions stood at 9.5% of all institutional investors.



SNAM'S PRESENCE IN SUSTAINABILITY INDICES

For the ninth year in a row, Snam's stock is listed in the Dow Jones Sustainability World Index, the world's most important stock market index assessing corporate social responsibility.

Snam's is once again present in the FTSE4Good, where it has been listed since 2002, an index created by the FTSE Group to encourage investment in companies that meet globally recognised social responsibility standards and is an important point of reference to establish benchmarks and ethical portfolios.

Snam listing is confirmed in the Ethibel Sustainability Index (ESI) Excellence Europe and in the Ethibel Sustainability Index (ESI) Excellence Global. Also reconfirmed in the Ethibel PIONEER and in the Ethibel EXCELLENCE Investment Registers: the Forum Ethibel decision indicates that the company can be characterised as an industry leader in terms of CSR.

Snam's listing has been confirmed for the third year running in the two sustainability indexes MSCI ACWI SRI Index and MSCI ACWI ESG Leaders, by MSCI, an international leader providing IT tools to support the investment decisions of global investors. The MSCI Global Sustainability indices includes companies having high sustainability ratings in their affiliated sectors.

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

Snam is included in five of the main ECPI sustainability indexes. Snam's inclusion in the family of ECPI indices dates back to 2008. The ECPI methodology consists in screening based on testing more than 100 ESG (Environmental, Social and Governance) indicators.

ESG AWARDS

For the fourth year in a row, RobecoSAM awarded Snam the Silver Class in the "Sustainability Yearbook", a grouping of excellence which, in the industrial sector of reference, identifies those companies that most distinguished themselves in terms of activities and commitments in the area of Corporate Social Responsibility.

Included, for the fifth year running, among the top scoring companies of the CDP, as one of the leading international non-profit organisations dealing with climate change, from whom it also recorded in the "A List" (highest score, awarded to only 112 companies in the world).

Snam was included among the Industry carbon leaders, thanks to its position at the top of the SICS (Sustainability Industry Classification System) in the Oil & Gas sector (Midstream), by ET index research, an independent research institute that monitors the most important companies in the world in relation to their greenhouse gas emissions, also in terms of disclosure.

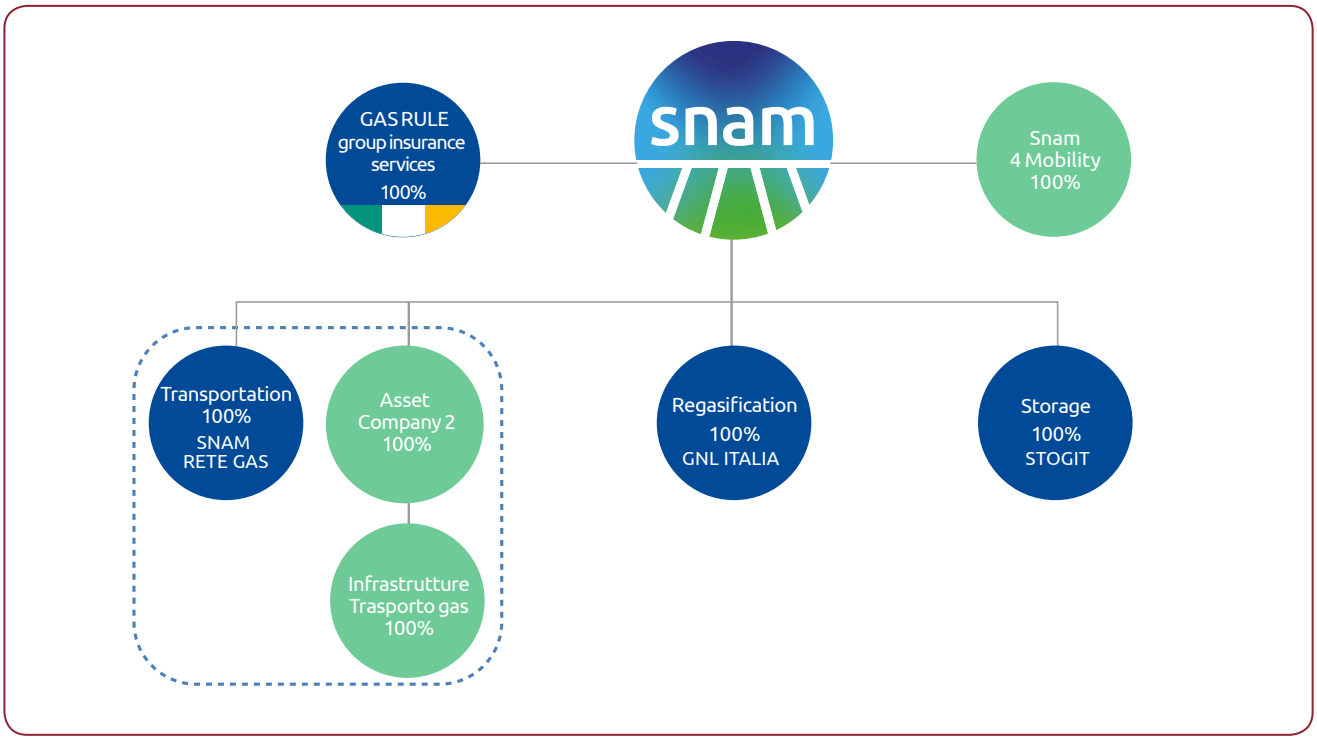
Snam was also listed, in 2017, for the fourth year running, in the United Nations Global Compact 100 index (GC 100), developed by the United Nations Global Compact with the research firm Sustainalytics, which includes the 100 companies that have distinguished themselves at the global level both for attention to sustainability issues and to financial performance, and that adhere to the ten fundamental principles of the United Nations on the human rights, labour, environment and anti-corruption issues.

SSnam is confirmed to be included in the (Europe, Eurozone, World) NYSE Euronext Vigeo 120 indices, managed by Vigeo, a leading company on a European level in rating companies with regard to CSR issues.

In 2017, Snam was confirmed at "PRIME" level (with rating B-) by Oekom research, a leading international agency rating socially responsible investments, which operates on behalf of institutional investors and financial services companies.

Snam's profile

The new corporate structure



Snam is the European leader in the construction and integrated management of natural gas infrastructure.

On a European level Snam is one of the main operators in terms of invested capital for regulatory purposes and operates in major markets through agreements with major players in the industry and direct equity holdings in companies.

Snam, with natural gas transportation, dispatching, storage and LNG regasification activities, provides the market with a safe energy source at fair prices, playing a fundamental role in the Country's energy system.

The main changes in the Snam group structure as at 31 December 2017, compared with 31 December 2016, were: (i) the entry of Asset Company 2 S.r.l., fully-owned by Snam S.p.A., in exchange for Edison's purchase of 100% of the share capital of Infrastrutture Trasporto Gas S.p.A., effective as of 13 October 2017[3]; (ii) the entry of Snam4Mobility S.p.A. (Asset Company 1 S.r.l. up to 13 December 2017), fully-owned by Snam S.p.A., in response to the company's launching of operational activities. The foregoing companies were consolidated within the "Transportation" and "Corporate and other activities" sectors, respectively.

3 At the same time Snam acquired, from Edison, a 7.3% stake in the capital of the Terminale GNL Adriatico S.r.l. (Adriatic LNG), a major offshore infrastructure for the unloading, storage and regasification of LNG and the largest LNG terminal in Italy.

Development of the gas system

To reinforce the central importance of the gas system in the European and Italian energy scenario, Snam will continue to invest to strengthen and expand the national network, which comprises the Sardinian methanisation project, and to complete the "reverse-flow" projects enabling its integration with the continental markets along the North-South and East-West corridors, creating a bi-directional flow of gas at the national borders at Passo Gries and Tarvisio, respectively.

In 2020 the importation of natural gas from the Caspian Basin is also projected through the construction of the TAP natural gas pipeline, the terminal pipeline of the project for the so-called Southern Gas Corridor, one of the strategic priorities of the European Union.

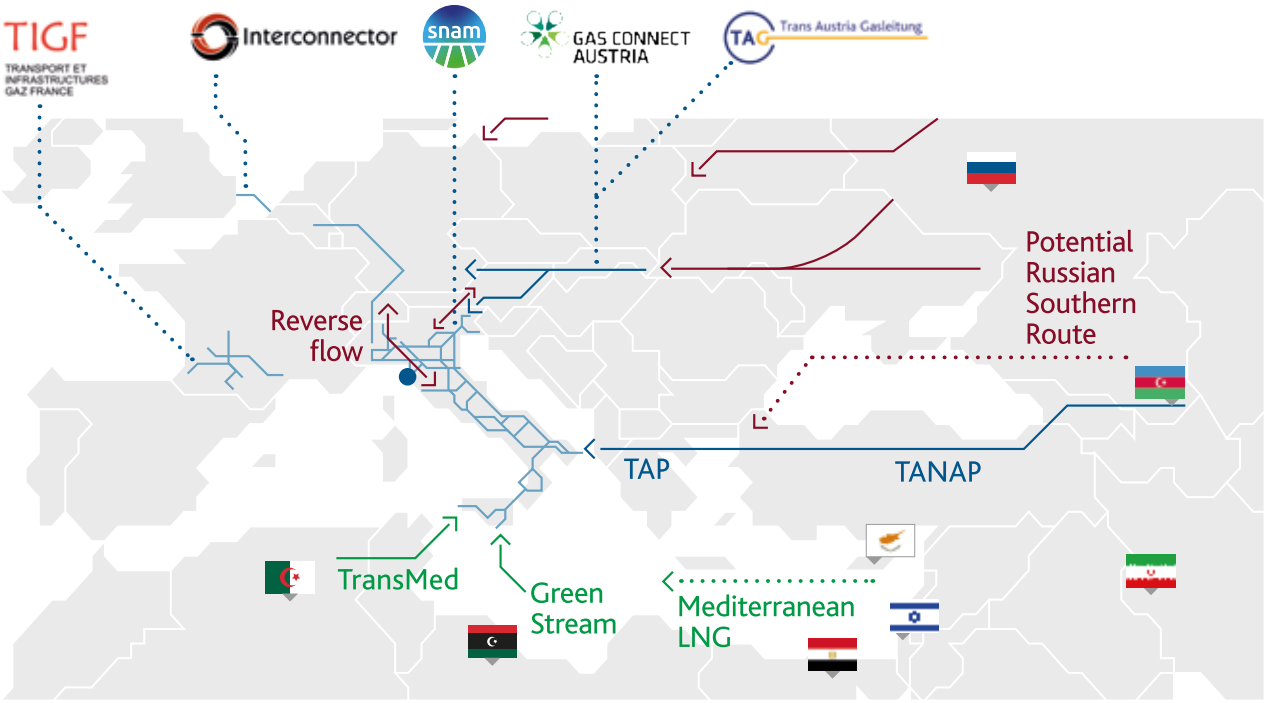
Together with the institutional stakeholders and operators concerned, Snam will also continue to develop projects related to the evolution of the gas product (LNG and CNG) in the transportation sector and in biomethane production.

The natural gas introduced into the national network comes from imports and, to a lesser extent, national production. The foreign gas is injected into the national network via eight entry points where the network joins up with the import methane pipelines (Tarvisio, Gorizia, Gries Pass, Mazara del Vallo and Gela) and with the LNG regasification terminals (Panigaglia, Cavarzere and Livorno). Domestically produced gas is injected in the network through 53 entry points from the production fields or their collection and treatment centres; gas storage fields are also connected to the network.

Dispatching manages the gas flows over the national transportation network: from the operations room, manned 24/7, the main gas pipelines and compression installations of the Italian gas system are monitored and remotely-controlled; operators are also provided with an overall view of the national gas transportation network with the main points of interest and related process information. This coordinates the activities carried out across the territory and maintains working relationships with the other corporate functions and infrastructure operators connected to the network in Italy and abroad.

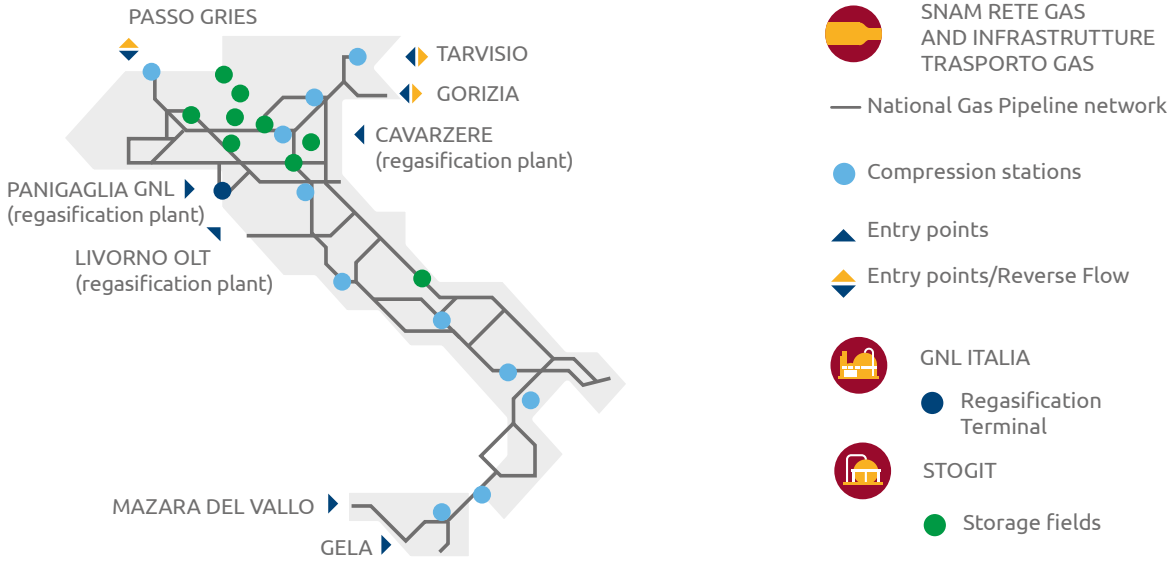
Snam4Mobility is the new company which, since January 2018, has worked to develop a more sustainable and efficient transportation system. Snam4mobility was formed with the intention of providing Italy with infrastructures and technologies for wide-scale distribution of methane and strengthening the network of compressed natural gas and liquefied natural gas plants. The challenge will be making these clean power sources available to as many cars as possible within Italy, opening it also to heavy transportation vehicles, such as lorries and other commercial vehicles.

The European infrastructure system and Snam's role



Snam's international growth aims to consolidate the European infrastructure system facilitating the alignment between the consumer and producer interests, promoting greater liquidity in the South-European gas market also through the development of new routes, and preserving the connection between the United Kingdom and continental Europe.

National infrastructures



In Italy, Snam uses an integrated infrastructure formed by 32,584 km of methane pipelines, 11 compression plants, 9 operational storage fields and one regasification plant, in addition to one dispatching centre for transportation and storage.

UNIQUE INTEGRATED DISPATCHING

The process of integrating the gas dispatching and operation activities (transportation network and storage sites) began in 2017, targeting an integrated and synergistic operation of the service, thus seizing opportunities for a more effective and timely response to market needs.

The possibility of an integrated operation allows:

- the optimising the operating schedules of the asset in a manner fully consistent with the new balancing regime objectives;
- the strengthening the capacity to react and control under both ordinary and emergency operation;
- the centralised information management in accordance with the best technologies and certified management systems (in particular ISO 22301 - Operational Continuity - and ISO 27001 - Information Security - already present with reference to the transportation activity), through a single technical process monitoring the technological evolution of the front-end, back-end and simulation systems;
- the dissemination of integrated skills and multi-purpose professionalism for remotely controlled management of the assets.

Integrating the acquisition and management of data from the field as well as upgrading infrastructures to guarantee even higher levels of security and reliability is an aspect of primary importance in this situation.

The integration process also envisages a fundamental phase such as the training of all dispatching personnel. The activity, which started at the end of 2017, will allow the mutual exchange of knowledge and skills typical of network management and storage, achieving the objective of a complete interchangeability of all operators.

Key financial-economic results

Thanks to the solidity of the operational management and strict financial discipline, Snam achieved results in line with expectations in 2017.

The financial year closed with a net profit of €897 mln, an increase of €306 mln (+51.7% compared to the 2016 net profit referring to continuing operations amounting to €591 mln).

To allow a better assessment of group performance and greater data comparability, Snam management drafted "adjusted"[4] profit/loss measurements that exclude the effects of non-recurring transactions. Furthermore, also due to the discontinuity factors that characterised FY 2016 (separation of gas distribution activities), with reference to FY 2016, the adjusted results reflect the Italgas Group's contribution to continuing operations, obtained by applying the relative portion of shares, amounting to 13.5%, to Italgas Group's net profit for the entire year (pro-forma adjusted data).

The adjusted net profit amounted to €940 mln, with an increase of €95 mln (+11.2% with respect to the adjusted pro-forma net profit for 2016). The increase, in addition to higher operating profit (+€27 mln) attributable to higher revenues from regulated activities, reflects an efficient financial management (+€36 mln), and greater net income from equity investments (+€15 mln), as well as income taxes (+€17 mln) attributable mainly to the reduction starting on 1 January 2017 of the Ires rate from 27.5 to 24.0%, partly offset by higher income before taxes.

In 2017, a cash flow of €1.9 bln was generated from operations, allowing the full funding of financial requirements related to net investments and the generation of Free Cash Flow amounting to €0.4 bln.

The net financial debt, after paying the €0.7 bln dividend to shareholders and the cash flow resulting from the purchase of treasury shares, recorded an increase of €0.5 mln with respect to 31 December 2016.

Added value generated and distributed

The Company produces wealth contributing to the economic growth of society and the environment in which it operates, and it measures this wealth in terms of added value produced and distributed to its key stakeholders.
In 2017, the total gross added value Snam produced amounted to €2,447 mln, down slightly (€71 mln, equal to 2.8%) from 2016 (€2,518 mln), primarily as a result of the effects of separating the natural gas distribution activities from Snam, concluded in 2016, which generated extraordinary financial income related to reimbursement to Snam from the companies that were the subject matter of the demerger, of the existing financial debts at their respective market value.
With regard to the main reference stakeholders, Added Value was distributed as follows:

- Employees 10.2% (-0.1 percentage points compared to 2016) in the form of direct compensation consisting of wages, salaries and severance pay and indirect

Breakdown of Added Value

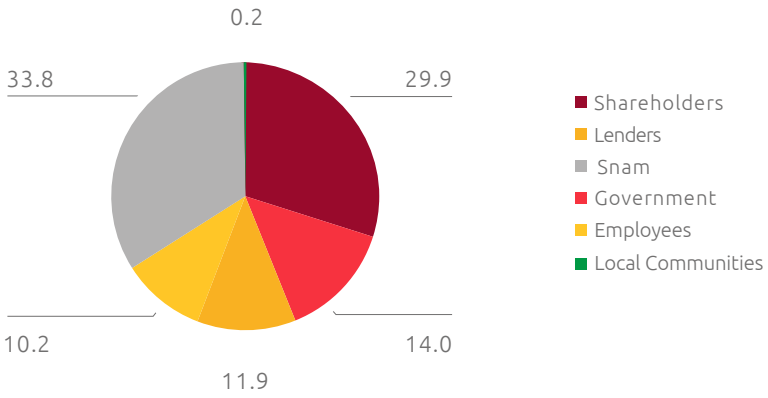
(€ million)	2015	2016	2017
Added value produced (A)	2,429	2,518	**2,447**
Added value distributed (B)	1,831	1,913	**1,621**
Employees	238	260	**249**
Local communities *Donations and sponsorships Statutory environmental compensation*	3	3	**5**
Lenders (Bondholders and Banks)	347	610	**292**
Shareholders	875	722	**732**
Government	369	323	**343**
Direct taxes	*357*	*308*	***329***
Indirect taxes	*12*	*15*	***14***
Added value retained by the Company (A) - (B)	598	601	**826**

Values for 2017 is estimated on the basis of the number of shares as of the publication date of this document. Values for 2016 is updated on the basis of the paid dividend.

4 See Financial Report for greater details.

compensation consisting of social security contributions and staff-related service costs (canteen services, reimbursement of travel expenses);
- Government 14.0% (+1.2 percentage points compared to 2016) – through the payment of direct and indirect taxes. The increase is mainly attributable to greater income before taxes, despite the reduction of the IRES rate from 27.5 to 24.0% (since 1 January 2017);
- Shareholders 29.9% (+1.2 percentage points compared to 2016) - through distributed dividends. The value delivered increased despite the smaller number of shares outstanding following the buyback of treasury shares by Snam under the share buyback programme launched in November 2016;
- Lenders 11.9% (-12.3 percentage points compared to 2016). Reduction in response to the benefits arising from optimising activities implemented during 2016 and 2017, in particular the liability management operation completed in October 2016.

Distribution of value added (%)



33.8% (+9.8 percentage points compared to 2016) of Added Value produced was also reinvested in the company and approximately 80% was allocated to depreciation/amortisation of tangible and intangible fixed assets used in the production process (100% in 2016).

Lastly, approximately €5 mln was designated for local communities (0.2% of the value generated) through donations and sponsorship initiatives and environmental compensation pursuant to the law.

Relations with the financial community

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

In addition to ongoing meetings and initiatives, Snam makes multiple economic and financial publications regarding business performance and the sustainability projects and initiatives developed by the Company.

2017 ENGAGEMENT ACTIVITY

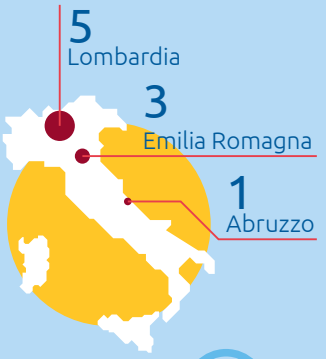
In presenting the Strategic Plan and conference calls upon the publication of the Company's results (annual, semi-annual and quarterly) during 2017, the following were carried out:
- 18 road shows to meet shareholders and institutional investors in the major financial centres of Europe and North America;
- 5 industry conferences allowing investors specialising in the utilities and infrastructure sectors to meet senior management;
- 115 one-to-one meetings between management and investors, in addition to numerous group meetings (for a total of 213 meetings).

Meetings were also held with 34% of the SRI investors, out of those registered in the shareholder structure.

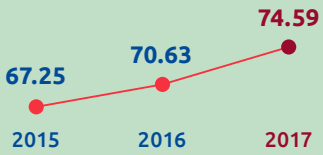
Business activities

STORAGE

Stogit manages, under concession, nine storage fields located in Lombardy, Emilia Romagna and Abruzzo. The fields are composed of deposits, wells, pipelines, treatment plants, and compression stations.



Gas injected in the network
(billions of cubic metres)



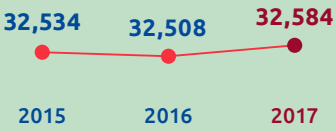
TRANSPORTATION

During transportation, the natural gas is loaded at delivery points connected to the importation lines (Russia, Northern Europe and North Africa), with the regasification plants and the gas production and storage centres distributed throughout Italy.

LINEE DI IMPORTAZIONE

The gas is then transported for delivery, based on customer directions, to redelivery points connected to local distribution networks and to major industrial and thermoelectric consumers.
Dispatching ensures continuous gas-flow monitoring and balancing activities based on user-defined scheduling, both under normal and emergency conditions.

Transportation network
(km in operation)

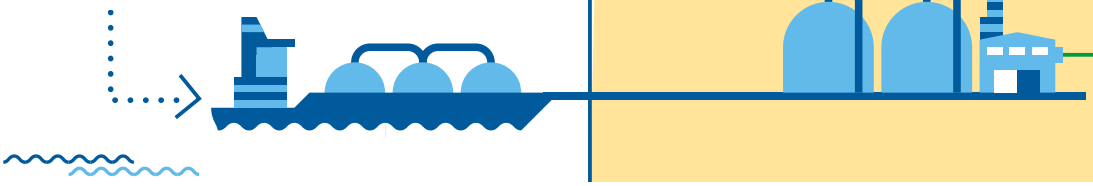


REGASIFICATION

GNL Italia gestisce il rigassificatore di Panigaglia (La Spezia), il primo impianto del genere realizzato in Italia nel 1971.

15

Number of tanker loads (**5** in 2016, **1** in 2015)



Natural gas storage involves injecting gas into the porous rock of an exhausted deposit that previously contained it, returning the deposit, to a certain extent, back to its original state. Once stored, the gas can be re-injected in the transportation system and supplied according to market demand.

In the gas system, storage makes it possible to offset the difference between gas supply and demand and therefore to ensure continued supply.

Total storage capacity available (billions of cubic metres)

Natural gas moved through the storage system (billions of cubic metres)

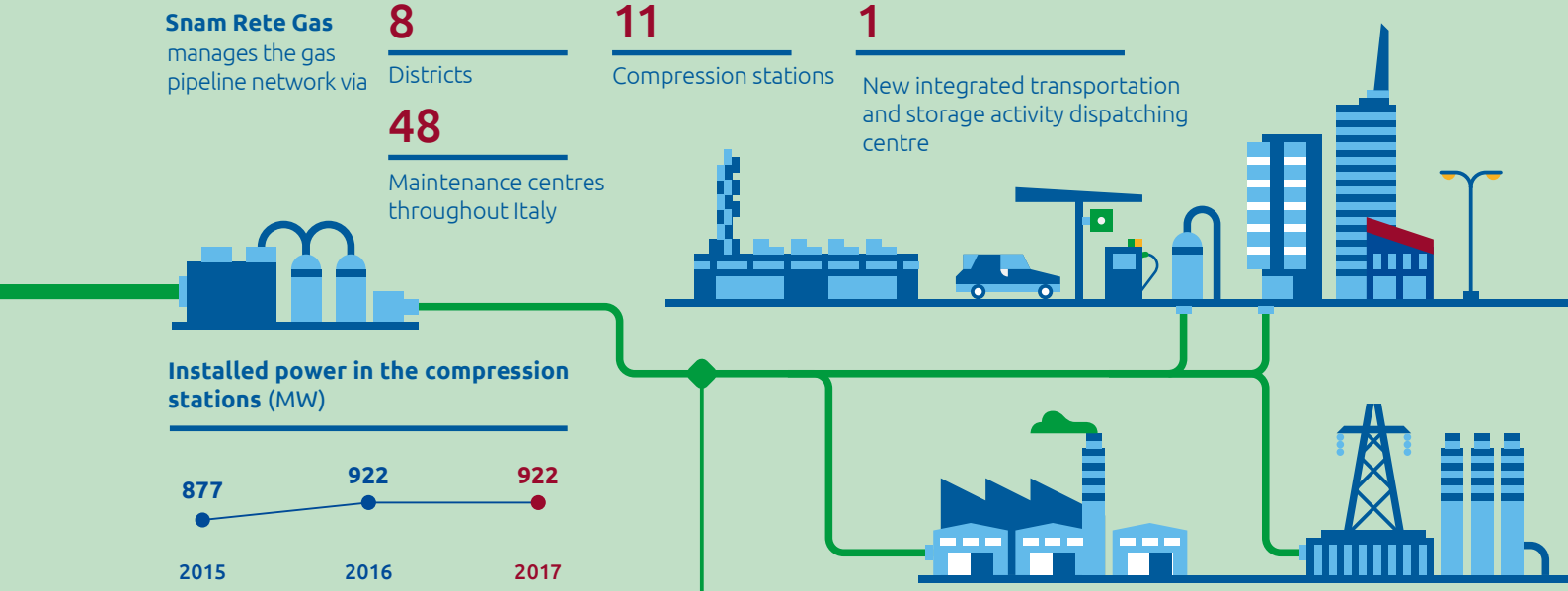
Snam Rete Gas manages the gas pipeline network via

8 Districts

48 Maintenance centres throughout Italy

11 Compression stations

1 New integrated transportation and storage activity dispatching centre



Installed power in the compression stations (MW)

LNG regasification (billions of cubic metres)

Regasification is the final activity in the liquefied natural gas (LNG) chain and involves taking gas extracted from deposits back to its original state, and then liquefied at -160° for transportation on purpose-built ships. In the gas system, the LNG chain thus enables diversification of supply sources.

The approach to sustainability

Materiality analysis

Materiality is the principle of reference to better focus the reporting of activities on sustainability issues that best reflect the organisations economic, environmental and social impacts or that influence stakeholders' decisions.

The Global Reporting Initiative (GRI) and the International Integrated Reporting Committee (IIRC) have repeatedly proposed materiality, and the analysis thereof, as a starting point necessary to bring reporting in line with stakeholder expectations. In this sense, Directive 2014/95/EU, transposed in Italy by Legislative Decree No. 254 of 30 December 2016, also requires institutions/companies, that fall within the purview of the Decree, to draft a Non-Financial Statement, based on the materiality principle.

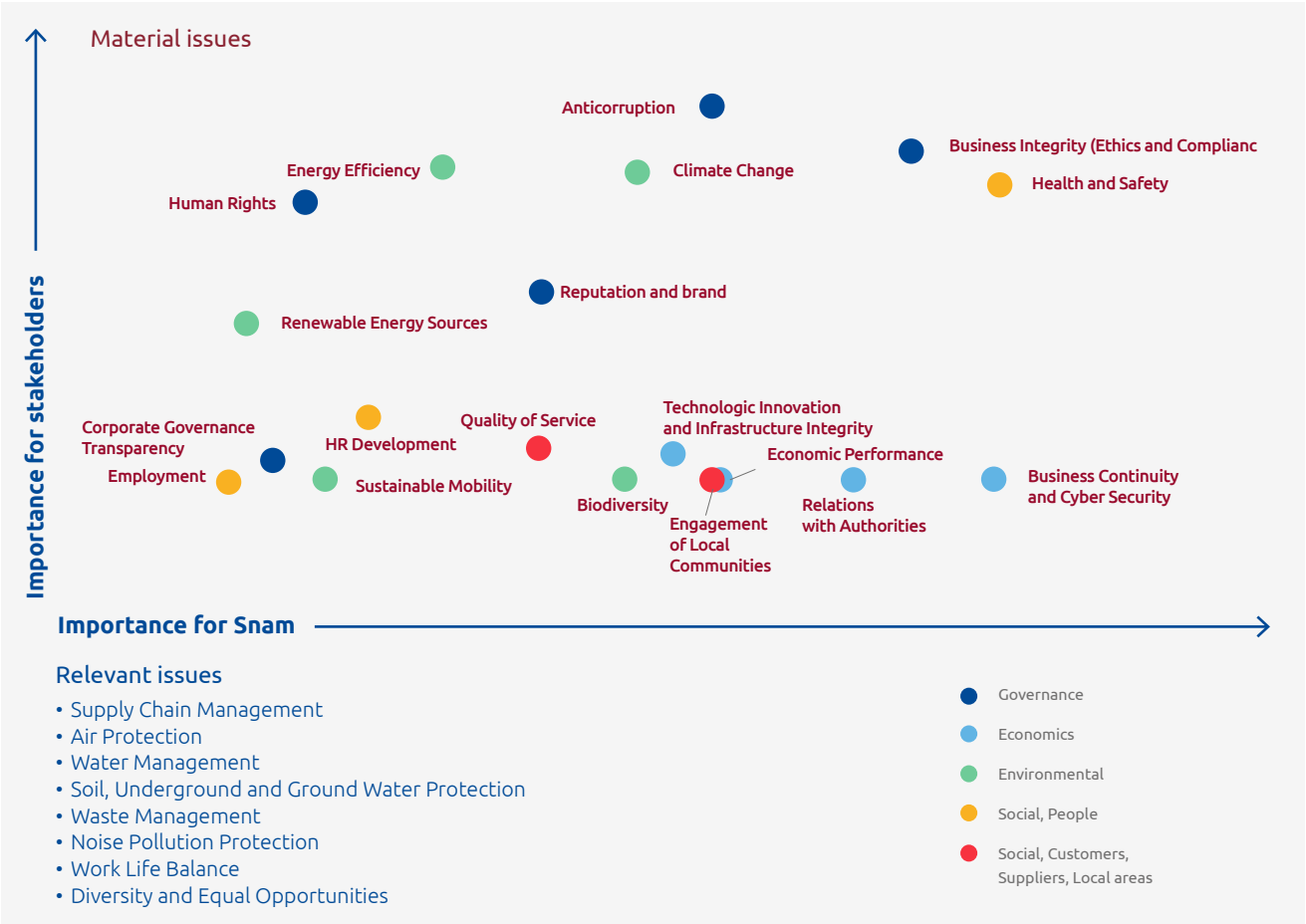
At the end of 2017, Snam began an activity to update the topics that historically fell within the remit of sustainability, to focus on those of a more material nature.

In particular, the analysis process began with identifying issues reported in the main sustainability guidelines (ISO 26000 and GRI and SDGs), considered representative of the viewpoint from outside the company as identified during multi-stakeholder debates and discussions on an international level. These issues were subsequently contextualised with respect to Snam's main businesses, through benchmarking with the main companies in the sector on a national and international level, and through the requests received by the major rating agencies regarding sustainability indexes.

To define those that are most significant, we proceeded to analyse both the perception of the issues from the company's perspective and the perception of the issues from the stakeholders' perspective (including employees), through a special on-line survey.

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

Materiality matrix

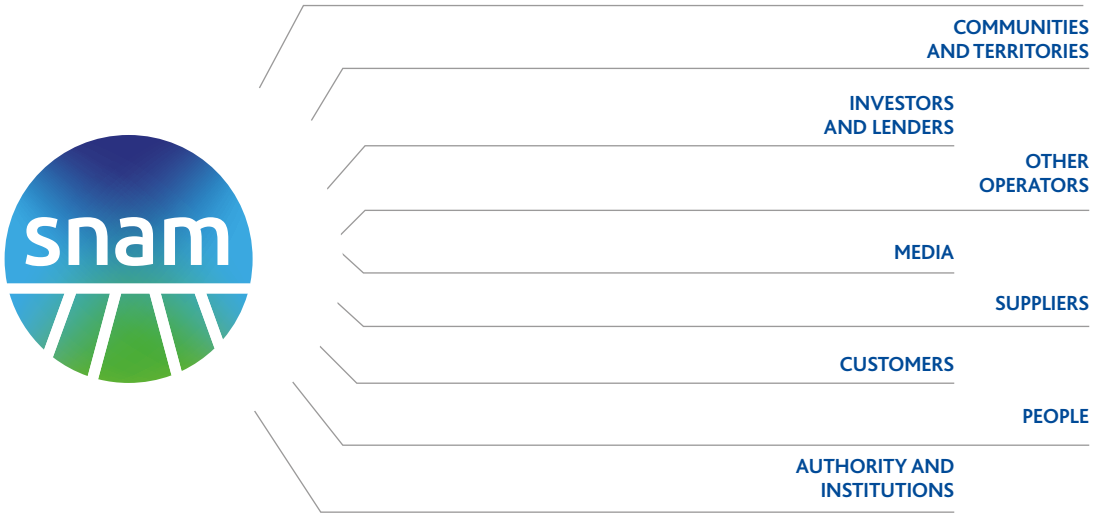


Stakeholder relationships

Snam implements proactive communication and seeks constant dialogue with its public of reference. Over time, it developed and organised a set of specific tools and channels to manage the relationship with various counterparts, activities in which all corporate structures participate, each within the scope of its prerogatives, roles and responsibilities.

During 2017, within the scope of the materiality analysis, Snam updated its stakeholder mapping, taking into account of the degree of influence and mutual dependency between the company and its stakeholders.

The issues at the centre of the interaction with stakeholders in 2017 made particular reference to the main changes that took place during the year, especially the expansion to the new businesses, new uses of natural gas and international expansion.



The purpose of stakeholder engagement is to:

- identify the various categories of stakeholders with which the company interacts following the evolution of strategies and business activities;
- analyse and understand stakeholders' profiles and the company's position with respect thereto;
- examine in greater depth the interests and topics material to each stakeholder category, through the periodic updating of the materiality analysis;
- periodically report and communicate management results to stakeholders in relation to the material topics of mutual interest through the reporting and communication tools developed by the company.

"PARTNERS' DAY"

For its 75th anniversary, Snam, within the scope of "Partners' Day", held on 9 November 2017 at the "Leonardo da Vinci" Museum of Science and Technology in Milan, brought partners and stakeholders together in an in-depth dialogue on future scenarios in the world of energy.

After a plenary session where issues such as the importance of infrastructures, dialogue with the territories and the new uses of gas were addressed, an in-depth session was held - where nearly 500 people were divided up into work groups and to discuss certain key issues:

- What business for what growth
- Cyber security: a new challenge for businesses
- Safety and the environment in contracting activities (with the awarding of the 2017 Contractor Safety Trophy)
- Gas infrastructures of Snam's foreign subsidiaries: a positive presence for territories and businesses
- What challenges for the Italian and foreign gas market. The voice of the market
- Social responsibility in business strategy. The stakeholders' role
- Transparency as a value and ethical pact and as a tool for prevention and reputational protection
- Development of non-regulated business in sustainable mobility
- The value for the territory from the management and development of Snam' industrial assets
- The evolution of regulations in the European remit: dialogue and discussions on risks and opportunities.

During the day, the interactive exhibition "RE-Source. Natural gas in the future of energy" was inaugurated. The exhibition was built around a synopsis of the Italian transportation network for the remote control of the gas flows, which Snam then donated to the Museum. Visitors were able to follow, through photographs, videos and interactive tools, the story of Italy's methanisation as the driving force for the Italian economic miracle, the engineering challenges Snam faced building the infrastructures and gas' role in the in the decarbonisation processes and in combating climate change.

A web identity recognised on national level

Also in 2017, Snam continued the work of improving its web identity, making progress in the field of digital communication. In addition to careful planning of the editorial plan, several special projects played out as the year went by; for example, the launch of a section dedicated to natural gas, in support of its role in the business strategy for decarbonising the energy mix.

In 2018, in line with the new corporate identity, the new internet site will also be presented.

An increase in the number of articles was observed in the major media sources, especially associated with pillars such as sustainable mobility and energy decarbonisation through the use of new sources (biomethane, for example), and regarding Snam's role in the national system, together with its push towards innovation.

Also in 2017, the press office activities sought to highlight the company's positions and its openness to dialogue in the territories (such as Abruzzo and Apulia) characterised by a shifting of opinions against certain infrastructure projects.

Snam's communication strategy is based on quality content and on an active involvement of users. Thanks to its presence on the main social media applications (Twitter, YouTube Linkedin, Google+, Flickr, Instagram, Slideshare, Facebook), Snam received important awards also for this year:
1st place in Webranking Italia, with the highest score ever recorded
1st place in Lundquist's CSR on-line awards
2nd place in the sector classification of the NC awards.

Corporate Governance and business conduct

Snam operates within the framework of the United Nations' Universal Declaration of Human Rights, the Fundamental Conventions of the ILO - International Labour Organisation - and the OECD Guidelines for Multinational Enterprises and the principles enshrined in the United Nations Global Compact. In this context, Snam constantly endeavours to maintain and strengthen a corporate-governance system in line with both national and international best practices.

Corporate and organisational structure

Snam's corporate governance system is comprised of a set of planning, management and control rules and methods necessary in order for the company to operate. These were established by the Board of Directors, in accordance with the law which the Company is governed by in virtue of being a listed company, in adherence to the national and international Code of Corporate Governance and best practices with which the company evaluates itself.

This system is based on certain key principles, such as correct and transparent business management implemented through the identification of information flows between corporate bodies and an efficient definition of the internal control and risk management system.

Snam conducts its management and coordination activities over its subsidiaries based on specific regulations that enhance its strategic role while at the same time taking due consideration of the legal autonomy and principles of correct corporate and entrepreneurial management of its Subsidiaries.

The organisation is divided into four business units and in staff functions, designed in view of simplifying processes, efficiency and continuous improvement. The business units are focused on the commercial-development activities, managing the Italian subsidiaries, managing foreign shareholdings, and developing technical services centred on distinctive skills and know-how offered to gas-industry operators.

Manner of conducting activities

Company management refers to a consistent organisational and procedural system for all of Snam's companies, in Italy and abroad, created so that the set of rules governing the business is clear, simple and organic.

Snam's main policies are:
- the Sustainable Development Policy;
- the Health, Safety and Environmental Protection Policy;
- Enterprise Risk Management-Guide Lines;
- the Stakeholder Engagement Policy;
- the Human Rights Policy;
- the Philanthropic and Social-Initiative Activity Management Policy.

Furthermore, Snam adheres to the UN Global Compact, the most important international sustainable development initiative, which aims to promote and disseminate ten global ethical principles concerning human rights, environmental protection, workers' rights and anti-corruption.

In order to successfully implement this system, managerial actions must be based on allocating specific objectives to each position of responsibility and on the transparent assessment of results, thus enabling continual improvements in the effectiveness and efficiency of corporate processes.

The detailed information relating to the Corporate Governance system is reported in the "Relazione sul governo societario e gli assetti proprietari 2017", published on the website (http://www.snam.it/repository/file/Governance/relazione_governo_societario/Relazione_sul_Governo_Societario_e_gli_Assetti_Proprietari_20xx.pdf).

Board of Directors

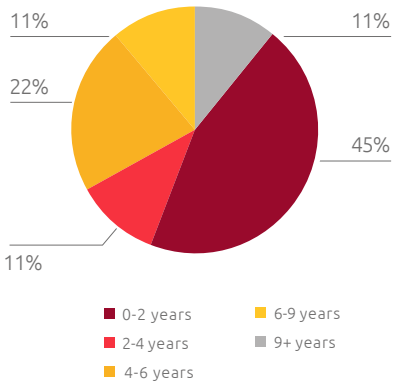
The Board of Directors is the central body within Snam's corporate governance system and is vested with the broadest powers for ordinary and extraordinary company management. The Board, appointed by the Shareholders' Meeting of 27 April 2016, is composed of nine directors who will remain in office for a period of three years. The Board of Directors plays a central role in overseeing the company's commitment to sustainable development along the value chain, which is then presented at the Shareholders' Meeting. It is assisted in these tasks by the Sustainability Committee, which plays a proactive and consulting role and is composed of three non-executive directors, two of which are independent, including the Chairman.

The Board of Directors has a high degree of: independence, with 5 out of 9 directors qualified as independent pursuant to the Consolidated Finance Law and the Code of Corporate Governance; representativeness, with a third of its members elected in the lists submitted by minority shareholders; gender diversity in particular: 44% of its directors are women, one of the highest values observed in companies listed on the Italian Stock Exchange (Borsa).

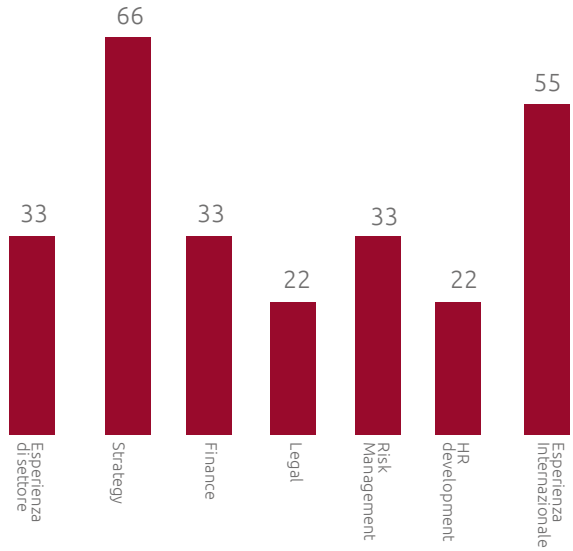
Changes compared to the previous mandate

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

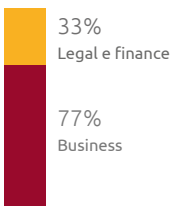
Length of office of Directors in the BoD



Directors' skills (%)



Competences distribution



* The European House – Ambrosetti S.p.A., L'osservatorio sull'eccellenza dei sistemi di governo in Italia, 2017 Edition. The data refers to FY 2016 and is taken from public sources, such as the 2016 Financial Statements and the Report on Corporate Governance published in the spring of 2017.

** Assonime – La corporate Governance in Italia: autodisciplina, remunerazione e comply-or-explain (2017), Abstract Notes e Studies. The 2017 survey includes 221 Italian companies, listed as at 31 December 2016, the Reports of which were available at 15 July 2017. The figure refers to the average number of companies in the FTSE MIB in which the Chairman is not Chairman-CEO.

PROTECTING HUMAN RIGHTS

Snam recognises as principles those human rights connected to the personal, labour, and environmental protection domain, in all settings where it is present.

In relation to these aspects Snam, has also adopted a human rights policy through which it pledges to prevent and repudiate:

- any type of discrimination, violence, forced labour or child labour;
- any form of sexual harassment or that referring to the personal and cultural diversity of individuals;
- harassment or attitudes in any way attributable to bullying.

The Human Rights Policy also reiterates its commitment to promote the welfare of people, whether as individuals or as part of the social groupings based on the following principles and management guidelines:

- safeguarding the dignity, freedom and equality of human beings;
- protecting jobs, working conditions and trade-union freedoms;
- the confidentiality of personal data;
- protection of health and safety;
- guaranteeing professional growth and pay based strictly on merit and skill;
- protection of the system of values and principles in matters of transparency and sustainable development.

The fight against corruption and illegality

The main internal reference for the fight against corruption is the Anti-corruption policy, adopted by all Group companies. The policy is inspired by the principles of conduct established by the Code of Ethics and makes a clear distinction between conduct that is allowed and that which is prohibited. In particular, it:

- prohibits the offering, promising, giving, paying, or allowing anyone to give or pay, directly or indirectly, an economic advantage or other benefits to a public official or private person (Active Corruption); prohibits accepting the request from, or solicitations from, or allowing someone to accept or solicit, directly or indirectly, an economic advantage or other benefits from anyone (Passive Corruption);
- pays particular attention to the selection of suppliers and the qualification process, to the awarding of contracts, the management of contracts, the standard terms of protection, including those of commitment to respect Anti-Corruption Laws and to verify the ethical requirements of suppliers;
- establishes that all of Snam's relations with, or related to, or involving a public official must be conducted in accordance with Anti-Corruption Procedures and instruments (the so-called Ancillary Procedures), including, in particular, the procedure for managing sponsorships and free donations.

The Anti-Corruption policy is part and parcel of a broader business ethics control system adopted by Snam that aims to ensure the company's compliance with national and international laws and best standards.
In this context, hours of awareness training are provided to the staff and monitoring activities are also performed to analyse the degree of dissemination and knowledge.
To prevent the risk of corruption in the supply chain relations, all suppliers and subcontractors are required to sign the Ethics and Integrity Agreement that allows the performance of reputational analysis aimed at identifying - based on public information - indicators of irregularities or possible risks of infiltration by organised crime.
In 2017, Snam collaborated with the OECD, participating, as the first Italian private sector company, in the Business and Industry Advisory Committee (BIAC).
Snam has also collaborated with the Ministry of Foreign Affairs participating:
(i) in "VIII Conferenza Italia – America Latina e Caraibi", in which Latin American Ministers of Justice and Italian Authorities participated;
(ii) within the scope of the Business Integrity Day promoted by the Ministry of Foreign Affairs, Snam was invited, together with other companies participating in the Business Integrity Forum of Transparency International IT, to the "Italian Business Integrity Day" held at the Italian Embassy in Washington.
During these events, the company illustrated the instruments it established in the area of transparency and anti-corruption. In matters of business ethics, legality and anti-corruption, approximately 327 hours of training were provided to new employees.

ETHICAL PRINCIPLES AND BUSINESS VALUES

- Transparency, honesty, fairness, good faith in full compliance with competition protection rules;
- Stakeholder engagement, extending the dialogue on topics of sustainability and corporate responsibility;
- Creating competitive value for the company, its Stakeholders and the territories in which it operates;
- Protecting and promoting human rights;
- Protecting all forms of individual freedom and repudiating any type of discrimination, violence, corruption (in any form thereof with reference to any public or private persons), and forced or child labour;
- Recognising and safeguarding the dignity, freedom and equality of human beings;
- Protecting jobs and trade-union freedom, health, safety, the environment and biodiversity.

Management systems for conducting business

Snam pursued its commitment also by updating and enforcing specific topics such as occupational health and safety, environmental protection, and the quality of the services provided. During the year, Snam corporate updated its Environmental Management System ISO 14001 in compliance with the new version of the standard (ISO 14001:2015). Snam took all steps necessary to maintain its existing certifications, including through audits performed in-house and by external personnel. 31 auditors, also qualified for external audits also, work within Snam. 163 audits were conducted in 2017 (36 of which by an outside team). The decrease in the total number of audits can be attributed to greater optimisation between internal and external audits and to the increase in the number of integrated HSEQ audits. To check the effectiveness of the management systems adopted, 47 health, safety and environmental audits were also carried out on contractors working on Snam sites.

Audit (no.)

	2015	2016	2017
Internal	146	166	**127**
External	57	46	**36**
Total	203	212	**163**

Management systems

Company	Certification scope	Type of certification and accreditation	Year of first certification
Snam	Company *	ISO 14001:2015	2017
		BS OHSAS 18001	2012
	Company	ISO 9001	2016
Snam Rete Gas	Gas processing systems	ISO 22301	2015
	Dispatching unit	ISO 22301	2015
	Information security management for the dispatching and metering of natural gas	ISO 27001	2014
	Company	ISO 14001	2013
	Company	BS OHSAS 18001	2010
	Testing laboratory (LAB 764 Piped gaseous flows)	ISO 17025	2007
	Calibration laboratory (LAT 155 Natural gas mixtures)	ISO 17025	2002
GNL Italia	Company	BS OHSAS 18001	2012
		ISO 14001	2000
Stogit	Company	BS OHSAS 18001	2012
	Design and delivery of natural gas metering and accounting	ISO 9001	2008
	Company	ISO 14001	2002
ITG	Company	BS OHSAS 18001	2009
	Company	ISO 14001	2010
Snam4Mobility **		--	

* Certification obtained in 2015 and updated to the new ISO 14001:2015
** Company formed at the end of 2017

Natural Gas and Climate change

Natural gas is an energy source that can guarantee a pathway to efficient and effective decarbonisation on a national and European level. Snam is investing to develop the infrastructures necessary to enhance the security of energy supplies, making Italy the European gas hub, to facilitate the creation of a European market and to promote the use of compressed natural gas in the transportation sector, to increase the use of liquefied natural gas and biomethane.

Sustainability of natural gas

Future scenarios elaborated by the International Energy Agency (IEA) see economic and population growth of emerging countries to be the major factors that will feed energy demand on a worldwide level, of which China, India and other Asian countries will absorb about 80% of the expected increase in 2040. In this backdrop, natural gas will continue to play a leading role in the evolution of the energy mix, though playing different roles in different geographic settings.

If in fact the main role of natural gas in non-OECD countries will be to support economic development, supplementing coal and oil, in Europe and in Italy, where it already is a significant part of the energy mix, it can help achieve the objective of ensuring progressive decarbonisation together with non-programmable renewable energy such as wind and photovoltaic. A greater use of natural gas means combating climate change and would also result in lower emissions of sulphur dioxide, nitrogen oxides and soot, with a decisive impact on air pollution abatement measures in cities.

Natural gas will also be an increasingly accessible source of energy, given the presence of large reserves in areas close to Europe and the growth of the worldwide liquefied natural gas market, which has increased availability at reduced prices. In this context, the existing network of infrastructures for transportation, storage and distribution, and those in the process of development and construction, will make Italy the European gas hub, ensuring flexibility, programmability and economy for its energy system. This is also due to a gas-fuelled electricity generation capacity that is already widely available and extremely efficient.

For a given amount of energy used, the combustion of natural gas produces between 25% and 40% less carbon dioxide than other fossil fuels, and is free of particulates.

Sustainable mobility (CNG-LNG)

Snam firmly believes that compressed natural gas (CNG) is a valid alternative to traditional automobile fuels.
The use of CNG instead of gasoline and diesel fuel not only reduces CO_2 emissions, the main cause of greenhouse effect and global warming, but also approx. 94% of nitrogen oxide (NOx) emissions, the cause of “acid rain”, and up to 95% of particulate emissions (including PM10 AND PM2.5), the most harmful to health.
In addition to reducing the emission of pollutants into the atmosphere, an additional indirect benefit derives from the extensive capillary network of gas pipelines that allows transportation of the fuel without any impact on vehicular traffic from the perspective of safety and of environmental protection.

Through its subsidiary Snam4Mobility, Snam is committed to developing the infrastructure for using natural gas in the transportation sector. In particular, in 2017 it signed the first agreements with various counterparts to develop 19 refuelling points (including 1 LNG and 18 CNG), of which there is a first group of 14 within the national network of the distributor Eni. Snam’s goal is to create over 250 new distributors on a national scale, which will add to the approximately 1,000 currently existing distributors, to better balance deployment in the various regions of the Country.

Within the framework of the initiatives implemented in favour of sustainable mobility, Snam published an EU Call For Tenders in 2017 for the renewal of its fleet of cars (approx. 1,500 vehicles), most of which are powered by methane and also initiated conventions with leading car manufacturers to provide employees and their family members discounts to purchase methane-powered cars.

Liquefied Natural Gas (LNG), in addition to being a key element to ensure greater energy security and diversification of supply, is also an economical and efficient solution for reducing emissions produced from land and sea transportation. The extension also into the Mediterranean Sea, of the legislation Emission Control Areas (ECAs), which limits the emissions of sulphur oxides, could also significantly contribute to the development of LNG as maritime fuel.
The resumption of regasification in Italy, which in 2017 saw 8.38 billion cubic metres of natural gas (+30% compared to 2016) injected into the network, is also a demonstration of the attention being given to LNG.

Italy's currently available regasification capacity, however, is still insufficient to attract new LNG flows and this hinders the exploitation of resources originating from the

United States, Africa and the Middle East, for example. Strengthening the infrastructure in this area, with particular attention to upgrading the terminals and constructing deposits on the coast, would also allow the best possible use of alternatives to conventional fuels.

Biomethane, a current reality and opportunities for the future

Biomethane is a renewable and programmable source that supplements solar and wind energy. It is obtained in special plants, from the anaerobic digestion of agricultural and agro-industry by-products through a biogas upgrading process. It is ready for injection in the network and is used in all industries where gas is present, including as fuel for road haulage.

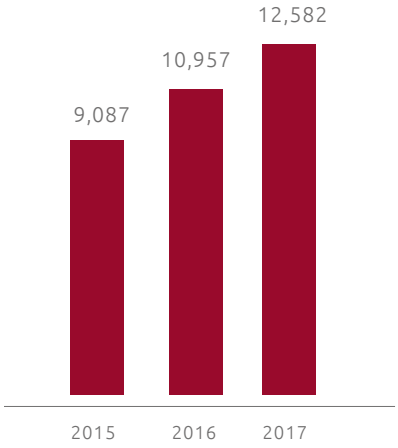
Italy, with 1,500 anaerobic digestion plants in operation, is currently the third largest producer in the world of biogas from agricultural matrices with approximately 2.4 billion cubic metres per year.
Biomethane's contribution to the decarbonisation goals is not only limited to the energy consumption phase. Its production process can help significantly reduce the emissions of the agricultural sector and return organic substance to the soil with a philosophy of the circular economy: what remains after the anaerobic digestion process on agricultural matrices is in fact an excellent natural fertiliser.
Snam supports the biomethane chain in Italy together with the Italian Biogas Consortium and Confagricoltura with whom it drafted a manifesto presented at the 2016 edition of Biogas Italy.

Biomethane is already a reality in Snam's network: in 2017, the first biomethane production plant was connected to the network and an additional 13 contracts were stipulated to build new delivery points.

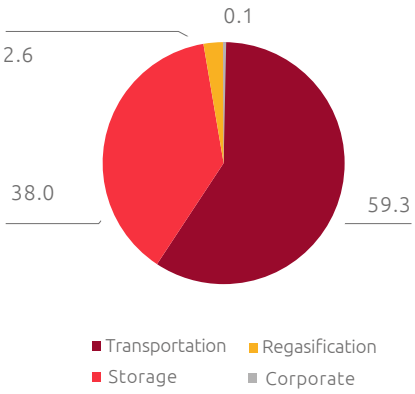
Protection of air and the climate

Snam helps fight climate change beginning with its energy choices: its energy mix is in fact composed almost entirely of natural gas which covered 96.6% of its needs in 2017. The Green House Gases (GHG) emitted in the atmosphere by the Snam's activities are methane (CH_4), the main component of natural gas, and carbon dioxide (CO_2). Methane emissions arise from the release of natural gas into the atmosphere and are generated by the normal plant operation, by operations to connect new gas pipelines and the maintenance thereof, or by accidental events occurring on infrastructure, whereas the CO_2 produced is directly correlated with fuel consumption. Snam set an objective for itself to reduce, by 2021, its emissions of natural gas by 10% with respect to 2016 emissions within the same scope, through specific investments for technological innovation for the plants and to improve operational efficiency. The first positive result was achieved in 2017 with a reduction of 3.2%.
Thanks to the operations carried out, the emissions of 82,780 tonnes of CO_{2eq} into the atmosphere was avoided. The main actions carried out for this purpose were: recovery of natural gas subsequent to the application of several best practices; the production of renewable electricity by photovoltaic panels; the purchase of green electricity; energy saved as a result by building restructuring activities and smart working activities.

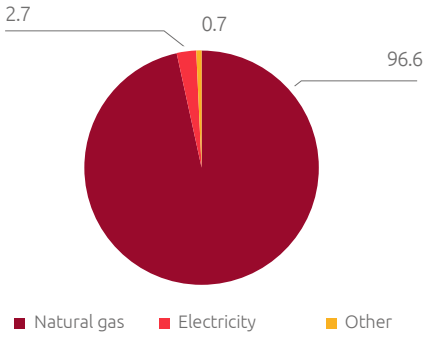
Energy consumption (TJ)



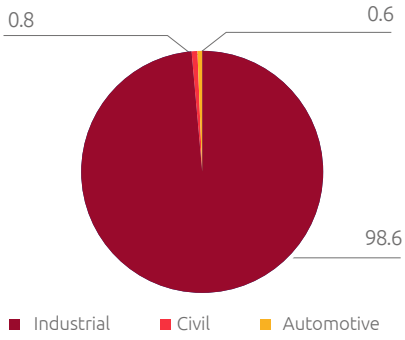
Energy consumption by activity (%)



Energy consumption by source (%)



Energy consumption by use (%)



In February 2018, Snam acquired 82% of Tep Energy Solution (Tep), one of the major Italian companies active in the energy efficiency industry as an energy service company (ESCO). Tep's mission is to make its customers more competitive by reducing energy expenses. The acquisition falls within Snam's strategic plans focused on facilitating decarbonisation and the better use of energy.

Energy consumption

Most of Snam's energy consumption, that overall represent 88% of total consumption, is attributed to gas turbines used in compression systems that provide the pressure required for gas transportation (thrust consumption) and in storage concessions (storage consumption).

In 2017, energy consumption totalled around 12,582 TJ (+14.8% compared with 2016). This increase is mainly due to the greater quantity of gas injected in the network (+5.6% compared to 2016) and to a different network arrangement in response to the new method to request the gas, which switched from daily to hourly.

In addition to natural gas, other energy sources used are electricity (2.7%) and other fuels (diesel fuel, gasoline, lpg and heat), which together amount to 0.7% of consumption.

The production of energy from renewable sources

Snam installed photovoltaic plants in several of the buildings it owns (territorial headquarters and maintenance centres) and at certain gas storage facilities.
In 2017 the total number of plants reached 1,367 units (+18.5% compared to 2016) and the installed power increased by 46 kW compared to 2016, passing from 940 kW to 986 kW (+5%).

This increase mainly regards the installation of more than 200 new back-up plants.
The total energy produced by the renewable-source plants increased approximately 24% compared to 2016, passing from 844,600 kWh to 1,044,300 kWh in 2017. This increase is due both to new plants installed in 2017 and to the connection of equipment previously installed but not yet connected to the network.

Renewable source plants

Type	2015			2016			2017		
	(no.)	Total capacity (kW)	Energy produced (kWh)	(no.)	Total capacity (kW)	Energy produced (kWh)	**(no.)**	**Total capacity (kW)**	**Energy produced (kWh)**
Wind generators	1	1.7		1	1.7		1	1.7	
Photovoltaic plants	1,016	784	**711,678**	1,153	938.2	**844,608**	1,366 (*)	984.4	**1,044,309**
Total	**1,017**	**786**		**1,154**	**940**		**1,367 (*)**	**986**	

* Of which 1,329 installations of backup.

Performance indicators (KPI)

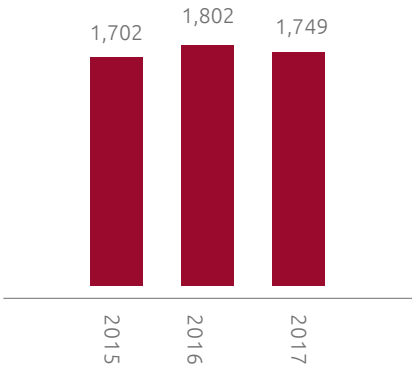
KPI name	KPI date	Pre-set target	Target achieved in 2017	Sector	Activity Status
Increase production of electricity from photovoltaic plants	2017	Produce at least 860 MWh annually (Up until2022)	1,044	Snam	●
High-efficiency heat generators	2017	Install power of 100 MW in 2022	14.5	Transportation	○
Trigeneration plants	2017	Produce 5,200 MWh in 2022	under construction	Transportation	○
Installation of LED lighting systems	2017	Replace 534 kW in 2022	26.3	Transportation Storage	○
Improved energy efficiency of buildings	2017	Restructure 3 buildings in 2022 annually saving 25,000 m^3 of gas and 65 MWh of electricity	under construction	Transportation	○

● Annual target achieved (KPI with targets for more than one year). ○ Activity in progress.

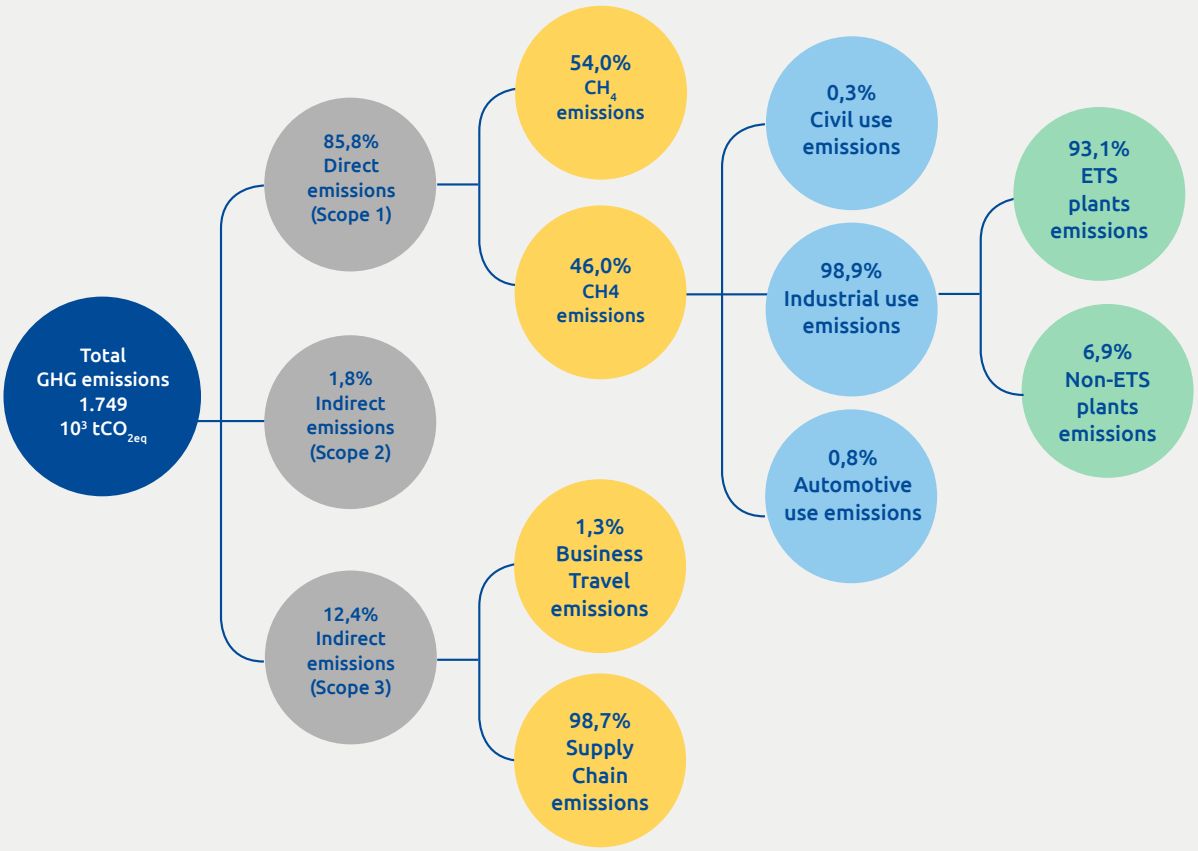
Greenhouse gas emissions

In 2017, total GHG emissions (direct Scope 1 indirect Scope 2 and Scope 3) amounted to approximately 1.75 million tonnes of CO_{2eq} (-3% compared with 2016).

Total GHG emissions - scope 1-2-3 ($ktCO_{2eq}$)



Breakdown of Snam group's GHG emissions

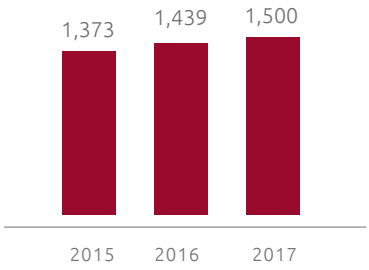


Direct CO_{2eq} Emissions (Scope1)

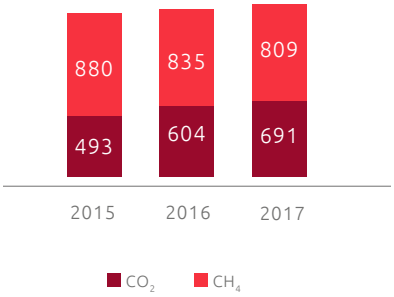
In 2017 direct CO_{2eq} emissions amounted to approximately 1.50 million tonnes (+4.3% compared with 2016). Direct CO_2 emissions from combustion amounted to approx. 0.69 million tonnes (+14.4% compared with 2016), whereas the CO_{2eq} emissions deriving from the methane emissions amounted to approximately 0.81 million tonnes[5] (-3% compared with 2016).

In 2017, in the maintenance activities and in adding new gas pipelines, 4.1 million cubic metres of natural gas, amounting to approximately 71,500 tonnes of CO_{2eq} were saved. Methane emissions per kilometre of transportation network decreased by a further 1.5% compared to 2016.

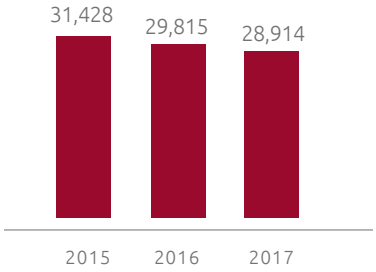
Total direct GHG emissions Scope 1 (kt CO_{2eq})



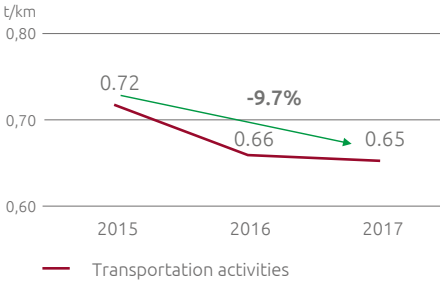
Total direct GHG emissions Scope 1 (kt CO_{2eq})



Total methane emissions (t)



Methane emissions/km network



Key performance indicators (KPI)

KPI name	KPI date	Set target	Target reached in 2017	Sector	Activity Status
Natural gas recovered over total potential emissions from maintenance activities	2017	Recover 33% every year (up to 2022)	36%	Transportation	●
Limit natural-gas emissions	2016	Reduce 2021 emissions by 10% compared with 2016, excluding emergencies	-3.2%	Transportation and Regasification	●

● Annual goal reached (KPI with multi-year target).

5 The CO_{2eq} was assessed in accordance with the instructions of the most recent Intergovernmental Panel on Climate Change (IPCC) "Fifth Assessment IPCC Reports" that assigned methane a Global Warming Potential (GWP) of 28.

Indirect CO_{2eq} emissions (Scope 2)

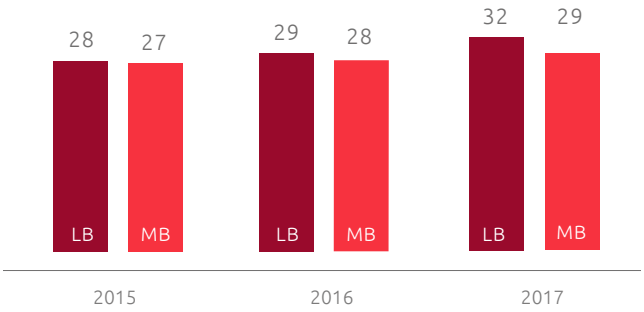
Indirect CO_{2eq} emissions derive from the procurement of electricity and heat which are produced by third parties and which Snam uses for its activities.

Snam calculates indirect CO_{2eq} emissions in accordance with best practices that calls for the calculation through two different approaches: the Market Based (MB) approach, which gives a null CO_{2eq} emission factor for the energy consumption from renewable sources, and the Location Based (LB) approach, which instead considers an average CO_{2eq} emission factor of the national electricity grid.

With the MB approach, emissions amounted to 28,758 tonnes (+2.0% compared to 2016), while the same emissions evaluated with the LB approach amount to 31,738 tonnes (+9.2% compared to 2016). In particular, the MB approach highlights the contribution to the reduction of emissions from the use of energy produced from renewable sources. In 2017, Snam increased the consumption of electricity produced from renewable sources, which passed from 28% in 2016 to 35% in 2017, thus avoiding emissions into the atmosphere of approx. 11,040 tonnes of CO_{2eq} (7,860 tonnes of CO_{2eq} with respect to those of 2016). The emissions avoided correspond to approximately 35% of total indirect Scope 2 emissions.

Snam4Mobility, with a view to limiting Scope 2 emissions, only planned on using electricity produced from renewable sources in the CNG plants envisaged in the development plan.

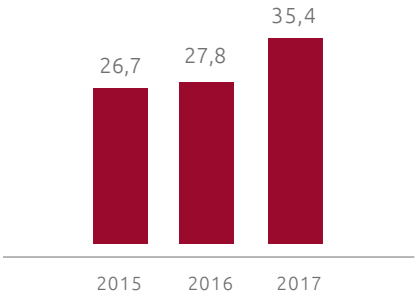
Indirect GHG emissions - scope 2 ($ktCO_{2eq}$)



MB Approach (Emission Factor = 0,46511 t CO2/MWhe, European Residual Mixes 2016 (Association of Issuing Bodies, AIB).

LB Approach (Emission Factor = 0,332 t CO2/MWhe, Italian Greenhouse Gas inventory 1990 - 2015 (National Inventory Report 2017) - ISPRA).

Green electricity/ total electricity consumption (%)



Indirect CO_{2eq} emissions (Scope 3)

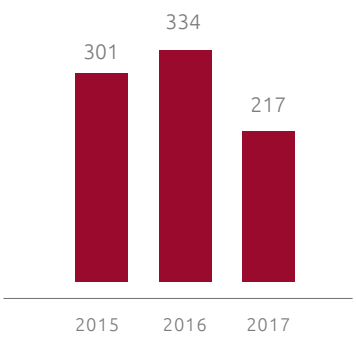
Indirect Scope 3 emissions amounted to a total of approx. 217,000 tonnes and 99% of them refer to CO_{2eq} emissions related to the supply chain procurement and the remaining part to business trips and travel by employees. Emissions related to the supply chain procurement were calculated by applying a method developed by a leading international company in the field of Carbon Footprint analysis.

The 35% reduction in emissions compared to 2016 can be attributed to the lower quantity of gas procured from the supply chain.

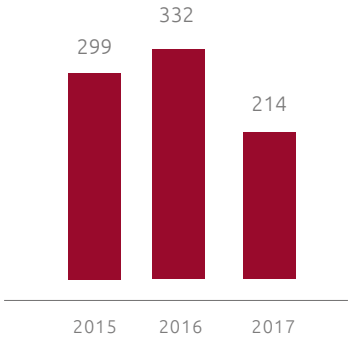
Emissions trading

In 2017, the total CO_2 emissions from Snam ETS[6] plants certified by an accredited body according to the instructions given by the competent national authority, amounted to approximately 0.64 million tonnes, out of total annual allowances of approximately 0.25 million assigned by the Ministry for the Environment, Land and Sea (for a negative balance of 0.39 million in allowances). This deficit is offset by the allowances already present in the national register for Snam plants, accumulated thanks to the surplus from previous years.

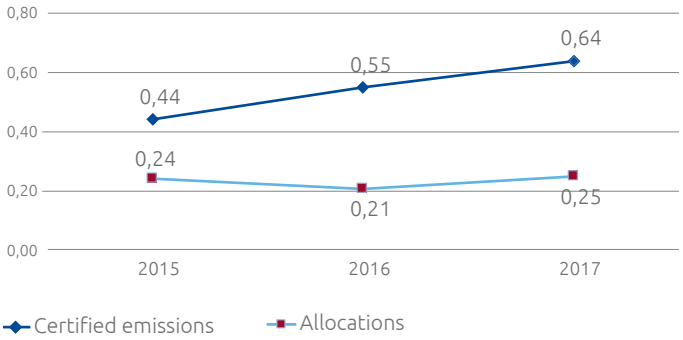
Total indirect emissions - scope3 ($ktCO_{2eq}$)



Supply Chain indirect emissions - scope3 ($ktCO_{2eq}$)



CO_2 Emissions ETS plants (10^6 t)



Snam Emission Trading Plants

Activity	Number of plants	Name of plants
Transportation	11	Gas compression stations in Enna, Gallese, Istrana, Malborghetto, Masera, Melizzano, Messina, Montesano, Poggio Renatico, Tarsia, Terranuova Bracciolini
Storage	8	Storage gas compression stations in Cortemaggiore, Fiume Treste, Minerbio, Ripalta, Sabbioncello, Sergnano, Settala and Bordolano
Regasification	1	Regasification plant in Panigaglia

6 1 January 2013 was the start of the third regulatory period (2013-2020) of the Emission Trading System (ETS), the greenhouse gas emission allowance system governed by Italian Legislative Decree No. 30 of 13 March 2013, as amended and supplemented and transposing Directive 2009/29/EC.

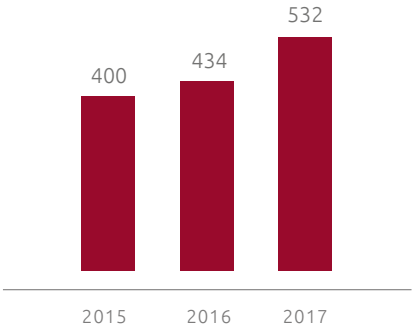
Nitrogen oxide emissions

The use of natural gas as the main energy source allows sulphur oxides and particle emissions to be minimised.

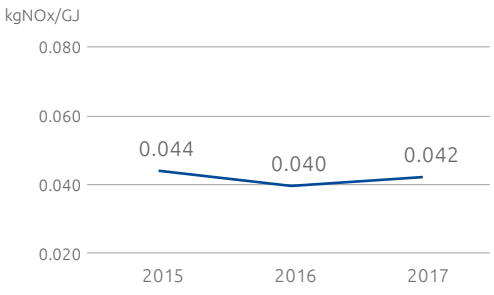
Nitrogen oxide (NO_x)[7] emissions, the only significant pollutant emissions, mainly derive from the combustion of natural gas in turbines installed in compression systems (thrust and storage).
Total emissions of nitrogen oxides in 2017 amounted to 532 tonnes (+22.5% compared to 2016), while the indicator that parametrises emissions over energy used increased by 6.7%. The increase in NOx emissions can be attributed mainly to the increase in the gas transportation activity.

To contain emissions, a programme that calls for modifying certain turbines already in operation and the installation of new units with low emission combustion systems (Dry Low Emissions) has been in progress for years. In 2017, 3 DLE turbines were commissioned in storage terminals (TC2 Sabbioncello and TC1 and TC2 of Bordolano).

Total NO_x emissions (t)



NO_x emissions/energy used



7 Emissions of NOx into the atmosphere were calculated based on direct measurements or, if not available, by means of emission factors present in the literature (EMEP/EEA "Air pollutant emission inventory guidebook" European Environment Agency).

Land and Environment

Protecting the environment, biodiversity, and the territory are integral parts in defining Snam's corporate policies and investment decisions.

Responsibility for operations

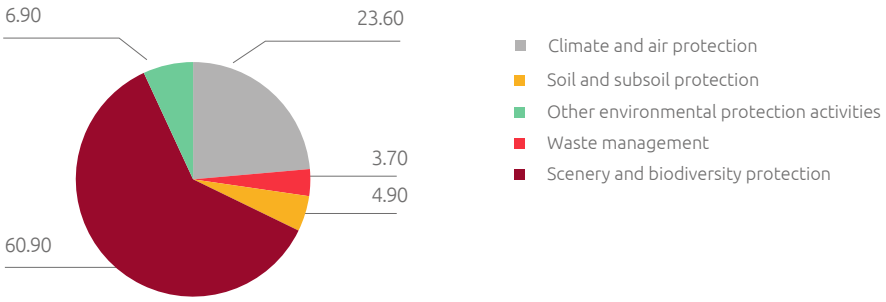
Snam is present, through its infrastructure, in almost all the Country's regions, in areas and communities that vary in terms of culture, traditions and economic, social and environmental conditions.

In creating new infrastructure and in managing existing infrastructure, Snam takes a strict, transparent, collaborative and constructive approach to ensure the environmental compatibility of the sites and to facilitate their acceptance on the part of stakeholders.

Over time a network of relationships has been developed with regional branches of Confindustria and other local entities operating in the associations to discuss energy, economic and environmental policy issues. On a local level, the Company collaborates with authorities and participates in the works of numerous associations and committees, offering its commitment, and skills and know how to participate in the social innovation and sustainable development processes.

All of Snam's activities are monitored by certified environmental management systems (ISO 14001).

Environmental Expenses (%)



With regard to environmental protection, Snam spent approximately €120.6 mln (€108.4 mln on investments and €12.2 mln on operating costs).

Approximately €249 thousand were allocated to the territory for donations and sponsorships and about €5.6 mln for environmental compensation in 2017.

Infrastructure sustainability and safety

To develop the new sites, in addition to technical-economic feasibility criteria, Snam adopts procedures that meet stringent environmental compatibility and safety assessments.

The assessments of environmental effects involve all phases of the work life cycle, site selection, planning, construction, operation and decommissioning. These assessments are made within the purview of the Environmental Impact Assessment (EIA) procedure, at the end of which the central and local administrations issue the permits required under current law.

During the year and only as regards the transportation sector, 106 meetings were held with the local administrations and territorial associations to illustrate the work construction plans. Together with the latter, 2 agreements concerning easements were stipulated.

EIA decrees obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Pipelines				
Upgrading Bussero - Osnago	26.00	Lombardy	Lombardy Region	11/01/2017
TAP Interconnection	55.43	Apulia	Ministry of the Environment and Protection of Land and Sea	22/09/2017
Sealine Trieste - Grado - Villesse	46.00	Friuli Venezia Giulia	MATTM - MiBACT	12/06/2017
Concessions				
Treste river to operate with overpressure and to develop new level	--	Abruzzo and Molise	Ministry of the Environment and Protection of Land and Sea	18/05/2017
Ripalta - to operate with overpressure and to relocate treatment plant	--	Lombardy	Ministry of the Environment and Protection of Land and Sea	07/04/2017
Minerbio to operate at overpressure	--	Emilia-Romagna	Ministry of the Environment and Protection of Land and Sea	14/03/2017

Provisions for verification of whether subject to EIA obtained during the year

Name	Length (km)	Regions involved	Competent agencies	Date of decree
Pipelines				
Cortemaggiore - Genoa variation in the Town of Rottofreno	5.275	Emilia-Romagna	Region Emilia-Romagna	30/01/2017
"Branch to Salerno" variations	2.08	Campania	Campania Region	12/07/2017
Pietravairano - Pignataro M. Link	25.10	Campania	Campania Region	12/10/2017
Benevento-Cisterna variations	3.38	Campania	Campania Region	10/05/2017
Castrovillari-Melizzano variations	3.1	Campania	Ministry of the Environment and Protection of Land and Sea	22/06/2017
Edison Garaguso and Masseria Monaco Link	4.599	Basilicata	Region of Basilicata	30/03/2017
Pisticci - Sant'Eufemia variations	4.925	Calabria	Calabria Region	19/04/2017
S. Eufemia - Crotone Loc. variations Calderaio and Loc. Marcellinara	3.4	Calabria	Calabria Region	30/06/2017
Plants	**Power**			
Upgrading of Istrana compression station	75 MW	Veneto	Province of Treviso	30/06/2017

EIA applications submitted to Ministry of the Environment and Ministry of Cultural Heritage

Name	Length (km)	Regions involved	Date of submission
Pipelines			
Campodarsego - Castelfranco Veneto reconstruction	33.459	Veneto	15/12/2017
Pieve di Soligo - S. Polo - Salgareda reconstruction	33.56	Veneto	15/12/2017
Mestre - Trieste Tratto Casale sul Sile - Gonars reconstruction Mestre - Trieste downgrade	117.486	Veneto - Friuli Venezia Giulia	15/12/2017
Ravenna - Chieti Tratto Recanati - San Benedetto del Tronto reconstruction	93.61	Marche	30/11/2017
Ravenna - Chieti Tratto San Bendetto del Tronto - Chieti reconstruction	90.74	Marche - Abruzzo	30/11/2017
Ravenna Mare - Ravenna Terra reconstruction	33.696	Emilia Romagna	21/12/2017
San Salvo - Biccari reconstruction	87	Apulia - Molise - Abruzzo	15/12/2017
Gagliano - Termini Imerese reconstruction	45.99	Sicily	12/12/2017
Methanisation of Sardinia - Northern Section and Related works	230.98/110.00	Sardinia	26/07/2017
Methanisation of Sardinia - Southern Section and related works	150.57/80.06	Sardinia	21/06/2017

EIA requests submitted to regional or provincial authorities

Name	Length (km)	Regions involved	Date of submission
Pipelines			
Rimini - Sansepolcro reconstruction	81.92	Emilia-Romagna - Tuscany	04/05/2017

Requests for verification of whether subject to EIA submitted to regional or provincial authorities

Name	Length (km)	Regions - Provinces involved	Date of Submission
Pipelines			
Pisticci - Sant'Eufemia variations	4.925	Calabria	26/01/2017
S. Eufemia - Crotone Loc. variations Calderaio and Loc. Marcellinara	3.4	Calabria	01/02/2017
Plants	**Power**		
Upgrading of Istrana Compression station	75 MW	Treviso	01/03/2017

Monitoring and inspecting the network

	2015	2016	**2017**
network inspected using smart pigs (km)	1,315	1,660	**1,632**
network inspected by helicopter (km)	16,330	16,218	**16,274**
network subject to geological inspection (km)	2,300	1,478	**4,080**

In the gas pipeline design phase, the path is chosen from among different alternatives, seeking to avoid or reduce to the necessary minimum the network's passage through areas of significant natural or cultural interest, archaeological areas, geologically unstable areas and man-made areas or those in which new residential developments are expected.

During the construction phase, in special cases, procedures and technologies are used, consistent with technical feasibility, which lessen interference with the surrounding environment, such as reducing the extent of the work area, minimising provisional worksite infrastructure and trenchless execution techniques (tunnels and micro-tunnels), as alternatives to traditional excavation. Once installation is done, accurate environmental restoration activity is carried out so as to return the land to its original conditions.

During operation, the plants are monitored 24 hours a day, and simulation and optimisation programmes are used to guarantee the best operating settings with the goal of the reducing fuel consumption to convey the gas and consequently to limit emission levels.

The pipeline layout is then inspected regularly on foot, by vehicle, and using helicopters to detect potentially hazardous situations caused, for example, by the works of third parties in proximity to the pipelines. Geological inspections of the pipeline section are also carried out to identify potential instabilities along the sections. Similarly, any land slippage at specific points along the route is also kept under surveillance, using appropriate sophisticated equipment, if needed. Pipeline integrity is also monitored by passing a smart pig inside them to detect of any material defects or anomalies.

In addition to the drills required by the Seveso Directive, in 2017, at the Panigaglia regasification terminals, Snam conducted monthly safety drills simulating accidental leaks of LNG. A joint Security and Safety exercise was also carried out with the Port Authority, the Fire Department, the police, and emergency medical services.

CYBER RISK MANAGEMENT AND OPERATIONAL CONTINUITY STRATEGY

Over the years, Snam developed its own Cyber Security Strategy for dealing with cyber threats, with constant attention to the changing regulations (Italian and European Union) in the field of critical infrastructure and essential services. The upgrading of their processes with the provisions and requirements of standard ISO/IEC 27001 (Information Security Management System) and ISO22301 (Operational Continuity Management System) lie within the purview of this strategy. The Cyber Security Strategy is reviewed and updated on an annual basis, taking into account the requirements and demands originating from the business, any changes in operational processes, the results of risk analysis and findings from audit activities.

In order to anchor the cyber risk analysis to more objective models capable of analysing a continuous change setting, in 2017 Snam developed a new tool to govern the Cyber Security risk which, starting from signals originating from the Cyber Protection solutions, can measure the extent to which their systems and processes are exposed to advanced IT threats (e.g. ransomware and social engineering). Analysing current attack trends, Snam can focus its efforts on combating the major threats and on resolving the most critical vulnerabilities, prioritising on one hand the choices of strategic investment, and patch management activities on the other.

Protecting biodiversity

Snam considers safeguarding nature in the areas where it operates to be of particular importance. For this reason, while construction works are in progress, it implements the most suitable design choices to minimise the biodiversity impacts generated. Once completed, it conducts environmental remediation works and monitoring projects, carried out in agreement and in cooperation with the entities in charge.
The objective of vegetation restoration, in particular reforestation, is not merely to reconstitute forest areas but to reconstitute the landscape in general and to revive the biological functionality of vegetated areas, understood especially in their role as habitats for fauna with specific biodiversity characteristics. Restoration and reforestation are followed by the execution of "plant care", i.e., caring for and maintaining the bedded-out plants for a period of at least five years.

Monitoring projects concern the courses of some methane pipelines that interfere, even marginally, with natural local areas high in fauna and ecological value, and they are geared towards the verification of the process of re-naturalising areas affected by works, based on a comparison of conditions after restoration ("post-completion") and the original conditions ("pre-completion"). Monitoring is normally performed for the most significant habitats identified in the design phase.
Natura 2000 is the main instrument in the European Union's policy for preserving biodiversity. It was established pursuant to the Directive 92/43/EEC "Habitat" to preserve natural habitats on a Community level. The Natura 2000 network is made up of Sites of Community Importance (SCI), which are then designated as Special Areas of Conservation (SAC), and also includes the Special Protection Areas (SPA). The areas are not rigidly protected reserves where human activities are not allowed, in 2017, approximately 12.6 km of gas pipelines affected these areas.

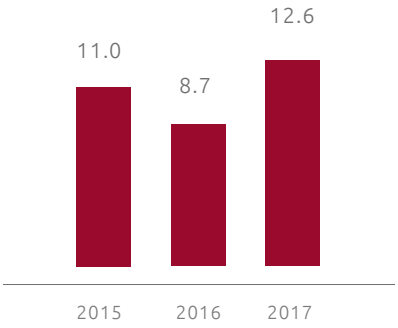
During 2017, work continued on the construction of the Cervignano - Mortara pipeline, an important gas pipeline covering 61.7 km (with underground pipes measuring 1,400 mm in diameter), which runs through farm areas of Lombardy between the provinces of Lodi, Milan, and Pavia. A few smaller diameter variation lines are connected to it for an overall length of 38.5 km.
Decommissioning is planned for the Sergnano - Mortara DN 750 pipeline upon completion of the works for a total length of 56.1 km and related variation works for an overall length of 21.7 km.

The pipeline crosses predominantly farm areas, which will be fully restored at the end of the work and returned to their original use, and over the protected area of Ticino Park.

2017 Natura 2000 sites affected by the pipeline routing

Special Protection Areas /Sites of Community Importance	km
Severe and wet areas of Brenta	0.098
Valli di Comacchio [Comacchio lagoons]	1.094
Valle del Mezzano [Mezzano valley]	0.175
Paludi del Brusà [Brusa Swamps]	1.100
Gessi Bolognesi, Calanche dell'Abbadessa	1.065
Basso Corso and Banks of the Ticino/Ticino Forest	2.956
Ex-sugar factory basin of Argelato and Golena of the Reno River	2.390
Valloni and Steppe Pedegarganiche/Headlands of Gargano	1.813
Fiumara di Melito	1.940
Total	**12.631**

Distance covered by pipelines in Natura 2000 networking sites (km)



Environmental restoration and monitoring (network km)

	2015	2016	2017
Restoration	240	227	**203**
New reforestation *	11	3.7	**21**
Plant care	140	98	**59**
Environmental monitoring	1,009	565	**388**

* Surface area covered by new reforestation: 380,000 m².

PROTECTING BIODIVERSITY ALONG THE "CERVIGNANO-MORTARA" PIPELINE

The laying of the Cervignano-Mortara pipeline (61.7 km long), which is expected to be completely laid in 2018, affects territory of the Lombardy region between the provinces of Lodi, Milan and Pavia and in particular anticipates an extension of approximately 10 km inside the Lombardy Park of Valle del Ticino, the most important regional protected area that safeguards both natural areas agricultural areas, interconnected with each other.

The area of greatest environmental value and with the highest level of biodiversity present in the Regional Park is the riverine area of the Ticino river, corresponding to the protected area of the actual Natural Park ("Parco Naturale Lombardo della Valle del Ticino") and where the most stringent protection and conservation measures are applied to protect both the fluvial habitats and perifluvial habitats of both plant and animal species present therein, in particular of the sedentary and migratory birds.

The pipeline passes through the Natural Park of Ticino for about 3 km, affecting both the course of the river and the respective river bank and overflow areas in a partially natural and partially agricultural-semi-natural setting.

This stretch also coincides with the stretches of the work within the two sites of the Natura 2000 network: "Basso corso e sponde del Ticino" [low stretch and banks of the Ticino] e "Boschi del Ticino" [Ticino forests] the perimeters of which coincide with the affected stretches. Finally, this stretch also coincides with path of the work within the IBA (*Important Bird Area*) "Ticino River", a protected area meant to provide the best possible protection for birdlife.
Safeguarding biodiversity while constructing a methane pipeline in correspondence with the Natural Park of Ticino, assessed in accordance with the Park Authority, consisted mainly in crossing the sub bed of the river and the related bank areas building a microtunnel 1300 m long, thus avoiding any direct interference with the river habitats and protected species. The microtunnel was completed in 2017. The remaining portion of the layout affected the territory of the Natural Park both in agricultural areas, for a distance of 625 m, and in the woodlands for a distance of 1,131 m crossing the Modrone forest, in the town of Vigevano (PV). In these areas, again in agreement with the Park Authority, the work was constructed with open excavation but adopting specific mitigation measures such as narrow width passage (22 m); performing the work in the daytime, adopting measures to reduce noise during the construction site phase in order to minimise indirect disturbance to the birds in the Park.

Modrone Forest: opening of the path and positioning noise barriers

In particular, natural mobile noise barriers were built in the Modrone Woods, temporarily stacking overlapping bales of straw on both sides of the trail. This measure was also adopted in correspondence with the arrival station of the microtunnel.

Upon completing the construction work, replanting work began with using autochthonous species and arboreal shrubs, in accordance with a prepared replanting plan also based on the reforestoration experience Snam already had acquired for the woods crossed by the Somma Lombardo - Besnate Pipeline (also located in the Ticino Park), under the direct control of the Park Authority.

As regards the Sergnano - Mortara pipeline being decommissioned, in correspondence with the section lying in the Natural Park of Ticino, again where crossing the Ticino river and adjoining natural areas, the plan is to inertise the conduit without clearing any pathway or making excavations for removal in accordance with a specific intervention plan, again agreed upon with the Park Authority.

November 2017: Modrone Forest, replanting.

Water management

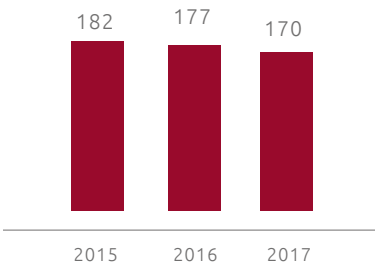
Although Snam's water procurement and disposal activities are of little environmental significance, both in terms of quantity used and the type of discharge, the Company considers water an asset to be preserved and is committed to doing so. In sites not served by sewage systems, Snam installed more than 18 closed-cycle phyto-purification system where waste water is treated and fully absorbed by planted vegetation.

In 2017, approximately 4.17 million cubic metres of water (4 million cubic metres of sea water and 0.17 million cubic metres fresh water) were extracted. The procurement of sea water remains practically constant over time, as it is used for cooling auxiliary equipment in the LNG regasification plant. The extraction of fresh water, used mainly for office activities, fire-protection systems and to irrigate green spaces, fell by 4% compared to 2016.

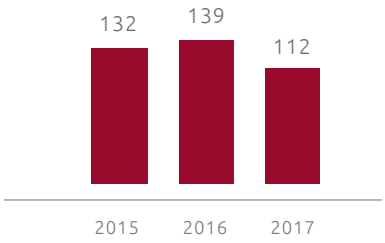
With regard to water discharges, the sea water is released into the sea as is, without any treatment, while the waste water is channelled into the sewage networks (40% of the total) or discharged, after treatment, into the soil and into surface water bodies (60% of the total).

Upstream storage activities produced approximately 4,900 cubic metres of process water (-5.5% compared to 2016). Of this water, around 1,600 cubic metres were re-injected as is, while another (3,300 cubic metres) were sent to a purification plant for treatment.

Fresh water procurement (10^3 m^3)



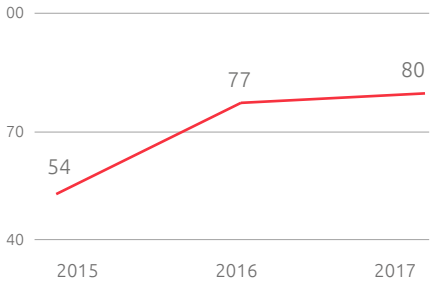
Fresh water discharges (10^3 m^3)



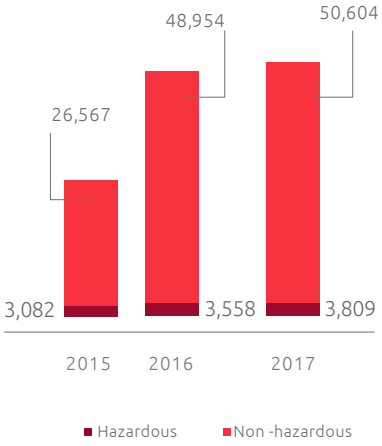
Gestione dei rifiuti

La maggior parte dei rifiuti generati da Snam derivano dall'attività di manutenzione e gestione degli impianti che, sul totale dei rifiuti prodotti nel 2017, pari a circa 54.413 tonnellate (+3,6% rispetto al 2016), pesano per l'87%. Il rimanente 13% è stato prodotto dall'attività di perforazione dei pozzi.
I rifiuti non pericolosi costituiscono il 93% del totale di quelli prodotti. In particolare la produzione dei rifiuti dell'anno è stata caratterizzata da un lavoro straordinario per la dismissione di una condotta (metanodotto Sergnano-Tarvisio DN 850 e derivazioni), che ha comportato la produzione e il recupero di circa 24.980 tonnellate di materiale ferroso (circa il 46% del totale dei rifiuti prodotti). I rifiuti recuperati dalle attività produttive sono incrementati di tre punti percentuali, passando dal 77% del 2016 all'80% del 2017.

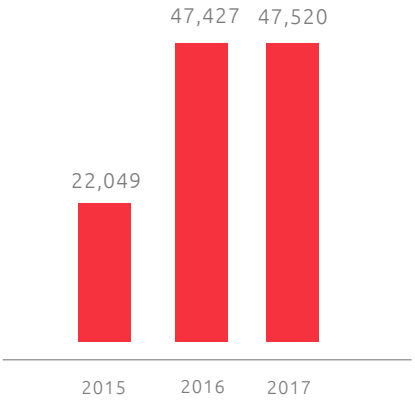
Waste recovered from production activities (%)



Total waste production (t)



Waste from production activities (t)



People and teamwork

People are at the heart of our corporate strategy. With the transformation processes Snam is implementing to prepare itself for future challenges, employees are in fact increasingly called upon to play an active role in promoting change.

The set of knowledge, skills and competencies acquired by the Snam's personnel is a fundamental asset of the company. To manage the new expected challenges, Snam created the People Strategy and defined its new values. This led to a revision of the Leadership model, with the primary objective of enhancing the value of people, increasing their level of engagement, and promoting a culture of innovation and change.

Snam's commitment therefore is to recognise and enhance professionalism and talent and to promote growth for everyone through transparent, fair and meritocratic management, creating a stimulating and positive environment.

Employment

Snam generates "good employment" because it offers a stable and continuous working relationship with qualified and specialised activities (57% of employees have a technical diploma and 23% are college graduates) and because of its presence over a large part of the national territory (2,204 employees in the north, 202 in the centre, 509 in the south and 4 abroad).

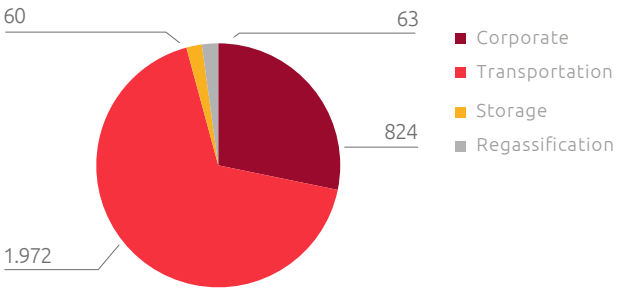
In 2017, the company population was 2,919 resources (+1.25% compared to 2016). 94% of the personnel have a permanent employment contract. At the end of the year, there were 42 part-time contacts and 150 apprenticeship contracts in force. In 2017, there were 33 workers under a staff leasing contract (36 in 2016).

In 2017, Snam adhered to the School-Work Alternation project involving approximately 600 students from 9 schools. In addition to fostering guidance for young people, the project aims to strengthen the relationship with those territories where the recruitment process is most critical (southern Italy).

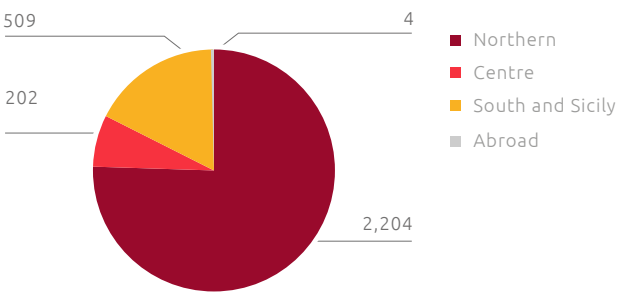
Snam Personnel at 31.12.- (no.)

	2015	2016	2017
Executives	99	87	**93**
Middle Managers	449	421	**456**
Office workers	1,736	1,651	**1,655**
Manual workers	721	724	**715**
Total employees	**3,005**	**2,883**	**2,919**

Employees by activity (no.)



Distribution of employees by geographical area (no.)



Employment trends in the year

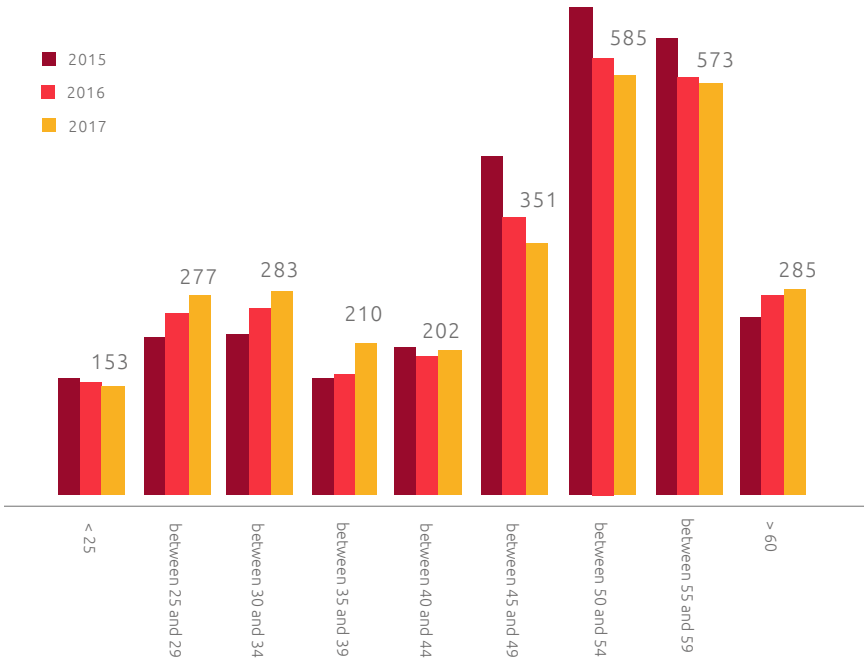
2017 was characterised by an organisational change that entailed the integration of certain operational functions of the various businesses, and shifts in employment for the year are shown below:

- 184 employees were hired, 148 of which were recruited from the market and 36 were other hires, which includes 27 people due to the change in the consolidation of Infrastrutture Trasposto Gas (October 2017), 1 entered from a non-consolidated company and 8 returned to service after a leave of absence;
- 148 employees departed, including 33 as a result of the termination of employment, 36 were terminated unilaterally (resignation, death, or dismissal), there were 73 transfers to non-consolidated companies and 6 other departures.

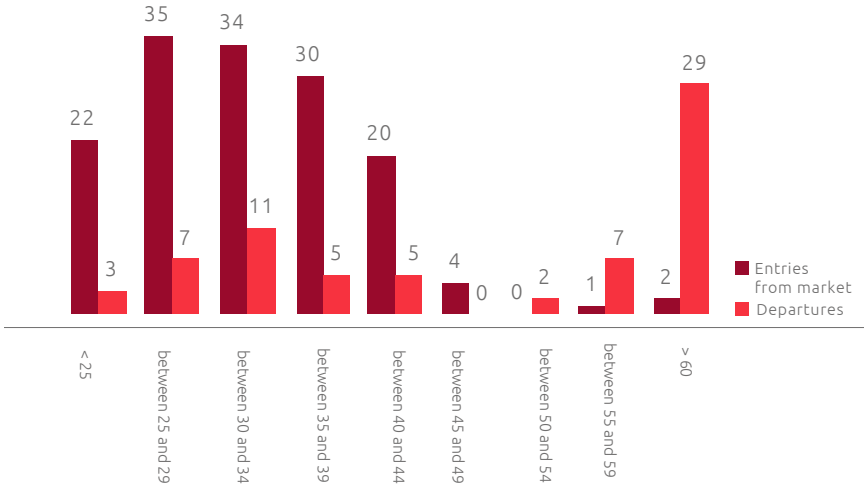
People under the age of 35 (713) represent more than 24% of the company population and increased 6% compared to 2016, thanks to the entrance from the market of 91 people in this age group.

The absenteeism rate does not include senior managers and it was calculated taking into consideration all hours not worked (paid and not paid) excluding holidays and hospitalisation. In 2017, the female absenteeism rate was 4.8% and the male absenteeism rate was 4.1%.

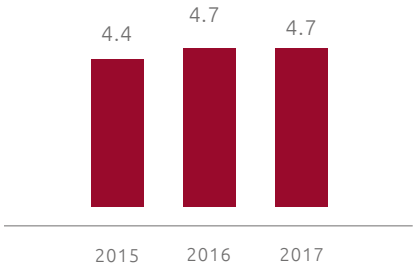
Age diversity: employees by age bracket (no.)



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

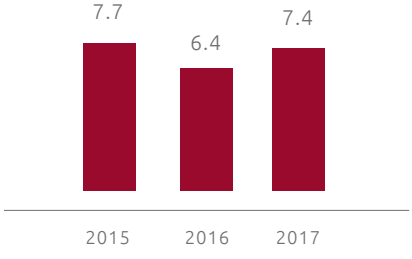


Absenteeism rate (%)



Absenteeism rate = (hours of absence/workable hours)*100

Personnel turnover (%)



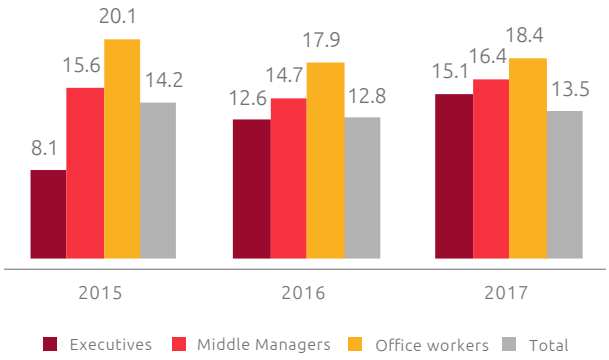
Turnover rate = ((entries+departures)/average headcount in service)*100

Snam Diversity

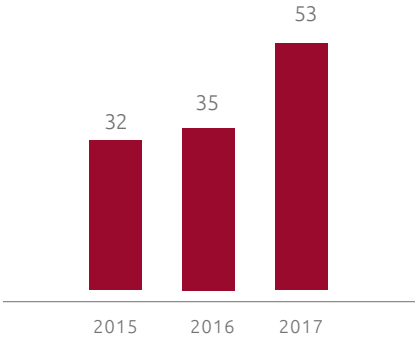
Snam respects the dignity of everyone, and offers equal opportunities in every phase and every aspect of the employment relationship, avoiding all forms of discrimination based on sex, age, health, nationality, political opinion or religious views.
For Snam diversity is a value and gender diversity is in specially regarded as a resource for company development.

Corroborating this is the fact that even though a large portion of its business activities, in particular operational ones, require a technical training predominantly possessed by male figures in the market, the female component in 2017 grew compared with the previous year (+6.5%).
The population of women in the company at year's end consisted of 393 personnel occupying a share equal to 13.5% of all employees (12.8% in 2016) and 36 women work under a part-time contract (of the 42 currently in the force).
A focus on gender diversity remains a corporate objective for 2018 also, translating into a commitment to recruit at least 50% of women in staff positions and to increase the average training hours (from 15.8 hours in 2017 to 20 hours in 2018).

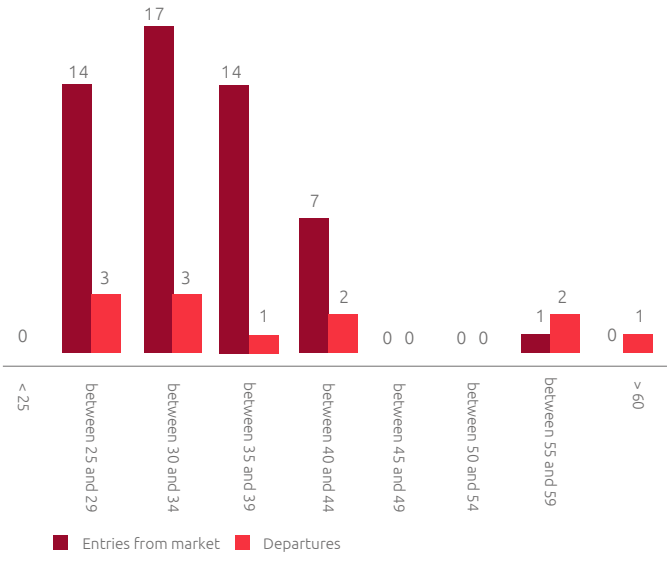
Female presence (%)



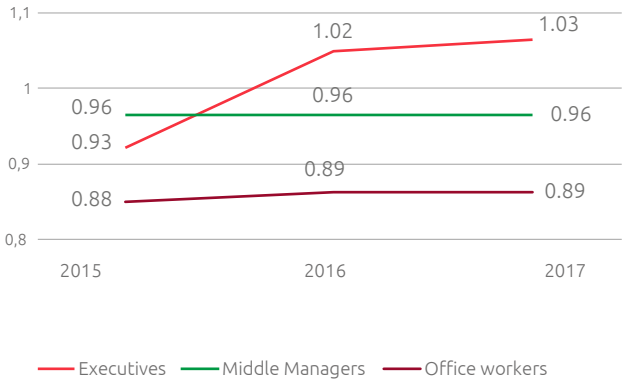
Women hired from the market (n)



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



Pay gap (women/men)



SUPPORT FOR PARENTING AND WORK-LIFE BALANCE

During maternity leave, keep their company benefits while on maternity leave, and during the mandatory leave period, they receive maternity pay at 100% of the salary of the month prior to commencement of leave (compared with 80% as required by law).

In 2017, 53 people (+10% compared to 2016) 42 of which were female workers, benefited from periods of compulsory leave. At year's end, 33 maternity positions closed, 23 of which were women with a return to work rate of 96%, 20 positions are still active, as in 2016.

With regard to parental leave, 239 positions (including 61 female) were opened during the year and 209 closed (54 of which female). At year's end, 30 positions were still active (7 of which were female).

COLLABORATION TO ENHANCE THE VALUE OF FEMALE TALENT

In 2017 Snam became a Supporting Member of **Valore D**, the first business association to promote diversity, talent and female leadership for the growth of companies and of the Country. A strategic decision to support company's international growth now in and the future through the increasingly strong presence of women and colleagues of other nationalities. This collaboration provided employees the opportunity to take courses to enhance the gender, generational and cultural diversity, to develop an inclusive culture, a factor of innovation, competitiveness and growth for people and businesses. During the year 40 employees (80% women) participated in more than 20 courses that dealt with the following issues: Emotional Intelligence; Global Agility & International Mindset; Happiness at Work; Parenthood; Energy Management; Organisational Leadership; Unconscious Bias.

Increasing skill and professionalism

The People Strategy focuses on three main pillars: enhancing the value of human resources, increasing productivity and the level of engagement, disseminating a culture of innovation and transformation.

In this context, training plays a fundamental role in supporting management and the whole corporate population in paths to develop managerial capacity, technical skills, know-how and innovation.

Snam's commitment for 2018 is to increase the average hours of training up to 32 per employee and to involve 80% of the population in at least one training period.

Personnel Training

	2015	2016	2017
Training hours (no.)	87,620	82,184	**85,346**
Participations (no.)	10,203	10,396	**8,604**
Average hours of training per employee (no.)	29.2	28.5	**29.2**
Average hours of training provided to men (no.)	30.9	30.2	**31.3**
Average hours of training provided to women (no.)	18.4	17.0	**15.8**
Engagement (%)	96.1	97.5	**75,4**

Key training initiatives

Description	Hours provided (no.)	Participations (no.)	Recipients
Technical training	66,576	5,543	Blue-collar workers, administrative staff
Health, Safety, Environmental Protection and Quality training	9,675	1,702	Company population
Managerial training	5,853	1,096	Executives and Middle Managers

Upon completing the courses established in previous years in matters of business ethics and anti-corruption, in 2017 327 hours of training were provided with 112 participations.

A NEW WORK MODEL: THE LEAN SIX SIGMA PROGRAMME

In 2017, 42 people from different business units were given the possibility obtain Green Belt certification within the Lean Six Sigma programme. The Lean Six Sigma methodology provides the tools needed to eliminate waste in the company, maximising resource utilisation, work areas, production cycles, and at the same time ensuring high quality in production and management processes. This path has allowed the people involved to learn a new model of reading the organisation to increasingly become authors of change, through a more open and collaborative way of working. In 2018, this training path will be extended to other company resources.

Compensation policies and systems

In Snam, merit is the basis of the administrative and reward practices, both in terms of professional development and with regard to career opportunities. At the same time, it is a benchmark so that personnel management can meet the fairness and sustainability criteria.
Compensation systems are updated periodically based on a comparison with the reference markets and in consideration of instructions received from external stakeholders. In particular, these systems are meant to ensure recognition of the results achieved, the quality of the professional contribution provided and individual development potential of the person. During 2017, with the goal of achieving a better alignment between of long-term variable remuneration and the primary objective of creating value for the shareholders, a new long-term incentive plan (ILT) was defined based on the assignment of ordinary Company shares and approved by the ordinary Shareholders' Meeting. The Plan is reserved for those occupying managerial roles with the most impact on company results.
In 2017, the use of the new target assignment and assessment system known as Performance Management, was confirmed; it also contains targets regarding behavioural aspects, sustainability and the prevention of accidents in the workplace. All assessment processes adopted are formalised and include a feedback interview, which constitutes an institutional opportunity for discussion and communication between managers and employees, also in order to gather information that can be used to define new actions for personnel development and enhancement.

Incentive systems for the various brackets of the corporate population

Executives	Along with any annual adjustments to fixed remuneration for merit or progression of roles/ responsibilities, Snam provides a variable incentive system designed to enhance the value of the professional contribution in the short term (IMA), through the allocation of an annual monetary incentive, to the same decree in the medium-long-term, if necessary through the allocation of a deferred monetary incentive (IMD), a long-term monetary incentive (IMLT) and a long-term stock incentive (ILT). Claw-back mechanisms are provided, aimed at recovering the variable portion if the resulting compensation is not due because it was earned based on targets that were attained as a result of malicious or grossly negligent behaviour or that were proven to be manifestly incorrect. The Total Reward Statement, the informational packet regarding the breakdown of individual remuneration, ensures the valorisation and transparency of the remuneration system.
Non-executive population	Snam adopts a short-term variable incentive plan intended to reward best performance and the young resources with potential for development. It also provides a deferred monetary incentive dedicated to high-potential Middle Managers, with the objective of keeping them motivated and maintaining their performance in the medium-long period. What is more, all companies in the group anticipate a "Participation Bonus", instituted by the National Collective Labour Agreement, based on the performance of profitability and productivity parameters, measured in relation to the targets agreed upon every year between the company and trade-union representatives.

THE NEW PERFORMANCE MANAGEMENT SYSTEM

In anticipation of the 2018 performance cycle, a new project was launched to redesign of the corporate Performance Management system to optimise the current goal assignment and assessment process.

In particular, the new Performance Management system:
- will enhance the contributions everyone makes to the company;
- will focus on culture and behaviour (assigning behavioural goals-based on the new Snam Skills Model);
- will place feedback at the centre of its constructive discussions on engagement, motivation, and empowerment of resources;
- the programme will engage the entire company through the progressive extension of the performance perimeter over a three-year period (2018-2020);
- it will have transparent rules, be well-scheduled, and be supported by a new IT tool.

In 2018, Snam will focus on improving leadership skills by implementing the new skill mode, keeping succession plans solid and structured, identifying and enhancing the value of talent throughout the organisation to ensure a sustainable line of succession and to intensify the level of engagement. In particular, the new Performance Management System, which will be a decisive part of the Talent Review Discussion and the realisation of the Succession Plans, will be launched. All jobs within Snam, with the exclusion of executives, undergo an analytical and overall evaluation regarding the Complexity, Responsibility, Experience and Autonomy (C.R.E.A.) factors. In 2017, 238 CREA assessments were approved.

Assigned sustainability topic goals

	2015		2016		2017	
	Assigned (no.)	Attained (%)	Assigned (no.)	Attained (%)	Assigned (no.)	Attained (%)
Executives	69	99	67	91	77	**95**
Middle Managers	295	99	313	93	291	**97**
Other personnel	238	100	88	100	67	**96**

Health and Safety, a constant commitment

Snam is constantly committed to developing and promoting health and safety in the workplace. Accident prevention, the main health and safety objective, is carried out through the adoption of actions focused on eliminating or reducing risk factors inherent in work activities.

All of Snam's business activities are governed with management systems certified in accordance with OHSAS 18001 (occupational safety and health rules).
Research into and the adoption of good business practices is subject to gradual promotion not only within the company, but also vis-à-vis suppliers, to extend and improve collaboration so as to achieve the best performance.

Over time, the actions adopted enable a reduction in accidents, both for the company's and the contractor's personnel.
There were a total of 11 accidents in 2017 (9 in 2016), 6 of which involved employees (4 in 2016) and 5 involving supply contractors (as in 2016). Unfortunately, one accident was fatal.

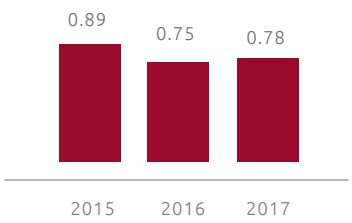
Accidents at work

	2015	2016	2017
Employees			
Total accidents (no.)	3	4	**6**
Fatal accidents (no.)	1	0	**0**
Frequency index	0.62	0.81	**1.24**
Severity index	1.55	0.04	**0.05**
Contract workers			
Total accidents (no.)	8	5	**5**
Fatal accidents (no.)	0	0	**1**
Frequency index	1.07	0.71	**0.54**
Severity index	0.07	0.05	**0.83**
Employees and contract workers			
Total accidents (no.)	11	9	**11**
Frequency index	0.89	0.75	**0.78**
Severity index	0.66	0.05	**0.56**

Employee workplace accidents by type of event (no.)

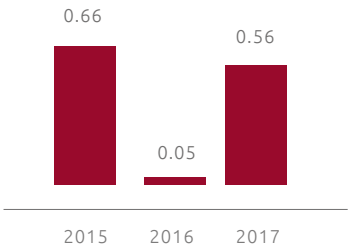
	2015	2016	2017
Type			
Car accidents	1	0	**1**
Occupational accidents (maintenance, inspection, checks)	2	1	**1**
Generic accidents (slipping, impact, tripping)	0	3	**4**

Accidents at work - Employee and contract worker frequency index (*)



(*) number of non-commuting accidents with incapacity of at least one day, permillion hours worked.

Accidents at work - Employee and contract worker severity index (**)



(**) number of working days lost in relation to accidents at work resulting in absence of at least one day, per million hours worked. Data includes fatal accidents.

In a philosophy of continuous improvement in performance, together with consistent commitment carried out with levers such as training, technological innovation, and work organisation, in the early months of 2018 Snam initiated the new "Snam4Safety" project to further strengthen the culture and awareness of health and safety issues on the part of all the personnel and contractors.

CONTRACTOR SAFETY TROPHY

Snam shares its values associated with safety and health with its contractors.
With this objective, as it did with the Safety Trophy intended for all Snam employees, Snam instituted the "Contractor Safety Trophy", an initiative carried out every year to better focus supplier attention on health and safety issues by evaluating their HSE performance with specific indicators (accident indices, near misses, evidence from audits or inspections, feedback on topics of interest).
The Contractor Safety Trophy, for the 2016 results, was awarded to the Max Streicher, a company specialised in the building of energy infrastructure and constructing gas pipelines in particular. The contractor was given the award this past 9th of November on Partners' Day, an event where Snam and its suppliers meet and reaffirm safety as a value.

In order to raise awareness among employees of the issue of safety, Snam established an initiative in 2011 called the "Zero Accident Award", which rewards employees who go 365 consecutive days without an accident in the workplace. Personnel taking part in the initiative are divided into homogenous groups according to work activities. In 2017, 13 homogenous groups received awards (9 transmission and 4 storage) out of a total of 18 homogenous groups (12 transmission and 6 storage).

Zero Accident Award (*)

Activity	Sub-Group awarded
Transportation	Eastern-Central District; South-Eastern District; North-Western District; North-Eastern District; South-Western District; Northern District; Ingcos; Staff; Operating Staff
Storage	POFT (Trest River Operating Unit); PORS (Ripalta e Sergnano Operating Unit); CREMA (Operating Site); POCB (Cortemaggiore e Bordolano Operating Unit)

(*) Following the revision of the management of the "Zero Accident" Award in force from 1 January 2018, at the end of 2017 homogenous groups in which there had not been an accident for 9 consecutive months (around 270 days) also received an award. This project is not being implemented at Snam Corporate and Gasroule.

Protecting health

Personnel exposed to specific risk factors undergo periodic medical health surveillance by the Company Physicians. Medical surveillance allows the assessment of the workers' suitability for their specific task, thus protecting their health in relation to occupational risks and the work environment.

Medical surveillance (no.)

	2015	2016	2017
Medical visits	1,270	1,561	**1,914**
Periodical medical visits	991	1,337	**1,688**
Diagnostic examinations	1,828	2,252	**3,508**
Environmental surveys	203	172	**279**
Occupational illnesses diagnosed	0	0	**0**

Environmental surveys, aimed at monitoring microclimate, biological and physical aspects of the work place and compliance with industrial hygiene rules are performed periodically.

Snam absolutely prohibits the drinking of alcoholic beverages while at work.
Finally, Snam promotes various initiatives focused on promoting health for its employees, including through its company welfare system. The description of the services offered, together with any other welfare activity, are reported in the first part of the document, page 12.

Workers receiving regular health checks (no.)

	2015	2016	2017
Total number of workers exposed	2,152	2,105	**2,646**
Workers who sit at a computer station	1,908	1,864	**1,817**
Workers with responsibility in an emergency	461	625	**627**
Workers exposed to chemical agents	21	28	**52**
Workers responsible for moving heavy loads	101	101	**5**
Night workers	77	100	**109**
Workers exposed to noise pollution	17	24	**24**
Workers (blue-collar) with operational tasks*			**536**
Workers exposed in confined spaces*			**119**
Workers at risk for other reasons	135	108	**78**

*New workers who, starting from 2017 are subject to medical surveillance.

Internal communications

Via internal communications, Snam continues to promote the engagement of people regarding company-related facts, events and activities, with the aim of encouraging, supporting the development and facilitating the adoption of new behaviour to accompany cultural change. The strategy focuses on providing frequent updates on ***Easy***, the Intranet portal, via news, video content and in-depth articles

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Internal communication tools

"Easy" the Intranet portal	Main printed tools	Management meetings
A place for information and sensitisation, addressed to all Snam personnel, but also a place to share knowledge, exchange working documents and share views through the "let's collaborate" space, designed to facilitate people who work in teams.	The "Energie", magazine which continues to present Snam's corporate identity and narrate major events. "Speciali Energie" – editorial annexes, focused on specific topics. "Osservatorio Domanda Gas" Newsletter, with news, analysis and comments regarding gas demand, available to all employees even on mobile devices.	Cascading Executive Meetings and Middle Manager Meetings regarding the company's strategic plan. Meetings dedicated to management (executive and middle managers) aimed at strengthening team spirit. CEO Roadshow throughout the territory to present the strategic plan. Thematic meetings aimed at strengthening innovative thinking and team spirit ("The future is in our hands"). End-of-the-year video-conference event to bring the entire corporate population together.

Industrial relations

In 2017, the relationship with trade union organisations on a national and local level was characterised by numerous meetings dedicated to plans for business evolution and new organisational structures, following the sale of the Stogit "Plants and Technical Services" business unit to Snam Rete Gas S.p.A.

As regards transportation and storage, the Integra project, which calls for integrating side activities of the operational companies to develop and exploit the specific skills, was initiated.

For the transportation business, the Smart Gas technical committee's work continued, seeking for a more rational scheduling of the operations with the objective of analysing the technical aspects of the project.

For the regasification business, meetings were held with the Trade Unions, nationally and locally, in order to share and discuss topics intrinsic to the business evolution.

The bargaining dynamics, consistent with the provisions in the 2013 Protocol on Industrial Relations, the reasoning of which were imbued with the concept of strengthening second-level negotiations, led to the Parties to establish productivity and profitability indicators for the 2017 Participation Bonus for all Snam companies. The national labour agreement applied to the Group was renewed at the start of the year.

Also, all Snam Group companies signed the implementing agreement pursuant to Article 4 of Italian Law 92/2012 for the early exiting of workers who meet the adhesion requirements.

Labour disputes (no.)

	2015	2016	2017
Total disputes pending as at 31.12	10	9	**29**
Opened during the year	4	10	**32(*)**
Closed during the year	5	13	**12**

(*) 25 grievances filed in 2017 (4 in 2016) are to be attributed to joint responsibility in procurement contracts.

The supply chain

Snam operates transparently and with absolute respect for free competition by committing itself to engage the supplier to achieve high and enduring performance levels, with a view towards mutual growth and value creation.

Growing with suppliers

Snam's suppliers are mainly small and medium-sized Italian enterprises (SMES) located in almost every region of the Country, consistent with the Company's distribution throughout the territory. In 2017, in fact, the SMES to which Snam gave work amounted to 416 out of a total of 574 active suppliers. Approximately 800 supply contracts were stipulated, 65% of which in favour of SMES, for a total of approximately €844 mln of which more than 92% was in Italy and 7% in Europe. The change in the procured amount compared with the previous year must take into account the cyclical nature of the procurement process, in particular the fact that the 2017 procurement plan was also covered by multi-year contracts already concluded in previous years, with the amount allocated to the year in which they were concluded.

As at 31.12.2017, 1,612 suppliers had been qualified and 403 suppliers were in the process of renewing their qualifications or qualifying ex-novo.

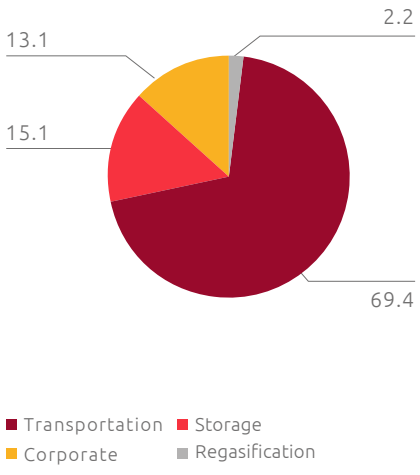
Of the goods purchased, the most important is steel that is used mainly for piping and fittings, which recorded supplies of more than 14,300 tonnes.

Purchases (€ mln)

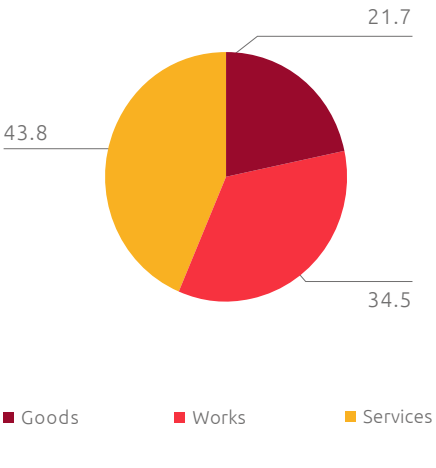
	2015	2016	2017
Amount of purchases	1,266	1,359	**844**

the value of the procurement is calculated taking into consideration the entire value of the contract in the year it was concluded

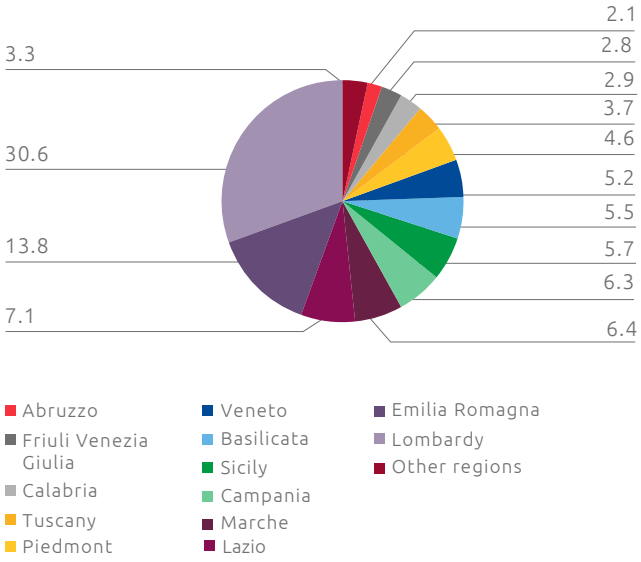
Procurement by business segment (%)



Procurement by goods type (%)



Geographic breakdown of procurement in Italy (%)



SOCIAL-ECONOMIC EFFECTS OF SNAM'S PURCHASES

Snam's procurement of goods, works, and services in Italy is a significant driving force for employment and the national economy.

In 2017, the value of purchases, referring to the goods, works and services awarded to Italian companies or work carried out across the national territory, amounted to approximately €787 mln, this was instrumental in supporting 8,090 external resources and inducing economic activity (production value) in related industries for a sum of about €1.8 bln and an added value of €0.8 mln.

The data shown are the result of a special study carried out by a specialised company

A responsible approach with suppliers

Snam adopts an "expanded" management model based on the engagement and empowerment of players in the supply chain: all suppliers and subcontractors: are stimulated to compete and operate properly, improving their performance in the area of the risk mitigation, innovation of management processes, increased operational efficiency, and the promotion of responsible governance procedures.
In particular, Snam, always responsive to spreading a culture of legality and maintaining efficient anti-corruption measures, requires suppliers to adhere to the Ethics and Integrity Agreement, undertaking to maintain transparent relations and meet strict requirements with regard to business conduct, also engaging subcontractors in this same quest.

Snam promotes fairness, anti-corruption, safe working conditions, the protection of human rights and environmental protection in its relationships.

Mapping of the supply chain
To detect actual and potential problems in the environmental, social and economic areas.

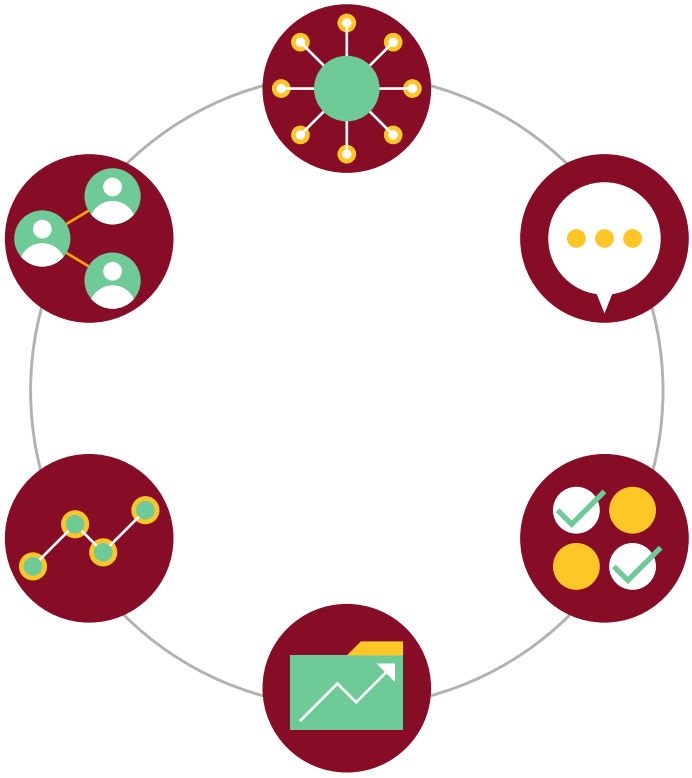
Communication of expectations
To reveal Snam's values and culture of sustaintability and share good sustainable practices.

Verification of the performance of suppliers
To progressively improve the performance of suppliers, identify the areas at risk and constructively analyse the results of their performance.

Striving to improve performance
To verify and ensure the improvements achieved and to develop dedicated improvement programmes and clearly inform suppliers about them.

Development of skills and expertise
To share best practices via the portal and to provide incentives for change at a company culture level.

Cooperation
To work together with international organisations in defining the most appropriate standards and good practices for sustainable performance and to share the information with the supply chain.



An ever stronger relationship that engages and commits all players in the supply chain

Quality	Not only quality, price and reliability requirements, but also commitment to process innovation
Safety	Disseminating the culture of prevention and attention to worker's health and safety
Values	Transmitting and sharing values: legality, fairness, transparency and respect for free competition and protecting all forms of human rights
Transparency	Fairness, traceability and transparency in trade relations and in conducting one's business
Continuous improvement	Striving for continuous improvement, mutual growth and the creation of shared value
Sustainability	Reducing environmental and social impacts and risks inherent to the supply chain

Choosing suppliers

Potential suppliers must undergo a rigorous and thorough qualification process, as this is the only way possible for a company to learn its current capacity and future potential. To ensure the suitability of suppliers with respect to procurement needs, in 2017 Snam conducted an intense Market Intelligence activity on circa thirty different product categories related to its core business and new activities (building new compression and storage stations for automotive methane gas). The number of spontaneous applications received from prospective suppliers amounted to circa 1,900.

There are many factors subject to evaluation in the qualification process: technical and management skills, economic and financial reliability, ethical and reputational risk, commitment to anti-corruption, environmental protection, and promoting healthy and safe working conditions, and the absence of forced labour and economic exploitation of minors.

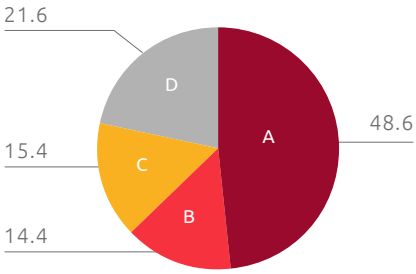
In 2017 Snam simplified its qualification process by streamlining procedures and reducing the documentation to be produced depending upon the (public or private-sector) path: the private sector requires the submission of a smaller and more simplified set of documents, with a consequential reduction in processing times. Also, the duration of the qualifications/ accreditations was extended to five years and the administrative evaluation of suppliers already present in the Vendor List, but requesting to be included in new product categories, was streamlined.

The requirements for suppliers are more stringent for the categories deemed to be more critical, based on a classification scale increasing from level D to level A, which affects all trade sectors (goods, services and works) and is assigned as a function of the technological complexity and impact on performance.

Specifically, for the works category (criticality classes A and B) the possession of Management Systems certified in accordance with international standards (ISO 9001, ISO14001, OHSAS 18001) is required. Starting in 2017, Snam set for itself the objective of extending the requirement for a certified environmental management systems to the goods category (criticality class A).

The actual possession and maintenance of requirements is subject to specific controls: in 2017, 1,647 suppliers and subcontractors were audited in relation to regularity of S.S. contributions, via 3,739 inspections that revealed an irregularity rate of 3% (2.8% in 2016; 4.6% in 2015).

Breakdown of procurement by critical class (%)



Key performance indicators (KPI)

KPI name	KPI date	Set target	Sector	Activity Status
Number of Goods suppliers (criticality A) ISO 14001 certified	2017	Target achieved 65% in 2018	Snam Group	

Activity in progress

Supplier sustainability analysis

	Number [1]			Employment Practices [2]			Environmental criteria			Human rights [3]		
Goods	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**	**2015**	**2016**	**2017**
Qualified suppliers	**850**	754	**533**	43%	42%	**60%**	43%	42%	**60%**	100%	100%	**100%**
of which A and B level	**144**	129	**113**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	**56**	54	**46**	60%	50%	**65%**	60%	50%	**65%**	100%	100%	**100%**
of which A and B level	**10**	7	**15**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Works												
Qualified suppliers	**353**	310	**250**	70%	75%	**87%**	70%	75%	**87%**	100%	100%	**100%**
of which A and B level	**72**	83	**68**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	**33**	30	**39**	82%	80%	**95%**	82%	80%	**95%**	100%	100%	**100%**
of which A and B level	**7**	9	**24**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Services												
Qualified suppliers	**1.728**	1.631	**1.177**	33%	34%	**38%**	33%	34%	**38%**	100%	100%	**100%**
of which A and B level	**124**	133	**85**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**
Suppliers qualified during the year	**127**	130	**163**	41%	36%	**33%**	41%	36%	**33%**	100%	100%	**100%**
of which A and B level	**15**	10	**9**	100%	100%	**100%**	100%	100%	**100%**	100%	100%	**100%**

(1) A supplier may hold several qualifications for different categories.
(2) Aspects relating to health and safety.
(3) Aspects relating to ethics (regularity of social security contributions, Law 231, child labour, forced labour, etc.).

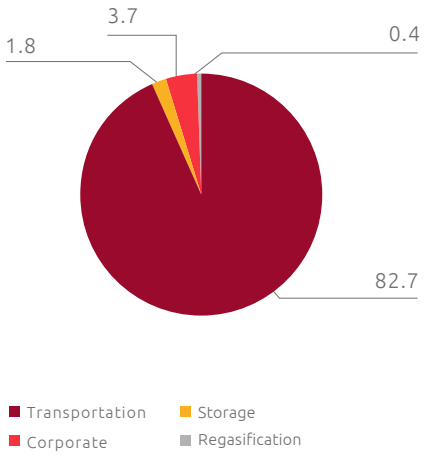
Reputational checks

In 2017, about 1810 reputational checks were carried out on suppliers, subcontractors and participants in calls to tender.

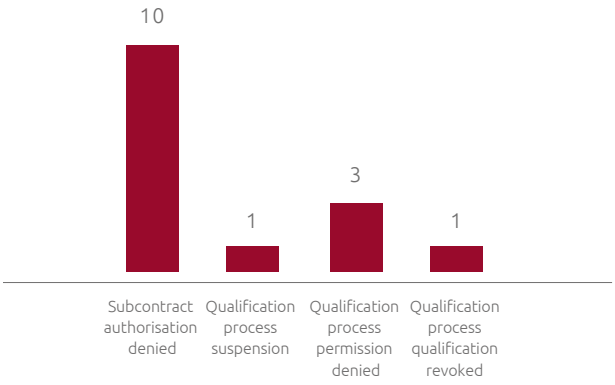
The checks covered: supplier qualification processes (859), subcontracting authorisations (915), participation in calls to tender (36). 15 measures were adopted as a result of the checks: 10 denials of authorisation to subcontract; 1 suspension of qualification; 3 denials of the qualification permission; 1 revocation of qualification.

Snam, computerised the flow of data to the National Anti-Corruption Authority. The direct interface between the respective computer systems, allows the Tender ID Code (IGC) to be obtained, eliminating all manual compilation procedures and improving traceability, transparency and security for all operations.

Reputational check by activity (%)



Measures (no.)



Supplier disputes (no.)

	2015	2016	2017
Total number of disputes outstanding at end of year	9	18	**12**
Disputes entered into during the year	4	13	**6**
Disputes resolved during the year	2	4	**12**

The 2017 disputes were due mainly to issues related to contract management (70%) and tender procedures (30%)

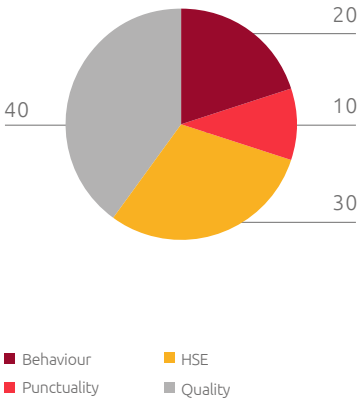
Supply chain monitoring

Snam monitors suppliers' performance during the contract performance phase, via feedback and inspection visits. In 2017, Snam collected 854 feedback documents, referring to 156 suppliers. To evaluate their performance, the company uses a rating index (IR) that evaluates compliance with technical contractual requirements (Quality), health-safety-environment (HSE), agreed delivery times (Punctuality), establishing a good relationship with the customer for the entire duration of the contract (Behaviour). The assessment is periodically forwarded to suppliers in the form of an analytical opinion.

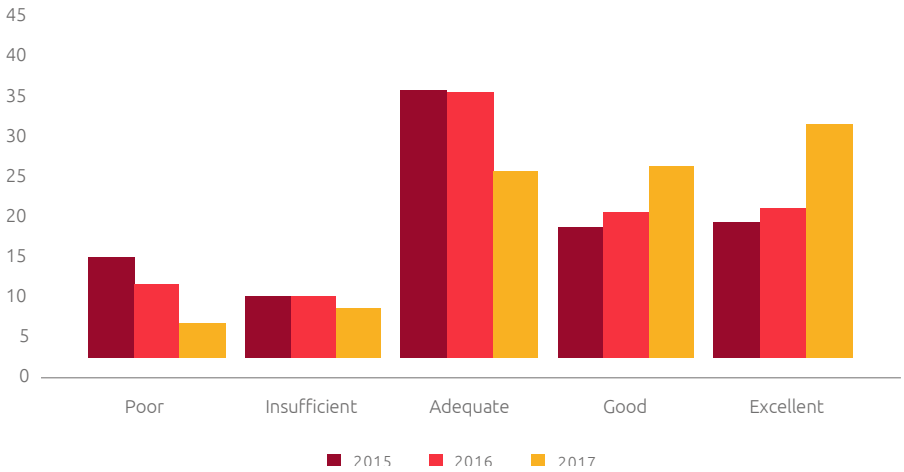
In 2017, for HSE activities, new monitoring indicators (KPIs) were prepared within this remit to assess performance with respect to each contract issued for works, services and/or goods involving on-site installation. The KPIs consider: accidents, contractor and subcontractor personnel management, safety and environmental protection documentation management, and represents 30% of the new rating index.

The attention the company pays, both the selection and controls, has led to a steady improvement in performance rendered by suppliers over the last three years.

Rating Index -Assessment area (%)



Supplier performance assessment (%)



Snam may restrict, suspend or even revoke the qualification of a supplier who fails to meet the agreed standards. The possible cases could include, failing to meet technical-organisational requirements, negative performance evaluation for it or its subcontractors, non-compliance with the provisions relating to contributory regularity and the rules in the Snam Code of Ethics. During 2017, 20 measures were adopted within this area.

THE SNAM PORTAL FOR DAILY DIALOGUE WITH SUPPLIERS

The portal is the web platform through which existing and potential suppliers make contact with Snam. On-line since 2013, the portal contains documents, insights, best practices, an updates on processes and procedures that govern procurement status and activities. All registered suppliers have a special reserved area at their disposal, containing information about the commodity sectors for which they are qualified, contracts in force, and performance in terms of workplace safety. At the end of 2017, registered suppliers in the portal amounted to more than 1,900 (+5% compared to 2016). Starting in January 2018, Snam added a new feature dedicated to performance certification that will allow suppliers to more easily and promptly know the best time to issue invoices subsequent to the goods, services or works they provided to Snam. The 65,598 SAP documents loaded in the year (+16% compared to the previous year) prove that that the Suppliers Portal is a living site, accessed more and more every day by users to interact with Snam.

Development and quality of services

Snam promotes constructive relations and collaboration with regulators and institutions and works to continue developing market-oriented services, with a focus on maintaining high quality. Its goal is to offer stability, continuity and transparency, as well as suitable economic returns to make investment strategies sustainable.

Regulations in Italy

In Snam's sustainable development business model, quality and regularity of relations between the Company and the Energy Network and Environmental Regulatory Authority (ARERA) play a crucial role.

Tariff regulations in particular, have, over time, become an essential condition both for guiding investment in the network and primarily to leverage the infrastructural capital in economic terms. Today, in fact, 96% of Snam's revenues are regulated.

Snam interacts with the ARERA in the following ways:

- responding, directly or through trade associations, to public consultations that the Authority holds in relation to the various activities of the industry, in preparation to defining new standards or to review the standards in force;
- participating in the technical work tables established by the Authority, again with regard to the evolution of the regulatory framework;
- drafting amendments to the Transportation, Storage, and Regasification Network Codes, later submitted to the Authority for approval;
- participating in the collection of data and the investigations carried out in the course of the year for the purposes of assessing the state of the industry or of the individual services, and to periodically forward the data requested in compliance with reporting obligations.

The tariff criteria are usually defined every four years and guarantee coverage of operating costs, depreciation/amortisation and a fair remuneration of net invested capital. Incentives, differentiated based on the type of capital expenditures made during the course of each regulatory period, are also envisaged.
Every year each Snam company formulates a tariff proposal which is submitted to the Authority for approval.

Relations with the ARERA

Description	Transportation	Storage	Regasification
Responses to consultation documents	8	0	2
Responses to consultations/observations via associations*	16	3	5
Tariff proposals	4	5	1
Data-gathering exercises	129	91	28
Investigations**	3	2	0
Proposed changes to codes and contractual documents***	14	4	0
Proposed changes to approved codes and contractual documents	12	2	0

* Responses to consultations (Electricity and Gas Authority, Ministry for Economic Development and GME) via industry associations.
** Information transmitted to the Authority in 2017 with reference to investigations within the industry. This includes exploratory investigations.
*** This also includes proposals still being assessed by the ARERA, including agreements and contracts with operators regarding regulated services.

European level integration

The ARERA and Snam also work at the European level in the Agency for the Cooperation of Energy Regulators (ACER) and the European Network of Transmission System Operators for Gas (ENTSOG), respectively.

These two bodies are, respectively, responsible for developing European guidelines and codes that will contribute towards the creation of a single natural gas market. Jointly with the European Commission, ACER and ENTSOG compose the "Implementation and Monitoring Group", tasked with facilitating and verifying the actual implementation of the Codes in the various EU countries. The following progress was made in 2017:

- Completed implementation of EU rules on the allocation of capacity, balancing and interoperability.
- Implementation of European codes on tariffs and the new rules included in the CAM code on the sale of newly created transportation capacity, for which the legislative approval process was concluded and that has already come into force, for the part regarding the new provisions, in 2017.
- Starting work to prepare the Ten Year Development Plan of the European transportation network, with the publication of a draft report containing scenarios shared between ENTSOG and ENTSOE ("Scenario Report"), based on the respective ten-year plans of the two associations (TYNDP 2018).
- Drafting and publishing two regional investment plans (GRIPs) that concern the south north connecting route between Italy and Northern European markets, relevant for reverse flows, and the South-East Europe area, involving the new natural gas procurement routes from the Caspian Sea region.
- preparing around 20 documents including responses to public consultations and association positions, in relation to documents and opinions produced mainly by the European Commission and ACER. The most important consultation issues regarded EU and domestic market energy policy developments, with special reference to the role of gas in the future energy mix and that of infrastructures in guaranteeing benefits in terms of the security of procurement, competitiveness and sustainability.

The development of services to facilitate the market

Starting from July 2017, the commercial management of the three businesses regarding transportation, storage and regasification, connected to the Snam Rete Gas, Stogit and GNL Italia, respectively, merged into a single organisation within Snam.

Thanks to the development of Snam services over the last ten years, the Italian gas market has seen constant growth in transportation operators, passing from 30 in 2003 to almost 200. Through the new balancing system,[8] operational since October 2016, and managed by the PRISMA platform[9], operators can now make gas exchanges and transportation capacity transactions, respectively, on an intra-day, daily, monthly, quarterly and annual basis, for a maximum of 15 years. Snam is entrusted with balancing the residual or managing the "physiological" portion of unbalancing associated with the normal system operation. To encourage even greater operational flexibility, in accordance with the Authority resolutions 336/2016/R/gas and 512/2017/R/gas, the Italian gas system introduced the possibility to book monthly and daily transportation capacity at the redelivery points, and related extraction areas, which feed electric power generation plants. This method of accessing the gas transportation system fits well with the electrical system's requirements for more flexible conveyance methods to respond promptly and efficiently to the electrical system's changing operating conditions. Snam's balancing activities result in the so-called dual price, i.e., they influence the definition of the different imbalanced buying and selling prices. At the end of the day Snam provides gas at a premium to whoever sold more than it brought into the system, or on the contrary, if the operator injected more gas than its customers consumed, it will purchase the excess at a discount.

In 2017, 78 connection contracts were stipulated for the construction of new delivery/redelivery points (including 13 for the injection of biomethane) or the upgrading of existing points.

8 The new balancing system implemented via EU Regulation 312/2014 came into force on 1 October 2016.

9 PRISMA is an international project involving 37 European gas transmission operators from 16 countries. Its goal is to encourage harmonised service delivery and access rules and to facilitate the creation of a single European natural gas market by offering transportation capacity through a single shared digital platform.

Since 2015, Snam has played the role of Default Transportation Supplier, i.e., it supplies gas to the sales companies on the distribution networks interconnected to the transportation network and to final underlying end customers connected directly to its network, for which the User of the balancing services, responsible for the related withdrawals cannot be identified (due to the resolution of the User's transportation contract, for example). The same service is also carried out for the sales companies and final customers at third-party transporters who explicitly requested it. In the thermal year 2016-2017, this service involved 108 subjects between end customers and sales companies for volumes of approximately 42,743.891 MWh.

Information systems at the service of customers

Snam offers its customers a bidirectional information channel aimed at facilitating promptness and flexibility in communication (myg@sview) that provides in "smart" form a set of customisable data depending on customer needs, as well as direct and informal communication in "chat" mode. The portal, which is configured as an actual customisable "dashboard", provides users with a system of customisable widgets and alerts.

In 2017 this instrument was further integrated by increasing the usability, also thanks to operator suggestions, with particular reference to the needs related to the new balancing systems, through the production release of the new version of the on-line Help extended with simple "small dose" training to provide immediate and intuitive support for users regarding how to use the portal myg@sview and individual widgets, a quick guide to printing and a video that explains how the myg@sview portal began and evolved.

As regards the evolution of the "Business & Services" area of the Snam Rete Gas website, following the launch of the new balancing model, a total re-imaging project for the published informational content was launched and completed, with the objective of improving the usability of the information on the part of customers and to introduce the use of graphical forms of presentation based on needs expressed by the customers themselves, as well as best practices identified in other systems.

Also for storage and regasification, with regard to the Stogit and LNG internet sites, working tables have been launched dedicated to the complete review of the information content published in analogy to the model adopted on the Snam Rete Gas website.

PRISMA* Platform

Manages contracting and exchange of transportation capacity at interconnection points with foreign countries (*) system managed by PRISMA GmbH in which Snam is shareholder.

SRG Capacity Portal

Manages the transportation capacity contracting process.

Stogit Capacity Portal

Manages the storage capacity contracting process.

Gas Logistics

Manages the commercial processes of daily scheduling, allocation and interim and final financial statements

Sampei Portal

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

Serve Portal

Manages requests for opening/closing of Redelivery Points for the alternative supply services and requests for clarification on the part of the shippers.

PSV

It is the system to exchange Gas at the Virtual Exchange Point.

Invoicing Portal

Manages the process of issuing transportation and storage invoices.

Myg@sview Portal

"Customisable" dashboard for shippers and traders with a set of features that allow quick access to transportation and balancing services.

(*) system managed by PRISMA GmbH, company of which Snam is shareholder

Quality supplied (compliance with network codes)

	2015	2016	2017
Transportation			
Active customers (shippers) (no.)	139	136	**128**
New connection agreements for delivery/redelivery/interconnection points (no.)	64	45	**78**
Transportation capacity allocated under contract / Available transportation capacity (entry points – foreign interconnection points) (%)	86	72	**71**
Compliance with time frames for issuing connection offers (%)	100	100	**100**
Compliance with time frames for providing services subject to specific commercial quality standards (%)	100	100	**100**
Interruptions carried out with adequate warning (%)	92	98	**98**
Regasification			
Active customers (shippers) (no.)	4	4	**4**
Compliance with the maximum time to accept proposals for monthly scheduling of deliveries (%)	n.r.(*)	100	**100**
Compliance with maximum interruption/reduction of capacity for maintenance work at the terminal (%)	100	100	**100**
Storage			
Active customers (shippers) (no.)	118	91	**89**
Storage capacity allocated under contract / Available storage capacity (%)	100	100	**99,9**
Compliance with time frames for providing services subject to specific commercial quality standards (%)	100	100	**100**
Connection flow lines subject to supervision (%)	76	100	**100**
Total capacity not made available following service interruptions/reductions (%)	0	0	**0**

* n.r.=no response received

MARKET: ENGAGEMENT ACTIVITIES

In 2017, workshops were held with customers focused on mutual discussions on balancing dynamics and on obtaining operators' comments/wishes. In particular, the meetings were an opportunity to discuss innovations and developments in balancing and transportation, storage and regasification operations and to provide feedback on the IT system renovation process.

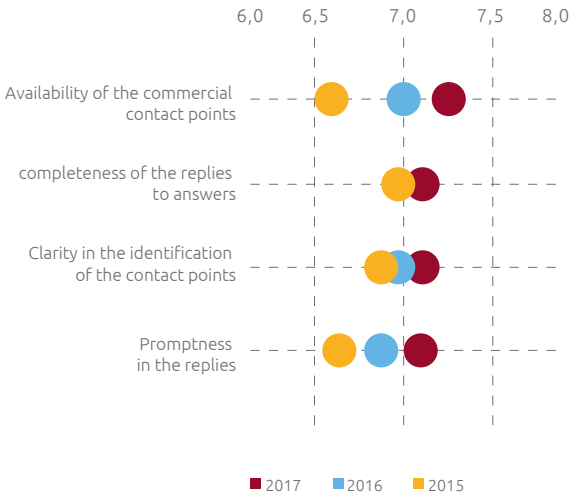
The workshop concluded with a brief survey of opinion, that returned an average satisfaction score of 7.1 (on a scale from 1 to 10).

In April 2017, with the view of finding a method of providing commercial services more aligned with customer expectations, an operations workshop was held, conducted in two sessions. The initiative was the occasion for a direct discussion between Snam and its customers based on the real-time collection of feedback and suggestions concerning: the evolution of the area "Business & Services" section of the Snam Rete Gas website. Finally, during the annual "Shipper's Day" meeting which merged into Partners' Day this year, a debate was held on the challenges facing the Italian and foreign gas market, which saw the participation for the first time also of external companies, such as Eni, A2A, Shell Energy Europe and Edison.

Customer satisfaction

Snam constantly measures the quality perceived by customers through customer satisfaction surveys. In November 2017, a new on-line survey was conducted with all the Shippers and the Traders that were activated in thermal year 2016-2017.
The survey focused on the quality and functionality of services and their evolution, also with regard to customer requests made in previous surveys. On this occasion, the survey, for the first time, was carried out simultaneously on all three sectors of activity (transportation, storage and regasification).
The participation rate was 63% and about 93% of the respondents expressed satisfaction with regard to stakeholder engagement activities.
The set of comments received are, for Snam, the starting point to identify targeted actions for the continuous improvement in the quality of the services offered.

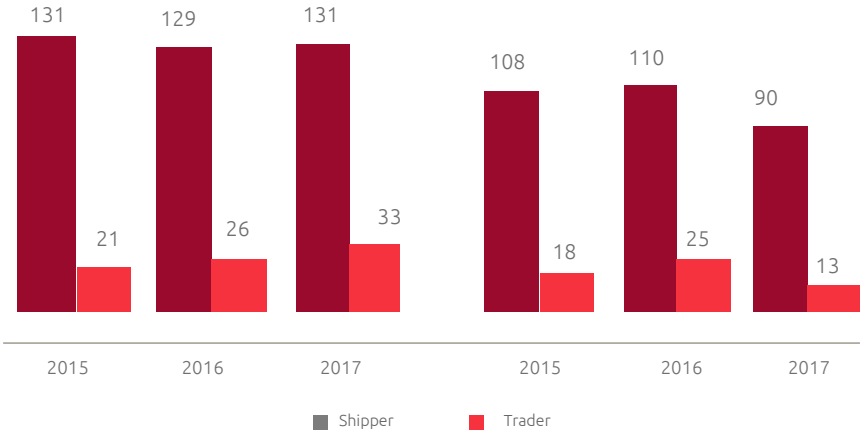
Results by survey area (scale from 1 to 10)



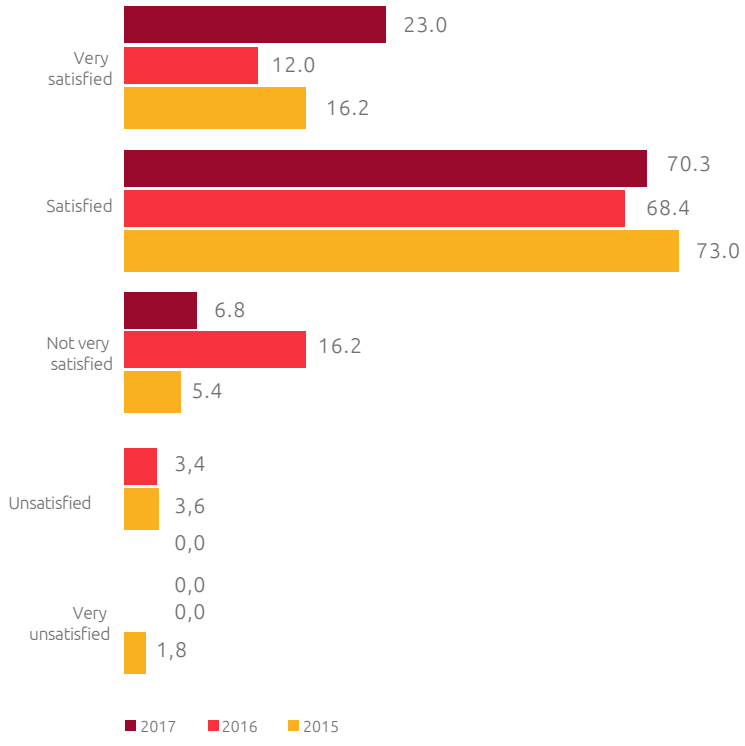
Customer survey participants and opinions

Questionnaires sent (no.)

Questionnaires received (no.)



Client assessment on initiative of Customer satisfaction (%)



Annex

Performance figures and indicators

Key operating figures

	2015	2016	2017
Natural gas transportation			
Gas injected into the network (10^9 m^3)	67.25	70.63	**74.59**
Gas pipeline network (km)	32,534	32,508	**32,584**
Average travel distance of gas in Italian transportation network (km)	419	582	**551**
Gas compression stations (no.)	11	11	**11**
Installed power in the gas compression stations (MW)	877	922	**922**
Liquefied natural gas regasification			
Liquefied natural gas injected in the network (10^9 m^3)	0.03	0.21	**0.62**
Number of LNG tanker loads	1	5	**15**
Natural gas storage			
Gas injected in storage (10^9 m^3)	9.84	9.97	**9.80**
Gas delivered from storage (10^9 m^3)	9.74	10.03	**10.12**
Operating concessions (no.)	9	9	**9**

Key financial figures (*)

	2015	2016	2017
Economic and financial data			
Total revenue (€ mln)	2,627	2,560	**2,533**
Adjusted EBIT (€ mln)	1,481	1,336	**1,363**
Adjusted net profit (€ mln)	910 (*)	845 (*)	**940**
Reported Group net profit (€ mln)	1,238	861	**897**
Technical investments (€ mln)	879	906	**1,304**
Net invested capital at 31 December (€ mln)	21,365	17,553	**17,738**
Shareholders' equity at 31 December (€ mln)	7,585	6,497	**6,188**
Net financial debt at 31 December (€ mln)	13,779	11,056	**11,550**
Free Cash Flow (€ mln)	771	1,707	**423**
Added value produced (€ mln)	2,429	2,518	**2,447**
Added value distributed (€ mln)	1,831	1,913	**1,621**
Total revenue (€ mln)	2,627	2,560	**2,533**

Follows Key financial figures (*)

	2015	2016	2017
Titolo Snam			
Number of shares in share capital (mln)	3,500.6	3,500.60	**3,500.6**
Number of shares outstanding on 31 December (mln)	3,499.5	3,470.70	**3,414.5**
Average number of shares outstanding during the year (mln)	3,499.5	3,496.80	**3,422.4**
Year-end official share price (€)	4.85	3.922	**4.086**
Average official share price during the period (€)	4.51	4.101	**4.043**
Market capitalisation (€ mln)	16,973	13,612	**13,953**
Dividends paid in the period (€ mln)	875	875	**718**

(*) For comments to the economic and financial results see the annual financial report

Key employees figures and indicators

	2015	2016	2017
Total employees (no.)	3,005	2,883	**2,919**
Average headcount (no.)	2,984	3,026	**2,927**
Average age of employees (years)	46.6	46.1	**45.7**
Average length of service (years)	21.7	21.1	**21.0**
Employees by business segment			
Corporate (no.)	715	785	**824**
Transportation (no.)	1,918	1,726	**1,972**
Storage (no.)	299	301	**60**
Regasification (no.)	73	71	**63**
Employees by grade			
Executives (no.)	99	87	**93**
Middle Managers (no.)	449	421	**456**
Administrative staff (no.)	1,736	1,651	**1,655**
Blue-collar workers (no.)	721	724	**715**
Employees by type of contract			
Permanent contract (no.)	2,779	2,631	**2,755**
Apprenticeship or internship contract (no.)	171	206	**150**
Fixed-term contract (no.)	1	1	**14**
Part-time contract (n)	54	45	**42**
Employees by geographical area			
North (no.)	2,242	2,169	**2,204**
Central (no.)	216	204	**202**
South and Sicily (no.)	544	506	**509**
Abroad (no.)	3	4	**4**

Follows **Key Employee figures and indicators**

	2015	2016	2017
Employees by gender			
Men (no.)	2,578	2,514	**2,526**
Women (no.)	427	369	**393**
Remuneration differential - women/men (executive grade)	0.93	1.02	**1.03**
Remuneration differential - women/men (middle manager grade)	0.96	0.96	**0.96**
Remuneration differential - women/men (administrative staff grade)	0.88	0.89	**0.89**
Entries and Departures			
Hired from the market (no.)	162	141	**148**
of which university graduates (no.)	75	73	**100**
of which high school graduates (no.)	86	66	**48**
of which women (no.)	32	35	**53**
of which men (no.)	130	106	**95**
Other new employees (non-consolidated companies, acquisitions, etc.) (no.)	4	36	**36**
Percentage of university graduates hired (%)	46	52	**67**
Departures in the year (no.)	68	53	**69**
Turnover (no.)	7.7	6.4	**7.4**
Absenteeism rate (no.)	4.4	4.7	**4.7**
Training			
Training hours (no.)	87,620	82,184	**85,346**
Participants (no.)	10,203	10,396	**8,604**
Average hours of training per employee (no.)	29.2	28.5	**29.2**
Executive training hours (no.)	2,744	2,940	**1,908**
Middle Manager training hours (no.)	11,143	10,021	**8,600**
Administrative staff training hours (no.)	41,763	31,072	**39,316**
Blue-collar worker training hours (no.)	31,970	38,151	**35,522**
Average training hours delivered to men (no.)	30.9	30.2	**31.3**
Average training hours delivered to women (no.)	18.4	17.0	**15.8**
Average training hours delivered to executives (no.)	27.7	33.8	**20.5**
Average training hours delivered to middle managers (no.)	24.8	23.8	**18.9**
Average training hours delivered to administrative staff (no.)	24.1	18.8	**23.8**
Average training hours delivered to blue-collar workers (no.)	44.3	52.7	**49.7**
Training hours for health, safety and environment (no.)	24,305	19,288	**9,641**
Participation for health, safety and environment (no.)	4,117	3,484	**1,695**

33 people were employed on staff leasing contracts in 2017 (36 in 2016 and 23 in 2015).

Main HSE data and indicators - Business activities

	2015	2016	2017
Health and Safety			
Employee accidents (no.)	3	4	**6**
Employee accident frequency index	0.62	0.81	**1.24**
Employee accident severity index	1.55	0.04	**0.05**
Contractor accidents (no.)	8	5	**5**
Contractor accident frequency index	1.07	0.71	**0.54**
Contractor accident severity index	0.07	0.05	**0.83**
Employee and contractor accident frequency index	0.89	0.75	**0.78**
Employee and contractor severity index	0.66	0.05	**0.56**
Energy			
Total energy consumption (TJ)	9,087.3	10,957.4	**12,582.3**
of which natural gas (TJ)	8,688.6	10,541.7	**12,153.2**
of which diesel (TJ)	83.7	84.4	**77.9**
of which gasoline (TJ)	1.9	2.2	**2.3**
of which LPG (TJ)	0.5	0.4	**0.4**
of which heat (TJ)	13.7	14.5	**10.8**
of which electricity (TJ)	298.9	314.2	**337.7**
Emissions			
Natural gas emissions (10^6 m^3)	49.7	48.2	**46.8**
GHG scope 1-2-3 Emissions (10^3 t CO_{2eq})	1,702	1,802	**1,749**
GHG scope 1 Emissions (10^3 t CO_{2eq})	1,373	1,439	**1,500**
GHG scope 2 Emissions (10^3 t CO_{2eq}) - Location based	28	29	**32**
GHG scope 3 Emissions (10^3 t CO_{2eq})	301	334	**217**
NOx emissions (t)	400	434	**532**
CO emissions (t)	257	281	**329**
CO_2 emissions /energy used (kg/GJ)	54.3	55.0	**54.9**
NO_x emissions/energy used (kg/ GJ)	0.044	0.040	**0.042**
Waste			
Total waste production (t)	29,649	52,513	**54,413**
Non-hazardous waste production (t)	26,567	48,954	**50,604**
Hazardous waste production (t)	3,082	3,558	**3,809**
Waste recovered from production operations (%)	54	77	**80**
Water extraction and discharge			
Freshwater extractions (10^3 m^3)	182	177	**170**
Fresh water discharges (10^3 m^3)	132	139	**112**
Seawater extractions (10^3 m^3)	4,000	4,000	**4,000**
Seawater discharges (10^3 m^3)	4,000	4,000	**4,000**
HSE management			
Environmental expenses (€mln)	154.8	139.8	**120.6**
Safety and health expenses (€mln)	37.5	47.9	**34.7**
Medical visits (no.)	1,270	1,561	**1,914**
Periodic medical visits (no.)	991	1,337	**1,688**
Diagnostic examinations (no.)	1,828	2,252	**3,508**
Total HSEQ audits conducted (no.)	203	212	**159**
Environmental surveys (no.)	203	172	**279**

Main HSE Data and Indicators – Business Segments

	2015	2016	2017
Natural gas transportation			
Health and safety			
Employee accidents (no.)	3	1	**2**
Contractor accidents (no.)	7	4	**4**
Employee frequency index	0.97	0.32	**0.66**
Employee severity index	2.48	0.004	**0.03**
Contractor frequency index	1.13	0.65	**0.47**
Contractor severity index	0.05	0.05	**0.90**
Energy and the Environment			
Energy consumption (TJ)	4,278	5,824	**7,459**
GHG scope 1 Emissions (10^3 t CO_{2eq})	884	922	**1,008**
Natural gas emissions (10^6 m^3)	37	34.6	**34.4**
Natural gas recovered (10^6 m^3)	3.6	4.5	**4.1**
NO_x emissions (t)	225	228	**342**
Energy consumption/compressed energy (%)	0.23	0.25	**0.25**
CO_2 emissions/compressed gas (kg/10^6 m^3)	5,805	6,023	**5,767**
Natural gas emissions/km of network (m^3/km)	1,138	1,066	**1,057**
NO_x emissions/compressed gas (kg/10^6 m^3)	5.7	4.4	**4.8**
Average emissions of NOx per turbine/installed capacity ([mg/Nm^3]/MW)	4.6	4.4	**4.4**
DLE turbine operating hours/Total turbine operating hours (%)	88	94	**93**
Liquefied natural gas regasification			
Health and safety			
Employee accidents (no.)	0	1	**1**
Contractor accidents (no.)	0	0	**0**
Employee frequency index	0	8.65	**9.31**
Employee severity index	0	0.66	**0.17**
Contractor frequency index	0	0	**0**
Contractor severity index	0	0	**0**
Energy and the Environment			
Energy consumption (TJ)	52	128	**325**
GHG scope 1 Emissions (10^3 t CO_{2eq})	39	54	**44**
Natural gas emissions (10^6 m^3)	2.0	2.9	**1.7**
NO_x emissions (t)	1.1	5.5	**14.8**
Natural gas storage			
Health and safety			
Employee accidents (no.)	0	1	**2**
Contractor accidents (no.)	1	1	**0**
Employee frequency index	0	2.00	**6.71**
Employee severity index	0	0.11	**0.43**
Contractor frequency index	0.89	1.27	**0**
Contractor severity index	0.18	0.07	**0**

Follows **Main HSE Data and Indicators – Business Segments**

	2015	2016	2017
Energy and the Environment			
Energy consumption (TJ)	4,740	4,985	**4,787**
GHG scope 1 Emissions (10^3 t CO_{2eq})	450	462	**448**
Natural gas emissions (10^6 m^3)	10.7	10.7	**10.7**
NO_x emissions (t)	175	201	**175**
Emissions of natural gas for storage/gas stored (%)	0.051	0.047	**0.048**
NO_x emissions/stored gas (kg/10^6 m^3)	17.8	20.1	**17.9**
Average emissions of NOx per turbine/installed capacity ([mg/Nm^3]/MW)	5.6	5.4	**5.2**

Methodological note

Introduction and presentation of the document

The Snam Sustainability Report is published in order to maintain complete and exhaustive reporting on material topics affecting the company, for the benefit of all stakeholders and in particular of SRI and of the Global Compact analysts.
The methodological reference for drafting the report are the GRI Sustainability Reporting standards published in 2016 by GRI, applied with adherence level "*in comprehensive accordance*".
The content of the report supplements non-financial data and information reported in other documents published by the Company. Specifically:

- The Integrated Management Report, attached to the financial report drafted following the instructions of the International Integrated Reporting Council;
- The Non-Financial Statement included in the Integrated Management Report, which deals specifically with the environmental aspects of health and safety, personnel management, anti-corruption and the protection of human rights, in conformity with the requirements of Italian Legislative Decree 254/2016.
- Report on Corporate Governance and Ownership Structure.
- The Remuneration Report.

Consolidation scope and criteria

The report contains data and information with reference to the financial year ended 31st December 2017. The activities included within the scope of the report are:

- Corporate (Snam S.p.A. with the subsidiaries Gasrule Insurance Limited and Snam4Mobility S.p.A)

Transportation (Snam Rete Gas S.p.A., Asset Company 2 S.r.l. and Infrastrutture Trasporto Gas S.p.A.);

- LNG regasification (GNL Italia S.p.A.);
- Storage (Stogit S.p.A.).

There are no differences in the consolidation criteria adopted in comparison with those in the Financial Report.

Reporting process and methods

The process of gathering data and information and preparing the report was coordinated and managed by the CSR unit of the parent company, Snam, in cooperation with the various corporate functions and operating companies. Publication of the document, simultaneous to the Annual Report, was subject to approval by the Snam Board of Directors on 13th March 2018.

The economic and financial, operating and governance data was taken directly from the Annual Report and from the Report on Corporate Governance and Ownership Structure. Data concerning the environment, employees and the other aspects addressed in the document were gathered from the process owners.

The calculation methods used to determine the various figures are indicated in the specific related sections. To ensure the comparability over time of the indicators deemed most significant and to give the reader the chance to compare the performance achieved, current values have been placed alongside those for the previous two years, using graphs and tables. The document aims to provide a balanced picture of both positive and negative aspects and, when deemed appropriate, to comment on the results obtained, including the events and actions concerning the Company during 2017. It is noted that the calculation methodology of the Accident severity index has been updated in comparison to that used in the previous Reports (it includes also fatal accidents).
On the base of this update the 2015 data have been modified and therefore they aren't equal to those published in the 2016 Sustainability Report.

Application of GRI standards

The content of the report refers to Snam's material topics and the related material GRI topics. Listed below are the main methods for applying the standards:

- standard 102 (from item 102-1 to 102-56), was fully covered;
- the specific standard topic of the 200 (Economic), 300 (Environmental) and 400 (Social) were selected in relation to the themes listed in the materiality matrix published on page 36 of the document.

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

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

Representation of scope of material topics (103-1)

GRI standard (topic)	Associated Material Snam issue	Internal scope of the topic	External scope of the topic	Limitations of the scope
201: Economic performance	Economic performance	One Company		
203: Indirect economic impact	Engagement of the territory			
413: Local communities				
205: Anti-corruption	Anti-corruption Business integrity Relationships with Authorities		Suppliers	
419: Socio-economic compliance				
401: Employment 402: Labour /Management Relations	Employment			
403: Occupational H&S	Health and safety		Suppliers	
404: Training & Education	Human resources development			
406: Non-discrimination	Human rights		Suppliers	
412: Human rights assessment				
414: Supplier social assessment				
302: Energy	Biodiversity, Energy efficiency Climate change	T,S		Energy consumption of suppliers
304: Biodiversity		T		
305: Emissions		T,S,R		Emissions related to energy consumption of suppliers
308: Supplier environmental assessment		One Company		
102: General disclosure	Transparency in corporate governance	C		

Key: T = Transportation; S= Storage; R= Regasification; C= Corporate; One Company= T,S , R

As far as the material aspects for which the reporting has not yet been extended to the external perimeter are concerned ("Limitations of the scope"), Snam is committed to implementing specific measures in the coming years which will allow the scope of the reporting to be gradually extended.

Assurance

The report was audited by the independent auditors (E&Y S.p.A.) in accordance with the principles and indications of the International Standard on Assurance Engagement (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB). The results of the audits conducted are given in the Independent Auditors' Report attached.

Reference period	Year from 1-1-2017 to 31-12-2017
Frequency	Annual
Last document published	Natural gas for decarbonisation - 2016 Sustainability Report
Contact persons	Domenico Negrini, Bruno Andreetto Snam Spa Piazza Santa Barbara, 7 San Donato Milanese (MI), Italy
Accessibility	www.snam.it
email	domenico.negrini@snam.it – bruno.andreetto@snam.it

GRI Standard correlation table

RS = Sustainability Report
RF = Integrated Financial Report - Annual report
RCG = Report on Corporate Governance and Ownership Structure
RR = Remuneration Report

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 102 - General disclosures				
Organisational profile	102-1	Name of the organisation	Cover page	
	102-2	Activities brands, products and services	RS – 34-35	
	102-3	Location of headquarters		Snam's headquarters are in San Donato Milanese, Italy http://www.snam.it/en/about-us/headquarter/index.html
	102-4	Location of operations	RS – 30	
	102-5	Ownership structure	RCG – 8	
	102-6	Markets served	RS	
	102-7	Size of the organisation	RF – 45-46	
	102-8	Information on employees and other workers	RS – 62	The breakdown of the information by country and by gender are not given
	102-9	Supply Chain	RS –74	
	102-10	Significant changes to the organisation and its supply chain	RS – 28	
	102-11	Precautionary principle or approach	RS – 54-57	
	102-12	External initiatives		Snam adheres to the Global Compact
	102-13	Membership of associations	RS – 18	http://www.snam.it/en/Sustainability/responsibility_towards_everyone/technological_and_regional_partnerships.html
Strategy	102-14	Statement from senior decision-maker	RS – 4	Message from the Chief Executive Officer
	102-15	Key impacts, risks, and opportunities	RF – 35-39	
Ethics and integrity	102-16	Values, principles, standards, and norms of behaviour	RS – 42	
	102-17	Mechanisms for advice and concerns about ethics		http://www.snam.it/en/governance-conduct/business-conduct/whistleblowing/index.html

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
Governance	102-18	Governance structure	RCG – 7	
	102-19	Delegating authority	RF – 30	
	102-20	Executive-level responsibility for economic, environmental, and social topics	RCG – p.56	
	102-21	Consulting stakeholders on economic, environmental, and social topics	RS – 37-38	
	102-22	Composition of the highest governance body and its committees	RCG – 56-65	
	102-23	Chair of the highest governance body	RCG – 55	
	102-24	Nominating and selecting the highest governance body	RCG – 40	
	102-25	Conflicts of interest	RCG – 32	
	102-26	Role of highest governance body in setting purpose, values, and strategy	RCG – 48,50,51	
	102-27	Collective knowledge of highest governance body	RCG – 69	
	102-28	Evaluating the highest governance body's performance	RCG – 11,52	
	102-29	Identifying and managing economic, environmental, and social impacts	RF – see note 102-31	
	102-30	Effectiveness of risk management processes	RF – 33-34	
	102-31	Review of economic, environmental, and social topics		The review takes place annually under the scope of: a) the updating of the strategic plan, b) the Enterprise Risk Management process and c) the updating of the materiality analysis.
	102-32	Highest governance body's role in sustainability reporting		The Sustainability Report is examined by the Sustainability Committee and approved by the Board of Directors.
	102-33	Communicating critical concerns	See note 102-17	
	102-34	Nature and total number of critical concerns	RCG – 90	
	102-35	Remuneration policies	RR – 15,16	
	102-36	Process for determining remuneration	RR – 12-14	
	102-37	Stakeholders' involvement in remuneration	RCG – 38 RR – 21	
	102-38	Annual total compensation ratio		Confidential disclosure
	102-39	Percentage increase in annual total compensation ratio		Confidential disclosure

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
Stakeholder engagement	102-40	List of stakeholder groups	RS – 37	
	102-41	Collective bargaining agreements		The CCNL (Energy and Oil contract for the transportation, storage, regasification) is applied to non-management personnel. The National Contract for Managers of Companies producing Goods and Services is applied to Management.
	102-42	Identifying and selecting stakeholders	RS – 37	
	102-43	Approach to stakeholder engagement	RS – 37-38	
	102-44	Key topics and concerns raised	RS – 36	
Reporting process	102-45	Entities included in the consolidated financial statements and not included in Sustainability Report	RF – 5 RS – 28	There are no differences in the scope of consolidation.
	102-46	Defining report content and topic boundaries	RS – 93-95	
	102-47	List of material topics	RS – 36	
	102-48	Restatements of information		There is no significant data or information that has been changed compared with the previous report
	102-49	Changes in reporting	RS – 93-95	
	102-50	Reporting period	RS – 93-95	
	102-51	Date of most recent report	RS – 93-95	
	102-52	Reporting cycle	RS – 93-95	
	102-53	Contact point for questions regarding the report	RS – Methodological note RS – 93-95	
	102-54	Statement of compliance with the GRI Standards	RS – 93-95	
	102-55	GRI content index	RS – 96-102	
	102-56	External assurance	RS – 95	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
Economic material topics (GRI 200)				
GRI 201 Economic Performance	103-1 - 103-2-103-3	Management approach	RS – 31 RF – 43-44	
	201-1	Direct economic value generated and distributed	RS – 32	
	201-2	Financial implications and other risks and opportunities due to climate change	RS – 54	
	201-3	Defined benefit plan obligations and other retirement plans		In 2017, Snam complied with the social security obligations set out in the applicable employment contracts. The active funds are for non-management personnel or the Energy Fund, while PREVINDAI and FOPDIRE apply to managers.
	201-4	Financial assistance received from government		In 2017 there was no financial assistance from government
GRI 203 Indirect Economic Impacts	103-1 - 103-2 103-3	Management approach	RS – 75	
	203-1	Infrastructure investments and services supported	RS – 32	
	203-2	Significant indirect economic impacts	RS – 75	
GRI 205 Anti-corruption	103-1 - 103-2-103-3	Management approach	RF – 172-173 RS – 41	
	205-1	Operations assessed for risks related to corruption		All operations are analysed with regard to the risk of corruption
	205-2	Communication and training about anti-corruption policies and procedures	RF – 174	
	205-3	Confirmed incidents of corruption and actions taken	RF – 174	No cases of corruption were confirmed in 2017
Environmental material topics (GRI 300)				
GRI 302 Energy	103-1 - 103-2-103-3	Management approach	RS – 47	
	302-1	Energy consumption within the organisation	RS – 90-92	
	302-2	Energy consumption outside of the organisation		Information not available
	302-3	Energy intensity	RS – tables	
	302-4	Reduction of energy consumption	RS – 90-92	Energy consumption reduction reported using avoided CO_2 emissions.
	302-5	Reductions in energy requirements of products and services		Not applicable

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 304 Biodiversity	103-1 - 103-2-103-3	Management approach	RS – 39,43,58	
	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	RS – 59	
	304-2	Significant impacts of activities, products, and services on biodiversity	RS – 58-60	
	304-3	Habitats protected or restored	RS – 58-60	
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable
GRI 305 Emissions	103-1 - 103-2 - 103-3	Management approach	RS – 47-48	
	305-1	Direct (Scope 1) GHG emission	RS – 50	
	305-2	Energy indirect (Scope 2) GHG emissions	RS – 51	
	305-3	Other indirect (Scope 3) GHG emissions	RS – 52	
	305-4	GHG emissions intensity	RS – 49	
	305-5	Reduction of GHG emissions	RS – 47	
	305-6	Emissions of ozone-depleting substances (ODS)		Not present
	305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	RS – 53	
GRI 308 Supplier Environmental Assessment	103-1 - 103-2 - 103-3	Management approach	RS – 39,76-80	
	308-1	New suppliers that were screened using environmental criteria	RS – 78	
	308-2	Negative environmental impacts in the supply chain and actions taken	RS – 78	
Social material topics (GRI 400)				
GRI 401 Employment	103-1 - 103-2 - 103-3	Management approach	RS – 39,64	
	401-1	New employee hires and employee turnover	RS – 63	The breakdown of the information by country and by gender are not given (information that is not significant because almost the entire population of the company is located in Italy)
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		There are no differences in access to business benefits
	401-3	Parental leave	RS – 65	The permanence rate in the company on year after returning is missing

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 402 Industrial relations	103-1 - 103-2 - 103-3	Management approach		Snam guarantees all workers the right to express their thoughts freely, to belong to associations and to be involved in trades union activities. At the end of 2071, 27.9% of employees belonged to a trade union organisation.
	402-1	Minimum notice periods regarding operational changes		Regulated within the purview of the collective labour agreement
GRI 403 Occupational health and safety	103-1 - 103-2 - 103-3	Management approach	RS – 39, 67-69	
	403-1	Workers representation in formal joint management worker health and safety committees		The representation of workers is guaranteed by law (ref. TU Legislative Decree 81/2008) and by national contracts
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	RS – 68	The breakdown of employee and subcontractors accidents by country and by gender is not given as it is not significant (almost all employees are located in Italy and the worker category, the one most exposed to the risk of accident, is made up exclusively of male personnel)
	403-3	Workers with high incidence or high risk of diseases related to their occupation		No instance of occupational illnesses were recorded in 2017
	403-4	Health and safety topics covered in formal agreements with trade unions		There were no union agreements in this regard during the year
GRI 404 Training and education	103-1 - 103-2 - 103-3	Management approach	RS – 39,65	
	404-1	Average hours of training per year per employee	RS – 89	
	404-2	Programmes for upgrading employee skills and transition assistance programmes	RS – 65 RF – 139-140	
	404-3	Percentage of employees receiving regular performance and career development reviews	RS – 67	Around 8% of the total corporate population of employees was evaluated through CREA
GRI 406 Non discrimination	103-1 - 103-2 - 103-3	Management approach	RS – 39,64 RF – 174-175	
	406-1	Incidents of discrimination and corrective actions taken		There were no reported incidents of discrimination in 2017
GRI 413 Local communities	103-1 - 103-2 - 103-3	Management approach	RS – 13,39,56	
	413-1	Operations with local community engagement, impact assessments, and development programmes	RS – 55-56	
	413-2	Operations with significant actual and potential negative impacts on local communities	RS – 55-56	

GRI Standard	Disclosure	Description	Reference document and page number	Omissions/Notes
GRI 414 Supplier Social Assessment	103-1 - 103-2 - 103-3	Management approach	RS – 39,76-80	
	414-1	New suppliers that were screened using social criteria	RS – 78	
	414-2	Negative social impacts in the supply chain and actions taken	RS – 78	
GRI 419 Socio-economic Compliance	103-1 - 103-2 - 103-3	Management approach	RF – 161-165	
	419-1	Non-compliance with laws and regulations in the social and economic area	RF – 266-271	
Snam's Material topics not associated with the GRI material topics				
Sustainable mobility	103-1 - 103-2 - 103-3	Management approach	RS – 44-46	
Quality of the services	103-1 - 103-2 - 103-3	Management approach	RS – 81-85	
Technological innovation and reliability of infrastructures	103-1 - 103-2 - 103-3	Management approach	RS – 54-57 RF – 145-146	
Business continuity and cyber security	103-1 - 103-2 - 103-3	Management approach	RS – 57	
Reputation and brand	103-1 - 103-2 - 103-3	Management approach	RS – 38	

Global Compact reconciliation table

The Snam management model takes its inspiration from the Code of Ethics and is based on management policies founded on the principles of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO and the OECD Guidelines for Multinational Enterprises. The Code of Ethics can be consulted at http://www.snam.it/export/sites/snam-rp/repository/file/Governance/codice-etico/codice_etico.pdf and the policies can be consulted on the Company's website at http://www.snam.it/en/Sustainability/strategy_and_commitments/.

The ten principles	2017 Sustainability Report	Page
Human rights		
Principles, 1, 2 - Companies are asked to promote and respect universally recognised human rights in their respective spheres of influence and to make sure they are not complicit, even indirectly, in human rights violations.	• Snam operates in the framework of the United Nations Universal Declaration of Human Rights, the Fundamental Conventions of the ILO - International Labour Organisation - and of the OECD Guidelines for Multinational Enterprises and the principles enshrined in the United Nations Global Compact (principles enshrined in its own code of ethics). • Snam promotes sustainability and business ethics in its supply chain and conducts audits in the field of human rights, occupational safety of suppliers and subcontractors. • Snam safeguards occupational safety and health through training, sensitisation raising and education initiatives	• 39, 41 • 78-81 • 38,65-70
Labour		
Principles 3, 4, 5, 6 - Businesses are required to uphold freedom of association and the recognition of the right to collective bargaining; the elimination of all forms of forced and compulsory labour; the abolition in practice of child labour; and the elimination of all forms of discrimination in respect of employment and work.	• Snam respects everyone's dignity, and offers equal opportunities in every phase and every aspect of the employment relationship, avoiding all forms of discrimination based on sex, age, health, nationality, political opinion or religious views. • Snam applies the Energy and Petroleum agreement and guarantees trade union rights for all workers. • Snam holds numerous meetings with Trade Union organisations at a national and local level dedicated to the analysis of business development projects and new organisational structures • Snam develops initiatives to reconcile work and life • Snam provides its employees with training and professional development opportunities	• 64-65 • 62-63, 100 • 71 • 11-12 • 65-67
Environment		
Principles 7, 8, 9 - Companies are asked to maintain a preventive approach to environmental challenges; to undertake initiatives that promote greater environmental responsibility; and to encourage the development and dissemination of technologies that respect the environment.	• Snam develops projects to strengthen its operational excellence and to contribute to the containment of greenhouse gas emissions. • Protecting the environment and biodiversity are integral parts in defining Snam's corporate policies and investment decisions • All of Snam's activities are monitored by certified environmental management systems (ISO 14001) • Snam performs specific energy management and CO2 saving activities • Snam also evaluates it suppliers using environmental criteria	• 44-52 • 54-60 • 43 • 47-48 • 78
Anti-Corruption		
Principle 10 - Companies commit to fighting corruption in any form, including extortion and bribery.	• Snam disseminates ethical principles and business values • Snam collaborates with International Transparency International on anti-corruption and governance • Snam provides training activities in matters of legality and anti-corruption • Snam conducts reputational checks of suppliers and subcontractors • No cases of corruption were reported in 2017	• 39-42 • 41 • 41 • 79 • 99
SDGs		
Support for Sustainable Development Goals	Snam, also undertakes to contribute to the sustainable development of the economy and future society with reference to the Sustainable Development Goals defined by the UN and expresses its contribution to all the goals. With reference to the strategy of the integration of SDGs into the business model, Snam is particularly active in goals 7, 9, 13, 15.	5, 15-17

Letter of Assurance

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Independent auditors' report on the document "Corporate responsibility and social innovation - 2017 Sustainability Report"

(Translation from the original Italian text)

To the Board of Directors of
Snam S.p.A.

We have carried out a limited assurance engagement of the document "Corporate Responsibility and Social Innovation - 2017 Sustainability Report" (hereinafter "Sustainability Report") of Snam S.p.A. and its subsidiaries (hereinafter the "Group") as of December 31, 2017.

Directors' responsibility on the Sustainability Report

The Directors are responsible for the preparation of the Sustainability Report in accordance with the "GRI Sustainability Reporting Standards" issued in 2016 by GRI - Global Reporting Initiative that are detailed in the paragraph "Methodological note" of the Sustainability Report, as well as for that part of internal control that they consider necessary in order to allow the preparation of a Sustainability Report that is free from material misstatements, even caused by frauds or unintentional behaviours or events. The Directors are also responsible for defining commitments of the Group regarding the sustainability performance and for the reporting of the results achieved, as well as for the identification of the stakeholders and of the significant matters to report.

Auditors' responsibility

It is our responsibility the preparation of this report on the basis of the procedures carried out. Our work has been conducted in accordance with the criteria established by the principle "International Standard on Assurance Engagements 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for the engagements that consist in a limited assurance.

This principle requires the respect with the independence and other ethical requirements in compliance with professional standards and applicable legal and regulatory requirements and the maintenance of a comprehensive system of quality control ISQC (Italy) n. 1 as well as the planning and the execution of our work in order to obtain a limited assurance that the Sustainability Report is free from material misstatements.

EY S.p.A.
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These procedures included inquiries, primarily with company's personnel responsible for the preparation of the information included in the Sustainability Report, document analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

The procedures were related to the compliance with the Standard "GRI 101: Foundation 2016" for defining report content and quality of the Sustainability Report and are summarised below:

a. comparison of economic and financial data and information included in the Sustainability Report with those included in the Group's consolidated financial statements as of 31st December 2017 on which we issued our audit report on March 29, 2018;

b. analysis, through interviews, of the governance system and management process of the issues related to the sustainable development regarding the Group's strategy and operations;

c. analysis of the process relating to the definition of material aspects included in the Sustainability Report, with reference to the criteria applied to identify priorities for the different stakeholders categories and to the internal validation of the process outcomes;

d. analysis of the operation of the processes that support the generation, recording and management of the quantitative data reported in the Sustainability Report. In particular, we have carried out the following procedures:

   - interviews and discussions with personnel of the management of the Snam S.p.A. and with the personnel of Snam Rete Gas S.p.A. and Stogit S.p.A., to obtain an understanding about the information, accounting and reporting systems in use for the preparation of the Sustainability Report, as well as about the internal control processes and procedures supporting the collection, aggregation, data processing and transmission of data and information to the department responsible for preparation of the Sustainability Report;
   - on site verifications at the site of Poggio Renatico of Snam Rete Gas S.p.A. and the site of Fiume Treste of Stogit S.p.A.;
   - analysis on a sample basis of the documentation supporting the compilation of the Sustainability Report, in order to confirm the processes in use, their adequacy and the operation of the internal control for the correct processing of data and information in relation to the objectives described in the Sustainability Report;

e. analysis of the compliance and internal consistency of the qualitative information included in the Sustainability Report to the guidelines identified in paragraph "Directors' responsibility on the Sustainability Report" of the present report;

f. analysis of the process relating to stakeholders engagement, with reference to procedures applied, through review of minutes or any other existing documentation relating to the main topics arisen from discussions with them;

g. obtaining of the representation letter, signed by the legal representative of Snam S.p.A., relating to the compliance of the Sustainability Report with the guidelines indicated in paragraph

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"Directors' responsibility on the Sustainability Report", as well as to the reliability and completeness of the information and data presented in the Sustainability Report.

Our engagement is less in scope than a reasonable assurance engagement in accordance with ISAE 3000 Revised and, as consequence, we may not have become aware of all the significant events and circumstances which we could have identified had we performed a reasonable assurance engagement.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the "Corporate responsibility and social innovation - 2017 Sustainability Report" of the Group as of December 31, 2017 is not in compliance, in all material aspects, with the "GRI Sustainability Reporting Standards" issued in 2016 by the GRI - Global Reporting Initiative, as stated in the paragraph "Methodological note" of the Sustainability Report.

Torino, 29th March 2018

EY S.p.A.
Signed by: Massimiliano Formetta, Partner

This report has been translated into the English language solely for the convenience of international readers

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