

Report of the Board of Directors on the proposals  
concerning the items on the agenda of the Shareholders' meeting

**SNAM S.p.A.**

**EXTRAORDINARY AND ORDINARY SHAREHOLDERS' MEETING OF 23 OCTOBER**

**2019**

**SINGLE CALL**

**Report by the Board of Directors on the proposals concerning the items on the agenda of the**

**Shareholders' Meeting**

**ORDINARY SESSION**

**Item 1**

**Termination by mutual agreement of the appointment as external auditor with  
*PricewaterhouseCoopers S.p.A.* and simultaneous appointment of external auditor of the  
Company's accounts for the period 2020 - 2028 and establishment of the related fees**

Dear Shareholders,

you are called to attend an ordinary session to resolve on the termination by mutual agreement of the appointment as external auditor of the accounts of Snam S.p.A. (the “*Company*” or “*Snam*”) entrusted to *PricewaterhouseCoopers S.p.A.* (“*PwC*”) by the Ordinary Shareholders' Meeting of 24 April 2018 for the financial years 2018-2026 and the simultaneous appointment of the external auditor of the Company for the nine-year period 2020-2028 and determination of the related fees.

To this end, we would remind you at the outset that:

- (i) under the combined provisions of article 13, subsection 4, of Legislative Decree no. 39 of 27 January 2010, and article 7 of the Decree of the Minister of the Economy and Finance no. 261 of 28 December 2012, decisions to terminate external auditor appointments by mutual agreement are approved by the Ordinary Shareholders' Meeting on a proposal from the Board of Directors, having received the comments of the “*outgoing*” auditing company and discussed these comments with the Board of Statutory Auditors;
- (ii) under the combined provisions of article 16 of (EU) Regulation No. 537 of 2014 and article 13 of Legislative Decree no. 39 of 2010, the Ordinary Shareholders' Meeting, on a reasoned

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proposal from the Board of Statutory Auditors, makes the external auditor appointment and determines the respective fees for the duration of the appointment and establishes any adaptation criteria.

Further to the above, as you know, Snam's accounts are currently audited by *PricewaterhouseCoopers* S.p.A. ("*PwC*"), by virtue of an appointment which, as mentioned, is due to expire on the date of approval of the financial statements as of 31 December 2026.

To date, and until the approval of the financial statements for 2019, *PwC* is also the company in charge of auditing the accounts of Cassa Depositi e Prestiti S.p.A. ("*CDP*") Snam's controlling shareholder. With a view to the impending expiry, during 2018, *CDP* began the preparatory activities required to select the new auditor for the nine-year period 2020-2028.

In this context, considering that almost all the external auditor appointments of the subsidiaries included in the consolidation scope of *CDP* (for these limited purposes and in this limited sense, the "*Group*") were also entrusted to *PwC*, with an expiry date aligned with the external auditor appointment for *CDP*, i.e. the date of approval of the financial statements for 2019, *CDP* decided to offer all the subsidiaries included in its consolidation scope, including Snam, the opportunity, with the necessary involvement of all the internal control and audit Committees of the various public interest entities controlled by *CDP*, to sign up to a single Group-wide procedure, aimed, where possible, at identifying a sole external auditor for all the companies controlled by *CDP* and included in its consolidation scope (the "*Single Procedure*").

This procedure was formalised, as far as Snam was concerned, in a communication dated 28 June 2018, with which *CDP*'s Board of Statutory Auditors invited Snam's Board of Statutory Auditors to assess the possibility of signing up to the Single Procedure.

Following an in-depth evaluation of this request, Snam decided to sign up to the Single Procedure, believing that this would allow the relevant bodies of the Company to subsequently assess, entirely independently, whether to make a proposal to the Shareholders' Meeting for Snam's external auditor to be replaced, in order to ensure that the auditing activities would be aligned with those of the parent company *CDP* even for the years after 2019. It is worth remembering that this reasoning

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was also the basis for the change approved by the aforementioned Ordinary Shareholders' Meeting of 24 April 2018 from EY S.p.A. (“*EY*”), the company appointed to audit Snam until 2017, to the existing auditing company *PwC*.

As a result of the Single Procedure, the CDP Shareholders' Meeting of 19 March 2019 resolved to appoint *Deloitte & Touche* S.p.A. (“*Deloitte*”) as external auditor for the 2020-2028 period.

In view of the foregoing, and in the interests of Snam and its subsidiaries, the company departments and corporate bodies, beginning with the Board of Statutory Auditors (both the one in office until 2 April 2019 and the current one), analysed, to the extent of their responsibilities, the results of the selection process and, in particular, the offer presented by *Deloitte* for the tender related specifically to the Snam Group, also comparing it with the existing external auditor appointment of *PwC*, drawing up the subsequent proposals.

In the context of the aforesaid analyses, the following also took place:

- (a) *PwC* was asked, in a letter dated 25 July 2019, whether it was willing, for the reasons stated above, by mutual consent, to terminate the external auditor appointment made by the Shareholders' Meeting of 24 April 2018, under article 13, subsection 4, of Legislative Decree no. 39 of 2010 and article 7 of Ministerial Decree no. 261 of 2012, as well as the additional professional appointments subsequently made by Snam and the similar external auditor appointments made by the subsidiaries, specifying (i) that the auditing activities relating to the financial statements ending on 31 December 2019 will remain the exclusive responsibility of *PwC*; (ii) that, following the termination by mutual consent (if approved by the Shareholders' Meeting), Snam and its Subsidiaries must provide *pro-quota* for *PwC* to be paid the fees owed for the activities performed until that date; and (iii) that no amount will be paid as a penalty for this early termination;
- (b) the relevant acceptance letter was obtained from *PwC*, on 29 July 2019, in which *PwC*, with substantial and general support for the requests formulated by Snam in the aforementioned letter of 25 July 2019, made no comment other than specifying that the termination of the auditing appointment will take effect and will be conditional upon the favourable resolution of

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the Company's Shareholders' Meeting and the appointment of the new auditing company, in accordance with the relevant legislation; and

- (c) the reasoned favourable opinion of the Board of Statutory Auditors was obtained, as shown below, regarding the termination by mutual consent of the external auditor appointment currently held by *PwC* under the aforesaid article 7 of Ministerial Decree no. 261 of 2012.
- (d) the reasoned proposal of the Board of Statutory Auditors was obtained, as shown below, relating to the proposal to appoint the new external auditor of Snam S.p.A.'s accounts for the 2020-2028 period and to determine the respective fees.

As a result of all the foregoing, the Board of Directors, believing the alignment of the Group's auditing activity, and therefore conferral of the appointment as external auditor of Snam's accounts for the financial years 2020-2028 on the external auditor appointed by the controlling shareholder CDP, *i.e. Deloitte*, to be in the best interests of Snam and beneficial in terms of effectiveness, efficiency and cost-effectiveness of the auditing activity, submits for approval by the Ordinary Shareholders' Meeting called for 23 October 2019:

- its proposal for the termination by mutual consent of the appointment as external auditor of the accounts conferred on *PwC* by the Shareholders' Meeting of 24 April 2018 with the comments expressed by the “*outgoing*” auditing firm and the opinion of the Board of Statutory Auditors also on said comments; and at the same time
- the reasoned proposal made by the Board of Statutory Auditors, shown below, relating to the appointment of the external auditor of Snam's accounts for the financial years 2020-2028 and the determination of the respective fees.

\* \* \* \* \*

Shown below is the proposed resolution that will be submitted for approval by the Ordinary Shareholders' Meeting, including both (i) the proposal of the Board of Directors relating to the termination by mutual consent of the existing external auditor appointment, and (ii) the observations made by the independent auditors *PwC* and the respective opinion expressed by the Board of Statutory Auditors on this proposal for termination by mutual consent, and, finally, (iii) the

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proposal by the Board of Statutory Auditors relating to the appointment of the new external auditor for the financial years 2020-2028 and the determination of the respective fees:

*“The ordinary meeting of the shareholders of Snam S.p.A.*

- having examined the explanatory report of the Board of Directors on item 1 of the agenda for the ordinary session;*
- having examined in particular the proposal made by the Board of Directors relating to the termination by mutual consent of the appointment to audit the accounts of Snam S.p.A. made by the Ordinary Shareholders' Meeting of 24 April 2018 for the financial years 2018-2026 in favour of PricewaterhouseCoopers S.p.A. (“PwC”);*
- having taken note, under the combined provisions of article 13, subsection 4, of Legislative Decree no. 39 of 2010 and article 7 of Ministerial Decree no. 261 of 2012, (i) of the letter dated 29 July 2019, with which PwC accepted the termination by mutual consent of the aforesaid auditing appointment and the comments contained therein and (ii) of the favourable opinion of the Board of Statutory Auditors regarding the proposal for termination by mutual consent;*
- considering that, on 19 March 2019, the Ordinary Shareholders' Meeting of the controlling shareholder Cassa Depositi e Prestiti S.p.A. appointed Deloitte & Touche S.p.A. (“Deloitte”) as the external auditor of Cassa Depositi e Prestiti S.p.A. for the financial years 2020-2028;*
- having examined the proposal of the Board of Statutory Auditors regarding the appointment of Deloitte as the external auditor for the financial years 2020-2028 and the determination of the respective fees and noting that, in this specific case, as a result of the final ranking of the Single Procedure, the alternative to appointing the aforesaid Deloitte as the external auditor is to maintain the existing appointment of PwC as external auditor;*

*resolved to*

- approve, under article 13, subsection 4, of Legislative Decree no. 39 of 2010 and article 7 of Ministerial Decree no. 261/2012, the termination by mutual consent of the appointment to audit the accounts of Snam S.p.A. made by the Shareholders' Meeting of Snam S.p.A. of 24*

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*April 2018 for the financial years 2018-2026, in favour of the auditing company PricewaterhouseCoopers S.p.A., with registered office in Milan, Via Monte Rosa 91, tax ID, VAT and Milan Business Register no. 12979880155, registered under no. 119644 of the Register of Auditors held by the competent Ministry (“PwC”); and at the same time*

- *appoint the auditing company Deloitte & Touche S.p.A., with registered office in Milan, Via Tortona 25, tax ID, VAT and Milan Business Register no. 03049560166, registered under no. 132587 of the Register of Auditors held by the competent Ministry, to audit the accounts of Snam S.p.A., pursuant to Regulation (EU) No. 537/2014 and Legislative Decree no. 39 of 2010, for a period of nine financial years, and specifically for the financial years from 2020 to 2028 inclusive, all in accordance with the terms and conditions, including economic ones, contained in the offer presented by Deloitte & Touche S.p.A. on 21 February 2019 and held in the records of the Company, as summarised in the proposal made by the Board of Statutory Auditors, particularly as regards the supervisory contribution, the provision that no additional expenses will be charged in relation to the proposed fees, VAT, the ISTAT adjustment criteria and any other criteria for adjustment of the fees;*
- *to grant a mandate to the Chairman and Chief Executive Officer, severally and with subdelegation powers, to draw up and sign any legal documents and deeds concerning the formalisation of the termination by mutual consent of the external auditor appointment entrusted to PricewaterhouseCoopers S.p.A. and the appointment as the new external auditor of Deloitte & Touche S.p.A., as well as to perform any action, and more generally, carry out any formality required or appropriate for the purposes of the foregoing, in compliance with the provisions of the applicable laws and regulations on the subject”.*

The Chairman of the Board of Directors

Mr Luca Dal Fabbro

## **SNAM S.p.A.**

**Opinion of the Board of Statutory Auditors on the consensual termination of the current appointment as external auditor of the accounts of Snam S.p.A. with *PricewaterhouseCoopers* S.p.A., proposal to confer the new appointment as external auditor of the accounts of Snam S.p.A. for the period 2020-2028 and establishment of the related fees.**

*To the Ordinary Shareholders' Meeting of Snam S.p.A.*

### **1. Introduction**

The external audit of the accounts of Snam S.p.A. ("*Snam*" or also the "*Company*") is currently performed by *PricewaterhouseCoopers* S.p.A. ("*PwC*"), by virtue of the appointment assigned to the latter by the ordinary Shareholders' Meeting of the Company on 24 April 2018 for the years 2018-2026.

As of today, and up until the date of approval of the financial statements for the year 2019, *PwC* is also the company appointed to perform the external audit of the accounts of Cassa Depositi e Prestiti S.p.A. ("*CDP*"), the controlling shareholder of Snam.

In view of the upcoming deadline, in 2018 CDP began the work required prior to the completion of the selection procedure to identify the new external auditor for the nine-year period 2020-2028. CDP's decision to bring forward the start of the selection process by one year with respect to the natural expiry of the audit appointment was motivated, among other things, by the advisability to: (i) eliminate or reduce, as far as possible, incompatibilities deriving from regulations on "*prohibited services*" pursuant to art. 5 of Regulation (EU) 537/2014, under which some types of offices may not be attributed to the subject that is then appointed external auditor in the financial year immediately prior to the period between the start of the audit period and the issue of the audit report (*cooling-in period*); and (ii) to make it easier for the new auditor to takeover the appointment without interruption.

In this context, CDP – considering that almost all the auditing appointments of the subsidiaries included within the consolidation area of CDP (for these limited purposes and in this limited sense, the "*Group*") were likewise assigned to *PwC*, with the expiry dates aligned with the CDP audit assignment, and, therefore, at the approval of the financial statements for the year 2019 – had decided to offer all the companies included within the consolidation area, including Snam <sup>(1)</sup>, the possibility of joining, with the necessary involvement of all the internal control and auditing Committees ("*ICAC*") - *i.e.* the Boards of Statutory Auditors of the various Public Interest Entities ("*PIE*") controlled by CDP (which also includes Snam), a single Group procedure aimed, if possible, at identifying a sole external auditor for all the companies controlled by CDP included in the consolidation area of the latter (the "*Single Procedure*").

This proposal was made in a communication dated 28 June 2018 with which the Board of Statutory Auditors of CDP invited the Board of Statutory Auditors of Snam to assess the possibility of joining the Single Procedure. Note, in this regard, that up until the appointment, by the ordinary Shareholders' Meeting of Snam on 2 April 2019, of the Board of Statutory Auditors currently in office the activities within the remit of the control body relating to the procedure to select the new external auditor of the accounts and the assessment of the related offers were completed by the previous Board of Statutory Auditors, whose appointment came to an end at the aforementioned Shareholders' Meeting of 2 April 2019 <sup>(2)</sup>.

In light of the aforementioned communication, the relevant bodies of Snam, first and foremost the Board of Statutory Auditors, independently assessed that joining the Single Procedure, without prejudice to the resolutions of the Shareholders' Meeting, would make it possible to replace the external auditor of Snam in order to maintain, also for the financial years subsequent to 2019,

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<sup>1</sup> Subject to the control of CDP in accordance with IFRS accounting standards and, therefore, subject to consolidation by CDP, but not subject to the direction and coordination of the latter.

<sup>2</sup> The previous Board of Statutory Auditors, appointed by the Shareholders' Meeting of 27 April 2016, was composed as follows: Mr Leo Amato (Chairman), Mr Massimo Gatto (Standing Auditor) and Ms Maria Luisa Mosconi (Standing Auditor).



alignment between the external audit activities and those of the parent company CDP; this was also the reason – it should be remembered – for the rotation resolved by the Ordinary Shareholders' Meeting of 24 April 2018 between EY S.p.A. ("EY"), the independent auditor of Snam up until 2017, and the current independent auditing firm PwC.

The principle of the "*sole external auditor of the group*", which represents a widespread market practice, is in fact capable of bringing benefits in terms of the effectiveness, efficiency and cost-effectiveness of the auditing process, in line with the different and broader aspects of responsibility introduced by (EU) Regulation 537/2014 and based on the greater streamlining and cost-effectiveness of the services rendered (savings in terms of costs and charges).

In consideration of the foregoing, the Board of Statutory Auditors of Snam, therefore, formally informed CDP of its positive assessment of Snam joining the Single Procedure, specifying that said Procedure should have taken into account, inter alia: (i) the need for independent auditing firms with appropriate requirements in terms of organisation and experience in Snam's reference sector (energy and regulated activities) and in internal control system analysis to be invited to participate in the selection procedure; (ii) more advantageous economic conditions than those in place with PwC; (iii) the circumstance that, in view of the current regulatory provisions that prohibit the PIE - which Snam is - from renewing or conferring a new appointment as external auditor of the accounts on the same auditing firm "*if at least four fiscal years have not passed from the date of cessation of the previous appointment*" (cooling-off period - see art. 17 of Legislative Decree no. 39 of 27 January 2010), for the nine-year period 2020 - 2028 Snam could not (and likewise cannot) confer the appointment as external auditor, obviously, on the external auditor currently in office, i.e. PwC, or on EY, and therefore on the previous independent auditing firm that remained in office, as mentioned, up to the financial year 2017 (inclusive); (iv) the absence of detrimental consequences and impediments to the correct performance of the audit of the financial statements of the Company in view of the early termination of the relationship with PwC and the contextual assignment of the external audit mandate

to the company selected at the end of the Single Tender Procedure.

Moreover, in compliance with the provisions of art. 16 of (EU) Regulation 537/2014, which makes the ICAC - and therefore the Board of Statutory Auditors - responsible for the procedure to select the external auditor, the Board of Statutory Auditors of Snam informed CDP that it wanted to be directly and adequately informed and involved - as then actually occurred - in the individual and different stages of the Single Procedure, and in particular: *(i)* the structuring of the terms and conditions of the same and approval of the tender guidelines and *(ii)* the assessment of the technical and economic aspects of the offers.

As a result of the foregoing, Snam therefore granted CDP a specific mandate to carry out the Single Tender Procedure, also in the name and on behalf of Snam and its Subsidiaries included in the consolidation scope of CDP, without prejudice to the autonomy and independence of Snam and the related Bodies in assessing the results of the tender procedure and deciding whether, and if necessary under which terms, to proceed with the termination of the appointment as external auditor and the conferral of the new appointment as external auditor.

The European restricted tender procedure to award the external auditing of the accounts for the CDP Group for the period 2020-2028, to be awarded on the basis of the most economically advantageous offer pursuant to art. 95 of Legislative Decree no. 50 of 18 April 2016 was then called by CDP, also on behalf of Snam and its Subsidiaries, with invitation to tender no. 155-357376 published in August 2018, in the supplement to the Official Journal of the European Union and the Official Journal of the Italian Republic, Special Series 5 - Public Contracts.

## **2. The Single Tender Procedure**

### **2.1 Participation requirements**

The qualification requirements for admission to the Single Procedure for interested subjects were

identified by balancing (i) the need to ensure the participation of as many parties as possible, in compliance with the requirements of (EU) Regulation 537/2014 and (ii) the need to admit to the procedure only those participants in possession of specific professional, organisational, technical and economic requirements able to meet the needs of each company in the Group, including Snam.

More specifically, participation in the Single Procedure was reserved to economic operators in possession, inter alia, of the following requirements of economic-financial capacity and technical-professional capacity:

- have achieved, in the FY that ended in 2017, a turnover, deriving from the external audit of the annual financial statements and/or consolidated financial statements, of at least 9,000,000 euros;
- have carried out the external audit of the financial statements for the year and/or consolidated financial statements, for the three-year period 2015-2017, of at least two listed companies included in the EURO STOXX 600 index;
- have carried out the external audit of the annual financial statements and/or consolidated financial statements, for the three-year period 2015-2017, of at least one Italian bank with assets in the financial statements of at least 8 billion euros.

## 2.2 Services covered by the tender

The companies admitted to the Single Procedure were asked to submit an offer for auditing and additional auditing services (known as *audit related services*).

In particular, with reference to the main audit services covered by the tender, the following, inter alia, were included:

- the auditing of the financial statements for the year and the consolidated financial statements;
- the limited auditing of the abbreviated half-year individual or consolidated financial statements;
- verification of the correct account-keeping and correct recording of management events in the

accounting records;

- certification, for companies subject to the provisions of Legislative Decree no. 254 of 30 December 2016, of compliance of the non-financial information provided pursuant to the provisions of said Legislative Decree regarding the principles, methodologies and procedures for reporting adopted;
- the limited audit of the Sustainability Report;
- the examination of the information flow (*reporting package*) for preparation of the consolidated, annual and half-yearly financial statements;
- the signing of the tax return and the additional checks to be carried out for this purpose;
- the auditing of the Separate Annual Accounts ("SAA") and the certification of income prepared for the Regulatory Authority for Energy Networks and the Environment ("ARERA").

Whereas, for the main additional auditing services covered by the tender, which are optional, the following, inter alia, were indicated:

- the issuing of an opinion on the Report prepared pursuant to art. 2433-*bis* of the Italian Civil Code for Italian companies that distribute advances on dividends;
- the issuing of a *comfort letter* for a new *Euro Medium Term Notes* bond program ("EMTN") on the annual updating of the EMTN prospectus and on any emissions to be applied under the program;
- assessment of the adequacy of the Corporate Reporting Internal Control System prepared in accordance with Law no. 262 of 28 December 2005 and subsequent amendments.

### 2.3 Criteria for assessing offers

The maximum score attributable to each participant, amounting to 100 points, was divided between the technical score and the economic score, according to the criteria indicated below.

Technical Score: maximum 70 points

For the purpose of attributing the technical score, the following parameters were identified:

- added value of previous experiences: maximum 20 points;
- quantity and mix of the work team: maximum 15 points;
- level of professionalism and experience of the work team: maximum 25 points;
- effectiveness, completeness and concreteness of the work methodology: maximum 10 points.

For offer submission purposes, the companies of the Group that have joined the Single Procedure were grouped into eight homogeneous clusters according to the business exercised and the participating independent auditing firms were asked to submit the offers for each of the aforementioned clusters.

In order to make an overall assessment of the individual technical offers presented an objective weighing factor was identified, directly obtainable from the official data, intended to take account of the heterogeneity of the size, the business exercised, the organisation and the complexity of each company making up the cluster.

*Economic score: maximum 30 points*

The Single Procedure, in fact, pursued the objective of allowing all the participating companies of the Group, including Snam, to benefit from savings in fees for auditing services and additional auditing services with respect to those previously reported in the final accounting.

To this end, with specific reference to Snam, the initial asking price was set as the amount corresponding to the auditing fees of the Snam Group companies pertaining to 2018, reduced by 10%.

With respect to the aforementioned initial asking price, the application of a discount was therefore requested (discount offered), also referable to the additional services (specific and not). In addition to the foregoing a further discount mechanism was also envisaged, to be activated if the cumulative amount of the fees based on the initial asking price granted by the companies of the Group to the same successful tenderer were equal to or greater than the following thresholds:

- (i) if equal to or greater than 70% of the total amount of the fees based on the initial asking price,

- but less than 80% of the same, the discount offered would be increased by a further 2.00%;
- (ii) if equal to or greater than 80% of the total amount of the fees based on the initial asking price, but less than 90% of the same, the discount offered would be increased by a further 2.00%, to be added to the percentage discount referred to in (i);
- (iii) if equal to or greater than 90% of the total amount of the fees based on the initial asking price, but less than 100% of the same, the discount offered would be increased by a further 2.00%, to be added to the percentage discount referred to numbers (i) and (ii) above.

#### 2.4 Main phases of the Single Procedure and final ranking

The Single selection Procedure was carried out in compliance with the provisions of articles 16 and following of (EU) Regulation 537/2014.

In particular, after publication of the invitation to tender, the Procedure was broken down into the following main steps:

- pre-qualification phase consisting of: (a) submission, on 10 September 2018, of expressions of interest by the independent auditing firms interested in taking part in the selection, and specifically by *Deloitte & Touche S.p.A.*, *Ernst & Young S.p.A.* and *KPMG S.p.A.* (“KPMG”); (b) checking that the latter meet the participation requirements set out in the tender documentation;
- upon completion of this phase, all the aforementioned independent auditing firms were admitted to the Single Procedure and were invited to submit their tenders;
- appointment of the Selection Board, made up of five members, one of whom was also appointed to specifically represent Snam;
- assessment, by the Selection Board, of the technical offers submitted by the participating companies and awarding of the relative scores;
- opening of the economic offers and preparation of the preliminary ranking on the basis of the

technical and economic scores awarded to each participating company;

- on 16 January 2019, meeting between the companies of the Group that had joined the Single Procedure and the respective ICAC/Boards of Statutory Auditors, during which the results of the Procedure based on the assessments of the Selection Board and the preliminary ranking, were assessed and shared;
- on 23 January 2019, determination of the following final ranking:
  - 1<sup>st</sup> place: *Deloitte & Touche* S.p.A. <sup>(3)</sup>;
  - 2<sup>nd</sup> place: *EY* S.p.A. <sup>(4)</sup>;
  - 3<sup>rd</sup> place: *KPMG* S.p.A. <sup>(5)</sup>.

As a result of the Single Procedure, the CDP Shareholders' Meeting of 19 March 2019, as proposed by its Board of Statutory Auditors, resolved to appoint *Deloitte & Touche* S.p.A. as external auditor of the accounts for the period 2020-2028.

### **3. Analysis of the offer by Deloitte & Touche S.p.A.**

Taking into account that Snam's decision to join the Single Procedure, for the reasons described above, was motivated by the advisability to assess whether to propose to the Shareholders' Meeting

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<sup>3</sup> Details of the score are set out below:

- technical score: 67.662;
- technical score re-weighted: 69.190;
- economic offer score: 30,000 (discount offered 12.150%);
- overall score (re-weighted): 99.190.

<sup>4</sup> Details of the score are set out below:

- technical score: 68.454;
- technical score re-weighted: 70.000;
- economic offer score: 28.530 (discount offered: 10.277%);
- overall score (re-weighted): 98.530.

<sup>5</sup> Details of the score are set out below:

- technical score: 66.901;
- technical score re-weighted: 68.413;
- economic offer score: 29.276 (discount offered: 11.200%);
- overall score (re-weighted): 97.689.

of the Company that the current external auditor (*PwC*) be replaced by the same auditor appointed by the parent company CDP (“*Deloitte*”), the Board of Statutory Auditors of Snam, with the support of the relevant company departments, examined its own assessments with particular regard to the offer submitted for Snam and for its Subsidiaries by *Deloitte* <sup>(6)</sup>.

In particular, with regard to the aforementioned offer, the following checks were also conducted and had a positive outcome: (i) consistency of names presented and what was set forth in the tender documents, as well as control of the professional mix (*Partners* ≥ 10%, *Managers* ≥ 25%, *Expert Auditors* ≥ 30%) and analysis of the experience and skills of the *curricula* of the professional figures; (ii) consistency between auditing services and optional (additional) auditing services proposed and what was listed in tender documents (iii) congruity of listing of new companies that have joined the Group’s consolidation area following definition of the tender scope and (iv) economic analysis of what is proposed related to the initial asking price with control of correct application of the discount declared.

With particular reference to the economic terms of the offer submitted by *Deloitte* with regard to Snam S.p.A., the following table indicates the relative efforts and fees, divided into the individual activities, applicable to each business year.

<b>Service</b>	<b>effort (hours)</b>	<b>Prices (euros)</b>
External Audit of the financial statements for the year	999	71,874
External audit of the consolidated financial statements of the Group	225	15,544
Limited auditing of abbreviated interim consolidated financial statements	299	20,616
Verification of compliance on the non-financial statement for issuing the certification required by art. 3, subsection 10 of Legislative Decree no. 254/2016	172	14,800

<sup>6</sup> Moreover, it would not be possible for Snam to appoint for the financial years 2020 - 2028 the independent auditing firm that came second in the final ranking, namely *EY*, due to the mentioned *cooling-off* required by art. 17 of Legislative Decree 39/2010.



Auditing of consolidated separate annual accounts (unbundling )	76	5,251
Issue of the opinion on the report prepared pursuant to art. 2433- <i>bis</i> of the Italian Civil Code on the distribution of advances on dividends	245	17,570
Assessment of adequacy of Corporate Reporting Internal Control System	1,646	118,598
<b>Total</b>	<b>3,662</b>	<b>264,253</b>

In this regard it is specified that, according to the indications given in the offer submitted by *Deloitte*:

- the external audit of the annual financial statements includes: (i) verification of the coherence of the report on operations and the information in the corporate governance and ownership structure report with the financial statements and compliance of the report on operations with the law; (ii) check that the company's accounts are being correctly kept and management operations duly noted in the accounting records; (iii) activities regarding the signing of tax statements and (iv) the voluntary review of the sustainability report <sup>(7)</sup>;
- the auditing of the Group's consolidated financial statements includes: (i) the coordination, acquisition and analysis of the results of the audit work carried out by other independent auditing firms <sup>(8)</sup> (in application of auditing standard ISA 600) and (ii) an examination of the information provided to the Parent Company for the preparation of the consolidated financial statements ("*annual reporting package*");
- the assessment of the adequacy of the Corporate Reporting Internal Control System ("*SCIS*") is related to the additional appointment assigned on a voluntary basis of particular importance established by Legislative Decree 262/2005, aimed at ensuring the performance of the analysis of the internal control system linked to the preparation of the financial reporting for drawing up Snam's annual financial statements and consolidated financial statements for the purpose of issuing a specific professional opinion on the adequacy of the same.

The following table sets out the overall framework of fees indicated in the *Deloitte* offer with reference to the various companies of the Snam Group, compared to those for the current

<sup>7</sup> It is specified that these activities will also be carried out for companies established and/or acquired by Snam after the date on which the tender is announced to which the economic conditions defined in the tender are and/or will be applied.

<sup>8</sup> Reference is made to the investee companies of Snam with a different auditor from the main one.

appointments assigned to *PwC*.

<b>Company</b>	<b>PWC fees (euros)</b>	<b>Deloitte &amp; Touche S.p.A. fees (euros)</b>
Snam S.p.A.	332,000	264,253
Snam Rete Gas S.p.A.	99,500	81,042
Stogit S.p.A.	82,500	65,229
GNL Italia S.p.A.	25,000	19,766
<i>Gasrule Insurance</i> D.A.C.	47,000	37,161
Snam 4 Mobility S.p.A.	17,500	13,836
Asset Company 2 S.r.l.	12,500	9,883
Infrastrutture Trasporto Gas S.p.A.	31,000	24,510
Cubogas S.r.l.	18,000	14,232
IES Biogas S.r.l.	32,000	26,882
Snam International B.V.	24,500	19,371
TEP Energy Solution S.r.l.	28,000	22,138
Enersi Sicilia S.r.l.	12,500	9,580
Asset Company 4 S.r.l.	12,500	9,883
Enura S.p.A. (formerly Asset Company 5 S.r.l.)	26,000	20,557
<b>Total</b>	<b>800,500</b>	<b>638,323</b>

Deloitte's fees indicated above will be increased by the supervisory contribution to the extent due and VAT. No additional costs with respect to the above will be charged.

The fees stated above will be adjusted to take account of the changes to the tariffs over time; the annual adjustment will be equal to the percentage of the change to the ISTAT index relating to the cost of living (based on July 2020) and will come into effect from FY 2021.

For the purposes of and at the end of the technical analysis of the presentation document delivered and adequately commented on by *Deloitte* - at and during the specific meeting held on 10 July 2019 - it was ascertained that: (i) the review methods outlined, considering the hours and professional

resources envisaged, are adequate for the scale and complexity of the appointment; (ii) *Deloitte* has the organisation and technical-professional expertise suitable for the scale and complexity of the appointment; (iii) in compliance with the provisions on independence, the offer contains a commitment by *Deloitte*, in order to comply with the provisions of articles 10 and 17 of Legislative Decree no. 39/2010, to monitor its independence and promptly put in place the safeguards deemed necessary each time in accordance with the regulatory provisions and the applicable auditing standards.

As regards the economic aspects in particular, the comparison made between the fees proposed by *Deloitte* with respect to those applied by *PwC* shows that the total savings on audit services amounts to a total of around 162,000 euros (20% less overall, including the expected reduction on the initial asking price (8% less), in addition to the further improved offer of 12.15% less).

An analysis of these savings shows that the overall reduction is the consequence of slightly lower tariffs set by *Deloitte* (2% less) with respect to the tariffs established by *PwC* and a significant reduction of the hours envisaged by *Deloitte* (30% less), which are moreover more concentrated in the professional figures of Assistant and Partner, partly offset by the increased quality of the mix of the professional team which has been remodulated, in particular, in the professional figures of Manager and Expert Auditor (12% higher), as better justified in the following paragraph.

This is due to both (i) the very structure of the Single Procedure, which - as described above - required participants to provide a minimum discount of 10% on the 2018 fees in addition to further discounts to be offered during the tender process, also linked to the total number of appointments conferred on the same auditor by all the Group companies that joined the Single Procedure and (ii) to some characteristics of the methodological approach to the audit that *Deloitte*, if appointed, would apply with reference to Snam and its Subsidiaries.

With regard to this last aspect, the Board of Statutory Auditors of Snam, at the meeting on 10 July 2019, met *Deloitte's* audit team in order to obtain more information on the aforementioned

methodological approach and to ensure that the cost savings described above cannot in any way affect the quality or independence of the external audit of the accounts.

In this regard, it emerged that the method proposed by *Deloitte* for performing the audit services in question includes the significant use of technology to support all stages of the auditing process and in particular involves the adoption of "*innovative audit*" tools, including *Audit Analytics* and the *Deloitte Apps*, aimed at achieving greater effectiveness and efficiency in the performance of the audit activities relating to data characterised by the number and complexity of the related populations.

Technology is at the heart of the auditing plan proposed and its use is foreseen at every stage of the process itself (planning, risk assessment, tests of control, substantive testing and final reporting).

The Data Analytics tools increase the effectiveness and efficiency of the overall audit process as they significantly reduce the data collection and processing time, extend the analysis to all data populations, and improve the identification and assessment of risks relating to areas of the financial statements, thanks to the immediate and dynamic possibility of identifying categories of transactions with similar characteristics that are relevant for auditing purposes (known as *clusters* of transactions) or anomalous or unusual transactions with respect to the entire population and, consequently, mean a targeted design of audit procedures or tests of control and substantive testing can be produced.

In order to ensure compliance with professional standards, the tools mentioned above are submitted in advance for examination by the Professional Practice Director Office of *Deloitte* which is responsible for verifying their adequacy and compliance with auditing principles and professional auditing standards. Furthermore, the audit process requires the audit team assigned for each appointment to carry out sample tests on the transactions and information provided in the databases acquired in order to check correspondence with the supporting documentation, just as it requires information systems specialists to check in advance the overall reliability and security of the IT architecture of the company information systems.

The foregoing with regard to the new auditing approach affects the composition of the relative

working group and involves an overall reduction of the estimated hours of the auditing appointment due to the combined effect of two distinct factors: on the one hand, a reduction in the estimated use of less expert resources belonging to the category of auditors with professional experience of up to three years, and on the other the greater presence of expert resources with multidisciplinary expertise in addition to specialised IT skills.

Finally, with the aim of meeting the requirements and specific characteristics of the audit process of the Snam Group, *Deloitte's* proposal envisages the involvement of a working group made up of resources with high professional experience and, more specifically, experience in the reference sector of the Snam Group, having gained specific expertise and knowledge during previous and current audit appointments, together with participation, right from the preliminary review and providing ongoing support to the working group, in a multidisciplinary team of specialists in information systems, Valuation & Impairment, tax, legal, financial instruments and Capital Market matters.

#### **4. Opinion on the consensual early termination of the appointment conferred upon *PwC***

In consideration of the foregoing, on 25 July 2019, Snam asked *PwC* to confirm its willingness to consensually terminate, pursuant to art.13, subsection 4, of Legislative Decree 39/2010, and article 7 of the Decree of the Ministry of the Economy and Finance no. 261 of 28 December 2012, the appointment as external auditor of the accounts conferred on it by the Shareholders' Meeting of Snam on 24 April 2018, the additional professional tasks subsequently conferred due to the extension of the scope of the group, and similar tasks conferred by the Subsidiaries, specifying (i) that, if said resolution should be approved by the Shareholders' Meeting pursuant to law, the auditing activities related to the financial statements of Snam and its Subsidiaries as at 31 December 2019 would in any case be the exclusive remit of *PwC* (until approval by the respective Shareholders' Meetings); and (ii) that, following the consensual termination, Snam and its Subsidiaries will be required to pay *PwC pro-quota* the fees due for the services rendered up until the corresponding date, while no payment

of any sums by way of penalties for said early termination is envisaged.

With a letter dated 29 July 2019, PwC, in compliance with art. 7 of Ministerial Decree no. 261/2012, made its observations and confirmed to Snam that it was willing to agree to the consensual termination of the appointment as external auditor, represented in the terms set out above, it being understood that this resolution will take effect and will be conditional upon the favourable resolution of the Shareholders' Meeting of the Company and the appointment of the new independent auditing firm, in compliance with the provisions of current legislation.

In light of the foregoing, the Board of Statutory Auditors noted how any termination, with effect from FY 2020, of the appointment as external auditor currently assigned to PwC and the contextual conferral of the new appointment as external auditor for the financial years 2020-2028, to the same auditor appointed by CDP (*Deloitte*) would, as mentioned, maintain the alignment of the auditing activities with a sole auditor of the group.

This requirement, which had already been felt in 2018 when the previous external auditor *EY* was replaced by PwC, is intended to preserve the principle of the sole auditor of the group, already agreed and resolved by the Shareholders' Meeting in April 2018, making it possible, moreover, to achieve alignment in terms of the duration of the auditing appointment of the parent company CDP and the duration of the appointment of Snam, the expiry of which, as is known, currently do not coincide.

The assignment of auditing activities to the external auditor of the group would mean that benefits can be obtained in terms of the efficiency and cost-effectiveness of the auditing. This choice is more suitable to ensure, *inter alia*: (i) greater effectiveness and efficiency in the auditing process in line with the existing regulatory framework and, in particular, with the various and more extensive responsibilities, in the case of the co-existence of several auditors, envisaged by (EU) Regulation 537/2014; (ii) better fluidity and efficiency of the information flows; and (iii) better streamlining and cost-effectiveness of the services rendered, in terms of the costs and duties, in the specific interest of Snam, where and by contrast maintaining a different auditor to that used by the parent company would

create additional work regarding the obligations, disclosure duties and related costs.

The greater efficiency and cost-effectiveness linked to maintenance of the sole external auditor of the Group is also evidenced from a comparison, set out above, between (i) the economic offer submitted to Snam by *Deloitte*, upon completion of the Single Procedure, and (ii) the economic conditions of the current external audit contract with *PwC*.

\* \* \* \* \*

Therefore, on the basis of the evidence received, as well as the checks carried out and the reasons set out above, also taking into account the observations made by *PwC* in its communication dated 29 July 2019 <sup>(9)</sup>, the Board of Statutory Auditors of Snam S.p.A., pursuant to and for the effects of the combined provisions of articles 13, subsection 4, of Legislative Decree no. 39/2010 and 7 of Ministerial Decree no. 261/2012, expressed a favourable opinion on the proposal that will be submitted by the Board of Directors for the approval of the Shareholders' Meeting of 23 October 2019, ordinary session, for the early consensual termination of the appointment as external auditor conferred on the Independent auditing firm *PwC* by the Shareholders' Meeting of Snam on 24 April 2018.

## **5. Reasoned proposal to confer the new appointment as external auditor**

As regards the resulting (and simultaneous) conferral of the new appointment as external auditor of the accounts for the financial years 2020 - 2028, the Board of Statutory Auditors first recalled that, pursuant to the combined provisions of article 16 of (EU) Regulation 537/2014 and article 13 of Legislative Decree 39/2010, the ordinary Shareholders' Meeting on the reasoned proposal of the Board of Statutory Auditors, awarded the auditing appointment and determined the corresponding fee for the entire duration of the appointment, as well as any criteria by which to adjust said fee.

In particular, the aforementioned Article 16 of (EU) Regulation 537/2014 provides that the

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<sup>9</sup> Observations made, moreover, at and during the specific meeting at the company's registered offices.

recommendation (*rectius*, according to our legal system, the proposal) of ICAC (*rectius*, according to our legal system, the Board of Statutory Auditors) must contain "*at least two possible alternatives to confer*" and must indicate "*a duly justified preference for one of the two.*"

This provision, which governs the "*ordinary*" case relating to the conferment of a new appointment as external auditor, with effect from the "*natural*" expiry of the previous appointment, essentially aims to allow the Shareholders' Meeting - body entitled to confer the appointment - to be able to assess and compare at least two different offers.

In the different hypotheses of conferral of the new appointment as external auditor arising from the consensual early termination of the previous appointment as external auditor, justified by the desire to award the new appointment to the sole external auditor of the group, the aforementioned need for the Shareholders' Meeting to make a comparison can only refer to a comparison between (*i*) the conditions of the appointment in place and (*ii*) those proposed for the new appointment by the sole auditor of the group.

In this case, and without prejudice to the foregoing on the offer by *Deloitte*, the prior termination of the appointment in place with *PwC* is in fact justified exclusively - and of course "*conditionally*" upon - the conferral of the new appointment to the external auditor of the parent company CDP, and therefore to *Deloitte*.

Therefore, the proposal of the Board of Statutory Auditors on the conferral of the new appointment as external auditor for the financial years 2020-2028, set out below, refers to *Deloitte* alone. The alternative, in this particular case, must be represented by non-termination of the appointment in place with *PwC* and the consequent maintenance of the *status quo*.

\* \* \* \* \*

In light of the foregoing, pursuant to the combined provisions of article 16 of (EU) Regulation 537/2014 and article 13 of Legislative Decree 39/2010, the Board of Statutory Auditors:

– considering that the consensual early termination of the appointment as external auditor of the



accounts of Snam S.p.A. currently assigned to *PricewaterhouseCoopers* S.p.A., in relation to which the same Board of Statutory Auditors had given its favourable opinion pursuant to art. 7 of Ministerial Decree 261/2012, is motivated by the desire to maintain alignment – also in terms of the duration of the appointments – between the external auditor of the accounts of Snam S.p.A. and of the parent company Cassa Depositi e Prestiti S.p.A.;

- taking into account that the Ordinary Shareholders' Meeting of the parent company Cassa Depositi e Prestiti S.p.A., on 19 March 2019, appointed *Deloitte & Touche* S.p.A. as external auditor for the financial years 2020 - 2028,

proposed to the Ordinary Shareholders' Meeting of Snam S.p.A.

- the appointment as external auditor of Snam S.p.A., pursuant to (EU) Regulation 537/2014 and Legislative Decree 39/2010, for the duration of nine financial years, and specifically the financial years 2020 -2028, of the independent auditing firm *Deloitte & Touche* S.p.A., with registered office in Milan, Via Tortona no. 25, tax code, VAT and Milan Business Register number 03049560166, registered under no. 132587 of the Register of External Auditors held at the relevant Ministry, all in accordance with the terms and conditions, including economic, contained in the offer submitted by *Deloitte & Touche* S.p.A. and retained among the official documents of the Company, as summarised in the proposal of the Board of Statutory Auditors, also as regards the supervisory contribution, the provision that no additional expenses will be charged in relation to the proposed fees, VAT, the ISTAT adjustment criteria and any other fee adjustment criteria, subject to resolution of the same Shareholders' Meeting on the consensual termination of the appointment conferred on *PricewaterhouseCoopers* S.p.A. by the Shareholders' Meeting of 24 April 2018 and, in any case, in continuity with respect to said resolution;
- the conferral of a mandate on the Chairman and the Chief Executive Officer, separately and with the option to sub-delegate, to prepare and sign all documents and legal transactions to

formalise the conferral of the new appointment as external auditor of the accounts on *Deloitte & Touche* S.p.A., as well as to carry out any act and, more generally, to execute all the formalities that are necessary or even only appropriate for the purposes of the foregoing, in compliance with the relevant legal and regulatory provisions in force,

and declared

that the proposal referred to above was not influenced by third parties and that in compliance with art. 16, paragraph 6, of Regulation (UE) no. 537/2014 none of the clauses limiting the choice to specific categories or lists of external auditors or auditing firms were applied.

This reasoned opinion, together with the explanatory report of the Board of Directors on the proposals concerning the items under point 1 of the agenda and the resolution of the Shareholders' Meeting on the consensual early termination of the appointment as external auditor of the accounts with *PwC* and the simultaneous appointment of the external auditor of the accounts, shall be the subject of a mandatory disclosure made by Snam to Consob in compliance with the terms and procedures laid down by the current legislative and regulatory provisions on the matter.

San Donato Milanese, 30 July 2019

The Board of Statutory Auditors of Snam S.p.A.

Mr Stefano Gnocchi (Chairman)

Mr Gianfranco Chinellato (Standing Auditor)

Ms Donata Paola Patrini (Standing Auditor)



energy to inspire the world

San Donato Milanese, 25 July 2019  
Ref. 16/AMBIL/2019

To  
PriceWaterhouseCoopers S.p.A.  
Via Monte Rosa, 91  
20149 Milan (MI)

for the kind attention of Mr Giulio

**Subject: Consensual termination of the appointment as external auditor of the accounts**

Dear Sirs,

Further to the contact that has taken place, we make reference herein to the assignment conferred by the Shareholders' Meeting of Snam S.p.A. (the "Company" or also "Snam"), at the meeting held on 24 April 2018, for the external audit of the accounts for the period 2018-2026, in this regard as indicated below.

In a communication dated 28 June 2018, Cassa depositi e prestiti S.p.A. ("CDP"), the controlling shareholder of Snam pursuant to accounting standard IFRS 10, explained the possibility to Snam's Board of Statutory Auditors of joining a single tender procedure (the "Single Procedure") aimed, where possible, at identifying a sole external auditor for the financial years 2020-2028 for all the companies included in the consolidation area of CDP (for such limited purposes, the "Group"), which also includes Snam as per accounting standard IFRS10 (Consolidated Financial Statements).

CDP's choice to propose that the companies falling within its consolidation area perform the Single Procedure was also based on the fact that almost all the audit assignments of the subsidiaries included within the consolidation area of CDP were due to expire at the same time as the audit assignment of CDP, and therefore upon the approval of the financial statements relating to FY 2019.

Snam, reserving the right to make any subsequent and independent assessment of the outcomes of the selection procedure and of any subsequent decisions made by the relevant corporate bodies, decided to take up the opportunity offered by CDP and therefore conferred a specific mandate on the latter to announce and perform the Single Procedure, also in the name and on behalf of Snam and its subsidiaries falling within the consolidation area of CDP itself.

At the end of the Single Procedure, the Shareholders' Meeting of the parent company CDP held on 19 March 2019 appointed *Deloitte & Touche* S.p.A. as the external auditor for the financial years 2020-2028.



In the Company's opinion, maintaining a sole auditor for the Group, and therefore – in this case – assigning the external audit of the accounts of Snam to the same external auditor appointed by CDP, serves to ensure: (i) greater effectiveness and efficiency in the auditing process in line with the existing regulatory framework, in consideration of the various and more extensive responsibilities - in the case of the co-existence of several auditors - envisaged by Legislative Decree no. 135/2016 and Regulation (EU) no. 537/2014; (ii) better fluidity and better coordination of the information flows; and, last but not least, (iii) alignment in terms of the duration of the auditing appointment of the parent company CDP and the duration of the appointment of Snam, which, as is known, currently do not coincide.

All that having been said, following on from what has already been mentioned, we hereby ask you to confirm - pursuant to art. 13, subsection 4, of Legislative Decree 27 January 2010, no. 39 and art. 7 of the Decree of the Ministry of the Economy and Finance no. 261 of 28 December 2012 - your amenability, for the reasons set out above, to the consensual termination of the appointment conferred upon you by the aforementioned Shareholders' Meeting of 24 April 2018 as external auditor of the accounts of the Company for the financial years 2018-2026, the additional professional assignments subsequently conferred by Snam and similar assignments conferred by the Subsidiaries, effective as of FY 2020.

It being understood that the consensual termination of the aforementioned appointments shall be conditional upon the approval of the same by the competent Shareholders' Meetings and the contextual appointment of a new external auditor of the accounts for the financial years 2020-2028.

If said resolution is approved, pursuant to law, the remaining activities regarding the financial statements of Snam and the other companies of the Snam group for the year ending 31 December 2019 shall be audited by you (up until approval of the respective Shareholders' Meetings). Following the consensual termination, Snam and its Subsidiaries shall be required to pay you *pro-quota* any fees due for the services rendered up until the corresponding date, while no payment shall be due by way of a penalty in respect of early termination.

We look forward to receiving your kind response.

Kind regards,

**Franco Pruzzi**  
Senior Vice President  
Administration, Budget and Finance



To  
**Snam S.p.A.**  
Piazza Santa Barbara, 7  
20097 San Donato Milanese (MI)

For the attention of Mr Franco Pruzzi as the Senior Vice President of Administration, Budget and Finance, and the Officer responsible for the preparation of financial reports

For the attention of the Board of Statutory Auditors/Internal Control and Audit Committee represented by the Chairman Mr Stefano Gnocchi

Milan, 29 July 2019

**Appointment as external auditor of the accounts, pursuant to articles 16 and 14 of Legislative Decree no. 39/2010 for the period 2018-2026.  
Response to your proposal for conditional consensual early termination.  
Your ref. 16/AMBIL/2019.**

To the Company,  
Dear Sirs,

Further to your communication dated 25 July 2019, which announced:

- the completion of the Single Procedure [*"(...) single tender procedure (...) to identify a sole external auditor for the financial years 2020-2028 for all the companies included in the consolidation area (...)"*] by your parent company,
- the related, consequential Shareholders' Meeting of your parent company, held on 19 March 2019, which resolved to confer the appointment as external auditor of the accounts pursuant to articles 16 and 14 of Legislative Decree no. 39/2010 on a different auditor for the period 2020-2028,
- your positive assessment of the possibility of seizing this alignment opportunity regarding the conferral of the audit assignment proposed by your parent company.

### **PricewaterhouseCoopers SpA**

Registered and administrative office: **Milan** 20149 Via Monte Rosa 91 Tel. 0277851 Fax 027785240 Share Capital 6 890,000.00 euros fully paid-up, Tax Code and VAT no. and Milan Business Register no. 12979880155 Registered under no. 11964.4 of the Register of Auditors - Other Offices: **Ancona** 60131 Via Sandro Tolti 1 Tel. 0712132311 - **Bari** 70122 Via Abate Cimata 72 Tel. 0805640211 - **Bologna** 40126 Via Angelo Entelli 8 Tel. 0516186211 - **Brescia** 25123 Via Borgo Pietro Wuhrer 23 Tel. 0303697501 - **Catania** 93129 Corso Italia 302 Tel. 0957532311 - **Florence** 50121 Viale Granisci 15 Tel. 0552482811 - **Genoa** 16121 Piazza Piccapietra 9 Tel. 01029041 - **Naples** 80121 Via dei Mille 16 Tel. 08136181 - **Padua** 35138 Via Vicenza 4 Tel. 049873481 - **Palermo** 90141 Via Marchese Ugo 60 Tel. 091349-37 • **Parma** 43121 Viale T. ntara 20/A Tel. 0521275911 - **Pescara** 65127 Piazza Ettore Trailo 8 Tel. 0854545711 - **Rome** 00154 Largo Fochetti 29 Tel. 06570251 - **Turin** 10122 Corso Palestro 10 Tel. 011556771 - **Trento** 38122 Viale della Costituzione 33 Tel. 0461237004 - **Treviso** 31100 Viale Felissent 90 Tel. 0422696911 - **Trieste** 34125 Via Cesare Battisti 18 Tel. 0403480781 - **Udine** 33100 Via Poscolle 43 Tel. 043225789 - **Varese** 21100 Via Albuzzi 43 Tel. 0332285039 - **Verona** 37135 Via Francia 21/C Tel. 0458263001 - **Vicenza** 36100 Piazza Pontelandolfo 9 Tel. 0444393311



As a corollary to this, in the same communication dated 25 July 2019 this company was informed of the fact that at audit level this alignment would be conditional upon approval of the consensual termination of the current audit assignment by the competent Shareholders' Meetings of SNAM SpA and its subsidiaries and the contextual conferral of the new appointment as external auditor of the accounts for the years 2020-2028.

You therefore proposed the consensual termination, pursuant to article 13 of Legislative Decree no. 39/2010 and article 7 of Ministerial Decree no. 261/2012, of the existing appointment with the undersigned company but with delayed effectiveness, that is from the next and subsequent financial statements of your company for the year ending 31 December 2020; therefore the external audit of the accounts of your company for the financial year ending 31 December 2019 is still the remit of the undersigned company.

PwC has acknowledged this prospective decision and declares it is willing to comply with the consensual termination you have proposed and that it does not have any particular observations to make.

Your company is kindly asked to send a notice that it has acknowledged the content of this letter.

It is understood that payment for the audit work currently being carried out and the subsequent audit work carried out on the financial statements of your company for the year ending 31 December 2019 will be governed according to the contractual conditions agreed.

Lastly, you are asked – as soon as it is objectively possible – to send, for the attention of PwC, a copy of the resolution of the shareholders' meeting approving the conditional consensual termination and the consequential new conferral for the period 2020-2028 on a different auditor.

In anticipation of your kind reply, we extend our warmest regards.

PricewaterhouseCoopers SpA

Giulio Grandi  
(Partner)